- ---

- ---

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

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NO. 1-11680

GULFTERRA ENERGY PARTNERS, L.P.
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	76-0396023
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
4 GREENWAY PLAZA HOUSTON, TEXAS	77046
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (832) 676-4853

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [ ]

The registrant had 58,361,149 common units outstanding as of October 29, 2003.

- ---

- ---

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GULFTERRA ENERGY PARTNERS, L.P.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)
(UNAUDITED)

QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
2003	2002	2003	2002
Operating revenues	$283,666	$122,249	$872,701	$304,282
Operating expenses				
Cost of natural gas and other products	134,112	27,767	432,159	67,268
Operation and maintenance	51,221	32,838	140,416	76,531
Depreciation, depletion and amortization	25,218	19,274	73,761	49,939
(Gain) loss on sale of long-lived assets	(18,964)	434	(18,707)	119
	191,587	80,313	627,629	193,857
Operating income	92,079	41,936	245,072	110,425
Other income (loss)				
Earnings from unconsolidated affiliates	3,195	3,168	9,498	10,541
Minority interest expense	(889)	(8)	(969)	(13)
Other income	250	320	942	1,181
Interest and debt expense	33,197	22,070	99,521	55,362
Loss due to write-off of debt issuance costs	1,225	--	4,987	--
	60,213	23,346	150,035	66,772
Income from continuing operations				
Income from discontinued operations	--	456	--	4,901
Cumulative effect of accounting change	--	--	1,690	--
Net income	$ 60,213	$ 23,802	$151,725	$ 71,673
Income allocation				
Series B unitholders	$ 4,018	$ 3,693	$ 11,792	$ 10,875
General partner				
Continuing operations	$ 18,031	$ 10,755	$ 48,747	$ 30,245
Discontinued operations	--	5	--	49
Cumulative effect of accounting change	--	--	17	--
	$ 18,031	$ 10,760	$ 48,764	$ 30,294
Common unitholders				
Continuing operations	$ 31,337	$ 8,898	$ 72,951	$ 25,652
Discontinued operations	--	451	--	4,852
Cumulative effect of accounting change	--	--	1,340	--
	$ 31,337	$ 9,349	$ 74,291	$ 30,504
Series C unitholders				
Continuing operations	$ 6,827	$ --	$ 16,545	$ --
Cumulative effect of accounting change	--	--	333	--
	$ 6,827	$ --	$ 16,878	$ --
Basic earnings per common unit				
Income from continuing operations	$ 0.63	$ 0.20	$ 1.54	$ 0.61
Income from discontinued operations	--	0.01	--	0.11
Cumulative effect of accounting change	--	--	0.03	--
Net income	$ 0.63	$ 0.21	$ 1.57	$ 0.72
Diluted earnings per common unit				
Income from continuing operations	$ 0.62	$ 0.20	$ 1.53	$ 0.61
Income from discontinued operations	--	0.01	--	0.11
Cumulative effect of accounting change	--	--	0.03	--
Net income	$ 0.62	$ 0.21	$ 1.56	$ 0.72
Basic weighted average number of common units outstanding	50,072	44,130	47,388	42,373
Diluted weighted average number of common units outstanding	50,385	44,130	47,653	42,373
Distributions declared per common unit	$ 0.70	$ 0.65	$ 2.05	$ 1.93

See accompanying notes.

GULFTERRA ENERGY PARTNERS, L.P.

CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT UNIT AMOUNTS)
(UNAUDITED)

SEPTEMBER 30, 2003	DECEMBER 31, 2002
ASSETS	
Current assets	
Cash and cash equivalents	$ 58,944
	$ 36,099
Accounts receivable, net	174,781
	223,345
Affiliated note receivable	22,051
	17,100
Other current assets	19,972
	3,451
Total current assets	275,748
	279,995
Property, plant, and equipment, net	2,800,089
	2,724,938
Intangible assets	
	3,426
	3,970
Investment in unconsolidated affiliates	157,375
	78,851
Other noncurrent assets	
	45,131
	43,142
Total assets	
	$3,281,769
	$3,130,896
LIABILITIES AND PARTNERS' CAPITAL	
Current liabilities	
Accounts payable	$
	151,226
	$ 212,868
Accrued interest	
	42,341
	15,028
Current maturities of senior secured term loan	5,000
	5,000
Other current liabilities	17,923
	21,195
Total current liabilities	216,490
	254,091
Revolving credit facility	328,000
	491,000
Senior secured term loans, less current maturities	152,500
	552,500
Long-term debt	
	1,405,271
	857,786
Other noncurrent liabilities	30,148
	23,725
Total liabilities	
	2,132,409
	2,179,102
Minority interest	
	2,465
	1,942
Partners' capital	
Limited partners Series B preference units; 123,865 and 125,392 units issued and outstanding	167,385
	157,584
Common units; 50,533,649 and 44,030,314 units issued and outstanding	
	626,920
	437,773
Series C units; 10,937,500 units issued and outstanding	
	345,194
	351,507
General partner	
	10,367
	8,610
Accumulated other comprehensive loss	(2,971)
	(5,622)
Total partners' capital	1,146,895
	949,852
Total liabilities and partners' capital	$3,281,769
	$3,130,896

See accompanying notes.

GULFTERRA ENERGY PARTNERS, L.P.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30,	
2003	2002
Cash flows from operating activities Net income	$ 151,725
	$ 71,673
Less cumulative effect of accounting change	1,690
	--
Less income from discontinued operations	--
	4,901
Income from continuing operations	150,035
	66,772
Adjustments to reconcile net income to net cash provided by operating activities Depreciation, depletion and amortization	73,761
	49,939
Distributed earnings of unconsolidated affiliates Earnings from unconsolidated affiliates	(9,498)
	(10,541)
Distributions from unconsolidated affiliates	11,390
	13,140
(Gain) loss on sale of long-lived assets	(18,707)
	119
Write-off of debt issuance costs	4,987
	--
Other noncash items	1,973
	1,193
Working capital changes, net of effects of acquisitions and noncash transactions	(4,586)
	12,914
Net cash provided by continuing operations	209,355
	133,536
Net cash provided by discontinued operations	--
	5,007
Net cash provided by operating activities	209,355
	138,543
Cash flows from investing activities Additions to property, plant and equipment	(246,295)
	(146,544)
Proceeds from sale and retirement of assets	77,448
	5,460
Additions to investments in unconsolidated affiliates	(33,879)
	(30,364)
Proceeds from sale of equity investments	1,342
	--
Cash paid for acquisitions, net of cash acquired	--
	(741,416)
Net cash used in investing activities of continuing operations	(201,384)
	(912,864)
Net cash provided by investing activities of discontinued operations	--
	186,477
Net cash used in investing activities	(201,384)
	(726,387)
Cash flows from financing activities Net proceeds from revolving credit facility	298,000
	278,731
Repayments of revolving credit facility	(461,000)
	(10,000)
Repayment of senior secured acquisition term loan	(237,500)
	--
Net proceeds from GulfTerra Holding term loan	--
	530,529
Repayment of GulfTerra Holding term loan	(160,000)
	--
Repayment of senior secured term loan	(2,500)
	(375,000)
Repayment of Argo term loan	--
	(95,000)
Distributions to minority interests	(642)
	--
Net proceeds from issuance of long-term debt	537,537
	229,576
Net proceeds from issuance of common units and Series F convertible units	208,949
	150,397
Distributions to partners	(167,974)
	(112,752)
Contribution from General Partner	4
	560
Net cash provided by financing activities of continuing operations	14,874
	597,041
Net cash used in financing activities of discontinued operations	--
	(3)
Net cash provided by financing activities	14,874
	597,038
Increase in cash and cash equivalents	22,845
	9,194
Cash and cash equivalents Beginning of period	36,099
	13,084
End of period	$ 58,944
	$ 22,278
Schedule of noncash investing and financing activities: Investment in Cameron Highway Oil Pipeline Company Joint Venture	$ 50,836
	$ --
Redemption of Series B preference units contributed from our General Partner	$ 1,986
	$ --

See accompanying notes.

GULFTERRA ENERGY PARTNERS, L.P.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
AND CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME
(IN THOUSANDS)
(UNAUDITED)

COMPREHENSIVE INCOME

QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
2003	2002	2003	2002
Net income	$60,213	$23,802	$151,725	$ 71,673
Other comprehensive income (loss)	8,094	(565)	2,651	606
Total comprehensive income	$68,307	$23,237	$154,376	$ 72,279

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

SEPTEMBER 30,	DECEMBER 31,
2003	2002
Beginning balance	$(5,622)	$(1,272)
Unrealized mark-to-market losses on cash flow hedges arising during period	(5,150)	(6,428)
Reclassification adjustments for changes in value of derivative instruments to settlement date	8,136	1,579
Other comprehensive income (loss) from investment in unconsolidated affiliate	(335)	499
Ending balance	$(2,971)	$(5,622)
Accumulated other comprehensive loss allocated to:		
Common units' interest	$(2,170)	$(4,623)
Series C units' interest	$ (771)	$ (942)
General partner's interests	$ (30)	$ (57)

See accompanying notes.

GULFTERRA ENERGY PARTNERS, L.P.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

In May 2003, we changed our name to GulfTerra Energy Partners, L.P. from El Paso Energy Partners, L.P. and reorganized our general partner. In connection with our name change, we also changed the names of several subsidiaries in May 2003, including the following, as listed in the table below.

NEW NAME	FORMER NAME
GulfTerra Energy Finance Corporation	El Paso Energy Partners Finance Corporation
GulfTerra Arizona Gas, L.L.C.	El Paso Arizona Gas, L.L.C.
GulfTerra Intrastate, L.P.	El Paso Energy Intrastate, L.P.
GulfTerra Texas Pipeline, L.P.	EPGT Texas Pipeline, L.P.
GulfTerra Holding V, L.P.	EPN Holding Company, L.P.

Our sole general partner is GulfTerra Energy Company, L.L.C., a recently-formed Delaware limited liability company that is owned 90.1 percent by a subsidiary of El Paso Corporation and 9.9 percent by Goldman, Sachs & Co. (Goldman Sachs), a wholly owned subsidiary of Goldman Sachs Group Inc., a large publicly-traded investment banking company. El Paso Corporation (through its subsidiaries) owned 100 percent of our general partner until October 2003, when Goldman Sachs acquired its interest in our general partner.

We prepared this Quarterly Report on Form 10-Q under the rules and regulations of the United States Securities and Exchange Commission (SEC). Because this is an interim period filing presented using a condensed format, it does not include all of the disclosures required by generally accepted accounting principles. You should read it along with our 2002 Annual Report on Form 10-K, which includes a summary of our significant accounting policies and other disclosures. The financial statements as of September 30, 2003, and for the quarters and nine months ended September 30, 2003 and 2002, are unaudited. We derived the balance sheet as of December 31, 2002, from the audited balance sheet filed in our 2002 Annual Report on Form 10-K. In our opinion, we have made all adjustments, all of which are of a normal, recurring nature, to fairly present our interim period results. Information for interim periods may not depict the results of operations for the entire year. In addition, prior period information presented in these financial statements includes reclassifications which were made to conform to the current period presentation. These reclassifications have no effect on our previously reported net income or partners' capital. Also, starting with the quarter ended June 30, 2002, we have reflected the results of operations from our Prince assets disposition as discontinued operations.

Our accounting policies are consistent with those discussed in our 2002 Annual Report on Form 10-K, except as discussed below.

Allowance for Doubtful Accounts

We have established an allowance for losses on accounts that we believe are uncollectible. We review collectibility regularly and adjust the allowance as necessary, primarily under the specific identification method. During 2003, we increased our allowance by $2.0 million. As of September 30, 2003 and December 31, 2002, our allowance was $4.5 million and $2.5 million.

- ---------------

As generally used in the energy industry and in this document, the following terms have the following meanings:

/d	= per day	Mcf	= thousand cubic feet
Bbl	= barrel	MDth	= thousand dekatherms
MBbls	= thousand barrels	MMcf	= million cubic feet
Bcf	= billion cubic feet	MMBbls	= million barrels

When we refer to cubic feet measurements, all measurements are at 14.73 pounds per square inch.

Accounting for Asset Retirement Obligations

On January 1, 2003, we adopted Statement of Financial Accounting Standards (SFAS) No. 143, Accounting for Asset Retirement Obligations. The provisions of this statement relate primarily to our obligations to plug abandoned offshore wells that constitute part of our non-segment assets.

Upon our adoption of SFAS No. 143, we recorded (i) a $7.4 million net increase to property, plant, and equipment representing non-current retirement assets, (ii) a $5.7 million increase to noncurrent liabilities representing retirement obligations, and (iii) a $1.7 million increase to income as a cumulative effect of accounting change. Each retirement asset is depreciated over the remaining useful life of the long-term asset with which the retirement liability is associated. An ongoing expense is recognized for the interest component of the liability due to the changes in the value of the retirement liability as a result of the passage of time, which we reflect as a component of depreciation expense in our income statement.

Other than our obligations to plug and abandon wells, we cannot estimate the costs to retire or remove assets used in our business because we believe the assets do not have definite lives or we do not have the legal obligation to abandon or dismantle the assets. We believe that the lives of our assets or the underlying reserves associated with our assets cannot be estimated. Therefore, aside from the liability associated with the plugging and abandonment of offshore wells, we have not recorded liabilities relating to any of our other assets.

The pro forma income from continuing operations and amounts per unit for the quarter and nine months ended September 30, 2003 and 2002, assuming the provisions of SFAS No. 143 were adopted prior to the earliest period presented, are shown below:

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002	2003	2002
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)			
Pro forma income from continuing operations	$ 60,213	$23,243	$150,035	$66,493
Pro forma income from continuing operations allocated to common unitholders	$ 31,337	$ 8,796	$ 72,951	$25,376
Pro forma basic income from continuing operations per weighted average common unit	$ 0.63	$ 0.20	$ 1.54	$ 0.60
Pro forma diluted income from continuing operations per weighted average common unit	$ 0.62	$ 0.20	$ 1.53	$ 0.60

The pro forma amount of our asset retirement obligations at September 30, 2003 and 2002 and at December 31, 2002, assuming asset retirement obligations as provided for in SFAS No. 143 were recorded prior to the earliest period presented are shown below:

YEAR	LIABILITY BALANCE AS OF JANUARY 1	ACCRETION	OTHER CHANGE IN LIABILITY	BALANCE AS OF DECEMBER 31
	(IN THOUSANDS)			
2002	$5,277	$336	--	$5,613
2003	$5,726	$340	$(246)(1)	$5,820
			N/A	

- ---

(1) Abandonment work performed during the quarter ended September 30, 2003.

Reporting Gains and Losses from the Early Extinguishment of Debt

In January 2003, we adopted SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. Accordingly, we now evaluate the nature of any debt extinguishments to determine whether to report any gain or loss resulting from the early extinguishment of debt as an extraordinary item or as income from continuing operations.

Accounting for Costs Associated with Exit or Disposal Activities

In January 2003, we adopted SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. This statement impacts any exit or disposal activities that we initiate after January 1, 2003 and we now recognize costs associated with exit or disposal activities when they are incurred rather than when we commit to an exit or disposal plan. Our adoption of this pronouncement did not have an effect on our financial position or results of operations.

Accounting for Guarantees

In accordance with the provisions of Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, we record a liability at fair value, or otherwise disclose, certain guarantees issued after December 31, 2002, that contractually require us to make payments to a guaranteed party based on the occurrence of certain events. We have not entered into any material guarantees that would require recognition under FIN No. 45.

Accounting for Derivative Instruments and Hedging Activities

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. This statement amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities to incorporate several interpretations of the Derivatives Implementation Group (DIG), and also makes several minor modifications to the definition of a derivative as it was defined in SFAS No. 133. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003. There was no initial financial statement impact of adopting this standard, although the FASB and DIG continue to deliberate on the application of the standard to certain derivative contracts, which may impact our financial statements in the future.

Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. This statement provides guidance on the classification of financial instruments, as equity, as liabilities, or as both liabilities and equity. The provisions of SFAS No. 150 are effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning July 1, 2003. We adopted the provisions of SFAS No. 150 on July 1, 2003, and our adoption had no material impact on our financial statements.

Accounting for Stock-Based Compensation

We use the intrinsic value method established in Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees, to value unit options issued to individuals who are on our general partner's current board of directors and for those grants made prior to El Paso Corporation's acquisition of our general partner in August 1998 under our Omnibus Plan and Director Plan. For the quarters and nine months ending September 30, 2003 and 2002, the cost of this stock-based compensation had no impact on our net income, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. We use the provisions of SFAS No. 123 to account for all of our other stock-based compensation programs.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure. This statement amends SFAS No. 123, to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the methods of accounting for stock-based employee compensation and the effect of the method used on reported results. This statement is effective for fiscal years ending after December 15, 2002. We have decided that we will continue to use APB No. 25 to value our stock-based compensation issued to individuals who are on our general partner's current board of directors and for those grants made prior to El Paso Corporation's acquisition of our general partner in August 1998 and will include data providing the pro forma income effect of using the fair value method as required by SFAS No. 148. We will continue to use the provisions of SFAS No. 123 to account for all of our other stock-based compensation programs.

If compensation expense related to these plans had been determined by applying the fair value method in SFAS No. 123, Accounting for Stock-Based Compensation, our net income allocated to common unitholders and net income per common unit would have approximated the pro forma amounts below:

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002	2003	2002
	(IN THOUSANDS)			
Net income allocated to common unitholders, as reported	$31,337	$ 9,349	$74,291	$30,504
Add: Stock-based employee compensation expense included in reported net income	404	314	1,083	854
Less: Stock-based employee compensation expense determined under fair value based method	406	535	1,126	1,717
Pro forma net income allocated to common unitholders	$31,335	$ 9,128	$74,248	$29,641
Earnings per common unit:				
Basic, as reported	$ 0.63	$ 0.21	$ 1.57	$ 0.72
Basic, pro forma	$ 0.63	$ 0.21	$ 1.57	$ 0.70
Diluted, as reported	$ 0.62	$ 0.21	$ 1.56	$ 0.72
Diluted, pro forma	$ 0.62	$ 0.21	$ 1.56	$ 0.70

The effects of applying SFAS No. 123 in this pro forma disclosure may not be indicative of future amounts.

2. ACQUISITIONS AND DISPOSITIONS

San Juan Assets

During the quarter ended September 30, 2003, the total purchase price and net assets acquired for our November 2002 acquisition of the San Juan assets decreased $2.4 million due to post-closing purchase price adjustments related to natural gas imbalances, NGL in-kind reserves and well loss reserves. The following table summarizes our allocation of the fair values of the assets acquired and liabilities assumed. Our allocation among the assets acquired is based on the results of an independent third-party appraisal.

AT NOVEMBER 27, 2002	(IN THOUSANDS)
Note receivable	
	$ 17,100
Property, plant and equipment	763,696
Intangible assets	470
Investment in unconsolidated affiliate	2,500
Total assets acquired	783,766
Imbalances payable	17,403
Other current liabilities	2,565
Total liabilities assumed	19,968
Net assets acquired	$763,798

EPN Holding Assets

During the nine months ended September 30, 2003, the total purchase price and net assets acquired for the April 2002 EPN Holding asset acquisition increased $17.5 million due to post-closing purchase price adjustments related primarily to natural gas imbalances assumed in the transaction. The following table summarizes our allocation of the fair values of the assets acquired and liabilities assumed. Our allocation among the assets acquired is based on the results of an independent third-party appraisal.

AT APRIL 8, 2002	(IN THOUSANDS)
Current assets	
	$ 4,690
Property, plant and equipment	780,648
Intangible assets	3,500
Total assets acquired	788,838
Current liabilities	15,229
Environmental liabilities	21,136
Total liabilities assumed	36,365
Net assets acquired	$752,473

Exchange with El Paso Corporation

In connection with our November 2002 San Juan assets acquisition, El Paso Corporation retained the obligation to repurchase the Chaco Plant from us for $77 million in October 2021. As part of El Paso Corporation's sale of 9.9 percent of our general partner, we released El Paso Corporation from that obligation in exchange for El Paso Corporation contributing specified assets to us. The communication assets we received will be used in the operation of our pipeline systems. Prior to the October 2003 exchange, we had access to these assets under our general and administrative services agreement with El Paso Corporation. We recorded the received assets at El Paso Corporation's book value of $23.3 million with the offset to partners' capital.

As a result of the October 2003 exchange, we changed our accounting estimate of the depreciable life of the Chaco Plant, from 19 to 30 years in order to depreciate the Chaco Plant over its estimated useful life as compared to the original term of the repurchase agreement. Depreciation expense will decrease approximately $0.5 million and $2.3 million on a quarter and annual basis.

Cameron Highway Oil Pipeline Company

Refer to Note 10 for discussion related to our sale of a 50 percent interest in Cameron Highway Oil Pipeline.

3. PARTNERS' CAPITAL

Cash distributions

The following table reflects our per unit cash distributions to our common unitholders and the total distributions paid to our common unitholders, Series C unitholder and general partner during the nine months ended September 30, 2003:

MONTH PAID	COMMON UNIT	COMMON UNITHOLDERS	SERIES C UNITHOLDER	GENERAL PARTNER
	(PER UNIT)	(IN MILLIONS)		
February	$0.675	$29.7	$7.4	$15.0
May	$0.675	$32.0	$7.4	$15.9
August	$0.700	$34.8	$7.7	$18.0

In October 2003 we declared a cash distribution of $0.71 per common unit and Series C unit, $49.2 million in aggregate, for the quarter ended September 30, 2003, which we will pay on November 14, 2003, to holders of record as of October 31, 2003. In addition, we will pay our general partner $21.2 million related to its general partner interest. At the current distribution rate, our general partner receives approximately 30.2 percent of the total cash distributions for its role as our general partner.

Public offering of common units

Since January 1, 2003, we have issued the following common units in public offerings:

OFFERING DATE	COMMON UNITS ISSUED	PUBLIC OFFERING PRICE	NET OFFERING PROCEEDS
		(PER UNIT)	(IN MILLIONS)
October 2003	4,800,000	$40.60	$186.1
August 2003	507,228	$39.43	$ 19.7
June 2003	1,150,000	$36.50	$ 40.3
May 2003(1)	1,118,881	$35.75	$ 38.3
April 2003	3,450,000	$31.35	$103.1

- ---

(1) Offering includes 80 Series F convertible units offered. Refer to description below.

In addition to our public offerings of common units, in October 2003 we sold 3,000,000 common units privately to Goldman Sachs in connection with their purchase of a 9.9 percent membership interest in our general partner. We used the net proceeds of $111.5 million from that private sale to partially fund the redemption of all of our outstanding Series B preference units (see discussion below related to the redemption of the Series B preference units). We used the net proceeds of the remaining common unit offerings to temporarily reduce amounts outstanding under our revolving credit facility and for general partnership purposes.

In May 2003, we issued 1,118,881 common units and 80 Series F convertible units in a registered offering to a large institutional investor for approximately $38.3 million net of offering costs. Our Series F convertible units are not listed on any securities exchange or market. Each Series F convertible unit is comprised of two separate detachable units -- a Series F1 convertible unit and a Series F2 convertible unit -- that have identical terms except for vesting and termination dates and the number of underlying common units into which they may be converted. The Series F1 units are convertible into up to $80 million of common units anytime after August 12, 2003, and until March 29, 2004 (subject to defined extension rights). The Series F2 units are convertible into up to $40 million of common units provided at least $40 million of Series F1 convertible units are converted prior to their termination. The Series F2 units terminate on March 30, 2005 (subject to defined extension rights). The price at which the Series F convertible units may be converted to common units is equal to the lesser of the prevailing price (as defined below), if the prevailing price is equal to or greater than $35.75 or the prevailing price minus the product of 50 percent of the positive difference, if any, of $35.75 minus the prevailing price. The prevailing price is equal to the lesser of (i) the average closing price of our common units for the 60 business days ending on and including the fourth business day prior to our receiving notice from the holder of the Series F convertible units of their intent to convert them into common units; (ii) the average closing price of our common units for the first seven business days of the 60 day period included in (i); or (iii) the average closing price of our common units for the last seven days of the 60 day period included in (i). The price at which the Series F convertible units could have been converted to common units, assuming we had received a conversion notice on September 30, 2003 and October 29, 2003, was $38.77 and $39.05. The Series F convertible units may be converted into a maximum of 8,329,679 common units. Holders of Series F convertible units are not entitled to vote or receive distributions. The value associated with the Series F convertible units is included in partners' capital as a component of common units capital.

In August 2003, we amended the terms of the Series F convertible units to permit the holder to elect a "cashless" exercise -- that is, an exercise where the holder gives up common units with a value equal to the exercise price rather than paying the exercise price in cash. If the holder so elects, we have the option to settle the net position by issuing common units or, if the settlement price per unit is above $26.00 per unit, paying the holder an amount of cash equal to the market price of the net number of units. These amendments had no effect on the classification of the Series F convertible units on the balance sheet at September 30, 2003.

In connection with the offerings prior to October 2003, our general partner, in lieu of a cash contribution, contributed to us approximately $2.0 million of our Series B preference units in order to maintain its one percent general partner interest. We retired these preference units.

In October 2003, we redeemed all 123,865 of our remaining outstanding Series B preference units for $156 million, a 7 percent discount from their liquidation value of $167 million. For this redemption, we used the net proceeds of $111.5 million from our sale of 3,000,000 common units to Goldman Sachs, $44.1 million from cash on hand and from borrowings under our revolving credit facility. We reflected the discount as an increase to the common units capital, Series C units capital and to our general partner's capital accounts.

Other

Under our 1998 Omnibus Compensation Plan (Omnibus Plan), we granted, during the nine months ended September 30, 2003, 17,500 unit options, 25,000 time-vested restricted units and 25,000 performance-based restricted units to employees of El Paso Field Services, whose primary responsibilities are the commercial management of our assets. Additionally, we granted 5,226 restricted units and 10,500 unit options during the nine months ended September 30, 2003, to non-employee directors of our Board of Directors under our 1998 Common Unit Plan for Non-Employee Directors (formerly the 1998 Unit Option Plan for Non-Employee Directors). We have accounted for all of these unit options and restricted units, except for the unit options issued to non-employee directors, in accordance with SFAS No. 123. Under SFAS No. 123, we report the fair value of these issuances as deferred compensation. Deferred compensation is amortized to compensation expense over the respective vesting or performance period. We have accounted for the unit options issued to the non-employee directors of our general partner's Board of Directors in accordance with APB No. 25.

We estimate the fair value of each unit option issued under the Omnibus Plan during the nine months ended September 30, 2003, on the date of its grant using the Black-Scholes option-pricing model, with the following weighted average assumptions: dividend yield of 8.75%; expected volatility of 30.77%; a risk-free interest rate of 3.31%; and an expected life of eight years. We will amortize the fair value of the unit options over their two year vesting period.

We issued time-vested restricted units and the performance-based restricted units at fair value at their date of grant. The restrictions on the time-vested units will lapse in four years from the date of grant. The restrictions on the performance-based restricted units will lapse if we achieve a specified level of target performance for identified "greenfield" projects by June 1, 2007 (for the 15,000 performance-based restricted units issued in June 2003) and by August 1, 2007 (for the 10,000 performance-based restricted units issued in August 2003). If we do not reach those targets by the applicable dates, the performance-based units will be forfeited. We will amortize the fair value of the time-vested restricted units over their four-year restricted period and the fair value of the performance-based restricted units over their performance periods. The performance-based restricted units are not entitled to vote or to receive distributions, until after (and if) we achieve specified level of target performance. The restricted units issued to non-employee directors of our general partner's Board of Directors were issued at fair value at their date of grant. This fair value is being amortized to compensation expense over the period of service, which we have estimated to be one year.

Total unamortized deferred compensation as of September 30, 2003, was approximately $1.7 million. Deferred compensation is reflected as a reduction of partners' capital and is allocated 1 percent to our general partner and 99 percent to our limited partners. Total fair value of options, time-vested restricted units and performance based restricted units issued during the nine months ended September 30, 2003 under both the Omnibus Plan and the Director Plan was approximately $1.9 million.

Net proceeds from unit options exercised during the nine months ended September 30, 2003, was approximately $7.6 million.

4. EARNINGS PER COMMON UNIT

The following table sets forth the computation of basic and diluted earnings per common unit (in thousands (except for unit amounts)):

QUARTER ENDED		NINE MONTHS ENDED	
SEPTEMBER 30,		SEPTEMBER 30,	
2003	2002	2003	2002
Numerator:			
Numerator for basic earnings per common unit -- Income from continuing operations	$31,337	$ 8,898	$72,951	$25,652
Income from discontinued operations	--	451	--	4,852
Cumulative effect of accounting change	--	--	1,340	--
	$31,337	$ 9,349	$74,291	$30,504
Denominator:				
Denominator for basic earnings per common unit -- weighted-average shares	50,072	44,130	47,388	42,373
Effect of dilutive securities:				
Unit options	270	--	139	--
Restricted units	14	--	11	--
Series F convertible units	29	--	115	--
	50,385	44,130	47,653	42,373
Denominator for diluted earnings per common unit -- adjusted for weighted- average common units				
Basic earnings per common unit				
Income from continuing operations	$ 0.63	$ 0.20	$ 1.54	$ 0.61
Income from discontinued operations	--	0.01	--	0.11
Cumulative effect of accounting change	--	--	.03	--
	$ 0.63	$ 0.21	$ 1.57	$ 0.72
Diluted earnings per common unit				
Income from continuing operations	$ 0.62	$ 0.20	$ 1.53	$ 0.61
Income from discontinued operations	--	0.01	--	0.11
Cumulative effect of accounting change	--	--	.03	--
	$ 0.62	$ 0.21	$ 1.56	$ 0.72

5. PROPERTY, PLANT AND EQUIPMENT

Our property, plant and equipment consisted of the following:

SEPTEMBER 30, 2003	DECEMBER 31, 2002
(IN THOUSANDS)	
Property, plant and equipment, at cost(1)	
Pipelines	$2,338,600
	$2,317,503
Platforms and facilities	121,105
	120,962
Processing plant	305,904
	308,517
Oil and natural gas properties	131,100
	127,975
Storage facilities	336,296
	331,562
Construction work-in-progress	302,195
	177,964
	3,535,200
	3,384,483
Less accumulated depreciation, depletion and amortization	735,111
	659,545
Property, plant and equipment, net	$2,800,089
	$2,724,938

- ---

(1) Includes leasehold acquisition costs with an unamortized balance of $3.4 million at September 30, 2003. One interpretation being considered relative to SFAS No. 141, Business Combinations and SFAS No. 142, Goodwill and Intangible Assets is that oil and gas mineral rights held under lease and other contractual arrangements representing the right to extract such reserves for both undeveloped and developed leaseholds should be classified separately from oil and gas properties, as intangible assets on our balance sheets. We will continue to include these costs in property, plant, and equipment until further guidance is provided.

6. FINANCING TRANSACTIONS

CREDIT FACILITIES

Revolving Credit Facility

In September 2003, we renewed our revolving credit facility to, among other things, expand the credit available from $600 million to $700 million and extend the maturity from May 2004 to September 2006.

Our credit facility consists of two parts: the revolving credit facility and a $160 million senior secured term loan maturing in 2007. Our credit facility is guaranteed by us and all of our subsidiaries, except for our unrestricted subsidiaries, as detailed in Note 12, and our general partner, and are collateralized with substantially all of our assets (excluding the assets of our unrestricted subsidiaries) and our general partner's general and administrative services agreement. The interest rates we are charged on our credit facility is determined at our option using one of two indices that include (i) a variable base rate (equal to the greater of the prime rate as determined by JPMorgan Chase Bank, the federal funds rate plus 0.5% or the Certificate of Deposit (CD) rate as determined by JPMorgan Chase Bank increased by 1.00%); or (ii) LIBOR. This interest rate we are charged is contingent upon our leverage ratio, as defined in our credit facility, and ratings we are assigned by S&P or Moody's. The interest we are charged would increase by 0.25% if the credit ratings on our senior secured credit facility decrease or our leverage ratio decreases, or, alternatively, would decrease by 0.25% if these ratings are increased or our leverage ratio improves. Additionally, we pay commitment fees on the unused portion of our revolving credit facility at rates that vary from 0.30% to 0.50%.

Our credit facility contains covenants that include restrictions on our and our subsidiaries' ability to incur additional indebtedness or liens, sell assets, make loans or investments, acquire or be acquired by other companies and amend some of our contracts, as well as requiring maintenance of certain financial ratios. Failure to comply with the provisions of any of these covenants could result in acceleration of our debt and other financial obligations and that of our subsidiaries and restrict our ability to make distributions to our unitholders.

At September 30, 2003, we had $328 million outstanding under our revolving credit facility at an average interest rate of 5.0% as determined using the variable base rate discussed above, increased by 0.50%. We decreased the average interest rate under this facility to 3.13% in October 2003 when we elected to convert the outstanding balances to LIBOR-based loans. The total amount available to us at September 30, 2003, under this facility was $208 million. At September 30, 2003, we had $157.5 million outstanding under our senior secured term loan with an interest rate of 4.75%.

GulfTerra Holding Term Credit Facility

As part of our April 2002 EPN Holding assets acquisition, we entered into a term credit facility to fund a portion of the purchase price. We repaid the $160 million balance of this term credit facility in July 2003 with proceeds from our issuance of $250 million of 6 1/4% senior notes due 2010. We recognized a loss of $1.2 million related to the write-off of unamortized debt issuance costs in connection with our repayment of this facility.

Senior Secured Acquisition Term Loan

As part of our November 2002 San Juan assets acquisition, we entered into a $237.5 million senior secured acquisition term loan to fund a portion of the purchase price. We repaid this senior secured acquisition term loan in March 2003 with proceeds from our issuance of $300 million 8 1/2% senior subordinated notes due 2010. We recognized a loss of $3.8 million related to the write-off of unamortized debt issuance costs in connection with our repayment of this facility. From the issuance of the senior secured acquisition term loan in November 2002 to its repayment date, the interest rates on our revolving credit facility and GulfTerra Holding term credit facility were 2.25% over the variable base rate described above or LIBOR increased by 3.50%.

SENIOR NOTES

In July 2003, we issued $250 million in aggregate principal amount of 6 1/4% senior notes due June 2010. We used the proceeds of approximately $245.1 million, net of issuance costs, to repay $160 million of indebtedness under the GulfTerra Holding term credit facility and to temporarily repay $85.1 million of the balance outstanding under our revolving credit facility. The interest on our senior notes is payable semi-annually in June and December with the principal maturing in June 2010. Our senior notes are unsecured obligations that rank senior to all our existing and future subordinated debt and equally with all of our existing and future senior debt, although they are effectively junior in right of payment to all of our existing and future senior secured debt to the extent of the collateral securing that debt.

We may redeem some or all of our senior notes, at our option, at any time with at least 30 days notice at a price equal to the greater of (1) 100 percent of the principal amount plus accrued interest, or (2) the sum of the present value of the remaining scheduled payments plus accrued interest.

SENIOR SUBORDINATED NOTES

Each issue of our senior subordinated notes is subordinated in right of payment to all existing and future senior debt, including our existing credit facility and the senior notes we issued in July 2003.

In March 2003, we issued $300 million in aggregate principal amount of 8 1/2% senior subordinated notes. The interest on these notes is payable semi-annually in June and December, and the notes mature in June 2010. We used the proceeds of approximately $293.5 million, net of issuance costs, to repay $237.5 million of indebtedness under our senior secured acquisition term loan and to temporarily repay $55.5 million of the balance outstanding under our revolving credit facility. We may, at our option, prior to June 1, 2006, redeem up to 33 percent of the originally issued aggregate principal amount of these notes at a redemption price of 108.50 percent of the principal amount. We may redeem all or part of these notes at any time on or after June 1, 2007. The redemption price on that date is 104.25 percent of the principal amount, declining annually until it reaches 100 percent of the principal amount.

In July 2003, to achieve a better mix of fixed rate debt and variable rate debt, we entered into an eight-year interest rate swap agreement to provide for a floating interest rate on $250 million out of $480 million of our 8 1/2% senior subordinated notes due 2011. With this swap agreement, we will pay the counterparty a LIBOR based interest rate plus a spread of 4.20% and receive a fixed rate of 8 1/2%. We are accounting for this derivative as a fair value hedge under SFAS No. 133. At September 30, 2003, the fair value of the swap was a liability, included in non-current liabilities, of approximately $2.2 million. The fair value of the hedged debt decreased by the same amount.

RESTRICTIVE PROVISIONS OF SENIOR AND SENIOR SUBORDINATED NOTES

Our senior and senior subordinated notes include provisions that, among other things, restrict our ability and the ability of our subsidiaries (excluding our unrestricted subsidiaries) to incur additional indebtedness or liens, sell assets, make loans or investments, acquire or be acquired by other companies, and enter into sale and lease-back transactions, as well as requiring maintenance of certain financial ratios. Failure to comply with the provisions of these covenants could result in acceleration of our debt and other financial obligations and that of our subsidiaries in addition to restricting our ability to make distributions to our unitholders. Many restrictive covenants associated with our senior notes will effectively be removed following a period of 90 consecutive days during which they are rated Baa3 or higher by Moody's or BBB- or higher by S&P, and some of the more restrictive covenants associated with some (but not all) of our senior subordinated notes will be suspended should they be similarly rated.

OTHER CREDIT FACILITIES

Poseidon

Poseidon Oil Pipeline Company, L.L.C., an unconsolidated affiliate in which we have a 36 percent joint venture ownership interest, is party to a $185 million credit agreement, under which it has $123 million outstanding at September 30, 2003. This credit agreement is secured by substantially all of Poseidon's assets and includes restrictions on, among other things, its ability to incur indebtedness, grant liens and make distributions to its owners. Beginning in April 2003, the additional interest Poseidon pays over LIBOR was reduced from 1.50% to 1.25% as a result of improvement in Poseidon's leverage ratio, as defined in its credit agreement. In April 2004, Poseidon's $185 million credit facility will mature; however, Poseidon is currently negotiating with lenders to replace this facility.

In January 2002, Poseidon entered into a two-year swap agreement to hedge the variable portion of its interest at 3.49% through January 2004 on $75 million of the $123 million outstanding. The effective interest rate on this hedged amount is 4.74% (the variable LIBOR based rate locked in at 3.49% plus a fixed margin of 1.25%) at September 30, 2003. As of September 30, 2003, the variable LIBOR-based rate on the unhedged amount of $48 million was at an interest rate of 2.38%.

Deepwater Gateway

At September 30, 2003, Deepwater Gateway, an unconsolidated affiliate in which we have a 50 percent joint venture ownership interest, had $129 million outstanding under its construction loan at an average interest rate of 2.93%. This construction loan will mature in July 2004 unless construction is completed before that time and Deepwater Gateway meets other specified conditions, in which case the construction loan will convert into a term loan with a final maturity date of July 2009. Upon conversion of the construction loan to a term loan, Deepwater Gateway will be required to maintain a debt service reserve equal to or greater than the projected principal, interest and fees due on the term loan for the immediately succeeding six month period. This construction loan is secured by substantially all of Deepwater Gateway's assets and includes restrictions on, among other things, its ability to incur indebtedness, grant liens and make distributions to its owners. Prior to conversion to the term loan, Deepwater Gateway is prohibited from making distributions.

Cameron Highway

Cameron Highway Oil Pipeline Company (Cameron Highway), an unconsolidated affiliate in which we have a 50 percent joint venture ownership interest (See Note 10 for additional discussion relating to the formation of Cameron Highway), entered into a $325 million project loan facility, consisting of a $225 million construction loan and $100 million of senior secured notes, each of which fund proportionately as construction costs are incurred.

The $225 million construction loan bears interest at Cameron Highway's option at each borrowing at either (i) 2.00% over the variable base rate (equal to the greater of the prime rate as determined by JPMorgan Chase Bank, the federal funds rate plus 0.5% or the Certificate of Deposit (CD) rate as determined by JPMorgan Chase Bank increased by 1.00%); or (ii) 3.00% over LIBOR. Upon completion of the construction, the construction loan will convert to a term loan maturing July 2008, subject to the terms of the loan agreement. At the end of the first quarter following the first anniversary of the conversion into a term loan, Cameron Highway will be required to make quarterly principal payments of $8.125 million, with the remaining unpaid principal amount payable on the maturity date. If the construction loan fails to convert into a term loan by December 31, 2006, the construction loan and senior secured notes become fully due and payable. At September 30, 2003, Cameron Highway has $35 million outstanding under the construction loan at an average interest rate of 4.18%.

The interest rate on Cameron Highway's senior secured notes is 3.25% over the rate on 10-year U.S. Treasury securities. Principal payments of $4 million are due quarterly from September 2008 through December 2011, $6 million each from March 2012 through December 2012, and $5 million each from March 2013 through the principal maturity date of December 2013. At September 30, 2003, Cameron Highway has $28 million outstanding under the notes at an average interest rate of 7.31%.

Under the terms of its project loan facility, Cameron Highway must pay each of the lenders and the senior secured noteholders commitment fees of 0.5% per year on any unused portion of such lender's or noteholder's committed funds. The project loan facility as a whole is secured by (1) substantially all of Cameron Highway's assets, including, upon conversion, a debt service reserve capital account, and (2) all of the equity interest in Cameron Highway. Other than the pledge of our equity interest and our construction obligations under the relevant producer agreements, as discussed in Note 10, the debt is non-recourse to us. The construction loan and senior secured notes prohibit Cameron Highway from making distributions to us until the construction loan is converted into a term loan and Cameron Highway meets certain financial requirements.

DEBT MATURITY TABLE

Aggregate maturities of the principal amounts of long-term debt and other financing obligations for the next 5 years and in total thereafter are as follows at September 30, 2003 (in thousands):

2003	$ 2,500
2004	5,000
2005	5,000
2006	333,000
2007	140,000
Thereafter	1,405,000
Total long-term debt and other financing obligations, including current maturities	$1,890,500

7. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

Grynberg. In 1997, we, along with numerous other energy companies, were named defendants in actions brought by Jack Grynberg on behalf of the U.S. Government under the False Claims Act. Generally, these complaints allege an industry-wide conspiracy to underreport the heating value as well as the volumes of the natural gas produced from federal and Native American lands, which deprived the U.S. Government of royalties. The plaintiff in this case seeks royalties that he contends the government should have received had the volume and heating value of natural gas produced from royalty properties been differently measured, analyzed, calculated and reported, together with interest, treble damages, civil penalties, expenses and future injunctive relief to require the defendants to adopt allegedly appropriate gas measurement practices. No monetary relief has been specified in this case. These matters have been consolidated for pretrial purposes (In re: Natural Gas Royalties Qui Tam Litigation, U.S. District Court for the District of Wyoming, filed June 1997). In May 2001, the court denied the defendants' motions to dismiss. Discovery is proceeding. Our costs and legal exposure related to these lawsuits and claims are not currently determinable.

Will Price (formerly Quinque). We, along with numerous other energy companies, have also been named defendants in Quinque Operating Company, et al v. Gas Pipelines and Their Predecessors, et al, filed in 1999 in the District Court of Stevens County, Kansas. Quinque has been dropped as a plaintiff and Will Price has been added. This class action complaint alleges that the defendants mismeasured natural gas volumes and heating content of natural gas on non-federal and non-Native American lands. The plaintiffs in this case seek certification of a nationwide class of natural gas working interest owners and natural gas royalty owners to recover royalties that the plaintiffs contend these owners should have received had the volume and heating value of natural gas produced from their properties been differently measured, analyzed, calculated and reported, together with prejudgment and postjudgment interest, punitive damages, treble damages, attorney's fees, costs and expenses, and future injunctive relief to require the defendants to adopt allegedly appropriate gas measurement practices. No monetary relief has been specified in this case. Plaintiffs' motion for class certification was denied in April 2003. Plaintiffs' motion to file another amended petition to narrow the proposed class to royalty owners of wells in Kansas, Wyoming and Colorado was granted on July 28, 2003. Our costs and legal exposure related to this lawsuit and claims are not currently determinable.

In connection with our April 2002 acquisition of the EPN Holding assets, subsidiaries of El Paso Corporation have agreed to indemnify us against all obligations related to existing legal matters at the acquisition date, including the legal matters involving Leapartners, L.P., City of Edinburg, Houston Pipe Line Company LP, and City of Corpus Christi discussed below.

During 2000, Leapartners, L.P. filed a suit against El Paso Field Services and others in the District Court of Loving County, Texas, alleging a breach of contract to gather and process natural gas in areas of western Texas related to an asset now owned by GulfTerra Holding. In May 2001, the court ruled in favor of Leapartners and entered a judgment against El Paso Field Services of approximately $10 million. El Paso Field Services filed an appeal with the Eighth Court of Appeals in El Paso, Texas. On August 15, 2003 the Court of Appeals reversed the lower's courts calculation of past judgment interest but otherwise affirmed the judgment. A motion for a rehearing was denied, a petition for review by the Texas Supreme Court will be filed.

Also, GulfTerra Texas Pipeline L.P., (GulfTerra Texas, formerly known as EPGT Texas Pipeline L.P.) now owned by GulfTerra Holding, was involved in litigation with the City of Edinburg concerning the City's claim that GulfTerra Texas was required to pay pipeline franchise fees under a contract the City had with Rio Grande Valley Gas Company, which was previously owned by GulfTerra Texas and is now owned by Southern Union Gas Company. An adverse judgment against Southern Union and GulfTerra Texas was rendered in Hidalgo County State District court in December 1998 and found a breach of contract, and held both GulfTerra Texas and Southern Union jointly and severally liable to the City for approximately $4.7 million. The judgment relied on the single business enterprise doctrine to impose contractual obligations on GulfTerra Texas and Southern Union's entities that were not parties to the contract with the City. GulfTerra Texas appealed this case to the Texas Supreme Court seeking reversal of the judgment rendered against GulfTerra Texas. The City sought a remand to the trial court of its claim of tortious interference against GulfTerra Texas. Briefs were filed and oral arguments were held in November 2002. In October 2003, the Texas Supreme Court issued an opinion in favor of GulfTerra Texas and Southern Union on all issues.

In December 2000, a 30-inch natural gas pipeline jointly owned by GulfTerra Intrastate, L.P. (GulfTerra Intrastate) now owned by GulfTerra Holding, and Houston Pipe Line Company LP ruptured in Mont Belvieu, Texas, near Baytown, resulting in substantial property damage and minor physical injury. GulfTerra Intrastate is the operator of the pipeline. Two lawsuits were filed in the state district court in Chambers County, Texas by eight plaintiffs, including two homeowners' insurers. The suits seek recovery for physical pain and suffering, mental anguish, physical impairment, medical expenses, and property damage. Houston Pipe Line Company has been added as an additional defendant. In accordance with the terms of the operating agreement, GulfTerra Intrastate has agreed to assume the defense of and to indemnify Houston Pipe Line Company. As of September 30, 2003, all but one claim has now been settled and these settlements had no impact on our financial statements. The remaining claim relates solely to property damages.

The City of Corpus Christi, Texas (the "City") is alleging that GulfTerra Texas and various Coastal entities owe it monies for past obligations under City ordinances that propose to tax GulfTerra Texas on its gross receipts from local natural gas sales for the use of street rights-of-way. No lawsuit has been filed to date. Some but not all of the GulfTerra Texas pipe at issue has been using the rights-of-way since the 1960's. In addition, the City demands that GulfTerra Texas agree to a going-forward consent agreement in order for the GulfTerra Texas pipe and Coastal pipe to have the right to remain in City rights-of-way.

In August 2002, we acquired the Big Thicket assets, which consist of the Vidor plant, the Silsbee compressor station and the Big Thicket gathering system located in east Texas, for approximately $11 million from BP America Production Company (BP). Pursuant to the purchase agreement, we have identified environmental conditions that we are working with BP and appropriate regulatory agencies to address. BP has agreed to indemnify us for exposure resulting from activities related to the ownership or operation of these facilities prior to our purchase (i) for a period of three years for non-environmental claims and (ii) until one year following the completion of any environmental remediation for environmental claims. Following expiration of these indemnity periods, we are obligated to indemnify BP for environmental or non-environmental claims. We, along with BP and various other defendants, have been named in the following two lawsuits for claims based on activities occurring prior to our purchase of these facilities.

Christopher Beverly and Gretchen Beverly, individually and on behalf of the estate of John Beverly v. GulfTerra GC, L.P., et, al. In June 2003, the plaintiffs sued us in state district court in Hardin County, Texas. The plaintiffs are the parents of John Christopher Beverly, a two year old child who died on April 15, 2002, allegedly as the result of his exposure to arsenic, benzene and other harmful chemicals in the water supply. Plaintiffs allege that several defendants are responsible for that contamination, including us and BP. Our connection to the occurrences that are the basis for this suit appears to be our August 2002 purchase of certain assets from BP, including a facility in Hardin County, Texas known as the Silsbee compressor station. Under the terms of the indemnity provisions in the Purchase and Sale Agreement between GulfTerra and BP, GulfTerra requested that BP indemnify GulfTerra for any exposure. BP has thus far declined assuming the indemnity obligation and we filed notice to arbitrate BP's failure to indemnify us. Our costs and legal exposure related to this lawsuit and claims are not currently determinable.

Melissa Duvail, et. al., v. GulfTerra GC, L.P., et. al. In June 2003, seventy-four residents of Hardin County, Texas, sued us and others in state district court in Hardin County, Texas. The plaintiffs allege that they have been exposed to hazardous chemicals, including arsenic and benzene, through their water supply, and that the defendants are responsible for that exposure. As with the Beverly case, our connection with the occurrences that are the basis of this suit appears to be our August 2002 purchase of certain assets from BP, including a facility known as the Silsbee compressor station, which is located in Hardin County, Texas. Under the terms of the indemnity provisions in the Purchase and Sale Agreement between us and BP, BP has agreed to indemnify us for this matter.

In addition to the above matters, we and our subsidiaries and affiliates are named defendants in numerous lawsuits and governmental proceedings that arise in the ordinary course of our business.

For each of our outstanding legal matters, we evaluate the merits of the case, our exposure to the matter, possible legal or settlement strategies and the likelihood of an unfavorable outcome. If we determine that an unfavorable outcome is probable and can be estimated, we will establish the necessary accruals. As of September 30, 2003, we had no reserves for our legal matters.

While the outcome of our outstanding legal matters cannot be predicted with certainty, based on information known to date, we do not expect the ultimate resolution of these matters to have a material adverse effect on our financial position, results of operations or cash flows. As new information becomes available or relevant developments occur, we will establish accruals as appropriate.

Environmental

Each of our operating segments is subject to extensive federal, state, and local laws and regulations governing environmental quality and pollution control. These laws and regulations are applicable to each segment and require us to remove or remedy the effect on the environment of the disposal or release of specified substances at current and former operating sites. As of September 2003, we had a reserve of approximately $21 million for remediation costs expected to be incurred over time associated with mercury meters. We assumed this liability in connection with our April 2002 acquisition of the EPN Holding assets. As part of the November 2002 San Juan assets acquisition, El Paso Corporation has agreed to indemnify us for all the known and unknown environmental liabilities related to the assets we purchased up to the purchase price of $766 million. We will only be indemnified for unknown liabilities for up to three years from the purchase date of this acquisition. In addition, we have been indemnified by third parties for remediation costs associated with other assets we have purchased. We expect to make capital expenditures for environmental matters of approximately $10 million in the aggregate for the years 2003 through 2007, primarily to comply with clean air regulations.

While the outcome of our outstanding environmental matters cannot be predicted with certainty, based on the information known to date and our existing accruals, we do not expect the ultimate resolution of these matters to have a material adverse effect on our financial position, results of operations or cash flows. It is possible that new information or future developments could require us to reassess our potential exposure related to environmental matters. We may incur significant costs and liabilities in order to comply with existing environmental laws and regulations. It is also possible that other developments, such as increasingly strict environmental laws and regulations and claims for damages to property, employees, other persons and the environment resulting from our current or past operations, could result in substantial costs and liabilities in the future. As this information becomes available, or relevant developments occur, we will adjust our accrual amounts accordingly. While there are still uncertainties relating to the ultimate costs we may incur, based upon our evaluation and experience to date, we believe our current reserves are adequate.

Rates and Regulatory Matters

Marketing Affiliate Notice of Proposed Rulemaking. In September 2001, the Federal Energy Regulatory Commission (FERC) issued a Notice of Proposed Rulemaking (NOPR). The NOPR proposes to apply the standards of conduct governing the relationship between interstate pipelines and marketing affiliates to all energy affiliates. Since our High Island Offshore System (HIOS) and Petal Gas Storage facility, including the 59-mile Petal gas pipeline, are interstate facilities as defined by the Natural Gas Act, the proposed regulations, if adopted by FERC, would dictate how HIOS and Petal conduct business and interact with all of our energy affiliates and El Paso Corporation's energy affiliates. In December 2001, we filed comments with the FERC addressing our concerns with the proposed rules. A public conference was held in May 2002, providing an opportunity to comment further on the NOPR. Following the conference, we filed additional comments. At this time, we cannot predict the outcome of the NOPR, but adoption of the regulations in the form proposed would, at a minimum, place additional administrative and operational burdens on us.

If the standards of conduct proposed by the NOPR are adopted by the FERC, we will be required to functionally separate our HIOS and Petal interstate facilities from our other businesses. Under the proposed rule, we would be required to dedicate employees to manage and operate our interstate facilities independently from our other non-jurisdictional facilities. This employee group would be required to function independently and would be prohibited from communicating non-public transportation information to affiliates. Separate office facilities and systems would be necessary because of the requirement to restrict affiliate access to interstate transportation information. The NOPR also limits the sharing of employees and officers with non-regulated entities. Because of the loss of synergies and shared employee restrictions, a disposition of the interstate facilities may be necessary for us to effectively comply with the rule. At this time, we cannot predict the outcome of this NOPR.

Negotiated Rate Policy. In July 2002, the FERC issued a Notice of Inquiry (NOI) that sought comments regarding its 1996 policy of permitting pipelines to enter into negotiated rate transactions. In July 2003, FERC issued an order that prospectively prohibits pipelines from negotiating rates based upon natural gas commodity price indices and imposes certain new filing requirements to ensure the transparency of negotiated rate transactions. Requests for rehearing were filed on August 25, 2003 and remain pending. Even if the FERC denies the rehearing requests, we do not expect that the final order would have a material impact on us.

Cash Management Rule. On October 23, 2003, the FERC approved a final rule in which it requires that a FERC regulated entity file its cash management agreement with the FERC, maintain records of transactions involving its participation in the cash management program, compute its proprietary capital ratio quarterly based on criteria established by the FERC, and notify the FERC 45 days after the end of a calendar quarter whether its proprietary capital ratio falls below 30 percent and subsequently when its proprietary capital ratio returns to or exceeds 30 percent. In the final rule, FERC stated that the requirements imposed by the rule are not in the nature of a regulation governing participation in cash management programs and that the rule does not dictate the content or terms for participating in a cash management program. Although the order will be subject to rehearing, we do not think the final order will have a material effect on us.

Under the rule, we believe that both HIOS and Petal will be able to continue to participate in our cash management program. We are in the process of reviewing and revising our cash management agreements pursuant to guidance issued by the FERC in other interstate pipeline proceedings.

Pipeline Safety Notice of Proposed Rulemaking. In January 2003, the U.S. Department of Transportation issued a NOPR proposing to establish a rule requiring pipeline operators to develop integrity management programs to comprehensively evaluate their pipelines, and take measures to protect pipeline segments located in what the notice refers to as "high consequence areas." The proposed rule resulted from the enactment of the Pipeline Safety Improvement Act of 2002, a new bill signed into law in December 2002. Comments on the NOPR were filed on April 30, 2003. At this time, we cannot predict the outcome of this NOPR.

Other Regulatory Matters. HIOS is subject to the jurisdiction of the FERC in accordance with the Natural Gas Act of 1938 and the Natural Gas Policy Act of 1978. HIOS operates under a FERC approved tariff that governs its operations, terms and conditions of service, and rates. We timely filed a required rate case for HIOS on December 31, 2002. The rate filing and tariff changes are based on HIOS' cost of service, which includes operating costs, a management fee and changes to depreciation rates and negative salvage amortization. We requested the rates be effective February 1, 2003, but the FERC suspended the rate increase until July 1, 2003, subject to refund. As of July 1, 2003, HIOS implemented the requested rates, subject to a refund, and has established a reserve for its estimate of its refund obligation. We will continue to review our expected refund obligation as the rate case moves through the hearing process and may increase or decrease the amounts reserved for refund obligation as our expectation changes. We have responded, and are continuing to respond, as new requests are received, to the FERC staff's data requests. The FERC has scheduled a hearing on this matter commencing November 17, 2003.

During the latter half of 2002, we experienced a significant unfavorable variance between the fuel usage on HIOS and the fuel collected from our customers for our use. We believe a series of events may have contributed to this variance, including two major storms that hit the Gulf Coast Region (and these assets) in late September and early October of 2002. We are taking numerous steps to determine the cause of the fuel differences, including a review of receipt and delivery measurement data. As of September 30, 2003, we had recorded fuel differences of approximately $9.4 million, which is included in other non-current assets. Depending on the outcome of our review, we expect to seek FERC approval to collect some or all of the fuel differences. At this time we are not able to determine what amount, if any, may be collectible from our customers. Any amount we are unable to resolve or collect from our customers will negatively impact our earnings.

In December 1999, GulfTerra Texas filed a petition with the FERC for approval of its rates for interstate transportation service. In June 2002, the FERC issued an order that required revisions to GulfTerra Texas' proposed maximum rates. The changes ordered by the FERC involve reductions to rate of return, depreciation rates and revisions to the proposed rate design, including a requirement to separately state rates for gathering service. FERC also ordered refunds to customers for the difference, if any, between the originally proposed levels and the revised rates ordered by the FERC. We believe the amount of any rate refund would be minimal since most transportation services are discounted from the maximum rate. GulfTerra Texas has established a reserve for refunds. In July 2002, GulfTerra Texas requested rehearing on certain issues raised by the FERC's order, including the depreciation rates and the requirement to separately state a gathering rate. GulfTerra Texas' request for rehearing is pending before the FERC.

In July 2002, Falcon Gas Storage also requested late intervention and rehearing of the order. Falcon asserts that GulfTerra Texas' imbalance penalties and terms of service preclude third parties from offering imbalance management services. Meanwhile in December 2002, GulfTerra Texas amended its Statement of Operating Conditions to provide shippers the option of resolving daily imbalances using a third-party imbalance service provider. Falcon objected to the changes, complaining that imbalance resolution is the lowest priority of service. GulfTerra Texas responded to Falcon's objection and untimely intervention, repeating its request that Falcon's intervention be dismissed.

In December 2002, GulfTerra Texas requested FERC approval of market-based rates for interstate gas storage services performed at its Wilson storage facility. The filing was in compliance with a requirement to rejustify its existing rates or request new rates by December 20, 2002. Falcon also intervened in this filing, complaining that market-based rates should be denied because of their complaint about access on the GulfTerra Texas pipeline for third party imbalance services. On May 15, 2003, the FERC approved Wilson's market based rate proposal and dismissed Falcon's complaint.

Falcon Gas Storage Company, Inc. and its affiliate Hill-Lake Gas Storage, L.P. ("Falcon") filed a formal complaint in March 2003 at the Railroad Commission of Texas claiming that GulfTerra Texas' imbalance penalties and terms of service preclude third parties from offering hourly imbalance management services on the GulfTerra Texas system. GulfTerra Texas filed a response specifically denying Falcon's assertions and requesting that the complaint be denied. The Railroad Commission has set their case for hearing beginning on December 16, 2003.

While the outcome of all of our rates and regulatory matters cannot be predicted with certainty, based on information known to date, we do not expect the ultimate resolution of these matters to have a material adverse effect on our financial position, results of operations or cash flows. As new information becomes available or relevant developments occur, we will establish accruals as appropriate.

Joint Ventures

We conduct a portion of our business through joint venture arrangements (including our Cameron Highway, Deepwater Gateway and Poseidon joint ventures) we form to construct, operate and finance the development of our onshore and offshore midstream energy businesses. We are obligated to make our proportionate share of additional capital contributions to our joint ventures only to the extent that they are unable to satisfy their obligations from other sources including proceeds from credit arrangements.

Other Matters

As a result of current circumstances generally surrounding the energy sector, the creditworthiness of several industry participants has been called into question. As a result of these general circumstances, we have established an internal group to monitor our exposure to and determine, as appropriate, whether we should request prepayments, letters of credit or other collateral from our counterparties.

8. ACCOUNTING FOR HEDGING ACTIVITIES

A majority of our commodity purchases and sales, which relate to sales of oil and natural gas associated with our production operations, purchases and sales of natural gas associated with pipeline operations, sales of natural gas liquids associated with our processing plants and our gathering activities, are at spot market or forward market prices. We use futures, forward contracts, and swaps to limit our exposure to fluctuations in the commodity markets and allow for a fixed cash flow stream from these activities.

In August 2002, we entered into a derivative financial instrument to hedge our exposure during 2003 to changes in natural gas prices relating to gathering activities in the San Juan Basin in anticipation of our acquisition of the San Juan assets. The derivative is a financial swap on 30,000 MMBtu per day whereby we receive a fixed price of $3.525 per MMBtu and pay a floating price based on the San Juan index. From August 2002 through our acquisition date, November 27, 2002, we accounted for this derivative under mark-to-market accounting since it did not qualify for hedge accounting under SFAS No. 133. Through the acquisition date in 2002, we recognized a $0.4 million net gain, ($1.0 million loss in the third quarter of 2002 and $1.4 million gain in the fourth quarter of 2002) in the margin of our natural gas pipelines and plants segment. Beginning with the acquisition date in November 2002, we are accounting for this derivative as a cash flow hedge under SFAS No. 133. In February and August 2003, we entered into additional derivative financial instruments to continue to hedge our exposure during 2004 to changes in natural gas prices relating to gathering activities in the San Juan Basin. The derivatives are financial swaps on 30,000 MMBtu per day whereby we receive an average fixed price of $4.23 per MMBtu and pay a floating price based on the San Juan index. We are accounting for all of our San Juan gathering derivatives as cash flow hedges under SFAS No. 133. As of September 30, 2003, the fair value of these cash flow hedges was a liability of $2.4 million, as the market price at that date was higher than the hedge price of $4.23. For the nine months ended September 30, 2003, we reclassified approximately $8.4 million of unrealized accumulated loss related to these derivatives from accumulated other comprehensive income as a decrease in revenue. No ineffectiveness exists in this hedging relationship because all purchase and sale prices are based on the same index and volumes as the hedge transaction.

In connection with our GulfTerra Intrastate Alabama operations, we have fixed price contracts with specific customers for the sale of predetermined volumes of natural gas for delivery over established periods of time. We have entered into cash flow hedges in 2002 and 2003 to offset the risk of increasing natural gas prices for our purchases to satisfy these sales contracts. As of September 30, 2003, the fair value of these cash flow hedges was a liability of $11 thousand, as the market price at that date was lower than the hedge price of $5.20. For the nine months ended September 30, 2003, we reclassified approximately $223 thousand of unrealized accumulated gain related to these derivatives from accumulated other comprehensive income to earnings as a reduction of cost of natural gas. No ineffectiveness existed in this hedging relationship because all purchase and sale prices were based on the same index and volumes as the hedge transaction.

In January 2002, Poseidon entered into a two-year interest rate swap agreement to fix the variable portion of its LIBOR based interest rate on $75 million of its $185 million variable rate revolving credit facility at 3.49% over the life of the swap. Prior to April 2003, under its credit facility, Poseidon paid an additional 1.50% over the LIBOR rate resulting in an effective interest rate of 4.99% on the hedged notional amount. Beginning in April 2003, the additional interest Poseidon pays over LIBOR was reduced resulting in an effective fixed interest rate of 4.74% on the hedged notional amount. As of September 30, 2003, the fair value of its interest rate swap was a liability of $0.5 million, as the market interest rate was lower than the hedge rate of 4.99%, resulting in accumulated other comprehensive loss of $0.5 million. We included our 36 percent share of this liability of $0.2 million as a reduction of our investment in Poseidon and as a loss in accumulated other comprehensive income which we estimate will be reclassified to earnings proportionately over the next three months. Additionally, we have recognized as a reduction in income our 36 percent share of Poseidon's realized loss of $1.3 million for the nine months ended September 30, 2003, or $0.5 million, through our earnings from unconsolidated affiliates.

We estimate the entire $3.0 million of unrealized losses included in accumulated other comprehensive income at September 30, 2003, will be reclassified from accumulated other comprehensive income as a reduction to earnings over the next 15 months and approximately $2.9 million will be reclassified as a reduction to earnings over the next twelve months. When our derivative financial instruments are settled, the related amount in accumulated other comprehensive income is recorded in the income statement in operating revenues, cost of natural gas and other products, or interest and debt expense, depending on the item being hedged. The effect of reclassifying these amounts to the income statement line items is recording our earnings for the period at the "hedged price" under the derivative financial instruments.

In July 2003, to achieve a better mix of fixed rate debt and variable rate debt, we entered into an eight-year interest rate swap agreement to provide for a floating interest rate on $250 million out of $480 million of our 8 1/2% senior subordinated notes due 2011. With this swap agreement, we pay the counterparty a LIBOR based interest rate plus a spread of 4.20% and receive a fixed rate of 8 1/2%. We are accounting for this derivative as a fair value hedge under SFAS No. 133. As of September 30, 2003, the fair value of the interest rate swap was a liability included in non-current liabilities of approximately $2.2 and the fair value of the hedged debt decreased by the same amount.

The counterparties for our San Juan hedging activities are J. Aron and Company, an affiliate of Goldman Sachs, and UBS Warburg. We do not require collateral and do not anticipate non-performance by these counterparties. Through June 2003, the counterparty for our GulfTerra Intrastate Alabama operations was El Paso Merchant Energy. Beginning in August 2003, the counterparty is UBS Warburg, and we do not require collateral or anticipate non-performance by this counterparty. The counterparty for Poseidon's hedging activity is Credit Lyonnais. Poseidon does not require collateral and does not anticipate non-performance by this counterparty. Wachovia Bank is our counterparty on our interest rate swap on the 8 1/2% notes, and we do not require collateral or anticipate non-performance by this counterparty.

9. BUSINESS SEGMENT INFORMATION

Each of our segments are business units that offer different services and products that are managed separately since each segment requires different technology and marketing strategies. We have segregated our business activities into four distinct operating segments:

- Natural gas pipelines and plants;

- Oil and NGL logistics;

- Natural gas storage; and

- Platform services.

As a result of our sale of the Prince TLP and our nine percent overriding royalty interest in the Prince Field in April 2002, the results of operations from these assets are reflected as discontinued operations in our statements of income for all periods presented. Accordingly, the segment results do not reflect the results of operations for the Prince assets.

We measure segment performance using earnings before interest, income taxes, depreciation and amortization (EBITDA), which we formerly referred to as "Performance Cash Flows," or an asset's ability to generate income. EBITDA is our liquidity measure as our lenders are interested in whether we generate sufficient cash to meet our debt obligations as they become due. Accordingly, our revolving credit agreement and indentures utilize EBITDA to represent a measure of the cash flows from current operations. Our equity investors generally focus on our capacity to pay distributions or to grow our business, or both. As a result, our ability to generate cash from operations of the business to cover distributions, debt service, as well as to pursue growth opportunities, is an important measure of our liquidity.

We believe EBITDA is a useful measurement to our investors because it allows them to evaluate the effectiveness of our business and operations and our investments from an operational perspective, exclusive of the costs to finance those activities, income taxes and depreciation and amortization, none of which are directly relevant to the efficiency of those operations. This measurement may not be comparable to measurements used by other companies and should not be used as a substitute for net income or other performance measures.

Following are results as of and for the periods ended September 30:

	NATURAL GAS PIPELINES & PLANTS	OIL AND NGL LOGISTICS	NATURAL GAS STORAGE	PLATFORM SERVICES	OTHER(1)	TOTAL
					(IN THOUSANDS)	
QUARTER ENDED SEPTEMBER 30, 2003						
Revenue from external customers	$ 180,879	$ 83,040	$ 10,252	$ 5,185	$ 4,310	$ 283,666
Intersegment revenue	29	--	--	600	(629)	--
Depreciation, depletion and amortization	17,198	2,475	2,929	1,414	1,202	25,218
Operating income	61,712	22,146(2)	4,588	3,471	162	92,079
Earnings from unconsolidated affiliates	516	1,797	882	--	--	3,195
EBITDA	80,002	26,782(2)	7,518	4,885	N/A	N/A
Assets	2,227,900	444,253	314,192	163,000	132,424	3,281,769

	NATURAL GAS PIPELINES & PLANTS	OIL AND NGL LOGISTICS SERVICES	GAS STORAGE OTHER(1)	PLATFORM TOTAL
	(IN THOUSANDS) QUARTER ENDED SEPTEMBER 30, 2002			
Revenue from external customers	$ 96,319	$ 9,450	$ 8,599	$ 3,595
Intersegment revenue	$ 4,286	$ 122,249	62	--
Depreciation, depletion and amortization	1,547	(1,609)	--	--
Operating income (loss)	12,235	1,399	2,818	990
Earnings from unconsolidated affiliates	19,274	31,188	5,911	2,637
EBITDA	--	3,168	--	--
Assets	44,436	11,271	5,455	4,522
	1,420,312	187,432	311,205	122,025

	NATURAL GAS PIPELINES & PLANTS	OIL AND NGL LOGISTICS SERVICES	GAS STORAGE OTHER(1)	PLATFORM TOTAL
	(IN THOUSANDS) NINE MONTHS ENDED SEPTEMBER 30, 2003			
Revenue from external customers	$ 577,585	$232,926	$ 32,729	$ 15,668
Intersegment revenue	$13,793	$ 872,701	97	--
Depreciation, depletion and amortization	278	2,004	(2,379)	--
Operating income	50,830	6,839	8,810	3,974
Earnings from unconsolidated affiliates	3,308	73,761	182,366	35,795(2)
EBITDA	13,776	11,423	1,712	245,072
Assets	1,771	6,845	882	--
	--	9,498	236,223	51,279(2)
	22,587	15,397	N/A	N/A
	2,227,900	444,253	314,192	163,000
	132,424	3,281,769		

	NATURAL GAS PIPELINES & PLANTS	OIL AND NGL LOGISTICS SERVICES	GAS STORAGE OTHER(1)	PLATFORM TOTAL
	NINE MONTHS ENDED SEPTEMBER 30, 2002			
Revenue from external customers	$ 231,874	$ 28,026	$ 18,454	$ 13,222
Intersegment revenue	$12,706	$ 304,282	179	--
Depreciation, depletion and amortization	--	7,770	(7,949)	--
Operating income (loss)	30,987	4,530	5,620	3,093
Earnings from unconsolidated affiliates	5,709	49,939	79,715	16,383
EBITDA	4,635	15,477	(5,785)	110,425
Assets	--	10,541	--	--
	--	10,541	111,733	34,055
	10,255	24,837	N/A	N/A
	1,420,312	187,432	311,205	122,025
	87,973	2,128,947		

- ----------

(1) Represents predominately our oil and natural gas production activities as well as intersegment eliminations.

(2) Includes a $19 million gain recorded from the sale of our 50 percent interest in Cameron Highway to Valero Energy Corporation in July 2003 (See Note 10).

- ----------

(1) Represents predominately our oil and natural gas production activities as well as intersegment eliminations.

(2) Includes a $19 million gain recorded from the sale of our 50 percent interest in Cameron Highway to Valero Energy Corporation in July 2003 (See Note 10).

A reconciliation of our segment EBITDA to our net income is as follows:

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002	2003	2002
Natural gas pipelines & plants	$ 80,002	$ 44,436	$236,223	$111,733
Oil & NGL logistics	26,782	11,271	51,279	34,055
Natural gas storage	7,518	5,455	22,587	10,255
Platform services	4,885	4,522	15,397	24,837
Segment EBITDA	119,187	65,684	325,486	180,880
Plus: Other, nonsegment results	3,640	3,229	11,917	7,535
Earnings from unconsolidated affiliates	3,195	3,168	9,498	10,541
Income from discontinued operations	--	456	--	4,901
Cumulative effect of accounting change	--	--	1,690	--
Less: Interest and debt expense	33,197	22,070	99,521	55,362
Loss due to write-off of debt issuance costs	--	1,225	--	4,987
Noncash hedge loss	--	1,013	--	1,013
Depreciation, depletion and amortization	25,218	19,274	73,761	49,939
Cash distributions from unconsolidated affiliates	3,160	3,960	11,390	13,140
Minority interest	889	8	969	13
Net cash payment received from El Paso Corporation	2,120	1,954	6,238	5,752
Discontinued operations of Prince facilities	--	456	--	6,965
Net income	$ 60,213	$ 23,802	$151,725	$ 71,673

10. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

We hold investments in various affiliates which we account for using the equity method of accounting. Summarized financial information for these investments are as follows:

	NINE MONTHS ENDED SEPTEMBER 30, 2003 (IN THOUSANDS)				
	DEEPWATER	COYOTE GATEWAY	POSEIDON	TOTAL	
OWNERSHIP INTEREST	50%	50%	36%	------	
OPERATING RESULTS DATA:					
Operating revenues	$5,625	$ --	$ 921,091	Crude oil purchases	--
--	(888,459)	Gross margin	5,625	--	32,632
Other income	6	37	45	Operating expenses	(511)
--	(2,934)	Depreciation	(1,036)	--	(6,230)
Other expenses	(560)	(5)	(4,157)	Net income	$3,524
$ 32	$ 19,356	OUR SHARE:			
Allocated income	$1,762	$ 16	$ 6,968		
Adjustments(1)	9	(16)	(123)	Earnings from unconsolidated affiliates	$1,771
$ --	$ 6,845	$ 9,498(2)			
Allocated distributions	$2,750	$ --	$ 8,640	$11,390	

	NINE MONTHS ENDED SEPTEMBER 30, 2002 (IN THOUSANDS)
POSEIDON --------- OWNERSHIP INTEREST.....	36%
========= OPERATING RESULTS DATA: Operating revenues.....	$ 817,724
Crude oil purchases.....	(774,554)
--------- Gross margin.....	43,170
Other income.....	74
Operating expenses.....	(2,493)
Depreciation.....	(6,190)
Other expenses.....	(5,218)
--------- Net income.....	$ 29,343
========= OUR SHARE: Allocated income.....	$ 10,563
Adjustments(1).....	(22)
--------- Earnings from unconsolidated affiliate.....	$ 10,541
========= Allocated distributions.....	$ 13,140
=========	

- ----------

(1) We recorded adjustments primarily for differences from estimated earnings reported in our Quarterly Report on Form 10-Q and actual earnings reported in the unaudited financial statements of our unconsolidated affiliates.

(2) Total earnings from unconsolidated affiliates includes a $882 thousand gain associated with the sale of our interest in Copper Eagle.

In June 2003, we formed Cameron Highway Oil Pipeline Company and contributed to this newly formed company the $458 million Cameron Highway oil pipeline system construction project. Cameron Highway is responsible for building and operating the pipeline, which is scheduled for completion during the third quarter of 2004.

In connection with the construction of the Cameron Highway oil pipeline, we entered into producer agreements with three major anchor producers, BP Exploration & Production Company (BP Exploration), BHP Billiton Petroleum (Deepwater), Inc. (BHP), and Union Oil Company of California (Unocal), which agreements were assigned to and assumed by Cameron Highway. The producer agreements require construction of the 390-mile Cameron Highway oil pipeline. We are obligated to make additional capital contributions to Cameron Highway to the extent that the construction costs for the pipeline exceed Cameron Highway's capital resources, including our initial equity contributions and proceeds from Cameron Highway's project loan facility.

In July 2003, we sold a 50 percent interest in Cameron Highway to Valero Energy Corporation for $86 million, forming a joint venture with Valero. Valero paid us approximately $70 million at closing, including $51 million representing 50 percent of the capital investment expended through that date for the pipeline project. In July 2003, we recognized $19 million as a gain from the sale of long-lived assets. In addition, Valero will pay us an additional sum of $16 million, $5 million to be paid once the system is completed and the remaining $11 million by the end of 2006. We expect to reflect the receipts of these additional amounts in the periods received as gains from the sale of long-lived assets in our income statement. In connection with the formation of the Cameron Highway joint venture, Valero agreed to pay their proportionate share of pipeline construction costs that exceed Cameron Highways's capital resources, including the initial equity contributions and proceeds from Cameron Highway's project loan facility.

The Cameron Highway oil pipeline system project is expected to be funded with 29 percent, or $133 million, equity through capital contributions from the Cameron Highway partners, which have already been made, and 71 percent debt through a $325 million project loan facility, consisting of a $225 million construction loan and $100 million of senior secured notes. See Note 6 for additional discussion of the project loan facility.

11. RELATED PARTY TRANSACTIONS

Our transactions with related parties and affiliates are as follows:

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002	2003	2002
	(IN THOUSANDS)			
Revenues received from related parties				
Natural gas pipelines and plants	$18,054	$45,588	$67,068	$104,771
Oil and NGL logistics	6,842	6,608	22,686	19,833
Natural gas storage	--	--	--	67
Other	--	2,456	--	7,402
	$24,896	$54,652	$89,754	$132,073
Expenses paid to related parties				
Cost of natural gas, oil and other products	$ 6,191	$ 3,399	$26,988	$ 16,652
Operating expenses	22,229	15,289	68,039	38,905
	$28,420	$18,688	$95,027	$ 55,557
Reimbursements received from related parties				
Operating expenses	$ 659	$ 525	$ 1,860	$ 1,575

There have been no changes to our related party relationships, except as described below, from those described in Note 9 of our audited financial statements filed in our 2002 Form 10-K.

Revenues received from related parties for the quarters ended September 30, 2003 and 2002, were approximately 9 percent and 45 percent of our total revenue. Revenues received from related parties for the nine months ended September 30, 2003 and 2002, were approximately 10 percent and 43 percent of our total revenue. Also, we have undertaken efforts to reduce our transactions with El Paso Merchant Energy North America Company (Merchant Energy) and as of June 30, 2003, we replaced all our month-to-month arrangements that were previously with Merchant Energy with similar arrangements with third parties.

The following table provides summary data categorized by our related parties:

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002	2003	2002
	(IN THOUSANDS)			
Revenues received from related parties				
El Paso Corporation	$ 8,405	$25,486	$27,008	$ 61,705
El Paso Merchant Energy North America Company	2,392	2,849	6,824	6,414
El Paso Production Company	--	113	93	--
Tennessee Gas Pipeline Company	14,086	24,898	55,816	63,870
El Paso Field Services	13	112	13	49
Southern Natural Gas Company	--	1,194	--	35
El Paso Natural Gas Company	$24,896	$54,652	$89,754	$132,073
Cost of natural gas, oil and other products purchased from related parties				
El Paso Corporation	$ 6,041	$ 3,323	$21,746	$ 14,082
El Paso Merchant Energy North America Company	--	--	--	2,251
El Paso Production Company	--	37	--	227
Tennessee Gas Pipeline Company	84	--	5,107	--
El Paso Field Services	14	31	--	Southern Natural Gas Company
El Paso Natural Gas Company	52	39	104	92
Southern Natural Gas	--	$ 6,191	$ 3,399	$26,988
Operating expenses paid to related parties	$ 16,652			
El Paso Corporation	El Paso Field Services	$22,120	$15,176	$67,723
Unconsolidated Subsidiaries				
Poseidon Oil Pipeline Company	109	113	316	358
	$22,229	$15,289	$68,039	$ 38,905
Reimbursements received from related parties				
Unconsolidated Subsidiaries				
Poseidon Oil Pipeline Company	$ 659	$ 525	$ 1,860	$ 1,575

At September 30, 2003, and December 31, 2002, our accounts receivable due from related parties was $49.5 million and $83.8 million. At September 30, 2003 and December 31, 2002, our accounts payable due to related parties was $44.1 million and $86.1 million.

Our accounts receivable due from related parties consisted of the following as of:

SEPTEMBER 30, 2003	DECEMBER 31, 2002
(IN THOUSANDS)	
El Paso Corporation	
El Paso Production Company	$ 4,707	$ 4,346
El Paso Merchant Energy North America Company	12,539	30,512
Tennessee Gas Pipeline Company	1,389	930
El Paso Field Services	8,840	36,071
El Paso Natural Gas Company	3,915	1,033
Other	846	1,298
	32,236	74,190
Unconsolidated Subsidiaries		
Deepwater Gateway	3,223	9,636
Cameron Highway	14,055	--
Other	20	--
	17,298	9,636
Total	$49,534	$83,826

Our accounts payable due to related parties consisted of the following as of:

SEPTEMBER 30, 2003	DECEMBER 31, 2002
(IN THOUSANDS)	
El Paso Corporation	
El Paso Merchant Energy North America Company	$ 8,104	$ 8,871
El Paso Production Company	3,993	14,518
El Paso Field Services	18,732	55,648
Tennessee Gas Pipeline Company	904	1,319
El Paso Natural gas Company	4,074	1,475
El Paso Corporation	4,827	4,181
Other	1,075	132
	41,709	86,144
Unconsolidated Subsidiaries		
Deepwater Gateway	2,267	--
Other	129	--
	2,396	--
Total	$44,105	$86,144

Other Matters

In connection with the sale of some of our Gulf of Mexico assets in January 2001, El Paso Corporation agreed to make quarterly payments to us of $2.25 million for three years beginning March 2001 and $2 million in the first quarter of 2004. The present value of the amounts due from El Paso Corporation were classified as follows:

SEPTEMBER 30, 2003	DECEMBER 31, 2002
(IN THOUSANDS)	
Accounts receivable, net	$4,124	$ 8,403
Other noncurrent assets	--	1,960
	$4,124	$10,363

In addition to the related party transactions discussed above, pursuant to the terms of many of the purchase and sale agreements we have entered into with various entities controlled directly or indirectly by El Paso Corporation, we have been indemnified for potential future liabilities, expenses and capital requirements above a negotiated threshold. Specifically, an indirect subsidiary of El Paso Corporation has indemnified us for specific litigation matters to the extent the ultimate resolutions of these matters result in judgments against us. For a further discussion of these matters see Note 7, Commitments and Contingencies, Legal Proceedings. Some of our agreements obligate certain indirect subsidiaries of El Paso Corporation to pay for capital costs related to maintaining assets which were acquired by us, if such costs exceed negotiated thresholds. We have made no such claims for reimbursement to date but we expect to make a claim for approximately $5 million for cost incurred in the third quarter and any additional costs which may be incurred in the fourth quarter of 2003, as costs exceeded the established thresholds during the third quarter of 2003.

We have also entered into capital contribution arrangements with entities owned by El Paso Corporation, including its regulated pipelines, in the past, and will most likely do so in the future, as part of our normal commercial activities in the Gulf of Mexico. We have an agreement to receive $6.1 million, of which $3.0 million has been collected, from ANR Pipeline Company for our Phoenix project. As of September 30, 2003, we have received $10.5 million from ANR Pipeline and $7.0 million from El Paso Field Services for the Marco Polo natural gas pipeline. In October 2003, we collected $2 million from Tennessee Gas Pipeline for our Medusa project. These amounts are reflected as a reduction in project costs. Regulated pipelines often contribute capital toward the construction costs of gathering facilities owned by others which are, or will be, connected to their pipelines. El Paso Field Services' contribution is in anticipation of additional natural gas volumes that will flow through to its onshore natural gas processing facilities.

In August 2003, Arizona Gas Storage L.L.C., along with its 50 percent partner APACS Holdings L.L.C., sold their interest in Copper Eagle Gas Storage L.L.C. to El Paso Natural Gas Company (EPNG), a subsidiary of El Paso Corporation. Copper Eagle Gas Storage is developing a natural gas storage project located outside of Phoenix, Arizona. Arizona Gas Storage is an indirect 60 percent owned subsidiary of GulfTerra Energy Partners, L.P. and 40 percent owned by IntraGas US, a Gaz de France North American subsidiary. APACS Holdings L.L.C. is a wholly owned subsidiary of Pinnacle West Energy, a subsidiary of Pinnacle West Capital Corporation. GulfTerra has the right to receive $6.2 million of the sale proceeds, including a note receivable for $4.9 million to be paid quarterly over the next twelve months, from EPNG and recorded a gain of $882 thousand related to the sale of Copper Eagle. In the event of EPNG default, the Copper Eagle Gas Storage project will revert back to the original owners without compensation to EPNG.

In September 2003, we entered into a nonbinding letter of intent with Southern Natural Gas Company, a subsidiary of El Paso Corporation, regarding the proposed development and sale of a natural gas storage cavern and the proposed sale of an undivided interest in a pipeline and other facilities related to that natural gas storage cavern. The new storage cavern would be located at our storage complex near Hattiesburg, Mississippi. If Southern Natural Gas determines that there is sufficient market interest, it would purchase the land and mineral rights related to the proposed storage cavern and would pay our costs to construct the storage cavern and related facilities. Upon completion of the storage cavern, Southern Natural Gas would acquire an undivided interest in our Petal pipeline connected to the storage cavern. We would also enter into an arrangement with Southern Natural Gas under which we would operate the storage cavern and pipeline on its behalf.

Before we consummate this transaction, and enter into definitive transaction documents, the transaction must be recommended by the audit and conflicts committee of our board of directors, which committee consists solely of directors meeting the independent director requirements established by the NYSE and the Sarbanes-Oxley Act and then approved by our general partner's full board of directors.

In October 2003, we exchanged with El Paso Corporation its obligation to repurchase the Chaco plant from us in 19 years for additional assets (refer to Note 2). Also in October 2003, we redeemed all of our outstanding Series B preference units (refer to Note 3).

The counterparty for one of our San Juan hedging activities is J. Aron and Company, an affiliate of Goldman Sachs, the owner of a 9.9 percent membership interest in our general partner. Goldman Sachs was also a co-manager of our 4,800,000 public common unit offering in October 2003, and is one of the lenders under our revolving credit facility.

12. GUARANTOR FINANCIAL INFORMATION

As of September 30, 2003, our credit facility is guaranteed by each of our subsidiaries, excluding our unrestricted subsidiaries (Matagorda Island Area Gathering System, Arizona Gas Storage, L.L.C. and GulfTerra Arizona Gas, L.L.C.), and our general partner, and is collateralized by our general partner's general and administrative services agreement and substantially all of our assets. In addition, all of our senior notes and senior subordinated notes are jointly, severally, fully and unconditionally guaranteed by us and all of our subsidiaries, excluding our unrestricted subsidiaries. The consolidating eliminations column on our condensed consolidating balance sheets below eliminates our investment in consolidated subsidiaries, intercompany payables and receivables and other transactions between subsidiaries. The consolidating eliminations column in our condensed consolidating statements of income and cash flows eliminates earnings from our consolidated affiliates.

Non-guarantor subsidiaries as of and for the quarter and nine months ended September 30, 2003, consisted of our unrestricted subsidiaries. Non-guarantor subsidiaries as of and for the quarters ended September 30, 2002 and June 30, 2002, consisted of our GulfTerra Holding (then known as EPN Holding) subsidiaries, which owned the EPN Holding assets and equity interests in GulfTerra Holding (then known as EPN Holding). Non-guarantor subsidiaries for the quarter ended March 31, 2002 consisted of Argo and Argo I, which owned the Prince TLP. As a result of our disposal of the Prince TLP and our related overriding royalty interest in April 2002, the results of operations and net book value of these assets are reflected as discontinued operations in our statements of income and assets held for sale in our balance sheets and Argo and Argo I became guarantor subsidiaries.

CONDENSED CONSOLIDATING STATEMENTS OF INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2003

	NON-GUARANTOR SUBSIDIARIES	GUARANTOR SUBSIDIARIES	CONSOLIDATING ELIMINATIONS	CONSOLIDATED TOTAL
				(IN THOUSANDS)
Operating revenues	$ -	$155	$283,511	$ -- $283,666
Operating expenses Cost of natural gas and other products	--	--	134,112	-- 134,112
Operation and maintenance	1,139	85	49,997	-- 51,221
Depreciation, depletion and amortization	37	10	25,171	-- 25,218
(Gain) loss on sale of long-lived assets	(19,000)	--	36	-- (18,964)
	(17,824)	95	209,316	-- 191,587
Operating income	17,824	60	74,195	-- 92,079
Other income (loss)				
Earnings from consolidated affiliates	57,192	--	--	(57,192) --
Earnings from unconsolidated affiliates	--	882	2,313	-- 3,195
Minority interest expense	--	(889)	--	- (889)
Other income	153	--	97	-- 250
Interest and debt expense	14,956	--	18,241	-- 33,197
Loss due to write-off of debt issuance costs	--	--	1,225	-- 1,225
Net income	$ 60,213	$ 53	$ 57,139	$(57,192) $ 60,213

CONDENSED CONSOLIDATING STATEMENTS OF INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2002

	NON-GUARANTOR SUBSIDIARIES	GUARANTOR SUBSIDIARIES	CONSOLIDATING ELIMINATIONS	CONSOLIDATED TOTAL
				(IN THOUSANDS)
Operating revenues	$ --	$63,776	$58,473	$ -- $122,249
Operating expenses Cost of natural gas and other products	--	20,340	7,427	-- 27,767
Operation and maintenance	832	14,596	17,410	-- 32,838
Depreciation, depletion and amortization	38	5,305	13,931	-- 19,274
Loss on sale of long-lived assets	--	--	434	-- 434
	870	40,241	39,202	-- 80,313
Operating income (loss)	(870)	23,535	19,271	-- 41,936
Other income (loss) Earnings from				

consolidated affiliates..... 14,121 -- 13,922 (28,043) -- Earnings from unconsolidated affiliates..... - - -- 3,168 -- 3,168 Minority interest expense..... -- (8) -- -- (8) Other income (loss)..... 317 11 (8) -- 320 Interest and debt expense..... (10,234) 9,616 22,688 -- 22,070 ------- ------- ------- -------- -------- Income from continuing operations..... 23,802 13,922 13,665 (28,043) 23,346 Income from discontinued operations..... -- -- 456 -- 456 ------- ------- ------- -------- -------- Net income..... $23,802 $13,922 $14,121 $(28,043) $ 23,802 ======= ======= ======= ========

CONDENSED CONSOLIDATING STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

	NON-GUARANTOR SUBSIDIARIES	GUARANTOR SUBSIDIARIES	CONSOLIDATING ELIMINATIONS	CONSOLIDATED TOTAL
		(IN THOUSANDS)		
Operating revenues	$ --	$661	$872,040	$ --	$872,701
Operating expenses				
Cost of natural gas and other products	--	--	432,159	--	432,159
Operation and maintenance	4,344	227	135,845	--	140,416
Depreciation, depletion and amortization	111	31	73,619	--	73,761
(Gain) loss on sale of long-lived assets	(19,000)	--	293	--	(18,707)
	(14,545)	258	641,916	--	627,629
Operating income	14,545	403	230,124	--	245,072
Other income (loss)					
Earnings from consolidated affiliates	181,589	--	--	(181,589)	--
Earnings from unconsolidated affiliates	--	882	8,616	--	9,498
Minority interest expense	(969)	--	--	(969)	
Other income	605	--	337	--	942
Interest and debt expense	41,252	--	58,269	--	99,521
Loss due to write-off of debt issuance costs	3,762	--	1,225	--	4,987
	150,035	316	179,583	(181,589)	151,725
Income from continuing operations	151,725	316	179,583	(181,589)	150,035
Cumulative effect of accounting change	--	--	1,690	--	1,690
Net income	$151,725	$316	$181,273	$(181,589)	$151,725

CONDENSED CONSOLIDATING STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002

	NON-GUARANTOR SUBSIDIARIES	GUARANTOR SUBSIDIARIES	CONSOLIDATING ELIMINATIONS	CONSOLIDATED TOTAL
	(IN THOUSANDS)			
Operating revenues	$ --	$125,232	$179,050	$ --	$304,282
Operating expenses				
Cost of natural gas and other products	--	39,280	27,988	--	67,268
Operations and maintenance	4,901	27,642	43,988	--	76,531
Depreciation, depletion and amortization	237	10,719	38,983	--	49,939
Loss on sale of long-lived assets	--	--	119	--	119
	5,138	77,641	111,078	--	193,857
Operating income (loss)	(5,138)	47,591	67,972	--	110,425
Other income (loss)					
Earnings from consolidated affiliates	43,014	--	29,539	(72,553)	--
Earnings from unconsolidated affiliates	--	--	10,541	--	10,541
Minority interest expense	--	--	(13)	--	(13)
Other income	1,179	5	(3)	--	1,181
Interest and debt expense	(32,618)	22,048	65,932	--	55,362
Income from continuing operations	71,673	25,535	42,117	(72,553)	66,772
Income from discontinued operations	--	4,004	897	--	4,901
Net income	$ 71,673	$ 29,539	$ 43,014	$(72,553)	$ 71,673

CONDENSED CONSOLIDATING BALANCE SHEETS
SEPTEMBER 30, 2003

	NON-GUARANTOR SUBSIDIARIES	GUARANTOR SUBSIDIARIES	CONSOLIDATING ELIMINATIONS	CONSOLIDATED TOTAL
		(IN THOUSANDS)		
Current assets				
Cash and cash equivalents	$ 58,944	$ --	$ --	$ 58,944
Accounts receivable, net				
Trade	--	110	125,137	125,247
Affiliates	767,329	3,527	49,551	(770,873)
Affiliated note receivable	--	4,951	17,100	--
Other current assets	3,680	--	16,292	--
Total current assets	829,953	8,588	208,080	(770,873)
Property, plant and equipment, net	7,271	441	2,792,377	--
Intangible assets	--	--	3,426	--
Investment in unconsolidated affiliates	--	--	157,375	--
Investment in consolidated affiliates	2,060,103	--	520	(2,060,623)
Other noncurrent assets	204,706	--	10,424	(169,999)
Total assets	$3,102,033	$9,029	$3,172,202	$(3,001,495)
Current liabilities				
Accounts payable				
Trade	$ --	$ 38	$ 107,083	$ --
Affiliates	15,873	3,520	795,585	(770,873)
Accrued interest	42,071	--	270	--
Current maturities of senior secured term loan	5,000	--	--	--
Other current liabilities	4,179	1	13,743	--
Total current liabilities	67,123	3,559	916,681	(770,873)
Revolving credit facility	328,000	--	--	--
Senior secured term loans, less current maturities	152,500	--	--	--
Long-term debt	1,405,271	--	--	--
Other noncurrent liabilities	2,244	--	197,903	(169,999)
Minority interest	--	2,465	--	--
Partners' capital	1,146,895	3,005	2,057,618	(2,060,623)
Total liabilities and partners' capital	$3,102,033	$9,029	$3,172,202	$(3,001,495)

CONDENSED CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2002

	NON-GUARANTOR SUBSIDIARIES	GUARANTOR SUBSIDIARIES	CONSOLIDATING ELIMINATIONS	CONSOLIDATED TOTAL
				(IN THOUSANDS)
Current assets				
Cash and cash equivalents	$ 20,777	$ --	$ 15,322	$ 36,099
Accounts receivable, net				
Trade	--	74	139,445	139,519
Affiliates	709,230	3,055	67,513	(695,972) 83,826
Affiliated note receivable	--	--	17,100	-- 17,100
Other current assets	1,118	--	2,333	-- 3,451
Total current assets	731,125	3,129	241,713	(695,972) 279,995
Property, plant and equipment, net	6,716	454	2,717,768	-- 2,724,938
Intangible assets	--	--	3,970	-- 3,970
Investment in unconsolidated affiliates	--	5,197	73,654	-- 78,851
Investment in consolidated affiliates	1,787,767	--	693	(1,788,460) --
Other noncurrent assets	205,262	--	7,879	(169,999) 43,142
Total assets	$2,730,870	$8,780	$3,045,677	$(2,654,431) $3,130,896
Current liabilities				
Accounts payable				
Trade	$ --	$ 302	$ 126,422	$ -- $ 126,724
Affiliates	18,867	2,982	760,267	(695,972) 86,144
Accrued interest	14,221	--	807	-- 15,028
Current maturities of senior secured term loan	5,000	--	--	-- 5,000
Other current liabilities	1,645	5	19,545	-- 21,195
Total current liabilities	39,733	3,289	907,041	(695,972) 254,091
Revolving credit facility	491,000	--	--	-- 491,000
Senior secured term loans, less current maturities	392,500	--	160,000	-- 552,500
Long-term debt	857,786	--	--	-- 857,786
Other noncurrent liabilities	(1)	--	193,725	(169,999) 23,725
Minority interest	--	1,942	--	-- 1,942
Partners' capital	949,852	3,549	1,784,911	(1,788,460) 949,852
Total liabilities and partners' capital	$2,730,870	$8,780	$3,045,677	$(2,654,431) $3,130,896

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

	NON-GUARANTOR SUBSIDIARIES	GUARANTOR SUBSIDIARIES	CONSOLIDATING ELIMINATIONS	CONSOLIDATED TOTAL
(IN THOUSANDS) Cash flows from operating activities Net income	$ 151,725	$ 316	$ 181,273	$(181,589) $ 151,725
Less cumulative effect of accounting change	--	--	1,690	-- 1,690
Income from continuing operations	151,725	316	179,583	(181,589) 150,035
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation, depletion and amortization	111	31	73,619	-- 73,761
Distributed earnings of unconsolidated affiliates				
Earnings from unconsolidated affiliates	--	(882)	(8,616)	-- (9,498)
Distributions from unconsolidated affiliates	--	--	11,390	-- 11,390
Gain on sale of long-lived assets	(19,000)	--	293	-- (18,707)
Write-off of debt issuance costs	3,762	--	1,225	-- 4,987
Other noncash items	6,683	1,165	(5,875)	-- 1,973
Working capital changes, net of effects of acquisitions and noncash transactions	69,286	(375)	(73,497)	-- (4,586)
Net cash provided by operating activities	212,567	255	178,122	(181,589) 209,355
Cash flows from investing activities Additions to property, plant and equipment	(666)	(18)	(245,611)	-- (246,295)
Proceeds from sale of assets	69,836	--	7,612	-- 77,448
Proceeds from sale of investments in unconsolidated affiliates	--	1,342	--	-- 1,342
Additions to investments in unconsolidated affiliates	--	(214)	(33,665)	-- (33,879)
Net cash provided by (used in) investing activities	69,170	1,110	(271,664)	-- (201,384)
Cash flows from financing activities Net proceeds from revolving credit facility	298,000	--	--	-- 298,000
Repayments of revolving credit facility	(461,000)	--	--	-- (461,000)
Repayment of senior secured acquisition term loan	(237,500)	--	--	-- (237,500)
Repayment of GulfTerra Holding term loan	--	--	(160,000)	-- (160,000)
Repayment of senior secured term loan	(2,500)	--	--	-- (2,500)
Net proceeds from issuance of long-term debt	537,537	--	--	-- 537,537
Net proceeds from issuance of common units and Series F convertible units	208,949	--	--	-- 208,949
Advances with affiliates	(419,086)	(723)	238,220	181,589 --
Distributions to partners	(167,974)	--	--	-- (167,974)
Distributions to minority interests	--	(642)	--	-- (642)
Contribution from General Partner	4	--	--	-- 4
Net cash provided by (used in) financing activities	(243,570)	(1,365)	78,220	181,589 14,874
Increase (decrease) in cash and cash equivalents	$ 38,167	$ --	$ (15,322)	$ -- 22,845
Cash and cash equivalents Beginning of period	36,099			

----- End of period..... $ 58,944 ========= Schedule of noncash investing and financing activities: Investment in Cameron Highway Oil Pipeline Company Joint Venture..... $ 50,836 $ -- $ -- $ -- $ 50,836 ========= ======= ========== ========= ========= Redemption of Series B preference units contributed from our General Partner..... $ 1,986 $ -- $ -- $ -- $ 1,986 ========= ======= ========== ========= =========

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002

	NON-GUARANTOR SUBSIDIARIES	GUARANTOR SUBSIDIARIES	CONSOLIDATING ELIMINATIONS	CONSOLIDATED TOTAL
	(IN THOUSANDS)			
Cash flows from operating activities Net income	$ 71,673	$ 29,539	$ 43,014	$(72,553) $ 71,673
Less income from discontinued operations	--	4,004	897	-- 4,901
Income from continuing operations	71,673	25,535	42,117	(72,553) 66,772
Adjustments to reconcile net income to net cash provided by operating activities Depreciation, depletion and amortization	237	10,719	38,983	-- 49,939
Distributed earnings of unconsolidated affiliates				
Earnings from unconsolidated affiliates	--	--	(10,541)	-- (10,541)
Distributions from unconsolidated affiliates	--	--	13,140	-- 13,140
Loss on sale of long-lived assets	--	--	119	-- 119
Other noncash items	3,300	(5,175)	3,068	-- 1,193
Working capital changes, net of effects of acquisitions and noncash transactions	30,354	(13,620)	(3,820)	-- 12,914
Net cash provided by (used in) continuing operations	105,564	17,459	83,066	(72,553) 133,536
Net cash provided by discontinued operations	--	4,631	376	-- 5,007
Net cash provided by (used in) operating activities	105,564	22,090	83,442	(72,553) 138,543
Cash flows from investing activities				
Additions to property, plant and equipment	(3,618)	(14,060)	(128,866)	-- (146,544)
Proceeds from sale of assets	--	--	5,460	-- 5,460
Additions to investments in unconsolidated affiliates	--	--	(30,364)	-- (30,364)
Cash paid for acquisitions, net cash acquired	--	(730,166)	(11,250)	-- (741,416)
Net cash used in investing activities of continuing operations	(3,618)	(744,226)	(165,020)	-- (912,864)
Net cash provided by (used in) investing activities of discontinued operations	--	(3,523)	190,000	-- 186,477
Net cash provided by (used in) investing activities	(3,618)	(747,749)	24,980	-- (726,387)
Cash flows from financing activities Net proceeds from revolving credit facility	278,731	--	--	-- 278,731
Repayments of revolving credit facility	(10,000)	--	--	-- (10,000)
Net proceeds from GulfTerra Holding term loan	--	530,529	--	-- 530,529
Repayment of senior secured term loan	--	(375,000)	--	-- (375,000)
Repayment of Argo term loan	--	--	(95,000)	-- (95,000)
Net proceeds from issuance of long-term debt	229,576	--	--	-- 229,576
Net proceeds from issuance of common units	150,397	--	--	-- 150,397
Advances with affiliates	(631,633)	585,686	(26,606)	72,553
Distributions				

to partners..... (112,752) -- -- -- (112,752) Contribution from General Partner..... 560 -- -- -- 560 --------- --------- --------- -------- -------- Net cash provided by (used in) financing activities of continuing operations.... (95,121) 741,215 (121,606) 72,553 597,041 Net cash used in financing activities of discontinued operations..... -- (3) -- -- (3) --------- --------- --------- ------ -- --------- Net cash provided by (used in) financing activities..... (95,121) 741,212 (121,606) 72,553 597,038 --------- --------- --------- -- ------ --------- Increase (decrease) in cash and cash equivalents..... $ 6,825 $ 15,553 $ (13,184) $ -- 9,194 ========= ========= ========= ======== Cash and cash equivalents Beginning of period..... 13,084 ---- ----- End of period..... $ 22,278 =========

13. NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51

In January 2003, the FASB issued FIN No. 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51. This interpretation defines a variable interest entity (VIE) as a legal entity whose equity owners have neither sufficient equity at risk nor a controlling financial interest in the entity. This standard requires a company to consolidate any VIE if it is allocated a majority of the VIE's losses and/or returns, including fees paid by the VIE.

The provisions of FIN No. 46 for all VIE's created after January 31, 2003, was effective February 1, 2003. Our adoption of this standard for VIE's created after January 31, 2003, did not have an effect on our financial position or results of operations.

On October 9, 2003, the FASB issued FIN 46-6, Effective Date of FASB Interpretation No. 46, Consolidation of Variable Interest Entities. The staff position deferred the effective date for interests held by public entities in variable interest entities or potential variable interest entities created before February 1, 2003. The new effective date, for the variable interest entities covered under FIN 46-6, is for the period ending after December 15, 2003. We continue to evaluate our joint venture and financing arrangements created before February 1, 2003, to assess the impact, if any, of FIN No. 46 on these arrangements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information contained in Item 2 updates, and you should read it in conjunction with, information disclosed in Part II, Items 7, 7A and 8, in our Annual Report on Form 10-K for the year ended December 31, 2002, in addition to the interim financial statements and notes presented in Item 1 of this Quarterly Report on Form 10-Q.

This quarter, we completed the sale of a 50 percent interest in Cameron Highway Oil Pipeline to Valero Energy Corporation (Valero). Cameron Highway also entered into its construction financing arrangements. We also improved the partnership's financial flexibility by upsizing our revolving credit facility from $600 million to $700 million and extended the maturity from May 2004 to September 2006. Refer to "Liquidity and Capital Resources" below for further discussion regarding the renewal of our revolving credit facility and Cameron Highway financing agreement.

We continued to integrate our 2002 EPN Holding and San Juan acquisitions by exchanging with El Paso Corporation in October 2003 its obligation to repurchase the Chaco plant from us in 19 years for additional assets (refer to "Exchange with El Paso Corporation" below for further discussion) related to our November 2002 San Juan assets acquisition. Also in October 2003, El Paso Corporation completed the sale of 9.9 percent of our general partner to Goldman, Sachs & Co. (Goldman Sachs) and we redeemed all of our outstanding Series B preference units. The sale of the 9.9 percent interest in our general partner substantially completed our 2003 corporate governance and independence goals. We also completed a 4,800,000 common unit public offering in October 2003, achieving our goal to reduce the partnership's debt to total capital ratio to a level below 60 percent.

INDUSTRY PERSPECTIVE

We believe the midstream sector is in a period of substantial and ongoing change, which will provide significant growth opportunities for well-positioned companies. We expect large and mid-size energy companies, including potentially El Paso Corporation, to continue to divest midstream assets in an effort to strengthen their balance sheets as well as to focus on core businesses. These divestitures may produce attractive acquisition opportunities for us. In addition, we believe the midstream sector is likely to experience substantial consolidation through mergers and acquisitions. This consolidation may well result in a few large, independent midstream businesses, a number of which we believe will be MLPs, becoming the leading participants in this business sector.

GENERAL PARTNER RELATIONSHIP

Our corporate governance structure and independence initiatives

In October 2003, Goldman Sachs made a $200 million investment in us and our general partner acquiring a 9.9 percent membership interest in our general partner from El Paso Corporation for $88 million and 3,000,000 common units from us for $112 million. Adding a co-owner of our general partner was one of the major steps of our Independence Initiatives, which we identified as necessary elements of functioning, and being evaluated by the capital markets, as a stand-alone, independent operating company.

We have continued to improve our corporate governance model, which currently meets the standards established by the Securities and Exchange Commission (SEC) and New York Stock Exchange (NYSE). During the first quarter of 2003, we identified and evaluated a number of changes that could be made to our corporate structure to better address potential conflicts of interest and to better balance the risks and rewards of significant relationships with our affiliates, which we refer to as Independence Initiatives. Through October 2003, we have already implemented the following initiatives:

- added an additional independent director to our board of directors, bringing the number of independent directors to four of the six-member board;

- established a governance and compensation committee of our board of directors, consisting solely of independent directors, which is responsible for establishing performance measures and making recommendations to El Paso Corporation concerning compensation of its employees performing duties for us;

- changed our name to GulfTerra Energy Partners, L.P.;

- received a letter of credit from El Paso Merchant Energy North America totaling $5.1 million regarding our existing customer/contractual relationships with them;

- completed a resource support agreement with El Paso Corporation;

- modified our partnership agreement to: (1) eliminate El Paso Corporation's right to vote its common units with respect to the removal of the general partner; (2) effectively reduce the third-party common unit vote required to remove the general partner from 72 percent to 67 percent; and (3) require the unanimous vote of the general partner's board of directors before the general partner or we can voluntarily initiate bankruptcy proceedings;

- reorganized our structure, further reducing our interrelationships with El Paso Corporation, resulting in our general partner being a Delaware limited liability company that is not permitted to have:

  - material assets other than its interest in us;

  - material operations other than those relating to our operations;

  - material debt or other obligations other than those owed to us or our creditors;

  - material liens other than those securing obligations owed to us or our creditors; or

  - employees; and

- added Goldman Sachs as a co-owner of our general partner.

Additionally, as part of implementing our Independence Initiatives, we are considering adding one more independent director to our board of directors. We will continue to evaluate our Independence Initiatives and analyze whether additional actions are desirable.

Our relationship with El Paso Corporation

El Paso Corporation, a NYSE-listed company, is a leading provider of natural gas services and the largest pipeline company in North America. Through its subsidiaries, El Paso Corporation:

- owns 90.1 percent of our general partner. Historically, El Paso Corporation and its affiliates have employed the personnel who operate our businesses. We reimburse our general partner and its affiliates for the costs they incur on our behalf, and we pay our general partner its proportionate share of distributions --relating to its one percent general partnership interest and the related incentive distributions --we make to our partners each calendar quarter.

- is a significant stake-holder in us -- it owns approximately 19.0 percent, or 11,084,245, of our common units (decreased from 26.5 percent as a result of our common unit offerings during the second and third quarters of 2003 and decreased from 23.1 percent as a result of our October 2003 offerings and its sale of 590,000 common units in October 2003), all 10,937,500 of our Series C units, which we issued in November 2002 for $350 million, and 90.1 percent of our general partner. As holders of some of our common units and all of our Series C units, subsidiaries of El Paso Corporation receive their proportionate share of distributions we make to our partners each calendar quarter. In July 2003, we filed a registration statement on Form S-3 to register for resale 2,000,000 of the common units owned by El Paso Corporation or its subsidiaries. Under this registration statement, El Paso Corporation sold 590,000 of its common units in October 2003.

- is a customer of ours. As with other large energy companies, we have entered into a number of contracts with El Paso Corporation and its affiliates.

As discussed above, we have implemented, and may further implement, a number of Independence Initiatives that are designed to help us better manage the rewards and risks relating to our relationship with El Paso Corporation. However, even in light of these Independence Initiatives or any other arrangements, we may still be adversely affected if El Paso Corporation continues to suffer financial stress.

Goldman Sachs' Investment in Our General Partner and Common Units

In connection with our Independence Initiatives, El Paso Corporation decided to sell between 5 and 10 percent of its interest in our general partner (which was then a wholly owned subsidiary of El Paso Corporation) and solicit bids from interested investors. Goldman Sachs was the successful bidder and in October 2003, Goldman Sachs acquired a 9.9 percent membership interest in our general partner for $88 million. In connection with its investment in our general partner, Goldman Sachs also purchased 3,000,000 common units from us for $112 million. Our general partner's Audit and Conflicts Committee engaged an independent financial advisor to provide a fairness opinion related to the sale of our general partner interest. Based on this opinion, these transactions were approved by the Audit and Conflicts Committee of our general partner's board of directors and its full board of directors.

Through Goldman Sachs' membership interest in our general partner:

- it is entitled to receive 9.9 percent of all distributions made by our general partner; and

- its consent is required before we or our general partner can liquidate, dissolve or file a voluntary bankruptcy petition.

In connection with Goldman Sachs' investment, we entered into the following agreements with El Paso Corporation and its affiliates and Goldman Sachs:

Exchange and Registration Rights Agreement. Under this agreement:

- Beginning in October 2008, Goldman Sachs will have the right to exchange its 9.9 percent membership interest in our general partner for a number of common units that would result in Goldman Sachs receiving quarterly common unit distributions, based on the most recent cash distribution to common unitholders, equal (subject to adjustments) to 9.9 percent of the most recent cash distribution we have made to our general partner;

- The maximum number of common units that Goldman Sachs will be permitted to receive in exchange for its entire membership interest in our general partner may not exceed 9.9 percent of the sum of the total number of our outstanding limited partner interests (calculated on a diluted basis) plus the number of common units to be issued to Goldman Sachs in the exchange. However, Goldman Sachs will not be permitted to receive a number of common units at any point in time that, together with any other common units owned by Goldman Sachs, would result in Goldman Sachs owning more than 9.9 percent of our outstanding common units at that time.

- Goldman Sachs will have the right to effect the exchange prior to October 2008 upon the occurrence of specified events, including:

  - the sale of all or substantially all of our or our general partner's assets,

  - our merger with another company,

  - a change of control (as that term is defined in the Exchange and Registration Rights Agreement) of the El Paso Corporation subsidiary that owns 90.1 percent of our general partner,

  - our liquidation,

  - our distribution of cash from interim capital contributions (as defined in our partnership agreement),

- in certain circumstances, the commencement of a voluntary or involuntary bankruptcy proceeding against El Paso Corporation or any of its material subsidiaries, or

- if we negotiate a reduction in the incentive distributions that we pay to our general partner;

- Beginning in October 2010, or prior to October 2010 upon the occurrence of certain events, we will have, and in certain instances El Paso Corporation has, the right to cause Goldman Sachs to exchange its 9.9 percent membership interest in our general partner for common units;

- We have filed with the SEC, and have agreed to maintain the effectiveness of, a shelf registration statement to register the 3,000,000 common units we issued to Goldman Sachs as well as any common units Goldman Sachs acquires in any exchange for its interest in our general partner; and

- Goldman Sachs agreed not to sell pursuant to the shelf registration statement any of the 3,000,000 units it acquired from us for a minimum of 90 days, subject to certain exceptions (including upon a sale of common units by us, El Paso Corporation or any of its subsidiaries before that date).

Incentive Distribution Reduction Agreement. Under this agreement, if we acquire Goldman Sachs' interest in our general partner under the Exchange and Registration Rights Agreement, we will then return that interest to our general partner in exchange for a reduction in our general partner's incentive distribution payments based on the amount of the distributions attributable to the membership interest exchanged.

Exchange With El Paso Corporation

In connection with our November 2002 San Juan assets acquisition, El Paso Corporation retained the obligation to repurchase the Chaco plant from us for $77 million in October 2021. As part of El Paso Corporation's sale of 9.9 percent of our general partner, we released El Paso Corporation from that obligation in exchange for El Paso Corporation contributing specified assets to us. The communications assets we received will be used in the operation of our pipeline systems, furthering our independence strategy. Prior to the October 2003 exchange, we were paying a fee to El Paso Corporation for the use of their assets. We recorded the received assets at El Paso Corporation's book value with the offset to partners' capital. In connection with the exchange, El Paso Corporation also agreed to provide us with the right to lease 80 percent of an office building in San Antonio, Texas at no cost for 20 years.

As a result of the October 2003 exchange, we changed our accounting estimate of the depreciable life of the Chaco Plant, from 19 to 30 years in order to depreciate the Chaco Plant over its estimated useful life as compared to the original term of the repurchase agreement. Depreciation expense will decrease approximately $0.5 million and $2.3 million on a quarter and annual basis.

Series B Preference Units

In October 2003, we redeemed all 123,865 of our remaining outstanding Series B preference units for $156 million, a 7 percent discount from their liquidation value of $167 million. For this redemption, we used the net proceeds of $111.5 million from our sale of 3,000,000 common units to Goldman Sachs, and $44.1 million from cash on hand and from borrowings under our revolving credit facility. We reflected the discount as an increase to the common units capital, Series C units capital and to our general partner capital accounts.

Fairness Opinion

In accordance with our procedures for evaluating and valuing material transactions with El Paso Corporation, our general partner's Audit and Conflicts Committee engaged an independent financial advisor to provide a fairness opinion related to the transactions with Goldman Sachs, the asset exchange with El Paso Corporation, and the redemption of Series B Preference Units. Based on this opinion, our Audit and Conflicts Committee and the full Board approved these transactions.

CAMERON HIGHWAY OIL PIPELINE COMPANY

In June 2003, we formed Cameron Highway Oil Pipeline Company and contributed to it the $458 million Cameron Highway oil pipeline system construction project. Cameron Highway is responsible for building and operating the pipeline, which is scheduled for completion during the third quarter of 2004. We entered into producer agreements with three major anchor producers, BP Exploration & Production Company (BP Exploration), BHP Billiton Petroleum (Deepwater), Inc. (BHP) and Union Oil Company of California (Unocal), which agreements were assigned to and assumed by Cameron Highway. The producer agreements require construction of the 390-mile Cameron Highway oil pipeline.

In July 2003, we sold a 50 percent interest in Cameron Highway to Valero for $86 million, forming a joint venture with Valero. Valero paid us approximately $70 million at closing, including $51 million representing 50 percent of the capital investment expended through that date for the pipeline project, and we recognized $19 million as a gain from the sale of long-lived assets. In addition, Valero will pay us $5 million once the system is completed and an additional $11 million by the end of 2006. We expect to reflect these additional amounts as gains from the sale of long-lived assets in the periods they are received.

The Cameron Highway oil pipeline system project is expected to be funded with 29 percent, or $133 million, equity through capital contributions from the Cameron Highway partners (currently, Valero and us), which have already been made, and 71 percent debt through a $325 million project loan facility, consisting of a $225 million construction loan and $100 million of senior secured notes. We and Valero are obligated to make additional capital contributions to Cameron Highway if and to the extent that the construction costs for the pipeline exceed Cameron Highway's capital resources, including the initial equity contributions and proceeds from Cameron Highway's project loan facility.

RELATED PARTY TRANSACTIONS

In our normal course of business we enter into transactions with various entities controlled directly or indirectly by El Paso Corporation.

For the quarter ended September 30, 2003, $8.4 million of our related party revenue came from Merchant Energy for natural gas transportation and storage agreements. In November 2002, El Paso Corporation announced its intention to exit the energy trading business. Currently, we have a $5.1 million letter of credit from Merchant Energy representing two months of transportation revenues. During the quarter ended September 30, 2003, Merchant Energy continued to fully utilize these agreements. As of June 30, 2003, we replaced all our month-to-month, market priced sales of natural gas to Merchant Energy with similar arrangements with third parties. In October 2003, Merchant Energy transferred the natural gas transportation and storage agreements they have with us to El Paso Field Services.

In connection with our San Juan assets acquisition, we entered into a 10-year transportation agreement with El Paso Field Services beginning January 1, 2003. Under this agreement, we receive a fee of $1.5 million per year for transportation on one of our NGL pipelines.

The fees we incur for services under our general and administrative services agreement with El Paso Corporation reflect the benefit from El Paso Corporation's ability to utilize their economies of scale to negotiate service levels at favorable costs. During 2002, these fees increased as a result of the acquisitions of the EPN Holding and San Juan assets. We expect the management fee will continue to be adjusted to reflect increases in services provided. We anticipate we will continue to obtain these services from El Paso Corporation; however, if these services were to end, our expenditures may increase as we may not be able to obtain the same level of services at comparable costs.

See Part I, Financial Information, Note 11 for a further discussion of our related party transactions.

LIQUIDITY AND CAPITAL RESOURCES

Our principal requirements for cash, other than our routine operating costs, are for capital expenditures, debt service, business acquisitions and distributions to our partners. We plan to fund our short-term cash needs, including operating costs, maintenance capital expenditures and cash distributions to our partners, from cash generated from our operating activities and borrowings under our credit facility. Capital expenditures we expect to benefit us over longer time periods, including our organic growth projects and business acquisitions, we plan to fund through a variety of sources (either separately or in combination), which include issuing additional common units, borrowing under commercial bank credit facilities, issuing public or private placement debt and other financing transactions. We plan to fund our debt service requirements through a combination of refinancing arrangements and cash generated from our operating activities.

The ability to execute our growth strategy and complete our projects is dependent upon our access to the capital necessary to fund the projects and acquisitions. Our success with capital raising efforts, including the formation of joint ventures to share costs and risks, continues to be the critical factor which determines how much we actually spend. We believe our access to capital resources is sufficient to meet the demands of our current and future operating growth needs and, although we currently intend to make the forecasted expenditures discussed below, we may adjust the timing and amounts of projected expenditures as necessary to adapt to changes in the capital markets.

CAPITAL RESOURCES

COMMON UNITS

Our announced strategy for 2003 is to continue to finance or re-finance our growth with 50 percent equity to ensure a sound capital structure. Since January 2003, we have raised net proceeds of approximately $387.5 million through public offerings of 11,026,109 common units, successfully accomplishing part of our strategy for 2003. We used the net proceeds from our public offerings of common units to temporarily reduce amounts outstanding under our revolving credit facility and for general partnership purposes. The following table provides additional detail regarding our public offerings since January 2003:

COMMON UNITS PUBLIC OFFERING	NET OFFERING PROCEEDS	PUBLIC OFFERING PRICE	DATE ISSUED
		(PER UNIT)	(IN MILLIONS)
4,800,000	$186.1	$40.60	August 2003
507,228	$ 19.7	$39.43	June 2003
1,150,000	$ 40.3	$36.50	May 2003
1,118,881	$ 38.3	$35.75	April 2003
3,450,000	$103.1	$31.35	

In addition to our public offerings of common units, in October 2003 we sold 3,000,000 common units privately to Goldman Sachs in connection with their purchase of a 9.9 percent membership interest in our general partner. We used the net proceeds of $111.5 million from that private sale to partially fund the redemption of all of our outstanding Series B preference units.

We expect to use the proceeds we receive from any additional capital we raise through the issuance of additional common units to temporarily reduce amounts outstanding under our credit facility, to finance growth opportunities and for general partnership purposes. Our ability to raise additional capital may be negatively affected by many factors, including our relationship with El Paso Corporation.

SERIES B PREFERENCE UNITS

In connection with our 2003 public offerings of common units through September 30, 2003, our general partner, in lieu of a cash contribution, contributed to us, and we retired, 1,527 Series B preference units with liquidation value of approximately $2.0 million, including accrued distributions of approximately $0.5 million, to maintain its one percent general partner interest. In October 2003, we redeemed all of our remaining outstanding Series B preference units. Refer to previous discussion "Series B Preference Units", for further discussion.

SERIES F CONVERTIBLE UNITS

In connection with our public offering of 1,118,881 common units in May 2003, we issued 80 Series F convertible units. Each Series F convertible unit is comprised of two separate detachable units -- a Series F1 convertible unit and a Series F2 convertible unit -- that have identical terms except for vesting and termination times and the number of underlying common units into which they may be converted. The Series F1 units are convertible into up to $80 million of common units anytime after August 12, 2003, and until March 29, 2004 (subject to defined extension rights). The Series F2 units are convertible into up to $40 million of common units provided at least $40 million of Series F1 convertible units are converted prior to their termination. The Series F2 units terminate on March 30, 2005 (subject to defined extension rights). The price at which the Series F convertible units may be converted to common units is equal to the lesser of the prevailing price (as defined below), if the prevailing price is equal to or greater than $35.75 or the prevailing price minus the product of 50 percent of the positive difference, if any, of $35.75 minus the prevailing price. The prevailing price is equal to the lesser of (i) the average closing price of our common units for the 60 business days ending on and including the fourth business day prior to our receiving notice from the holder of the Series F convertible units of their intent to convert them into common units; (ii) the average closing price of our common units for the first seven business days of the 60 day period included in (i); or (iii) the average closing price of our common units for the last seven days of the 60 day period included in (i). The price at which the Series F convertible units could have been converted to common units assuming we had received a conversion notice on September 30 and October 29, 2003, was $38.77 and $39.05. The Series F units may be converted into a maximum of 8,329,679 common units. Holders of Series F convertible units are not entitled to vote or receive distributions. The value associated with the Series F convertible units is included in partners' capital as a component of common units capital.

In August 2003, we amended the terms of the Series F convertible units to permit the holder to elect a "cashless" exercise -- that is, an exercise where the holder gives up common units with a value equal to the exercise price rather than paying the exercise price in cash. If the holder so elects, we have the option to settle the net position by issuing common units or, if the settlement price per unit is above $26.00 per unit, paying the holder an amount of cash equal to the market price of the net number of units. These amendments had no effect on the classification of the Series F convertible units on the balance sheet at September 30, 2003.

INDEBTEDNESS AND OTHER OBLIGATIONS

In March 2003, we issued $300 million in aggregate principal amount of 8 1/2% senior subordinated notes due 2010. We used the proceeds of approximately $293.5 million, net of issuance costs, to repay all indebtedness outstanding under our $237.5 million senior secured acquisition term loan and to temporarily repay $55.5 million of the balance outstanding under our revolving credit facility.

In July 2003, we issued $250 million in aggregate principal amount of 6 1/4% senior notes due 2010. We used the proceeds of approximately $245.1 million, net of issuance costs, to repay the remaining $160 million of indebtedness under the GulfTerra Holding term credit facility and the remaining $85.1 million to temporarily reduce amounts outstanding under our revolving credit facility.

In July 2003, Cameron Highway Oil Pipeline Company, our 50 percent owned joint venture that is constructing the 390-mile Cameron Highway Oil Pipeline, entered into a $325 million project loan facility consisting of a $225 million construction loan and $100 million of senior secured notes. At September 30, 2003, Cameron Highway had $35 million outstanding under the construction loan and $28 million of senior secured notes outstanding.

In July 2003, to achieve a better mix of fixed rate debt and variable rate debt, we entered into an eight-year interest rate swap agreement to provide for a floating interest rate on $250 million out of $480 million of our 8 1/2% senior subordinated notes due 2011. With this swap agreement, we pay the counterparty a LIBOR based interest rate plus a spread of 4.20% and receive a fixed rate of 8 1/2%. We are accounting for this derivative as a fair value hedge under SFAS No. 133. At September 30, 2003, the fair value of the swap was a liability, included in non-current liabilities, of approximately $2.2 million. The fair value of the hedged debt decreased by the same amount.

In September 2003, we renewed our credit facility to among other things, increase the commitment level under the revolving component from $600 million to $700 million and extend the maturity from May 2004 to September 2006. Under the terms of our renewed credit facility, the interest rate we are charged is contingent upon our leverage ratio, as defined in our credit facility, and ratings we are assigned by S&P or Moody's. The interest we are charged would increase by 0.25% if the credit ratings on our senior secured credit facility decrease or our leverage ratio decreases, or alternatively, would decrease by 0.25% if these ratings are increased or our leverage ratio improves. Additionally, we pay commitment fees on the unused portion of our revolving credit facility at rates that vary from 0.30% to 0.50%. These increases in our credit facility costs are the only additional costs we would bear in direct relationship to our financing contracts.

See Part I, Financial Information, Note 6, for a detailed discussion of our debt obligations.

The following table presents the timing and amounts of our debt repayment and other obligations for the years following September 30, 2003, that we believe could affect our liquidity (in millions):

LESS THAN 1 YEAR	AFTER 1-3 YEARS	3-5 YEARS	DEBT REPAYMENT AND OTHER OBLIGATIONS	5 YEARS	TOTAL
---	---	---	---	---	---
			Revolving credit facility		
$ --	$328	$ --		$ --	$ 328
			Senior secured term loan		
5	10	143		--	158
			6 1/4% senior notes issued July 2003, due June 2010		
--	--	--		250	250
			10 3/8% senior subordinated notes issued May 1999, due June 2009		
--	--	--		175	175
			8 1/2% senior subordinated notes issued March 2003, due June 2010		
--	--	--		300	300
			8 1/2% senior subordinated notes issued May 2001, due June 2011		
--	--	--		250	250
			8 1/2% senior subordinated notes issued May 2002, due June 2011		
--	--	--		230	230
			10 5/8% senior subordinated notes issued November 2002, due December 2012		
--	--	--		200	200
			Wilson natural gas storage facility operating lease		
3	10	11		--	24
----	----	----		------	------
			Total debt repayment and other obligations		
$ 348	$154	$1,405		$1,915	
====	====	======		======	======

CAPITAL EXPENDITURES

FORECASTED EXPENDITURES

We estimate our forecasted expenditures based upon our strategic operating and growth plans, which are also dependent upon our ability to produce or otherwise obtain the capital necessary to accomplish our operating and growth objectives. These estimates may change due to factors beyond our control, such as weather related issues, changes in supplier prices or poor economic conditions. Further, estimates may change as a result of decisions made at a later date, which may include acquisitions, scope changes or decisions to take on additional partners. Our projection of expenditures for the quarters ended September 30, June 30 and March 31, 2003 as presented in our 2002 Annual Report on Form 10-K, were $78, $92 and $120 million; however, our actual expenditures were approximately $39, $125 and $80 million.

The table below depicts our estimate of projects and capital maintenance expenditures through September 30, 2004. These expenditures are net of project financings and anticipated contributions in aid of construction and contributions from joint venture partners. We expect to be able to fund these forecasted expenditures from the combination of operating cash flow and funds available under our revolving credit facility and other financing arrangements. Actual results may vary from these projections.

QUARTERS ENDING ----------

----- NET TOTAL DECEMBER 31,
MARCH 31, JUNE 30, SEPTEMBER
30, FORECASTED 2003 2004 2004
2004 EXPENDITURES ------------
--------- -------- ------------
- ------------ (IN MILLIONS)
NET FORECASTED CAPITAL PROJECT
EXPENDITURES.....
$80 $41 $17 $20 $158 --- --- --
- --- ---- OTHER FORECASTED
CAPITAL
EXPENDITURES.....
11 15 10 10 46 --- --- --- ---
---- TOTAL FORECASTED
EXPENDITURES..... $91 $56 $27
$30 $204 === === === === ====

CONSTRUCTION PROJECTS

CAPITAL EXPENDITURES -------

-------------- AS OF
CAPACITY FORECASTED
SEPTEMBER 30, 2003 ---------
----------- ----------
------- ----------
--- NATURAL TOTAL(1)
GULFTERRA(2) TOTAL(1)
GULFTERRA(2) OIL GAS
EXPECTED COMPLETION --------
------------ -------- ------
------ --------- -------- --
---------- (IN
MILLIONS) (MBBLS/D) (MMCF/D)
Wholly owned projects Medusa
Natural Gas Pipeline.... $
28 $ 26 $ 23 $ 23 -- 160
Fourth Quarter 2003 Marco
Polo Natural Gas and Oil
Pipelines.....
101 84 49 32 120 400 First
Quarter 2004 Phoenix
Gathering System..... 66
60 23 20 -- 450 Second
Quarter 2004 Joint venture
projects Marco Polo Tension
Leg
Platform(3).....
224 33 182 33 120 300 Fourth
Quarter 2003 Cameron Highway
Oil
Pipeline(4).....
458 85 176 85 500 -- Third
Quarter 2004

- ---

(1) Includes 100 percent of costs and is not reduced for anticipated contributions in aid of construction, project financings and contributions from joint venture partners. We expect to receive $6.1 million of which $3.0 million has been collected from ANR Pipeline Company for our Phoenix project. We have received $10.5 million from ANR Pipeline Company and $7.0 million from El Paso Field Services for the Marco Polo natural gas pipeline. In October 2003, we collected $2 million from Tennessee Gas Pipeline for our Medusa project.

(2) GulfTerra expenditures are net of anticipated or received contributions in aid of construction, project financings and contributions from joint venture partners to the extent applicable.

(3) Forecasted expenditures increased during the first quarter of 2003 due to increases in gas processing capacity (from 250 to 300 MMcf/d) and oil processing capacity (from 100 to 120 MBbls/d) and a higher builder's risk insurance cost.

(4) In July 2003, we sold a 50 percent interest in Cameron Highway to Valero Energy Corporation. Valero paid us approximately $51 million at closing representing 50 percent of the capital investment expended through that date.

PROJECTS ANNOUNCED IN 2003

Front Runner Downstream Oil Pipeline Project. In September 2003, we announced that Poseidon, our 36 percent owned joint venture, entered into an agreement for the purchase and sale of crude oil from the Front Runner Field. Poseidon will construct, own and operate the $28 million project, which will connect the Front Runner Field with Poseidon's existing system at Ship Shoal Block 332. The new 36-mile, 14-inch pipeline is expected to be operational by the middle of 2004 and have a capacity of 65,000 barrels per day. As Poseidon expects to fund Front Runner's capital expenditures from its operating cash flow and from its revolving credit facility, we do not expect to receive distributions from Poseidon until the Front Runner pipeline is completed.

San Juan Optimization Project. In May 2003, we announced the approval of a $43 million project relating to our San Juan Basin assets. The project is expected to be completed in stages through 2006. The project is expected to result in a 130 MMcf/d increase in capacity, added compression to the Chaco processing facility and increased market opportunities through a new interconnect at the tailgate of the Chaco processing facility. As of September 30, 2003, we have spent approximately $1.5 million related to this project.

Petal Expansion Project. In September 2003, we entered into a nonbinding letter of intent with Southern Natural Gas Company, a subsidiary of El Paso Corporation, regarding the proposed development and sale of a natural gas storage cavern and the proposed sale of an undivided interest in a pipeline and other facilities related to that natural gas storage cavern. The new storage cavern would be located at our storage complex near Hattiesburg, Mississippi. If Southern Natural Gas determines that there is sufficient market interest, it would purchase the land and mineral rights related to the proposed storage cavern and would pay our costs to construct the storage cavern and related facilities. Upon completion of the storage cavern, Southern Natural Gas would acquire an undivided interest in our Petal pipeline connected to the storage cavern. We would also enter into an arrangement with Southern Natural Gas under which we would operate the storage cavern and pipeline on its behalf.

Before we consummate this transaction, and enter into definitive transaction documents, the transaction must be recommended by the audit and conflicts committee of our general partner's board of directors, which committee consists solely of directors meeting the independent director requirements established by the NYSE and the Sarbanes-Oxley Act and then approved by our general partner's full board of directors.

ACQUISITIONS

San Juan Assets

During the quarter ended September 30, 2003, the total purchase price and net assets acquired for our November 2002 acquisition of the San Juan assets decreased $2.4 million due to post-closing purchase price adjustments related to natural gas imbalances, NGL in-kind reserves and well loss reserves. The following table summarizes our allocation of the fair values of the assets acquired and liabilities assumed. Our allocation among the assets acquired is based on the results of an independent third-party appraisal.

AT NOVEMBER 27, 2002	(IN THOUSANDS)
Note receivable	
$ 17,100	Property, plant and equipment
763,696	Intangible assets
470	Investment in unconsolidated affiliate
2,500	Total assets acquired
783,766	Imbalances payable
17,403	Other current liabilities
2,565	Total liabilities assumed
19,968	Net assets acquired
$763,798	

EPN Holding

During the nine months ended September 30, 2003, the total purchase price and net assets acquired for the April 2002 EPN Holding asset acquisition increased $17.5 million due to post-closing purchase price adjustments related primarily to natural gas imbalances assumed in the transaction. The following table summarizes our allocation of the fair values of the assets acquired and liabilities assumed. Our allocation among the assets acquired is based on the results of an independent third-party appraisal.

AT APRIL 8, 2002	(IN THOUSANDS)
Current assets	
$ 4,690	Property, plant and equipment
780,648	Intangible assets
3,500	Total assets acquired
788,838	Current liabilities
15,229	Environmental liabilities
21,136	Total liabilities assumed
36,365	Net assets acquired
$752,473	

CASH FROM OPERATING ACTIVITIES

Net cash provided by operating activities was $209.4 million for the nine months ended September 30, 2003, compared to $138.5 million for the same period in 2002. The increase was attributable to operating cash flows generated by our acquisitions of the EPN Holding assets in April 2002 and the San Juan assets in November 2002.

CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities was approximately $201.4 million for the nine months ended September 30, 2003. Our investing activities include capital expenditures related to the construction of the Marco Polo pipelines, the Cameron Highway oil pipeline, and the Falcon Nest fixed-leg platform offset in part by $69.8 million in proceeds from the sale of a 50 percent interest in Cameron Highway to Valero, $1.3 million in proceeds from the sale of our interest in Copper Eagle and $7.6 million from the sale and retirement of other assets.

CASH FROM FINANCING ACTIVITIES

Net cash provided by financing activities was approximately $14.9 million for the nine months ended September 30, 2003. During 2003, our cash provided by financing activities included issuances of long-term debt and offerings of common units and convertible units. Cash used in our financing activities included repayments on our senior secured acquisition term loan, our revolving credit facility and other financing obligations, as well as distributions to our partners.

OTHER MATTERS

As a result of current circumstances generally surrounding the energy sector, the creditworthiness of several industry participants has been called into question, including El Paso Corporation, the indirect owner of 90.9 percent of our general partner. As a result of these circumstances, we have established an internal group to monitor our exposure to, and determine, as appropriate, whether we should request prepayments, letters of credit or other collateral from our counterparties. During the second quarter of 2003, we received a letter of credit from Merchant Energy totaling $5.1 million regarding our existing customer/contractual relationships with them. If these general conditions worsen and, as a result, several industry participants file for Chapter 11 bankruptcy protection, it could have a material adverse effect on our financial position, results of operations or cash flows. While some industry participants have filed for Chapter 11 bankruptcy protection during the past nine months, our exposure to these participants has not been significant. However, based upon our review of the collectibility of accounts receivable, we increased our allowance by $2.0 million during the second quarter of 2003. As of September 30, 2003 and December 31, 2002, our allowance was $4.5 million and $2.5 million.

RESULTS OF OPERATIONS

Our business activities are segregated into four distinct operating segments:

- Natural gas pipelines and plants;

- Oil and NGL logistics;

- Natural gas storage; and

- Platform services.

As a result of our sale of the Prince TLP and our nine percent overriding interest in the Prince Field in April 2002, the results of operations from these assets are reflected as discontinued operations in our statements of income for all periods presented and are not reflected in our segment results below.

To the extent possible, results of operations have been reclassified to conform to the current business segment presentation, although these results may not be indicative of the results which would have been achieved had the revised business segment structure been in effect during those periods. Operating revenues and expenses by segment include intersegment revenues and expenses which are eliminated in consolidation. For a further discussion of the individual segments, see Part I, Financial Information, Note 9.

CONSOLIDATED RESULTS

We reported third quarter 2003 net income of $60.2 million ($0.62 per unit), up 152 percent from $23.8 million ($0.21 per unit) from third quarter 2002. Earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 78 percent to $122.8 million in the third quarter 2003 compared with $68.9 million in the third quarter of 2002.

For the nine months ended September 30, 2003, net income was $151.7 million ($1.56 per unit), a 112-percent increase as compared to $71.7 million ($0.72 per unit) for the same nine months ended 2002. EBITDA for the nine months ended September 30, 2003 was $337.4 million, an increase of 79 percent from the $188.4 million reported for the same period of 2002.

We use EBITDA to assess our consolidated and segment results. EBITDA is our liquidity measure as our lenders are interested in whether we generate sufficient cash to meet our debt obligations as they become due. Accordingly, our revolving credit agreement and indentures utilize EBITDA to represent a measure of our cash flows from current operations. Our equity investors generally focus on our capacity to pay distributions or to grow the business, or both. As a result, our ability to generate cash from operations of the business to cover distributions, debt service, as well as to pursue growth opportunities, is an important measure of our liquidity. A reconciliation of this measure to cash flows from operations for our consolidated results is as follows:

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002	2003	2002
Cash Flows from Operations	$ 75,189	$ 76,942	$209,355	$138,543
Plus: Interest and debt expense	33,197	22,070	99,521	55,362
Working capital changes, net of effects of acquisitions and noncash transactions	(10,079)	(33,428)	4,586	(12,914)
Gain (loss) on sale of long-lived assets	18,964	(434)	18,707	(119)
Minority interest	889	8	969	13
Net cash payment received from El Paso Corporation	2,120	1,954	6,238	5,752
Noncash hedge loss	--	1,013	--	1,013
Discontinued operations of Prince facilities	--	456	--	6,965
Less: Net cash provided by (used in)discontinued operations	--	(30)	--	5,007
Noncash items on cash flow statement	(2,547)	(302)	1,973	1,193
EBITDA	$122,827	$ 68,913	$337,403	$188,415

SEGMENT RESULTS

The following table presents EBITDA by segment and in total.

QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
2003	2002	2003	2002
(IN THOUSANDS)			
Natural gas pipelines and plants	$ 80,002	$44,436	$236,223	$111,733
Oil and NGL logistics	26,782	11,271	51,279	34,055
Natural gas storage	7,518	5,455	22,587	10,255
Platform services	4,885	4,522	15,397	24,837
Segment EBITDA	119,187	65,684	325,486	180,880
Other, net	3,640	3,229	11,917	7,535
Consolidated EBITDA	$122,827	$68,913	$337,403	$188,415

See Item 1, Financial Information, Note 9 for a reconciliation of segment EBITDA to net income.

NATURAL GAS PIPELINES AND PLANTS

QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
2003	2002	2003	2002
(IN THOUSANDS, EXCEPT FOR VOLUMES)			
Natural gas pipelines and plants revenue	$180,908	$ 96,381	$ 577,682	$232,053
Cost of natural gas and other products	(64,611)	(27,767)	(240,631)	(67,268)
Natural gas pipelines and plants margin	116,297	68,614	337,051	164,785
Operating expenses excluding depreciation, depletion, and amortization	(37,387)	(25,191)	(103,855)	(54,083)
Other income (expense)	598	(8)	1,958	5
Noncash hedge loss	--	1,013	--	1,013
Cash distributions from unconsolidated affiliates in excess of earnings(1)	484	--	979	--
Minority interest	10	8	90	13
EBITDA	$ 80,002	$ 44,436	$ 236,223	$111,733

- ---

(1) Earnings from unconsolidated affiliates for the quarter and nine months ended September 30, 2003, was $516 thousand and $1,771 thousand.

QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
2003	2002	2003	2002
(IN THOUSANDS, EXCEPT FOR VOLUMES)			
Volumes (MDth/d) Texas Intrastate	3,402	3,235	3,387	2,237
San Juan gathering	1,263	-	-	1,212
Permian gathering	306	320	327	238
HIOS	643	696	700	750
Viosca Knoll gathering	704	583	688	569
Other natural gas pipelines	638	391	618	387
Processing plants	794	746	795	718
Total volumes	7,750	5,971	7,727	4,899

We provide natural gas gathering and transportation services for a fee. However, agreements with some of our customers require that we purchase natural gas from producers at the wellhead for an index price less an amount that compensates us for gathering services. We then sell the natural gas into the open market at points on our system at the same price paid to the producers. Accordingly, under these agreements, our operating revenues and costs of natural gas and other products are impacted by changes in energy commodity prices, however, our margin for these agreements reflects only the fee we received for gathering services. At our Indian Basin processing facility, our revenues reflect the gross sales of natural gas liquids we retain as a processing fee and the natural gas liquids purchased from other producers under the marketing provisions of their contracts. Included in our cost of natural gas and other products is the payment to the producers for the natural gas liquids we marketed on their behalf. For these reasons, we feel that gross margin (revenue less cost of natural gas and other products) provides a more accurate and meaningful basis for analyzing operating results for this segment. Revenues at our Chaco processing facility are representative of our processing fee since the natural gas liquids purchased from the producers at this facility is minimal.

During the latter half of 2002, we experienced a significant unfavorable variance between the fuel usage on HIOS and the fuel collected from our customers for our use. We believe a series of events may have contributed to this variance, including two major storms that hit the Gulf Coast Region (and these assets) in late September and early October of 2002. We are taking numerous steps to determine the cause of the fuel differences, including a review of receipt and delivery measurement data. As of September 30, 2003, we had recorded fuel differences of approximately $9.4 million, which is included in other non-current assets. Depending on the outcome of our review, we expect to seek FERC approval to collect some or all of the fuel differences. At this time we are not able to determine what amount, if any, may be collectible from our customers. Any amount we are unable to resolve or collect from our customers will negatively impact the future results of our natural gas pipelines and plants segment.

Third Quarter Ended September 30, 2003 Compared With Third Quarter Ended September 30, 2002

Natural gas pipelines and plants margin for the quarter ended September 30, 2003, was $47.7 million higher than in the same period in 2002. Our San Juan Basin assets, acquired in November 2002, accounted for approximately $44.8 million of the increase. Margin also increased by approximately $2.0 million due to an increase in volumes attributable to our Falcon Nest pipeline, which was placed in service in March 2003, and additional volumes on our Viosca Knoll system from the Canyon Express pipeline system. Additionally, margin increased by approximately $1.3 million due to higher NGL prices in 2003, which favorably impacted margins at our Indian Basin processing facility. Partially offsetting these increases was a decrease in volumes on our HIOS pipeline due to naturally declining production in the western regions of the Gulf of Mexico.

Operating expenses excluding depreciation, depletion, and amortization for the quarter ended September 30, 2003, were $12.2 million higher than the same period in 2002 primarily due to the acquisition of the San Juan Basin assets. Excluding the operating costs of these acquired assets, operating expenses increased by $6.6 million due to higher repair and maintenance expenses of $1.9 million on our Texas intrastate pipeline, which were unusually low in 2002 due to timing of expenditures, and $1.3 million attributable to repairs on our Medusa gas pipeline, which was damaged by an anchor after construction. Additionally, operating expenses were higher by $3.1 million due to an increase associated with our general and administrative services agreement with subsidiaries of El Paso Corporation, as a result of our acquisitions in 2002.

Other income for the quarter ended September 30, 2003, primarily relates to earnings from our unconsolidated affiliate, Coyote Gas Treating, LLC, which we acquired in connection with the San Juan asset acquisition in November 2002.

The noncash hedge loss for the quarter ended September 30, 2002, is related to our San Juan hedging activity prior to our acquisition of the San Juan assets in November 2002. Prior to this acquisition we accounted for our San Juan hedging activity under mark-to-market accounting since it did not qualify for hedge accounting under SFAS No. 133.

Nine Months Ended September 30, 2003 Compared With Nine Months Ended September 30, 2002

Natural gas pipelines and plants margin for the nine months ended September 30, 2003, was $172.3 million higher than in the same period in 2002. Our San Juan Basin assets, acquired in November 2002, and our EPN Holding assets, acquired in April 2002, accounted for approximately $130.0 million and $36.7 million of the increase. Margin also increased by $6.0 million due to an increase in volumes attributable to our Falcon Nest pipeline, which was placed in service in March 2003, and additional volumes on our Viosca Knoll system from the Canyon Express pipeline system. Additionally, margin increased by $3.0 million due to higher NGL prices in 2003, which favorably impacted margins at our Indian Basin processing facility. Partially offsetting these increases was a $1.0 million decrease in margin for our Texas intrastate pipeline system attributable to the impact that higher natural gas prices in 2003 had on our fuel costs and the revaluation of our natural gas imbalances, offset by an increase in base business performance. The increases were also offset by an additional $2.9 million decrease in margin related to lower volumes on our HIOS pipeline due to natural decline in the western region of the Gulf of Mexico.

Operating expenses excluding depreciation, depletion, and amortization for the nine months ended September 30, 2003, were $49.8 million higher than the same period in 2002 primarily due to the acquisition of the San Juan Basin and EPN Holding assets. Excluding the operating costs of these acquired assets, operating expenses increased by $21.4 million due to increased operating expenses of $13.3 million associated with our general and administrative services agreement with subsidiaries of El Paso Corporation. The increase in operating expenses is also attributable to an increase in our allowance for doubtful accounts of $2.0 million, higher repair and maintenance expenses of $6.3 million, of which $5.0 million relates to expenditures on our Texas intrastate pipeline, which were unusually low in 2002 due to timing of expenditures, and $1.3 million attributable to repairs on our Medusa gas pipeline, which was damaged by an anchor after construction.

Other income for the nine months ended September 30, 2003, primarily relates to earnings from our unconsolidated affiliate, Coyote Gas Treating, LLC, which we acquired in connection with the San Juan asset acquisition in November 2002.

The noncash hedge loss for the nine months ended September 30, 2002, is related to our San Juan hedging activity prior to our acquisition of the San Juan assets in November 2002. Prior to this acquisition we accounted for our San Juan hedging activity under mark-to-market accounting since it did not qualify for hedge accounting under SFAS No. 133.

OIL AND NGL LOGISTICS

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002	2003	2002
	(IN THOUSANDS, EXCEPT FOR VOLUMES)			
Oil and NGL logistics revenues	$ 83,040	$ 9,450	$ 232,926	$ 28,026
Cost of natural gas and other products	(70,302)	--	(192,307)	--
Oil and NGL logistics margin	12,738	9,450	40,619	28,026
Operating expenses excluding depreciation, depletion, and amortization and gain from sale of Cameron Highway	(7,117)	(2,139)	(16,985)	(7,111)
Gain on sale of long-lived assets(3)	19,000	--	19,000	--
Other income	1,798	3,168	6,850	10,541
Cash distributions from unconsolidated affiliates in excess of earnings(1)	363	792	1,795	2,599
EBITDA	$ 26,782	$ 11,271	$ 51,279	$ 34,055
Volume (Bbl/d)				
Texas NGL Fractionation	52,159	70,597	59,267	72,499
Texas NGL Systems	34,609	--	30,350	--
Allegheny Oil Pipeline	12,017	17,395	14,500	17,570
Typhoon Oil Pipeline	27,868	--	25,909	--
Unconsolidated affiliate Poseidon Oil Pipeline(2)	116,555	131,457	134,898	140,344
Total volumes	243,208	219,449	264,924	230,413

- ----------

(1) Earnings from unconsolidated affiliates for the quarter and nine months ended September 30, 2003, was $1,797 thousand and $6,845 thousand. Earnings from unconsolidated affiliates for the quarter and nine months ended September 30, 2002, was $3,168 thousand and $10,541 thousand.

(2) Represents 100 percent of the volumes flowing through the pipeline, in which we own a 36 percent joint venture interest.

(3) Represents a gain of $19 million associated with the sale of our 50 percent interest in Cameron Highway to Valero Energy Corporation in July 2003. Refer to previous discussion regarding "Cameron Highway Oil Pipeline Company."

The majority of the earnings from the oil and NGL logistics segment are generated from volume-based fees for providing transportation of oil and NGL and fractionation of NGL. However, many of the agreements with the customers on our oil pipelines require that we purchase oil from the customer at the inlet of our pipeline for an index price, less an amount that compensates us for transportation services, and resell the oil to the customer at the outlet of our pipeline at the same index price. Although the effect of these transactions is that we receive a volume-based fee for our services, our operating revenue and cost of natural gas and other products include the index price that we pay and receive. For these reasons, we believe that gross margin (revenue less cost of natural gas and other products) provides a more accurate and meaningful basis for analyzing operating results for this segment.

Gross margin is driven by product pricing for both oil and NGL and volumes. Both oil and NGL volumes are impacted by natural resource decline as well as increases in new production. Volumes at our Texas NGL fractionation facilities are significantly impacted by processing economics, which are driven by the difference between natural gas prices and NGL prices. In 2003, natural gas prices have been high relative to NGL prices resulting in poor processing economics that reduce the amount of NGL extracted from natural gas and available for fractionation. We expect these economics to continue into next year.

Third Quarter Ended September 30, 2003 Compared With Third Quarter Ended September 30, 2002

For the quarter ended September 30, 2003, margin was $3.3 million higher than the same period in 2002. Our Texas NGL systems and our Typhoon Oil Pipeline, both acquired in November 2002, contributed approximately $5.5 million to the increase. Partially offsetting this increase was a $1.7 million decline in margin for our Texas NGL fractionation assets due to lower volumes resulting from poor processing economics.

Operating expenses excluding depreciation, depletion, and amortization for the quarter ended September 30, 2003, were $5.0 million higher than the same period in 2002 primarily due to increased operating expenses related to our November 2002 acquisition of the Typhoon Oil Pipeline and the Texas NGL systems.

Other income for the quarter ended September 30, 2003, was $1.4 million lower than the same period in 2002 due to a decrease in cash distributions from our unconsolidated affiliate Poseidon. Poseidon experienced lower earnings due to reduced volumes, primarily attributable to natural production declines on some of the older deepwater fields to which it connects, as well as production downtime at several new fields.

Nine Months Ended September 30, 2003 Compared With Nine Months Ended September 30, 2002

For the nine months ended September 30, 2003, margin was $12.6 million higher than the same period in 2002. Our acquisition, in November 2002, of the Texas NGL systems and Typhoon Oil Pipeline contributed approximately $16.6 million to the increase. Partially offsetting this increase was a $3.6 million decrease for our Texas NGL fractionation assets due to lower volumes resulting from poor processing economics.

Operating expenses excluding depreciation, depletion, and amortization for the nine months ended September 30, 2003 were $9.9 million higher than the same period in 2002, primarily due to increased operating expenses related to our November 2002 acquisition of the Typhoon Oil Pipeline and the Texas NGL systems.

Other income for the nine months ended September 30, 2003, was $3.7 million lower than the same period in 2002 due to a decrease in cash distributions from our unconsolidated affiliate Poseidon. Poseidon experienced lower earnings due to natural production declines on some of the older deepwater fields, as well as production downtime at several new fields.

NATURAL GAS STORAGE

QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
2003	2002	2003	2002
(IN THOUSANDS, EXCEPT FOR VOLUMES)			
Natural gas storage revenue	$10,252	$ 8,599	$33,007	$18,454
Cost of natural gas and other products	339	(1,090)	(7,416)	(10,199)
Natural gas storage margin	10,591	8,599	25,591	8,255
Operating expenses excluding depreciation, depletion, and amortization	(3,074)	(3,144)	(9,331)	(8,199)
Other income	4	4	227	199
Cash distributions from unconsolidated affiliates in excess of (less than) earnings(1)	(882)	(882)	(2,646)	(2,646)
Minority interest	879	879	(2,644)	(2,644)
EBITDA	$ 7,518	$ 5,455	$22,587	$10,255
Firm storage Average working gas capacity available (Bcf)	13.5	13.5	13.5	9.3
Average firm subscription (Bcf)	12.8	11.5	12.7	8.7
Commodity volumes(2) (Bcf)	2.4	1.6	4.0	2.9
Interruptible storage Contracted volumes (Bcf)	0.4	0.2	0.3	0.3
Commodity volumes(2) (Bcf)	0.5	0.9	0.6	0.4

- ----------

(1) Cash distributions from unconsolidated affiliates, in excess of (less than) earnings is related to the sale of our interest in Copper Eagle to El Paso Natural Gas Company.

(2) Combined injections and withdrawals volumes.

At our Petal and Hattiesburg storage facilities, we collect fixed and variable fees for providing storage services, some of which is generated from customers with cashout provisions, calculated by reference to a tariff-based index. We incur expenses, which are reflected as cost of natural gas, as we maintain these volumetric imbalance receivables and payables, all of which are valued at current gas prices. For these reasons, we believe that gross margin (revenue less cost of natural gas and other products) provides a more accurate and meaningful basis for analyzing operating results for this segment. Cost of natural gas reflects the initial loss of base gas in our storage facilities or the encroachment on our base gas by third parties at the market price in the period of the loss or encroachment and the monthly revaluation of these amounts based on the monthly change in natural gas prices.

Third Quarter Ended September 30, 2003 Compared with Third Quarter Ended September 30, 2002

For the quarter ended September 30, 2003, margin was $2.0 million higher than the same period in 2002 primarily due to an increase in subscribed firm storage capacity attributable to the expansion of the Petal storage facility. Although the expansion was completed in June 2002, we did not receive 100 percent of expected demand payments until September 2002, when the last pipeline interconnect was placed in service.

Nine Months Ended September 30, 2003 Compared with Nine Months Ended September 30, 2002

For the nine months ended September 30, 2003, margin was $13.5 million higher than the same period in 2002 primarily due to an increase in subscribed firm storage capacity attributable to the expansion of the Petal storage facility, which was completed in June 2002, and our acquisition of the Wilson storage facility lease in April 2002. In addition, margin attributable to Wilson storage was up an additional $0.9 million due to new contracts, offset by a $1.1 million decline in firm contracts at our Hattiesburg storage facility.

Operating expenses excluding, depreciation, depletion, and amortization for the nine months ended September 30, 2003 were $1.1 million higher than the same period in 2002 primarily due to our acquisition of the Wilson storage facility lease in April 2002 and expansion of the Petal storage facility in June 2003. Operating costs of our original storage facilities have remained fairly consistent.

PLATFORM SERVICES

QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
2003	2002	2003	2002
(IN THOUSANDS, EXCEPT FOR VOLUMES)			
Platform services revenue from external customers	$5,185	$3,595	$15,668	$13,222
Platform services intersegment revenue	600	1,547	2,004	7,770
Operating expenses excluding depreciation, depletion, and amortization	(900)	(1,191)	(2,275)	(2,422)
Other income	--	115	--	114
Discontinued operations of Prince facilities	--	456	--	6,153
EBITDA	$4,885	$4,522	$15,397	$24,837
Natural gas platform volumes (Mdth/d)				
East Cameron 373 platform	107	119	110	134
Garden Banks 72 platform	6	12	17	13
Viosca Knoll 817 platform	5	9	5	9
Falcon Nest platform	184	--	135	--
Total natural gas platform volumes	302	140	267	156
Oil platform volumes (Bbl/d)				
East Cameron 373 platform	1,111	1,576	952	1,764
Garden Banks 72 platform	1,032	1,036	1,055	1,131
Viosca Knoll 817 platform	2,141	2,170	2,051	2,106
Falcon Nest platform	699	--	515	--
Total oil platform volumes	4,983	4,782	4,573	5,001

Our platform services segment generally receives revenue through demand fees (regular payments made by customers using our platform services regardless of volumes) and commodity charges (volume-based payments made by customers). Contracts for platform services often include both demand charges and commodity charges, but demand charges generally expire after a fixed period of time.

Third Quarter Ended September 30, 2003 Compared with Third Quarter Ended September 30, 2002

For the quarter ended September 30, 2003, revenues were $1.6 million higher than in the same period in 2002, of which $3.1 million is attributable to the Falcon Nest fixed leg platform that went into operation in March 2003. This increase is partially offset by lower revenues of $1.5 million from East Cameron 373 resulting from lower demand fees. Intersegment revenues were $0.9 million lower due to a decline in demand fees on the Garden Banks 72 platform associated with contracts with one of our wholly owned subsidiaries, which terms expired in December 2002.

Nine Months Ended September 30, 2003 Compared with Nine Months Ended September 30, 2002

For the nine months ended September 30, 2003, revenues from external customers were $2.4 million higher than in the same period in 2002, of which $6.9 million is attributable to the Falcon Nest fixed leg platform that went into operation in March 2003. Partially offsetting this increase are lower revenues of $4.1 million from East Cameron 373 resulting from one time billing adjustments in 2002 for fixed monthly platform access fees, a gas dehydration fee, decreased demand fees and lower production. Intersegment revenues were $5.6 million lower due to a decline in demand fees on the Viosca Knoll 817 and Garden Banks 72 platforms associated with contracts with one of our wholly owned subsidiaries, which terms expired in June 2002 and December 2002.

OTHER, NET

EBITDA related to non-segment activity for the quarter and nine months ended September 30, 2003, was $0.4 and $4.4 million higher than the same periods in 2002 primarily due to lower demand fee expense as a result of the expiration of the fixed fee portion of the Viosca Knoll 817 contract in June 2002 and the Garden Banks 72 contract in December 2002 and higher oil and natural gas prices in 2003. Partially offsetting these increases were lower production from the Garden Banks 117 and Viosca Knoll 817 fields and higher operating expenses associated with an increase in professional fees, including legal, accounting and consulting services.

In connection with the sale of our Gulf of Mexico assets in January 2001, El Paso Corporation agreed to make quarterly payments to us of $2.25 million for three years beginning March 2001 and $2 million in the first quarter of 2004. These payments from El Paso Corporation have been reflected in EBITDA related to non-segment activities and will terminate in the first quarter of 2004.

DEPRECIATION, DEPLETION, AND AMORTIZATION

Depreciation, depletion, and amortization for the quarter and nine months ended September 30, 2003, was $5.9 million and $23.8 million higher than the same periods in 2002. This increase is primarily due to our November 2002 acquisition of the San Juan assets and our April 2002 acquisition of the EPN Holding assets. Further contributing to the increase was the completion of the Falcon Nest platform in March 2003 and the Petal expansion in June 2002. We have several capital projects in process, and as additional assets from our completed projects are placed into service, depreciation, depletion and amortization expense will increase. The amount of additional expense will be a function of the final cost of each project and each project's expected useful life.

INTEREST AND DEBT EXPENSE

Interest and debt expense, net of capitalized interest, for the quarter and nine months ended September 30, 2003, was approximately $11.1 million and $44.2 million higher than the same periods in 2002. The increase for the nine month period is primarily due to a higher weighted average interest rate (4.0% compared to 3.65% for the nine months ended September 30, 2002) on our revolving credit facility and interest incurred on the following indebtedness:

- our $230 million 8 1/2% senior subordinated notes, issued in May 2002 and used to repay a portion of the GulfTerra Holding term credit facility;

- our $160 million senior secured term loan, borrowed in October 2002;

- our $200 million 10 5/8% senior subordinated notes and our $237.5 million senior secured acquisition term loan, both closed in November 2002 in connection with our acquisition of the San Juan assets;

- our $300 million 8 1/2% senior subordinated notes, issued in March 2003 and used to repay our $237.5 million senior secured acquisition term loan; and

- our $250 million 6 1/4% senior notes, issued in July 2003 and used to repay our GulfTerra Holding term credit facility and temporarily reduce indebtedness outstanding under our revolving credit facility.

The increase in our interest expense for the nine months ended September 30, 2003 was partially offset by lower average balances outstanding under our revolving credit facility and the GulfTerra Holding term credit facility during 2003 due to repayments from net proceeds of our 2003 debt and equity offerings.

The increase in interest expense for the quarter ended September 30, 2003 compared to the same period in 2002 is attributable to the interest incurred on the additional indebtedness discussed above, excluding our $230 million 8 1/2% senior subordinated notes issued in May 2002, partially offset by lower weighted average interest rates and lower outstanding balances on our revolving credit facility and the GulfTerra Holding term credit facility, which we repaid in July 2003.

Capitalized interest for the quarter and nine months ended September 30, 2003 was $2.5 million and $7.0 million, representing increases of $1.7 million and $2.6 million over the comparable prior periods. The increases are the result of an increase in average construction work-in-process in 2003 as a result of our construction projects.

LOSSES DUE TO WRITE-OFF OF DEBT ISSUANCE COSTS

In March 2003, we repaid our $237.5 million senior secured term loan which was due in May 2004 and recognized a loss of $3.8 million related to the write-off of the unamortized debt issuance costs related to this loan.

In July 2003, we repaid our $160 million GTM Holding term credit facility that was scheduled to mature in April 2005 and recognized a loss of $1.2 million related to the write-off of the unamortized debt issuance costs associated with this facility.

COMMITMENTS AND CONTINGENCIES

See Item 1, Financial Information, Note 7, which is incorporated herein by reference.

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

See Item 1, Financial Information, Note 13, which is incorporated by reference.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

We have made statements in this document that constitute forward-looking statements. These statements are subject to risks and uncertainties. Forward-looking statements include information concerning possible or assumed future results of operations. These statements may relate to information or assumptions about:

- earnings per unit;
- capital and other expenditures;
- cash distributions;
- financing plans;
- capital structure;
- liquidity and cash flow;
- pending legal proceedings and claims, including environmental matters;
- future economic performance;
- operating income;
- cost savings;

- management's plans; and

- goals and objectives for future operations.

Important factors that could cause actual results to differ materially from estimates or projections contained in forward-looking statements are described in our Annual Report on Form 10-K for the year ended December 31, 2002, and our other filings with the Securities and Exchange Commission. Where any forward-looking statement includes a statement of the assumptions or bases underlying the forward-looking statement, we caution that, while we believe these assumptions or bases to be reasonable and made in good faith, assumed facts or bases almost always vary from the actual results, and the differences between assumed facts or bases and actual results can be material, depending upon the circumstances. Where, in any forward-looking statement, we express an expectation or belief as to future results, such expectation or belief is expressed in good faith and is believed to have a reasonable basis. We cannot assure you, however, that the statement of expectation or belief will result or be achieved or accomplished. These statements relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies. These forward-looking statements are identified by their use of terms and phrases such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will," and similar terms and phrases, including references to assumptions. These forward-looking statements involve risks and uncertainties that may cause our actual future activities and results of operations to be materially different from those suggested or described.

These risks may also be specifically described in our Current Reports on Form 8-K and other documents filed with the Securities and Exchange Commission. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or otherwise. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information updates, and you should read it in conjunction with, our quantitative and qualitative disclosures about market risks reported in our Annual Report on Form 10-K for the year ended December 31, 2002, in addition to information presented in Items 1 and 2 of this Quarterly Report on Form 10-Q.

In August 2002, we entered into a derivative financial instrument to hedge our exposure during 2003 to changes in natural gas prices relating to gathering activities in the San Juan Basin in anticipation of our acquisition of the San Juan assets. The derivative is a financial swap on 30,000 MMBtu per day whereby we receive a fixed price of $3.525 per MMBtu and pay a floating price based on the San Juan index. From August 2002 through our acquisition date, November 27, 2002, we accounted for this derivative under mark-to-market accounting since it did not qualify for hedge accounting under SFAS No. 133. Through the acquisition date in 2002, we recognized a $0.4 million net gain, ($1.0 million loss in the third quarter of 2002 and $1.4 million gain in the fourth quarter of 2002), in the margin of our natural gas pipelines and plants segment. Beginning with the acquisition date in November 2002, we are accounting for this derivative as a cash flow hedge under SFAS No. 133. In February and August 2003, we entered into additional derivative financial instruments to continue to hedge our exposure during 2004 to changes in natural gas prices relating to gathering activities in the San Juan Basin. The derivatives are financial swaps on 30,000 MMBtu per day whereby we receive an average fixed price of $4.23 per MMBtu and pay a floating price based on the San Juan index. We are accounting for these derivatives as cash flow hedges under SFAS No. 133. As of September 30, 2003, the fair value of all of our San Juan gathering cash flow hedges was a liability of $2.4 million, as the market price at that date was higher than the hedge price of $4.23. For the nine months ended September 30, 2003, we reclassified $8.4 million of unrealized accumulated loss related to these derivatives from accumulated other comprehensive income as a decrease in revenue resulting in a reduction to earnings. No ineffectiveness exists in this hedging relationship because all purchase and sale prices are based on the same index and volumes as the hedge transaction.

In connection with our GulfTerra Intrastate Alabama operations, we have fixed price contracts with specific customers for the sale of predetermined volumes of natural gas for delivery over established periods of time. We have entered into cash flow hedges in 2002 and 2003 to offset the risk of increasing natural gas prices for our purchases to satisfy these sales contracts. As of September 30, 2003, the fair value of these cash flow hedges was a liability of $11 thousand, as the market price at that date was lower than the hedge price of $5.20. For the nine months ended September 30, 2003, we reclassified $223 thousand of unrealized accumulated gain related to these derivatives from accumulated other comprehensive income to earnings as a reduction of cost of natural gas. No ineffectiveness existed in this hedging relationship because all purchase and sale prices were based on the same index and volumes as the hedge transaction.

In January 2002, Poseidon entered into a two-year interest rate swap agreement to fix the variable portion of its LIBOR based interest rate on $75 million of its $185 million variable rate revolving credit facility at 3.49% over the life of the swap. Prior to April 2003, under its credit facility, Poseidon paid an additional 1.50% over the LIBOR rate resulting in an effective interest rate of 4.99% on the hedged notional amount. Beginning in April 2003, the additional interest Poseidon pays over LIBOR was reduced to 1.25% resulting in an effective fixed interest rate of 4.74% on the hedged notional amount. As of September 30, 2003, the fair value of its interest rate swap was a liability of $0.5 million, as the market interest rate was lower than the hedge rate of 4.99%, resulting in accumulated other comprehensive loss of $0.5 million. We included our 36 percent share of this liability of $0.2 million as a reduction of our investment in Poseidon and as loss in accumulated other comprehensive income which we estimate will be reclassified to earnings proportionately over the next three months. Additionally, we have recognized as a reduction of income our 36 percent share of Poseidon's realized loss of $1.3 million for the nine months ended September 30, 2003, or $0.5 million, through our earnings from unconsolidated affiliates.

We estimate the entire $3.0 million of unrealized losses included in accumulated other comprehensive income at September 30, 2003, will be classified from accumulated other comprehensive income as a reduction to earnings over the next 15 months and approximately $2.9 million will be reclassed as a reduction to earnings over the next twelve months. When our derivative financial instruments are settled, the related amount in accumulated other comprehensive income is recorded in the income statement in operating revenues, cost of natural gas and others products, or interest and debt expense, depending on the item being hedged. The effect of reclassifying these amounts to the income statement line items is recording our earnings for the period at the "hedged price" under the derivative financial instruments.

In July 2003, to achieve a better mix of fixed rate debt and variable rate debt, we entered into an eight-year interest rate swap agreement to provide for a floating interest rate on $250 million out of $480 million of our 8 1/2% senior subordinated notes due 2011. With this swap agreement, we pay the counterparty a LIBOR based interest rate plus a spread of 4.20% and receive a fixed rate of 8 1/2%. We are accounting for this derivative as a fair value hedge under FAS No. 133. As of September 30, 2003, the fair value of the interest rate swap was a liability, included in non-current liabilities, of approximately $2.2 million. The fair value of the hedged debt decreased by the same amount.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Controls and Procedures. Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (Disclosure Controls) and internal controls over financial reporting (Internal Controls) as of the end of the period covered by this Quarterly Report pursuant to Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934 (Exchange Act).

Definition of Disclosure Controls and Internal Controls. Disclosure Controls are our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified under the Exchange Act. Disclosure Controls include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Internal Controls are procedures which are designed with the objective of providing reasonable assurance that (1) our transactions are properly authorized; (2) our assets are safeguarded against unauthorized or improper use; and (3) our transactions are properly recorded and reported, all to permit the preparation of our financial statements in conformity with generally accepted accounting principles.

Limitations on the Effectiveness of Controls. Our management, including the principal executive officer and principal financial officer, does not expect that our Disclosure Controls and Internal Controls will prevent all errors and all fraud. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events. Therefore, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Our Disclosure Controls and Internal Controls are designed to provide such reasonable assurances of achieving our desired control objectives, and our principal executive officer and principal financial officer have concluded that our Disclosure Controls and Internal Controls are effective in achieving that level of reasonable assurance.

No Significant Changes in Internal Controls. We have sought to determine whether there were any "significant deficiencies" or "material weaknesses" in GulfTerra Energy Partners' Internal Controls, or whether GulfTerra Energy Partners had identified any acts of fraud involving personnel who have a significant role in GulfTerra Energy Partners' Internal Controls. This information was important both for the controls evaluation generally and because the principal executive officer and principal financial officer are required to disclose that information to our Board's Audit Committee and our independent auditors and to report on related matters in this section of the Quarterly Report. The principal executive officer and principal financial officer note that there have not been any significant changes in Internal Controls or in other factors that could significantly affect Internal Controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

Effectiveness of Disclosure Controls. Based on the controls evaluation, our principal executive officer and principal financial officer have concluded that the Disclosure Controls are effective to ensure that material information relating to GulfTerra Energy Partners and its consolidated subsidiaries is made known to management, including the principal executive officer and principal financial officer, on a timely basis.

Officer Certifications. The certifications from the principal executive officer and principal financial officer required under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 have been included as Exhibits to this Quarterly Report.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Part I, Financial Information, Note 7, which is incorporated herein by reference.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

We have amended the portion of our partnership agreement relating to our Series F units. See Part I, Item 2, Management's Discussion and Analysis, "General Partner Relationship" and "Liquidity and Capital Resources" for discussions of how these changes affect our common units, which is incorporated herein by reference.

In October 2, 2003, in connection with the investment by Goldman, Sachs & Co., a wholly owned subsidiary of Goldman Sachs Group Inc., of a 9.9 percent membership interest in our generally partner, Goldman Sachs purchased 3,000,000 of our common units from us for $112 million in a transaction exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, as a transaction not involving any public offering.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Each exhibit identified below is filed as part of this document. Exhibits not incorporated by reference to a prior filing are designated by a "*"; all exhibits not so designated are incorporated herein by reference to a prior filing as indicated. Exhibits designated with a "+" represent a management contract or compensatory plan or arrangement.

EXHIBIT NUMBER	DESCRIPTION
3.A	Amended and Restated Certificate of Limited Partnership dated February 14, 2002; Amendment dated April 30, 2003 (Exhibit 3.A.1 to our 2003 First Quarter Form 10-Q); Amendment 2 dated July 25, 2003 (Exhibit 3.A.1 to our 2003 Second Quarter Form 10-Q).
*3.A.1	Conformed Certificate of Limited Partnership.
3.B	Second Amended and Restated Agreement of Limited Partnership effective as of August 31, 2000 (Exhibit 3.B to our Current Report on Form 8-K

dated March 6, 2001); First Amendment dated November 27, 2002 (Exhibit 3.B.1 to our Current Report on Form 8-K dated December 11, 2002); Second Amendment dated May 5, 2003 (Exhibit 3.B.2 to our Current Report on Form 8-K dated May 13, 2003); Third Amendment dated May 16, 2003 (Exhibit 3.B.3 to our Current Report on 8-K dated May 16, 2003); Fourth Amendment dated July 23, 2003 (Exhibit 3.B.1 to our 2003 Second Quarter Form 10-Q); Fifth Amendment dated August 21, 2003 (Exhibit 3.B.1 to our Current Report on Form 8-K dated October 10, 2003).

EXHIBIT NUMBER	DESCRIPTION
3.B.1	Conformed Partnership Agreement (Exhibit 3.B.2 to our Current Report on Form 8-K dated October 10, 2003).
4.D	Indenture dated as of May 27, 1999 among GulfTerra Energy Partners, L.P., GulfTerra Energy Finance Corporation, the Subsidiary Guarantors and Chase Bank of Texas, as Trustee (Exhibit 4.1 to our Registration Statement on Form S-4, filed on June 24, 1999, File Nos. 333-81143 through 333-81143-17); First Supplemental Indenture dated as of June 30, 1999 (Exhibit 4.2 to our Amendment No. 1 to Registration Statement on Form S-4, filed August 27, 1999 File Nos. 333-81143 through 333-81143-17); Second Supplemental Indenture dated as of July 27, 1999 (Exhibit 4.3 to our Amendment No. 1 to Registration Statement on Form S-4, filed August 27, 1999, File Nos. 333-81143 through 333-81143-17); Third Supplemental Indenture dated as of March 21, 2000, to the Indenture

dated as of May 27, 1999, (Exhibit 4.7.1 to our 2000 Second Quarter Form 10-Q); Fourth Supplemental Indenture dated as of July 11, 2000 (Exhibit 4.2.1 to our 2001 Third Quarter Form 10-Q); Fifth Supplemental Indenture dated as of August 30, 2000 (Exhibit 4.2.2 to our 2001 Third Quarter Form 10-Q); Sixth Supplemental Indenture dated as of April 18, 2002 (Exhibit 4.D.1 to our 2002 First Quarter Form 10-Q); Seventh Supplemental Indenture dated as of April 18, 2002 (Exhibit 4.D.2 to our 2002 First Quarter Form 10-Q); Eighth Supplemental Indenture dated as of October 10, 2002 (Exhibit 4.D.3 to our 2002 Third Quarter Form 10-Q); Ninth Supplemental Indenture dated as of November 27, 2002 (Exhibit 4.D.1 to our Current Report on Form 8-K dated March 19, 2003); Tenth Supplemental Indenture dated as of January 1, 2003 (Exhibit 4.D.2 to our Current Report on Form 8-K dated March 19, 2003); Eleventh Supplemental Indenture dated as of June 20,

2003 (Exhibit 4.D.1 to our 2003 Second Quarter Form 10-Q). 4.E -- Indenture dated as of May 17, 2001 among GulfTerra Energy Partners, L.P., GulfTerra Energy Finance Corporation, The Subsidiary Guarantors named therein and the Chase Manhattan Bank, as Trustee (Exhibit 4.1 to our Registration Statement on Form S-4 filed June 25, 2001, Registration Nos. 333-63800 through 333-63800-20); First Supplemental Indenture dated as of April 18, 2002 (Exhibit 4.E.1 to our 2002 First Quarter Form 10-Q), Second Supplemental Indenture dated as of April 18, 2002 (Exhibit 4.E.2 to our 2002 First Quarter Form 10-Q); Third Supplemental Indenture dated as of October 10, 2002 (Exhibit 4.E.3 to our 2002 Third Quarter Form 10-Q); Fourth Supplemental Indenture dated as of November 27, 2002 (Exhibit 4.E.1 to our Current Report on Form 8-K dated March 19, 2003); Fifth Supplemental Indenture dated as of January 1, 2003 (Exhibit 4.E.2 to our Current Report on

Form 8-K dated March 19, 2003); Sixth Supplemental Indenture dated as of June 20, 2003 (Exhibit 4.E.1 to our 2003 Second Quarter Form 10-Q). 4.G -- Registration Rights Agreement by and between El Paso Corporation and GulfTerra Energy Partners, L.P. dated as of November 27, 2002 (Exhibit 4.G to our Current Report on Form 8-K dated December 11, 2002). 4.I -- Indenture dated as of November 27, 2002 by and among GulfTerra Energy Partners, L.P., GulfTerra Energy Finance Corporation, the Subsidiary Guarantors named therein and JPMorgan Chase Bank, as Trustee (Exhibit 4.I to our Current Report on Form 8-K dated December 11, 2002); First Supplemental Indenture dated as of January 1, 2003 (Exhibit 4.I.1 to our Current Report on Form 8-K dated March 19, 2003). Second Supplemental Indenture dated as of June 20, 2003 (Exhibit 4.I.1 to our 2003 Second Quarter Form 10-Q).

EXHIBIT NUMBER	DESCRIPTION
4.J	A/B Exchange Registration Rights Agreement by and among GulfTerra Energy Partners, L.P., GulfTerra Energy Finance Corporation, the Subsidiary Guarantors party thereto, J.P. Morgan Securities, Inc., Goldman Sachs & Co., UBS Warburg LLC and Wachovia Securities, Inc. dated as of March 24, 2003 (Exhibit 4.J to our Quarterly Report on Form 10-Q, dated May 15, 2003).
4.K	Indenture dated as of March 24, 2003 by and among GulfTerra Energy Partners, L.P., GulfTerra Energy Finance Corporation, the Subsidiary Guarantors named therein and JPMorgan Chase Bank, as Trustee dated as of March 24, 2003 (Exhibit 4.K to our Quarterly Report on Form 10-Q dated May 15, 2003), First Supplemental Indenture dated as of June 20, 2003 (Exhibit 4.K.1 to our 2003 Second Quarter Form 10-Q).
4.L	Indenture dated as of July 3, 2003, by and among GulfTerra Energy Partners, L.P., GulfTerra Energy Finance Corporation, the Subsidiary Guarantors named therein and Wells Fargo Bank, National

Association, as Trustee (Exhibit 4.L to our 2003 Second Quarter Form 10-Q). 4.M -- A/B Exchange Registration Rights Agreement dated as of July 3, 2003, by and among GulfTerra Energy Partners, L.P., GulfTerra Energy Finance Corporation, the Subsidiary Guarantors named therein, J.P. Morgan Securities Inc., Banc One Capital Markets, Inc., BNP Paribas Securities Corp., Credit Lyonnais Securities (USA) Inc., Credit Suisse First Boston LLC, Fortis Investment Services LLC, The Royal Bank of Scotland plc, Scotia Capital (USA) Inc., SunTrust Capital Markets, Inc. and Wachovia Securities, LLC (Exhibit 4.M to our 2003 Second Quarter Form 10-Q). 10.A -- General and Administrative Services Agreement dated May 5, 2003 by and among DeepTech International Inc., GulfTerra Energy Company, L.L.C. and El Paso Field Services, L.P. (Exhibit 10.A to our Current Report on Form 8-K dated May 14, 2003). 10.L+ -- 1998 Common Unit Plan for Non-Employee Directors (formerly 1998 Unit Option Plan for Non-Employee Directors) Amended and Restated effective as of April 18, 2001 (Exhibit 10.1 to our

2001 Second Quarter Form 10-Q); Amendment No. 1 dated as of May 15, 2003 (Exhibit 10.L.1 to our 2003 Second Quarter Form 10-Q). 10.M+ -- 1998 Omnibus Compensation Plan, Amended and Restated, effective as of January 1, 1999 (Exhibit 10.9 to our 1998 Form 10-K); Amendment No. 1 dated as of December 1, 1999 (Exhibit 10.8.1 to our 2000 Second Quarter Form 10-Q); Amendment No. 2 dated as of May 15, 2003 (Exhibit 10.M.1 to our 2003 Second Quarter Form 10-Q). 10.N -- Seventh Amended and Restated Credit Agreement dated September 26, 2003 among GulfTerra Energy Partners, L.P., GulfTerra Energy Finance Corporation, as co-borrowers, JPMorgan Chase Bank, as administrative agent, and the other lenders party thereto (Exhibit 10.B to our Current Report on Form 8-K dated October 10, 2003). *10.O -- Participation Agreement and Assignment relating to Cameron Highway Oil Pipeline Company dated as of July 10, 2003 among Valero Energy Corporation, GulfTerra Energy Partners, L.P., Cameron Highway Pipeline I, L.P. and Manta Ray Gathering Company, L.L.C. 10.T -- Purchase and Sale Agreement by and between

GulfTerra Energy Partners, L.P. and Goldman Sachs & Co. dated as of October 2, 2003 (Exhibit 10.T to our Current Report on Form 8-K dated October 10, 2003).

EXHIBIT NUMBER	DESCRIPTION
10.U	-- Exchange and Registration Rights Agreement by and among GulfTerra Energy Company, L.L.C., GulfTerra Energy Partners, L.P. and Goldman Sachs & Co. dated as of October 2, 2003 (Exhibit 10.U to our Current Report on Form 8-K dated October 10, 2003).
10.V	-- Incentive Distribution Reduction Agreement by and between GulfTerra Energy Company, L.L.C. and GulfTerra Energy Partners, L.P. dated as of October 1, 2003 (Exhibit 10.V to our Current Report on Form 8-K dated October 10, 2003).
10.W	-- Redemption and Resolution Agreement by and among El Paso Corporation, GulfTerra Energy Partners, L.P. and El Paso New Chaco Holding, L.P. dated as of October 2, 2003 (Exhibit 10.W to our Current Report on Form 8-K dated October 10, 2003).
*31.A	-- Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-

Oxley Act of 2002.	
*31.B	-- Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.A	-- Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.B	-- Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

UNDERTAKING

We hereby undertake, pursuant to Regulation S-K Items 601(b), paragraph (4)(iii), to furnish to the U.S. Securities and Exchange Commission, upon request, all constituent instruments defining the rights of holders of our long-term debt not filed herewith for the reason that the total amount of securities authorized under any such instruments does not exceed 10 percent of our total consolidated assets.

(b) Reports on Form 8-K

We filed a current report on Form 8-K dated August 18, 2003 to file an unaudited balance sheet of GulfTerra Energy Company L.L.C., our general partner, as of June 30, 2003.

We filed a current report on Form 8-K dated August 21, 2003 to file exhibits to the Registration Statement on Form S-3 (Registration No. 333-81772), relating to the issuance of 507,278 common units.

We filed a current report on Form 8-K dated August 26, 2003 to file exhibits to the Registration Statement on Form S-3 (Registration No. 333-81772) relating to the issuance and sale of up to 8,329,679 common units representing limited partnership interests in us from time to time in connection with the conversion of our Series F convertible units.

We filed a current report on Form 8-K dated October 10, 2003 to file (a) the amendment to our partnership agreement, (b) our amended credit agreement, (c) material agreements relating to Goldman Sachs' investment in us and our general partner and (d) a consent from independent petroleum engineers.

We also furnished information to the SEC on Current Reports on Form 8-K under Item 9 and Item 12. Current Reports on Form 8-K under Item 9 and Item 12 are not considered to be "filed" for purposes of Section 18 of the Securities and Exchange Act of 1934 and are not subject to the liabilities of that section.

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 thereunto duly authorized.

GULFTERRA ENERGY PARTNERS, L.P.

Date: November 3, 2003

By: /s/ KEITH B. FORMAN

Keith B. Forman
Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: November 3, 2003

By: /s/ KATHY A. WELCH

Kathy A. Welch
Vice President and Controller
(Principal Accounting Officer)

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
3.A	Amended and Restated Certificate of Limited Partnership dated February 14, 2002; Amendment dated April 30, 2003 (Exhibit 3.A.1 to our 2003 First Quarter Form 10-Q); Amendment 2 dated July 25, 2003 (Exhibit 3.A.1 to our 2003 Second Quarter Form 10-Q).
*3.A.1	Conformed Certificate of Limited Partnership.
3.B	Second Amended and Restated Agreement of Limited Partnership effective as of August 31, 2000 (Exhibit 3.B to our Current Report on Form 8-K dated March 6, 2001); First Amendment dated November 27, 2002 (Exhibit 3.B.1 to our Current Report on 8-K dated December 11, 2002); Second Amendment dated May 5, 2003 (Exhibit 3.B.2 to our Current Report on Form 8-K dated May 13, 2003); Third Amendment dated May 16, 2003 (Exhibit 3.B.3 to our Current Report on 8-K dated May 16, 2003); Fourth Amendment dated July 23, 2003 (Exhibit 3.B.1 to

our 2003 Second Quarter Form 10-Q); Fifth Amendment dated August 21, 2003 (Exhibit 3.B.1 to our Current Report on Form 8-K dated October 10, 2003). 3.B.1 -- Conformed Partnership Agreement (Exhibit 3.B.2 to our Current Report on Form 8-K dated October 10, 2003). 4.D -- Indenture dated as of May 27, 1999 among GulfTerra Energy Partners, L.P., GulfTerra Energy Finance Corporation, the Subsidiary Guarantors and Chase Bank of Texas, as Trustee (Exhibit 4.1 to our Registration Statement on Form S-4, filed on June 24, 1999, File Nos. 333-81143 through 333-81143-17); First Supplemental Indenture dated as of June 30, 1999 (Exhibit 4.2 to our Amendment No. 1 to Registration Statement on Form S-4, filed August 27, 1999 File Nos. 333-81143 through 333-81143-17); Second Supplemental Indenture dated as of July 27, 1999 (Exhibit 4.3 to our Amendment No. 1 to Registration Statement on Form S-4, filed August 27, 1999, File Nos. 333-81143 through

333-81143-17); Third Supplemental Indenture dated as of March 21, 2000, to the Indenture dated as of May 27, 1999, (Exhibit 4.7.1 to our 2000 Second Quarter Form 10-Q); Fourth Supplemental Indenture dated as of July 11, 2000 (Exhibit 4.2.1 to our 2001 Third Quarter Form 10-Q); Fifth Supplemental Indenture dated as of August 30, 2000 (Exhibit 4.2.2 to our 2001 Third Quarter Form 10-Q); Sixth Supplemental Indenture dated as of April 18, 2002 (Exhibit 4.D.1 to our 2002 First Quarter Form 10-Q); Seventh Supplemental Indenture dated as of April 18, 2002 (Exhibit 4.D.2 to our 2002 First Quarter Form 10-Q); Eighth Supplemental Indenture dated as of October 10, 2002 (Exhibit 4.D.3 to our 2002 Third Quarter Form 10-Q); Ninth Supplemental Indenture dated as of November 27, 2002 (Exhibit 4.D.1 to our Current Report on Form 8-K dated March 19, 2003); Tenth Supplemental Indenture dated as of January 1, 2003 (Exhibit 4.D.2 to our Current

Report on Form 8-K dated March 19, 2003); Eleventh Supplemental Indenture dated as of June 20, 2003 (Exhibit 4.D.1 to our 2003 Second Quarter Form 10-Q).

EXHIBIT NUMBER	DESCRIPTION
4.E	Indenture dated as of May 17, 2001 among GulfTerra Energy Partners, L.P., GulfTerra Energy Finance Corporation, The Subsidiary Guarantors named therein and the Chase Manhattan Bank, as Trustee (Exhibit 4.1 to our Registration Statement on Form S-4 filed June 25, 2001, Registration Nos. 333-63800 through 333-63800-20); First Supplemental Indenture dated as of April 18, 2002 (Exhibit 4.E.1 to our 2002 First Quarter Form 10-Q), Second Supplemental Indenture dated as of April 18, 2002 (Exhibit 4.E.2 to our 2002 First Quarter Form 10-Q); Third Supplemental Indenture dated as of October 10, 2002 (Exhibit 4.E.3 to our 2002 Third Quarter Form 10-Q); Fourth Supplemental Indenture dated as of November 27, 2002 (Exhibit 4.E.1 to our Current Report on Form 8-K dated March 19, 2003); Fifth Supplemental Indenture dated as of January 1, 2003 (Exhibit 4.E.2 to our Current Report on Form 8-K dated March 19, 2003); Sixth Supplemental Indenture dated as of June 20, 2003 (Exhibit 4.E.1 to our 2003 Second Quarter Form 10-Q).
4.G	--

Registration Rights Agreement by and between El Paso Corporation and GulfTerra Energy Partners, L.P. dated as of November 27, 2002 (Exhibit 4.G to our Current Report on Form 8-K dated December 11, 2002). 4.I -- Indenture dated as of November 27, 2002 by and among GulfTerra Energy Partners, L.P., GulfTerra Energy Finance Corporation, the Subsidiary Guarantors named therein and JPMorgan Chase Bank, as Trustee (Exhibit 4.I to our Current Report on Form 8-K dated December 11, 2002); First Supplemental Indenture dated as of January 1, 2003 (Exhibit 4.I.1 to our Current Report on Form 8-K dated March 19, 2003); Second Supplemental Indenture dated as of June 20, 2003 (Exhibit 4.I.1 to our 2003 Second Quarter Form 10-Q). 4.J -- A/B Exchange Registration Rights Agreement by and among GulfTerra Energy Partners, L.P., GulfTerra Energy Finance Corporation, the Subsidiary Guarantors party thereto, J.P. Morgan Securities, Inc., Goldman Sachs & Co., UBS Warburg LLC and Wachovia Securities, Inc. dated as of March 24, 2003 (Exhibit 4.J to our Quarterly

Report on Form 10-Q, dated May 15, 2003). 4.K -- Indenture dated as of March 24, 2003 by and among GulfTerra Energy Partners, L.P., GulfTerra Energy Finance Corporation, the Subsidiary Guarantors named therein and JPMorgan Chase Bank, as Trustee dated as of March 24, 2003 (Exhibit 4.K to our Quarterly Report on Form 10-Q dated May 15, 2003); First Supplemental Indenture dated as of June 20, 2003 (Exhibit 4.K.1 to our 2003 Second Quarter Form 10-Q). 4.L -- Indenture dated as of July 3, 2003, by and among GulfTerra Energy Partners, L.P., GulfTerra Energy Finance Corporation, the Subsidiary Guarantors named therein and Wells Fargo Bank, National Association, as Trustee (Exhibit 4.L to our 2003 Second Quarter Form 10-Q). 4.M -- A/B Exchange Registration Rights Agreement dated as of July 3, 2003, by and among GulfTerra Energy Partners, L.P., GulfTerra Energy Finance Corporation, the Subsidiary Guarantors named therein, J.P. Morgan Securities Inc., Banc One Capital Markets, Inc., BNP Paribas Securities Corp., Credit Lyonnais Securities (USA) Inc.,

Credit Suisse First Boston LLC, Fortis Investment Services LLC, The Royal Bank of Scotland plc, Scotia Capital (USA) Inc., SunTrust Capital Markets, Inc. and Wachovia Securities, LLC. (Exhibit 4.M to our 2003 Second Quarter Form 10-Q). 10.A -- General and Administrative Services Agreement dated May 5, 2003 by and among DeepTech International Inc., GulfTerra Energy Company, L.L.C. and El Paso Field Services, L.P. (Exhibit 10.A to our Current Report on Form 8-K dated May 14, 2003).

EXHIBIT NUMBER	DESCRIPTION
10.L+	1998 Common Unit Plan for Non-Employee Directors (formerly 1998 Unit Option Plan for Non-Employee Directors) Amended and Restated effective as of April 18, 2001 (Exhibit 10.1 to our 2001 Second Quarter Form 10-Q); Amendment No. 1 dated as of May 15, 2003 (Exhibit 10.L.1 to our 2003 Second Quarter Form 10-Q).
10.M+	1998 Omnibus Compensation Plan, Amended and Restated, effective as of January 1, 1999 (Exhibit 10.9 to our 1998 Form 10-K); Amendment No. 1 dated as of December 1, 1999 (Exhibit 10.8.1 to our 2000 Second Quarter Form 10-Q); Amendment No. 2 dated as of May 15, 2003 (Exhibit 10.M.1 to our 2003 Second Quarter Form 10-Q).
10.N	Seventh Amended and Restated Credit Agreement dated September 26, 2003 among GulfTerra Energy Partners, L.P., GulfTerra Energy Finance Corporation, as co-borrowers, JPMorgan Chase Bank, as administrative agent, and the other lenders party thereto (Exhibit 10.B to our Current Report on Form 8-K dated October 10, 2003).
*10.O	Participation Agreement and Assignment relating to

Cameron Highway Oil Pipeline Company dated as of July 10, 2003 among Valero Energy Corporation, GulfTerra Energy Partners, L.P., Cameron Highway Pipeline I, L.P. and Manta Ray Gathering Company, L.L.C. 10.T -- Purchase and Sale Agreement by and between GulfTerra Energy Partners, L.P. and Goldman Sachs & Co. dated as of October 2, 2003 (Exhibit 10.T to our Current Report on Form 8-K dated October 10, 2003). 10.U -- Exchange and Registration Rights Agreement by and among GulfTerra Energy Company, L.L.C., GulfTerra Energy Partners, L.P. and Goldman Sachs & Co. dated as of October 2, 2003 (Exhibit 10.U to our Current Report on Form 8-K dated October 10, 2003). 10.V -- Incentive Distribution Reduction Agreement by and between GulfTerra Energy Company, L.L.C. and GulfTerra Energy Partners, L.P. dated as of October 1, 2003 (Exhibit 10.V to our Current Report on Form 8-K dated October 10, 2003). 10.W -- Redemption and Resolution Agreement by and among El Paso Corporation, GulfTerra Energy Partners, L.P. and El Paso New Chaco

Holding, L.P. dated as of October 2, 2003 (Exhibit 10.W to our Current Report on Form 8-K dated October 10, 2003).

*31.A -- Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

*31.B -- Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

*32.A -- Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*32.B -- Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

CONFORMED
CERTIFICATE OF LIMITED PARTNERSHIP
OF
EL PASO ENERGY PARTNERS, L.P.

The following is the Amended and Restated Certificate of Limited Partnership of GulfTerra Energy Partners, L.P. dated as of February 12, 2002, conformed to include, for purposes of this filing, the amendments to the Amended and Restated Certificate of Limited Partnership effective as of May 15, 2003 and July 25, 2003.

The undersigned, desiring to Amended and Restate the Certificate of Limited Partnership of El Paso Energy Partners, L.P., pursuant to the provisions of Sections 17-202 and 17-210 of the Delaware Revised Uniform Limited Partnership Act, as amended ("DRULPA") does hereby certify as follows:

1. The original Certificate of Limited Partnership was filed with the Office of the Secretary of State of Delaware on December 4, 1992 under the name of Leviathan Gas Pipeline Partners, L.P.

2. The Certificate of Limited Partnership was Amended on December 1, 1999, changing the name of the Limited Partnership to El Paso Energy Partners, L.P.

3. The Certificate of Limited Partnership was Amended on January 14, 2002 changing the name of the General Partner and Registered Agent.

4. This Amended and Restated Certificate of Limited Partnership has been adopted and approved by the General Partner in accordance with Section 17-202 of the Delaware Revised Uniform Limited Partnership Act, pursuant to which, this Amended and Restated Certificate of Limited Partnership amends and restates the provisions of the Limited Partnership's Certificate of Limited Partnership.

5. The text of the Certificate of Limited Partnership of the Limited Partnership is hereby amended and restated to read in its entirety as follows:

ARTICLE I
NAME

The name of the limited partnership shall be GulfTerra Energy Partners, L.P. (hereinafter, the "Company").

ARTICLE II
POWER

The Company shall have all the powers accorded to a limited partnership organized under the DRULPA.

ARTICLE III
PURPOSE

The purpose for which the company is organized is to transact any and all lawful business for which a limited partnership may be organized under the DRULPA.

ARTICLE IV
GENERAL PARTNER

The name and mailing address of each party who is to serve as the general partner is as follows:

GulfTerra Energy Company, L.L.C.
1001 Louisiana Street
Houston, Texas 77002

ARTICLE V
PARTNERSHIP AGREEMENT

The general partner shall adopt the Partnership Agreement (the "Agreement") that shall govern the operations of the Company; provided, however, that the failure to adopt such Agreement prior to the date on which this Certificate of Limited Partnership ("Certificate") is filed with the Secretary of State of the State of Delaware shall not affect the Company's commencement of existence on such date. The Agreement shall provide for all the terms and conditions for the governance of the Company not inconsistent with any rule of law or equity or with this Certificate and may be altered, amended, restated, or repealed by the Company in the manner set forth therein.

ARTICLE VI
INDEMNIFICATION

Subject to such standards and restrictions as are set forth in the Agreement, the Company shall have the power and authority to indemnify and hold harmless any general partner, limited partner, officer, director, or any other person against any and all claims and demands whatsoever to the fullest extent permitted by law.

ARTICLE VII
REGISTERED OFFICE AND REGISTERED AGENT

The registered office of the Company is 1209 Orange Street, Wilmington, Delaware 19801, and the registered agent of the Company at such address is The Corporation Trust Company.

IN WITNESS WHEREOF, the undersigned has executed this Conformed Certificate of Limited Partnership.

GULFTERRA ENERGY COMPANY, L.L.C.

EXHIBIT 10.O

PARTICIPATION AGREEMENT

AND

ASSIGNMENT

RELATING TO

CAMERON HIGHWAY OIL PIPELINE COMPANY

(A DELAWARE GENERAL PARTNERSHIP)

(DATED AS OF JULY 10, 2003)

PARTICIPATION AGREEMENT

AND ASSIGNMENT

This Participation Agreement and Assignment (including the schedules and exhibits hereto and as amended, restated, supplemented and otherwise modified from time to time, being collectively referred to as this "Agreement") is entered into as of July 10, 2003 (the "Effective Date"), by and between Valero Energy Corporation ("Valero"), on the one hand, and GulfTerra Energy Partners, L.P. ("GTM"), Cameron Highway Pipeline I, L.P. ("GTM CHOPS") and Manta Ray Gathering Company, L.L.C. ("Manta Ray" and, together with GTM and GTM CHOPS, the "GTM Companies"), on the other. Valero, GTM, GTM CHOPS and Manta Ray are referred to herein individually as a "Party" and, collectively, as the "Parties."

RECITALS

A. On June 20, 2003 (the "CHOPS Formation Date"), GTM CHOPS, together with Cameron Highway Pipeline II, L.P. ("Valero CHOPS I") and Cameron Highway Pipeline III, L.P. ("Valero CHOPS II"), (each of which is a wholly-owned indirect subsidiary of GTM) formed Cameron Highway Oil Pipeline Company, a general partnership governed by Delaware law ("CHOPS"), in which GTM CHOPS owns a 50% general partner interest (the "GTM Partnership Interest"), Valero CHOPS I owns a 25% general partner interest and Valero CHOPS II owns a 25% general partner interest (such interests owned by Valero CHOPS I and Valero CHOPS II are referred to herein as the "Valero Partnership Interest").

B. Immediately after the formation of CHOPS, GTM and CHOPS entered into the Producer Agreements (defined below), under which GTM, directly and through Manta Ray, has agreed to design, fabricate, construct, install, commission, and operate a crude oil pipeline system connecting various designated crude oil receipt points located in the Gulf of Mexico to delivery points located in the State of Texas (the "Project").

C. In addition, after the formation of CHOPS, GTM contributed to CHOPS (on behalf of GTM CHOPS, Valero CHOPS I and Valero CHOPS II) certain permits, licenses, contracts, contract rights, and physical assets relating to the Project, and CHOPS assumed certain obligations relating to the Project, pursuant to an Assignment and Assumption Agreement dated as of the date hereof (the "Assignment"), which permits, licenses, contracts, contract rights and physical assets have an estimated aggregate value of $101.6 million as of June 23, 2003.

D. GTM and its subsidiaries have expended substantial effort and funds in developing the Project; however, in order to complete the Project and have the oil pipeline system become Fully Operational, significant additional funds will be required.

E. After reviewing bids from multiple third parties to invest in the Project and provide additional financial support in order to complete the Project, GTM selected Valero's bid to become (through subsidiaries) its 50% partner in CHOPS.

F. Valero desires to (i) participate in the Project through Valero CHOPS I and Valero CHOPS II, (ii) share with the GTM Companies certain risks and rewards associated with the Project, and (iii) assist the GTM Companies in locating project financing to assist in completion of the Project, in each case subject to the terms and conditions set forth in this Agreement and in the Partnership Agreement (defined below).

G. The GTM Companies desire to have Valero (i) participate in the Project through Valero CHOPS I and Valero CHOPS II, (ii) share with the GTM Companies such risks and rewards and (iii) assist the GTM Companies in locating such project financing, in each case subject to the terms and conditions set forth in this Agreement and in the Partnership Agreement (defined below).

H. In consideration of the Participation Fee described in Sections 2(a), (b), and (c), (1) Valero, by means of transfer to its wholly-owned (direct or indirect) subsidiaries, desires to acquire Valero CHOPS I, Valero CHOPS II and their general partner, Cameron Highway GP I, L.L.C. ("Valero CHOPS GP" and, together with Valero CHOPS I and Valero CHOPS II, the "Acquired Companies") and thereby initially to acquire indirectly the Valero Partnership Interest and (2) GTM desires to so dispose of the Acquired Companies and thereby the Valero Partnership Interest.

I. Concurrent with the execution and delivery hereof, GTM CHOPS, Valero CHOPS I and Valero CHOPS II will amend and restate the partnership agreement of CHOPS (such partnership agreement (including schedules and exhibits thereto), as amended, restated, supplemented and otherwise modified from time to time, being collectively referred to as the "Partnership Agreement").

J. Concurrent with the execution and delivery hereof, Manta Ray will enter into the Construction Agreement and the Operating Agreement pursuant to which Manta Ray will be responsible for the construction and operation of the Project.

AGREEMENT

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements contained herein and other good and valuable consideration (the receipt and sufficiency of which are hereby confirmed and acknowledged), the Parties hereby agree as set forth below. Certain capitalized terms are defined in Section 8(a). Capitalized terms not defined in such Section or otherwise defined in this Agreement are used as defined in the Partnership Agreement.

1. Assignment. GTM hereby assigns and transfers to (a) Valero Investments a 99% limited partner interest in each of Valero CHOPS I and Valero CHOPS II, and (b) VCSC a 100% member interest in Valero CHOPS GP. To the extent necessary under the CHOPS partnership agreement, GTM CHOPS hereby consents to such assignments and transfers and acknowledges that each of Valero CHOPS I and Valero CHOPS II owns a 25% general partner interest in CHOPS.

2. Participation Fee. In consideration for the assignments and transfers set forth in Section 1, Valero will pay (or will cause Valero CHOPS I and Valero CHOPS II to pay) to GTM

(or its designee) a total of $35 million (the "Participation Fee") in the following manner and subject to the following conditions:

(a) By wire transfer of immediately available funds to GTM's designated account, Valero will pay (or cause to be paid to) GTM $19 million (the "Initial Payment") contemporaneously with the execution and delivery of this Agreement;

(b) Valero will pay (or cause to be paid to) GTM an additional $5 million (the "Second Payment") within two Business Days after the Initial Facilities are Fully Operational (as evidenced by notification from the Construction Manager pursuant to Section 9.18 of the Construction Agreement); and

(c) Valero will pay (or cause to be paid to) GTM an additional $11 million (the "Third Payment") on the earlier of (i) December 31, 2006 and (ii) two Business Days after the 30th consecutive day that the Project has delivered at least 300,000 barrels of Oil per day (in the aggregate) to all delivery points, as evidenced by notification from the Operator pursuant to Section 9.15 of the Operating Agreement.

3. Additional Payments; True-Up Adjustment.

(a) In addition to the Participation Fee, Valero will pay (contemporaneously with the execution and delivery of this Agreement by wire transfer of immediately available funds to GTM's designated account) to GTM $50,835,548.20 (the "Capital Contribution Estimate"), which is 50% of the most recent estimate (dated June 23, 2003) of the aggregate amount expended by GTM and its subsidiaries with respect to CHOPS.

(b) Within 30 days after the date of this Agreement, GTM may deliver to Valero a written certificate (the "True-Up Certificate"), signed by an officer of GTM, setting forth in reasonable detail GTM's calculation of 50% of the actual aggregate amount expended by GTM and its subsidiaries through the date of this Agreement and contributed to CHOPS (the "GTM Post-Closing Calculation Amount"). If GTM does not deliver the True-Up Certificate within such 30-day period, then the Capital Contribution Estimate will be deemed to be correct and no further payments will be required of Valero under this Section 3(b). If GTM timely delivers the True-Up Certificate and the GTM Post-Closing Calculation Amount is greater than the Capital Contribution Estimate, Valero will pay the difference to GTM within five days after its receipt of such certificate. If GTM timely delivers the True-Up Certificate and the Capital Contribution Estimate is greater than the GTM Post-Closing Calculation Amount, GTM will pay the difference to Valero within five days after it delivers such certificate. If Valero, in reasonable good faith, believes that the GTM Post-Closing Calculation Amount is materially incorrect and delivers notice thereof within 60 days after it receives the True-Up Certificate, Valero may audit all such records, invoices, agreements, and other information and data associated with any CHOPS Agreement in order to verify or refute such amount; provided, that Valero provides GTM with no less than five (5) days written notice of its intent to conduct such audit which, in any case, must be completed within three months after such notice is received by GTM; and provided further, that Valero will be responsible for all of its own costs associated with any routine audit; and provided

further, however, that if the audit reduces the GTM Post-Closing Calculation Amount by more than $500,000.00, GTM will reimburse Valero within five (5) days after receiving the results of such audit for its reasonable costs and expenses associated with such audit. Valero will make every reasonable effort to conduct any such audit in a manner which will result in a minimum of inconvenience to GTM and GTM will cooperate in good faith with Valero in any such audit.

4. Related Agreements. Concurrent with the execution hereof, the Parties shall enter into (or cause their respective Subsidiaries and Affiliates to enter into) the following agreements, in the forms mutually acceptable to the Parties (together with this Agreement, the "Project Agreements"):

(a) the Partnership Agreement to be executed and delivered by GTM CHOPS, Valero CHOPS I and Valero CHOPS II;

(b) the Construction Agreement to be entered into by and between Manta Ray and CHOPS;

(c) the Operating Agreement to be entered into by and between Manta Ray and CHOPS;

(d) the SS 332B Platform Space Agreements (each, a "SS 332B Platform Agreement") to be entered into by and between (i) Manta Ray and CHOPS and (ii) Valero Marketing and Supply Company and CHOPS;

(e) the Capital Contribution Performance Guaranties; and

(f) the Pipeline Connection Agreement (the "Connection Agreement") to be entered into by and between CHOPS and Valero Refining - Texas, L.P., a wholly-owned, indirect subsidiary of Valero.

5. Representations and Warranties of GTM, GTM CHOPS, and Manta Ray. Except as otherwise specifically limited or restricted in this Section 5, the GTM Companies, jointly and severally, represent and warrant to Valero, Valero Investments, and VCSC that each of the following statements is true and correct on and as of the Effective Date.

(a) Existence and Good Standing. Each of the GTM Companies is duly formed and validly existing and in good standing under the Laws of its state or jurisdiction of formation, with power and authority to carry on the business in which it is engaged and, as the case may be, to enter into and perform its respective obligations under each Project Agreement to which it is a party. GTM CHOPS and Manta Ray are wholly-owned (direct or indirect) Subsidiaries of GTM. Each of Valero CHOPS I and Valero CHOPS II is duly formed and validly existing and in good standing under the Laws of the state of Delaware, its jurisdiction of formation, with power and authority to own its interest in CHOPS and to perform its respective obligations under the CHOPS partnership agreement. Valero CHOPS GP is duly formed and validly existing and in good standing under the Laws of the state of Delaware, its jurisdiction of formation, with power and authority to own the 1% general partner interest in each of Valero CHOPS I

and Valero CHOPS II. Valero CHOPS GP was formed in Delaware on June 20, 2003 and each of Valero CHOPS I and Valero CHOPS II were formed in Delaware on June 20, 2003.

(b) Authorization. The execution and delivery of each Project Agreement, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized and approved by all requisite partnership, corporate, limited liability company or other similar action of each GTM Company that is a party thereto.

(c) No Conflicts. The execution and delivery of each Project Agreement by each GTM Company that is a party thereto do not, and consummation of the transactions contemplated hereby and thereby will not, (i) violate any of the provisions of the organizational documents of any of the GTM Companies or the Acquired Companies, (ii) contravene, conflict with, or result in a violation or breach of any material provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify any material agreement pursuant to which any of the GTM Companies or the Acquired Companies or any of their respective property is bound (including the Producer Agreements), or (iii) contravene, conflict with, result in a violation of, or give any Governmental Authority or other Person the right to challenge any of the subject, material transactions or to exercise any remedy or obtain any relief under, any applicable Laws.

(d) Enforceability. Each Project Agreement is valid, binding and enforceable against each GTM Company that is a party thereto in accordance with its terms, subject to bankruptcy, moratorium, insolvency and other Laws generally affecting creditors' rights and general principles of equity (whether applied in a Proceeding in a court of law or equity).

(e) Financial, Schedule and Budget Information. Schedule 5(e) sets forth the material financial projections, construction budget, and construction schedule for the Project as of June 23, 2003 (which information, to the GTM Companies' Knowledge, has not been materially adversely impacted from such date through the date of this Agreement). To the Knowledge of the GTM Companies, the information described on Schedule 5(e) was prepared by the GTM Companies or their representative(s) in good faith based upon assumptions believed by such GTM Company to be reasonable at the time provided; provided, that the Parties acknowledge that the financial information and construction budgets and schedules described on Schedule 5(e) contain estimates of future events and occurrences and may not result or occur as estimated.

(f) No Litigation. There is no action, suit, investigation, arbitration, grievance or proceeding pending against, or to the Knowledge of the GTM Companies threatened against, any of the GTM Companies that is reasonably related to the Project and that could reasonably be expected, individually or in the aggregate, to result in a material adverse effect on (i) the consolidated financial condition, operations or business of the GTM Companies (other than the GTM Disclosed Matters) or any of the GTM Companies' ability to perform its respective obligations (as applicable) under any Project Agreement to which it is a party, (ii) CHOPS or (iii) the Project, and to the Knowledge of

the GTM Companies, there are no existing facts or circumstances (including any claims or demands) related to the Project that reasonably would be expected to result in any of the foregoing. There is no action, suit, investigation, arbitration, grievance or proceeding pending against, or to the Knowledge of the GTM Companies threatened against, any of the Acquired Companies and there are no existing facts or circumstances (including any claims or demands) related to the Acquired Companies that reasonably would be expected to result in any such action, suit, investigation, arbitration, grievance or proceeding.

(g) No Orders. There are no material orders, judgments, injunctions or decrees of any Governmental Authority related to CHOPS or the Project and with respect to which any of the GTM Companies or CHOPS has been named or is a party or, to the Knowledge of the GTM Companies, is reasonably likely to be named a party. There are no orders, judgments, injunctions or decrees of any Governmental Authority related to the Acquired Companies or with respect to which any of the Acquired Companies has been named or is a party or, to the Knowledge of the GTM Companies, is reasonably likely to be named a party.

(h) Producer Agreements. Each of the Producer Agreements (i) was duly authorized, executed and delivered by GTM and CHOPS to which it was a party, and (ii) to the Knowledge of the GTM Companies, was authorized, executed and delivered by each Person party thereto that is not an Affiliate of GTM. Neither GTM nor CHOPS is in violation or breach of any of its material obligations under any Producer Agreement in a manner that (A) would entitle any counterparty to such Producer Agreement to terminate or materially modify such Producer Agreement, or (B) could reasonably be expected to have a material adverse effect on the consolidated financial condition, operations, or business of the GTM Companies or any of the GTM Companies' ability to perform its respective obligations (as applicable) under any Project Agreement to which it is a party. Schedule 5(h) includes (1) correct and complete copies of the Producer Agreements, and (2) a complete list of all of the CHOPS Agreements, which are the only agreements to which CHOPS is party or by which any of CHOPS' assets are bound.

(i) No Brokers. There is no investment banker, broker, finder or other such intermediary which has been retained by, or is authorized to act on behalf of, any GTM Company or Acquired Company with respect to the transactions contemplated by the Project Agreements.

(j) Poseidon and Other Offshore Pipeline Opportunities. Neither GTM nor any of its Affiliates has any obligation to offer or otherwise make available to Poseidon Oil Pipeline Company, L.L.C. ("Poseidon") business opportunities with respect to the offshore oil pipeline industry ("Opportunities") other than such obligations as are set forth in the Poseidon limited liability company agreement, a correct and complete copy of which has been delivered to Valero. The obligations of GTM and its Subsidiaries to offer or otherwise make available to any Person other than Poseidon or CHOPS any Opportunities located or to be located in the Gulf of Mexico are set forth on Schedule 5(j).

(k) Sufficiency of Contracts. The CHOPS Agreements include all of the assets, contracts, and contract rights of the GTM Companies, as well as their respective Affiliates, with respect to the Project other than the rights and obligations (i) under this Agreement and the Partnership Agreement, (ii) as Construction Manager and Operator under the Construction Agreement and the Operating Agreement, respectively, (iii) under the applicable SS 332B Platform Agreement, (iv) under the applicable Capital Contribution Performance Guaranty, (v) under the Assignment, (vi) under the Supplementary Agreement dated June 23, 2003 by and among GTM, BP and Mardi Gras Transportation System Inc., (vii) under the Supplementary Agreement dated June 23, 2003 by and among GTM and BHP and (viii) under the Supplementary Agreement dated June 23, 2003 by and among GTM and Unocal.

(l) Permits. Schedule 5(l) sets forth (i) the permits, licenses and approvals from Governmental Authorities and rights-of-way and other easements or property rights that any of the GTM Companies (or one or more of their respective Affiliates) has secured for the construction and operation of CHOPS and (ii) to the Knowledge of the GTM Companies, all other material permits, licenses and approvals from Governmental Authorities and rights-of-way and other easements or property rights (A) necessary for the construction and operation of CHOPS, as such construction and operation is presently contemplated, and (B) the absence of which would materially delay (from the schedule attached as Schedule 5(e)) or prevent the Initial Facilities from being Fully Operational.

(m) Manta Ray. Manta Ray has or has access to the requisite financial ability, skills, experience, personnel, qualifications, and capacity to perform, provide, or arrange for each of the services to be provided under the Construction Agreement and Operating Agreement, and no GTM Company is aware of any facts, circumstances, or occurrences that will or would be reasonably likely to prevent or inhibit Manta Ray's performance of its obligations under the Construction Agreement or the Operating Agreement.

(n) Insolvency. None of the GTM Companies is Insolvent and none of the GTM Companies nor any of their respective Subsidiaries will become Insolvent as a result of the consummation of the transactions contemplated herein. There are no proceedings pending (or, to the GTM Companies' Knowledge, threatened) by any creditors of any of the GTM Companies or any of their respective Subsidiaries under the Bankruptcy Code.

(o) CHOPS Assets. The assets assigned to CHOPS pursuant to the Assignment were assigned to CHOPS free of any lien, encumbrance, charge, claim, covenant, equitable interest, security interest, right of first refusal or other similar restriction, and all such assets are free of any such liens, encumbrances, charges, claims, covenants, equitable interests, security interests, rights of first refusal or other similar restrictions, as of the Effective Date.

(p) Valero Partnership Interest and Acquired Companies.

(i) Immediately prior to the assignment in Section 1, (i) GTM CHOPS, Valero CHOPS I and Valero CHOPS II were the only partners in

CHOPS, (ii) GTM CHOPS owned (beneficially and of record) a 50% Partnership Interest, free and clear of all liens encumbrances, charges, claims, covenants, equitable interests, security interests, rights of first refusal or other similar restrictions and (iii) each of Valero CHOPS I and Valero CHOPS II owned (beneficially and of record) a 25% Partnership Interest, free and clear of all liens encumbrances, charges, claims, covenants, equitable interests, security interests, rights of first refusal or other similar restrictions. GTM has delivered to Valero correct and complete copies of the organizational documents of CHOPS and each Acquired Company as in effect immediately prior to such assignment.

(ii) Immediately prior to the assignment in Section 1, (i) GTM and Valero CHOPS GP were the only partners in either of Valero CHOPS I and Valero CHOPS II, and GTM was the sole member of Valero CHOPS GP, (ii) GTM owned (beneficially and of record) a 99% limited partnership interest in each of Valero CHOPS I and Valero CHOPS II, free and clear of all liens encumbrances, charges, claims, covenants, equitable interests, security interests, rights of first refusal or other similar restrictions, (iii) GTM owned (beneficially and of record) a 100% membership interest in Valero CHOPS GP, free and clear of all liens encumbrances, charges, claims, covenants, equitable interests, security interests, rights of first refusal or other similar restrictions and (iv) Valero CHOPS GP owned (beneficially and of record) a 1% general partnership interest in each of Valero CHOPS I and Valero CHOPS II, free and clear of all liens encumbrances, charges, claims, covenants, equitable interests, security interests, rights of first refusal or other similar restrictions.

(iii) All of the issued and outstanding partnership interests or membership interests, as applicable, of each Acquired Company have been duly authorized, are validly issued, fully paid and (except as otherwise required by the Delaware Limited Liability Company Act and Delaware Revised Uniform Limited Partnership Act) non-assessable, and were issued in compliance with all applicable state and federal Laws. Other than Valero's rights under this Agreement, no Person has any equitable or contractual right of any kind or character to acquire any membership interest, partnership interest or other equity interest in any Acquired Company. There are no agreements of any kind or character with respect to the voting of any of the membership interests or partnership interests, as applicable, of any Acquired Company.

(iv) Other than (A) the 1% general partner interest in each of Valero CHOPS I and Valero CHOPS II owned by Valero CHOPS GP and (B) the Valero Partnership Interest, no Acquired Company (1) owns any equity interest of any kind or character in any Person or (2) owns any assets.

(v) Other than (A) with respect to Valero CHOPS GP, obligations arising solely from (1) its status as general partner of either Valero CHOPS I or Valero CHOPS II or (2) the limited partnership agreement of Valero CHOPS I or Valero CHOPS II and (B) with respect to each of Valero CHOPS I and Valero CHOPS II, obligations arising solely from (1) its status as a general partner of

CHOPS or (2) the partnership agreement of CHOPS, no Acquired Company has any liabilities or obligations of any kind or character and no Acquired Company is party to any contract of any kind or character.

(q) CHOPS Obligations. CHOPS has no obligations or liabilities of any kind or character other than (i) obligations under the CHOPS Agreements, (ii) obligations under the Construction Agreement and the Operating Agreement, (iii) obligations under the Platform Space Agreements, and (iv) obligations under the Connection Agreement.

6. Representations and Warranties of Valero. Except as otherwise specifically limited or restricted in this Section 6, Valero represents and warrants to the GTM Companies that each of the following statements is true and correct on and as of the Effective Date.

(a) Existence and Good Standing. Each of Valero and the Valero Subs is duly formed and validly existing and in good standing under the Laws of its state or jurisdiction of formation, with power and authority to carry on the business in which it is engaged and, as the case may be, to enter into and perform its respective obligations under each Project Agreement to which it is a party.

(b) Authorization. The execution and delivery of each Project Agreement to which it is party, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized and approved by all requisite corporate action of Valero.

(c) No Conflicts. The execution and delivery of each Project Agreement to which it is party by Valero do not, and consummation of the transactions contemplated hereby and thereby will not, (i) violate any of the provisions of Valero's (or any Valero Sub's) organizational documents, (ii) contravene, conflict with, or result in a violation or breach of any material provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify any material agreement pursuant to which Valero, any Valero Sub or any of their respective property is bound, or (iii) contravene, conflict with, result in a violation of, or give any Governmental Authority or other Person the right to challenge any of the subject, material transactions or to exercise any remedy or obtain any relief under, any applicable Laws.

(d) Enforceability. Each Project Agreement to which it is party is valid, binding and enforceable against Valero in accordance with its terms, subject to bankruptcy, moratorium, insolvency and other Laws generally affecting creditors' rights and general principles of equity (whether applied in a Proceeding in a court of law or equity).

(e) No Litigation. There is no action, suit, investigation, arbitration, grievance or proceeding pending against, or to Valero's Knowledge threatened against, Valero (other than the Valero Disclosed Matters) or any Valero Sub that is reasonably related to the Project and that could reasonably be expected, individually or in the aggregate, to result in a material adverse effect on (i) the consolidated financial condition,

operations or business of Valero or on its ability to perform its obligations (as applicable) under any Project Agreement to which it is a party, (ii) CHOPS, or (iii) the Project, and to Valero's Knowledge, there are no existing facts or circumstances (including any claims or demands) related to the Project that reasonably would be expected to result in any of the foregoing.

(f) No Orders. There are no material orders, judgments, injunctions or decrees of any Governmental Authority related to CHOPS or the Project and with respect to which Valero or any Valero Sub has been named or is a party or, to Valero's Knowledge, is reasonably likely to be named a party.

(g) No Brokers. There is no investment banker, broker, finder or other such intermediary which has been retained by, or is authorized to act on behalf of, Valero or any Valero Sub with respect to the transactions contemplated by the Project Agreements.

(h) Opportunities. The obligations of Valero and its Affiliates to offer or otherwise make available to any Person other than CHOPS any Opportunities located or to be located in the Gulf of Mexico are set forth on Schedule 6(h).

7. Indemnification.

(a) Valero, on one hand, and the GTM Companies, on the other, (each being referred to as an "Indemnitor") each will release, defend (upon any Indemnitee's request), indemnify and hold harmless the other, its successors, assigns, directors, employees, Subsidiaries, Affiliates, representatives, and agents (collectively, the "Indemnitee"), from and against each and every Loss that results from, arises out of, or is attributable in any way to any of the following:

(i) claims with respect to brokers, finders and agents' fees and commissions in connection with the transaction contemplated in this Agreement or the Partnership Agreement asserted by any Person on the basis of any statement, instrument or agreement alleged to have been made by the Indemnitor; or

(ii) subject to Section 7(b), any breach in any material respect of any representation or warranty made by the Indemnitor in this Agreement.

(b) Notwithstanding anything to the contrary in this Agreement, no Indemnitor will have any obligation to any Indemnitee with respect to Losses as a result of breaches of representations or warranties hereunder unless (i) the aggregate amount of Losses suffered by all applicable Indemnitees as a result of breaches of representations or warranties hereunder exceeds or is reasonably expected to exceed $50,000, in which case only the excess will be subject to indemnification under this Agreement, and (ii) written notice of such Loss, in reasonable detail, is delivered to the applicable Indemnitor (in accordance with Section 8(f)) within two years after the date on which the Initial Facilities are Fully Operational. The Indemnitor will have 30 days from its receipt of such a written notice from an applicable Indemnitee asserting a claim for indemnification hereunder (a "Claim") either to (a) admit liability for such Claim, or (b) dispute the

Claim. At a minimum, any such written notice will describe in reasonable detail the nature of the Claim, an estimate of the amount of damages attributable to such Claim and the basis for the request for indemnification hereunder. If the Indemnitor receiving such notice of Claim (1) does not notify the Indemnitee sending such notice within such 30-day period or (2) disputes the Claim by written notice to the Indemnitee, the Indemnitee sending such notice of Claim may submit the Claim for arbitration in accordance with the arbitration provisions set forth in Exhibit D of the Partnership Agreement (as in effect on the date hereof). Payment of all amounts owing by an Indemnitor pursuant to this Section 7(b) will be made no later than the later of (i) the expiration of the 30-day period referenced above or (ii) within 30 days after the applicable arbitration decision has become final.

(c) CHOPS Agreement Matters.

(i) Valero. Valero assumes 50% of the obligations of the GTM Companies under the CHOPS Agreements. Valero agrees to contribute to, and to INDEMNIFY, DEFEND (upon request) AND HOLD HARMLESS, the GTM Companies for 50% of all Losses (including any liquidated damages contemplated under the Producer Agreements) incurred by the GTM Companies (A) with respect to any claim made by any Person that is a party to a CHOPS Agreement (other than GTM and its Affiliates) or (B) as required under any CHOPS Agreement; provided, however, that GTM will be solely responsible for, and Valero will have no obligation or responsibility under this Section 7(c)(i) with respect to, any Losses arising out of, resulting from or related to (1) the termination of the Construction Agreement or the Operating Agreement (other than as a result of a breach by CHOPS) or (2) the gross negligence or willful misconduct (which expressly includes any intentional breach of a material obligation contained in the Construction Agreement or the Operating Agreement) by the Construction Manager or the Operator.

(ii) The GTM Companies, jointly and severally, agree to contribute to, and to INDEMNIFY, DEFEND (upon request) AND HOLD HARMLESS, Valero (A) to the extent that Valero suffers more than 50% of all Losses (including any liquidated damages) incurred with respect to any claim made by any Person that is a party to a CHOPS Agreement (other than CHOPS) and (B) as required under any CHOPS Agreement.

8. Miscellaneous.

(a) Definitions. The following capitalized terms have the following meanings:

"Bankruptcy Code" means Title 11 of the United States Code, 11 U.S.C. Section. 101, et seq., or any successor statutes or laws.

"BP" means BP Exploration & Production Inc., a Delaware corporation.

"BHP" means BHP Billiton Petroleum (Deepwater) Inc.

"Capital Contribution Performance Guaranties" means both that certain Performance Guaranty Agreement entered into by and between GTM CHOPS, as beneficiary, and Valero, as guarantor, concurrently with this Agreement (including any schedules, exhibits or attachments thereto), and that certain Performance Guaranty Agreement entered into by and between Valero CHOPS I and Valero CHOPS II, as beneficiaries, and GTM, as guarantor, concurrently with this Agreement (including any schedules, exhibits or attachments thereto), in both cases, as amended, restated, supplemented or otherwise modified from time to time.

"CHOPS Agreements" means the Producer Agreements and (including all schedules, exhibits and attachments to each such agreement and as each such agreement is amended, restated, supplemented or otherwise modified from time to time) each of the agreements, purchase orders and work requests listed on Schedule 5(h).

"Construction Agreement" means that certain Construction Management Agreement initially entered into by and between Manta Ray and CHOPS concurrently with this Agreement (including any schedules, exhibits or attachments thereto), as amended, restated, supplemented or otherwise modified from time to time.

"Fully Operational" has the meaning given such term in the Construction Agreement.

"GTM Disclosed Matters" means the actions, suits and proceedings and the environmental and intellectual property matters disclosed in (a) GTM's report on Form 10-K for the fiscal year ended December 31, 2002 and GTM's report on Form 10-Q for the fiscal period ended March 31, 2003, in each case as filed with the Securities and Exchange Commission, or (b) otherwise disclosed in writing to Valero prior to the execution and delivery of this Agreement.

"Insolvent" means (i) a Person is unable to pay their debts or other obligations as they become due; or (ii) the sum of a Person's debts are in excess of the aggregate fair valuation of such Person's assets.

"Knowledge" means as follows: an individual will be deemed to have "Knowledge" of a particular fact or other matter if such individual is aware of such fact or other matter at the time of determination after such individual made a reasonable inquiry of each of his or her direct reports as to whether any of them possess the requisite Knowledge of the subject matter in question. "Knowledge" with respect to the GTM Companies shall be limited to the Knowledge of the persons listed on Schedule 8 (a) to this Agreement. "Knowledge" with respect to Valero shall be limited to the Knowledge of the persons listed on Schedule 8 (b) to this Agreement.

"Operating Agreement" means that certain Operation and Management Agreement initially entered into by and between Manta Ray and the Partnership concurrently with this Agreement (including any schedules, exhibits and attachments thereto), as amended, restated, supplemented or otherwise modified from time to time.

"Producer Agreements" means, including all schedules, exhibits and attachments to each such agreement and as each such agreement is amended, restated, supplemented or otherwise modified from time to time: (i) the Purchase and Sale Agreement dated June 23, 2003 by and among BP, CHOPS and GTM; (ii) the Construction Agreement dated June 23, 2003 by and among BP, Mardi Gras Transportation System Inc., a Delaware corporation, and CHOPS; (iii) the Offshore Facilities Interconnection, Construction and Operating Agreement dated June 23, 2003 among Caesar Oil Pipeline Company, LLC, a Delaware limited liability company, Manta Ray, CHOPS and GTM; (iv) the Purchase and Sale Agreement dated June 23, 2003 by and among BHP and CHOPS; (v) the Purchase and Sale Agreement dated June 23, 2003 by and among Unocal and CHOPS; and (vi) the Liquidated Damages Letter Agreement dated June 23, 2003 by and between GTM and CHOPS.

"Unocal" means Unocal Oil Company of California, a California corporation.

"Valero Disclosed Matters" means the actions, suits and proceedings and the environmental and intellectual property matters disclosed in (a) Valero's report on Form 10-K for the fiscal year ended December 31, 2002 and Valero's report on Form 10-Q for the fiscal period ended March 31, 2003, in each case as filed with the Securities and Exchange Commission, or (b) otherwise disclosed in writing to GTM prior to the execution and delivery of this Agreement.

"Valero Investments" means Valero Unit Investments, L.L.C., a Delaware limited liability company and wholly-owned, indirect subsidiary of Valero.

"Valero Subs" means Valero Investments and VCSC.

"VSCS" means Valero Corporate Services Company, a Delaware corporation and wholly-owned, indirect subsidiary of Valero.

(b) Waiver. Neither action taken (including any investigation by or on behalf of any Party) nor inaction pursuant to this Agreement, will be deemed to constitute a waiver of compliance with any representation, warranty, covenant or agreement contained herein by the Party not committing such action or inaction. A waiver by any Party of a particular right, including breach of any provision of this Agreement, will not operate or be construed as a subsequent waiver of that same right or a waiver of any other right.

(c) Counterparts. This Agreement may be executed in multiple counterparts, each of which, when executed, will be deemed an original, and all of which will constitute but one and the same instrument.

(d) Binding Effect. This Agreement will be binding upon and inure to the benefit of the Parties and their respective legal representatives, successors and assigns.

(e) Governing Law. This Agreement will be construed, interpreted, and governed by and according to, the Laws of the State of Texas, excluding any conflict or

choice of Law rules or principles which, if applied, might permit or require the application of the Laws of another jurisdiction.

(f) Notices. Except as otherwise expressly provided in this Agreement to the contrary, any notice required or permitted to be given under this Agreement will be in writing (including telex, facsimile, telecopier or similar writing) and sent to the address of the Party set forth below, or to such other more recent address of which the sending Party actually has received written notice:

If to any of the GTM Companies, to:

[Name of Specified Entity]
Attn: President
Four Greenway Plaza
Houston, Texas 77046
Telephone: (832) 676-6152
Fax: (832) 676-1665

With a copy to (if not the original recipient):

GulfTerra Energy Partners, L.P.
Attn: President
Four Greenway Plaza
Houston, Texas 77046
Telephone: (832) 676-6152
Fax: (832) 676-1665

If to Valero, Valero Investments, or VCSC to:

[Name of Specified Entity]
c/o Valero Energy Corporation
Attn: Executive Vice President, Corporate Development
One Valero Place
San Antonio, Texas 78212
Telephone: (210) 370-2146
Fax: (210) 370-2270

With a copy to (if not the original recipient):

Valero Energy Corporation
Attn: Vice President, Legal Affairs
One Valero Place
San Antonio, Texas 78212
Fax: (210) 370-5889

Each such notice, demand or other communication will be effective, if given by registered or certified mail, return receipt requested, as of the third day after the date

indicated on the mailing certificate, or if given by any other means, when delivered at the address specified in this Section.

(g) Severability. In the event of a direct conflict between the provisions of this Agreement and any applicable Laws, the applicable Laws will control. If any provision of this Agreement, or the application thereof to any person or circumstance, is held invalid or unenforceable to any extent, the remainder of this Agreement and the application of that provision to other persons or circumstances will not be affected thereby and that provision will be enforced to the greatest extent permitted by applicable Laws.

(h) Confidentiality. The Parties agree that this Agreement will be maintained in strict and absolute confidence, except upon prior written notice and with respect to disclosure: (i) pursuant to the sale, disposition or other alienation (directly or indirectly) of a Party's rights and interest in and to this Agreement, (ii) pursuant to the sale or other disposition (directly or indirectly) of all or substantially all of the assets of a Party, (iii) in conjunction with a merger, consolidation, share exchange or other form of statutory reorganization involving a Party, (iv) to lenders, accountants and other representatives of the disclosing Party with a need to know such information, (v) as required to make disclosure in compliance with any applicable Law, rules or regulations of any applicable securities exchange or market or this Agreement and its objectives or (vi) to those of a Parties' Affiliates that have a "need to know"; provided that the disclosing Party will be liable for any disclosure by the receiving Person to the extent such disclosure would not be permitted by this Section if made by the disclosing Party.

(i) Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the Parties and no presumption or burden of proof will arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law will be deemed to refer to such statute or law, as amended, and also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. Any reference to a Party will also include such Party's permitted successors and assigns. The words "including," "includes," and "include" will be deemed to be followed by the phrase "without limitation." All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, will include all other genders; the singular will include the plural, and vice versa. All references herein to Exhibits, Schedules, Articles, Sections or subdivisions thereof will refer to the corresponding Exhibits, Schedules, Article, Section or subdivision thereof of this Agreement unless specific reference is made to such exhibits, articles, sections or subdivisions of another document or instrument. The terms "herein," "hereby," "hereunder," "hereof," "hereinafter," and other equivalent words refer to this Agreement in its entirety and not solely to the particular portion of the Agreement in which such word is used.

(j) Conflict. In the event of any conflict or inconsistency among the provisions set forth in this Agreement and the Partnership Agreement, the provisions set forth in this Agreement will prevail.

(k) Permits, etc. To the extent that any of the same are in the name of any GTM Company, the GTM Companies will (and will cause their Subsidiaries and Affiliates to), as soon as reasonably practicable, (i) to the extent transfer is permitted under applicable Law, transfer to CHOPS any and all permits, licenses, approvals from Governmental Authorities, rights-of-way, easements, real property rights and subcontractor warranties for the construction and operation of the Project or (ii) otherwise, assist CHOPS to obtain the effective benefit of such permits, licenses, approvals, rights-of-way, easements, real property rights or subcontractor warranties.

(l) Not a Security. Each party hereto hereby stipulates, acknowledges and agrees that the limited partnership interests and membership interests transferred hereby are not securities under Federal or state law.

(m) Claims; Term of the Agreement. Unless a shorter time period is mandated by applicable Law, and subject to the last sentence of this Section 8(m), any and all claims or disputes of any kind or nature whatsoever with respect to the breach or default, or alleged breach or default, of any right, duty, or obligation of any Party that is set forth in this Agreement, including any of the liability and indemnity obligations, must be served on the Party or Parties who are allegedly in breach or default on or before the second anniversary of the date that the Third Payment is received by GTM or its designee (such second anniversary, the "Claims Deadline"), and any claim or dispute in connection with this Agreement that is brought or served after the Claims Deadline shall be forever barred and waived by the Parties. This Section 8(m) will have no effect on the indemnity obligations of Valero or the GTM Companies with respect to the CHOPS Agreements under Section 7(c).

[The remainder of this page is intentionally left blank.]

Each Party has caused this Agreement to be executed in its name by an officer thereunto duly authorized as of the date first written above.

VALERO ENERGY CORPORATION

By: /s/ Michael S. Ciskowski

Name: Michael S. Ciskowski
Title: Executive Vice President

GULFTERRA ENERGY PARTNERS, L.P.

By: /s/ James H. Lytal

Name: James H. Lytal
Title: President

CAMERON HIGHWAY PIPELINE I, L.P.

By: /s/ James H. Lytal

Name: James H. Lytal
Title: President

MANTA RAY GATHERING COMPANY , L.L.C.

By: /s/ James H. Lytal

Name: James H. Lytal
Title: President

PARTICIPATION AGREEMENT
SCHEDULE 5(e)

PAGE 1 - CURRENT BUDGET

SUMMARY OF COST ESTIMATES

Sub-Project	Committed Costs (M$)	Expenditures To Date (M$)	CHOPS** Budget (M$)	Forecast as of 6/6/2003 (M$)	Variance From Budget (M$)
ONSHORE PIPELINES					
Port Neches Route	10,756	6,102	47,426	48,457	(1,031)
Texas City Route	17,340	6,693	26,582	27,519	(937)
Total Onshore Pipelines	28,096	12,795	74,008	75,976	(1,968)
NEAR SHORE PIPELINES					
High Island A5 to West of Sabine	20,370	9,590	25,696	23,677	2,019
High Island A5 to Bolivar Peninsula	27,135	5,754	30,293	28,671	1,622
Total Near Shore Pipelines	47,505	15,344	55,989	52,348	3,641
OFFSHORE PIPELINES					
Garden Banks 72 to High Island A5	86,760	18,400	99,689	92,517	7,172
Ship Shoal 332 to Garden Banks 72	70,752	38,995	78,850	85,937	(7,087)
Total Offshore Pipelines	157,512	57,395	178,539	178,454	85
OFFSHORE FACILITIES					
High Island A5	25,249	4,031	32,101	32,734	(633)
Garden Banks 72	1,332	428	6,021	6,064	(43)
Ship Shoal 332	44,494	11,235	63,450	64,489	(1,039)
Total Offshore Facilities	71,075	15,694	101,572	103,287	(1,715)
LINE FILL	0	0	28,214	28,214	0
SUBTOTAL BEFORE UNBUDGETED ITEMS	304,188	101,228	438,322	438,279	43
CONTINGENCY	N/A	N/A	19,665	19,665	0
PRE-AFE COMMITMENTS	325				
UNPOSTED JUNE INVOICES		6,340			
REIMBURSIBLE UNBUDGETED COSTS (i.e. NSAI, S&W, etc.)	443	443	0	443	(443)
PROJECT TOTAL	304,956	108,011	457,987	458,387	(400)

Activity ID	Description	Orig Dur	Early Start	Early Finish	Percent Complete
+Onshore Engineering					
		83w4c	01MAR02 A	21OCT03	53
+Offshore Engineering					
		173w	21MAR00 A	11AUG03	86
+Facility Engineering					
		09w1c	01JAN02 A	20FEB04	12
+Onshore Permitting - Port Neches					
		90w2c	13NOV01 A	21AUG03	92
+Onshore Permitting - Texas City					
		87w4c	08NOV01 A	30JUL03	94
+Offshore Permitting					
		59w3c	15APR02 A	13JUL03	90
+Facility Permitting - HI A5					
		77w4c	15FEB02 A	25AUG03	35
+Facility Permitting - GB72					
		8w2c	06AUG03	03OCT03	0
+Facility Permitting - SS332					
		10w	15JUL03	23SEP03	0
+Procurement Materials - Onshore					
		38w3c	16JUN03	17MAR04	0
+Procurement Contracting Onshore					
		86w3c	13NOV01 A	29AUG03	80
+Procurement Materials - Offshore					
		46w4c	03FEB03 A	02JAN04	17
+Procurement Materials - Pipe & Coating					
		07w1c	18FEB02 A	24MAR04	52
+Procurement Contracting - Offshore					
		98w1c	27MAR02 A	27FEB04	40
+Procurement Materials - Facilities					
		96w2c	03APR02 A	23FEB04	48
+Procurement Contracting - Facility Fabrication					
		31w	11OCT02 A	30MAY03	99
+Procurement Contracting - Facility Installation					
		113w	08APR02 A	22JUN04	7
+Onshore Construction - Port Neches					
		33w	02SEP03	22APR04	0

START DATE	12NOV01
FINISH DATE	07JUL04
DATA DATE	16MAY03
RUN DATE	09JUN03
PAGE NUMBER	1A

- --

CAMERON HIGHWAY

Activity ID	Description	Orig Dur	Early Start	Early Finish	Percent Complete
+Onshore Construction - Texas City					
		52w2c	03MAR03 A	22JUN04	0
+Offshore Construction - Coastal Port Neches					
		42W1c	03MAR03 A	29DEC03	25
+Offshore Construction - Coastal Texas City					
		33W4c	03MAR03 A	28OCT03	17
+Offshore Construction - 24"					
		42W2c	04DEC02 A	02OCT03	28
+Offshore Construction - 30"					
		74W4c	24SEP02 A	11MAR04	31
+Offshore Risers, Tie-ins & Testing					
		46W	26JUN03	19MAY04	0
+Facility Construction - HIA5					
		68W	12MAR03 A	17JUL04	13
+Facility Construction - GB72					
		19W	03OCT03	17FEB04	0
+Facility Construction - SS332					
		68w3c	17FEB03 A	17JUN04	12
+Project Closeout					
		0	16JUN04	16JUN04(*)	0

START DATE 12NOV01
FINISH DATE 07JUL04
DATA DATE 16MAY03
RUN DATE 09JUN03
PAGE NUMBER 2A

PARTICIPATION AGREEMENT
SCHEDULE 5(e)

PAGE 4 - LIST OF OPERATIONAL REPORTS

Cameron Hwy Monthly Report 001-Jan02 REV1

Cameron Hwy Monthly Report 002-Feb02

Cameron Hwy Monthly Report 003-Mar02

Cameron Hwy Monthly Report 004-Apr02

Cameron Hwy Monthly Report 005-May02

Cameron Hwy Monthly Report 006-Jun02

Cameron Hwy Monthly Report 007-Jul02

Cameron Hwy Monthly Report 008-Aug02

Cameron Hwy Monthly Report 009-Sep02

Cameron Hwy Monthly Report 010-Oct02

Cameron Hwy Monthly Report 011-Nov02

Cameron Hwy Monthly Report 012-Dec02

Cameron Hwy Monthly Report 013-Jan03

Cameron Hwy Monthly Report 014-Feb03

Cameron Hwy Monthly Report 015-Mar03

Cameron Hwy Monthly Report 016-Apr03

Cameron Hwy Monthly Report 017-May03

PARTICIPATION AGREEMENT
SCHEDULE 5(h)
PAGE 1

CONSTRUCTION CONTRACTS

Contract #	Date Issued	Contractor	Description of Work	Activity	Resource Type	Contract Amount
						$
001 Total	Dec-01	Horizon	Environmental Services	Environmental	OPIPE	306,152
002 Total	Mar-02	Wortech	Port Neches Onshore Survey	Other	Contr	379,550
003 Total	Apr-02	Horizon	Environmental Services	Environmental	OPIPE	720,000
004 Total	Jun-02	Thales	Route Survey	Other	Contr	288,823
005 Total	Jun-02	General Land Office	ROW Easement - State Land	Land-Rights	Land	153,361
006 Total	Jul-02	L.J. Capozzoli	Geotechnical Evaluation - PN	Engineering	Contr	137,000
007 Total	Aug-02	Allseas	Installation of Offshore Pipelines	Construction	Contr	62,906,217
008 Total	Aug-02	Horizon Offshore	Installation of Offshore Pipelines	Construction	Contr	23,741,624
009 Total	Aug-02	L.J. Capozzoli	Geotechnical Evaluation - TC	Engineering	Contr	148,000
EPN-OP-03-006 Total	Dec-02	Gulf Island	Fabrication of SS332B Jacket	Construction	Plat	10,943,345
EPN-OP-03-007 Total	Dec-02	Dynamic Industries	Fabrication of SS332B Deck	Construction	Deck	10,130,000
EPN-OP-03-007 A1 Total	Jun-03	Dynamic Industries	SS332-A Revisions (Equip Removal)	Construction	Deck	541,830
011 Total	Dec-02	Dynamic Industries	Fabrication of HIA5C Deck	Construction	Deck	10,130,000
012 Total	Dec-02	Excel Engineering	Design CVA Services	Engineering	Plat	25,000
013 Total	Mar-03	Unifab	Fabrication of HI A5C Jacket	Construction	Plat	500,000
014 Total	Apr-03	Heerema	Installation of SS332B Jacket	Construction	Facil	250,000
015 Total	Apr-03	Sunland Construction	Galveston Bay Segment	Construction	Contr	8,589,545
008 A Total	Jun-03	Horizon Offshore	Amendment - Added Scope	Construction	Contr	6,416,241
Grand Total						$ 136,306,688

- Letter Agreement dated March 12, 2003 among Atlantis Offshore, LLC, Manta Ray Offshore Gathering Company, L.L.C. and Manta Ray

- Premcor Letter Agreement dated April 8, 2003 between The Premcor Refining Group Inc. and Manta Ray

PARTICIPATION AGREEMENT
SCHEDULE 5(h)
PAGE 2

WORK REQUESTS

Date Issued	Contractor	Description of Work	Activity	Resource Type	Request Amount
May-03	Corrpro Total	Cathodic Protection design	Engineering	Contr	$ 50,000
Oct-02	Fugro/Chance Total	Geotech Survey	Engineering	Plat	50,000
Mar-03	Global X-Ray & Testing Total	Non-destructive testing	Inspection	Contr	175,000
Jun-02	Guion, Huff & Assoc Total	Project Mgmt Services	Contract Services	Contr	130,000
Varies	ITI Anti-Corrosion Total	Mill/Coating Inspection	Inspection	Opipe	2,144,500
Varies	J. Connor Consulting, Inc. Total	Worst Case Spill Analysis	Land-Rights	Opipe	15,000
Oct-02	J.Chance Marine Total	Survey - Gal Bay Reroute	Other	Contr	42,000
Varies	John Chance Total	Survey Services	Other	Contr	719,700
Jan-03	MMS Total	Permit	Land-Rights	Opipe	31,750
Varies	Mustang Total #1	Onshore & Galv Bay Engineering	Engineering	Contr	590,000
Varies	Mustang Engineering Total #2	Facilities Engineering & CM Services	Engineering	Facil	3,080,000
Varies	PCS Total	Project Mgmt Services / Engineering	Engineering	Contr	3,906,901
Jun-02	Petro-Marine/BCI Engr Total	Structural Engineering	Engineering	Plat	60,000
Aug-02	Sunland Construction Total	Road Easement work	Land-Rights	Land	25,000
Apr-02	Thales Geosolutions Total	Offshore Survey	Other	Contr	172,998
Varies	Wilcrest Inspection Total	Survey Inspection	Inspection	Opipe	23,000
	Grand Total				$11,215,849

PURCHASE ORDERS

PO #	Date Issued	Vendor	Description	Alliance (?)	PO Amount
006 Total	Jun-02	Welspun	Pipe	N	$ 18,570,058
007 Total	Jun-02	Napa	Pipe	N	63,246,891
008 Total	Jun-02	Stupp	Pipe	N	23,774,775
011 Total	Jul-02	Bayou Coating	Pipe Coating	N	11,906,517
013 Total	Nov-02	Solar Turbines	Solar Taurus Gas Turbine Package	Y	14,028,952
014 Total	Nov-02	Solar Turbines	Sulzer 6 Stage Pump	Y	1,101,627
015 Total	Jan-03	Smith Meters	PD Meters	N	1,058,636
016 Total	Jan-03	Cooper Cameron	Ball Valves	N	167,028
017 Total	Jan-03	General Valve	Twin Seal Valves	N	1,474,221
018 Total	Feb-03	Dresser Flow Control	Check Valves	N	28,289
019 Total	Mar-03	Galvotec Alloys, Inc.	Cathodic Protection Anodes	N	3,872,663
020 Total	Mar-03	Dresser Flow Control	Ball Valves	Y	1,215,000
021 Total	Mar-03	Dresser Flow Control	Swing Check Valve	N	359,658
022 Total	Mar-03	Automatic Power Inc.	Navigational Aids	N	24,890
023 Total	Mar-03	Spitzer Industries	Closed Drain Vent Scrubber	N	78,605
024 Total	Apr-03	Sagebrush Pipeline Equip.	Export Oil Pig Launcher	Y	375,237
025 Total	Apr-03	The Shaw Group	Pipe Bend	N	331,340
026 Total	Apr-03	Spitzer Industries	Closed Drain / Vent Pump Skid	N	232,353
027 Total	Apr-03	Sisco Service	Misc Pipe and Fittings	N	567,633
028 Total	Apr-03	Adaptive Controls	Ultrasonic Flow Meter	N	108,789
029 Total	Apr-03	Shafer	Actuator Package for Ball Valves	N	104,409
030 Total	Apr-03	Precision Powered Products	Firewater Pumps	N	560,082
031 Total	May-03	GAI Tronics	Weatherproof Communications	N	51,066
032 Total	May-03	Rosemount Inc.	Pressure Transmitters	Y	9,612
033 Total	May-03	W-Industries	HPU Skid	N	465,752

Purchase Orders continued

034 Total	May-03	Alliance Measurement	Meter Skids w/ Control Panels	N	3,188,590
035 Total	May-03	Universal Fabricators	DRA Storage Tank	N	34,845
036 Total	May-03	Custom Power	UPS System	N	110,150
037 Total	May-03	Tideland Signal Corp	Misc Marine Signal Devices	N	29,410
038 Total	May-03	Puffer Sweiven	Control Valves w/ Actuators	N	522,569
039 Total	May-03	W-Industries	Local Control Panel	N	23,700
040 Total	May-03	Universal Fabricators	DRA Storage Tank/Sub Cellar Sump	N	71,902
041 Total	Jun-03	Wilson Supply	6" Fuel Gas Pipe	?	235,592
042 Total	Jun-03	Reagan Equipment Company	Generator Sets	N	2,918,458
043 Total	Jun-03	Beacon Maritime Inc.	Living Quarters Module	N	1,615,903
044 Total	Jun-03	IFS Integrated Flow Solution	DRA Injection Skid	N	251,450
045 Total	Jun-03	Severn Trent De Nora	Marine Sewage Grinder	N	4,295
046 Total	Jun-03	UMOE Schat-Harding	Survival Capsule	N	114,050
047 Total	Jun-03	Tyco Valves & Controls	Pilot Operated Relief Valves	N	102,720
048 Total	Jun-03	AF Industries	Paraffin Heater Skid	N	588,459
049 Total	Jun-03	Dooley Tackaberry	Hose Reels with Foam Tank	N	8,910
051 Total	Jun-03	Tesla Power & Automation	MCC Building	N	1,527,089
Grand Total					$155,062,175

SHORT FORM AGREEMENTS

Date Issued	Contractor	Description of Work	Activity	Resource Type	Request Amount
Aug-02	Petro-Marine Total	SS332 Superdeck Evaluation	Engineering	Contr	$ 10,000
Dec-03	Gullet & Associates Total	Centerline, ROW & TOPO Survey	Other	Contr	140,000
Jan-03	Subsea 7 Total	ROV Survey	construction	Contr	150,000
Jan-03	Petro-Marine Total	SS332 Platform Design	Engineering	Plat	850,000
Jan-03	Gullet & Associates Total	Centerline, ROW & TOPO Survey	Other	Contr	62,000
Jan-03	WISco Total	Inspection of structural fabrication	Inspection	Contr	150,000
Jan-03	Scandpower Total	Analytical Report	Engineering	Contr	35,000
Mar-03	Petro-Marine Total	Verification Services	Engineering	Plat	138,000
Apr-03	Pelican State Inspection Total	Inspection of SS332 B Platform	Inspection	Contr	90,000
Mar-03	Offshore Consultants Total	Site manager for HI A5C	Inspection	Contr	50,000
Apr-03	J. Connor Consulting Total	Develop MMS Permit App's for Facilities	Engineering	Contr	-
Apr-03	Integra Total	Provide Chief Inspection Services	Inspection	Contr	60,000
Apr-03	QIC Total	Anode Manufacturing and Loadout	Inspection	Contr	50,000
May-03	Jardine & Associates Total	Provide Base Case and Sensitivity models	Engineering	Contr	29,800
	Grand Total				$1,814,800

II) Port Neches			Port Neches Extension		
7	National Pollutant Discharge Elimination System ("NPDES") Permit	United States Environmental Protection Agency ("EPA") Region 6	January 2003-Rec'd Agency Acknowledgement letter. June 2003 -Permit will be valid, June 2003 - Submit request for Permit coverage for Onshore Construction of mainline. Nov 2003 - Permit will be valid.	X	Permit required for (1) onshore discharge of hydrostatic test waters and (2) offshore discharge of hydrostatic test waters to state territorial waters.
8	General Permit No. GMG290000	EPA Region 6	Notice of Intent ("NOI") to be submitted by June 2003.	X	Discharge of hydrostatic test waters to offshore federal waters to be authorized by existing general permit.
9	NPDES Storm Water Construction General Permit	EPA Region 6	NOI to be submitted September 2003 for "Offshore and HDD" disturbing more than 5 acres. June 2003 - Submitted NOI to EPA	X	NOI must be submitted prior to horizontal directional drilling ("HDD") and general pipe trench construction in uplands.

10	NPDES Storm Water Construction General Permit	EPA Region 6	NOI to be submitted September 2003 for "Onshore work" disturbing more than 5 acres. Sept 2003 - Submit NOI to EPA	X	NOI must be submitted prior to horizontal directional drilling ("HDD") and general pipe trench construction in uplands.
11	Individual Permit for Project Construction (Application No. 22712)	USACE	Permit #22712 issued to Manta Ray Gathering Co. on January 9, 2003. Feb 2003 - Submitted request for permit modification for Lucas Reroute. Expect Authorization in June 2003.	X	Permit required for pipeline construction and HDD in beaches, bays, wetlands, uplands and offshore state/federal waters.
12	Threatened and Endangered Species Clearance	United States Fish and Wildlife Service ("USFWS")	Permit issued to Manta Ray Gathering Co. on January 9, 2003.	X	Permit required for pipeline construction and HDD in beaches, bays, wetlands, uplands and offshore state/federal waters.
13	Threatened and Endangered Species Clearance	National Marine Fisheries Service ("NMFS")	Permit issued to Manta Ray Gathering Co. on January 9, 2003.	X	Permit required for pipeline construction and HDD in beaches, bays, wetlands, uplands and offshore state/federal waters.

14	Air Emission Registration and Certification for Permit-by-Rule ("PBR")	Texas Commission on Environmental Quality ("TCEQ")	Application to be submitted by [+/- 90 days prior to construction -- August 30 filing for onshore installations]	X	Assumes that detailed information on aboveground valves, fittings and other sources of fugitive air emissions is available by June 30, 2003.
			Port Neches Extension Con't:		
15	Temporary Water Diversion Permit	TCEQ (Two separate submittals -- one for "offshore work -- HDD in Mar 2003; and the other for "onshore work" in Aug 2003)	Application to be submitted by March 30, 2003 [+/- 90 days prior to construction] Permit rec'd April 2003.	X	Permit required for withdrawal of state surface waters for hydrostatic pressure tests.
16	Hydrostatic Test Water Discharge Permit	Texas Railroad Commission ("RRC")(Two separate submittals -- one for "offshore work -- HDD in Mar 2003; and the other for "onshore work" in Aug 2003)	Application to be submitted by March 30, 2003 [+/- 90 days prior to construction] - Rec'd permit April 2003	X	Permit required for (1) onshore discharge of hydrostatic test waters and (2) offshore discharge of hydrostatic test waters to state territorial waters.

17	Section 401 Water Quality Certification	RRC	Permit issued to Manta Ray Gathering Co. on December 2, 2002.	X	Permit required for pipeline construction and HDD in beaches, bays, wetlands, uplands and offshore state waters.
18	Coastal Zone Management Consistency Determination	RRC	Permit issued to Manta Ray Gathering Co. on December 2, 2002.	X	Permit required for pipeline construction and HDD in beaches, bays, wetlands, uplands and offshore state waters.
19	Easement for State-Owned Lands	Texas General Land Office ("GLO")	Permit issued to Manta Ray Gathering Co. on July 24, 2002. Misc. Easement #20020077	X	Permit required for pipeline construction and HDD in beaches, bays, wetlands, uplands and offshore state waters.
20	State Threatened and Endangered Species Clearance	Texas Parks and Wildlife Department ("TPWD")	Permit issued to Manta Ray Gathering Co. on January 9, 2003.	X	Permit required for pipeline construction and HDD in beaches, bays, wetlands, uplands and offshore state waters.

21	State Lands Use Easement	TPWD	Application submitted December 21, 2002 but TPWD has made additional mitigation requests; Project team continuing to negotiate with TPWD.	X	Permit required for pipeline construction Onshore. Permit not required until November 2003.
22	Terrestrial Construction	Texas State Historic Preservation Office ("SHPO")	Permit issued to Manta Ray Gathering Co. on May 13, 2002.	X	Permit required for pipeline construction and HDD in beaches, bays, wetlands, uplands and offshore state waters.
23	Marine Construction	SHPO	Permit issued to Manta Ray Gathering Co. on May 29, 2002.	X	Permit required for pipeline construction and HDD in beaches, bays, wetlands, uplands and offshore state waters.

III) Texas City			Texas City Extension		
24	National Pollutant Discharge Elimination System ("NPDES") Permit	United States Environmental Protection Agency ("EPA") Region 6	Application submitted to EPA on December 23, 2002 for "Offshore work including HDD and Galveston Bay work. Permit valid in June 2003.	X	Permit required for (1) onshore discharge of hydrostatic test waters and (2) offshore discharge of hydrostatic test waters to state territorial waters.
25	General Permit No. GMG290000	EPA Region 6	Notice of Intent ("NOI") to be submitted June 2003.	X	Discharge of hydrostatic test waters to offshore federal waters to be authorized by existing general permit.
26	NPDES Storm Water Construction General Permit	EPA Region 6	NOI to be submitted during latter part of 2003 for "Onshore work" disturbing more than 5 acres. NOI submitted June 2003.	X	NOI must be submitted prior to horizontal directional drilling ("HDD") and general pipe trench construction in uplands.

27	Individual Permit for Project Construction	USACE	Application Submitted November 21, 2002. Public notice period closed Feb 10, 2003. Comments received on Feb 10, were similar to comments received on Port Neches USACE permit. Response letter submitted 7 March 2003. Redieved Permit # 22929 May 2003.	X	Permit required for pipeline construction and HDD in beaches, bays, wetlands, uplands and offshore state/federal waters. USACE to share responses with commenting agencies and either (1) issue permit or (2) request meeting with CHOPS team. Resolution expected by late-March 2003.
28	Threatened and Endangered Species Clearance	USFWS	Application submitted November 21, 2002. Comment Letter received on 10 Feb 2003. Response letter submitted 7 Mar 2003. Rec'd Clearance May 2003.	X	Permit required for pipeline construction and HDD in beaches, bays, wetlands, uplands and offshore state/federal waters.

			Texas City Extension Con't:		
29	Threatened and Endangered Species Clearance	NMFS	Application submitted November 21, 2002. Comment Letter received on 10 Feb 2003. Response letter submitted 7 Mar 2003. May 2003 - Rec'd Clearance.	X	Permit required for pipeline construction and HDD in beaches, bays, wetlands, uplands and offshore state/federal waters.
30	Air Emission Registration and Certification for Permit-by-Rule ("PBR")	TCEQ	Application to be submitted by Aug 30, 2003 for onshore work.	X	Assumes that detailed information on aboveground valves, fittings and other sources of fugitive air emissions is available by June 30, 2003
31	Temporary Water Diversion Permit	TCEQ (Two separate submittals -- one for "offshore work -- HDD in Mar 2003; and the other for "onshore work" in Aug 2003)	Application to be submitted by March 30, 2003 [+/- 90 days prior to construction] April 2003 -Permit approved	X	Permit required for withdrawal of state surface waters for hydrostatic pressure tests.

32	Hydrostatic Test Water Discharge Permit	Texas Railroad Commission ("RRC")(Two separate submittals -- one for "offshore work -- HDD in Mar 2003; and the other for "onshore work" in Aug 2003)	Application to be submitted by March 30, 2003 [+/- 90 days prior to construction] April 2003 -Permit approved	X	Permit required for (1) onshore discharge of hydrostatic test waters and (2) offshore discharge of hydrostatic test waters to state territorial waters.
33	Section 401 Water Quality Certification	RRC	Application Submitted November 21, 2002. Response letter submitted 7 March 2003. December 2002 - Cert. Rec'd	X	Permit required for pipeline construction and HDD in beaches, bays, wetlands, uplands and offshore state waters.
34	Coastal Zone Management Consistency Determination	RRC	Application Submitted November 21, 2002. Response letter submitted 7 March 2003. December 2002 - Cert. Rec'd	X	Permit required for pipeline construction and HDD in beaches, bays, wetlands, uplands and offshore state waters.
35	T-4 Pipeline Operator's Permit	RRC	Request for permit submitted Feb 2003. Add'l info. Submitted and Permit received April 2003.	X	

36	Easement for State-Owned Lands	GLO	GLO has given verbal approval and written approval is expected March 30, 2003. Rec'd Easement #20030031 March 2003.	X	Permit required for pipeline construction and HDD in beaches, bays, wetlands, uplands and offshore state waters.

			Texas City Extension Con't:		
37	State Threatened and Endangered Species Clearance	TPWD	Application submitted November 21, 2002. Comment Letter received on 10 Feb 2003. Response letter submitted 7 Mar 2003. May 2003 - Rec'd Clearance.	X	Permit required for pipeline construction and HDD in beaches, bays, wetlands, uplands and offshore state waters.
38	Terrestrial Construction	SHPO	Clearance received on 27 November 2002	X	Permit required for pipeline construction and HDD in beaches, bays, wetlands, uplands and offshore state waters.
39	Marine Construction	SHPO	Clearance received on 17 September 2002	X	Permit required for pipeline construction and HDD in beaches, bays, wetlands, uplands and offshore state waters.

(Non-environmental)

	PERMIT	AUTHORIZING AGENCY	SECURED	PENDING	COMMENTS
II) TEXAS CITY		TEXAS CTY EXTENSION			
1	Pipeline Permit and Digging/ Excavation Permit for Construction and Operation within city limits and for crossing city ROWs	City of Texas City		X	2 Application submittals: Phase 1 application submittal for June 03 HDDs. Phase 2 submittal for fall 2003 construction.
2	Permit to construct & operate a pipeline within County ROWs at roads and hurricane levy crossings..	Galveston County		X	Crossing Butterfly Lane on Bolivar Peninsula and Hurricane levy in Texas City.
3	Utility Permit for State Right of Way Crossing	Tx Dept. of Transportation (TX DOT)		X	Permit application will require correspondence on Corps of Engineers letterhead indicating clearance for wetland considerations at highway crossings.
4	Application For Permit To Operate a Pipeline In Texas	Railroad Commission of Texas	X		Received T-4 permit 23 April 2003. No. 06604
5	New Construction Report	Railroad Commission of Texas	X		PS-48 form submitted with T-4 application and logged in by RRC. Tracking # 03NC055. Per conversation with Kathy Arnold on 9 May 2003, construction of Cameron Hwy WILL NOT be monitored by RRC because it is interstate pipeline. Therefore, PS-48 not really required

PARTICIPATION AGREEMENT
SCHEDULE 5(l)
PAGE 14

(Port Neches ROW begins here)

	Description	Apparent Owner	Rods, Apprx	Rods Completed	Pending	Easement/ Permit date	Contact Information	Notes
1	H.A. FITZHUGH	MANTA RAY remaining interests	87	0	87	2003006341	Donald McElwain	Publication time period has ended. Plat furnished to
	TO BE PARTITIONED	WILLIAM L. PARKER, JR. 3/8 OF 1/2					4675 McArthur Ct suite 700	attorney depicting the requested Parker property
		(AKA KEYSTONE)					New Port Beach,Calif (802)453-2648	partition.
						2003006343	Ms. Bohn (770)971-2607	Hearing re-scheduled for 6/18-10:30 am
							4701 Karls Gate Drive	attorney called 6/10 with this information
							Marietta, GA 30068	
						PENDING	Parker (321)632-6193	
						PARTITION	P.O. Box 561023	
							Rockledge, FLA 32956	
						2003004906	Louisa McElwain	
						1/30/2003	Box 1610	Amy McElwain McCoubray
							Santa Cruz, NM 07567	8304 Critenden Street
								Philadelphia, PA 19118 (215) 248-9666
1a	40'x50' valve site on property above-mentioned							2003006342

1c	B. F. HOWARD	UMPHREY LIMITED PARTNERSHIP 1/2 INT.	n/a	verbal	7/18/2002	The Umphrey Family Limited Partnership	Permanent Road Easement on existing shell road 30' in
		DR. G. BRUCE HEALEY 1/2 INT		Dr. Healey	#2002032605	P.O. Box 4905	width length 952+-(see file for survey) Document revised
		NOTE REPAIRS TO BE MADE TO ROAD		followed by		Beaumont, Texas 77704	Compensation-road repairs have been made
		IN JUNE 2003 level at 2nd gated area		letter		(409)835-6000	Gate combination-0434
						Dr. G. Bruce Healey	Leesee-High Island Production
						3770 Park Place Avenue	Rex Fuller (806)765-9230
						Port Arthur, Texas 77642	P.O. Box 2454 Lubbock, Texas 79408
						(409)983-2801-PRIVATE NUMBER	COMPLETED
1d	A. ROGERS	STATE OF TEXAS PARKS AND WILDLIFE	n/a	verbal	11/13/2002	Attention: Todd Imboden	Permanent Road Easement on existing shell road 30' in
		DEPARTMENT		T. IMBODEN	#2002044190	P. O. 1066	width length 151+-(see file for survey) Document executed
				followed by		Sabine Pass, - Texas 77655	
						Jack Baur-Austin office	COMPLETED
						4200 Smith - School Road	
				letter		Austin, TX 78744 (512)589-4897	

2	F.C.McREYNOLDS	HELENA E. STRICKLAND	3.09	3.09	0	7/29/2002			COMPLETED
						#2002032604			
3	R.W. RUSSELL	HELENA E. STRICKLAND	57.36	57.36	0	7/29/2002	4313 41st-Lubbock,Tx		
						#2002032604	(806)793-0931		
4	ROBERT W. RUSSELL	STATE OF TEXAS [HIGHWAY 87]	7	0	7		TXDOT		
							Walter Crook		
							P. O. Box 3468		
							Beaumont, Texas 77704		
							(409)892-7311		
5	ROBERT W. RUSSELL	LABELLE PROPERTIES, LTD.	242.25	242.25	0	10/17/2002	P. O. Box 3111 Bmt. Tx 77704		COMPLETED
		WILLIAM ARTHUR ROANE LAND TRUST				#2002044191	Craig J. Sherlock (President)		Copy of recorded document to owners 11/26
		BEN C. HEBERT HEIRS					(409)832-7736		
6	E.L. MOORE	LABELLE PROPERTIES, LTD	4.7	4.7	0				
	WILLIAM ARTHUR ROANE LAND TRUST								
	BEN C. HEBERT HEIRS								

7	URI HOLBROOK	LABELLE PROPERTIES, LTD	342.97	342.97	0
		WILLIAM ARTHUR ROANE LAND TRUST			
		BEN C. HEBERT HEIRS			
8	C.E. BROUSSARD, ET AL, TR.	LABELLE PROPERTIES, LTD.	192.06	192.06	0
		WILLIAM ARTHUR ROANE LAND TRUST			
		BEN C. HEBERT HEIRS			
8A			24.91	24.91	0
8D			136.59	136.59	0
9	DAVID BURRELL	LABELLE PROPERTIES, LTD	196.04	196.04	0
		WILLIAM ARTHUR ROANE LAND TRUST			
		BEN C. HEBERT HEIRS			
10	JOHN McGAFFEY	LABELLE PROPERTIES, ETC.	27.24	27.24	0
11	SARAH GLENN	LABELLE PROPERTIES, LTD	145.29	145.29	0

		WILLIAM ARTHUR ROANE LAND TRUST						
		BEN C. HEBERT HEIRS						
12	PEDRO delaGARZA	LABELLE PROPERTIES, LTD	533.53	533.53	0			
		WILLIAM ARTHUR ROANE LAND TRUST						
		BEN C. HEBERT HEIRS						
12B	DENNIS GAHAGAN, DIVISION A							TEMPORARY ROAD PERMIT-Form approved
13D	WEST OF BACK RIDGE ROAD	LABELLE PROPERTIES, LTD	n/a	n/a	10/17/2002	Certificate of Insurance with Doornbos		COMPLETED 10/17/02-Labelle group
	WILL BE ACQ>BY TEMPORARY ROAD PERMIT	WILLIAM ARTHUR ROANE LAND TRUST			1/13/2003	named as additional insured		1/13/2003-Doornbos
	NO ROD FIGURE-ACCESS ONLY	BEN C. HEBERT HEIRS				delivered 1/17/03		26 months only-doc. Will not be recorded
		C. DOORNBOS, JR. HEIRS						
	BACKRIDGE ROAD					COUNTY ENGINEER		PERMIT-HANDLED BY C. SOUTHERLAND
	(awaiting permit response TXDOT)					JOSE PASTRANA		In Precinct 3-Waymon Hallmark
						1149 Pearl-Bmt. TX		525 Lakeshore Drive-Port Arthur, TX 77640
								(409)983-8300

13	PEDRO delaGARZA	SEMPRA ENERGY PRODUCTION COMPANY	33.33	33.33	0	10/21/2002	Sempra Contact- Sarah Williams	Request to fence any above-ground structures
13B			162.53	162.53	0	#2002042815	8235 Douglas Ave-suite 525	Copy of recorded document mailed to Sempra
							Dallas, Tx 75225 (214)706-0420	COMPLETED
	PEDRO delaGARZA	TEXAS PARKS & WILDLIFE DEPARTMENT	27	0			J. D. Murphy Wildlife Management	
							2710 Highway 73	
							Port Arthur, Texas 77640	Call Jim Southerland at Parks before
15	N. COLEMAN	SEMPRA ENERGY PRODUCTION COMPANY	608.95	608.95	0		Jim Sutherlin (409)736-2551	entry
16	P.B. O'CONNER	SEMPRA ENERGY PRODUCTION COMPANY	30.65	30.65	0			
17	JOHN BENNETT	SEMPRA ENERGY PRODUCTION COMPANY	65.8	65.8	0			
17C			5.71	5.71	0			
17E			390.08	390.08	0			
WW	JOHN BENNETT [SCHULTZ]	TEXAS PARK & WILDLIFE	13	0	13		-	Investigating TPWD request and additional

	PERMIT	DEPARTMENT							survey
							-		wetland requirements
19	T & N O RR SEC. 123	SEMPRA ENERGY PRODUCTION COMPANY	83.14	83.14	0				
20	M. BROUSSARD	THE PREMCOR REFINING GROUP, INC.	832.59	832.59	0		Premcor Refinery		MEMORANDUM OF UNDERSTANDING SIGNED
		CHEVRON TR 38-C					P.O. Box 909		WITH PREMCOR 4/28/03
	M. BROUSSARD	THE PREMCOR REFINING GROUP, INC.					Port Arthur, Texas 77641		
20B	(VALVE SITE) 12' x 33.50' (.009 acres)	(REFINERY)					Micky Landry- Business Analyst		
							(409)985-1626		
20C	M. BROUSSARD	THE PREMCOR REFINING GROUP, INC.							
	(ROAD EASEMENT-26') (.094 acres)								
WW	M. BROUSSARD	U.S A. [GIWW]	86	86	0	CONSENT			PERMIT-CORPS OF ENGINEERS
		INTERCOASTAL WATERWAY-Placement area #9				DAW64-9-02-69			
						dtd. 12/30/02			
20D	M. BROUSSARD	THE PREMCOR REFINING GROUP,	incl	0					

		INC.						
20F	(VALVE SITE) 12'x 33.50' (.009 acres)	CHEVRON TR 38-D						
20G	(ROAD EASEMENT-26') (.089 acres)							
22	T & N O SEC. 121	THE PREMCOR REFINING GROUP, INC.	incl	0				
		CHEVRON TR 52 & 20-C, 20-D						
23		DD # 7-SEAWALL	12	0	12			PERMIT-Ralph Mitchell (409)985-4369
								P.O.Box 3244
								Port Arthur, Texas 77640
WW	TAYLORS BAYOU	STATE OF TEXAS [TAYLORS BAYOU]	24	0	24			
		(Natural Stream)						
24	B.C. ARTHUR	THE PREMCOR REFINING GROUP	incl	0				
		PALCO, 4-R; CHEVRON TRACT 46-D	incl	0				
								PERMIT
100	B.C. ARTHUR	[UNION PACIFIC RAILROAD CO.]	915.19	915.19	0	ENCROACHMENT	1416 Dodge Street	Minimum Depth req. 4.5' must be 50' from
	PALCO 4-R, RR CORRIDOR					AGREEMENT	Omaha, Neb. 68179	existing crossing locations
						NOT RECORDED	(402)997-3600 James A. Anthony	Agmt signed 4/29/2003

						Joan Preble		ENCROACHMENT AGREEMENT
						(402) 997-3536		
	PALCO 4-R/5R	Subject to:						
WW	PALCO 5-R	DRAINAGE DISTRICT NO. 7 [ALLIGATOR BAYOU]	9	0	9			PERMIT SEE TR #23
								PERMIT
100	BBB&C RR	[UNION PACIFIC RAILROAD CO.]	incl	incl				
	PALCO 6-R							
100	BBB&C RR	[UNION PACIFIC RAILROAD CO.]	incl	incl				PERMIT
	PALCO, 7-Q, 7-R, 8-Q							
100	W. KYLE	[UNION PACIFIC RAILROAD CO.]	incl	incl				PERMIT
	PALCO 9Q, 10Q	[UNION PACIFIC RAILROAD CO.]						
100	W. KYLE/PALCO 10-P, 11-P	[UNION PACIFIC RAILROAD CO.]	INCL.	INCL				
		Subject to:						
RD	PALCO, 9-Q	STATE OF TEXAS	27	0	27			

[HWY 73]

							MEMORANDUM OF UNDERSTANDING SIGNED
ENTERING PREMCOR CORRIDOR - ADJACENT TO UNION PACIFIC RR			2139.7	2139.7	0		WITH PREMCOR 4/28/03
							PERMIT
101	PALCO, 9-P	60 TH STREET (City of P.A.)				City of Port Arthur	Alignment sheets approved by McMahon
	W. KYLE		3	0	3	Public Works Director	per C. Southerland
						Leslie McMahon	
						P. O. Box 1089	
102	W. KYLE	GULF CANAL(LNVA)	5	0	5	(409)983-8180	
							PERMIT
						Bill Jewell-LNVA (409)892-4011	
						7850 Eastex Fwy-Bmt. TX 77706	
103	W.KYLE	PREMCOR	incl	0		Added due to re-route	
	BCRR section 384 and 392	(actual property)	incl	0			
104	W. KYLE	61 ST STREET (City of P.A.)	3	0	3		PERMIT

								SEE TRACT #101
105								
106	BBB&C	PUMP STATION RD DITCH (DITCH DD7)	5	0	5		DD#7 Ralph Mitchell	PERMIT
	BLOCK 12, RANGE P	(East Port Acres ditch)					(409)985-4369	SEE TRACT #23
107	MONTROSE ADDITION	DORSEY STREET 60' (City of P.A.)	3	0	3		City of P.A.	PERMIT
								SEE TRACT #101
107.1	MONTROSE ADDITION/PALCO	LABELLE PROPERTIES	179.44	179.44	0			Sherlock signed 5/30-awaiting Roane sign off
		WILLIAM ROANE						fed-ex to Roane for signature
108	MONTROSE ADDITION/PALCO	CHARLES SASSINE 1/2 interest	69.24	69.24	0	2003021837		SASSINE CLOSED
		BESHARA ENTERPRISES 1/2 interest				filed6/5/03		BESHARA CLOSED
						2003022369		copy of documents sent to owners
109		FM 365 (TXDOT)	7	0	7	filed6/9/03		
109.1		GALLIER CANAL (LNVA)	3	0	3			PERMIT

								SEE TRACT #102
110	PORT ARTHUR LAND CO. SUB.	JEFFERSON COUNTY DRAINAGE DISTRICT	60	0	60		DD#7 Ralph Mitchell	PERMIT
		NO. 7 (part of Hurricane Levee)					(409)985-4369	SEE TRACT #23
111	T & N O #6	PORT ARTHUR CANAL(LNVA)	18	0	18		Bill Jewell-LNVA (409)892-4011	PERMIT
							7850 Eastex Freeway	SEE TRACT #102
112	T & N O #9	VITERBO ROAD (Jefferson County)	4	0	4		Bmt. TX 77706	
	PALCO, 15-N, 16-N, 17-N							
							Jefferson County Engineer	PERMIT
							Jose Pastrana	-
							1149 Pearl-5th floor	-
							Beaumont, Texas 77701	-
							(409)835-8584	
113		DD#7 (lateral #2)	3	0	3		County Engineer	
		(SMALL DITCH)						PERMIT
								SEE TRACT #23
	PALCO							
114	LOTS 1 &2, TRACT 1, LOT 3 TRACT 2	JEFFERSON COUNTY	85	85	0			COMMISSIONERS MEETING 6/02/03
	BLOCK 18m	(OLD MATERIALS AREA)						APPROVED AT MEETING-AWAITING CHECK

		PRIVATE RDWY TO U.S. INTEC	2	0	2			
115	T & N O #3	OWNER PREMCOR-BY LICENSE					License agreement between prior owner	
	RD						and Premcor-Premcor has authority	PREMCOR SIGN OFF REQUIRED
116		SOUTH GARDEN ROAD(Jefferson County)	4	0	4			
								PERMIT
116.1	T & N O #3	RODAIR GULLEY(DD#7)	5	0	5			SEE TRACT #112
		Natural Stream						PERMIT
								SEE TRACT #23
117	T & N O #3	12th STREET (50' ROW)	3	0	3			
		Portion adjacent to RR owned by PREMCOR						GATE COMBINATION #8091 (TATE)
								Theron Tate Rt. 4 Box234-Bmt Tx 04
								resides east of Premcor ownership of 12th
								St.-may need temp. workspace
								(409)781-2600-AT THIS TIME NONE NEEDED
118	D. CUNNINGHAM	GULF STATES UTILITIES CO.	120.47	0	120.47	P. O. Box 2951		
	Fee strip						Beaumont, TX 77704	MET WITH DOUG BABIN 5-7-03, REQUIRES NEW
							(409)654-2303 Doug Babin	Doug meeting with Jack 6/11 to discuss

							Jim Cornelius- assigned this project	construction concerns
120		UNNAMED COUNTY ROADWAY- construction rd only	3	0	3			NOT DEDICATED ROAD-NOTHING REQUIRED
		to prison area-no permit required-per sam						WILL BE PART OF PREMCOR
121	WM. SIGLER	MCFADDIN CANAL (LNVA)	5	0	5			
		AKA GARNER CANAL						PERMIT
								SEE TRACT #102
122	WM. SIGLER	JOHN'S GULLEY (DD#7)	5	0	5			PERMIT
	WW							SEE TRACT #23
123	D. CUNNINGHAM	TXDOT 3514 (To Prison area)	26	0	26			PERMIT
		(423' WIDTH AT RR ROW)						SEE TRACT #4
124	D. CUNNINGHAM	OIL TANKING BEAUMONT PARTNERS, L.P.	16.42	0	16.42		Meeting set with ROW and BD to discuss tap- documents changed to reflect 20' easement instead of 30 meeting scheduled 6/12/03	MET WITH MR. SAYS 4/30/03
125	D. CUNNINGHAM	PREMCOR/LUCAS STATION	incl	0			Premcor pipeline office (Lucas	

							Terminal)	
		and surrounding property						
			incl	0				
FOLLOWING PREMCOR EASEMENT FROM LUCAS STATION								
126	D. CUNNINGHAM	OIL TANKING BEAUMONT PARTNERS, L.P.	194	0	194		Main-15602 Jacintoport Blvd.	SEE #124
							Houston, Tx 77015	Local: Andre' Says-Manager
								6275 Highway 347 Bmt Tx 77708
								835-5381 fax 833-0464
126.1	D. CUNNINGHAM	JOHNS GULLEY BRANCH (DD7)	5					CALL BEFORE ENTRY-LOCK ALL GATES
127	D.CUNNINGHAM	TEXAS DEPARTMENT OF CRIMINAL	336.69	0	336.69		Nanette Ramsey	APPRAISAL REC'D 5-7-03, FED EX 5-8-03
	T AND NO RR	JUSTICE					2405 Avenue I-suite E	Environmental scope received to be attached with offer
	P. HUMPHRIES						Huntsville, TX 77340	letter. Next Commission meeting 7/10/2004.
							(936)437-5471	Met requirements-they do not need any addn info.

							PRISON INFO>	Allen Wallace-Warden Al Price 724-6388
								Joe Smith-Warden Gist-727-8400
								D. Doughty-Warden Stiles 722-5255
127.1	T & NO RR	JEFFERSON COUNTY	70	70	0		County Engineer	See Tract #114
								Approved 6/02/03 at Commissioner Court meeting
								waiting on check ande executed document
128	WILLIAM CARROLL	RODAIR GULLEY Branch (DD#7)	5	0	5			PERMIT SEE TR #23
	P. HUMPHRIES	TEXAS DEPARTMENT OF CRIMINAL	incl	incl				SEE TRACT #127
		JUSTICE						
129	WILLIAM CARROLL	HIGHWAY 69(TXDOT)	18	0	18			
130	T & NO RR	CALDWELL COMPANY TRUST	124	0	124		Shaheen L. Farah-V.P./Trust officer	TRUSTEES MET ON 5/12/03
	WILLIAM CARROLL	(HIBERNIA BANK TRUST DEPT)					P.O. Box 3928	Revisions to document forwarded to Jamey

	CARROLL	TRUST DEPT)							forwarded to Jamey
								Bmt. Tx 77704 (409)880-1424	for approval on 5/29/03-waiting on reply
131	WILLIAM CARROLL	JEFFERSON COUNTY WATER DISTRICT	26.14	26.14	0	#2003022370	Tom McDonald-Gen. Mgr.		CLOSED-COPY OF DOCUMENT MAILED
		NO. 10-WATER TMT. FACILITY				filed 6/9/2003	3707 Central Blvd		TO JCWD#10 on 6/10/03
							Nederland, TX 77627 (409) 722-6922		
132	WILLIAM CARROLL	OUTPOST DEVELOPMENT, LTD	5.81	0	5.81		James Kerr		Do not drive down roadway that is under
		(JAMES KERR)					5245 N Twin City Hwy.		construction during inclement weather
							Nederland, TX (409) 727-8279		Roadway is north of pipeline location
									Final document dropped by attorney 6/4-awaiting
133	WILLIAM CARROLL	DD #7 Ditch(Rhodair Gulley Branch)							signed document-ck requested 6/4
									Waiting on Lien subordination-Hibernia Bank
									Have not received check from El Paso to close

134	WILLIAM CARROLL	TERRA NOVA DEVELOPMENT	116.57	116.57	0	#2003022371	Ann Blackwell(developer /owner)	CLOSED-COPY OF DOCUMENT MAILED
		(ANN BLACKWELL)				filed 6/9/03	P.O. Box 1343	TO MS. BLACKWELL 6/10/03
							Nederland, Tx 77627 721-5011	
135	WILLIAM CARROLL	GULF STATES FEE STRIP	16.19	0	16.19			
			2	0	2			
136		JEFFERSONCOUNTY ROAD EASEMENT (40')						ACCORDING TO SURVEYOR INCLUDED IN
		PALCO DEDICATED-						GSU ROW
RE-ENTERING PREMCOR FEE OWNERSHIP CORRIDOR			82.7	82.7	0			MEMORANDUM OF UNDERSTANDING SIGNED
								WITH PREMCOR 4/28/03

ENTERING HIGHLAND SUBDIVISION							
TO BE DRILLED							
137	LESTER CHAMPAGNE ET UX	7.91	7.91	0	2003017975	1620 Tallowood	Document recorded 5-9-03
	HIGHLAND NORTH ESTATES UNIT 5 PH 2					Nederland, Tx 77627	
	LOT 2, BLOCK 7					(home) 722-5836	Inspection req. 30 days prior to const-3yrs after
138	TALLOWOOD LANE (60' COUNTY)	3	0	3			PERMIT-COUNTY SEE TRACT #112
	HIGHLAND NORTH ESTATES UNIT 5 PH 2						
					200301796	1615 Tallowood	Document recorded 5-9-03
139	FRANCIS KOTZUR ET UX	7.96	7.96	0		Nederland, Tx 77627	Will require inspections 30 days prior to const.
	HIGHLAND NORTH ESTATES UNIT 5 PH 2					(home) 729-7317 work 800-235-7822	3 yrs. After const.
	LOT 10, BLOCK 7						Pending recording
140	C. DELORD ET UX	7.92	7.92	0	2003017974	1614 Braxton Circle	Document recorded 5-9-03
	HIGHLAND NORTH ESTATES UNIT 5 PH 2					Nederland, Tx 77627	
	LOT 11, BLOCK 7					722-0359	
							Will require inspections

								30 days prior to const.
								3 yrs. After const.
141		BRAXTON CIRCLE (60' COUNTY)	3	0	3			PERMIT-COUNTY SEE TRACT #112
	HIGHLAND NORTH ESTATES UNIT 5 PH 2							
142		JOHN WAGNER ET UX	38.5	38.5	0	2003017977	1609 Braxton Circle	Complete
	HIGHLAND NORTH ESTATES UNIT 5 PH 2					filed 5/9/03	Nederland, Tx 77627	Will require inspections 30 days prior to const.
	LOT 15, BLOCK 7						722-6199	3 yrs. After const.
	LOT 14, BLOCK 7-tr 1 .397 ac							
143		PORT ARTHUR CANAL (120' ROW)	7	0	7			
	WILLIAM CARROLL	(LNVA)						
144		GSU FEE STRIP (100' ROW)	11.91	0	11.91			SEE #118
	WILLIAM CARROLL							
		CENTAL BOULEVARD DITCH (DD7)	4	0	4			
	WILLIAM CARROLL							DD7 controlled estimated 60'
ENTERING PREMCOR CORRIDOR								PERMIT SEE TRACT #23

145	CENTRAL BOULEVARD(COUNTY)	5	0	5			PERMIT-COUNTY SEE TRACT #112
	WILLIAM CARROLL						
146	CALIFORNIA BOULEVARD(COUNTY)	5	0	5			PERMIT-COUNTY SEE TRACT #112
	WILLIAM CARROLL						
147	JOE DAUGHTRY, ET UX						
	PALCO	Fireworks Store on property	52.17	52.17	0	#2003020174	2565 Twin City Hwy.	Agmt. Signed 5/19/03 recorded 5/27/03
	Pt of Lot 4, Blk 19, Range F, Pt of					filed 6/5/03	Nederland,Tx Cell- 504-1973	
	Lot 1,Blk 19 Range G						727-3080	
							721-6448 h727-6580	Delivered check 5/22/03
								Add to DOC. Do not Block drive 12/26/03thru 1/02/04
148								(New fireworks store) also 6/24-7/4.
	WILLIAM CARROLL	HIGHWAY 347(TXDOT)	12	0	12			
								PERMIT-SEE TRACT 4
149	KANSAS CITY SOUTHERN RR	6	0	6			Tim Huya	PERMIT required
	WILLIAM CARROLL						5800 N. Main Street	

							Fort Worth, Texas 76179	
							(817-352-2902	
66	A. J. STEWART	CITY OF NEDERLAND	5	5	0			Council approved and signed 6/9/03-will pick
								check requested 6/04-document forwarded for
								Manta Ray signature 6/10/03-still awaiting check
65		SUN PIPE LINE COMPANY					W.L.Crisp	
65A	WILLIAM CARROLL						Hwy 347N	
							Nederland, Texas 77627	
65B	A. J. STEWART							
65C	KUTCHER	VALVE SITE 75x150						PER D. FERER BUSINESS DEVELOPMENT
	O. MONTEE		197.59	0	197.59			WILL HANDLE NEGOTIATIONS
	J. TURNER							
67		UNION OIL COMPANY OF CALIFORNIA					Ronald L. James	PER D. FERER BUSINESS DEVELOPMENT
67A	JIM TURNER	VALVE SITE 75'X 200'					P. O. Box 237	WILL HANDLE NEGOTIATIONS
	JIM TURNER	UNION OIL COMPANY OF CALIFORNIA		incl			Nederland, Tx (409)724-3311	
	JOHN C. KUTCHER							
		UNION OIL COMPANY OF CALIFORNIA		incl				

	CALIFORNIA			
OTTO RUFF				
	UNION OIL COMPANY OF CALIFORNIA	219.1	0	219.1
O. MONTREE				

(Texas City ROW begins here)

CAMERON HIGHWAY OIL PIPELINE
SYSTEM-Texas City

Tract#	Description	Apparent Owner	Rods, Apprx	Rods Complete	Pending	Easement/ Permit date	Contact Information	Notes
	PORT BOLIVAR ROUTE							
1	A. Van Nordstrom	Andrew Johnson, Jr.	103.26	103.26	0	4/5/2003	P.O. Box 174	COMPLETE
						#2003026386	Port Bolivar,TX 77650	Temporary workspace obtained
2	A. Van Nordstrom	Butterfly -County Road	4	0	4		wk-409-740-1517	PERMIT-C. Southerland
							hm-409-684-8330	
3	A. Van Nordstrom	Andrew M. Johnson, Estate	100.68	100.68	0	3/18/2003	All negotiations are to be	COMPLETE
		(und. 4/5th int)				#2003026387	handled with A. Johnson,Jr	
3VS	41'x90'(.291 acres)	Cora Beth Evans Johnson				3/18/2003		COMPLETE
	with 26' access road fr. 87	(und. 1/5th int)				#2003026388		V.S. Changed to 41x90

4	A. Van Nordstrom	Highway 87-State of Texas	7	0	7				PERMIT-C. Southerland
5	A. Van Nordstrom	Michael Roy Lange	254.62	254.62	0	4/8/2003	Lange Construction		COMPLETE
						#2003026385	3073 Kent Road		7 day notice needed to remove cattle
							Beaumont, Texas 77705		prior to construction
							phone bk-Bluebonnet Ln.		
							(409)796-1806 (409)796-1972		
							same as above		
6		Andrew Johnson, Jr. Indiv &	81.33	81.33	0	4/5/2003			COMPLETE
		as Trustee (unrecorded)				#2003026386			
6	A. Van Nordstrom	Intercoastal Canal	incl.	incl.		4/5/2003			COMPLETE
		(Andrew Johnson,Jr. has fee)				#2003026386			C. Southerland to handle permit
6	A. Van Nordstrom	Andrew Johnson, Jr.	incl.	incl.		4/5/2003			
		(referred to as Goat Island)				#2003026386			

	ENTERING GALVESTON BAY						
WW	Galveston Bay						
	CROSSING DIKE-	CITY OF TEXAS CITY					CITY OF TEXAS CITY/GLO
-	-						permits required
-	TEXAS CITY ROUTE						City Engineer approved drill plans
Entering from Galveston Bay south of Discharge Canal (swan lake)							
	H. Littlefield	Union Carbide(Dow)	29.988	0	29.988	Fax# 979-238-3587	Sent 5/19 To Dow Houston
		West of Swan lake-submerged				Local-Bill Knee	Manta Ray legal requested chgs
						3301 5th Avenue South	to DOW document-L.A. Simper
						Texas City, Texas 77590	will meet with DOW legal
						(P.O. Box 471)	negotiations ongoing
						(409)948-5153	

						Houston office-L. A. Simper	
						(713)978-3805	
						Fax# 979-238-3587	
H. Littlefield	Kohfeldt Family Limited Ptnr.	22.89	0	22.89		Steven P. Anderson	Offer letter mailed 4/16/03
						P.O. Box 305	Spoke with Mr. Anderson 5/14-he
						Denison,Tx 75021	Anderson transferred info. To
						(903)465-2000	Jim Reynolds-attorney for
							Kohlfelt partnership-reviewing
							documents. He was fed-exed
							info. On 6/4-will call 6/11 to chk.
							status.
H. B. Littlefield	Gulf Coast Waste Disposal						
	Authority	344.47	0	344.47		910 Bay Area Boulevard	See Union Carbide(Dow) agmt.
	(UTILIZING ROADWAY)					Houston, Texas 77058	must be reached between Dow
Permit to use roadway within	Road Easement to City of Texas City					(409)935-4783 Ricky Clifton	and Sterling Chemical
100' strip from City of Tx City	from Union Carbide (Dow)					Additional Contact	GCWA will accept DOW form-

(Waiting on City Eng Determination)					Charles Ganze		awaiting DOW legal review of
					(281)488-4115		changes requested
					James McWhorter-City Engineer		
					P.O.Drawer 2608		
					Texas City, Texas 77592-2608		
					(409)643-5935		
					Leased to Texas City Intl.		
					Terminal for S. Cont. Port		
					(Alex Parkman)		
H. Littlefield Survey	(Texas City Port Boulevard)						
	TXDOT						
H. Littlefield Survey	Amoco Oil Company	285	0	285			BP to be negotiated by Business
							Development

S. Bundick	Amoco Oil Company	470	0	470		
S. Bundick	Texas City Terminal Railway	18	0	18		BEING NEGOTIATED BUS. DEV.
	Leased to TEPPCO					
	Sub-leased SEAWAY					Call Laura Gissen 24 hours
	BP AMOCO TAP				Gissen cell#(281) 460-1130	prior to entry (409)949-3708
					Galveston County Engineer	PERMIT FOR LEVEE
H. Littlefield Survey	County of Galveston	37	0	37	(Mike Fitzgerald)	MUST NOTIFY SUPER.-TODD
	Levee(Hurricane Protection)				123 Rosenberg Street	NOLTE 3 days prior to entry
					Galveston, Texas 77550	(409)948-4231
					(409)770-5552	Engineer must approve
H. Littlefield Survey	Texas City Terminal Railway					
H. Littlefield Survey	AMOCO (BP)	18	0	18		BP REMAINDER TRACT

H. Littlefield Survey	Texas City Terminal Railway	6	0	6		
H. Littlefield Survey	FM 519E	6	0	6	Allen Byerly-Right -of-Way	PERMIT
	STATE OF TEXAS				6810 Old Katy Rd-Houston	
					(713)802-5681	
H. Littlefield Survey	Amoco Oil Company	6	0	6		
H. Littlefield Survey	Texas New Mexico Power	20	0	20		Federal expressed 6/4/03 to
	(FIRST CHOICE)					Engineer-Dennis Marcum
						He will review in the field and
						then pass to legal-he did request
						some document revisions-which
						were made on 6/9/03 and emailed
H. Littlefield Survey	Gulf Coast Waste	30	0	30		Subject to final route determination

J. Grant	AMOCO (BP)

CAMERON HIGHWAY

PURCHASE AND SALE AGREEMENT

THIS CAMERON HIGHWAY PURCHASE AND SALE AGREEMENT dated effective the 23 day of June, 2003, (the "Effective Date") by and between BHP BILLITON PETROLEUM (DEEPWATER) INC. ("BHP") and CAMERON HIGHWAY OIL PIPELINE COMPANY ("CHOPS")(hereinafter "Purchase and Sale Agreement"). BHP and CHOPS are individually referred to herein as a "Party", and collectively as "Parties", as the context may require.

WITNESSETH:

WHEREAS, BHP is a working interest owner in certain offshore oil and gas leases located in the Southern Green Canyon Area of the Gulf of Mexico, and along with its co-working interest owners in the leases are developing or are planning to develop the associated fields for the production of oil and gas as further described herein;

WHEREAS, CHOPS will construct and install (or cause the construction and installation of) Cameron Highway (defined herein) and will connect such pipeline with a deepwater Crude Oil pipeline to be constructed by Caesar Oil Pipeline Company, LLC ("Caesar") from the Southern Green Canyon Area at SS 332 ; and

WHEREAS, CHOPS will purchase crude oil produced by BHP from the offshore leases described above and resell volumes of crude oil to BHP at agreed delivery points, all as set forth in this Purchase and Sale Agreement (such purchase and sale arrangements collectively referred to as the "Transaction"); and

WHEREAS, the Parties have agreed to undertake such activities necessary to consummate the Transaction in accordance with the terms stated herein.

NOW THEREFORE, in consideration of the premises and the mutual promises and covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, and intending hereby to be legally bound, the Parties hereby agree to the following principal terms and conditions of the Transaction:

DEFINITIONS

Capitalized terms used in this Purchase and Sale Agreement that are defined in this Purchase and Sale Agreement shall have the meanings ascribed to them herein. As used in this Purchase and Sale Agreement, the initially capitalized terms listed below shall have the following meanings:

"AAA" shall mean the American Arbitration Association.

"API" shall mean American Petroleum Institute.

"ADDITIONAL DELIVERY POINTS" shall mean each of the following points to be established on Cameron Highway, where CHOPS shall deliver Crude Oil to BHP (or its designees) upon nomination of any such point by BHP in accordance with the terms of this Agreement: the Premcor Refinery, Premcor's Lucas Terminal and Valero Energy Company's Texas City Refinery, and such other mutually agreed to points, such agreement not be

unreasonably withheld. Deliveries to all Additional Delivery Points shall be through a direct connection with Cameron Highway and such Additional Delivery Point.

"AFFILIATE" means a corporate entity which controls, or is controlled by or which is under common control by an entity which controls a party. In the case of BHP, Affiliate shall be deemed to include: (i) BHP Limited; (ii) any corporate entity controlled by BHP Limited; (iii) any corporate entity controlled by Billiton Plc and BHP Limited taking into account the aggregate percentage interests of their respective direct or indirect shareholdings in that corporate entity; or (iv) any corporate entity controlling or controlled by that corporate entity. For the purposes of this definition, one corporate entity controls another when at the relevant time it owns either directly or indirectly not less than fifty (50%) percent of the shares entitled to vote at general meetings of that other corporate entity.

"ATLANTIS" shall mean Green Canyon Blocks 698, 699, 700, 701, 742, 743 and 744, Gulf of Mexico.

"BARREL" shall mean forty-two (42) U.S. gallons at a temperature of 60 (Degree)F and 0 PSIG.

"BASE GAS PRICE" shall mean the Henry Hub gas price as published in the first of the month issue of FERC's Inside Gas Market Report for the then current month of fuel purchases.

"BASE OIL PRICE" shall mean Platt's Oilgram Mars monthly average price (Trading) per Barrel. Platt's prices are as quoted in Platt's Oilgram and are calculated from the 26th Day of the month, two (2) months prior to the month of delivery through the 25th Day of the month, one (1) month prior to delivery, excluding weekends and holidays.

"BHP" shall mean BHP Billiton Petroleum (Deepwater) Inc., a Delaware corporation.

"BHP GROUP" shall mean BHP and its respective affiliates, subsidiaries, co-working interest owners, members and joint venturers and the respective employees, officers, directors, representatives, agents, contractors and subcontractors of each.

"BHP MDQ" shall mean the maximum daily quantity of Dedicated Production CHOPS is required to accept and purchase from BHP on a Firm basis at the Receipt Point(s) each Day, as further described in this Purchase and Sale Agreement.

"BHP PRODUCTION" shall mean Dedicated Production and Excess Production, collectively.

"BONA FIDE REQUEST" shall have the meaning ascribed to such term in Article VIII.a.i of this Purchase and Sale Agreement.

"BOPD" shall mean Barrels of Crude Oil per Day.

"BP" shall mean BP Exploration & Production Inc.

"BTU" or "British Thermal Unit" shall mean the amount of heat required to raise the temperature of one (1) pound of water one degree (1 degree) Fahrenheit at sixty degrees (60 degrees) Fahrenheit at a pressure of 14.73 PSIG and determined on a gross, dry basis.

"CAESAR SYSTEM" shall mean the approximately sixty (60) miles of twenty-eight inch (28") offshore Crude Oil pipeline and all related laterals and equipment and facilities to be owned, constructed and installed by Caesar or its designee(s) that will extend from the area of the Initial Dedicated Leases to SS 332 where it will connect into Cameron Highway and could potentially extend to other platforms and/or interconnect with other pipelines.

"CAMERON HIGHWAY" shall mean the offshore Crude Oil pipeline and all related equipment and facilities to be constructed and owned by CHOPS that will extend from SS 332 to the Delivery Points (as such term is defined herein), but shall not include any extensions, expansions or additions to such offshore Crude Oil pipeline which are not described in this Purchase and Sale Agreement. Such pipeline shall be used by CHOPS to purchase and sell the Crude Oil under this Purchase and Sale Agreement.

"CAMERON HIGHWAY COMPLETION DATE" shall mean the date on which Cameron Highway is Fully Operational.

"CHOPS" shall mean Cameron Highway Oil Pipeline Company, a Delaware general partnership.

"CHOPS GROUP" shall mean CHOPS and its affiliates, subsidiaries, co-owners and joint venturers and its and their respective employees, officers, directors, representatives, agents, contractors and subcontractors

"CONFIDENTIALITY AGREEMENT" shall have the meaning ascribed to such term in Article XXVII.

"CONTRACT QUARTER" shall mean a consecutive three (3) month period. The first such Contract Quarter shall begin with the month that production commences from the first of the Dedicated Leases to commence production and ends at the beginning of the next calendar quarter.

"CRUDE OIL" shall mean the liquid hydrocarbon production from wells, or a blend of such, in its natural form, not having been enhanced or altered in any manner or by any process, other than those processes that normally occur on an offshore production facility, that would result in misrepresentation of its true value for adaptability to refining as a whole Crude Oil.

"DAY" shall mean a period of twenty-four (24) consecutive hours, beginning and ending at 7:00 A.M. (CST).

"DEDICATED LEASES" shall mean the (i) Initial Dedicated Leases, as described on Exhibit "A", and (ii) leases underlying other offshore fields that BHP dedicates to this Purchase and Sale Agreement pursuant to Article IV hereof, and which shall be added to Exhibit "A".

"DEDICATED PRODUCTION" shall mean the first volumes of Crude Oil produced from the Dedicated Leases up to the applicable BHP MDQ that are (i) owned by BHP (or its successors or assigns), and/or (ii) with respect to royalty volumes of Crude Oil owned and/or taken in kind by the Minerals Management Service, controlled by BHP.

"DELIVERY POINT(S)" shall mean the following points where CHOPS shall deliver Crude Oil to BHP (or its designee(s)): BP Products North America Inc.'s ("BP Products") Texas City Refinery, Teppco Seaway Terminal, at Texas City, Sun Marine Terminal in

Nederland, UNOCAL Pipeline Company's Beaumont Terminal. Deliveries to all Delivery Points shall be through a direct connection with Cameron Highway and such Delivery Point.

"DISPUTE(S)" shall have the meaning ascribed to such term in Article XXVI.a. hereof.

"EFFECTIVE DATE" shall have the meaning ascribed to it in the preamble to this Purchase and Sale Agreement.

"EPFS" shall mean El Paso Field Services, L.P., a Delaware limited partnership.

"EPN" shall mean El Paso Energy Partners, L.P., a Delaware limited partnership, predecessor to GulfTerra Energy Partners, L.P.

"GTM SUB" shall have the meaning ascribed to it in Article XXII.a.i.(A).

"EXCESS PRODUCTION" shall mean Crude Oil produced from the Dedicated Leases in excess of the Dedicated Production that is (i) owned by BHP (or its successors or assigns), and/or (ii) with respect to royalty volumes of Crude Oil owned and/or taken in kind by the Minerals Management Service, controlled by BHP. Such Excess Production is not required to be delivered or sold to Cameron Highway under the terms of this Purchase and Sale Agreement.

"FERC" shall have the meaning ascribed to it in Article IX hereof.

"FINANCIALLY CAPABLE ENTITY" shall have the meaning ascribed to it in Article XXII.a.i.(C).

"FIRM" shall mean not subject to interruption or curtailment except in the event of Force Majeure or as provided in Article X.b hereof.

"FORCE MAJEURE" shall have the meaning set forth in Article XXV.

"FULLY OPERATIONAL" shall mean that the Cameron Highway pipeline system, including all Delivery Point(s), is completed, active and operational such that it is capable of receiving all Dedicated Production at the Receipt Point(s) and delivering an equivalent volume of Crude Oil at the Delivery Point(s).

"GB 72" shall mean the existing platform owned by GTM located in Garden Banks Block 72, Gulf of Mexico.

"GTM" shall mean GulfTerra Energy Partners, L.P., successor to El Paso Energy Partners, L.P.

"HOLSTEIN" shall mean Green Canyon Blocks 644 and 645, Gulf of Mexico.

"INITIAL DEDICATED LEASES" shall mean the leases underlying Atlantis and Mad Dog.

"INITIAL RECEIPT POINT" shall mean the Receipt Point between the Caesar System and Cameron Highway on the Landing Platform, and specifically, the downstream flange of the flow control valve located immediately downstream of the LACT Unit.

"INTERCONNECT AGREEMENT" shall mean that certain Offshore Facilities Interconnection, Construction and Operating Agreement dated as of even date herewith among CHOPS, Manta Ray, GTM and Caesar.

"LANDING PLATFORM" shall mean either the SS 332 A Platform or the SS 332 B Platform as determined pursuant to Section 2.3 of the Interconnect Agreement.

"LACT UNIT" shall mean Lease Automated Custody Transfer Unit.

"MAD DOG" shall mean Green Canyon Blocks 738, 739, 781, 782, 783, 825, 826 and 827, Gulf of Mexico.

"MARDI GRAS" shall mean Mardi Gras Transportation System Inc., a Delaware corporation.

"MMBTU" shall mean one million (1,000,000) BTUs.

"MOU" shall mean that certain Cameron Highway Memorandum of Understanding between EPN and BHP effective February 11, 2002.

"NON-SUBMITTING PARTY" shall have the meaning ascribed to such term in Article XXVI.a.

"OCSLA" shall mean the Outer Continental Shelf Lands Act (43 U.S.C. Sections 1331 et seq.) as in effect on February 11, 2002, the effective date of the MOU.

"OPERATIONAL" shall mean that the Cameron Highway pipeline system is active and operational such that it is capable of receiving all Dedicated Production at the Receipt Point(s) and delivering an equivalent volume of Crude Oil to one (1) or more of the Delivery Point(s).

"PARTY OR PARTIES" shall have the meanings ascribed to such terms in the preamble to this Purchase and Sale.

"PORT ARTHUR LATERAL" shall mean the twenty-four inch (24") pipeline segment from HI A-5 "C" to the Sun and Unocal Delivery Points.

"POSEIDON" shall mean Poseidon Oil Pipeline Company, L.L.C., a Delaware limited liability company.

"POSEIDON PIPELINE" shall mean the crude oil pipeline system owned by Poseidon that consists of (i) 117 miles of pipeline extending from the GB 72 to SS 332, (ii) 122 miles of pipeline extending from SS 332 to Houma, Louisiana, (iii) 32 miles of pipeline extending from Ewing Bank Block 873 to South Timbalier Block 212, and (iv) 17 miles of pipeline extending from Garden Banks Block 260 to South Marsh Island Block 205, as such pipeline system may be modified or extended.

"PSIG" shall mean pounds per square inch gauge.

"RECEIPT POINT(S)" shall mean the point(s) including, without limitation, the Initial Receipt Point, where CHOPS shall receive and purchase Crude Oil from BHP.

"REQUIRED COMMENCEMENT DATE" shall have the meaning ascribed to such term in Article XI.c. hereof.

"SS 332" shall mean either (i) a new platform to be located in Ship Shoal Block 332, Gulf of Mexico and to be constructed, installed and owned by CHOPS; or (ii) the existing platform owned by Atlantis Offshore, LLC located in Ship Shoal Block 332, Gulf of Mexico, as determined pursuant to the Interconnect Agreement.

"SS 332 OWNER" shall mean CHOPS or Atlantis Offshore, LLC, as applicable.

"ST 301" shall mean the platform owned by Shell Offshore Inc. located in South Timbalier Block 301, Gulf of Mexico.

"SUBMITTING PARTY" shall have the meaning ascribed to such term in Article XXVI.a. hereof.

"TEXAS CITY LATERAL" shall mean the twenty-four inch (24") pipeline segment from HI A-5 "C" to the Seaway and Amoco Oil Delivery Points.

"TRANSACTION" shall have the meaning ascribed to such term in the preamble to this Purchase and Sale Agreement.

"UNOCAL" shall mean Union Oil Company of California.

ARTICLE I.

CONSTRUCTION OF CAMERON HIGHWAY

a. CHOPS shall construct and install Cameron Highway, and shall allow connection with the Caesar System as provided in the Interconnect Agreement.

ARTICLE II.

CHOPS PURCHASE FROM BHP

a. CHOPS agrees to receive and purchase, on a Firm basis, all Dedicated Production delivered by BHP at the Receipt Point(s). If requested by BHP, CHOPS shall receive and purchase Excess Production on an interruptible basis to the extent capacity is available on Cameron Highway. Unless another Receipt Point is mutually agreed to by the Parties, the BHP Production from the Initial Dedicated Leases shall be received and purchased by CHOPS at the Initial Receipt Point. BHP shall be responsible for costs to deliver its Crude Oil, including BHP Production, to the Initial Receipt Point(s).

b. BHP shall have the right to add Receipt Point(s) in the future at locations on Cameron Highway for the receipt of Crude Oil owned by BHP and produced from leases other than the Initial Dedicated Leases, provided that BHP bears the cost of connecting such leases to Cameron Highway and there is available capacity on Cameron Highway.

ARTICLE III.

CHOPS SALE TO BHP

CHOPS shall sell and deliver to BHP, and BHP shall receive and purchase from CHOPS, on a Firm basis, at the Delivery Point(s) and, as applicable, the Additional Delivery Points, Crude Oil equivalent in volume to the volume delivered by BHP to CHOPS at the Receipt Point(s) pursuant to Article II. adjusted for pipeline loss or gain allowance as described in Article XIII. CHOPS shall be responsible for the costs to deliver the Crude Oil from the Receipt Point(s) to the Delivery Point(s) and, as applicable, Additional Delivery Points.

ARTICLE IV.

DEDICATION OF PRODUCTION

a. BHP hereby dedicates the Dedicated Production produced from the Initial Dedicated Leases to Cameron Highway. Except as otherwise expressly provided in this Purchase and Sale Agreement, such dedication shall be for the commercial life of production from the Initial Dedicated Leases. BHP reserves the rights and quantities of Dedicated Production sufficient to satisfy the following: the right to deliver royalty oil in kind to lessors of the Dedicated Leases; the right to process such Dedicated Production prior to delivery to CHOPS by the use of such processes that normally occur on an offshore production facility; the right to operate the Dedicated Leases free from any control by CHOPS, including without limitation, the right (but not the obligation) to drill new wells, to repair and rework old wells, to shut in wells, plug and abandon wells and to relinquish any or all of the Dedicated Leases in whole or in part; and the right to use such Dedicated Production for pipeline fill on Cameron Highway and the Caesar System.

b. Except as otherwise expressly provided in this Purchase and Sale Agreement, the foregoing dedication of the Initial Dedicated Leases by BHP shall be an interest running with the land and shall be binding upon the successors and assigns of BHP. The Parties agree to promptly execute and file a memorandum of agreement and recordable agreement in the form of Exhibit "D", together with all documents in the chain of title (including applicable leases and assignments of interests) for the Dedicated Leases, with the MMS and in the county and parish records of the appropriate jurisdictions.

c. Subject to available capacity on Cameron Highway, BHP shall have the right to dedicate Crude Oil produced from other offshore leases it owns an interest in to this Purchase and Sale Agreement. At BHP's request, such other leases in which BHP owns an interest and dedicates to this Purchase and Sale Agreement within a period of ten (10) years from the date of initial delivery by CHOPS of Dedicated Production to a Delivery Point or Additional Delivery Point, as applicable, hereunder shall receive the same terms and conditions, including economic terms, applicable to the Initial Dedicated Leases. Such dedication shall be for the commercial life of production from such Dedicated Leases. The Parties agree that the rights granted to BHP under this Article IV.c. shall be rights granted only to, and exercisable by, BHP (and not to permitted assignees of BHP); provided, however, that to the extent Crude Oil from other offshore leases is dedicated hereunder pursuant to the terms of this Article IV.c. prior to a permitted assignment by BHP of an interest in such Dedicated Leases, then following such permitted assignment, such Dedicated Production shall continue to receive the same terms and conditions as were applicable to such Dedicated Production prior to such assignment; provided, that such assignment is treated in accordance with Article XXIV.

ARTICLE V.

WARRANTY OF TITLE TO CRUDE OIL

a. BHP hereby represents and warrants that, it has good and marketable title to or the right and authority to deliver to CHOPS, all Crude Oil to be delivered to CHOPS at the Point(s) of Receipt hereunder. BHP represents and warrants that all such Crude Oil delivered by BHP hereunder shall be free and clear of all liens, encumbrances and claims

whatsoever and AGREES TO RELEASE, PROTECT, DEFEND, INDEMNIFY AND HOLD HARMLESS CHOPS, its affiliates, and their officers, directors, employees, agents and representatives against all losses incurred by such party on account of any such liens, encumbrances and claims. BHP hereby represents and warrants that, as of the date this Purchase and Sale Agreement is executed, BHP owns the applicable working interest share in each of the Dedicated Leases as listed on Exhibit "A" hereof.

b. CHOPS represents and warrants that it has the right and authority to deliver to BHP at the Delivery Point(s) and Additional Delivery Points, all Crude Oil delivered to BHP hereunder. CHOPS represents and warrants that all such Crude Oil from the time of receipt to the time of delivery by CHOPS shall be free and clear of all liens, encumbrances and claims whatsoever and AGREES TO RELEASE, PROTECT, DEFEND, INDEMNIFY AND HOLD HARMLESS BHP, its affiliates and their respective officers, directors, employees, agents and representatives against all losses incurred by such party on account of any such liens, encumbrances and claims.

ARTICLE VI.

MAXIMUM DAILY QUANTITIES

a. As early as reasonably practicable in order to provide CHOPS reasonable time to contract available space on Cameron Highway with third parties and affiliated exploration and production companies, but in no event later than five (5) Days prior to the first Day of each calendar month, BHP shall give CHOPS written notice of the BHP MDQ for the succeeding month, which shall equal one of the following BHP MDQ levels:

i)	Level 1	-	100,000 BOPD
ii)	Level 2	-	95,000 BOPD
iii)	Level 3	-	90,000 BOPD
iv)	Level 4	-	85,000 BOPD
v)	Level 5	-	80,000 BOPD
vi)	Level 6	-	75,000 BOPD, or
vii)	Level 7	-	70,000 BOPD

Such minimum five (5) Day notice period may be changed with the agreement of BHP and CHOPS based on safety or environmental concerns or the final Cameron Highway nomination deadline.

b. If on any Day, BHP does not deliver Dedicated Production to Cameron Highway equal to the applicable BHP MDQ selected by BHP pursuant to Article VI.a. above, CHOPS shall have the right to utilize such unused capacity on a fully interruptible basis.

c. Dedicated Production delivered to the Receipt Point(s) by BHP that is produced from Dedicated Leases other than the Initial Dedicated Leases shall be credited against the applicable BHP MDQ so long as deliveries by BHP have not exceeded the applicable BHP MDQ at the time such additional Dedicated Production is delivered to the Receipt Point(s) and there is BHP MDQ capacity available because BHP does not have the production available from the Initial Dedicated leases to fulfill its BHP MDQ obligations.

d. BHP shall have the right to deliver Crude Oil that has not been dedicated to this Purchase and Sale Agreement to the Receipt Point(s), and if capacity is available, BHP shall have the right to require CHOPS to enter into an interruptible purchase and sale arrangement for such Crude Oil with differentials no greater than those contained in Article XII. The right to deliver Crude Oil that has not been dedicated to this Purchase and Sale Agreement and receive differentials no greater than those contained in Article XII. shall be a right granted only to, and exercisable by, BHP (and not to permitted assignees of BHP); provided, however, that to the extent an interruptible purchase and sale arrangement for such Crude Oil is entered into pursuant to this Article VI.d. prior to a permitted assignment by BHP of an interest in such Crude Oil, then following such permitted assignment, such Crude Oil shall continue to receive the same differentials under such interruptible purchase and sale arrangement as were applicable to such interruptible purchase and sale arrangement prior to such assignment; provided, that such assignment is treated in accordance with Article XXIV.

e. Except as provided in Article VIII. of this Purchase and Sale Agreement, CHOPS shall not enter into any firm purchase and sale arrangements if such arrangements would reasonably be expected by a reasonable and prudent operator to jeopardize the ability of such operator to accept and purchase, on a Firm basis, the volume of Crude Oil equivalent to Level 1 of the BHP MDQ levels set forth in Article VI.a. above, at the Receipt Point(s) from BHP hereunder.

f. At BHP's request, CHOPS shall provide BHP then current and up-to-date information regarding the aggregate contracted firm and interruptible throughput of Cameron Highway, subject to confidentiality restrictions.

ARTICLE VII.

INCREASE IN BHP MDQ

a. Notwithstanding anything to the contrary contained herein, at BHP's request (to be accompanied by supporting data reasonably satisfactory to CHOPS) and to the extent capacity is available on Cameron Highway, CHOPS shall increase (i) Level 1 of the BHP MDQ Levels set forth in Article VI.a. above to any amount less than or equal to 120,000 BOPD, and the remaining six (6) Levels of the BHP MDQ Levels shall remain unchanged, and (ii) to the extent BHP requests that Level 1 of the BHP MDQ Levels be increased in excess of 120,000 BOPD, all of the remaining six (6) Levels of the BHP MDQ Levels shall be increased by the same amount that the increase in Level 1 exceeds 120,000 BOPD. Upon such increase in the applicable Level(s) of the BHP MDQ Levels, CHOPS shall be obligated to receive and purchase Dedicated Production at the Receipt Point(s) at such increased Levels and sell and deliver the equivalent volume of Crude Oil to BHP (as provided in Article III.a. above) at the Delivery Point(s) and Additional Delivery Points, as applicable, all on a Firm basis as provided in this Purchase and Sale Agreement. The terms related to an increase in BHP MDQ, and the rights related thereto, shall be rights granted only to, and exercisable by, BHP (and not to permitted assignees of BHP); provided, however, that to the extent an increase in any BHP MDQ Level has occurred pursuant to this Article VII.a. prior to a permitted assignment by BHP of an interest in the Dedicated Leases and/or Dedicated Production, such increase in BHP MDQ Level(s) shall continue in effect following such

permitted assignment provided that such assignment and the allocation of such MDQ amounts are treated in accordance with Article XXIV.

b. In addition, subject to Article VII.c. below, it is agreed by BHP and CHOPS that in the event BHP has delivered Crude Oil equivalent to the applicable BHP MDQ and wishes to deliver Dedicated Production from Dedicated Leases other than the Initial Dedicated Leases, then upon the dedication of such other Dedicated Leases, CHOPS shall increase Level 1 of the BHP MDQ Levels set forth in Article VI.a. in order to accommodate such additional Dedicated Production; provided, that in no event shall Level 1 exceed 120,000 BOPD unless the remaining six (6) Levels of the BHP MDQ Levels are increased by the same volume as the amount Level 1 was increased in excess of 120,000 BOPD.

c. In the event capacity on Cameron Highway is not available for CHOPS to receive and purchase Crude Oil at such increased BHP MDQ Levels as requested by BHP in Article VII.a. and Article VII.b. above, CHOPS shall not unreasonably refuse to expand Cameron Highway to accommodate such additional volumes of Dedicated Production, provided such expansion is commercially reasonable and economically viable for Cameron Highway in CHOPS' sole discretion. CHOPS shall demonstrate such non-viability of such expansion to BHP if CHOPS determines that such expansion of Cameron Highway is not commercially reasonable and/or economically viable for Cameron Highway. In such event, CHOPS and BHP shall use good faith efforts to jointly develop a transaction that is commercially reasonable and economically viable for Cameron Highway and BHP.

ARTICLE VIII.

REDUCTION IN BHP MDQ

a. In the event there has not been an increase, in accordance with Article VII. above, in Level 1 of the BHP MDQ Levels resulting in Level 1 being greater than 100,000 BOPD, CHOPS shall have the right to request that BHP reduce, temporarily or permanently, all seven (7) Levels of the BHP MDQ Levels set forth in Article VI.a. above so long as each of the conditions precedent contained in Article VIII.a. below have been satisfied:

i. Conditions Precedent:

(A) Forty-eight (48) calendar months must have elapsed since the date of the first receipts and purchase of Dedicated Production from BHP by CHOPS on Cameron Highway;

(B) Except for reasons of Force Majeure or the failure of CHOPS for any reason to receive and purchase all volumes of Crude Oil delivered by BHP at the Receipt Point(s), BHP has not utilized a minimum of 85% of Level 1 of the BHP MDQ Levels for at least nine (9) of the immediately preceding twelve (12) calendar months;

(C) CHOPS can demonstrate to the reasonable satisfaction of BHP that CHOPS has received a bona fide request from any party, for a firm purchase and sale arrangement on Cameron Highway and such request includes a life of lease dedication by such party with respect to all leases from which Crude Oil subject to such arrangement will be produced (a "BONA FIDE REQUEST");

(D) BHP is unable to demonstrate to CHOPS (with data that reasonably supports such contention) that BHP has or will have the ability to consistently deliver to the Receipt Point(s) Crude Oil equivalent to Level 1 of the BHP MDQ Levels set forth in Article VI.a. above during the immediately

following twelve (12) month period taking into consideration (i) the then current level of Dedicated Production actually being produced from the Dedicated Leases, and (ii) any volumes of Crude Oil that will become Dedicated Production that BHP reasonably anticipates will be produced from the Dedicated Leases or from leases that BHP reasonably anticipates to develop and dedicate to this Purchase and Sale Agreement (as provided in Article VI.), within the immediately following twelve (12) months; provided that BHP reasonably believes the field will be developed; and

(E) CHOPS has demonstrated to the reasonable satisfaction of BHP that CHOPS has diligently and in good faith requested reductions in maximum daily quantities, on a pro rata basis, from all other parties with firm purchase and sale arrangements on Cameron Highway that are not utilizing their MDQ, and (b) CHOPS still cannot fulfill the Bona Fide Request.

ii. If each of the conditions precedent contained in Article VIII.a.i. above have been satisfied, each of the seven (7) Levels shall be reduced by an amount equal to the minimum amount required to fulfill such Bona Fide Request; provided, that in no event shall the reduction in Level 1 of the BHP MDQ Levels reduce such Level 1 lower than 110% of the sum of (x) the then current amount of Dedicated Production being produced, plus (y) any additional Crude Oil that will become Dedicated Production that BHP reasonably anticipates will be produced from the Dedicated Leases or, from leases that BHP reasonably anticipates it will dedicate in the future to the Purchase and Sale Agreement as provided in Article IV. in the immediately following twelve (12) month period. CHOPS shall demonstrate to the reasonable satisfaction of BHP that the reduction in the seven (7) BHP MDQ Levels satisfies this Article VIII.a. The differentials set forth in Article XII.a. for the BHP MDQ Levels shall remain applicable following any reduction in such levels as provided in this Article VIII.a.

b. In the event there has been an increase, in accordance with Article VII. above, in Level 1 of the BHP MDQ Levels resulting in Level 1 being greater than 100,000 BOPD, CHOPS shall have the right to request that BHP reduce, temporarily or permanently, Level 1 of the BHP MDQ Levels so long as CHOPS can demonstrate to the reasonable satisfaction of BHP that CHOPS has received a bona fide request from any party for a firm purchase and sale arrangement on Cameron Highway. If CHOPS has received such a bona fide request, and CHOPS requests that BHP reduce Level 1 of the BHP MDQ Levels, BHP shall elect to either (i) reduce Level 1 of the BHP MDQ Levels by an amount equal to the lesser of (x) the amount required to fulfill such request or (y) the amount of the then current Level 1 that is in excess of 100,000 BOPD , or (ii) maintain the then current amount of Level 1 of the BHP MDQ Levels and increase each of Levels 2 through 7 by an amount equal to the amount of Barrels that were required to fulfill such request. The differentials set forth in Article XII.a. for Levels 1 through 7 of the BHP MDQ Levels shall remain applicable following any reduction in such Level(s) as provided in this Article VIII.b.

c. In the event there has been an increase, in accordance with Article VII. above, in Level 1 of the BHP MDQ Levels resulting in Level 1 being greater than 100,000 BOPD, CHOPS shall have the right to request that BHP reduce, temporarily, Level 1 of the BHP MDQ Levels so long as CHOPS can demonstrate to the reasonable satisfaction of BHP that CHOPS has received a bona fide request from any party for an interruptible purchase and sale arrangement not to exceed three (3) calendar months on Cameron Highway. If CHOPS has received such a request, and CHOPS requests that BHP reduce Level 1 of the BHP MDQ Levels, BHP shall elect to either (i) reduce Level 1 of the BHP MDQ Levels for such interruptible arrangement period (not to exceed three (3) calendar months) by an amount equal to the lesser of (x) the amount required to fulfill such request or (y) the amount of the then current Level 1 that is in excess of 100,000 BOPD, or (ii) maintain the then current

amount of Level 1 of the BHP MDQ Levels and, for the duration of the proposed interruptible arrangement period (not to exceed three (3) calendar months) increase Levels 2 through 7 by an amount equal to the amount of Barrels that were required to fulfill such request. The differentials set forth in Article XII.a. for Levels 1 through 7 of the BHP MDQ Levels shall remain applicable following any reduction in such Level(s) as provided in this Article VIII.c. At the end of such interruptible arrangement period (not to exceed three (3) calendar months), all Levels of the BHP MDQ Levels shall automatically revert to their respective volumetric levels effective on the date immediately preceding such reduction.

d. With respect to all potential reductions in the BHP MDQ Levels described in this Article VIII., in the event CHOPS has not entered into a valid, binding and effective firm or interruptible, as the case may be, purchase and sale arrangement with such requesting party effectuating the request within sixty (60) Days of the effective date of the reduction of the applicable BHP MDQ Level(s), then all such BHP MDQ Levels will automatically revert to their respective volumetric levels effective on the date immediately preceding such reduction.

ARTICLE IX.

CAMERON HIGHWAY REGULATORY STATUS

Regardless of the ultimate regulatory status of Cameron Highway, subject to the terms contained in this Purchase and Sale Agreement, CHOPS shall construct and install Cameron Highway. If CHOPS is unable for any reason to establish and maintain the Cameron Highway system as a private pipeline system, the Parties agree that in lieu of this Purchase and Sale Agreement, they shall enter into a form of agreement under which CHOPS shall effectuate receipt at the Receipt Point(s) and delivery to the Delivery Points and Additional Delivery Points of (i) Dedicated Production, subject to applicable law, on a Firm basis, and (ii) Excess Production and other non-dedicated Crude Oil, on an interruptible basis, as provided in this Purchase and Sale Agreement, attempting to preserve as many of the terms and conditions contained in this Purchase and Sale Agreement as possible, and on the same economic basis for BHP and CHOPS as agreed to in this Purchase and Sale Agreement. Without limiting the terms of the foregoing sentence, the Parties further agree that to the extent the Federal Energy Regulatory Commission ("FERC") requires a pro rata allocation of firm capacity on Cameron Highway under the OCSLA, the terms of Articles XI.a.ii. and XI.d. shall apply. BHP agrees that it will not support, or take any action, or commence or participate in support of any proceeding before any court or governmental authority, seeking (i) pro rata allocation of firm capacity on Cameron Highway pursuant to, without limitation, the OCSLA, (ii) to have Cameron Highway determined to be subject to the jurisdiction of any governmental authority, or (iii) to challenge the lawfulness or reasonableness of any of the fee differentials or other rates contained herein.

ARTICLE X.

CURTAILMENT PRIORITIES ON CAMERON HIGHWAY

a. CHOPS shall not oversubscribe the capacity on Cameron Highway so that firm purchase and sale arrangements would reasonably be expected by a reasonable and prudent operator to be curtailed. However, if it becomes necessary to curtail Crude Oil on Cameron Highway, as provided in this Purchase and Sale Agreement, CHOPS shall curtail in the following order: (i) all interruptible Crude Oil arrangements shall be curtailed on a pro rata basis and completely curtailed if necessary to fulfill all firm purchase and sale arrangements, and (ii) after all interruptible Crude Oil arrangements are curtailed as

provided in (i) above if it is apparent that such curtailment is not sufficient to enable CHOPS to fulfill all firm purchase and sale arrangements, such Crude Oil subject to firm purchase and sale arrangements shall be curtailed pro rata based on the then effective maximum daily quantities of all valid firm purchase and sale arrangements. CHOPS shall use commercially reasonable efforts to minimize the time period of any curtailments of Dedicated Production.

b. The Parties agree that CHOPS may temporarily curtail purchases of Dedicated Production due to routine operations and maintenance on Cameron Highway; provided that, CHOPS shall exercise reasonable diligence to schedule routine operations and maintenance so as to as nearly as possible avoid service interruptions and shall not schedule such operations during periods of peak demand. To the extent known by CHOPS, CHOPS shall notify BHP in writing of the routine operations and maintenance projects that CHOPS has planned for each upcoming year, and shall immediately notify BHP of any unplanned routine operations and maintenance projects.

c. To the extent that nominations for Crude Oil on either the Port Arthur Lateral or the Texas City Lateral exceed the capacity on such lateral, CHOPS shall curtail Crude Oil on such affected lateral in the following order: (i) all interruptible Crude Oil arrangements on such lateral shall be curtailed on a pro rata basis, and completely curtailed if necessary to fulfill all firm purchase and sale arrangements on such lateral, and (ii) after all interruptible Crude Oil arrangements on such lateral are curtailed as is provided in subsection (i) of this Article X.c. ,if it is apparent that such curtailment is not sufficient to enable CHOPS to fulfill all firm purchase and sale arrangements on such lateral, such Crude Oil subject to firm purchase and sale arrangements on such lateral shall be curtailed pro rata based on the then effective maximum daily quantities of all valid firm purchase and sale arrangements on such lateral. In the event of such a curtailment, the curtailed volumes will be nominated for redelivery via the other lateral subject to available capacity. Further, if such allocation of capacity continues for a period of one hundred eighty (180) consecutive Days, then within the following sixty (60) Days, CHOPS shall initiate a plan to expand the capacity of either the Port Arthur Lateral or the Texas City Lateral; provided, that such expansion is commercially reasonable and economically viable for Cameron Highway in CHOPS' sole reasonable discretion. Such plan shall be implemented within one hundred eighty (180) Days after the expiration of the sixty (60) Day period referenced above.

ARTICLE XI.

RELEASE OF DEDICATED PRODUCTION

a. Certain quantities of Dedicated Production shall be temporarily released from dedication under this Purchase and Sale Agreement in accordance with the following:

i. In the event the Cameron Highway Completion Date has not occurred by the commencement of production from one or more of the Dedicated Leases, then the quantities of Dedicated Production that CHOPS is unable to receive and purchase shall be temporarily released;

ii. If at any time during the terms of this Purchase and Sale Agreement, (x) the FERC requires a pro rata allocation of firm capacity on Cameron Highway under the OCSLA, or (y) CHOPS curtails Crude Oil on Cameron Highway as a direct

response to a claim or threatened claim of any party under the OCSLA; then the Parties agree that to the extent such pro rata allocation results in CHOPS not being able to receive and purchase all of the Dedicated Production delivered by BHP at the Receipt Point(s) and sell and deliver an equivalent volume of Crude Oil at the Delivery Point(s) and Additional Delivery Points, then quantities of Dedicated Production that CHOPS is unable to receive and purchase shall be temporarily released; and

iii. In the event that BHP at any time attempts to deliver to Cameron Highway any quantity of the Dedicated Production, and, other than for reasons described in Articles XI.a.i. and XI.a.ii. above or a breach by BHP of this Purchase and Sale Agreement, CHOPS fails to receive and purchase from BHP all of such quantity, then the quantity of Dedicated Production that CHOPS is unable to receive and purchase shall be temporarily released.

b. Each of the following shall apply to any temporary release of Dedicated Production pursuant to Article XI.a. above:

i. Except as otherwise provided in this Article XI., BHP shall have no obligations under this Purchase and Sale Agreement with respect to such temporarily released quantities of Dedicated Production during the applicable temporary release period described in Article XI.b.iv. below.

ii. BHP shall have the right to deliver and/or sell such temporarily released quantities of Dedicated Production to any other Crude Oil pipelines without penalty hereunder and with no liability to CHOPS except as expressly provided in the following Article XI.b.iii.; provided that CHOPS shall be under no obligation to expend any funds to facilitate such deliveries to other Crude Oil pipelines.

iii. Except as set forth in the immediately following sentence, Article XI.g. below shall not apply to such temporarily released quantities of Dedicated Production, and in no event shall BHP be obligated to compensate CHOPS for any such temporarily released quantities of Dedicated Production delivered to alternative pipelines. However, notwithstanding the foregoing, to the extent any quantity of Dedicated Production is temporarily released pursuant to the terms of Article XI.a.iii. above for reasons of the failure of the Dedicated Production to meet the quality specifications contained in Exhibit "E", and BHP diverts all or part of such temporarily released quantity to another pipeline, then such temporarily released and diverted quantity of Dedicated Production shall be treated as if BHP, in its sole discretion, elected to divert such quantity of Dedicated Production to the other pipeline(s) pursuant to the terms of Article XI.g., and in such case, BHP shall pay CHOPS the differential described in Article XI.g.

iv. (x) In the event of a temporary release of Dedicated Production pursuant to Articles XI.a.i. or XI.a.ii, CHOPS shall give BHP ten (10) Days prior written notice of the effective date on which CHOPS is able to receive and purchase any portion of the temporarily released volumes of Dedicated Production tendered by BHP at the Receipt Point(s) and sell and deliver an equivalent volume of Crude Oil at the Delivery Point(s) and Additional Delivery Points. Upon receipt of such notice by BHP, such temporary release shall continue no longer than the remainder of the calendar month in which BHP receives such written notice and the succeeding calendar month. BHP shall commence deliveries to Cameron Highway of all volumes of Dedicated Production that were previously released, that CHOPS is then able to

receive and purchase immediately upon the termination of the period described in the immediately preceding sentence.

(y) (A) In the event of temporary release of Dedicated Production pursuant to Article XI.a.iii., if such temporary release has been in effect for fewer that twenty (20) consecutive Days, CHOPS shall give BHP forty-eight (48) hours prior written notice of the effective date on which CHOPS is able to receive and purchase any portion of the temporarily released volumes of Dedicated Production tendered by BHP at the Receipt Point(s) and sell and deliver an equivalent volume of Crude Oil at the Delivery Point(s) and Additional Delivery Points. Upon receipt of such notice by BHP, such temporary release shall continue no longer than forty-eight (48) hours following such notice. BHP shall commence deliveries to Cameron Highway of all volumes of Dedicated Production that were previously released, that CHOPS is then able to receive and purchase, immediately upon the termination of the period described in the immediately preceding sentence.

(B) In the event of a temporary release of Dedicated Production pursuant to Article Xi.a.iii., if such temporary release has been in effect for twenty (20) or more consecutive Days, the notice provisions and the timing of the termination of the temporary release shall be in accordance with Article XI.b.iv.x. above.

c. i. In the event the Cameron Highway Completion Date has not occurred by 12:01 AM on August 15, 2004, as such date may be adjusted pursuant to Article XI.h. below (the "Required Commencement Date"), with respect to Dedicated Production temporarily released pursuant to Article XI.a.i. above, subject to Article XI.f., then CHOPS shall pay BHP, as liquidated damages, $0.63 per Barrel for all such temporarily released quantities of Dedicated Production delivered and/or sold by BHP to alternative Crude Oil pipelines during the period commencing on the Required Commencement Date and extending until the Cameron Highway Completion Date.

ii. In the event the Cameron Highway Completion Date has not occurred by the Required Commencement Date, subject to Article XI.f., then CHOPS shall pay BHP, as liquidated damages, the following amounts per Barrel of Dedicated Production received and purchased by CHOPS at the Receipt Point(s) and redelivered to BHP hereunder during the period commencing on the Required Commencement Date and extending until the Cameron Highway Completion Date:

x. $0.50 per Barrel to the extent that deliveries of Dedicated Production to BHP can be made by CHOPS at only one (1) of the Delivery Point(s),except to the extent the one (1) Delivery Point is BP Products Texas City Refinery ("BP Products Refinery") and BHP does not actually utilize the BP Products Refinery Delivery Point, in which case such damages amount shall be $0.63 per Barrel, or

y. $0.35 per Barrel to the extent that deliveries of Dedicated Production to BHP can be made by CHOPS at only two (2) of the Delivery Point(s), except to the extent that one (1) of the two (2) Delivery Point(s) is the BP Products Refinery and BHP does not actually utilize the BP Products

Refinery Delivery Point, in which case such damages amount shall be $0.50 per Barrel, or

z. $0.05 per Barrel to the extent that deliveries of Dedicated Production to BHP can be made by CHOPS at only three (3) of the Delivery Point(s), except to the extent that two (2) of such Delivery Point(s) are located in Port Arthur and one (1) of such Delivery Point(s) is the BP Products Refinery and BHP does not actually utilize the BP Products Refinery Delivery Point, in which case such damages amount shall be $0.25 per Barrel.

CHOPS shall not be obligated to pay liquidated damages to BHP for temporarily released volumes of Dedicated Production that are delivered to alternative Crude Oil pipelines by BHP prior to the Required Commencement Date.

d. With respect to Dedicated Production temporarily released pursuant to Article XI.a.ii. above, subject to Article XI.f., CHOPS shall pay BHP, as liquidated damages, (i) to the extent the then applicable BHP MDQ Level is equal to or less than 100,000 BOPD, $0.63 per Barrel for all such temporarily released quantities of Dedicated Production delivered and/or sold by BHP to alternative Crude Oil pipelines, and (ii) to the extent the then applicable BHP MDQ Level is greater than 100,000 BOPD, (x) $0.63 per Barrel for any such temporarily released quantities that are within the first 100,000 BOPD of Dedicated Production produced on such Day that are delivered and/or sold by BHP to alternative Crude Oil pipelines, or (y) no amount of liquidated damages for any such temporarily released quantities that are in excess of the first 100,000 BOPD of Dedicated Production produced on such Day that are delivered and/or sold by BHP to alternative Crude Oil pipelines.

e. With respect to Dedicated Production temporarily released pursuant to Article XI.a.iii. above, CHOPS shall not be liable to, or obligated to pay, BHP any amounts with respect to such temporarily released quantities.

f. Notwithstanding the terms of Articles XI.c. and XI.d., (i) without limiting subsection (ii) below, if BHP has not commenced deliveries of Dedicated Production from the Mad Dog field to the Receipt Point(s) on or before August 15, 2004, then beginning August 15, 2004 and continuing until such date that deliveries of Dedicated Production from the Mad Dog field are received and purchased by CHOPS at the Receipt Point(s), CHOPS shall not be liable to or obligated to pay, BHP any amounts of liquidated damages described in Articles XI.c. and XI.d., and (ii) without limiting subsection (i) above, if BHP has not commenced deliveries of Dedicated Production from the Atlantis field to the Receipt Point(s) on or before January 15, 2005, then beginning January 15, 2005 and continuing until such date that deliveries of Dedicated Production from the Atlantis field are received and purchased by CHOPS at the Receipt Point(s), CHOPS shall not be liable to, or obligated to pay, BHP any amounts of liquidated damages described in Articles XI.c. and XI.d. The rights to receive liquidated damages and other payments from CHOPS as described in this Article XI. shall be rights granted only to, and exercisable by, BHP (and not to permitted assignees of BHP); provided, however, that the rights to have Dedicated Production temporarily released shall be rights exercisable by BHP and its permitted assignees. Notwithstanding anything to the contrary contained herein, the rights to have Dedicated Production temporarily released, to receive liquidated damages and other payments, and to receive the other rights expressly granted in this Article XI., shall be the sole and exclusive

remedies (whether under contract or at law or equity) of BHP with respect to any temporary release of Dedicated Production or related event.

g. BHP, in its sole discretion, shall have the right to divert all or part of the Dedicated Production to other pipelines in lieu of delivery to Cameron Highway as provided in this Article XI.g. In such case, and except as expressly provided otherwise in this Purchase and Sale Agreement, BHP shall pay CHOPS the differential that corresponds to the applicable BHP MDQ Level for such diverted volumes of Dedicated Production.

Notwithstanding anything to the contrary contained in this Purchase and Sale Agreement, this Article XI.g. shall not apply to (a) Excess Production or (b) except as provided in Article XI.b.iii., temporarily released Dedicated Production as provided in Article XI.a. above. BHP is not obligated in any way to deliver or sell Excess Production to Cameron Highway. Such Excess Production may be delivered by BHP to any Crude Oil pipeline at BHP's sole discretion with no restriction or penalty.

h. With respect to the term "Required Commencement Date," as such term is used throughout this Purchase and Sale Agreement, the Parties agree that the designated date of August 15, 2004, shall automatically be revised as follows; (i) such date shall be delayed on a Day for Day basis with the duration of any Force Majeure event(s) in excess of the first ninety (90) Days of Force Majeure event(s) occurring during the construction phase of Cameron Highway and (ii) such date shall be delayed until production actually commences from the first of the Initial Dedicated Leases. In the event of anticipated delays in the date of first production from the Initial Dedicated Leases which would reasonably be expected to extend the Required Commencement Date, BHP shall promptly notify CHOPS in writing of such anticipated delays and shall provide a revised Required Commencement Date. For purposes of the Purchase and Sale Agreement, the Required Commencement Date shall be deemed to be such revised date, as further revised by the foregoing terms of this Article XI.h.

i. After the Cameron Highway Completion Date, in the event that CHOPS fails to receive and purchase from BHP all of the tendered Dedicated Production for more than ninety (90) consecutive or non-consecutive Days during any rolling twelve month period, BHP may request in writing from CHOPS a prospective permanent release of up to the average daily quantities of Crude Oil which were tendered by BHP, but not actually received and purchased by CHOPS under this Article XI.i. ("Impacted Quantities"); provided, however, the calculation of Days shall not include any Days during which any non-receipt of Crude Oil by CHOPS is caused by force majeure, events described in Article XI.a.ii., acts or omissions by BHP or CHOPS' inability to confirm BHP's nominations with downstream pipelines for redelivery hereunder. CHOPS shall have six (6) months from the date of receipt of BHP's release request (but eighteen (18) months if additional platform or pumping facilities are required) to resume the receipt and purchase of all Dedicated Production. To that end, within three (3) months following BHP's release request, CHOPS shall review with BHP the steps or actions CHOPS is taking, or proposes to take, to enable CHOPS to receive the Impacted Quantities from BHP. Within thirty (30) Days after such review, BHP shall notify CHOPS in writing if BHP reasonably believes CHOPS has not commenced activities which could reasonably be expected to allow CHOPS to receive such Impacted Quantities and BHP, therefore, elects to implement the permanent release with respect to the Impacted Quantities. If at the end of the six (6) month or eighteen (18) month period set

forth above, CHOPS has not resumed the receipt and purchase of all of the Dedicated Production, CHOPS will, on a go-forward, permanent basis, release the Impacted Quantities from this Purchase and Sale Agreement; provided, however, that CHOPS shall have the right to extend such release date for an additional three (3) months beyond the original six (6) month period or, with respect to platform or pumping facilities, the original eighteen (18) month period if: (i) CHOPS has made a significant economic commitment with respect to such curative actions; and (ii) it is reasonable to believe that such actions will enable CHOPS to receive and purchase such Impacted Quantities within three (3) months following either the original six (6) month period or, with respect to platform or pumping facilities, the original eighteen (18) month period; provided, however, any Crude Oil temporarily released pursuant to Article XI.a.i. above shall be excluded from any such calculation if such Crude Oil is accepted and transported by an alternate pipeline. BHP's right to request and obtain a permanent release of the Impacted Quantities from this Purchase and Sale Agreement shall be BHP's sole and exclusive remedy for CHOPS' failure to receive and purchase Crude Oil under this Article XI.i.

ARTICLE XII

PRICE AND PRICE ADJUSTMENTS

a. For each Barrel of Crude Oil delivered to the Receipt Point(s), (excluding pipeline loss allowance described in Article XIII below), CHOPS shall pay BHP the Base Oil Price less a differential from the Receipt Point(s) to the Delivery Point(s) and Additional Delivery Points per Barrel based on the then applicable BHP MDQ Level selected by BHP pursuant to Article VI.a above as set forth in the table below. During the term hereof, such differentials shall not be escalated for any reason.

DIFFERENTIAL

	BHP MDQ (BOPD)	VOLUME UP TO BHP MDQ	VOLUME IN EXCESS OF BHP MDQ
Level 1 -	100,000	$0.95/Barrel	$0.95/Barrel
Level 2 -	95,000	$0.98/Barrel	$0.95/Barrel
Level 3 -	90,000	$1.01/Barrel	$0.95/Barrel
Level 4 -	85,000	$1.06/Barrel	$0.95/Barrel
Level 5 -	80,000	$1.12/Barrel	$0.95/Barrel
Level 6 -	75,000	$1.18/Barrel	$0.95/Barrel
Level 7 -	70,000	$1.24/Barrel	$0.95/Barrel

b. BHP shall pay CHOPS the Base Oil Price for each Barrel delivered at the Delivery Point(s) and Additional Delivery Points. For pricing purposes, all Crude Oil delivered hereunder shall be deemed to have been delivered in equal daily quantities.

c. With respect to Article XII.a. and Article XII.b. above, BHP, at any time and from time to time, shall have the right to change the Base Oil Price to a Platt's indicator for southern Green Canyon crude for deliveries in Texas. BHP shall give CHOPS sixty (60) Days

prior written notice of such change. In the event BHP elects to change the Base Oil Price as provided in this Article XII.c., BHP and CHOPS shall settle any existing purchase and sale imbalance at such time pursuant to Article XXI. below.

d. Any Crude Oil owned by and delivered to the Receipt Point(s) by BHP and purchased by CHOPS on an interruptible basis shall be subject to the terms, conditions and fee differentials contained in this Purchase and Sale Agreement applicable to Dedicated Production for a period of ten (10) years from the date of initial delivery by CHOPS of Crude Oil to a Delivery Point or Additional Delivery Point hereunder. The Parties agree that the rights granted to BHP under this Article XII.d. shall be rights granted only to, and exercisable by, BHP (and not to a permitted assignee of BHP.

e. During the term of this Purchase and Sale Agreement, in the event CHOPS either enters into a purchase and sale arrangement providing for firm maximum daily quantities with either BP or UNOCAL, as working interest owners in the Holstein, Mad Dog and Atlantis fields, as applicable, or amends such agreement so that purchase and sale differentials for firm quantities for the Holstein, Mad Dog and/or Atlantis fields , as applicable, are lower than the corresponding differentials set forth in Article XII.a. of this Purchase and Sale Agreement, the differentials applicable to BHP under this Purchase and Sale Agreement shall be decreased to such lowest differential received by BP and/or UNOCAL, for firm quantities of Crude Oil delivered by BHP from the Mad Dog and/or Atlantis fields, as applicable, for a term consistent with that term applicable to BP and/or UNOCAL, as applicable, with respect to the lower differential; provided, however, that the Parties understand and agree that BP, BHP and UNOCAL each have different firm maximum daily quantity levels, and such levels shall be permitted to remain different during the term of this Purchase and Sale Agreement without triggering the terms of this provision. In the event BHP and CHOPS enter into an alternative form of agreement as described in Article IX of this Purchase and Sale Agreement, and during the term of such agreement, either BP or UNOCAL, as working interest owners in the Holstein, Mad Dog and/or Atlantis fields, as applicable, enter into an alternative form of agreement or amend such agreement so that the BP and/or UNOCAL agreement contains fees for firm quantities that are lower than the corresponding fees for firm quantities in the agreement between BHP and CHOPS, the fees applicable to BHP under this Purchase and Sale Agreement for firm quantities shall be decreased to such lowest fee received by BP and/or UNOCAL, for firm quantities of Crude Oil delivered by BHP from the Mad Dog and/or Atlantis fields, as applicable, for a term consistent with that term applicable to BP and/or UNOCAL, as applicable, with respect to the lower fee for either BP or UNOCAL, as applicable. Notwithstanding anything to the contrary contained herein, the Parties agree that this Article XII.e. shall only be triggered by an agreement between CHOPS and either BP or UNOCAL, as working interest owners in the Mad Dog, Atlantis and Holstein fields, as applicable, and not by a future agreement between CHOPS and BHP. At the expense of BHP and upon thirty (30) Days prior written notice to CHOPS, BHP shall have the right to review and audit CHOPS' books, records, and accounts in order to verify the compliance of CHOPS with this Article XII.e. The Parties agree that the rights granted to BHP under this Article XII.e. shall be rights granted only to, and exercisable by, BHP (and not to a permitted assignee of BHP).

ARTICLE XIII.

PIPELINE LOSS OR GAIN ALLOWANCE

The pipeline loss or gain allowance shall initially be a fixed percentage of volumes at the Receipt Point(s) or Delivery Point(s) and Additional Delivery Points and the accounting shall conform to standard industry practices on similarly situated pipeline systems. The pipeline loss or gain allowance shall be adjusted annually in order to conform to the previous year's actual pipeline loss or gain but such pipeline loss or gain allowance shall not exceed two-tenths (2/10) of one percent (1%) for any calendar year.

ARTICLE XIV.

QUALITY AND PRESSURE

a. The quality specifications for Cameron Highway are attached to this Term Sheet as Exhibit "E".

b. Except for reasons of Force Majeure, the maximum pressure to be provided by CHOPS at the Initial Receipt Point shall be no greater than 150 PSIG. BHP may, but is under no obligation to, deliver Crude Oil at pressures up to 1950 PSIG.

ARTICLE XV.

QUALITY BANK

a. In order to compensate for variations in the quality of Crude Oil delivered by BHP and other parties at the Receipt Point(s) and that delivered by CHOPS at the Delivery Point(s) and Additional Delivery Points, a market-based quality bank shall be established on Cameron Highway pursuant to the guidelines set forth in Exhibit "C" attached hereto. The quality bank will be developed by CHOPS and all interested parties who have entered into purchase and sale arrangements with CHOPS on Cameron Highway that are effective upon the Cameron Highway Completion Date. Any change to the quality bank shall require the agreement of the sellers of at least seventy percent (70%) of the Crude Oil sold to CHOPS at the Receipt Point(s) for the previous four (4) Contract Quarter(s), and are still selling oil under a purchase and sale arrangement.

b. CHOPS, or its designee, shall be responsible for the implementation and administration of the Cameron Highway quality bank. The initial quality bank and any changes approved pursuant to Article XV.a. of this Purchase and Sale Agreement shall be accepted and implemented by CHOPS, provided that all quality bank terms satisfy the intent stated in such Article XV.a.

ARTICLE XVI.

RESPONSIBILITY, LIABILITY, POSSESSION AND CONTROL OF CRUDE OIL

a. As between BHP and CHOPS, (a) BHP shall control and possess the Crude Oil delivered hereunder at all times prior to delivery to CHOPS at the Receipt Point(s) and after delivery by CHOPS at the Delivery Point(s) and Additional Delivery Points; and (b) CHOPS shall control and possess the Crude Oil at all times after delivery by BHP at the Receipt Point(s) and until delivery by CHOPS at the Delivery Point(s) and Additional Delivery Points.

b. The Party in control and possession of the Crude Oil shall be responsible for, pay for and defend, protect, indemnify, release, and hold the other Parties harmless from and against any and all losses, claims, damages and expenses (including reasonable attorney's fees) caused thereby and occurring while the Crude Oil is in, the possession and

control of such Party, including loss of Crude Oil, regardless of the indemnified party's negligence (and regardless of whether such negligence is sole, joint, concurrent, active or passive negligence), fault or liability without fault; provided, however, that BHP shall be responsible and pay for, and RELEASE, DEFEND AND INDEMNIFY the CHOPS Group from any and all losses directly caused by or directly resulting from the failure of Crude Oil delivered hereunder by BHP to CHOPS to meet the quality specifications set forth in Article XIV of this Purchase and Sale Agreement. CHOPS' purchase and sale agreements with other customers on Cameron Highway will contain provisions substantially similar to this provision.

c. CHOPS SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE BHP GROUP FROM AND AGAINST ALL LOSS, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEY'S FEES, ARISING FROM ACTS OR OMISSIONS OF THE CHOPS GROUP RELATING TO THE OWNERSHIP AND OPERATION OF CHOPS' FACILITIES (INCLUDING WITHOUT LIMITATION CAMERON HIGHWAY), REGARDLESS OF THE INDEMNIFIED PARTY'S NEGLIGENCE (AND REGARDLESS OF WHETHER SUCH NEGLIGENCE IS SOLE, JOINT, CONCURRENT, ACTIVE OR PASSIVE NEGLIGENCE), FAULT OR LIABILITY WITHOUT FAULT ON THE PART OF THE BHP GROUP, EXCEPT TO THE EXTENT THAT ANY SUCH LOSS RESULTS FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE INDEMNIFIED PARTY.

d. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, NO PARTY TO THE PURCHASE AND SALE AGREEMENT SHALL BE LIABLE TO THE OTHER PARTY HERETO FOR SPECIAL, INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES SUFFERED BY SUCH PARTY RESULTING FROM OR ARISING OUT OF THE PURCHASE AND SALE AGREEMENT, INCLUDING WITHOUT LIMITATION, LOSS OF USE, INCREASED COST OF OPERATIONS, LOSS OF PROFIT OR REVENUE OR BUSINESS INTERRUPTIONS. IN FURTHERANCE OF THE FOREGOING, EACH PARTY RELEASES THE OTHER PARTIES AND WAIVES ANY RIGHT OF RECOVERY FOR SPECIAL, INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES SUFFERED BY SUCH PARTY REGARDLESS OF WHETHER ANY SUCH DAMAGES ARE CAUSED BY THE OTHER PARTY'S NEGLIGENCE (AND REGARDLESS OF WHETHER SUCH NEGLIGENCE IS SOLE, JOINT, CONCURRENT, ACTIVE, PASSIVE OR GROSS NEGLIGENCE), FAULT OR LIABILITY WITHOUT FAULT.

e. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, BHP AGREES TO BE SOLELY RESPONSIBLE AND LIABLE FOR, AND RELEASE AND INDEMNIFY THE CHOPS GROUP WITH RESPECT TO, ANY LOSSES RELATING TO THE DELAY OF PRODUCTION OR ANY DAMAGE TO THE DEDICATED LEASES OR LOSS OF ANY RELATED RESERVES NOT PREVIOUSLY DELIVERED TO THE CAMERON HIGHWAY RESULTING FROM ANY ACTS OR OMISSIONS BY CHOPS IN CONNECTION WITH OR OTHERWISE RELATED TO THIS PURCHASE AND SALE AGREEMENT.

f. ALL INDEMNITIES UNDER THIS AGREEMENT (a) SHALL BE SUPPORTED [BUT NOT LIMITED] BY AVAILABLE LIABILITY (OR OTHER APPROPRIATE) INSURANCE TO BE CARRIED BY OR ON BEHALF OF THE INDEMNIFYING PARTY AT ITS SOLE COST AND EXPENSE AND WHICH THE PARTIES AGREE SHALL HAVE BEEN OBTAINED BY OR ON BEHALF OF THE INDEMNIFYING PARTY FOR THE BENEFIT OF THE OTHER PARTY AS

INDEMNITEE; AND (b) SHALL SURVIVE AND NOT BE AFFECTED BY TERMINATION OF THIS AGREEMENT OR COMPLETION OF THE PURCHASE AND SALE ARRANGEMENT PROVIDED HEREUNDER. IF IT IS JUDICIALLY DETERMINED THAT INSURANCE REQUIRED HEREUNDER OR THE INDEMNITIES OR RELEASES ASSUMED UNDER THIS AGREEMENT EXCEED THE MAXIMUM MONETARY LIMITS OR SCOPE PERMITTED UNDER APPLICABLE LAW, IT IS AGREED THAT SAID INSURANCE REQUIREMENTS OR INDEMNITIES OR RELEASES SHALL AUTOMATICALLY BE AMENDED TO CONFORM TO THE MAXIMUM MONETARY LIMITS OR SCOPE PERMITTED UNDER SUCH LAW.

ARTICLE XVII.

LINE FILL

a. CHOPS shall provide all line fill for Cameron Highway, and the cost for such line fill shall be paid in accordance with this Article XVII. The cost of such line fill Barrels shall be based on the Base Oil Price for the month Cameron Highway line fill operations commence, less $0.95, plus or minus (as the case may be) quality bank adjustments. The portion of the Base Oil Price of a line fill Barrel up to $20.00 per Barrel shall be paid by CHOPS. All costs, if any, of the line fill in excess of that which CHOPS is responsible for pursuant to the preceding sentence shall be allocated to and paid by the working interest owners in the Holstein, Mad Dog and Atlantis fields who enter into purchase and sale arrangements with CHOPS on Cameron Highway (which shall be effective prior to commencement of operations on Cameron Highway), and all other parties who enter into purchase and sale arrangements with CHOPS on Cameron Highway that are effective upon commencement of operations of Cameron Highway, based on each party's maximum daily quantity compared to the aggregate maximum daily quantity on Cameron Highway. BHP shall not own any line fill Barrels in Cameron Highway.

b. Notwithstanding Article XVII.a., within fifteen (15) Days after the execution of this Agreement, the parties will meet to implement a plan for the acquisition of linefill for Cameron Highway. Such plan may include, but not be limited to, the evaluation of purchasing linefill from the producer, the mechanisms for the management of the crude oil price risk for the parties, and the disclosure of operational parameters, including the approximate timeline and approximate volumes required by CHOPS. The parties agree to use commercially reasonable efforts to finalize a plan for the acquisition of the Cameron Highway linefill within forty-five (45) Days after the first meeting.

ARTICLE XVIII.

OIL PUMP FUEL GAS

CHOPS shall provide all fuel gas for the operation of Cameron Highway, and shall be permitted to purchase such fuel gas from any party. The cost of such fuel gas shall be based on the Base Gas Price for the then current month of fuel purchases, less $0.10 per MMBtu. The portion of the Base Gas Price up to $5.00 per MMBTU shall be paid by CHOPS. All costs, if any, of the fuel gas in excess of that which CHOPS is responsible for pursuant to the preceding sentence shall be allocated to and paid by the working interest owners in the Holstein, Mad Dog and Atlantis fields who enter into purchase and sale arrangements with CHOPS on Cameron Highway (which shall be effective prior to commencement of operations on Cameron Highway), and all other parties selling Crude Oil to CHOPS at Cameron Highway receipt points, based on such parties' deliveries of Crude Oil in proportion to the total deliveries of Crude Oil at all Cameron Highway receipt points.

ARTICLE XIX.

STATEMENTS, PAYMENTS, AUDITS

a. CHOPS shall render a statement to BHP on or before the fifteenth (15th) Day of each calendar month setting forth the amount due BHP for purchases of Crude Oil by CHOPS hereunder and the amount due for sales of Crude Oil hereunder to BHP during the preceding month. If actual quantities cannot be made available through no fault of CHOPS, CHOPS and BHP may utilize a reasonable, good faith estimated quantity. As soon as the actual quantity becomes available, the estimate shall be adjusted and the adjustment shall be reflected in the subsequent month's statement. CHOPS agrees to prepare a summary billing containing all amounts owed between BHP and CHOPS to each other for the applicable production month and CHOPS shall deliver a net statement to BHP showing the net balance.

b. The Party with the net balance due to the other Party shall pay such other Party the amount due in the form of immediately available federal funds by wire transfer to the bank account specified on the net statement, or any other mutually agreed upon method, on or before the twentieth (20th) Day of each month for transactions accruing hereunder during the preceding month. Payments due on a Saturday or a bank holiday shall be made on the preceding business Day unless such holiday is a Monday, in which case payment shall be made on the following business Day; payments due on Sunday shall be made on the following Monday. The paying Party must tender a timely payment even if the net statement includes an estimated receipt or delivery volume. Any payment made hereunder by a Party shall not prejudice the right of the paying Party to an adjustment of any statement to which it has taken written exception, provided that claim therefore shall have been made within sixty (60) Days from the date of discovery of such error, but, in any event, within twenty-four (24) months from the date of the net statement. If the paying Party fails to pay any statement in whole or in part when due, in addition to any other rights or remedies available to the Party to whom payment is due, interest at the Stated Rate shall accrue on unpaid amounts. "Stated Rate" means an annual rate of interest (compounded daily) equal to the lesser of (i) the sum of the prime or reference rate posted from time to

time by Texas Commerce Bank (Houston, Texas office) or its successor or a mutually agreed substitute bank plus two percent (2%) or (ii) the maximum lawful interest rate then in effect under applicable law.

Notwithstanding the foregoing, if a good faith dispute arises between BHP and CHOPS concerning a net statement, the paying Party shall pay that portion of the net statement not in dispute on or before such due date, and upon the ultimate determination of the disputed portion of the statement, the paying Party shall pay the remaining amount owed (if any) plus the interest accrued thereon.

c. CHOPS shall maintain for not less than twenty-four (24) months following the end of each calendar year, complete and accurate books, records and accounts of any amounts which are charged to BHP hereunder during such calendar year. For a period of twenty-four (24) months from the end of each calendar year, and upon thirty (30) Days prior written notice to CHOPS, BHP shall have the right to inspect, at BHP's expense, at any reasonable time and from time-to-time, and audit such books, records and accounts related to any invoice or payment made during such calendar year.

ARTICLE XX.

MEASUREMENT

All measurement practices must conform to the latest guidelines set out in the current API Manual of Petroleum Measurement Standards and all applicable API Bulletin and API Standards publications.

ARTICLE XXI.

PURCHASE AND SALE IMBALANCES

The Parties will endeavor, as far as practicable, to keep the purchase and sale arrangement in balance on a monthly basis and respond to status statements. It is recognized that for a given month, a Crude Oil imbalance between the Receipt Point(s) and the Delivery Point(s) and Additional Delivery Points may exist. CHOPS shall calculate and track all imbalances and include same in its monthly statement. The Parties agree to make a good faith effort to correct any actual monthly imbalances by subsequent nominations and deliveries of Crude Oil during the remainder of the month or the next available full business month, including the adjustments of receipts, deliveries and nominations. Delivery of such imbalance shall be made in the month following the month in which the volume imbalance is determined.

ARTICLE XXII.

ASSIGNMENT

a. CHOPS.

i. CHOPS shall have the right to assign or transfer this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) as follows:

(A) Prior to the Cameron Highway Completion Date, without the prior consent of BHP, CHOPS shall have the right to assign or transfer this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) to a subsidiary (direct or indirect) of GTM in which GTM owns (directly

or indirectly) a fifty percent (50%) or more interest (an "GTM Sub"); provided, that if requested by BHP upon such assignment, CHOPS shall (x) remain primarily liable for the obligations hereunder so assigned to such GTM Sub and (y) provide additional assurances of the performance of such GTM Sub hereunder (including, without limitation, a company guaranty from CHOPS) as may be reasonably required by BHP. Further, CHOPS shall provide BHP written notice of such assignment or transfer at least thirty (30) Days prior to the effective date of such assignment or transfer, and agrees to furnish BHP additional information regarding the GTM Sub in order for BHP to evaluate whether additional assurances will be required. Prior to the effective date of such assignment or transfer, the Parties shall execute appropriate documents regarding the primary liability of CHOPS for the obligations assigned to such GTM Sub and CHOPS shall provide BHP any additional assurances of performance as may be reasonably requested by BHP.

(B) Prior to the Cameron Highway Completion Date, except as otherwise provided in Article XXII.a.i.A. , CHOPS shall not have the right to assign or transfer this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) to any other party without the prior written consent of BHP, such consent which is not to be unreasonably withheld or delayed.

(C) After the Cameron Highway Completion Date, without the prior consent of BHP, CHOPS shall have the right to assign or transfer this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) to any entity with a Standard & Poor's rating of BB+ or better (a "Financially Capable Entity"); provided, however, in such event, CHOPS shall use reasonable efforts: (i) to ensure that such Financially Capable Entity is proficient in the operation of crude oil pipelines; or (ii) to implement an arrangement whereby CHOPS would remain responsible for the operation of Cameron Highway. Any other assignment or transfer of this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) shall require the prior written consent of BHP, such consent which is not to be unreasonably withheld or delayed. Upon any permitted assignment by CHOPS, CHOPS shall be relieved of its obligations under this Purchase and Sale Agreement accruing after the effective date of such assignment to the extent, and only to the extent, so assigned and expressly assumed by the assignee.

ii. Any assignment or transfer of this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) by CHOPS shall be null and void unless such assignment or transfer is made in compliance with this Article XXII.a. Notwithstanding anything to the contrary contained in this Purchase and Sale Agreement, the Parties agree that to the extent of any obligations of CHOPS contained herein, CHOPS shall be permitted to fulfill such obligations by utilizing the employees and assistance of EPFS, and such utilization and assistance shall not be considered an assignment of any of such obligations.

b. BHP.

i. Except as otherwise expressly provided in Articles IV.c., VI.d., VII.a., XI.f., XII.d and XII.e of this Purchase and Sale Agreement, without the prior consent of CHOPS, BHP shall have the right to assign or transfer this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) to any entity which is a Financially Capable Entity or which, alternatively, provides a letter of credit, parent guaranty, or bank guaranty to the reasonable satisfaction of CHOPS; provided, that any other assignment or transfer of this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) shall require the prior written consent of CHOPS, such consent which is not to be unreasonably withheld or delayed; provided further, that any assignment of BHP's rights and obligations under this Purchase and Sale Agreement shall also include the assignment or transfer of all or a portion of BHP's right, title or interest in the applicable Initial Dedicated Leases. Further, any assignment or other transfer of any or all of BHP's right, title or interest in the Initial Dedicated Leases shall be made subject to the applicable terms of this Purchase and Sale Agreement, and the assignee shall agree to be bound by such terms of this Purchase and Sale Agreement, such that BHP's Dedicated Production from such leases so assigned shall remain subject to this Purchase and Sale Agreement. Upon any permitted assignment by BHP, BHP shall be relieved of its obligations under this Purchase and Sale Agreement accruing after the effective date of such assignment to the extent, and only to the extent, so assigned and expressly assumed by the assignee. Any assignment or transfer of this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) by BHP shall be null and void unless such assignment or transfer is made in compliance with this Article XXII.b.

ii. Without the prior consent of CHOPS, and except as otherwise provided in this Paragraph XXII.b., BHP shall have the right to assign or transfer this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) to BHP Billiton Ltd. ("BHP Corp") and/or a subsidiary (direct or indirect) of BHP Corp in which BHP Corp owns (directly or indirectly) a fifty percent (50%) or more interest ("Corp Sub"); provided, that if requested by CHOPS, upon such assignment BHP Corp shall (x) be primarily liable for the obligations hereunder so assigned to such Corp Sub and (y) provide additional assurances of the performance of such Corp Sub hereunder (including, without limitation, a company guaranty from BHP Corp) as may be reasonably required by CHOPS. Further, BHP shall provide CHOPS written notice of such assignment or transfer at least thirty (30) Days prior to the effective date of such assignment or transfer, and agrees to furnish CHOPS additional information regarding the Corp Sub in order for CHOPS to evaluate whether additional assurances will be required. Prior to the effective date of such assignment or transfer, the Parties shall execute appropriate documents regarding the primary liability of BHP Corp for the obligations assigned to such Corp Sub and BHP Corp shall provide CHOPS any additional assurances of performance as may be reasonably requested by CHOPS. Further, upon any assignment by BHP to BHP Corp and/or Corp Sub pursuant to the terms of this Paragraph XXII.b.ii., BHP shall be relieved of its obligations under this Purchase and Sale Agreement accruing after the effective date of such assignment to the extent, and only to the extent, so assigned and expressly assumed by such assignee.

iii. Upon any assignment by BHP of this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) pursuant to Article XXII.b.i. above, the following shall apply:

(A) Any working interest in the Dedicated Lease assigned by BHP and BHP's remaining working interest in the Dedicated Leases shall remain dedicated to Cameron Highway, pursuant to this Purchase and Sale Agreement.

(B) The purchase and sale differentials contained in Article XII. above shall be applicable to (x) the Crude Oil delivered by BHP's assignee that is produced from the Dedicated Lease(s) and (y) the Dedicated Production delivered by BHP that is produced from the Dedicated Leases, pursuant to this Purchase and Sale Agreement.

(C) The BHP MDQ Levels set forth in Article VI. above shall remain the same; provided, that following such assignment by BHP, BHP shall receive a Barrel for Barrel credit towards its MDQ obligations hereunder for the actual number of Barrels delivered to Cameron Highway that is produced from the working interest in the Dedicated Leases assigned by BHP. Such assignee of BHP shall be entitled to a maximum daily quantity level on Cameron Highway commensurate with the daily volume of Dedicated Production reasonably anticipated to be produced in the future from the Dedicated Leases so assigned that is allocated to its working interest share of such leases.

(D) At such time(s) as BHP transfers or assigns all or a portion of its working interest in one or more Dedicated Leases, CHOPS shall execute a purchase and sale agreement with BHP's assignee that contains the same terms and conditions as those contained in this Purchase and Sale Agreement (with the exception of the non-assignable rights of BHP contained in Articles IV.c., VI.d., VII.a., XI.f., XII.d and XII.e of this Purchase and Sale Agreement and that reflects the maximum daily quantity level allocated to such assignee as set forth in Article XXII.ii.C above.

Notwithstanding anything contained in Article II. to the contrary, BHP shall not be prohibited or restricted from assigning or transferring this Purchase and Sale Agreement or the obligations hereunder (in whole or part) pending negotiation and execution of the purchase and sale agreement between CHOPS and BHP's assignee. It being the intent of the Parties that completion of such negotiations and execution of such documentation shall not impede, hinder or delay any consents by CHOPS required under this Purchase and Sale Agreement with respect to an assignment or transfer thereof (in whole or in part) by BHP.

c. This Purchase and Sale Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties.

ARTICLE XXIII.

TERM

a. This Purchase and Sale Agreement shall become effective as of the execution and delivery thereof by each of the Parties, and except as otherwise provided herein shall continue in effect for the commercial life of production from the Dedicated Leases.

b. Notwithstanding the termination of this Purchase and Sale Agreement or the expiration of this Purchase and Sale Agreement, the indemnification provisions contained in Article XVI. shall survive such termination/expiration of this Purchase and Sale Agreement.

c. Except with respect to those provisions in this Purchase and Sale Agreement that expressly provide for sole and exclusive remedies, (i) in the event of termination of this Purchase and Sale Agreement by either Party pursuant to the terms of this Purchase and Sale Agreement, termination of this Purchase and Sale Agreement shall not be the sole remedy of such Party, and (ii) nothing contained in this Purchase and Sale Agreement shall prevent any Party from pursuing any other remedies available to such Parties whether under contract or at law or equity with respect to any other Party's breach or failure to fulfill its obligations under this Purchase and Sale Agreement.

ARTICLE XXIV.

RIGHTS OF PARTIES UPON TRANSFER/ASSIGNMENT

The Parties hereby acknowledge and agree that many of the provisions of this Purchase and Sale Agreement, including, but not limited to, terms related to the dedication of reserves, the BHP MDQ Levels, the price differentials, the grant of rights to future receipt points and future dedication cannot be segregated between BHP and any potential assignee under the current structure of the terms of this Purchase and Sale Agreement, and are not intended to be rights transferable to or exercisable by a permitted assignee of BHP. However, to facilitate the transactions contemplated under this Purchase and Sale Agreement, it is the intent of the Parties to consummate the transactions contemplated under this Purchase and Sale Agreement with the understanding that, notwithstanding the terms of Article XXII., prior to any proposed assignment or transfer by BHP of any of its rights under this Purchase and Sale Agreement, the Parties shall enter into good faith negotiations to mutually agree on the terms of such assignment, and specifically to the allocation of the rights, duties and obligations of BHP and the permitted assignee. The Parties further acknowledge that upon any such permitted assignment, an amendment to this Purchase and Sale Agreement may be required to revise the terms of this Purchase and Sale Agreement in a manner that preserves, to the maximum extent possible, the respective rights and economic positions of the Parties. The Parties agree to act reasonably and in good faith, and negotiate diligently to facilitate BHP's desire to assign their rights as referenced hereunder under the time schedule desired by BHP.

ARTICLE XXV.

FORCE MAJEURE

a. Definition. No Party shall be liable to the other Parties for failure to perform any of its obligations under this agreement to the extent such performance is hindered, delayed or prevented by Force Majeure. For purposes of this agreement, "Force Majeure" shall mean causes, conditions, events or circumstances affecting the Parties, or downstream or upstream facilities which are beyond the reasonable control of the Party claiming Force Majeure. Such causes, conditions, events and circumstances shall include, without limitation, acts of God, wars (declared or undeclared), hostilities, acts of terrorism, strikes, lockouts, riots, floods, fires, storms, storm warnings, industrial disturbances, acts of the public enemy, sabotage, blockades, insurrections, epidemics, landslides, lightning, earthquakes, washouts, arrests and restraints of rulers and peoples, civil disturbances, explosions, breakage or accidents to machinery or lines of pipe, hydrate obstruction or blockages of any kind of lines of pipe, abnormal operating conditions on a Party's facilities, repairs, improvements, replacements or alterations to plants, lines of pipe or related facilities, inability of a Party to obtain necessary machinery, drilling or workover rigs, materials, permits, easements or rights-of-way on reasonable terms, freezing of the well or delivery facility, well blowout, cratering, depletion of reserves, the partial or entire failure of a well, the act of any court or governmental authority prohibiting a Party from discharging its obligations under this agreement or resulting in diminutions in service and conduct which would violate any applicable law. Inability of a Party to make payments when due, be profitable or to secure funds, arrange bank loans or other financing, obtain credit or have adequate capacity (other than for reasons of Force Majeure declared by such downstream facilities) on downstream facilities shall not be regarded as an event of Force Majeure. Further, it is specifically agreed by the Parties that the events and activities referenced in Article IX and Article XI.a.ii shall not be regarded as events of Force Majeure.

b. Notice. A Party which is unable, in whole or in part, to carry out its obligations under this agreement due to Force Majeure shall promptly give written notice to that effect to the other Parties stating the circumstances underlying such Force Majeure.

c. Resolution. A Party claiming Force Majeure shall use commercially reasonable efforts to remove the cause, condition, event or circumstance of such Force Majeure, shall give written notice to the other Parties of the termination of such Force Majeure and shall resume performance of any suspended obligation promptly after termination of such Force Majeure.

ARTICLE XXVI.

DISPUTE RESOLUTION PROCEDURE

a. With respect to any controversy or claim ("DISPUTE"), whether based on contract, tort, statute or other legal or equitable theory (including, but not limited to, any claim of fraud, misrepresentation or fraudulent inducement or any question of validity or effect of this Purchase and Sale Agreement including this clause) arising out of or related to this Purchase and Sale Agreement (including any amendments or extensions), or the breach or termination thereof, the Parties hereto shall in good faith attempt to settle such Dispute by consultation between senior management representatives of such Parties initiated by a

Party's ("SUBMITTING PARTY") delivery of written notice of the Dispute to the other Party (the "NON-SUBMITTING PARTY"). In the event such consultation does not settle the Dispute within thirty (30) Days after receipt of the written notice of such Dispute by the Non-Submitting Party, the Dispute shall be submitted to non-binding mediation. In the event the Parties are unable to settle the Dispute through use of mediation within thirty (30) Days of the commencement of such mediation, the Dispute shall be settled by binding arbitration in accordance with the Commercial Arbitration Rules of the AAA and this provision.

b. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. Sections 1-16 to the exclusion of any provision of state law inconsistent therewith, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction. Any arbitration proceeding hereunder will be conducted on a confidential basis.

The arbitration shall be held in Houston, Texas.

There shall be one (1) arbitrator. The Parties shall attempt jointly to select an arbitrator. If the Parties are unable or fail to agree upon an arbitrator within fifteen (15) Days after the commencement of arbitration, one shall be selected by AAA. The arbitration hearing shall occur no later than sixty (60) Days after selection of the arbitrator. The arbitrator shall determine the claims of the Parties and render a final award in accordance with the substantive law of the State of Texas, excluding the conflicts provisions of such law. Unless otherwise provided in this Purchase and Sale Agreement, the arbitrator shall not have the right or the ability to terminate this Purchase and Sale Agreement. The arbitrator shall set forth the reasons for the award in writing within ten (10) working Days after the close of evidence and any post-evidence briefing and arguments that may be agreed upon (which shall be concluded within fourteen (14) Days after close of evidence). The arbitrator shall not have the right to terminate this Purchase and Sale Agreement.

Any claim by a Party shall be time-barred if the Submitting Party commences arbitration with respect to such claim later than two (2) years after the receipt of the written notice of the Dispute by the Non-Submitting Party. All statutes of limitations and defenses based upon passage of time applicable to any claim of a defending Party (including any counterclaim or setoff) shall be tolled while the arbitration is pending.

The obligation to arbitrate any Dispute shall extend to the successors and assigns of the Parties. The Parties shall use their commercially reasonable efforts to cause the obligation to arbitrate any Dispute to extend to any officer, director, employee, shareholder, agent, trustee, affiliate, or subsidiary. The terms hereof shall not limit any obligations of a Party to defend, indemnify or hold harmless another Party against court proceedings or other claims, losses, damages or expenses.

The arbitrator shall order the Parties to promptly exchange copies of all exhibits and witness lists, and, if requested by a Party, to produce other relevant documents, to answer up to ten (10) interrogatories (including subparts), to respond to up to ten (10) requests for admissions (which shall be deemed admitted if not denied) and to produce for deposition and, if requested, at the hearing all witnesses that such Party has listed and up to four (4) other persons within such Party's control. Any additional discovery shall only occur by agreement of the Parties or as ordered by the arbitrator upon a finding of good cause.

Each Party shall bear its own costs, expenses and attorney's fees; provided that if court proceedings to stay litigation or compel arbitration are necessary, the Party who unsuccessfully opposes such proceedings shall pay all reasonable associated costs, expenses, and attorney's fees in connection with such court proceeding.

In order to prevent irreparable harm, the arbitrator shall have the power to grant temporary or permanent injunctive or other equitable relief. Prior to the appointment of an arbitrator a Party may, notwithstanding any other provision of this Purchase and Sale Agreement, seek temporary injunctive relief from any court of competent jurisdiction; provided that the Party seeking such relief shall (if arbitration has not already been commenced) simultaneously commence arbitration. Such court ordered relief shall not continue more than ten (10) Days after the appointment of the arbitrator (or in any event for longer than sixty (60) Days).

If any part of this arbitration provision is held to be unenforceable, it shall be severed and shall not affect either the duty to arbitrate or any other part of this provision.

ARTICLE XXVII.

CONFIDENTIALITY

a. Subject to Article XXVI.b below, the existence of this Purchase and Sale Agreement, its contents, and the discussions between the Parties regarding this Purchase and Sale Agreement are subject to the Confidentiality Agreement ("Confidentiality Agreement") dated January 10, 2001 by and between BHP and El Paso Energy Partners, L.P., a copy of which is attached hereto as Exhibit "B". To the extent of a permitted assignment or transfer, a Party may disclose the applicable portions of this Purchase and Sale Agreement and its contents to any bona fide, financially responsible, prospective assignee of any portion of such Party's interest in the Dedicated Leases, the Caesar System or Cameron Highway, provided that (i) such disclosing Party shall give the other Party to this Purchase and Sale Agreement not less than ten (10) Days prior written notice specifying the extent to which that Party intends to disclose this Purchase and Sale Agreement to the prospective assignee and (ii) the prospective assignee is bound by a written confidentiality agreement to not disclose any information regarding this Purchase and Sale Agreement or the Parties hereto, and such confidentiality agreement contains terms and provisions at least as stringent as those contained in the Confidentiality Agreement. Notwithstanding anything contained in this Article XXVII.a. to the contrary, BHP may not disclose the terms of this Purchase and Sale Agreement to Shell Pipeline Company, L.P.

b. Public announcements concerning the Transaction or this Purchase and Sale Agreement shall be subject to the applicable provisions of the Confidentiality Agreement; provided, that notwithstanding any applicable provisions in the Confidentiality Agreement, to the contrary, it is agreed and understood that, to the extent such announcement is required by applicable laws or securities exchange, market or similar rules, any Party is permitted to issue a press release or make a public announcement concerning the Transaction or the Purchase and Sale Agreement without the other Party's consent, in which case the disclosing Party shall provide an advance copy of the proposed public disclosure to the non-disclosing Party and permit the non-disclosing Party the opportunity to reasonably comment on such proposed disclosure.

ARTICLE XXVIII.

MISCELLANEOUS

a. NOTICES. All notices and other communications under this Purchase and Sale Agreement will be in writing and will be deemed to have been given (i) when received if given in person or by courier or a courier service, (ii) on the date of transmission if sent by facsimile or other wire transmission and receipt thereof is confirmed by telephone, or (iii) three (3) business Days after being deposited in the mail, certified or registered, postage prepaid:

if to CHOPS, addressed as follows:

Cameron Highway Oil Pipeline Company
Attn: Manta Ray Gathering Company, L.L.C., Operator
Four Greenway Plaza
Houston, Texas 77046
Attn: President
(832) 676-5666 (telephone)
(832) 676-1710 (facsimile)

if to BHP, addressed as follows:
BHP Billiton Petroleum (Deepwater) Inc.
1360 Post Oak Blvd., Suite 150
Houston, TX 77056

Attn: Vice President AODAT
(713)961-8500(telephone)
(713)961-8400(facsimile)

With a copy to:

BHP Billiton Petroleum (Deepwater) Inc.
1360 Post Oak Blvd., Suite 150
Houston, TX 77056

Attn: Joe Beaty
(713)961-8658 (telephone)
(713)961-8670 (facsimile)

Any Party may change any address to which notice is to be given to it by giving notice as provided above of such change of address.

b. INSURANCE. All Parties shall procure and maintain or cause to be procured and maintained all insurance or self-insurance in the types and amounts as required by applicable laws, rules and regulations, to provide coverage against such risks, which are the subject of this Purchase and Sale Agreement, as is either customarily carried by companies owning, operating or conducting similar business(es), or as deemed necessary and reasonably requested by the Parties from time to time.

c. TAXES. BHP shall be responsible for all applicable production, excise, sales, use or similar taxes and royalties on or with respect to the production, delivery and sale, of Crude Oil to CHOPS hereunder. BHP shall also be responsible for any tax, fee, or other charge levided against either BHP or CHOPS, pursuant to any federal, State, or local act or regulation for the purpose of creating a fund for the prevention, containment, clean up and/or removal of spills and/or the reimbursement of persons sustaining loss therefrom. CHOPS shall be responsible for all applicable excise, sales, use or similar taxes on or with respect to the delivery and sale to BHP of Crude Oil hereunder.

d. COMMINGLING. CHOPS shall have the right to commingle production from the Dedicated Leases with production from other properties, pipelines and facilities.

e. NO PARTNERSHIP AND NO FIDUCIARY OBLIGATIONS. Nothing herein is intended to create a partnership, joint venture, agency or other relationship creating fiduciary or quasi fiduciary duties or similar duties and obligations or otherwise subject the Parties to joint and several or vicarious liability or to impose any duty, obligation or liability that would arise therefrom with respect to any of the Parties.

f. ENTIRE AGREEMENT. This Purchase and Sale Agreement (including the Confidentiality Agreement, as amended herein) constitutes the entire agreement of the Parties as of the Effective Date with respect to the Transaction and supersedes (i) all prior oral or written proposals or agreements between the Parties, (ii) all contemporaneous oral proposals or agreements and (iii) all previous negotiations and all other communications or understandings between the Parties with respect to the subject matter hereof. Effective as of the Effective Date hereof, the Parties hereto terminate the MOU.

g. AMENDMENT, MODIFICATION AND WAIVER. This Purchase and Sale Agreement may be amended, modified, superseded or canceled, and any of the terms, covenants, representations, warranties or conditions hereof may be waived, only by a written instrument executed by the Parties. The failure of a Party at any time or times to require performance of any provisions hereof shall in no manner affect the right at a later time to enforce the same. No waiver by any Party of any condition, or of any breach of any term, covenant, representation or warranty contained in this Purchase and Sale Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of any breach of any other term, covenant, representation or warranty.

h. EXHIBITS AND ATTACHMENTS. All exhibits, attachments and the like contained herein or attached hereto are integrally related to this Purchase and Sale Agreement, and are hereby made a part of this Purchase and Sale Agreement for all purposes. In the event of a conflict between this Purchase and Sale Agreement and any of its exhibits and attachments, the terms of this Purchase and Sale Agreement shall control.

i. FEES AND EXPENSES. Each Party hereto shall bear and pay all costs and expenses incurred by it in connection with the negotiations contemplated by this Purchase and Sale Agreement.

j. INVALID TERMS. If any term or other provisions of this Purchase and Sale Agreement is determined to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms and conditions of this Purchase and Sale Agreement shall nevertheless remain in full force and effect. In the event a term or other provision of this Purchase and Sale Agreement is determined to be invalid, illegal or incapable of being

enforced, except as otherwise provided in Articles IX. or XI.a.ii., the Parties shall cooperate to develop a mutually acceptable alternative term or other provision that reflects the original intent of the Parties and maintains the commercial and economic benefits to the Parties.

k. FURTHER ASSURANCES. Subject to the terms and conditions set forth in this Purchase and Sale Agreement, each Party agrees to use its commercially reasonable efforts to take, or to cause to be taken, all actions, and to do, or to cause to be done, all things necessary, proper or advisable under applicable laws to consummate and make effective the Transactions contemplated by this Purchase and Sale Agreement. In case, at any time after the execution of this Purchase and Sale Agreement, any further action is necessary or desirable to carry out its purposes, the Parties will take or cause to be taken all such necessary action. More specifically, the Parties acknowledge that CHOPS or its Affiliates will be implementing certain bank financing arrangements with respect to Cameron Highway. BHP agrees to reasonably consider all documents required by CHOPS' or its Affiliates' lenders to facilitate such bank financing arrangements.

l. COUNTERPARTS. This Purchase and Sale Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Purchase and Sale Agreement and all of which, when taken together, will be deemed to constitute one and the same Purchase and Sale Agreement.

m. GOVERNING LAW. THIS PURCHASE AND SALE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO ANY CONFLICT OF LAW PRINCIPLES WHICH, IF APPLIED, MIGHT PERMIT OR REQUIRE THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION, AND THE PARTIES AGREE THAT THE PLACE OF EXECUTION OF THIS PURCHASE AND SALE AGREEMENT IS HARRIS COUNTY, TEXAS AND THAT VENUE WITH RESPECT TO ANY DISPUTE ARISING HEREUNDER OR IN CONNECTION HEREWITH SHALL LIE IN HOUSTON, HARRIS COUNTY, TEXAS.

n. INTERPRETATION. Whenever the context requires: the gender of all words used in this agreement includes the masculine, feminine, and neuter; a reference to any person or entity includes its permitted successors and assigns; the words "hereof," "herein," "hereto," "hereunder," and words of similar import when used in this agreement will refer to this agreement as a whole and not to any particular provisions of this agreement; articles and other titles or headings are for convenience only and neither limit nor amplify the provisions of the agreement itself, and all references herein to articles, sections or subdivisions thereof will refer to the corresponding article, section or subdivision thereof of this agreement unless specific reference is made to such articles, sections or subdivisions of another document or instrument; any reference to "includes" or "including" will mean "includes without limitation" or "including but not limited to," respectively; and any references in the singular will include references in the plural and vice-versa.

o. MISCELLANEOUS. Each Party declares (i) that it has contributed to the drafting of this Purchase and Sale Agreement or has had it reviewed by its legal counsel before executing it, (ii) that this Purchase and Sale Agreement has been purposefully drawn and correctly reflects such Party's understanding of the Transaction that it contemplates as of the Effective Date hereof, (iii) that this Purchase and Sale Agreement has been validly

executed and delivered, (iv) that this Purchase and Sale Agreement has been duly authorized by all action necessary for the authorization thereof, and (v) this Purchase and Sale Agreement constitutes a binding and enforceable obligation of such Party, enforceable in accordance with its terms.

IN WITNESS WHEREOF, the Parties hereto have caused this Purchase and Sale Agreement to be signed by their respective duly authorized representatives effective as of the day and year first written above.

CAMERON HIGHWAY OIL PIPELINE COMPANY	BHP BILLITON PETROLEUM (DEEPWATER) INC.
By: /s/ James Lytal	By: /s/ Bill R. McHoliek
Name: James Lytal	Name: Bill R. McHoliek
Title: President	Title: Vice President
Date: 6/23/03	Date: 6/23/03

EXHIBIT "A"

INITIAL DEDICATED LEASES AND DEDICATED PRODUCTION

	LEASES	BHP WORKING INTEREST
ATLANTIS	Green Canyon 698	44%
	Green Canyon 699	44%
	Green Canyon 700	44%
	Green Canyon 701	44%
	Green Canyon 742	44%
	Green Canyon 743	44%
	Green Canyon 744	44%
MAD DOG	Green Canyon 738	23.9%
	Green Canyon 739	23.9%
	Green Canyon 781	23.9%
	Green Canyon 782	23.9%
	Green Canyon 783	23.9%
	Green Canyon 785	23.9%
	Green Canyon 786	23.9%
	Green Canyon 787	23.9%

EXHIBIT "B"

CONFIDENTIALITY AGREEMENT

EXHIBIT "C"

QUALITY BANK RULES FOR CAMERON HIGHWAY OIL PIPELINE SYSTEM

MARKET BASED QUALITY BANK

SECTION I.

GENERAL

1. The purpose of this Market Based Quality Bank ("Quality Bank") is to mitigate damage and/or improvement to producers whose crude oil is purchased by CHOPS and commingled in Cameron Highway. Differences in the quality of all the producers' crude oil that are mixed within the common crude oil stream in Cameron Highway either increase or decrease the quality of the common crude oil stream. This Quality Bank charges the producer or pays the producer depending on the quality of the common crude oil stream and the quality of the producer's crude oil. Each producer will be required, as a condition of tendering, to participate in this Quality Bank.

2. API gravity and sulfur content are the quality parameters used to determine the relative value of each producer's receipt stream. Adjustment factors for gravity and sulfur are based upon a market price spread between Louisiana Light Sweet ("LLS") and Mars (see Section III-Current Month Gravity and Sulfur Adjustment Factors). The price spread is derived using Platt's spot price quote, high/low mean, posted average trade month (the 26th of the month two months prior to delivery through the 25th of the month one month prior to delivery, workdays only)("Trade Month").

3. Should a Platt's Quote for Cameron Highway common stream be established, it will replace Mars in the Quality Bank calculations, subject to the provisions of Section VI. -Periodic Review.

4. Any material changes to the Quality Bank, including proposed changes from a Periodic Review, must be approved by greater than a seventy percent (70%) vote of the producers then participating in this Quality Bank in order to effect the change. Each five hundred (500) Barrels of monthly average production (based on the monthly average of the twelve month period preceding the month the vote is taken) will have one vote.

Any group of producers with seventy percent (70%) of the volume on Cameron Highway may make a proposal to CHOPS providing for an alternate method and an explanation of why such alternate method provides a more accurate, actual market price to quality relationship than the then existing Quality Bank. CHOPS will retain the right to reject such proposal if CHOPS believes, in it's sole discretion after using good faith, reasonable efforts to analyze such proposal, that the proposal does not uphold the intent of the Quality Bank as stated in Paragraph 1 above in this Section I.

Notwithstanding any of the above, CHOPS may, at it's sole discretion, change any of the provisions of this Exhibit as necessary to comply with any governmental requirement, order or mandate and such change will be binding upon BHP and all participants upon proper notice thereof.

SECTION II.

Gravity and Sulfur Weighting Factors

1. Gravity and Sulfur weighting factors are used in establishing a price and quality relationship between different crude oil streams.

2. The weighting factors, to be used in calculating the GAF and SAF as defined in Section III, are as follows.

Gravity Weighting ("GW") = 31.5%

Sulfur Weighting ("SW") = 44.3%

SECTION III.

CURRENT MONTH GRAVITY AND SULFUR ADJUSTMENT FACTORS

1. The applicable delivery month Gravity Adjustment Factor ("GAF") and the applicable delivery month Sulfur Adjustment Factor ("SAF") are calculated using the following equations:

GAF = (GW x a) divided by b

SAF = (SW x a) divided by c

Where Gravity and Sulfur Weighting factors (GW and SW) are expressed as decimals and,

"a" = The price differential between the LLS Platt's Quote and the Mars Platt's Quote for the Trade Month.

"b" = The delivery month Gravity difference between LLS and Mars based on the gravity of LLS crude oil at the point of sale where "a" is determined, currently Capline's LLS receipt stream at St. James, Louisiana as calculated by Gravcap, minus the weighted average gravity of Mars at the point of sale where "a" is determined, currently Shell's composite gravity for Mars deliveries at Clovelly, LA.

"c" = The delivery month Sulfur difference between LLS and Mars based on the weighted average of sulfur of LLS crude oil at the point of sale where "a" is determined, currently Capline's LLS receipt stream at St. James, Louisiana as calculated by Gravcap, minus the weighted average sulfur of Mars at the point of sale where "a" is determined, currently Shell's composite sulfur for Mars deliveries at Clovelly, LA.

SECTION IV.

CALCULATION OF QUALITY BANK CREDIT/DEBIT

Quality Bank credit/debit adjustments between producers are computed as follows:

1. The applicable receipt Barrels and gravities are the delivery month actual net Barrels at sixty (60) degrees Fahrenheit (with no deductions for loss allowance) and the gravities recorded by CHOPS at the measurement facility where it customarily records gravities and quantities.

2. No compensation is given for gravity between 37 and 45 degrees API. For gravities of 45 API degrees and above, a "bend-over" disincentive is applied.

3. GRAVITY CREDIT/DEBIT CALCULATION

To compute the gravity credit/debit to be paid/received the following equation is used:

Gravity credit/debit = ((PG - WAG) multiplied by GAF) multiplied by T

Where,

"PG" = BHP's gravity based on the custody transfer tickets, subject to the Gravity Limits set out below.

"WAG" = The weighted average receipt gravity of the common stream for a given delivery Month. For Quality Bank calculation purposes, WAG is obtained by taking the sum of the products obtained by multiplying the gravity of each producer's point of receipt volume based on the custody transfer tickets (subject to the Gravity Limits set out below) by the number of net Barrels in each producer's receipt point volume, and divide the total resultant by the total net Barrels received during the given delivery month.

"T" = The total current month volume produced by BHP based on the custody transfer tickets.

Gravity Limits: When actual gravity exceeds 37 but is less than 45 degrees API, a Deemed Gravity of 37 degrees API is used in determining PG and WAG. When actual gravity is equal to or greater than 45 degrees API, a Deemed Gravity is used that is calculated by the formula: Deemed Gravity = 80 minus actual API gravity. In all other instances (gravity less than or equal to 37 API) the actual API gravity is used.

4. SULFUR CREDIT/DEBIT CALCULATION

To compute the sulfur credit/debit to be paid/received the following equation is used:

Sulfur credit/debit = ((WAS - PS) multiplied by SAF) multiplied by T

Where,

"PS" = BHP's Sulfur based on the custody transfer tickets.

"WAS" = The weighted average receipt sulfur of the common stream for a given delivery Month. WAS is obtained by taking the sum of the products obtained by multiplying the sulfur percentage (by weight) of each producer's point of receipt volume based on the custody transfer tickets by the number of net Barrels in each producer's point of receipt, and divide the total resultant by the total net Barrels received during the given delivery Month. Since there will be no minimum or maximum sulfur percentage limitations, this weighted average sulfur percentage calculation will be used for Quality Bank adjustment purposes.

"T" = The total current month volume produced by BHP based on the custody transfer tickets.

5. To obtain the total Quality Bank Credit/Debit add the Gravity and Sulfur credit/debit. Sample calculations are attached hereto as Table 1.

6. These calculations will be made for each delivery month and the algebraic sum of all the producers' credit/debit for Cameron Highway will be zero (+/- fifty Dollars). If a producer has a net debit balance in combining the two adjustments made above, the balance due will be remitted to CHOPS within fifteen (15) Days from receipt of statements of such debit. If a producer has a credit, the CHOPS will remit the amount thereof within 5 Days of receipt of all the payments due from those producers owing a debit.

SECTION V.

ADMINISTRATIVE

1. Capitalized terms, including "CHOPS" and "BHP," have the meanings defined in the Purchase and Sale Agreement to which this Exhibit is attached, unless the context dictates otherwise. Similarly, the term "producer" means an individual producer on Cameron Highway (collectively "producers").

2. CHOPS will include requirements for participation in the Quality Bank and procedures for calculating adjustments between producers in all contracts to be entered into with producers covering the purchase and sale of crude oil on Cameron Highway.

3. CHOPS will administer the Quality Bank and will perform the clearinghouse business of calculating and effecting adjustments, by a process of debits and credits and interchange of funds, among the producers of crude oil connected to Cameron Highway. CHOPS may subcontract any or all of the work associated with the Quality Bank, but by doing so CHOPS will not be relieved of any of its obligations hereunder.

4. CHOPS will perform necessary calculations and prepare appropriate statements for each producer as soon as the gravity, sulfur and price data is available.

5. CHOPS will be responsible, at its sole cost and expense, for determining and/or securing data on all gravities, sulfur contents, net Barrels of the crude oil received into Cameron Highway, and Platt's Quote prices. The gravities will be determined from the custody transfer receipt tickets written by the CHOPS. The sulfur content will be determined based on samples secured by the CHOPS from the composite sampler at the time the custody transfer receipt tickets are written. The gravity will be determined by ASTM 287 (Standard Test Method for API gravity of Crude Petroleum and Petroleum Products) and the sulfur content pursuant to ASTM D-2622 (ASTM D-4294 is acceptable if ASTM D-2622 is not available) (Standard Test Method for Sulfur in Petroleum Products).

6. If any producer fails to perform any Quality Bank payment obligation as established herein, CHOPS will make equivalent payment into the Quality Bank within five (5) Days of such failure, to enable distribution of funds to producers due credits. CHOPS will, however, have the right to withhold payment of or offset against, any moneys due such failing producer pursuant to the Purchase and Sale Agreement between the producer and CHOPS to recover or otherwise fulfill any and all of producer's Quality Bank payment obligations.

7. CHOPS agrees that all transfers of interest in Cameron Highway will be made subject to this Agreement and will require the transferee to assume as to such interest all of the obligations of CHOPS under this Agreement which accrue on or after the effective date of the transfer.

8. Notwithstanding anything to the contrary set forth in Article XVI of the Agreement, inasmuch as CHOPS has agreed to operate the Quality Bank without profit, and except to the extent resulting from the gross negligence or willful misconduct of CHOPS, BHP hereby fully releases and agrees to indemnify the CHOPS from all claims, actions and demands for loss by, or damage to, CHOPS or BHP arising out of, in connection with, or as an incident to any act or omission, including any negligence, of the CHOPS or its employees, agents or contractors, in the administration of the Quality Bank. Neither CHOPS nor BHP will be liable to CHOPS or other producers, or to any third person, in respect to obligations or liabilities incurred by CHOPS or other producers in connection with their separate business unrelated to said Cameron highway, and obligations to CHOPS or BHP under this Agreement are several and not joint or in solido to CHOPS or other producer.

9. Any individual producer, or his representative, will, at any time during normal business hours and upon reasonable notice, have access to the books, accounts and records of CHOPS for the purpose of verifying that CHOPS is operating the process of adjustments and determining values in accordance with the provisions of this Quality Bank. Samples used for Quality Bank calculations will be retained by CHOPS for 60 days following the month in which the samples were obtained. Cost of such individual audits will be borne by the producer(s) requesting the audit.

SECTION VI.

PERIODIC REVIEW

1. The Quality Bank will be periodically reviewed and updated in accordance with the following:

   - Immediately prior to the date when Cameron Highway common stream replaces Mars crude oil as a component of differential market price, in order to re-establish adjustment factors and verify satisfactory correlation of an updated database.

   - At any time a quality parameter other than gravity or sulfur significantly affects the pricing of the Cameron Highway common stream, or the pricing of LLS or Mars (if Mars is then currently being used as the proxy to Cameron Highway common stream).

   - Every five years following April 30, 2002, to determine if the market for database crude oil types or the Cameron Highway common stream has changed sufficiently to warrant modifications of the adjustment factors or formulas used by the Quality Bank.

2. In any subsequent review of the Quality Bank, the Cameron Highway common stream will be incorporated into the crude oil database if sufficient independently published price data are available. Other crude oils commonly marketed on the

USGC may also be added at this time if required to expand the range of the crude oil database to ensure it encompasses the full range of gravity and sulfur applicable to crude oil streams that might be introduced into the pipeline system. These other crude oils will only be added if appropriate pricing data from an independent source is available covering the specified period.

3. The following criteria will be used in assembling a historical database.

- It will include commercially traded Gulf of Mexico originating crude oil streams (types) that are representative of the U.S. Gulf Coast ("USGC") market and for which there are sufficient published price data.

Import crude oils that routinely compete in the USGC market will be added to the historical database to cover the full range of key quality parameters anticipated to be seen in the pipeline system.

- If pricing data is based on transactions, such pricing must be continuously available from publicly available sources for the crude oils used, and ideally cover one (multiple preferred) pricing cycle.

- Accurate assay data on the crude oils must be available.

- Certain crude oils will be excluded from the database based on the characteristics listed below, provided that (i) such characteristic is not taken into account in the Quality Bank and (ii) the Cameron Highway common stream does not, or is not expected to, have such characteristic.

  - Crude oils that are not chemically similar.

  - Crude oils that are known to routinely contain contaminants, to a degree that market price is significantly affected.

  - Crude oils whose assays indicate they are not whole crude oils.

4. A historical database will contain, at a minimum, the prices, API gravity and sulfur content of each selected crude oil type. To the extent possible, the database should contain crude oil types which encompass the full range of gravity and sulfur applicable to crude oil streams that might be introduced into the pipeline system and provide sufficient variation of the key quality parameters to yield a robust Quality Bank. It is expected the database will include the most recently available monthly data for a minimum period encompassing not less than one complete crude oil pricing cycle or twelve consecutive months, whichever is greater. The database will be extended to a longer period if the required data are available, provided that the database will not be extended beyond sixty (60) months unless a determination is made that market conditions and transportation costs do not distort the older data.

5. For the purpose of correlating the key quality parameters to price, the published crude oil price for each crude oil type will be adjusted to a commonly accepted market clearing location on the USGC for that type. . All costs that are reasonably expected to be incurred in transporting each crude oil from its usual marketing center to the selected market clearing location, using predominant and efficient transportation, will serve as the basis for such adjustments.

6. All transportation costs will be based on arms-length transactions, and will exclude discounted or contract rates (such as those requiring minimum shipments over a specified period of time). If pipeline tariffs are not published then purchase and sale (buy/sell) differentials may be substituted, provided that such differentials are known or can be reasonably estimated from trade experience or market pricing.

7. Other types of adjustments to deal with different pricing bases and timing biases may be made as reasonably determined to be necessary or convenient.

TABLE 1
SAMPLE CALCULATION OF CHOPS QUALITY BANK

GRAVITY AND SULFUR WEIGHTING FACTORS

		GRAVITY LIMITS	
		API Gravity	Deemed Gravity
GRAVITY WEIGHTING (GW) =	31.50%	37 or less	API Gravity
SULFUR WEIGHTING (SW) =	44.30%	Between 37 - 45	37 API
		45 or greater	80 - API

PLATT'S PRICING AND TESTED QUALITY (Platt's Quote = Average Trade Month High/Low Mean, Workdays Only)

Month	Crude	Platt's Quote	Gravity	Sulfur
Mar-02	LLS	$ 20.76	38.60	0.31%
Mar-02	Mars	$ 18.37	29.90	1.93%
Difference		$ 2.39	8.70	-1.62%

CURRENT MONTH GRAVITY AND SULFUR ADJUSTMENT FACTORS

a = LLS - Mars Price Differential =	$ 2.3900
b = LLS - Mars Gravity Differential =	8.70
c = Mars - LLS Sulfur Differential =	1.62
GAF = (GW times a) divided by b =	$0.086534 per degree API
SAF = (SW times a) divided by c =	$0.653562 per % sulfur

CALCULATION OF QUALITY BANK CREDIT/DEBIT

GRAVITY	T (Prod Vol in Bbls)	API Grav	PG (Prod Gravity)	Bbls X PG	PG - WAG (Grav Difference)	GRAVITY CREDIT / (DEBIT)
Producer A	4,200,000.00	22.8	22.80	95,760,000	(3.881667)	($1,410,771.67)
Producer B	2,100,000.00	37.5	37.00	77,700,000	10.318333	$1,875,072.44
Producer C	1,500,000.00	24.7	24.70	37,050,000	(1.981667)	($ 257,223.75)
Producer D	450,000.00	32.5	32.50	14,625,000	5.818333	$ 226,568.91
Producer E	750,000.00	60.0	20.00	15,000,000	(6.681667)	($ 433,645.93)
Total	9,000,000.00			240,135,000		($ 0.00)
		WAG =	26.681667	= Weighted Avg PG		

SULFUR	T (Prod Vol in Bbls)	PS (Prod wt% Sulfur)	Bbls X PS	WAS - PS (Sulfur Difference)	SULFUR CREDIT / (DEBIT)
Producer A	4,200,000.00	2.96	12,432,000	(0.945000)	($2,593,986.50)
Producer B	2,100,000.00	0.99	2,079,000	1.025000	$1,406,791.62
Producer C	1,500,000.00	1.98	2,970,000	0.035000	$ 34,311.99
Producer D	450,000.00	1.12	504,000	0.895000	$ 263,221.99
Producer E	750,000.00	0.20	150,000	1.815000	$ 889,660.90
Total	9,000,000.00		18,135,000		$ 0.00
	WAS =	2.015000	= Weighted Avg PS		

CREDIT / (DEBIT) = PAYMENT FROM / (TO) BANK

TOTAL	Gravity	Sulfur	Total
Producer A	($ 1,410,771.67)	($ 2,593,986.50)	($ 4,004,758.17)
Producer B	$ 1,875,072.44	$ 1,406,791.62	$ 3,281,864.06
Producer C	($ 257,223.75)	$ 34,311.99	($ 222,911.76)
Producer D	$ 226,568.91	$ 263,221.99	$ 489,790.90
Producer E	($ 433,645.93)	$ 889,660.90	$ 456,014.98
Total	($ 0.00)	$ 0.00	($ 0.00)

EXHIBIT "D"

MEMORANDUM OF AGREEMENT AND RECORDABLE AGREEMENT

I. PURPOSE. This Recordable Agreement dated as of _____, 2003, (this "AGREEMENT") is executed to (i) bind the parties hereto to the agreements and covenants contained herein and (ii) effect notice to third parties of the agreements and covenants contained herein and in that certain Purchase and Sale Agreement entered into as of even date herewith (the "PURCHASE AND SALE AGREEMENT"), by and between Cameron Highway Oil Pipeline Company ("COMPANY"), on the one hand, and BHP Billiton Petroleum (Deepwater) Inc. ("PRODUCER"), on the other hand.

II. DESCRIPTION OF THE PROPERTY. This Agreement and the Purchase and Sale Agreement affect all of Producer's right, title and interest (whether now owned or hereafter acquired during the term of this Agreement) in and to any hydrocarbons or crude oil ("OIL"), underlying the lands located offshore Louisiana, Gulf of Mexico, Outer Continental Shelf, in the areas and blocks listed below (collectively, the "DEDICATED LEASES"):

Areas	Blocks
Green Canyon	698
Green Canyon	699
Green Canyon	700
Green Canyon	701
Green Canyon	742
Green Canyon	743
Green Canyon	744
Green Canyon	738
Green Canyon	739
Green Canyon	781
Green Canyon	782
Green Canyon	783
Green Canyon	785
Green Canyon	786
Green Canyon	787

For purposes of this Agreement, "DEDICATED PRODUCTION" includes all of the Oil now or hereafter owned by Producer that is produced from the Dedicated Leases.

III. CONSIDERATION. Producer and Company executed and entered into this Agreement and the Purchase and Sale Agreement for and in consideration of, among other things, the execution of, and the premises and mutual covenants contained in, this Agreement and the Purchase and Sale Agreement, including, without limitation, the agreements described in Articles IV-VII below, and other good nd valuable consideration (the receipt and sufficiency of which is hereby confirmed and acknowledged).

IV. TENDER AND COMMITMENT OF PRODUCTION. Producer permanently tendered and committed (subject to the terms and conditions of the Purchase and Sale Agreement), and Producer hereby permanently tenders and commits, to Company for delivery to, and gathering by, Company all Oil owned by Producer and produced, saved and marketed from the Dedicated Leases. In addition, Producer agreed, and agrees, that any attempted assignment or transfer of any interest in such production will be null and void unless such transfer includes an express provision stating that such assignment or transfer is made

subject to the terms of this Agreement and the Purchase and Sale Agreement and the transferee agrees to be bound by the terms and conditions of this Agreement and the Purchase and Sale Agreement.

V. AGREEMENT TO BE BOUND. Company and Producer have executed and entered into this Agreement and the Purchase and Sale Agreement for the consideration herein described and hereby agree that the terms and conditions of this Agreement and the Purchase and Sale Agreement contain all necessary terms and conditions for the agreements described herein to be binding upon the parties hereto, and Company and Producer agree to be bound by the terms and conditions of this Agreement and the Purchase and Sale Agreement. Company and Producer acknowledge and agree that (i) this Agreement has been executed in addition to the Purchase and Sale Agreement and not as a replacement, supplement or other amendment to any of the terms and conditions in the Purchase and Sale Agreement and (ii) the Purchase and Sale Agreement contains terms and conditions similar to those described herein and covering the subject matter hereof as well as other terms and conditions. The terms and conditions of this Agreement and the Purchase and Sale Agreement will be construed together; provided, however, that the terms and conditions contained in the Purchase and Sale Agreement will govern and control any conflicts, ambiguities or inconsistencies between the terms and conditions of this Agreement and the Purchase and Sale Agreement.

VI. NAMES AND ADDRESSES OF PARTIES:

If to Company to:
Cameron Highway Oil Pipeline Company
Four Greenway Plaza
Houston, Texas 77046
Telephone: (832) 676-5666
Telecopy: (832) 676-1710

If to Producer to:
BHP Billiton Petroleum (Deepwater) Inc.
1360 Post Oak Blvd., Suite 150
Houston, Texas 77056
Attn: Vice President AODAT
Telephone: (713)961-8500
Telecopy: (713)961-8400
With a copy to:
BHP Billiton Petroleum (Deepwater) Inc.
1360 Post Oak Blvd., Suite 150
Houston, Texas 77056
Attn: Joe Beaty
Telephone: (713)961-8658
Telecopy: (713)961-8670

VII. MISCELLANEOUS. This Agreement (i) may be executed in multiple counterparts, each of which, when executed, will be deemed an original, and all of which will constitute but one and the same instrument, (ii) may enforced by specific performance and (iii) WILL BE GOVERNED BY TEXAS LAW TO THE EXTENT THE LAW OF ANOTHER JURISDICTION IS NOT REQUIRED TO BE APPLIED. Subject to the provisions of this Agreement and the Purchase and Sale Agreement, any Party may transfer, assign or otherwise alienate any or all of its rights, title or interest under this Agreement (such transfers will hereinafter be referred to as "assignments") to any other Person with or without the consent of all of the other Parties; provided, however, that no such assignment will be effective as to the nonassigning Party or Parties until the assigning Party has delivered written notice of such assignment to all nonassigning Parties.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Parties have hereunto executed this Agreement as of the date first written in the Preamble.

COMPANY
CAMERON HIGHWAY OIL PIPELINE COMPANY

By:_____

Printed Name:_____

Title:_____

PRODUCER
BHP BILLITON PETROLEUM (DEEPWATER) INC.

By:_____

Printed Name:_____

Title:_____

STATE OF [TEXAS/LOUISIANA]
COUNTY OF _____

This instrument was acknowledged before me on _____, 2003, by _____, the _____ of Cameron Highway Oil Pipeline Company on behalf of said partnership.

_____

Notary Public, State of Texas

STATE OF [TEXAS/LOUISIANA]
COUNTY OF _____

This instrument was acknowledged before me on _____, 2003, by _____, the _____ of BHP Billiton Petroleum (Deepwater) Inc., on behalf of said company.

_____

Notary Public, State of Texas

EXHIBIT "E"
OIL QUALITY SPECIFICATIONS

1. Crude Oil delivered by Producer to CHOPS under the terms of this Purchase and Sale Agreement will conform to the specifications and operating conditions required by other refineries, terminals or pipelines downstream of the Delivery Point(s) and Additional Delivery Points ultimately receiving the Crude Oil (the "Downstream Facilities") and will meet the following specifications except if the specifications of the Downstream Facilities should be more stringent

(a) Viscosity, Gravity, and Pour Point. The Crude Oil must be good and merchantable Crude Oil of such viscosity, gravity and pour point such that it will be readily susceptible for movement through Cameron Highway, and subject to the Quality Bank set forth in Exhibit C, will not materially affect or damage the quality of other shipments or cause disadvantage to other shippers and/or CHOPS. No Crude Oil will be accepted for purchase which has a pour point greater than 40 degrees Fahrenheit or viscosity greater than 400 Saybolt Universal Seconds at 60 degrees Fahrenheit unless under terms and conditions acceptable to CHOPS.

(b) Basic Sediment, Water and Other Impurities. The Crude Oil will not have a content consisting of more than one percent (1%) of basic sediment, water or other impurities. CHOPS reserves the right to reject Crude Oil containing more than one percent (1%) of basic sediment, water, and other impurities, except that sediment and water limitations of a connecting carrier may be imposed upon CHOPS when such limits are less than that of CHOPS, in which case the limitations of the connecting carrier will be applied.

(c) Vapor Pressure. The Crude Oil will not have a Reid Vapor Pressure (RVP) of more than 8.6 pounds per square inch. During the winter months (October through November), Crude Oil with a maximum RVP of 9.6 will be accepted. Crude Oil with a maximum RVP above 9.6 may be accepted at the discretion of Cameron Highway.

(d) Refined. The Crude Oil will not have been partially refined or altered in any way so as to impact its value.

(e) Contamination. The Crude Oil will not have been contaminated by the presence of any chemicals, chlorinated and/or oxygenated hydrocarbons, arsenic, or other metals; provided, however, that this Section 1(f) will not prohibit Producer's use of corrosion/paraffin inhibitors, asphaltene dispersants or demulsifiers in its platform or pipeline operations. The Crude Oil will not

have been contaminated by the presence of methanol. Producer will contact CHOPS prior to subsea well start-up, well unloading operations, and other procedures requiring the use of methanol.

2. If any Crude Oil delivered and sold by Producer to CHOPS hereunder fails at any time to conform to the applicable specifications above, then, subject to 5(a) below, CHOPS will immediately have the right to discontinue purchasing such non-conforming Crude Oil so long as such Crude Oil continues to be non-conforming. In any event, Producer will undertake commercially reasonable measures to eliminate the cause of such non-conformance. Producer will be held responsible for any disposal required and/or expenses incurred in CHOPS' handling of such non-conforming Crude Oil.

3. Assay. Upon initial start up of production, a laboratory analysis of Crude Oil will be submitted to CHOPS by Producer and will include API gravity, Reid vapor pressure, pour point, sediment and water content, sulfur content, viscosity at 60 and 100 degrees Fahrenheit, and other characteristics as may be required by CHOPS.

4. CHOPS reserves the right to periodically sample and test the quality of the Crude Oil delivered by Producer at the Receipt Point(s). CHOPS shall be responsible for all costs attributable to such periodic sampling and testing.

5. To the extent CHOPS must discontinue redelivery of Cameron Highway common stream Crude Oil to one or more of the Delivery Points and Additional Delivery Points as a result of Producer's non-conformance hereunder, Producer and CHOPS agree to the following:

(a) If Producer is the sole party nominating deliveries to such Delivery Point(s) and Additional Delivery Points that is not accepting the common stream, CHOPS will continue to accept and redeliver Producer's Crude Oil to the other Delivery Point(s) and Additional Delivery Points that are accepting the common stream until such time as CHOPS is required to again deliver Crude Oil to any Delivery Point or Additional Delivery Point that is not accepting the common stream by another party delivering conforming Crude Oil. It being the intent of both of the Parties that CHOPS will continue to accept and redeliver Producer's Crude Oil so long as redeliveries can be made to any Delivery Point and any Additional Delivery Point and Cameron Highway does not have to curtail its deliveries to any Delivery Point or Additional Delivery Point due to Producer's non-conformance.

(b) If third-party conforming Crude Oil is nominated to any Delivery Point or Additional Delivery Point that is not accepting the common stream, CHOPS will immediately have the right to discontinue purchasing Crude Oil so long as such Crude Oil continues to be non-conforming. In any event, Producer will undertake commercially reasonable measures to eliminate the cause of such non-conformance.

CAMERON HIGHWAY

PURCHASE AND SALE AGREEMENT

THIS CAMERON HIGHWAY PURCHASE AND SALE AGREEMENT dated effective the 23rd day of June, 2003 (the "Effective Date"), by and between UNION OIL COMPANY OF CALIFORNIA ("UNOCAL") and CAMERON HIGHWAY OIL PIPELINE COMPANY ("CHOPS") (hereinafter "Purchase and Sale Agreement"). UNOCAL and CHOPS are individually referred to herein as a "Party", and collectively as "Parties".

WITNESSETH:

WHEREAS, UNOCAL is a working interest owner in certain offshore oil and gas leases located in the Southern Green Canyon Area of the Gulf of Mexico, and along with its co-working interest owners in the leases are developing or are planning to develop the associated fields for the production of oil and gas as further described herein;

WHEREAS, subject to the terms of the Construction Agreement (as defined in "Definitions"), CHOPS will construct and install (or cause the construction and installation of) a crude oil pipeline ("Cameron Highway") and connect such pipeline with a deepwater Crude Oil pipeline ("Caesar Pipeline System") to be constructed by Caesar Oil Pipeline Company, LLC ("Caesar") from the Southern Green Canyon Area at Ship Shoal Block 332 ; and

WHEREAS, CHOPS will purchase crude oil produced by UNOCAL from the offshore leases described above and resell volumes of crude oil to UNOCAL at agreed delivery points, all as set forth in this Purchase and Sale Agreement (such purchase and sale arrangements collectively referred to as the "Transaction"); and

WHEREAS, the Parties have agreed to undertake such activities necessary to consummate the Transaction in accordance with the terms stated herein.

NOW THEREFORE, in consideration of the premises and the mutual promises and covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, and intending hereby to be legally bound, the Parties hereby agree to the following principal terms and conditions of the Transaction:

DEFINITIONS

Capitalized terms used in this Purchase and Sale Agreement that are defined in this Purchase and Sale Agreement shall have the meanings ascribed to them herein. As used in this Purchase and Sale Agreement, the initially capitalized terms listed below shall have the following meanings:

"AAA" shall mean the American Arbitration Association.

"API" shall mean American Petroleum Institute.

"ADDITIONAL DELIVERY POINT" shall mean each of the following points to be established on Cameron Highway, where CHOPS shall deliver Crude Oil to UNOCAL (or its designees) upon nomination of any such point by UNOCAL in accordance with the terms of this Agreement: the Premcor Refinery, Premcor's Lucas Terminal and Valero Energy

Company's Texas City Refinery, and such other mutually agreed to points, such agreement not to be unreasonably withheld. Deliveries to all Additional Delivery Points shall be through a direct connection with Cameron Highway and such Additional Delivery Point.

"ATLANTIS" shall mean Green Canyon Blocks 698, 699, 700, 701, 742, 743 and 744, Gulf of Mexico.

"BARREL" shall mean forty-two (42) U.S. gallons at a temperature of 60 degrees F and 0 PSIA.

"BASE GAS PRICE" shall mean the Henry Hub gas price as published in the first of the month issue of FERC's Inside Gas Market Report for the then current month of fuel purchases.

"BASE OIL PRICE" shall mean Platt's Oilgram Mars monthly average price (Trading) per Barrel. Platt's prices are as quoted in Platt's Oilgram and are calculated from the 26th of the month, two (2) months prior to the month of delivery through the 25th of the month, one (1) month prior to delivery, excluding weekends and holidays.

"BHP" shall mean BHP Billiton Petroleum (Deepwater) Inc., a Delaware corporation.

"BP" shall mean BP Exploration & Production Inc.

"BONA FIDE REQUEST" shall have the meaning ascribed to such term in Article VIII.a.i of this Purchase and Sale Agreement.

"BOPD" shall mean Barrels of Crude Oil per Day.

"BTU" or "British Thermal Unit" shall mean the amount of heat required to raise the temperature of one (1) pound of water one degree (1 degree) Fahrenheit at sixty degrees (60 degrees) Fahrenheit at a pressure of 14.73 PSIG and determined on a gross, dry basis.

"CAESAR PIPELINE SYSTEM" shall mean the approximately sixty (60) miles of twenty-eight inch (28") offshore Crude Oil pipeline and all related laterals and equipment and facilities to be owned, constructed and installed by Caesar or its designee(s) that will extend from the area of the Initial Dedicated Leases to SS 332 where it will connect into Cameron Highway and could potentially extend to other platforms and/or interconnect with other pipelines.

"CAMERON HIGHWAY" shall mean the offshore Crude Oil pipeline and all related equipment and facilities to be constructed and owned by CHOPS that will extend from SS 332 to the Delivery Points (as such term is defined herein) but shall not include any extensions, expansions or additions to such offshore Crude Oil pipeline which are not described in this Purchase and Sale Agreement. Such pipeline shall be used by CHOPS to purchase and sell the Crude Oil under this Purchase and Sale Agreement.

"CAMERON HIGHWAY COMPLETION DATE" shall mean the date on which Cameron Highway is Fully Operational.

"CHOPS" shall mean Cameron Highway Oil Pipeline Company, a Delaware general partnership.

"CHOPS GROUP" shall mean CHOPS and its affiliates, subsidiaries, co-owners and joint venturers its and their respective employees, officers, directors, representatives, agents, contractors and subcontractors

"CONFIDENTIALITY AGREEMENT" shall have the meaning ascribed to such term in Article XXVII.

"CONSTRUCTION AGREEMENT" shall mean that certain Construction Agreement dated of even date herewith between BP, Mardi Gras, GTM and CHOPS.

"CONTRACT QUARTER" shall mean a consecutive three (3) month period. The first such Contract Quarter shall begin with the month that production commences from the first of the Dedicated Leases to commence production and ends at the beginning of the next calendar quarter.

"CRUDE OIL" shall mean the liquid hydrocarbon production from wells, or a blend of such, in its natural form, not having been enhanced or altered in any manner or by any process, other than those processes that normally occur on an offshore production facility, that would result in misrepresentation of its true value for adaptability to refining as a whole Crude Oil.

"DAY" shall mean a period of twenty-four (24) consecutive hours, beginning and ending at 7:00 AM (CST).

"DEDICATED LEASES" shall mean the (i) Initial Dedicated Leases, as described on Exhibit "A", and (ii) leases underlying other offshore fields that UNOCAL has the right to dedicate to this Purchase and Sale Agreement pursuant to Article IV. hereof, and which shall be added to Exhibit "A".

"DEDICATED PRODUCTION" shall mean the first volumes of Crude Oil produced from the Dedicated Leases up to the applicable UNOCAL MDQ that are (i) owned by UNOCAL (or its successors or assigns, and/or (ii) with respect to royalty volumes of Crude Oil owned and/or taken in kind by the Minerals Management Service, controlled by UNOCAL.

"DELIVERY POINT(S)" shall mean the following points where CHOPS shall deliver Crude Oil to UNOCAL (its designee(s)): BP Products North America Inc.'s ("BP Products") Texas City Refinery, TEPPCO Seaway Terminal ("Seaway") at Texas City, Sun Marine Terminal ("Sun") in Nederland, UNOCAL Pipeline Company's Beaumont Terminal ("Unocal Pipeline"). Deliveries to all Delivery Points shall be through a direct connection" with Cameron Highway and such Delivery Point.

"DISPUTE(S)" shall have the meaning ascribed to such term in Article XXVI.a. hereof.

"EFFECTIVE DATE" shall have the meaning ascribed to it in the preamble to this Purchase and Sale Agreement.

"EPFS" shall mean El Paso Field Services, L.P., a Delaware limited partnership.

"EPN" shall mean El Paso Energy Partners, L.P., a Delaware limited partnership, predecessor to GTM.

"EXCESS PRODUCTION" shall mean Crude Oil produced from the Dedicated Leases in excess of the Dedicated Production that is (i) owned by UNOCAL (or its successor or assigns), and/or (ii) with respect to royalty volumes of Crude Oil owned and/or taken in kind by the Minerals Management Service, controlled by UNOCAL. Such Excess Production is not required to be delivered or sold to Cameron Highway under the terms of this Purchase and Sale Agreement.

"FERC" shall have the meaning ascribed to it in Article IX hereof.

"FINANCIALLY CAPABLE ENTITY" shall have the meaning ascribed to it in Article XXII.a.i.(C).

"FIRM" shall mean not subject to interruption or curtailment except in the event of Force Majeure or as provided in Article X.b hereof.

"FORCE MAJEURE" shall have the meaning set forth in Article XXV.

"FULLY OPERATIONAL" shall mean that the Cameron Highway pipeline system, including all Delivery Point(s), is completed, active and operational such that it is capable of receiving all Dedicated Production at the Receipt Point(s) and delivering an equivalent volume of Crude Oil at the Delivery Point(s).

"GTM" shall mean GulfTerra Energy Partners, L.P., a Delaware limited partnership, and successor to EPN.

"GTM SUB" shall have the meaning ascribed to it in Article XXII.a.i.(A).

"GB 72" shall mean the existing platform owned by GTM located in Garden Banks Block 72, Gulf of Mexico.

"HOLSTEIN" shall mean Green Canyon Blocks 644 and 645, Gulf of Mexico.

"INITIAL DEDICATED LEASES" shall mean the leases underlying Mad Dog.

"INITIAL RECEIPT POINT" shall mean the Receipt Point between the Caesar System and Cameron Highway on SS 332, specifically the insulating flange located immediately upstream of the custody transfer meter located on SS 332.

"INTERCONNECT AGREEMENT" shall mean that certain Offshore Facilities Interconnection, Construction and Operating Agreement dated of even date herewith between Caesar, Manta Ray Gathering Company, L.L.C., GTM and CHOPS.

"MAD DOG" shall mean Green Canyon Blocks 738, 739, 781, 782, 783, 825, 826 and 827, Gulf of Mexico.

"MARDI GRAS" shall mean Mardi Gras Transportation System Inc., a Delaware corporation.

"MMBTU" shall mean one million (1,000,000) BTUs.

"MOU" shall mean that certain Cameron Highway Memorandum of Understanding between EPN and UNOCAL effective February 12, 2002.

"NON-SUBMITTING PARTY" shall have the meaning ascribed to such term in Article XXVI.a.

"OCSLA" shall mean the Outer Continental Shelf Lands, Act (43 U.S.C.Sections 1331 et seq.) as in effect on February 12, 2002, the Effective Date of the MOU.

"OPERATIONAL" shall mean that the Cameron Highway pipeline system is active and operational such that it is capable of receiving all Dedicated Production at the Receipt Point(s) and delivering an equivalent volume of Crude Oil to one (1) or more of the Delivery Point(s).

"PARTY OR PARTIES" shall have the meanings ascribed to such terms in the preamble to this Purchase and Sale Agreement.

"PORT ARTHUR LATERAL" shall mean the twenty-four inch (24") pipeline segment from HI A-5 "C" to the Sun and Unocal Pipeline Delivery Points, with an initial capacity of 350,000 BOPD expandable to 400,000 BOPD.

"POSEIDON" shall mean Poseidon Oil Pipeline Company, L.L.C., a Delaware limited liability company.

"POSEIDON PIPELINE" shall mean the crude oil pipeline system owned by Poseidon that consists of (i) 117 miles of pipeline extending from the GB 72 to SS 332, (ii) 122 miles of pipeline extending from SS 332 to Houma, Louisiana, (iii) 32 miles of pipeline extending from Ewing Bank Block 873 to South Timbalier Block 212, and (iv) 17 miles of pipeline extending from Garden Banks Block 260 to South Marsh Island Block 205, as such pipeline system may be modified or extended. Poseidon Pipeline is operated by GTM.

"PSIA" shall mean pounds per square inch absolute.

"PSIG" shall mean pounds per square inch gauge.

"RECEIPT POINT(S)" shall mean the point(s) including, without limitation, the Initial Receipt Point, where CHOPS shall receive and purchase Crude Oil from UNOCAL.

"REQUIRED COMMENCEMENT DATE" shall have the meaning ascribed to such term in Article XI.c hereof.

"SS 332" shall mean either (i) a new platform to be located in Ship Shoal Block 332, Gulf of Mexico and to be constructed, installed and owned by CHOPS; or (ii) the existing platform owned by Atlantis Offshore, LLC located in Ship Shoal Block 332, Gulf of Mexico, as determined pursuant to the Interconnect Agreement.

"ST 301" shall mean the platform owned by Shell Offshore Inc. located in South Timbalier Block 301, Gulf of Mexico.

"SUBMITTING PARTY" shall have the meaning ascribed to such term in Article XXVI.a hereof.

"TEXAS CITY LATERAL" shall mean the twenty-four inch (24") pipeline segment from HI A-5 "C" to the Seaway and Amoco Oil Delivery Points, with an initial capacity of 350,000 BOPD expandable to 400,000 BOPD.

"TRANSACTION" shall have the meaning ascribed to such term in the preamble to this Purchase and Sale Agreement.

"UNOCAL" shall mean Union Oil Company of California a California corporation.

"UNOCAL CORP SUB" shall have the meaning ascribed to it in Article XXII.b.ii.

"UNOCAL GROUP" shall mean UNOCAL and its affiliates, subsidiaries, co-working interest owners, members and joint venturers and the respective employees, officers, directors, representatives, agents, contractors and subcontractors of each.

"UNOCAL MDQ" shall mean the maximum daily quantity of Dedicated Production CHOPS is required to accept and purchase from UNOCAL on a Firm basis at the Receipt Point(s) each Day, as further described in this Purchase and Sale Agreement.

"UNOCAL PRODUCTION" shall mean Dedicated Production and Excess Production, collectively.

ARTICLE I.

CONSTRUCTION OF CAMERON HIGHWAY

CHOPS shall construct and install Cameron Highway pursuant to the Construction Agreement and allow connection with the Caesar System as provided in the Interconnect Agreement.

ARTICLE II.

CHOPS PURCHASE FROM UNOCAL

a. CHOPS agrees to receive and purchase on a Firm basis, all Dedicated Production delivered by UNOCAL at the Receipt Point(s). If requested by UNOCAL, CHOPS shall receive and purchase Excess Production on an interruptible basis to the extent capacity is available on Cameron Highway. Unless another Receipt Point is mutually agreed to by the Parties, the UNOCAL Production from the Initial Dedicated Leases shall be received and purchased by CHOPS at the Initial Receipt Point. UNOCAL shall be responsible for costs to deliver its Crude Oil, including UNOCAL Production, to the Initial Receipt Point.

b. UNOCAL shall have the right to add Receipt Point(s) in the future at locations on Cameron Highway for the receipt of Crude Oil owned by UNOCAL and produced from leases other than the Initial Dedicated Leases, provided that UNOCAL and CHOPS agree upon the terms and conditions of an interconnect agreement outlining the design, construction, responsibilities and reimbursements for the facilities, and there is available capacity on Cameron Highway.

ARTICLE III.

CHOPS SALE TO UNOCAL

a. CHOPS shall sell and deliver to UNOCAL, and UNOCAL shall receive and purchase from CHOPS, on a Firm basis, at the Delivery Point(s) and, as applicable, the Additional Delivery Points, Crude Oil equivalent in volume to the volume delivered by UNOCAL to CHOPS at the Receipt Point(s) pursuant to Article II. adjusted for pipeline loss or gain allowance as described in Article XIII hereof. CHOPS shall be responsible for the costs to deliver the Crude Oil from the Receipt Point(s) to the Delivery Point(s) and, as applicable, Additional Delivery Points. UNOCAL will negotiate in good faith and in a timely manner with CHOPS to establish a Cameron Highway delivery point at UNOCAL Pipeline Company's Beaumont Terminal under commercially reasonable terms. CHOPS shall be responsible for the design, cost, construction and installation of the twenty-four inch (24") pipeline to UNOCAL Pipeline Company's Beaumont Terminal.

ARTICLE IV.

DEDICATION OF PRODUCTION

a. UNOCAL hereby dedicates the Dedicated Production produced from the Initial Dedicated Leases to Cameron Highway. Except as otherwise expressly provided in this Purchase and Sale Agreement, such dedication shall be for the commercial life of production from the Initial Dedicated Leases. UNOCAL reserves the rights and quantities of Dedicated Production sufficient to satisfy the following: the right to deliver royalty oil in kind to lessors of the Dedicated Leases; the right to process such Dedicated Production prior to delivery to CHOPS by the use of such processes that normally occur on an offshore production facility; the right to operate the Dedicated Leases free from any control by CHOPS, including without limitation, the right (but not the obligation) to drill new wells, to repair and rework old wells, to shut in wells, plug and abandon wells and to relinquish any or all of the Dedicated Leases in whole or in part; and the right to use such Dedicated Production for pipeline fill on Cameron Highway and the Caesar System.

b. Except as otherwise expressly provided in this Purchase and Sale Agreement, the foregoing dedication of the Initial Dedicated Leases by UNOCAL shall be an interest running with the land and shall be binding upon the successors and assigns of UNOCAL. The Parties agree to promptly execute and file a memorandum of agreement and recordable agreement in the form of Exhibit "D", together with all documents in the chain of title (including applicable leases and assignments of interests) for the Dedicated Leases, with the MMS and in the county and parish records of the appropriate jurisdictions.

c. Subject to available capacity on Cameron Highway, UNOCAL shall have the right to dedicate Crude Oil produced from other offshore leases it owns an interest in under this Purchase and Sale Agreement. At UNOCAL's request, such other leases in which UNOCAL owns an interest and dedicates to this Purchase and Sale Agreement within a period of ten (10) years from the date of initial delivery by CHOPS of Dedicated Production to a Delivery Point or Additional Delivery Point, as applicable, hereunder shall receive the same terms and conditions applicable to the Initial Dedicated Leases. Such dedication shall be for the commercial life of production from such Dedicated Leases. The Parties agree that the rights granted to UNOCAL under this Article IV.c. shall be rights granted only to, and exercisable by, UNOCAL (and not to permitted assignees of UNOCAL); provided, however, that to the extent Crude Oil from other offshore leases is dedicated hereunder pursuant to the terms of this Article IV.c. prior to a permitted assignment by UNOCAL of an interest in such Dedicated Leases, then following such permitted assignment, such Dedicated Production shall continue to receive the same terms and conditions as were applicable to such Dedicated Production prior to such assignment; provided, that such assignment is treated in accordance with Article XXIV.

ARTICLE V.

WARRANTY OF TITLE TO CRUDE OIL

a. UNOCAL hereby represents and warrants that, it has good and marketable title and the right and authority to deliver to CHOPS, all Crude Oil to be delivered by UNOCAL to CHOPS at the Point(s) of Receipt hereunder. UNOCAL represents and warrants

that all Crude Oil delivered by UNOCAL hereunder shall be free and clear of all liens, encumbrances and claims whatsoever and AGREES TO RELEASE, PROTECT, DEFEND, INDEMNIFY AND HOLD HARMLESS CHOPS, its affiliates, and their officers, directors, employees, agents and representatives against all losses incurred by such party on account of any such liens, encumbrances and claims. UNOCAL hereby represents and warrants that, as of the date this Purchase and Sale Agreement is executed, UNOCAL owns the applicable working interest share in each of the Dedicated Leases as listed on Exhibit "A" hereof.

b. CHOPS represents and warrants that it has the right and authority to deliver to UNOCAL at the Delivery Point(s) and Additional Delivery Points, all Crude Oil delivered to Unocal hereunder. CHOPS represents and warrants that all such Crude Oil from the time of receipt to the time of delivery by CHOPS shall be free and clear of all liens, encumbrances and claims whatsoever and AGREES TO RELEASE, PROTECT, DEFEND, INDEMNIFY AND HOLD HARMLESS UNOCAL, its affiliates and their respective officers, directors, employees, agents and representatives against all losses incurred by such party on account of any such liens, encumbrances and claims.

ARTICLE VI.

MAXIMUM DAILY QUANTITIES

a. As early as reasonably practicable in order to provide CHOPS reasonable time to contract available space on Cameron Highway with third parties and affiliated exploration and production companies, but in no event later than five (5) Days prior to the first Day of each calendar month, UNOCAL shall give CHOPS written notice of the UNOCAL MDQ for the succeeding month, which shall equal one of the following UNOCAL MDQ levels:

i)	Level 1	-	12,500 BOPD
ii)	Level 2	-	10,000 BOPD
iii)	Level 3	-	7,500 BOPD

Such minimum five (5) Day notice period may be changed with the agreement of UNOCAL and CHOPS based on safety or environmental concerns or the final Cameron Highway nomination deadline. Notwithstanding the foregoing and subject to the terms of this Purchase and Sale Agreement, CHOPS shall be obligated to receive and purchase from UNOCAL a minimum volume of Dedicated Production up to the applicable UNOCAL MDQ.

b. If on any Day, UNOCAL does not deliver Dedicated Production to Cameron Highway equal to the applicable UNOCAL MDQ selected by UNOCAL pursuant to Article VI.a. above, CHOPS shall have the right to utilize such unused capacity on a fully interruptible basis.

c. Dedicated Production delivered to the Receipt Point(s) by UNOCAL that is produced from Dedicated Leases other than the Initial Dedicated Leases shall be credited against the applicable UNOCAL MDQ so long as deliveries by UNOCAL have not exceeded the applicable UNOCAL MDQ at the time such additional Dedicated Production is delivered to the Receipt Point(s) and there is UNOCAL MDQ capacity available because UNOCAL does not have the production available from the Initial Dedicated Leases to fulfill its UNOCAL MDQ obligations.

d. UNOCAL shall have the right to deliver Crude Oil that has not been dedicated to this Purchase and Sale Agreement to the Receipt Point(s), and if capacity on Cameron Highway is available, UNOCAL shall have the right to require CHOPS to enter into an interruptible purchase and sale arrangement for such Crude Oil with differentials no greater than those contained in Article XII. The right to deliver Crude Oil that has not been dedicated to this Purchase and Sale Agreement and receive differentials no greater than those contained in Article XII. shall be a right granted only to, and exercisable by, UNOCAL (and not to permitted assignees of UNOCAL); provided, however, that to the extent an interruptible purchase and sale arrangement for such Crude Oil is entered into pursuant to this Article VI.e prior to a permitted assignment by UNOCAL of an interest in such Crude Oil, then following such permitted assignment, such Crude Oil shall continue to receive the same differentials under such interruptible purchase and sale arrangement as were applicable to such interruptible purchase and sale arrangement prior to such assignment; provided, that such assignment is treated in accordance with Article XXIV.

e. Except as provided in Article VIII. hereof, CHOPS shall not enter into any firm purchase and sale arrangements if such arrangements would reasonably be expected by a reasonable and prudent operator to jeopardize the ability of such operator to accept and purchase, on a Firm basis, the volume of Crude Oil equivalent to Level 1 of the UNOCAL MDQ levels set forth in Article VI.a. above, at the Receipt Point(s) from UNOCAL hereunder.

f. At UNOCAL's request, CHOPS shall provide UNOCAL then current and up-to-date information regarding the aggregate contracted firm and interruptible throughput of Cameron Highway.

ARTICLE VII.

INCREASE IN UNOCAL MDQ

a. Notwithstanding anything to the contrary contained herein, at UNOCAL's request (to be accompanied by supporting data reasonably satisfactory to CHOPS) and to the extent capacity is available on Cameron Highway, CHOPS shall increase (i) Level 1 of the UNOCAL MDQ Levels set forth in Article VI.a. to any amount less than or equal to 15,000 BOPD, and the remaining two (2) Levels of the UNOCAL MDQ Levels shall remain unchanged, and (ii) to the extent UNOCAL requests that Level 1 of the UNOCAL MDQ Levels be increased in excess of 15,000 BOPD, all of the remaining two (2) Levels of the UNOCAL MDQ Levels shall be increased by the same amount that the increase in Level 1 exceeds 15,000 BOPD. Upon such increase in the applicable Level(s) of the UNOCAL MDQ Levels, CHOPS shall be obligated to receive and purchase Dedicated Production at the Receipt Point(s) at such increased Levels and sell the equivalent volume of Crude Oil to UNOCAL (as provided in Article III.a. above) at the Delivery Point(s) and Additional Delivery Points, all on a Firm basis as provided in this Purchase and Sale Agreement. The terms related to an increase in UNOCAL MDQ, and the rights related thereto, shall be rights granted only to, and exercisable by, UNOCAL (and not to permitted assignees of UNOCAL); provided, however, that to the extent an increase in any UNOCAL MDQ Level has occurred pursuant to this Article VII.a. prior to a permitted assignment by UNOCAL of an interest in the Dedicated Leases and/or Dedicated Production, such increase in UNOCAL MDQ Level(s) shall continue in effect following such permitted assignment provided that such assignment and the allocation of such MDQ amounts are treated in accordance with Article XXIV.

b. In addition, subject to Article VII.c. below, it is agreed by UNOCAL and CHOPS that in the event UNOCAL has delivered Crude Oil equivalent to the applicable UNOCAL MDQ and wishes to deliver Dedicated Production from Dedicated Leases other than the Initial Dedicated Leases, then upon the dedication of such other Dedicated Leases, CHOPS shall increase Level 1 of the UNOCAL MDQ Levels set forth in Article VI.a. in order to accommodate such additional Dedicated Production; provided, that in no event shall Level 1 exceed 15,000 BOPD unless all remaining two (2) Levels of the UNOCAL MDQ Levels are increased by the same volume as the amount Level 1 was increased in excess of 15,000 BOPD.

c. In the event capacity on Cameron Highway is not available for CHOPS to receive and purchase Crude Oil at such increased UNOCAL MDQ Levels as requested by UNOCAL in accordance with Article VII.a. and Article VII.b above, CHOPS shall not unreasonably refuse to expand Cameron Highway to accommodate such additional volumes of Dedicated Production, provided such expansion is commercially reasonable and economically viable for Cameron Highway in CHOPS' sole discretion. CHOPS shall demonstrate such non-viability of such expansion to UNOCAL if CHOPS determines that such expansion of Cameron Highway is not commercially reasonable and/or economically viable for Cameron Highway. In such event, CHOPS and UNOCAL shall use good faith efforts to jointly develop a transaction that is commercially reasonable and economically viable for Cameron Highway and UNOCAL.

ARTICLE VIII.

REDUCTION IN UNOCAL MDQ

a. In the event there has not been an increase, in accordance with Article VII. above, in Level 1 of the UNOCAL MDQ Levels resulting in Level 1 being greater than 12,500 BOPD, CHOPS shall have the right to request that UNOCAL reduce, temporarily or permanently, all three (3) Levels of the UNOCAL MDQ Levels set forth in Article VI.a. above so long as each of the conditions precedent contained in Article VIII.a. below have been satisfied:

i. Conditions Precedent:

(A) Forty-eight (48) calendar months must have elapsed since the date of the first receipts and purchase of Dedicated Production from UNOCAL by CHOPS on Cameron Highway;

(B) Except for reasons of Force Majeure or the failure of CHOPS for any reason to receive and purchase all volumes of Crude Oil delivered by UNOCAL at the Receipt Point(s), UNOCAL has not utilized a minimum of 85% of Level 1 of the UNOCAL MDQ Levels for at least nine (9) of the immediately preceding twelve (12) calendar months;

(C) CHOPS can demonstrate to the reasonable satisfaction of UNOCAL that CHOPS has received a bona fide request from any party, for a firm purchase and sale arrangement on Cameron Highway and such request includes a life of lease dedication by such party with respect to all leases from which Crude Oil subject to such arrangement will be produced (a "BONA FIDE REQUEST");

(D) UNOCAL is unable to demonstrate to CHOPS (with data that reasonably supports such contention) that UNOCAL has or will have the ability to consistently deliver to the Receipt Point(s) Crude Oil equivalent to Level 1

of the UNOCAL MDQ Levels set forth in Article VI.a. above during the immediately following twelve (12) month period taking into consideration (i) the then current level of Dedicated Production actually being produced from the Dedicated Leases, and (ii) any volumes of Crude Oil that will become Dedicated Production that UNOCAL reasonably anticipates will be produced from the Dedicated Leases or from leases that UNOCAL reasonably anticipates to develop and dedicate to the Purchase and Sale Agreement (as provided in Article IV. hereof), within the immediately following twelve (12) months; provided that UNOCAL reasonably believes the field will be developed; and

(E) CHOPS has demonstrated to the reasonable satisfaction of UNOCAL that CHOPS has diligently and in good faith requested reductions in maximum daily quantities on a pro rata basis, from all other parties with firm purchase and sale arrangements on Cameron Highway that are not utilizing their MDQ, and (b) CHOPS still cannot fulfill the Bona Fide Request.

ii. If each of the conditions precedent contained in Article VIII.a.i. above have been satisfied, each of the three (3) Levels of the UNOCAL MDQ Levels shall be reduced by an amount equal to the minimum amount required to fulfill such Bona Fide Request; provided, that in no event shall the reduction in Level 1 of the UNOCAL MDQ Levels reduce such Level 1 lower than 110% of the sum of (x) the then current amount of Dedicated Production being produced, plus (y) any additional Crude Oil that will become Dedicated Production that UNOCAL reasonably anticipates will be produced from the Dedicated Leases or from leases that UNOCAL reasonably anticipates it will dedicate in the future to the Purchase and Sale Agreement as provided in Article IV. hereof in the immediately following twelve (12) month period. CHOPS shall demonstrate to the reasonable satisfaction of UNOCAL that the reduction in the three (3) UNOCAL MDQ Levels satisfies this Article VIII.a. The differentials set forth in Article XII.a. hereof for the UNOCAL MDQ Levels shall remain applicable following any reduction in such levels as provided in this Article VIII.a.

b. In the event there has been an increase, in accordance with Article VII. above, in Level 1 of the UNOCAL MDQ Levels resulting in Level 1 being greater than 12,500 BOPD, CHOPS shall have the right to request that UNOCAL reduce, temporarily or permanently, Level 1 of the UNOCAL MDQ Levels so long as CHOPS can demonstrate to the reasonable satisfaction of UNOCAL that CHOPS has received a bona fide request from any party for a firm purchase and sale arrangement on Cameron Highway. If CHOPS has received such a bona fide request, and CHOPS requests that UNOCAL reduce Level 1 of the UNOCAL MDQ Levels, UNOCAL shall elect to either (i) reduce Level 1 of the UNOCAL MDQ Levels by an amount equal to the lesser of (x) the amount required to fulfill such third party request or (y) the amount of the then current Level 1 that is in excess of 12,500 BOPD, or (ii) maintain the then current amount of Level 1 of the UNOCAL MDQ Levels and increase each of Levels 2 through 3 by an amount equal to the amount of Barrels that were required to fulfill such request. The differentials set forth in Article XII.a. Levels 1 through 3 of the UNOCAL MDQ Levels shall remain applicable following any reduction in such Level(s) as provided in this Article VIII.b.

c. In the event there has been an increase, in accordance with Article VII. above, in Level 1 of the UNOCAL MDQ Levels resulting in Level 1 being greater than 12,500 BOPD, CHOPS shall have the right to request that UNOCAL reduce, temporarily, Level 1 of the UNOCAL MDQ Levels so long as CHOPS can demonstrate to the reasonable satisfaction of UNOCAL that CHOPS has received a bona fide request from any party or for an interruptible purchase and sale arrangement not to exceed three (3) calendar months on Cameron Highway. If CHOPS has received such a request, and CHOPS requests that UNOCAL reduce Level 1 of the UNOCAL MDQ Levels, UNOCAL shall elect to either (i) reduce Level 1 of the UNOCAL MDQ Levels for such interruptible arrangement period (not to exceed

three (3) calendar months) by an amount equal to the lesser of (x) the amount required to fulfill such request or (y) the amount of the then current Level 1 that is in excess of 12,500 BOPD, or (ii) maintain the then current amount of Level 1 of the UNOCAL MDQ Levels and, for the duration of the proposed interruptible arrangement period (not to exceed three (3) calendar months), increase Levels 2 through 3 by an amount equal to the amount of Barrels that were required to fulfill such request. The differentials set forth in Article XII.a. for Levels 1 through 3 of the UNOCAL MDQ Levels shall remain applicable following any reduction in such Level(s) as provided in this Article VIII.c. At the end of such interruptible arrangement period (not to exceed three (3) calendar months), all Levels of the UNOCAL MDQ Levels shall automatically revert to their respective volumetric levels effective on the date immediately preceding such reduction.

d. With respect to all potential reductions in the UNOCAL MDQ Levels described in this Article VIII., in the event CHOPS has not entered into a valid, binding and effective firm or interruptible, as the case may be, purchase and sale arrangement with such requesting party effectuating the request within sixty (60) Days of the effective date of the reduction of the applicable UNOCAL MDQ Level(s), then all such UNOCAL MDQ Levels will automatically revert to their respective volumetric levels effective on the date immediately preceding such reduction.

ARTICLE IX.

CAMERON HIGHWAY REGULATAORY STATUS

Regardless of the ultimate regulatory status of Cameron Highway, subject to the terms contained in this Purchase and Sale Agreement and the Construction Agreement, CHOPS shall construct and install Cameron Highway. If CHOPS is unable for any reason to establish and maintain the Cameron Highway system as a private pipeline system, the Parties agree that in lieu of this Purchase and Sale Agreement, they shall enter into a form of agreement under which CHOPS shall effectuate receipt at the Receipt Point(s) and delivery to the Delivery Points and Additional Delivery Points of (i) Dedicated Production, subject to applicable law, on a Firm basis, and (ii) Excess Production and other non-dedicated Crude Oil, on an interruptible basis, as provided in this Purchase and Sale Agreement, attempting to preserve as many of the terms and conditions contained in this Purchase and Sale Agreement as possible, and on the same economic basis for UNOCAL and CHOPS as agreed to in this Purchase and Sale Agreement. Without limiting the terms of the foregoing sentence, the Parties further agree that to the extent the Federal Energy Regulatory Commission ("FERC") requires a pro rata allocation of firm capacity on Cameron Highway under OCSLA, the terms of Articles XI.a.ii. and XI.d. shall apply. UNOCAL agrees that it will not support, or take any action, or commence or participate in support of any proceeding before any court or governmental authority, seeking (i) pro rata allocation of firm capacity on Cameron Highway pursuant to, without limitation, the OCSLA, (ii) to have Cameron Highway determined to be subject to the jurisdiction of any governmental authority, or (iii) to challenge the lawfulness or reasonableness of any of the fee differentials or other rates contained herein.

ARTICLE X.

CURTAILMENT PRIORITIES ON CAMERON HIGHWAY

a. CHOPS shall not oversubscribe the capacity on Cameron Highway so that firm purchase and sale arrangements would reasonably be expected by a reasonable and

prudent operator to be curtailed. However, if it becomes necessary to curtail Crude Oil on Cameron Highway, as provided in this Purchase and Sale Agreement, CHOPS shall curtail in the following order: (i) all interruptible Crude Oil arrangements shall be curtailed on a pro rata basis, and completely curtailed if necessary to fulfill all firm purchase and sale arrangements, and (ii) after all interruptible Crude Oil arrangements are curtailed as provided in (i) above if it is apparent that such curtailment is not sufficient to enable CHOPS to fulfill all firm purchase and sale arrangements, such Crude Oil subject to firm purchase and sale arrangements shall be curtailed pro rata based on the then effective maximum daily quantities of all valid firm purchase and sale arrangements. CHOPS shall use commercially reasonable efforts to minimize the time period of any curtailments of Dedicated Production.

b. The Parties agree that CHOPS may temporarily curtail purchases of Dedicated Production due to routine operations and maintenance on Cameron Highway; provided that, CHOPS shall exercise reasonable diligence to schedule routine operations and maintenance so as to as nearly as possible avoid service interruptions and shall not schedule such operations during periods of peak demand. To the extent known by CHOPS, CHOPS shall notify UNOCAL in writing of the routine operations and maintenance projects that CHOPS has planned for each upcoming year, and shall immediately notify UNOCAL of any unplanned routine operations and maintenance projects. For the duration of any actual curtailment of any Dedicated Production, Unocal shall have the right to sell any quantities of Dedicated Production curtailed pursuant to this Article X.b. on other pipelines and incur no penalties hereunder; provided, however, Unocal shall recommence delivery of any such curtailed Dedicated Production to Cameron Highway hereunder within ten days (10) of notification from CHOPS.

c. To the extent that nominations for Crude Oil on either the Port Arthur or the Texas City Lateral exceed the capacity on such lateral, CHOPS shall curtail Crude Oil on such affected lateral in the following order: (i) all interruptible Crude Oil arrangements on such lateral shall be curtailed on a pro rata basis, and completely curtailed if necessary to fulfill all firm purchase and sale arrangements on such lateral, and (ii) after all interruptible Crude Oil arrangements on such lateral are curtailed as provided in subsection (i) of this Article X.c., if it is apparent that such curtailment is not sufficient to enable CHOPS to fulfill all firm purchase and sale arrangements on such lateral, such Crude Oil subject to firm purchase and sale arrangements on such lateral shall be curtailed pro rata based on the then effective maximum daily quantities of all valid firm purchase and sale arrangements on such lateral. In the event of such a curtailment, the curtailed volumes will nominated for redelivery via the other lateral subject to available capacity. Further, if such allocation of capacity continues for a period of one hundred eighty (180) consecutive Days, then within the following sixty (60) Days, CHOPS shall initiate a plan to expand the capacity of either the Port Arthur Lateral or the Texas City Lateral; provided, that such expansion is commercially reasonable and economically viable for Cameron Highway in CHOPS' sole reasonable discretion. Such plan shall be implemented within one hundred eighty (180) Days after the expiration of the sixty (60) Day period referenced above.

ARTICLE XI.

RELEASE OF DEDICATED PRODUCTION

a. Certain quantities of Dedicated Production shall be temporarily released from dedication under this Purchase and Sale Agreement in accordance with the following:

i. In the event the Cameron Highway Completion Date has not occurred by the commencement of production from one or more of the Dedicated Leases, then the quantities of Dedicated Production that CHOPS is unable to receive and purchase shall be temporarily released;

ii. If at any time during the terms of this Purchase and Sale Agreement, (x) the FERC requires a pro rata allocation of firm capacity on Cameron Highway under the OCSLA, or (y) CHOPS curtails Crude Oil on Cameron Highway as a direct response to a claim or threatened claim of any party under the OCSLA; then the Parties agree that to the extent such pro rata allocation results in CHOPS not being able to receive and purchase all of the Dedicated Production delivered by UNOCAL at the Receipt Point(s) and sell and deliver an equivalent volume of Crude Oil at the Delivery Point(s) and Additional Delivery Points, then quantities of Dedicated Production that CHOPS is unable to receive and purchase shall be temporarily released; and

iii. In the event that UNOCAL at any time attempts to deliver to Cameron Highway any quantity of the Dedicated Production, and, other than for reasons described in Articles XI.a.i. and XI.a.ii. above or a breach by UNOCAL of this Purchase and Sale Agreement, CHOPS fails to receive and purchase from UNOCAL all of such quantity, then the quantity of Dedicated Production that CHOPS is unable to receive and purchase shall be temporarily released.

b. Each of the following shall apply to any temporary release of Dedicated Production pursuant to Article XI.a. above:

i. Except as otherwise provided in this Article XI., UNOCAL shall have no obligations under this Purchase and Sale Agreement with respect to such temporarily released quantities of Dedicated Production during the applicable temporary release period described in Article XI.b.iv. below.

ii. UNOCAL shall have the right to deliver and/or sell such temporarily released quantities of Dedicated Production to any other Crude Oil pipelines without penalty hereunder and with no liability to CHOPS except as expressly provided in the following Article XI.b.iii;, provided that CHOPS shall be under no obligation to expend any funds to facilitate such deliveries to other Crude Oil pipelines.

iii. Except as set forth in the immediately following sentence, Article XI.g. below shall not apply to such temporarily released quantities of Dedicated Production, and in no event shall UNOCAL be obligated to compensate CHOPS for any such temporarily released quantities of Dedicated Production delivered to alternative pipelines. However, notwithstanding the foregoing, to the extent any quantity of Dedicated Production is temporarily released pursuant to the terms of Article XI.a.iii. above for reasons of the failure of the Dedicated Production to meet the quality specifications contained in Exhibit "E", and UNOCAL diverts all or part of such temporarily released quantity to another pipeline, then such temporarily released and diverted quantity of Dedicated Production shall be treated as if UNOCAL, in its sole discretion, elected to divert such quantity of Dedicated Production to the other pipeline(s) pursuant to the terms of Article XI.g., and in such case, UNOCAL shall pay CHOPS the differential described in Article XI.g.

iv. (x) In the event of a temporary release of Dedicated Production pursuant to Article XI.a.i. or XI.a.ii., CHOPS shall give UNOCAL ten (10) Days prior written notice of the effective date on which CHOPS is able to receive and purchase the temporarily released volumes of Dedicated Production tendered by UNOCAL at the Receipt Point(s) and sell and deliver an equivalent volume of Crude Oil at the Delivery Point(s) and Additional Delivery Points. Upon receipt by UNOCAL of such notice, such temporary release shall continue no longer than the remainder of the calendar month in which UNOCAL receives such written notice and the succeeding calendar month. UNOCAL shall commence deliveries to Cameron Highway of all volumes of Dedicated Production that were previously released, that CHOPS is then able to receive and purchase immediately upon the termination of the period described in the immediately preceding sentence.

(y) (A.) In the event of temporary release of Dedicated Production pursuant to Article XI.a.iii., if such temporary release has been in effect for fewer than twenty (20) consecutive Days, CHOPS shall give UNOCAL forty-eight (48) hours prior written notice of the effective date on which CHOPS is able to receive and purchase any portion of the temporarily released volumes of Dedicated Production tendered by UNOCAL at the Receipt Point(s) and sell and deliver an equivalent volume of Crude Oil at the Delivery Point(s) and Additional Delivery Points. Upon receipt of such notice by UNOCAL, such temporary release shall continue no longer than forty-eight (48) hours following such notice. UNOCAL shall commence deliveries to Cameron Highway of all volumes of Dedicated Production that were previously released, that CHOPS is then able to receive and purchase, immediately upon the termination of the period described in the immediately preceding sentence.

(B.) In the event of a temporary release of Dedicated Production pursuant to Article XI.a.iii., if such temporary release has been in effect for twenty (20) or more consecutive Days, the notice provisions and the timing of the termination of the temporary release shall be in accordance with Article XI.b.iv.x. above.

c. i. In the event the Cameron Highway Completion Date has not occurred by 12:01 AM on August 15, 2004, as such date may be adjusted pursuant to Article XI.h. below, (the "Required Commencement Date"), with respect to Dedicated Production temporarily released pursuant to Article XI.a.i. above, subject to Article XI.f., then CHOPS shall pay UNOCAL, as liquidated damages, $0.63 per Barrel for all such temporarily released quantities of Dedicated Production delivered and/or sold by UNOCAL to alternative Crude Oil Pipelines during the period commencing on the Required Commencement Date and extending until the Cameron Highway Completion Date:.

ii. In the event the Cameron Highway Completion Date has not occurred by the Required Commencement Date, subject to Article XI.f., then CHOPS shall pay UNOCAL, as liquidated damages, the following amounts per Barrel of Dedicated Production received and purchased by CHOPS at the Receipt Point(s) and redelivered

to UNOCAL hereunder during the period commencing on the Required Commencement Date and extending until the Cameron Highway Completion Date:

x. $0.50 per Barrel to the extent that deliveries of Dedicated Production to UNOCAL can be made by CHOPS at only one (1) of the Delivery Point(s), except to the extent that one (1) Delivery Point is BP Products Texas City Refinery ("BP Products Refinery") and UNOCAL does not actually utilize the BP Products Refinery Delivery Point, in which case such damages amount shall be $0.63 per Barrel, or

y. $0.35 per Barrel to the extent that deliveries of Dedicated Production to UNOCAL can be made by CHOPS at only two (2) of the Delivery Point(s), except to the extent that one (1) of the two Delivery Point(s) is the BP Products Refinery and UNOCAL does not actually utilize the BP Products Refinery Delivery Point, in which case such damages amount shall be $0.50 per Barrel, or

z. $0.05 per Barrel to the extent that deliveries of Dedicated Production to UNOCAL can be made by CHOPS at only three (3) of the Delivery Point(s), except to the extent that two (2) of such Delivery Point(s) are located in Port Arthur and one (1) of such Delivery Point(s) is the BP Products Refinery and UNOCAL does not actually utilize the BP Products Refinery Delivery Point, in which case such damages amount shall be $0.25 per Barrel.

Notwithstanding anything contained in this Article XI.c.ii. to the contrary, if UNOCAL Pipeline Company's Beaumont Terminal is one of the available Delivery Point(s) specified in Articles XI.c.ii.x, XI.c.ii.y, and XI.c.ii.z, the liquidated damages amounts specified in Articles XI.c.ii.x, XI.c.ii.y, and XI.c.ii.z above shall be reduced by $0.10 per Barrel: provided, however, such liquidated damages amount shall not be less than $0.00. CHOPS shall not be obligated to pay liquidated damages to UNOCAL for temporarily released volumes of Dedicated Production that are delivered to alternative oil pipelines by UNOCAL prior to the Required Commencement Date. If CHOPS anticipates, in its sole reasonable judgment, that the Cameron Highway Completion Date will not occur by August 15, 2004, as adjusted pursuant to Article XI.h. below, CHOPS will provide UNOCAL written notice of same forty-five (45) days prior to the Cameron Highway Completion Date, as such date may be adjusted pursuant to Article XI.h. below.

d. With respect to Dedicated Production temporarily released pursuant to Article XI.a.ii above, subject to Article XI.f., CHOPS shall pay UNOCAL, as liquidated damages, (i) to the extent the then applicable UNOCAL MDQ Level is equal to or less than 12,500 BOPD, $0.63 per Barrel for all such temporarily released quantities of Dedicated Production delivered and/or sold by UNOCAL to alternative Crude Oil pipelines, and (ii) to the extent the then applicable UNOCAL MDQ Level is greater than 12,500 BOPD, (x) $0.63 per Barrel for any such temporarily released quantities that are within the first 12,500 BOPD of Dedicated Production produced on such Day that are delivered and/or sold by UNOCAL to alternative Crude Oil pipelines, or (y) no amount of liquidated damages for any such temporarily released quantities that are in excess of the first 12,500 BOPD of Dedicated Production produced on such Day that are delivered and/or sold by UNOCAL to alternative Crude Oil pipelines.

e. With respect to Dedicated Production temporarily released pursuant to Article XI.a.iii. above, CHOPS shall not be liable to, or obligated to pay, UNOCAL any amounts with respect to such temporarily released quantities.

f. Notwithstanding the terms of Articles XI.c. and XI.d., if UNOCAL has not commenced deliveries of Dedicated Production from the Mad Dog field to the Receipt Point(s) on or before August 15, 2004, then beginning August 15, 2004 and continuing until such date that deliveries of Dedicated Production from the Mad Dog field are received and purchased by CHOPS at the Receipt Point(s), CHOPS shall not be liable to or obligated to pay, UNOCAL any amounts of liquidated damages described in Articles XI.c. and XI.d. The rights to receive liquidated damages and other payments from CHOPS as described in this Article XI. shall be rights granted only to, and exercisable by, UNOCAL (and not to permitted assignees of UNOCAL); provided, however that the rights to have Dedicated Production temporarily released shall be rights exercisable by UNOCAL and its permitted assignees. Notwithstanding anything to the contrary contained herein, the rights to have Dedicated Production temporarily released, to receive liquidated damages and other payments, and to receive the other rights expressly granted in this Article XI., shall be the sole and exclusive remedies (whether under contract or at law or equity) of UNOCAL with respect to any temporary release of Dedicated Production or related event.

g. After the Cameron Highway Completion Date, UNOCAL in its sole discretion shall have the right to divert all or part of the Dedicated Production to other pipelines in lieu of delivery to Cameron Highway as provided in this Article XI.g. In such case, and except as expressly provided otherwise in this Purchase and Sale Agreement, UNOCAL shall pay CHOPS the differential that corresponds to the applicable UNOCAL MDQ Level for such diverted volumes of Dedicated Production. Notwithstanding anything to the contrary contained in this Purchase and Sale Agreement, this Article XI.g. shall not apply to (a) Excess Production or (b) except as provided in Article XI.b.iii, temporarily released Dedicated Production as provided in Article XI.a. above. UNOCAL is not obligated in any way to deliver or sell Excess Production to Cameron Highway. Such Excess Production may be delivered by UNOCAL to any Crude Oil pipeline at UNOCAL's sole discretion with no restriction or penalty.

h. With respect to the term "Required Commencement Date," as such term is used throughout this Purchase and Sale Agreement, the Parties agree that the designated date of August 15, 2004, shall automatically be revised as follows; (i) such date shall be delayed on a Day for Day basis with the duration of any Force Majeure event(s) in excess of the first ninety (90) Days of Force Majeure event(s) occurring during the construction phase of Cameron Highway and (ii) such date shall be delayed until production actually commences from the first of the Initial Dedicated Leases. In the event of anticipated delays in the date of first production from the Initial Dedicated Leases which would reasonably be expected to extend the Required Commencement Date, UNOCAL shall promptly notify CHOPS in writing of such anticipated delays and shall provide a revised Required Commencement Date. For purposes of this Purchase and Sale Agreement, the Required Commencement Date shall be deemed to be such revised date, as further revised by the foregoing terms of this Article XI.h.

ARTICLE XII.

PRICE AND PRICE ADJUSTMENTS

a. For each Barrel of Crude Oil delivered to the Receipt Point(s), (excluding pipeline loss allowance described in Article XIII below) CHOPS shall pay UNOCAL the Base Oil Price less a differential from the Receipt Point(s) to the Delivery Point(s) and the Additional Delivery Points per Barrel based on the then applicable UNOCAL MDQ Level selected by UNOCAL pursuant to Article VI.a. above as set forth in the table below. During the term hereof, such differentials shall not be escalated for any reason.

	DIFFERENTIAL	
UNOCAL MDQ (BOPD)	VOLUME UP TO UNOCAL MDQ	VOLUME IN EXCESS OF UNOCAL MDQ
Level 1 - 12,500	$0.95/Barrel	$0.95/Barrel
Level 2 - 10,000	$1.06/Barrel	$0.95/Barrel
Level 3 - 7,500	$1.24/Barrel	$0.95/Barrel

b. UNOCAL shall pay CHOPS the Base Price for each Barrel delivered at the Delivery Point(s) and Additional Delivery Points. For pricing purposes, all Crude Oil delivered hereunder shall be deemed to have been delivered in equal daily quantities.

c. With respect to Article XII.a. and Article XII.b. above, UNOCAL, at any time and from time to time, shall have the right to change the Base Oil Price to a Platt's indicator for southern Green Canyon crude for deliveries in Texas. UNOCAL shall give CHOPS sixty (60) Days prior written notice of such change. In the event UNOCAL elects to change the Base Oil Price as provided in this Article XII.c., UNOCAL and CHOPS shall settle any existing purchase and sale imbalance at such time pursuant to Article XXI. below.

d. Any Crude Oil owned by and delivered to the Receipt Point(s) by UNOCAL and purchased by CHOPS on an interruptible basis shall be subject to the fee differentials contained in this Purchase and Sale Agreement applicable to Dedicated Production for a period of ten (10) years from the date of initial delivery by CHOPS of Crude Oil to a Delivery Point or Additional Delivery Point hereunder. The Parties agree that the rights granted to UNOCAL under this Article XII.d shall be rights granted only to, and exercisable by, UNOCAL (and not to a permitted assignee of UNOCAL).

e. During the term of this Purchase and Sale Agreement, in the event CHOPS either enters into a purchase and sale arrangement providing for firm maximum daily quantities with either BP or BHP, as working interest owners in the Holstein, Mad Dog and/or Atlantis fields, as applicable, or amends such agreement so that purchase and sale differentials for firm quantities for the Holstein, Mad Dog and/or Atlantis fields, as applicable, are lower than the corresponding differentials set forth in Article XII.a. of this Purchase and Sale Agreement, the differentials applicable to UNOCAL under this Purchase and Sale Agreement shall be decreased to such lowest differential for firm quantities received by BP and/or BHP, for Crude Oil delivered by UNOCAL from the Mad Dog field, for a term consistent with that term applicable to BP and/or BHP, as applicable, with respect to the lower differential for firm quantities; provided, however, that the Parties understand and agree that BP, BHP and UNOCAL each have different firm maximum daily quantity levels,

and such levels shall be permitted to remain different during the term of this Purchase and Sale Agreement without triggering the terms of this provision. In the event UNOCAL and CHOPS enter into an alternative form of agreement as described in Article IX. of this Purchase and Sale Agreement, and during the term of such agreement, either BP or BHP, as working interest owners in the Holstein, Mad Dog and/or Atlantis fields, as applicable, enter into an alternative form of agreement or amends such agreement so that the BP and/or BHP agreement contains fees for firm quantities that are lower than the corresponding fees in the agreement between UNOCAL and CHOPS, the fees applicable to UNOCAL under this Purchase and Sale Agreement for firm quantities shall be decreased to such lowest fee received by BP and/or BHP for firm quantities of Crude Oil delivered by UNOCAL from the Mad Dog field for a term consistent with that term applicable to BP and/or BHP, as applicable, with respect to the lower fee for either BP or BHP, as applicable. Notwithstanding anything to the contrary contained herein, the Parties agree that this Article XII.e shall only be triggered by an agreement between CHOPS and either BP or BHP, as working interest owners in the Holstein, Mad Dog and Atlantis fields, as applicable, and not by a future agreement between CHOPS and UNOCAL. At the expense of UNOCAL and upon thirty (30) Days prior written notice to CHOPS, UNOCAL shall have the right to review and audit CHOPS's books, records, and accounts in order to verify the compliance of CHOPS with this Article XII.e. The Parties agree that the rights granted to UNOCAL under this Article XII.e. shall be rights granted only to, and exercisable by, UNOCAL (and not to a permitted assignee of UNOCAL).

ARTICLE XIII.

PIPELINE LOSS OR GAIN ALLOWANCE

The pipeline loss or gain allowance shall initially be a fixed percentage of volumes at the Receipt Point(s) or Delivery Point(s) and Additional Delivery Points and the accounting shall conform to standard industry practices on similarly situated pipeline systems. The pipeline loss or gain allowance shall be adjusted annually in order to conform to the previous year's actual pipeline loss or gain but such pipeline loss or gain allowance shall not exceed two-tenths (2/10) of one percent (1%) for any calendar year.

ARTICLE XIV.

QUALITY AND PRESSURE

a. The quality specifications for Cameron Highway are attached to this Purchase and Sale Agreement as Exhibit "E".

b. Except for reasons of Force Majeure, the maximum pressure to be provided by CHOPS at the Initial Receipt Point shall be no greater than 150 PSIG. UNOCAL may but is under no obligation to, deliver Crude Oil at pressures up to, 1950 PSIG.

ARTICLE XV.

QUALITY BANK

a. In order to compensate for variations in the quality of Crude Oil delivered by UNOCAL and other parties at the Receipt Point(s) and that delivered by CHOPS at the Delivery Point(s) and Additional Delivery Points, a market-based quality bank shall be established on Cameron Highway pursuant to the guidelines set forth in Exhibit "C" attached hereto. The quality bank will be developed by CHOPS and all interested parties who have

entered into purchase and sale arrangements with CHOPS on Cameron Highway that are effective upon the Cameron Highway Completion Date. Any change to the quality bank shall require the agreement of the sellers of at least seventy percent (70%) of the Crude Oil sold to CHOPS at the Receipt Point(s) for the previous four (4) Contract Quarter(s), and are still selling oil under a purchase and sale arrangement.

b. CHOPS, or its designee, shall be responsible for the implementation and administration of the Cameron Highway quality bank. The initial quality bank and any changes approved pursuant to Article XV.a. of this Purchase and Sale Agreement shall be accepted and implemented by CHOPS, provided that all quality bank terms satisfy the intent stated in such Article XV.a.

ARTICLE XVI.

RESPONSIBILITY, LIABILITY, POSSESSION AND CONTROL OF CRUDE OIL

a. As between UNOCAL and CHOPS, (a) UNOCAL shall control and possess the Crude Oil delivered hereunder at all times prior to delivery to CHOPS at the Receipt Point(s) and after delivery by CHOPS at the Delivery Point(s) and Additional Delivery Points; and (b) CHOPS shall control and possess the Crude Oil at all times after delivery by UNOCAL at the Receipt Point(s) and until delivery by CHOPS at the Delivery Point(s) and Additional Delivery Points.

b. The Party in control and possession of the Crude Oil shall be responsible for, pay for and defend, protect, indemnify, release, and hold the other Parties harmless from and against any and all losses, claims, damages and expenses (including reasonable attorney's fees) caused thereby and occurring while the Crude Oil is in, the possession and control of such Party, regardless of the indemnified party's negligence (and regardless of whether such negligence is sole, joint, concurrent, active or passive negligence), fault or liability without fault; provided, however, that UNOCAL shall be responsible and pay for, and RELEASE, DEFEND AND INDEMNIFY the CHOPS Group from any and all losses directly caused by or directly resulting from the failure of Crude Oil delivered hereunder by UNOCAL to CHOPS to meet the quality specifications set forth in Article XIV.a. of this Purchase and Sale Agreement, except to the extent that CHOPS has waived any of the requirements of Article XIV and Exhibit E in writing.

c. CHOPS SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE UNOCAL GROUP FROM AND AGAINST ALL LOSS, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEY'S FEES, ARISING FROM ACTS OR OMISSIONS OF THE CHOPS GROUP RELATING TO THE OWNERSHIP AND OPERATION OF CHOPS' FACILITIES (INCLUDING WITHOUT LIMITATION CAMERON HIGHWAY), REGARDLESS OF THE INDEMNIFIED PARTY'S NEGLIGENCE (AND REGARDLESS OF WHETHER SUCH NEGLIGENCE IS SOLE, JOINT, CONCURRENT, ACTIVE OR PASSIVE NEGLIGENCE) , FAULT OR LIABILITY WITHOUT FAULT ON THE PART OF THE UNOCAL GROUP, EXCEPT TO THE EXTENT THAT ANY SUCH LOSS RESULTS FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE INDEMNIFIED PARTY.

d. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, NO PARTY TO THE PURCHASE AND SALE AGREEMENT SHALL BE LIABLE TO THE OTHER PARTY HERETO FOR SPECIAL, INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES SUFFERED

BY SUCH PARTY RESULTING FROM OR ARISING OUT OF THIS PURCHASE AND SALE AGREEMENT, INCLUDING WITHOUT LIMITATION, LOSS OF USE, INCREASED COST OF OPERATIONS, LOSS OF PROFIT OR REVENUE OR BUSINESS INTERRUPTIONS. IN FURTHERANCE OF THE FOREGOING, EACH PARTY RELEASES THE OTHER PARTIES AND WAIVES ANY RIGHT OF RECOVERY FOR SPECIAL, INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES SUFFERED BY SUCH PARTY REGARDLESS OF WHETHER ANY SUCH DAMAGES ARE CAUSED BY THE OTHER PARTY'S NEGLIGENCE (AND REGARDLESS OF WHETHER SUCH NEGLIGENCE IS SOLE, JOINT, CONCURRENT, ACTIVE, PASSIVE OR GROSS NEGLIGENCE), FAULT OR LIABILITY WITHOUT FAULT.

e. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, TO THE EXTENT OF ITS WORKING INTEREST IN THE PRODUCING FIELDS, UNOCAL AGREES TO BE SOLELY RESPONSIBLE AND LIABLE FOR, AND RELEASE AND INDEMNIFY THE CHOPS GROUP WITH RESPECT TO, ANY LOSSES SUFFERED BY UNOCAL RELATING TO THE DELAY OF PRODUCTION OR ANY DAMAGE TO THE CRUDE OIL LEASES OR LOSS OF ANY RELATED RESERVES NOT PREVIOUSLY DELIVERED TO THE CAMERON HIGHWAY RESULTING FROM ANY ACTS OR OMISSIONS BY CHOPS IN CONNECTION WITH OR OTHERWISE RELATED TO THE PURCHASE AND SALE AGREEMENT, EXCEPT TO THE EXTENT THAT ANY SUCH LOSSES RESULT FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CHOPS.

ARTICLE XVII.

LINE FILL

a. CHOPS shall provide all line fill for Cameron Highway, and the cost for such line fill shall be paid in accordance with this Article XVII. The cost of such line fill Barrels shall be based on the Base Oil Price for the month Cameron Highway line fill operations commence less $0.95 plus or minus (as the case may be) quality bank adjustments. The portion of the Base Oil Price of a line fill Barrel up to $20.00 per Barrel shall be paid by CHOPS. All costs, if any, of the line fill in excess of that which CHOPS is responsible for pursuant to the preceding sentence shall be allocated to and paid by the working interest owners in the Holstein, Mad Dog and Atlantis fields who enter into purchase and sale arrangements with CHOPS on Cameron Highway (which shall be effective prior to commencement of operations on Cameron Highway) and all other parties who enter into purchase and sale arrangements with CHOPS on Cameron Highway that are effective upon commencement of operations of Cameron Highway, based on each party's maximum daily quantity compared to the aggregate maximum daily quantity on Cameron Highway. CHOPS shall render a statement to UNOCAL for any amounts owed to CHOPS for line fill for the preceding month pursuant to Article XIX. UNOCAL shall not own any line fill Barrels in Cameron Highway.

b. Notwithstanding Article XVII.a., within fifteen (15) Days after the execution of this Agreement, the parties will meet to implement a plan for the acquisition of linefill for Cameron Highway. Such plan may include, but not be limited to, the evaluation of purchasing linefill from the producer, the mechanisms for the management of the crude oil price risk for the parties, and the disclosure of operational parameters, including the approximate timeline and approximate volumes required by CHOPS. The parties agree to use commercially reasonable efforts to finalize a plan for the acquisition of the Cameron Highway linefill within forty-five (45) Days after the first meeting.

ARTICLE XVIII.

OIL PUMP FUEL GAS

CHOPS shall provide all fuel gas for the operation of Cameron Highway, and shall be permitted to purchase such fuel gas from any party. The cost of such fuel gas shall be based on the Base Gas Price for the then current month of fuel purchases less $0.10 per MMBtu. The portion of the Base Gas Price up to $5.00 per MMBTU shall be paid by CHOPS. All costs, if any, of the fuel gas in excess of that which CHOPS is responsible for pursuant to the preceding sentence shall be allocated to and paid by the working interest owners in the Holstein, Mad Dog and Atlantis fields who enter into purchase and sale arrangements with CHOPS on Cameron Highway (which shall be effective prior to commencement of operations on Cameron Highway), and all other parties selling Crude Oil to CHOPS at Cameron Highway receipt points based on such parties' deliveries of Crude Oil in proportion to the total deliveries of Crude Oil at all Cameron Highway receipt points.

ARTICLE XIX.

STATEMENTS, PAYMENTS, AUDIT

a. CHOPS shall render a statement to UNOCAL on or before the fifteenth (15th) Day of each calendar month setting forth the amount due UNOCAL for purchases of Crude Oil by CHOPS hereunder and the amount due for sales of Crude Oil hereunder to UNOCAL during the preceding month. If actual quantities cannot be made available through no fault of CHOPS, CHOPS and UNOCAL may utilize a reasonable, good faith estimated quantity. As soon as the actual quantities becomes available, the estimate shall be adjusted and the adjustment shall be reflected in the subsequent month's statement. CHOPS agrees to prepare a summary billing containing all amounts owed between UNOCAL and CHOPS for the applicable production month and CHOPS shall deliver a net statement to the Party showing the net balance.

b. The Party with the net balance due to the other Party shall pay such other Party the amount due in the form of immediately available federal funds by wire transfer to the bank account specified on the net statement, or any other mutually agreed upon method, on or before the twentieth (20th) Day of each month for transactions accruing hereunder during the preceding month. Payments due on a Saturday or a bank holiday shall be made on the preceding business Day unless such holiday is a Monday, in which case payment shall be made on the following business Day; payments due on Sunday shall be made on the following Monday. The paying Party must tender a timely payment even if the net statement includes an estimated receipt or delivery volume. Any payment made hereunder by a Party shall not prejudice the right of the paying Party to an adjustment of any statement to which it has taken written exception, provided that claim therefore shall have been made within sixty (60) Days from the date of discovery of such error, but, in any event, within twenty-four (24) months from the date of the net statement. If the paying Party fails to pay any statement in whole or in part when due, in addition to any other rights or remedies available to the Party to whom payment is due, interest at the Stated Rate shall accrue on unpaid amounts. "Stated Rate" means an annual rate of interest (compounded daily) equal to the lesser of (i) the sum of the prime or reference rate posted from time to time by Texas Commerce Bank (Houston, Texas office) or its successor or a mutually

agreed substitute bank plus two percent (2%) or (ii) the maximum lawful interest rate then in effect under applicable law.

Notwithstanding the foregoing, if a good faith dispute arises between UNOCAL and CHOPS concerning a net statement, the paying Party shall pay that portion of the net statement not in dispute on or before such due date, and upon the ultimate determination of the disputed portion of the statement, the paying Party shall pay the remaining amount owed (if any) plus the interest accrued thereon.

c. CHOPS shall maintain for not less than twenty-four (24) months following the end of each calendar year, complete and accurate books, records and accounts of any amounts, which are charged to UNOCAL hereunder during such calendar year. For a period of twenty-four (24) months from the end of each calendar year, and upon thirty (30) Days prior written notice to CHOPS, UNOCAL shall have the right to inspect, at UNOCAL's expense, at any reasonable time and from time-to-time, and audit such books, records and accounts related to any invoice or payment made during such calendar year.

ARTICLE XX.

MEASUREMENT

All measurement practices (a) must conform to the latest guidelines set out in the current API Manual of Petroleum Measurement Standards and all applicable API Bulletin and API Standards publications, and (b) will be governed by the terms of the Interconnect Agreement.

ARTICLE XXI.

PURCHASE AND SALE BALANCES

The Parties will endeavor, as far as practicable, to keep the purchase and sale arrangement in balance on a monthly basis and respond to status statements. It is recognized that for a given month, Crude Oil imbalance between the Receipt Point(s) and the Delivery Point(s) and Additional Delivery Points may exist. CHOPS shall calculate and track all imbalances and include same in its monthly statement. The Parties agree to make a good faith effort to correct any actual monthly imbalances by subsequent nominations and deliveries of Crude Oil during the remainder of the month or the next available full business month, including the adjustments of receipts, deliveries and nominations. Delivery of such imbalance shall be made in the month following the month in which the volume imbalance is determined.

ARTICLE XXII.

ASSIGNMENT

a. CHOPS.

i. CHOPS shall have the right to assign or transfer this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) as follows:

(A) Prior to the Cameron Highway Completion Date, without the prior consent of UNOCAL, CHOPS shall have the right to assign or transfer this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) to a subsidiary (direct or indirect) of GTM in which GTM owns (directly

or indirectly) a fifty percent (50%) or more interest (an "GTM Sub"); provided, that if requested by UNOCAL upon such assignment, CHOPS shall (x) remain primarily liable for the obligations hereunder so assigned to such GTM Sub and (y) provide additional assurances of the performance of such GTM Sub hereunder (including, without limitation, a company guaranty from CHOPS) as may be reasonably required by UNOCAL. Further, CHOPS shall provide UNOCAL written notice of such assignment or transfer at least thirty (30) Days prior to the effective date of such assignment or transfer, and agrees to furnish UNOCAL additional information regarding the GTM Sub in order for UNOCAL to evaluate whether additional assurances will be required. Prior to the effective date of such assignment or transfer, the Parties shall execute appropriate documents regarding the primary liability of CHOPS for the obligations assigned to such GTM Sub and CHOPS shall provide UNOCAL any additional assurances of performance as may be reasonably requested by UNOCAL.

(B) Prior to the Cameron Highway Completion Date, except as otherwise provided in Article XXII.a.i.A. , CHOPS shall not have the right to assign or transfer this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) to any other party without the prior written consent of UNOCAL, such consent which is not to be unreasonably withheld or delayed; provided, however, prior to giving consent hereunder, UNOCAL may require that CHOPS assign to an entity with a Standard & Poor's rating of BB+ or better (a "Financially Capable Entity").

(C) After the Cameron Highway Completion Date, without the prior consent of UNOCAL, CHOPS shall have the right to assign or transfer this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) to any Financially Capable Entity; provided, that any other assignment or transfer of this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) shall require the prior written consent of UNOCAL, such consent which is not to be unreasonably withheld or delayed; provided further, that upon any permitted assignment by CHOPS, CHOPS shall be relieved of its obligations under this Purchase and Sale Agreement accruing after the effective date of such assignment to the extent, and only to the extent, so assigned and expressly assumed by the assignee.

ii. Any assignment or transfer of this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) by CHOPS shall be null and void unless such assignment or transfer is made in compliance with this Article XXII.a. Notwithstanding anything to the contrary contained in this Purchase and Sale Agreement, the Parties agree that to the extent of any obligations of CHOPS contained herein, CHOPS shall be permitted to fulfill such obligations by utilizing the employees and assistance of EPFS, and such utilization and assistance shall not be considered an assignment of any of such obligations.

b. UNOCAL.

i. Except as otherwise expressly provided in Articles IV.c., VI.d., VII.a., XI.f., XII.d. and XII.e. of this Purchase and Sale Agreement, without the prior consent of CHOPS, UNOCAL shall have the right to assign or transfer this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) to any Financially Capable Entity; provided, that any other assignment or transfer of this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) shall require the prior written consent of CHOPS, such consent which is not to be unreasonably withheld or delayed; provided further, that any assignment of UNOCAL's rights and obligations under this Purchase and Sale Agreement shall also include the assignment or transfer of all or a portion of UNOCAL's right, title or interest in the applicable Initial Dedicated Leases. Further, any assignment or other transfer of any or all of UNOCAL's right, title or interest in the Initial Dedicated Leases shall be made subject to the applicable terms of this Purchase and Sale Agreement, and the assignee shall agree to be bound by such terms of this Purchase and Sale Agreement, such that UNOCAL's Dedicated Production from such leases so assigned shall remain subject to this Purchase and Sale Agreement. Upon any permitted assignment by UNOCAL, UNOCAL shall be relieved of its obligations under this Purchase and Sale Agreement accruing after the effective date of such assignment to the extent, and only to the extent, so assigned and expressly assumed by the assignee. Any assignment or transfer of this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) by UNOCAL shall be null and void unless such assignment or transfer is made in compliance with this Article XXII.b.

(ii) Without the prior consent of CHOPS, and except as otherwise provided in this Article XXII.b., UNOCAL shall have the right to assign or transfer this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) to Unocal Corporation ("UNOCAL Corp") and/or a subsidiary (direct or indirect) of UNOCAL Corp in which UNOCAL Corp owns (directly or indirectly) a fifty percent (50%) or more interest (a "UNOCAL Corp Sub"); provided that if requested by CHOPS, upon such assignment, UNOCAL shall (x) remain primarily liable for the obligations hereunder so assigned to such UNOCAL Corp Sub and (y) provide additional assurances of the performance of such UNOCAL Corp Sub hereunder (including, without limitation, a company guaranty from UNOCAL) as may be reasonably required by CHOPS. Further UNOCAL shall provide CHOPS written notice of such assignment of transfer at least thirty (30) Days prior to the effective date of such assignment or transfer, and agrees to furnish CHOPS additional information regarding the UNOCAL Corp Sub in order for CHOPS to evaluate whether additional assurances will be required. Prior to the effective date of such assignment or transfer, the Parties shall execute the appropriate documents regarding the primary liability of UNOCAL for the obligations assigned to such UNOCAL Corp Sub and UNOCAL shall provide CHOPS any additional assurances of performance as may be reasonably requested by CHOPS. Further, upon any assignment by UNOCAL to UNOCAL Corp Sub pursuant to the terms of this Article XXII.b.i.A., UNOCAL shall be relieved of its obligations under this Purchase and Sale Agreement accruing after the

effective date of such assignment to the extent, and only to the extent, so assigned and expressly assumed by such assignee.

iii. Upon any assignment by UNOCAL of this Purchase and Sale Agreement or the obligations hereunder (in whole or in part) pursuant to Article XXII.b.i. above, the following shall apply:

(A) Any working interest in the Dedicated Leases assigned by UNOCAL and UNOCAL's remaining working interest in the Dedicated Leases shall remain dedicated to Cameron Highway, pursuant to this Purchase and Sale Agreement.

(B) The purchase and sale differentials contained in Article XII. above shall be applicable to (x) the Crude Oil delivered by UNOCAL's assignee that is produced from the Dedicated Lease(s) and (y) the Dedicated Production delivered by UNOCAL that is produced from the Dedicated Leases, pursuant to this Purchase and Sale Agreement.

(C) The UNOCAL MDQ Levels set forth in Article VI. above shall remain the same; provided, that following such assignment by UNOCAL, UNOCAL shall receive a Barrel for Barrel credit towards its MDQ obligations hereunder for the actual number of Barrels delivered to Cameron Highway that is produced from the working interest in the Dedicated Leases assigned by UNOCAL. Such assignee of UNOCAL shall be entitled to a maximum daily quantity level on Cameron Highway commensurate with the daily volume of Dedicated Production reasonably anticipated to be produced in the future from the Dedicated Leases so assigned that is allocated to its working interest share of such leases.

(D) At such time(s) as UNOCAL transfers or assigns all or a portion of its working interest in one or more Dedicated Leases, CHOPS shall execute a purchase and sale agreement with UNOCAL's assignee that contains the same terms and conditions as those contained in this Purchase and Sale Agreement (with the exception of the non-assignable rights of UNOCAL contained in Articles IV.c., VI.d., VII.a., XI.f., XII.d. and XII.e of this Purchase and Sale Agreement and that reflects the maximum daily quantity level allocated to such assignee as set forth in Article XXII.ii.C above.

Notwithstanding anything contained in Article XXII.b. to the contrary, UNOCAL shall not be prohibited or restricted from assigning or transferring this Purchase and Sale Agreement or the obligations hereunder (in whole or part) pending negotiation and execution of the purchase and sale agreement between CHOPS and UNOCAL's assignee. It being the intent of the Parties that completion of such negotiations and execution of such documentation shall not impede, hinder or delay any consents by CHOPS required under this Purchase and Sale Agreement with respect to an assignment or transfer thereof (in whole or in part) by UNOCAL.

c. This Purchase and Sale Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties.

ARTICLE XXIII.

TERM

a. This Purchase and Sale Agreement shall become effective as of the execution and delivery thereof by each of the Parties, and except as otherwise provided herein shall continue in effect for the commercial life of production from the Dedicated Leases.

b. Notwithstanding the termination of this Purchase and Sale Agreement or the expiration of this Purchase and Sale Agreement, the indemnification provisions contained in Article XVI. shall survive such termination/expiration of this Purchase and Sale Agreement.

c. Except with respect to those provisions in this Purchase and Sale Agreement that expressly provide for sole and exclusive remedies, (i) in the event of termination of this Purchase and Sale Agreement by either Party pursuant to the terms of this Purchase and Sale Agreement, termination of this Purchase and Sale Agreement shall not be the sole remedy of such Party, and (ii) nothing contained in this Purchase and Sale Agreement shall prevent any Party from pursuing any other remedies available to such Parties whether under contract or at law or equity with respect to any other Party's breach or failure to fulfill its obligations under this Purchase and Sale Agreement.

ARTICLE XXIV.

RIGHTS OF PARTIES UPON TRANSFER/ASSIGNMENT

The Parties hereby acknowledge and agree that many of the provisions of this Purchase and Sale Agreement, including, but not limited to, terms related to the dedication of reserves, the UNOCAL MDQ Levels, the price differentials, the grant of rights to future receipt points and future dedication cannot be segregated between UNOCAL and any potential assignee under the current structure of the terms of this Purchase and Sale Agreement, and are not intended to be rights transferable to or exercisable by a permitted assignee of UNOCAL. However, to facilitate the transactions contemplated under this Purchase and Sale Agreement, it is the intent of the Parties to consummate the transactions contemplated under this Purchase and Sale Agreement with the understanding that, notwithstanding the terms of Article XXII. and the other assignment provisions contained herein, prior to any proposed assignment or transfer by UNOCAL of any of its rights under this Purchase and Sale Agreement, the Parties shall enter into good faith negotiations to mutually agree on the terms of such assignment, and specifically to the allocation of the rights, duties and obligations of UNOCAL and the permitted assignee. The Parties further acknowledge that upon any such permitted assignment, an amendment to this Purchase and Sale Agreement may be required to revise the terms of this Purchase and Sale Agreement in a manner that preserves, to the maximum extent possible, the respective rights and economic positions of the Parties. The Parties agree to act reasonably and in good faith, and negotiate diligently to facilitate UNOCAL's desire to assign their rights as referenced hereunder under the time schedule desired by UNOCAL.

ARTICLE XXV.

FORCE MAJEURE

a. Definition. No Party shall be liable to the other Parties for failure to perform any of its obligations under this agreement to the extent such performance is hindered, delayed or prevented by Force Majeure. For purposes of this agreement, "Force Majeure"

shall mean causes, conditions, events or circumstances affecting the Parties, or downstream or upstream facilities, which are beyond the reasonable control of the Party claiming Force Majeure. Such causes, conditions, events and circumstances shall include, without limitation, acts of God, wars (declared or undeclared), acts of terrorism, hostilities, strikes, lockouts, riots, floods, fires, storms, storm warnings, industrial disturbances, acts of the public enemy, sabotage, blockades, insurrections, epidemics, landslides, lightning, earthquakes, washouts, arrests and restraints of rulers and peoples, civil disturbances, explosions, breakage or accidents to machinery or lines of pipe, hydrate obstruction or blockages of any kind of lines of pipe, abnormal operating conditions on a Party's facilities, repairs, improvements, replacements or alterations to plants, lines of pipe or related facilities, inability of a Party to obtain necessary machinery, drilling or workover rigs, materials, permits, easements or rights-of-way on reasonable terms, freezing of the well or delivery facility, well blowout, cratering, depletion of reserves, the partial or entire failure of a well, the act of any court or governmental authority prohibiting a Party from discharging its obligations under this agreement or resulting in diminutions in service and conduct which would violate any applicable law. Inability of a Party to make payments when due, be profitable or to secure funds, arrange bank loans or other financing, obtain credit or have adequate capacity (other than for reasons of Force Majeure declared by such downstream facilities) on downstream facilities shall not be regarded as an event of Force Majeure. Further, it is specifically agreed by the Parties that the events and activities referenced in Article IX. and Article XI.a.ii shall not be regarded as events of Force Majeure.

b. Notice. A Party which is unable, in whole or in part, to carry out its obligations under this Purchase and Sale Agreement due to Force Majeure shall promptly give written notice to that effect to the other Parties stating the circumstances underlying such Force Majeure.

c. Resolution. A Party claiming Force Majeure shall use commercially reasonable efforts to remove the cause, condition, event or circumstance of such Force Majeure, shall give written notice to the other Parties of the termination of such Force Majeure and shall resume performance of any suspended obligation promptly after termination of such Force Majeure.

ARTICLE XXVI.

DISPUTE RESOLUTION PROCEDURE

a. With respect to any controversy or claim ("Dispute"), whether based on contract, tort, statute or other legal or equitable theory (including, but not limited to, any claim of fraud, misrepresentation or fraudulent inducement or any question of validity or effect of this Purchase and Sale Agreement including this clause) arising out of or related to this Purchase and Sale Agreement (including any amendments or extensions), or the breach or termination thereof, the Parties to this Purchase and Sale Agreement shall in good faith attempt to settle such Dispute by consultation between senior management representatives of such Parties initiated by a Party's ("Submitting Party") delivery of written notice of the Dispute to the other Party (the "Non-Submitting Party"). In the event such consultation does not settle the Dispute within thirty (30) Days after receipt of the written notice of such Dispute by the Non-Submitting Party, the Dispute shall be submitted to non-binding mediation. In the event the Parties are unable to settle the Dispute through use of mediation within thirty (30) Days of the commencement of such mediation, the Dispute

shall be settled by binding arbitration in accordance with the Commercial Arbitration Rules of the AAA, and this provision.

The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. Sections 1-16 to the exclusion of any provision of state law inconsistent therewith, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction. Any arbitration proceeding hereunder will be conducted on a confidential basis.

The arbitration shall be held in Houston, Texas.

There shall be one (1) arbitrator. The Parties shall attempt jointly to select an arbitrator. If the Parties are unable or fail to agree upon an arbitrator within fifteen (15) Days after the commencement of arbitration, one shall be selected by AAA. The arbitration hearing shall occur no later than sixty (60) Days after selection of the arbitrator. The arbitrator shall determine the claims of the Parties and render a final award in accordance with the substantive law of the State of Texas, excluding the conflicts provisions of such law. Unless otherwise provided in the agreement, the arbitrator shall not have the right or the ability to terminate this Purchase and Sale Agreement. The arbitrator shall set forth the reasons for the award in writing within ten (10) working Days after the close of evidence and any post-evidence briefing and arguments that may be agreed upon (which shall be concluded within fourteen (14) Days after close of evidence). The arbitrator shall not have the right to terminate this Purchase and Sale Agreement.

Any claim by a Party shall be time-barred if the Submitting Party commences arbitration with respect to such claim later than two (2) years after the receipt of the written notice of the Dispute by the Non-Submitting Party. All statutes of limitations and defenses based upon passage of time applicable to any claim of a defending Party (including any counterclaim or setoff) shall be tolled while the arbitration is pending.

The obligation to arbitrate any Dispute shall extend to the successors and assigns of the Parties. The Parties shall use their commercially reasonable efforts to cause the obligation to arbitrate any Dispute to extend to any officer, director, employee, shareholder, agent, trustee, affiliate, or subsidiary. The terms hereof shall not limit any obligations of a Party to defend, indemnify or hold harmless another Party against court proceedings or other claims, losses, damages or expenses.

The arbitrator shall order the Parties to promptly exchange copies of all exhibits and witness lists, and, if requested by a Party, to produce other relevant documents, to answer up to ten (10) interrogatories (including subparts), to respond to up to ten (10) requests for admissions (which shall be deemed admitted if not denied) and to produce for deposition and, if requested, at the hearing all witnesses that such Party has listed and up to four (4) other persons within such Party's control. Any additional discovery shall only occur by agreement of the Parties or as ordered by the arbitrator upon a finding of good cause.

Each Party shall bear its own costs, expenses and attorney's fees; provided that if court proceedings to stay litigation or compel arbitration are necessary, the Party who unsuccessfully opposes such proceedings shall pay all reasonable associated costs, expenses, and attorney's fees in connection with such court proceeding.

In order to prevent irreparable harm, the arbitrator shall have the power to grant temporary or permanent injunctive or other equitable relief. Prior to the appointment of an

arbitrator a Party may, notwithstanding any other provision of this Purchase and Sale Agreement, seek temporary injunctive relief from any court of competent jurisdiction; provided that the Party seeking such relief shall (if arbitration has not already been commenced) simultaneously commence arbitration. Such court ordered relief shall not continue more than ten (10) Days after the appointment of the arbitrator (or in any event for longer than sixty (60) Days).

If any part of this arbitration provision is held to be unenforceable, it shall be severed and shall not affect either the duty to arbitrate or any other part of this provision.

ARTICLE XXVII.

CONFIDENTIALITY

a. Subject to Article XXVII.b. below, the existence of this Purchase and Sale Agreement, its contents, and the discussions between the Parties regarding this Purchase and Sale Agreement are subject to the Confidentiality Agreement ("Confidentiality Agreement") dated January 10, 2001 by and between UNOCAL, BHP and El Paso Energy Partners, L.P., a copy of which is attached hereto as Exhibit "B". To the extent of a permitted assignment or transfer, a Party may disclose the applicable portions of this Purchase and Sale Agreement and its contents to any bona fide, financially responsible, prospective assignee of any portion of such Party's interest in the Dedicated Leases, the Caesar System or Cameron Highway, provided that (i) such disclosing Party shall give the other Party to this Purchase and Sale Agreement not less than ten (10) Days prior written notice specifying the extent to which that Party intends to disclose this Purchase and Sale Agreement to the prospective assignee and (ii) the prospective assignee is bound by a written confidentiality agreement to not disclose any information regarding this Purchase and Sale Agreement or the Parties hereto, and such confidentiality agreement contains terms and provisions at least as stringent as those contained in the Confidentiality Agreement. Notwithstanding anything contained in this Article XXVII.a. to the contrary, UNOCAL may not disclose the terms of this Purchase and Sale Agreement to Equilon.

b. Public announcements concerning the Transaction or this Purchase and Sale Agreement shall be subject to the applicable provisions of the Confidentiality Agreement; provided that, notwithstanding the applicable provisions in the Confidentiality Agreement, to the contrary, it is agreed and understood that, to the extent such announcement is required by applicable laws or securities exchange, market or similar rules, any Party is permitted to issue a press release or make a public announcement concerning the Transaction or the Purchase and Sale Agreement without the other Party's consent, in which case the disclosing Party shall provide an advance copy of the proposed public disclosure to the non-disclosing Party and permit the non-disclosing Party the opportunity to reasonably comment on such proposed disclosure.

ARTICLE XXVIII.

MISCELLANEOUS

a. NOTICES. All notices and other communications under this Purchase and Sale Agreement will be in writing and will be deemed to have been given (i) when received if given in person or by courier or a courier service, (ii) on the date of transmission if sent by facsimile or other wire transmission and receipt thereof is confirmed by telephone, or (iii)

three (3) business Days after being deposited in the mail, certified or registered, postage prepaid:

if to CHOPS, addressed as follows:

Cameron Highway Oil Pipeline Company
Attn: Manta Ray Gathering Company, L.L.C., Operator
Four Greenway Plaza
Houston, Texas 77046
Attn: President
(832) 676-5666 (telephone)
(832) 676-1710 (facsimile)

if to UNOCAL, addressed as follows:
UNOCAL
14141 Southwest Freeway
Sugarland, TX 77478

For accounting matters:

Attn: Unocal Energy Trading Inc.
Manager Crude Oil Accounting
(281) 287-7521 (telephone)
(281) 287-7331 (facsimile)

For contract matters:

Attn: Unocal Midstream & Trade
Ronald Kaltenbaugh
(281)287-5964 (telephone)
(281)287-7327(facsimile)

Any Party may change any address to which notice is to be given to it by giving notice as provided above of such change of address.

b. INSURANCE. All Parties shall procure and maintain or cause to be procured and maintained all insurance or provide self-insurance in the types and amounts as required by applicable laws, rules and regulations, to provide coverage against such risks, which are the subject of this Purchase and Sale Agreement, as is either customarily carried by companies owning, operating or conducting similar business(es), or as deemed necessary and reasonably requested by the Parties from time to time.

c. TAXES. UNOCAL shall be responsible for all applicable production, excise, sales, use or similar taxes and royalties on or with respect to the production, delivery and sale, of Crude Oil to CHOPS hereunder. UNOCAL shall also be responsible for any tax, fee, or other charge levided against either UNOCAL or CHOPS, pursuant to any federal, State, or local act or regulation for the purpose of creating a fund for the prevention, containment, clean up and/or removal of spills and/or the reimbursement of persons sustaining loss therefrom. CHOPS shall be responsible for all applicable excise, sales, use or similar taxes on or with respect to the delivery and sale to UNOCAL of Crude Oil hereunder.

d. COMMINGLING. CHOPS shall have the right to commingle production from the Dedicated Leases with production from other properties, pipelines and facilities.

e. NO PARTNERSHIP AND NO FIDUCIARY OBLIGATIONS. Nothing herein is intended to create a partnership, joint venture, agency or other relationship creating fiduciary or quasi fiduciary duties or similar duties and obligations or otherwise subject the Parties to joint and several or vicarious liability or to impose any duty, obligation or liability that would arise therefrom with respect to any of the Parties.

f. ENTIRE AGREEMENT. This Purchase and Sale Agreement (including the Confidentiality Agreement, as amended herein) constitutes the entire agreement of the Parties as of the Effective Date hereof with respect to the Transaction and supersedes (i) all prior oral or written proposals or agreements between the Parties, (ii) all contemporaneous oral proposals or agreements and (iii) all previous negotiations and all other communications or understandings between the Parties with respect to the subject matter hereof. Effective as of the Effective Date hereof, the Parties hereto terminate the MOU.

g. AMENDMENT, MODIFICATION AND WAIVER. This Purchase and Sale Agreement may be amended, modified, superseded or canceled, and any of the terms, covenants, representations, warranties or conditions hereof may be waived, only by a written instrument executed by the Parties. The failure of a Party at any time or times to require performance of any provisions hereof shall in no manner affect the right at a later time to enforce the same. No waiver by any Party of any condition, or of any breach of any term, covenant, representation or warranty contained in this Purchase and Sale Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of any breach of any other term, covenant, representation or warranty.

h. EXHIBITS AND ATTACHMENTS. All exhibits, attachments and the like contained herein or attached hereto are integrally related to this Purchase and Sale Agreement, and are hereby made a part of this Purchase and Sale Agreement for all purposes. In the event of a conflict between this memorandum and any of its exhibits and attachments, the terms of this memorandum shall control.

i. FEES AND EXPENSES. Each Party hereto shall bear and pay all costs and expenses incurred by it in connection with the negotiations contemplated by this Purchase and Sale Agreement.

j. INVALID TERMS. If any term or other provision of this Purchase and Sale Agreement is determined to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms and conditions of this Purchase and Sale Agreement shall nevertheless remain in full force and effect. In the event a term or other provision of this Purchase and Sale Agreement is determined to be invalid, illegal or incapable of being enforced, except as otherwise provided in Article IX. or Article XI.a.ii., the Parties shall cooperate to develop a mutually acceptable alternative term or other provision that reflects the original intent of the Parties and maintains the commercial and economic benefits to the Parties.

k. FURTHER ASSURANCES. Subject to the terms and conditions set forth in this Purchase and Sale Agreement, each Party agrees to use its commercially reasonable efforts to take, or to cause to be taken, all actions, and to do, or to cause to be done, all things

necessary, proper or advisable under applicable laws to consummate and make effective the Transaction contemplated by this Purchase and Sale Agreement. In case, at any time after the execution of this Purchase and Sale Agreement, any further action is necessary or desirable to carry out its purposes, the Parties will take or cause to be taken all such necessary action.

l. COUNTERPARTS. This Purchase and Sale Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Purchase and Sale Agreement and all of which, when taken together, will be deemed to constitute one and the same Purchase and Sale Agreement.

m. GOVERNING LAW. THIS PURCHASE AND SALE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO ANY CONFLICT OF LAW PRINCIPLES WHICH, IF APPLIED, MIGHT PERMIT OR REQUIRE THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION, AND THE PARTIES AGREE THAT THE PLACE OF EXECUTION OF THIS PURCHASE AND SALE AGREEMENT IS HARRIS COUNTY, TEXAS AND THAT VENUE WITH RESPECT TO ANY DISPUTE ARISING HEREUNDER OR IN CONNECTION HEREWITH SHALL LIE IN HOUSTON, HARRIS COUNTY, TEXAS.

n. INTERPRETATION. Whenever the context requires: the gender of all words used in this agreement includes the masculine, feminine, and neuter; a reference to any person or entity includes its permitted successors and assigns; the words "hereof," "herein," "hereto," "hereunder," and words of similar import when used in this agreement will refer to this agreement as a whole and not to any particular provisions of this agreement; articles and other titles or headings are for convenience only and neither limit nor amplify the provisions of the agreement itself, and all references herein to articles, sections or subdivisions thereof will refer to the corresponding article, section or subdivision thereof of this agreement unless specific reference is made to such articles, sections or subdivisions of another document or instrument; any reference to "includes" or "including" will mean "includes without limitation" or "including but not limited to," respectively; and any references in the singular will include references in the plural and vice-versa.

o. OTHER. Each Party declares (i) that it has contributed to the drafting of this Purchase and Sale Agreement or has had it reviewed by its legal counsel before executing it, (ii) that this Purchase and Sale Agreement has been purposefully drawn and correctly reflects such Party's understanding of the Transaction that it contemplates as of the Effective Date hereof, (iii) that this Purchase and Sale Agreement has been validly executed and delivered, (iv) that this Purchase and Sale Agreement has been duly authorized by all action necessary for the authorization thereof, and (v) this Purchase and Sale Agreement constitutes a binding and enforceable obligation of such Party, enforceable in accordance with its terms.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the Parties hereto have caused this Purchase and Sale Agreement to be signed by their respective duly authorized representatives effective as of the day and year first written above.

CAMERON HIGHWAY OIL PIPELINE COMPANY	UNION OIL COMPANY OF CALIFORNIA
By: /s/ James Lytal	By: /s/ Joseph A. Blount Jr.
Name: James Lytal	Name: Joseph A. Blount Jr.
Title: President	Title: Vice President
Date: 6/24/03	Date: 6/23/03

EXHIBIT "A"

INITIAL DEDICATED LEASES AND DEDICATED PRODUCTION

	LEASES	UNOCAL WORKING INTEREST
MAD DOG	GREEN CANYON 738	15.6%
	GREEN CANYON 739	15.6%
	GREEN CANYON 781	15.6%
	GREEN CANYON 782	15.6%
	GREEN CANYON 783	15.6%
	GREEN CANYON 785	15.6%
	GREEN CANYON 786	15.6%
	GREEN CANYON 787	15.6%

EXHIBIT "B"
CONFIDENTIALITY AGREEMENT

EXHIBIT "C"

QUALITY BANK RULES FOR CAMERON HIGHWAY OIL PIPELINE SYSTEM

MARKET BASED QUALITY BANK

SECTION I.

GENERAL

1. The purpose of this Market Based Quality Bank ("Quality Bank") is to mitigate damage and/or improvement to producers whose crude oil is purchased by CHOPS and commingled in Cameron Highway. Differences in the quality of all the producers' crude oil that are mixed within the common crude oil stream in Cameron Highway either increase or decrease the quality of the common crude oil stream. This Quality Bank charges the producer or pays the producer depending on the quality of the common crude oil stream and the quality of the producer's crude oil. Each producer will be required, as a condition of tendering, to participate in this Quality Bank.

2. API gravity and sulfur content are the quality parameters used to determine the relative value of each producer's receipt stream. Adjustment factors for gravity and sulfur are based upon a market price spread between Louisiana Light Sweet ("LLS") and Mars (see Section III-Current Month Gravity and Sulfur Adjustment Factors). The price spread is derived using Platt's spot price quote, high/low mean, posted average trade month (the 26th of the month two months prior to delivery through the 25th of the month one month prior to delivery, workdays only)("Trade Month").

3. Should a Platt's Quote for Cameron Highway common stream be established, it will replace Mars in the Quality Bank calculations, subject to the provisions of Section VI. -Periodic Review.

4. Any material changes to the Quality Bank, including proposed changes from a Periodic Review, must be approved by greater than a seventy percent (70%) vote of the producers then participating in this Quality Bank in order to effect the change. Each five hundred (500) Barrels of monthly average production (based on the monthly average of the twelve month period preceding the month the vote is taken) will have one vote.

Any group of producers with seventy percent (70%) of the volume on Cameron Highway may make a proposal to CHOPS providing for an alternate method and an explanation of why such alternate method provides a more accurate, actual market price to quality relationship than the then existing Quality Bank. CHOPS will retain the right to reject such proposal if CHOPS believes, in it's sole discretion after using good faith, reasonable efforts to analyze such proposal, that the proposal does not uphold the intent of the Quality Bank as stated in Paragraph 1 above in this Section I.

Notwithstanding any of the above, CHOPS may, at it's sole discretion, change any of the provisions of this Exhibit as necessary to comply with any governmental requirement, order or mandate and such change will be binding upon Unocal and all participants upon proper notice thereof.

SECTION II.

Gravity and Sulfur Weighting Factors

1. Gravity and Sulfur weighting factors are used in establishing a price and quality relationship between different crude oil streams. These weighting factors effectively allocate a portion of the market spread to each of the quality parameters of gravity and sulfur.

2. The weighting factors, to be used in calculating the GAF and SAF as defined in Section III, are as follows.

Gravity Weighting ("GW") = 31.5%

Sulfur Weighting ("SW") = 44.3%

SECTION III.

CURRENT MONTH GRAVITY AND SULFUR ADJUSTMENT FACTORS

1. The applicable delivery month Gravity Adjustment Factor ("GAF") and the applicable delivery month Sulfur Adjustment Factor ("SAF") are calculated using the following equations:

GAF = (GW x a) divided by b

SAF = (SW x a) divided by c

Where Gravity and Sulfur Weighting factors (GW and SW) are expressed as decimals and,

"a" = The price differential between the LLS Platt's Quote and the Mars Platt's Quote for the Trade Month.

"b" = The delivery month Gravity difference between LLS and Mars based on the gravity of LLS crude oil at the point of sale where "a" is determined, currently Capline's LLS receipt stream at St. James, Louisiana as calculated by Gravcap, minus the weighted average gravity of Mars at the point of sale where "a" is determined, currently Shell's composite gravity for Mars deliveries at Clovelly, LA.

"c" = The delivery month Sulfur difference between LLS and Mars based on the weighted average of sulfur of LLS crude oil at the point of sale where "a" is determined, currently Capline's LLS receipt stream at St. James, Louisiana as calculated by Gravcap, minus the weighted average sulfur of Mars at the point of sale where "a" is determined, currently Shell's composite sulfur for Mars deliveries at Clovelly, LA.

SECTION IV.

CALCULATION OF QUALITY BANK CREDIT/DEBIT

Quality Bank credit/debit adjustments between producers are computed as follows:

1. The applicable receipt Barrels and gravities are the delivery month actual net Barrels at sixty (60) degrees Fahrenheit (with no deductions for loss allowance) and the gravities recorded by CHOPS at the custody transfer measurement facility where CHOPS customarily records gravities and quantities received into Cameron Highway.

2. No compensation is given for gravity between 37 and 45 degrees API. For gravities of 45 API degrees and above, a "bend-over" disincentive is applied.

3. GRAVITY CREDIT/DEBIT CALCULATION

To compute the gravity credit/debit to be paid/received the following equation is used:

Gravity credit/debit = ((PG - WAG) multiplied by GAF) multiplied by T

Where,

"PG" = Unocals gravity based on each custody transfer tickets for each receipt point into Cameron Highway where Unocal has production being delivered into Cameron Highway, subject to the Gravity Limits set out below.

"WAG" = The weighted average receipt gravity of the common stream for a given delivery Month. For Quality Bank calculation purposes, WAG is obtained by taking the sum of the products obtained by multiplying the gravity of each producer's point of receipt volume based on the custody transfer tickets (subject to the Gravity Limits set out below) by the number of net Barrels in each producer's receipt point volume, and divide the total resultant by the total net Barrels received during the given delivery month.

"T" = The total current month volume produced by Unocal based on the custody transfer tickets at each point of

interconnect with Cameron Highway that Unocal has production being delivered into Cameron Highway.

Gravity Limits: When actual gravity exceeds 37 but is less than 45 degrees API, a Deemed Gravity of 37 degrees API is used in determining PG and WAG. When actual gravity is equal to or greater than 45 degrees API, a Deemed Gravity is used that is calculated by the formula: Deemed Gravity = 80 minus actual API gravity. In all other instances (gravity less than or equal to 37 API) the actual API gravity is used.

4. SULFUR CREDIT/DEBIT CALCULATION

To compute the sulfur credit/debit to be paid/received the following equation is used:

Sulfur credit/debit = ((WAS - PS) multiplied by SAF) multiplied by T

Where,

"PS" = Unocal's Sulfur based on each custody transfer tickets for each receipt point into Cameron Highway where Unocal has production being delivered into Cameron Highway .

"WAS" = The weighted average receipt sulfur of the common stream for a given delivery Month. WAS is obtained by taking the sum of the products obtained by multiplying the sulfur percentage (by weight) of each producer's point of receipt volume based on the custody transfer tickets by the number of net Barrels in each producer's point of receipt, and divide the total resultant by the total net Barrels received during the given delivery Month. Since there will be no minimum or maximum sulfur percentage limitations, this weighted average sulfur percentage calculation will be used for Quality Bank adjustment purposes.

"T" = The total current month volume produced by Unocal based on the custody transfer tickets at each point of interconnect with Cameron Highway that Unocal has production being delivered into Cameron Highway .

5. To obtain the total Quality Bank Credit/Debit add the Gravity and Sulfur credit/debit. Sample calculations are attached hereto as Table 1.

6. These calculations will be made for each delivery month and the algebraic sum of all the producers' credit/debit for Cameron Highway will be zero (+/- fifty Dollars). If a producer has a net debit balance in combining the two adjustments made above, the balance due will be remitted to CHOPS within fifteen (15) Days

from receipt of statements of such debit. If a producer has a credit, the CHOPS will remit the amount thereof within 5 Days of receipt of all the payments due from those producers owing a debit.

SECTION V.

ADMINISTRATIVE

1. Capitalized terms, including "CHOPS" and "Unocal," have the meanings defined in the Purchase and Sale Agreement to which this Exhibit is attached, unless the context dictates otherwise. Similarly, the term "producer" means an individual producer on Cameron Highway (collectively "producers").

2. CHOPS will include requirements for participation in the Quality Bank and procedures for calculating adjustments between producers in all contracts to be entered into with producers covering the purchase and sale of crude oil on Cameron Highway.

3. CHOPS will administer the Quality Bank and will perform the clearinghouse business of calculating and effecting adjustments, by a process of debits and credits and interchange of funds, among the producers of crude oil connected to Cameron Highway. CHOPS may subcontract any or all of the work associated with the Quality Bank, but by doing so CHOPS will not be relieved of any of its obligations hereunder.

4. CHOPS will perform necessary calculations and prepare appropriate statements for each producer as soon as the gravity, sulfur and price data is available.

5. CHOPS will be responsible, at its sole cost and expense, for determining and/or securing data on all gravities, sulfur contents, net Barrels of the crude oil received into Cameron Highway, and Platt's Quote prices. The gravities will be determined from the custody transfer receipt tickets written by the CHOPS. The sulfur content will be determined based on samples secured by the CHOPS from the composite sampler at the time the custody transfer receipt tickets are written. The gravity will be determined by ASTM 287 (Standard Test Method for API gravity of Crude Petroleum and Petroleum Products) and the sulfur content pursuant to ASTM D-2622 (ASTM D-4294 is acceptable if ASTM D-2622 is not available) (Standard Test Method for Sulfur in Petroleum Products).

6. If any producer fails to perform any Quality Bank payment obligation as established herein, CHOPS will make equivalent payment into the Quality Bank within five (5) Days of such failure, to enable distribution of funds to producers due credits. CHOPS will, however, have the right to withhold payment of or offset against, any moneys due such failing producer pursuant to the Purchase and Sale Agreement between the producer and CHOPS to recover or otherwise fulfill any and all of producer's Quality Bank payment obligations.

7. CHOPS agrees that all transfers of interest in Cameron Highway will be made subject to this Agreement and will require the transferee to assume as to such interest all of the obligations of CHOPS under this Agreement which accrue on or after the effective date of the transfer.

8. Notwithstanding anything to the contrary set forth in Article XV of the Agreement, inasmuch as CHOPS has agreed to operate the Quality Bank without profit, and except to the extent resulting from the gross negligence or willful misconduct of CHOPS, Unocal hereby fully releases and agrees to indemnify the CHOPS from all claims, actions and demands for loss by, or damage to, CHOPS or Unocal arising out of, in connection with, or as an incident to any act or omission, including any negligence, of the CHOPS or its employees, agents or contractors, in the administration of the Quality Bank. Neither CHOPS nor Unocal will be liable to CHOPS or other producers, or to any third person, in respect to obligations or liabilities incurred by CHOPS or other producers in connection with their separate business unrelated to said Cameron highway, and obligations to CHOPS or Unocal under this Agreement are several and not joint or in solido to CHOPS or other producer.

9. Any individual producer, or his representative, will, at any time during normal business hours and upon reasonable notice, have access to the books, accounts and records of CHOPS for the purpose of verifying that CHOPS is operating the process of adjustments and determining values in accordance with the provisions of this Quality Bank. Samples used for Quality Bank calculations will be retained by CHOPS for 60 days following the month in which the samples were obtained. Cost of such individual audits will be borne by the producer(s) requesting the audit.

SECTION VI.
PERIODIC REVIEW

1. The Quality Bank will be periodically reviewed and updated in accordance with the following:

   - Immediately prior to the date when Cameron Highway common stream replaces Mars crude oil as a component of differential market price, in order to re-establish adjustment factors and verify satisfactory correlation of an updated database.

   - At any time a quality parameter other than gravity or sulfur significantly affects the pricing of the Cameron Highway common stream, or the pricing of LLS or Mars (if Mars is then currently being used as the proxy to Cameron Highway common stream).

   - Every five years following April 30, 2002, to determine if the market for database crude oil types or the Cameron Highway common stream has

changed sufficiently to warrant modifications of the adjustment factors or formulas used by the Quality Bank.

2. In any subsequent review of the Quality Bank, the Cameron Highway common stream will be incorporated into the crude oil database if sufficient independently published price data are available. Other crude oils commonly marketed on the USGC may also be added at this time if required to expand the range of the crude oil database to ensure it encompasses the full range of gravity and sulfur applicable to crude oil streams that might be introduced into the pipeline system. These other crude oils will only be added if appropriate pricing data from an independent source is available covering the specified period.

3. The following criteria will be used in assembling a historical database.

- It will include commercially traded Gulf of Mexico originating crude oil streams (types) that are representative of the U.S. Gulf Coast ("USGC") market and for which there are sufficient published price data.

Import crude oils that routinely compete in the USGC market will be added to the historical database to cover the full range of key quality parameters anticipated to be seen in the pipeline system.

- If pricing data is based on transactions, such pricing must be continuously available from publicly available sources for the crude oils used, and ideally cover one (multiple preferred) pricing cycle.

- Accurate assay data on the crude oils must be available.

- Certain crude oils will be excluded from the database based on the characteristics listed below, provided that (i) such characteristic is not taken into account in the Quality Bank and (ii) the Cameron Highway common stream does not, or is not expected to, have such characteristic.

  - Crude oils that are not chemically similar.

  - Crude oils that are known to routinely contain contaminants, to a degree that market price is significantly affected.

  - Crude oils whose assays indicate they are not whole crude oils.

4. A historical database will contain, at a minimum, the prices, API gravity and sulfur content of each selected crude oil type. To the extent possible, the database should contain crude oil types which encompass the full range of gravity and sulfur applicable to crude oil streams that might be introduced into the pipeline system and provide sufficient variation of the key quality parameters to yield a robust Quality Bank. It is expected the database will include the most recently available monthly data for a minimum period encompassing not less than one complete crude oil pricing cycle or twelve consecutive months, whichever is greater. The database will be extended to a longer period if the required data are available, provided that the database will not be extended beyond sixty (60) months unless a determination is made that market conditions and transportation costs do not distort the older data.

5. For the purpose of correlating the key quality parameters to price, the published crude oil price for each crude oil type will be adjusted to a commonly accepted market clearing location on the USGC for that type. . All costs that are reasonably expected to be incurred in transporting each crude oil from its usual marketing center to the selected market clearing location, using predominant and efficient transportation, will serve as the basis for such adjustments.

6. All transportation costs will be based on arms-length transactions, and will exclude discounted or contract rates (such as those requiring minimum shipments over a specified period of time). If pipeline tariffs are not published then purchase and sale (buy/sell) differentials may be substituted, provided that such differentials are known or can be reasonably estimated from trade experience or market pricing.

7. Other types of adjustments to deal with different pricing bases and timing biases may be made as reasonably determined to be necessary or convenient.

TABLE 1
SAMPLE CALCULATION OF CHOPS QUALITY BANK

GRAVITY AND SULFUR WEIGHTING FACTORS

		GRAVITY LIMITS	
		API Gravity	Deemed Gravity
GRAVITY WEIGHTING (GW) =	31.50%	37 or less	API Gravity
SULFUR WEIGHTING (SW) =	44.30%	Between 37 - 45	37 API
		45 or greater	80 - API

PLATT'S PRICING AND TESTED QUALITY (Platt's Quote = Average Trade Month High/Low Mean, Workdays Only)

Month	Crude	Platt's Quote	Gravity	Sulfur
Mar-02	LLS	$ 20.76	38.60	0.31%
Mar-02	Mars	$ 18.37	29.90	1.93%
Difference		$ 2.39	8.70	-1.62%

CURRENT MONTH GRAVITY AND SULFUR ADJUSTMENT FACTORS

a = LLS - Mars Price Differential =	$ 2.3900
b = LLS - Mars Gravity Differential =	8.70
c = Mars - LLS Sulfur Differential =	1.62
GAF = (GW times a) divided by b =	$0.086534 per degree API
SAF = (SW times a) divided by c =	$0.653562 per % sulfur

CALCULATION OF QUALITY BANK CREDIT/DEBIT

GRAVITY	T (Prod Vol in Bbls)	API Grav	PG (Prod Gravity)	Bbls X PG	PG - WAG (Grav Difference)	GRAVITY CREDIT / (DEBIT)
Producer A	4,200,000.00	22.8	22.80	95,760,000	(3.881667)	($1,410,771.67)
Producer B	2,100,000.00	37.5	37.00	77,700,000	10.318333	$1,875,072.44
Producer C	1,500,000.00	24.7	24.70	37,050,000	(1.981667)	($ 257,223.75)
Producer D	450,000.00	32.5	32.50	14,625,000	5.818333	$ 226,568.91
Producer E	750,000.00	60.0	20.00	15,000,000	(6.681667)	($ 433,645.93)
Total	9,000,000.00			240,135,000		($ 0.00)
		WAG =	26.681667	= Weighted Avg PG		

SULFUR	T (Prod Vol in Bbls)	PS (Prod wt% Sulfur)	Bbls X PS	WAS - PS (Sulfur Difference)	SULFUR CREDIT / (DEBIT)
Producer A	4,200,000.00	2.96	12,432,000	(0.945000)	($2,593,986.50)
Producer B	2,100,000.00	0.99	2,079,000	1.025000	$1,406,791.62
Producer C	1,500,000.00	1.98	2,970,000	0.035000	$ 34,311.99
Producer D	450,000.00	1.12	504,000	0.895000	$ 263,221.99
Producer E	750,000.00	0.20	150,000	1.815000	$ 889,660.90
Total	9,000,000.00		18,135,000		$ 0.00
	WAS =	2.015000	= Weighted Avg PS		

CREDIT / (DEBIT) = PAYMENT FROM / (TO) BANK

TOTAL	Gravity	Sulfur	Total
Producer A	($ 1,410,771.67)	($ 2,593,986.50)	($ 4,004,758.17)
Producer B	$ 1,875,072.44	$ 1,406,791.62	$ 3,281,864.06
Producer C	($ 257,223.75)	$ 34,311.99	($ 222,911.76)
Producer D	$ 226,568.91	$ 263,221.99	$ 489,790.90
Producer E	($ 433,645.93)	$ 889,660.90	$ 456,014.98
Total	($ 0.00)	$ 0.00	($ 0.00)

EXHIBIT "D"

MEMORANDUM OF AGREEMENT AND RECORDABLE AGREEMENT

I. PURPOSE. This Recordable Agreement dated as of February 12, 2003, (this "AGREEMENT") is executed to (i) bind the parties hereto to the agreements and covenants contained herein and (ii) effect notice to third parties of the agreements and covenants contained herein and in that certain Purchase and Sale Agreement entered into as of even date herewith (the "PURCHASE AND SALE AGREEMENT"), by and between Cameron Highway Oil Pipeline Company ("COMPANY"), on the one hand, and Union Oil Company of California ("PRODUCER"), on the other hand.

II. DESCRIPTION OF THE PROPERTY. This Agreement and the Purchase and Sale Agreement affect all of Producer's right, title and interest (whether now owned or hereafter acquired during the term of this Agreement) in and to any hydrocarbons or crude oil ("OIL"), underlying the lands located offshore Louisiana, Gulf of Mexico, Outer Continental Shelf, in the areas and blocks listed below (collectively, the "DEDICATED LEASES"):

Areas	Blocks
Green Canyon	738
Green Canyon	739
Green Canyon	781
Green Canyon	782
Green Canyon	783
Green Canyon	785
Green Canyon	786
Green Canyon	787

For purposes of this Agreement, "DEDICATED PRODUCTION" includes all of the Oil now or hereafter owned by Producer that is produced from the Dedicated Leases.

III. CONSIDERATION. Producer and Company executed and entered into this Agreement and the Purchase and Sale Agreement for and in consideration of, among other things, the execution of, and the premises and mutual covenants contained in, this Agreement and the Purchase and Sale Agreement, including, without limitation, the agreements described in Articles IV-VII below, and other good and valuable consideration (the receipt and sufficiency of which is hereby confirmed and acknowledged).

IV. TENDER AND COMMITMENT OF PRODUCTION. Producer permanently tendered and committed (subject to the terms and conditions of the Purchase and Sale Agreement), and Producer hereby permanently tenders and commits, to Company for delivery to, and gathering by, Company all Oil owned by Producer and produced, saved and marketed from the Dedicated Leases. In addition, Producer agreed, and agrees, that any attempted assignment or transfer of any interest in such production will be null and void unless such transfer includes an express provision stating that such assignment or transfer is made subject to the terms of this Agreement and the Purchase and Sale Agreement and the transferee agrees to be bound by the terms and conditions of this Agreement and the Purchase and Sale Agreement.

V. AGREEMENT TO BE BOUND. Company and Producer have executed and entered into this Agreement and the Purchase and Sale Agreement for the consideration herein described and hereby agree that the terms and conditions of this Agreement and the Purchase and Sale Agreement contain all necessary terms and conditions for the agreements described herein to be binding upon the parties hereto, and Company and Producer agree to be bound by the terms and conditions of this Agreement and the Purchase and Sale Agreement. Company and Producer acknowledge and agree that (i) this Agreement has been executed in addition to the Purchase and Sale Agreement and not as a replacement, supplement or other amendment to any of the terms and conditions in the Purchase and Sale Agreement and (ii) the Purchase and Sale Agreement contains terms and conditions similar to those described herein and covering the subject matter hereof as well as other terms and conditions. The terms and conditions of this Agreement and the Purchase and Sale Agreement will be construed together; provided, however, that the terms and conditions contained in the Purchase and Sale Agreement will govern and control any conflicts, ambiguities or inconsistencies between the terms and conditions of this Agreement and the Purchase and Sale Agreement.

VI. NAMES AND ADDRESSES OF PARTIES:

If to Company to:
Cameron Highway Oil Pipeline Company
Attn: Manta Ray Gathering Company, L.L.C., Operator
Four Greenway Plaza
Houston, Texas 77046
Telephone: (832) 676-5666
Telecopy: (832) 676-1710

If to Producer to:

UNOCAL
14141 Southwest Freeway
Sugarland, TX 77478
Attn: Ronald Kaltenbaugh
(281)287-5964 (telephone)
(281)287-7327(facsimile)

VII. MISCELLANEOUS. This Agreement (i) may be executed in multiple counterparts, each of which, when executed, will be deemed an original, and all of which will constitute but one and the same instrument, (ii) may enforced by specific performance and (iii) WILL BE GOVERNED BY TEXAS LAW TO THE EXTENT THE LAW OF ANOTHER JURISDICTION IS NOT REQUIRED TO BE APPLIED. Subject to the provisions of this Agreement and the Purchase and Sale Agreement, any Party may transfer, assign or otherwise alienate any or all of its rights, title or interest under this Agreement (such transfers will hereinafter be referred to as "assignments") to any other Person with or without the consent of all of the other Parties; provided, however, that no such assignment will be effective as to the nonassigning Party or Parties until the assigning Party has delivered written notice of such assignment to all nonassigning Parties.

IN WITNESS WHEREOF, the Parties have hereunto executed this Agreement as of the date first written in the Preamble.

COMPANY

CAMERON HIGHWAY OIL PIPELINE COMPANY

By:_____

Printed Name:_____

Title:_____

PRODUCER
UNION OIL COMPANY OF CALIFORNIA

By:_____

Printed Name:_____

Title:_____

STATE OF [TEXAS/LOUISIANA]
COUNTY OF _____

This instrument was acknowledged before me on _____, 2003, by _____, the _____ of Cameron Highway Oil Pipeline Company on behalf of said partnership.

_____
Notary Public, State of Texas

STATE OF [TEXAS/LOUISIANA]
COUNTY OF _____

This instrument was acknowledged before me on _____, 2003, by _____, the _____ of Union Oil Company of California on behalf of said company.

_____
Notary Public, State of Texas

EXHIBIT "E"

OIL QUALITY SPECIFICATIONS

1. Crude Oil delivered by Producer to CHOPS under the terms of this Purchase and Sale Agreement will conform to the specifications and operating conditions required by other refineries, terminals or pipelines downstream of the Delivery Point(s)and Additional Delivery Points ultimately receiving the Crude Oil (the "Downstream Facilities") and will meet the following specifications except if the specifications of the Downstream Facilities should be more stringent

(a) Viscosity, Gravity, and Pour Point. The Crude Oil must be good and merchantable Crude Oil of such viscosity, gravity and pour point such that it will be readily susceptible for movement through Cameron Highway, and subject to the Quality Bank, will not materially affect or damage the quality of other shipments or cause disadvantage to other shippers and/or CHOPS. No Crude Oil will be accepted for purchase which has a pour point greater than 40 degrees Fahrenheit or viscosity greater than 400 Saybolt Universal Seconds at 60 degrees Fahrenheit unless under terms and conditions acceptable to CHOPS.

(b) Basic Sediment, Water and Other Impurities. The Crude Oil will not have a content consisting of more than one percent (1%) of basic sediment, water or other impurities. CHOPS reserves the right to reject Crude Oil containing more than one percent (1%) of basic sediment, water, and other impurities, except that sediment and water limitations of a connecting carrier may be imposed upon CHOPS when such limits are less than that of CHOPS, in which case the limitations of the connecting carrier will be applied.

(c) Vapor Pressure. The Crude Oil will not have a Reid Vapor Pressure (RVP) of more than 8.6 pounds per square inch. During the winter months (October through November), Crude Oil with a maximum RVP of 9.6 will be accepted. Crude Oil with a maximum RVP above 9.6 may be accepted at the discretion of Cameron Highway.

(d) Refined. The Crude Oil will not have been partially refined or altered in any way so as to impact its value.

(e) Contamination. The Crude Oil will not have been contaminated by the presence of any chemicals, chlorinated and/or oxygenated hydrocarbons, arsenic, or other metals; provided, however, that this Section 1(f) will not prohibit Producer's use of corrosion/paraffin inhibitors, asphaltene dispersants or demulsifiers in its platform or pipeline operations. The Crude Oil will not

have been contaminated by the presence of methanol. Producer will contact CHOPS prior to subsea well start-up, well unloading operations, and other procedures requiring the use of methanol.

2. If any Crude Oil delivered and sold by Producer to CHOPS hereunder fails at any time to conform to the applicable specifications above, then, subject to 5(a) below, CHOPS will immediately have the right to discontinue purchasing such non-conforming Crude Oil so long as such Crude Oil continues to be non-conforming. In any event, Producer will undertake commercially reasonable measures to eliminate the cause of such non-conformance. Producer will be held responsible for any disposal required and/or expenses incurred in CHOPS' handling of such non-conforming Crude Oil.

3. Assay. Upon initial start up of production, a laboratory analysis of Crude Oil will be submitted to CHOPS by Producer and will include API gravity, Reid vapor pressure, pour point, sediment and water content, sulfur content, viscosity at 60 and 100 degrees Fahrenheit, and other characteristics as may be required by CHOPS.

4. CHOPS reserves the right to periodically sample and test the quality of the Crude Oil delivered by Producer at the Receipt Point(s). CHOPS shall be responsible for all costs attributable to such periodic sampling and testing.

5. To the extent CHOPS must discontinue redelivery of Cameron Highway common stream Crude Oil to one or more of the Delivery Points as a result of Producer's non-conformance hereunder, Producer and CHOPS agree to the following:

(a) If Producer is the sole party nominating deliveries to such Delivery Point(s) and Additional Delivery Points that is not accepting the common stream, CHOPS will continue to accept and redeliver Producer's Crude Oil to the other Delivery Point(s) that are accepting the common stream until such time as CHOPS is required to again deliver Crude Oil to any Delivery Point or Additional Delivery Point that is not accepting the common stream by another party delivering conforming Crude Oil. It being the intent of both of the Parties that CHOPS will continue to accept and redeliver Producer's Crude Oil so long as redeliveries can be made to any Delivery Point and any Additional Delivery Point and Cameron Highway does not have to curtail its deliveries to any Delivery Point or Additional Delivery Point due to Producer's non-conformance.

(b) If third-party conforming Crude Oil is nominated to any Delivery Point or Additional Delivery Point that is not accepting the common stream, CHOPS will immediately have the right to discontinue purchasing Crude Oil so long as such Crude Oil continues to be non-conforming. In any event, Producer will undertake commercially reasonable measures to eliminate the cause of such non-conformance.

CONSTRUCTION AGREEMENT
CAMERON HIGHWAY

This CONSTRUCTION AGREEMENT (this "Agreement") is entered into effective as of the 23rd day of June, 2003 ("Effective Date") among BP Exploration & Production Inc., a Delaware corporation ("BP"), Mardi Gras Transportation System Inc., a Delaware corporation ("Mardi Gras"), Cameron Highway Oil Pipeline Company, a Delaware general partnership ("CHOPS"), and GulfTerra Energy Partners, L.P., a Delaware limited partnership ("GTM"), successor to El Paso Energy Partners, L.P. BP, Mardi Gras, CHOPS and GTM are individually referred to herein as a "Party" and collectively as "Parties". CHOPS and GTM are collectively referred to herein as the "CHOPS Parties".

W I T N E S S E T H:

WHEREAS, BP is a working interest owner in certain offshore oil and gas leases located in the southern Green Canyon Area of the Gulf of Mexico, and along with its co-working interest owners in the leases, are developing or are planning to develop the associated fields for the production of oil and gas;

WHEREAS, the CHOPS Parties will construct and install (or cause the construction and installation of) (a) an offshore Crude Oil pipeline, depicted in Exhibit A, that will extend from a connection with the Caesar System at Ship Shoal Block 332 to the Delivery Points, (b) the SS 332 B Platform, and (c) all related equipment and facilities (collectively, "Cameron Highway"), and the CHOPS Parties will purchase Crude Oil provided by BP (or its designee) and resell volumes of Crude Oil to BP (or its designee) at the Delivery Points pursuant to that certain Purchase and Sale Agreement dated as of even date herewith among the CHOPS Parties and BP (as such agreement may be modified and amended from time-to-time, the "Purchase and Sale Agreement");

WHEREAS, BP, Mardi Gras and the CHOPS Parties desire to document the rights and obligations of each of the Parties with regard to the design, fabrication, installation, construction, and operation of Cameron Highway as set forth in this Agreement;

WHEREAS, as a material inducement to BP's and Mardi Gras' agreeing to enter into this Agreement, GTM is entering into this Agreement as a joint and several primary obligor with respect to the obligations of CHOPS hereunder;

NOW, THEREFORE, in consideration of the premises and the mutual promises and covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, and intending hereby to be legally bound, the Parties hereby agree and stipulate as follows:

CONSTRUCTION AGREEMENT
CAMERON HIGHWAY

ARTICLE I

DEFINITIONS

As used herein, the initially capitalized terms listed below shall have the following meanings:

"AAA" shall mean the American Arbitration Association.

"API" shall mean the American Petroleum Institute.

"ADDITIONAL DELIVERY POINTS" shall have the meaning set forth in the Purchase and Sale Agreement.

"AFFILIATE" shall mean, as to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with such first Person. As used in this definition, the term "control" (including the phrases "controlled by" and "under common control") shall mean possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise); provided that, in any event, any Person that owns, directly or indirectly, more than 50% of the voting interests in any Person will be deemed to control such Person.

"AGREEMENT" shall have the meaning set forth in the introductory paragraph of this Agreement.

"ATLANTIS" shall have the meaning set forth in the Purchase and Sale Agreement.

"BOPD" shall mean Barrels of Crude Oil per Day.

"BP" shall have the meaning set forth in the introductory paragraph of this Agreement.

"BP GROUP" shall mean BP and its Affiliates, subsidiaries, co-working interest owners, members and joint venturers and the respective employees, officers, directors, representatives, agents, contractors and subcontractors of each.

"BP PRODUCTS" shall mean BP Products North America Inc., a Maryland corporation.

"BARREL" shall mean forty-two (42) U.S. gallons at a temperature of 60 degrees F and 0 Psig.

"BUSINESS DAY" shall mean Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States or the States of Texas or Louisiana shall not be regarded as a Business Day.

"CAESAR" shall mean Caesar Oil Pipeline Company, LLC, a Delaware limited liability company, of which Mardi Gras is a member and is the designated construction manager and operator of the Caesar System.

"CAESAR SYSTEM" shall mean the offshore Crude Oil pipeline consisting of approximately sixty (60) miles of twenty-eight inch (28") trunkline and all related laterals and equipment and facilities to be owned, constructed and installed by Caesar or its designee(s) that will begin from the area of the Initial Dedicated Leases and extend to platforms and/or interconnections with other pipelines, including to Ship Shoal Block 332 where it will connect into Cameron Highway.

"CAMERON HIGHWAY" shall have the meaning set forth in the second WHEREAS clause of this Agreement.

"CAMERON HIGHWAY COMPLETION DATE" shall mean the date on which Cameron Highway is Fully Operational.

"CAMERON HIGHWAY MOU" shall mean that certain Memorandum of Understanding dated effective February 11, 2002 among BP, Mardi Gras, EPN, and Manta Ray, as amended.

"CHOPS" shall have the meaning set forth in the introductory paragraph of this Agreement.

"CHOPS PARTIES" shall have the meaning set forth in the introductory paragraph of this Agreement.

"CHOPS PARTIES CAP" shall have the meaning set forth in Section 2.3(a)(iv).

"CHOPS PARTIES GROUP" shall mean each of CHOPS and GTM, and their respective Affiliates members, subsidiaries, co-owners, and joint venturers and its and their respective employees, officers, directors, representatives, agents, pipeline operators, construction managers, contractors and subcontractors.

"COMPUTER TAPES" shall have the meaning set forth in Section 5.13(e) of this Agreement.

"CONFIDENTIAL INFORMATION" means this Agreement and any other written data or information that is privileged, confidential or proprietary, except information that (a) is a matter of public knowledge at the time of its disclosure or is thereafter published in or otherwise ascertainable from any source available to the public without breach of this Agreement, (b) constitutes information that is obtained from a third party (who or which is not a member or an Affiliate of one of the Parties) other than by or as a result of unauthorized disclosure or (c) prior to the time of disclosure had been independently developed by the receiving Party or its members or Affiliates not utilizing improper means.

"CONFIDENTIALITY AGREEMENT" shall mean that certain Confidentiality Agreement dated April 3, 2001 by and between Amoco Production Company, BP Exploration & Oil Inc. and EPN, as amended.

"CONSTRUCTION PERIOD" shall have the meaning set forth in Section 5.25(b) of this Agreement.

"CRUDE OIL" shall mean the liquid hydrocarbon production from wells, or a blend of such, in its natural form, not having been enhanced or altered in any manner or by any process (other than those processes that normally occur on an offshore production facility) that would result in misrepresentation of its true value for adaptability to refining as a whole crude oil.

"DAY" shall mean a period of twenty-four (24) consecutive hours, beginning and ending at 7:00 A.M. (CST).

"DEDICATED LEASES" shall have the meaning set forth in the Purchase and Sale Agreement.

"DEDICATED PRODUCTION" shall have the meaning set forth in the Purchase and Sale Agreement.

"DELIVERY POINTS" shall have the meaning set forth in the Purchase and Sale Agreement.

"DISPUTE(S)" shall have the meaning set forth in Section 5.22.

"EFFECTIVE DATE" shall have the meaning set forth in the introductory paragraph of this Agreement.

"EPN" shall mean El Paso Energy Partners, L.P., predecessor to GTM.

"FERC" shall mean the Federal Energy Regulatory Commission and any successor governmental agency.

"FINANCIALLY CAPABLE ENTITY" shall mean an entity ("Proposed Assignee") whose financial capability and resources, for purposes of this Agreement, shall be evaluated based on (a) the financial wherewithal of such entity and (b) any guaranty, agreement or other obligation of any other Person (including a Proposed Assignee's parent entity) to the extent such guaranty, agreement or other obligation provides for such Person to be financially obligated for the obligations of the Proposed Assignee in connection with any applicable assignment of this Agreement to the Proposed Assignee.

"FORCE MAJEURE" shall mean causes, conditions, events or circumstances affecting the Parties, or downstream or upstream facilities that are beyond the reasonable control of the Party claiming Force Majeure. Such causes, conditions, events and circumstances may include, without limitation, acts of God, wars (declared or undeclared), hostilities, acts of terrorism, strikes, lockouts, riots, floods, fires, storms, storm warnings, industrial disturbances, acts of the public enemy, sabotage, blockades, insurrections, epidemics, landslides, lightning, earthquakes, washouts, arrests and restraints of rulers and peoples, civil disturbances, explosions, breakage or accidents to machinery or lines of pipe, hydrate obstruction or blockages of any kind of lines of

pipe, abnormal operating conditions on a Party's facilities, repairs, improvements, replacements or alterations to plants, lines of pipe or related facilities, inability of a Party to obtain necessary machinery, drilling or workover rigs, materials, permits, easements or rights-of-way on reasonable terms, freezing of a well or delivery facility, well blowout, cratering, depletion of reserves, the partial or entire failure of a well, the act of any court or governmental authority prohibiting a Party from discharging its obligations under this Agreement or resulting in diminutions in service and conduct that would violate any applicable law, all of which events must be beyond the reasonable control of the Party claiming such event as Force Majeure. Notwithstanding anything in this definition of "Force Majeure" to the contrary, none of the following events shall be regarded as events of Force Majeure: (a) the inability of a Party to (i) make payments when due, (ii) be profitable, (iii) secure funds, (iv) arrange bank loans or other financing, or (v) obtain credit, (b) the failure of Cameron Highway to be established and/or maintained as a private pipeline system, (c) any portion of Cameron Highway being made subject to the jurisdiction of any governmental authority, (d) a governmental authority or court requiring a pro rata allocation of firm capacity on Cameron Highway pursuant to the OCSLA, (e) any curtailment of Crude Oil by the owner or operator of Cameron Highway as a direct response to a claim or threatened claim of any party related to the OCSLA, or (f) the lack of or failure to obtain any Poseidon SS 332 A Approval or the failure of any Poseidon SS 332 A Approval to be valid, binding or effective for any reason.

"FULLY OPERATIONAL" shall mean that Cameron Highway, including all Delivery Points, is completed, active and operational such that it is capable of receiving all Dedicated Production at the Receipt Points and delivering an equivalent volume of Crude Oil at the Delivery Points.

"GB 72" shall mean the existing platform owned by GTM and GOM Shelf, LLC located in Garden Banks Block 72, Gulf of Mexico.

"GTM" shall have the meaning set forth in the introductory paragraph of this Agreement.

"GOVERNMENTAL AGENCIES" shall mean the FERC and any governmental agencies claiming or asserting jurisdiction under the OCSLA.

"HI A-5"C"" shall mean a platform to be owned by CHOPS located in the area of High Island Block A-5, which Cameron Highway is anticipated to cross.

"HOLSTEIN" shall have the meaning set forth in the Purchase and Sale Agreement.

"INITIAL DEDICATED LEASES" shall have the meaning set forth in the Purchase and Sale Agreement.

"INITIAL CAMERON HIGHWAY RECEIPT POINT" shall have the meaning set forth in the Purchase and Sale Agreement.

"INTERCONNECT AGREEMENT" shall mean that certain Offshore Facilities Interconnection, Construction and Operating Agreement dated as of even date herewith among Caesar, Manta

Ray, CHOPS, and GTM as such agreement may be modified, amended, restated or replaced from time to time.

"INTERCONNECT PARTIES" shall mean (a) Caesar, Facsimile Number 281-366-7910, Attn: Vice President, (b) Manta Ray, Facsimile Number 832-676-1710, Attn: President, (c) Mardi Gras, Facsimile Number 281-366-7910, Attn: Vice President, (d) CHOPS, Facsimile Number 832-676-1710, Attn: President, and (e) GTM, Facsimile Number 832-676-1710, Attn: President.

"LENDER LIENS" shall have the meaning set forth in Section 5.14 of this Agreement.

"MMS" shall mean the Minerals Management Service and any successor governmental agency.

"MAD DOG" shall have the meaning set forth in the Purchase and Sale Agreement.

"MANTA RAY" shall mean Manta Ray Gathering Company, L.L.C., a direct wholly-owned subsidiary of GTM, and a member of Atlantis Offshore, LLC.

"MARDI GRAS" shall have the meaning set forth in the introductory paragraph of this Agreement.

"MARDI GRAS GROUP" shall mean Mardi Gras and its Affiliates, subsidiaries, co-owners, members and joint venturers and its and their respective employees, officers, directors, representatives, agents, contractors and subcontractors.

"NON-SUBMITTING PARTIES" shall have the meaning set forth in Section 5.22 of this Agreement.

"OCSLA" shall mean the Outer Continental Shelf Lands Act (43 U.S.C. Sections 1331 et seq.) as in effect on February 11, 2002, and any regulations or rules promulgated thereunder by Governmental Agencies and decisions of courts interpreting same.

"OPERATIONAL" shall mean that Cameron Highway is active and operational such that it is capable of receiving all Dedicated Production at the Receipt Points and delivering an equivalent volume of Crude Oil to at least one (1) but less than or equal to three (3) Delivery Points.

"OTHER RECORDS" shall have the meaning set forth in Section 5.13(e) of this Agreement.

"PARTIES" shall have the meaning set forth in the introductory paragraph of this Agreement.

"PARTY" shall have the meaning set forth in the introductory paragraph of this Agreement.

"PERSON" shall mean any individual, governmental authority, corporation, limited liability company, partnership, limited partnership, trust, association or other entity.

"POSEIDON PIPELINE" shall mean the Crude Oil pipeline system owned by Poseidon Oil Pipeline Company, L.L.C. consisting of approximately (a) 117 miles of pipeline extending from GB 72 to the SS 332 A Platform, (b) 122 miles of pipeline extending from the SS 332 A Platform to Houma, Louisiana, (c) 32 miles of pipeline extending from Ewing Bank Block 873 to South Timbalier Block 212, and (d) 17 miles of pipeline extending from Garden Banks Block 260 to South Marsh Island Block 205, as such pipeline system may be modified or extended.

"POSEIDON SS 332 A APPROVAL" shall have the meaning given to such term in the Interconnect Agreement.

"PROPOSED ASSIGNEE" shall have the meaning set forth in the definition of the term "Financially Capable Entity".

"PSIG" shall mean pounds per square inch gauge.

"PURCHASE AND SALE AGREEMENT" shall have the meaning set forth in the second WHEREAS clause of this Agreement.

"RECEIPT POINTS" shall mean the points including, without limitation, the Initial Cameron Highway Receipt Point, where the CHOPS Parties shall receive and purchase Crude Oil pursuant to the Purchase and Sale Agreement.

"REQUIRED COMMENCEMENT DATE" shall have the meaning set forth in Section 2.1(a) of this Agreement.

"RULES" shall mean the then current Commercial Arbitration Rules of AAA.

"SGC FIELDS" shall mean Atlantis, Holstein and Mad Dog.

"SS 332 A PLATFORM" shall mean the existing platform owned by Atlantis Offshore, LLC, located in Ship Shoal Block 332, Gulf of Mexico.

"SS 332 B PLATFORM" shall mean the platform to be constructed and installed by the CHOPS Parties, and owned by CHOPS, and located in Ship Shoal Block 332, Gulf of Mexico, which platform is included in the definition of "Cameron Highway".

"SUBMITTING PARTY" shall have the meaning set forth in Section 5.22 of this Agreement.

"SUPPLEMENTARY AGREEMENT" shall mean that certain Cameron Highway Supplementary Agreement dated as of even date herewith among BP, GTM and Mardi Gras.

"TEXAS CITY LATERAL" shall have the meaning set forth in the Purchase and Sale Agreement.

ARTICLE II
CONSTRUCTION, OWNERSHIP, OPERATION
OF CAMERON HIGHWAY

2.1 Construction Responsibilities and Activities.

(a) Subject to the terms and conditions of this Agreement, the CHOPS Parties shall (i) design, fabricate, construct, install and commission Cameron Highway (with CHOPS owning Cameron Highway) at their sole cost, risk, liability and expense, and (ii) use commercially reasonable efforts to ensure that Cameron Highway is Fully Operational no later than 12:01 a.m. on August 15, 2004 (as such date may be adjusted pursuant to Section 2.1(c) below, the "Required Commencement Date"). In addition, the CHOPS Parties shall cause the interconnection of Cameron Highway with the Caesar System as set forth in the Interconnect Agreement.

(b) Except as provided in Sections 2.3(c) and (d), from and after the date hereof, at the request of any Party, the Parties shall, and the CHOPS Parties shall cause Manta Ray to, meet to discuss the progress of the construction of Cameron Highway and the Caesar System and the status of the development of the SGC Fields.

(c) With respect to the term "Required Commencement Date", the Parties agree that the designated date of August 15, 2004 shall automatically be revised as follows: (i) such date shall be delayed on a day for day basis with the duration of any Force Majeure event(s) declared by CHOPS hereunder in excess of the first ninety (90) days of Force Majeure event(s) declared by CHOPS hereunder occurring during the construction phase of Cameron Highway, and (ii) such date shall be delayed until production actually commences from the first of the Initial Dedicated Leases to commence production. In the event of anticipated delays in the date of commencement of production from the first of the Initial Dedicated Leases that BP in its reasonable discretion believes it cannot make up, which delays would reasonably be expected to extend the Required Commencement Date beyond August 15, 2004, BP shall promptly notify CHOPS in writing of such anticipated delays and shall provide a revised Required Commencement Date to the CHOPS Parties. For purposes of this Agreement, the Required Commencement Date shall be deemed to be such revised date, as such date may be further revised by the foregoing terms of this Section 2.1(c). Upon any adjustment to the Required Commencement Date pursuant to this Section 2.1, the CHOPS Parties shall promptly notify the Interconnect Parties via facsimile of such adjustment and of the updated Required Commencement Date pursuant to this Section 2.1.

(d) The CHOPS Parties (or their designee) shall design, fabricate, construct, install and commission, and shall be responsible for the design, cost, construction and installation of, all necessary facilities at each Delivery Point in order to effectuate deliveries from Cameron Highway including, without limitation, the meter facilities. CHOPS shall own all such facilities. BP shall cause BP Products to negotiate in good faith and in a timely manner with the CHOPS Parties to establish the Delivery Point at BP Products' Texas City Refinery under commercially reasonable terms. The CHOPS Parties shall be responsible for the design, cost, construction and installation of the Texas City Lateral.

(e) The CHOPS Parties shall notify the Interconnect Parties via facsimile of the Cameron Highway Completion Date promptly upon Cameron Highway becoming Fully Operational.

2.2 Cameron Highway Pipe Diameters and Capacities.

(a) The CHOPS Parties shall construct Cameron Highway so that the pipeline diameters, initial pipeline capacities and expanded pipeline capacities are as set forth below. Such diameters and capacities are depicted on the schematic attached hereto as Exhibit A.

Cameron Highway Pipeline Segment*	Pipeline Diameter	Initial Daily Pipeline Capacity**	Expanded Daily Pipeline Capacity***
SS 332 to GB 72	30"	400,000 BOPD	600,000 BOPD
GB 72 to HI A-5"C"	30"	500,000 BOPD	650,000 BOPD
HI A-5"C" to Sun and Unocal Delivery Point(s)	24"	350,000 BOPD	450,000 BOPD
HI A-5"C" to Seaway and BP Products Delivery Point(s)	24"	350,000 BOPD	450,000 BOPD

* The location of the pump stations and platforms in the GB 72 and HI A-5"C" are subject to further optimization so long as the above-referenced capacities are not decreased.

** Initial Daily Pipeline Capacity shall mean the approximate maximum initial daily capacity of the pipeline segment without the use of drag reducing agents and additional pumps.

*** Expanded Daily Pipeline Capacity shall mean the approximate expanded daily capacity of the pipeline segment with the addition of additional pumps and/or drag reducing agents.

The pipeline capacities described above are peak capacities and do not include downtime on Cameron Highway. The pipeline capacities described above were developed using an API gravity of thirty degrees (30 degrees) and viscosity of 44.0 centipoise at sixty degrees Fahrenheit (60 degrees F).

(b) Any material changes or modifications in the pipeline capacities or diameters described in Section 2.2(a) above or in the attached Exhibit A shall require the prior written approval of BP and Mardi Gras. Any deviation of ten (10) miles or more in the Cameron Highway pipeline route described in Exhibit A shall also require the prior written approval of BP and Mardi Gras. Notwithstanding any deviation of the Cameron Highway pipeline route, the CHOPS Parties shall construct and install Cameron Highway so that deliveries of Crude Oil can be made to all of the Delivery Points.

2.3 Construction Management.

(a) CHOPS shall be, and GTM shall cause CHOPS to be, the construction manager of Cameron Highway and shall not, and GTM will not allow CHOPS to, delegate, assign or transfer any obligations (in whole or in part) associated with the design, fabrication, construction, installation and commissioning of such pipeline and all related equipment and facilities, except as provided in Section 5.1 below. The CHOPS Parties shall keep BP and Mardi Gras apprised of any anticipated delays that would reasonably be anticipated to cause Cameron Highway not to be Fully Operational by the Required Commencement Date. In the event the CHOPS Parties notify BP and Mardi Gras of any such anticipated delays, the Parties shall promptly meet to discuss such anticipated delays. If, for reasons other than Force Majeure events or a breach of this Agreement by BP or Mardi Gras, the CHOPS Parties or any of their contractors and subcontractors fail to perform or perform in such a manner that BP and/or Mardi Gras determine that such performance or failure to perform would reasonably be expected to result in a delay in the design, fabrication, construction, installation and commissioning of any portion of Cameron Highway to the extent that Cameron Highway would reasonably be expected to not be (i) Operational by the Required Commencement Date, and (ii) Fully Operational within six (6) months following the Required Commencement Date, BP and/or Mardi Gras (or their respective designee(s)) shall notify CHOPS in writing of such concerns and the CHOPS Parties shall have sixty (60) days to remedy the situation.

(i) If within such sixty (60) day period, the CHOPS Parties have not remedied the situation to the reasonable satisfaction of BP and Mardi Gras (or their respective designee(s)), then BP and/or Mardi Gras (or their respective designee(s)) shall have the right to replace CHOPS as construction manager of Cameron Highway and complete Cameron Highway as provided in Section 2.3(a)(ii) below. BP and/or Mardi Gras (or their respective designee(s)) shall notify CHOPS in writing in the event this right to replace CHOPS as construction manager is exercised.

(ii) If CHOPS receives written notice from BP and/or Mardi Gras (or their respective designee(s)) that such Party(ies) (or their respective designee(s)) has elected to replace CHOPS as construction manager and CHOPS reasonably believes the situation described above in this Section 2.3(a) to be remedied so that Cameron Highway is reasonably expected to be (A) Operational by the Required Commencement Date, and (B) Fully Operational within six (6) months following the Required Commencement Date, CHOPS shall give BP and Mardi Gras (or their respective designee(s)) written notice of such dispute, and the determination of whether such situation has been remedied will be submitted to one of the third party engineering firms listed on Exhibit B attached hereto. Within ten (10) days of receipt by CHOPS of the notice referenced in Section 2.3(a)(i) above, the Parties shall agree which one of the engineering firms listed on Exhibit B to utilize. The Parties shall cooperate to the maximum extent possible to furnish the engineering firm with all information and data required by the engineering firm to make such determination. The Parties shall direct the engineering firm to make its final decision within thirty (30) days of the submission of the issue to the engineering firm. During such period, CHOPS shall remain as construction manager and continue to perform all obligations and duties hereunder including without limitation the performance of all activities related to Cameron

Highway. During such period, BP and Mardi Gras (or their respective designee(s)) shall have the right to monitor all work performed by the CHOPS Parties, their contractors and subcontractors related to the design, fabrication, construction, installation and commissioning of Cameron Highway. Each Party shall bear its own internal costs (including, without limitation, attorney's fees and expert witness fees) attributable to the preparation and presentation of its case to the engineering firm. The fees and costs of the engineering firm shall be borne by the non-prevailing Party in the proceeding.

(iii) In the event the engineering firm determines that the CHOPS Parties' performance or failure to perform would not reasonably be expected to result in a delay in the design, fabrication, construction, installation and commissioning of any portion of Cameron Highway to the extent that Cameron Highway would reasonably be expected to be (A) Operational by the Required Commencement Date, and (B) Fully Operational within six (6) months following the Required Commencement Date, then CHOPS shall remain as construction manager.

(iv) In the event the engineering firm determines that the CHOPS Parties' performance or failure to perform would reasonably be expected to result in a delay in the design, fabrication, construction, installation and commissioning of any portion of Cameron Highway to the extent that Cameron Highway would reasonably be expected to not be (A) Operational by the Required Commencement Date, and (B) Fully Operational within six (6) months following the Required Commencement Date, then BP and/or Mardi Gras (or their respective designee(s)) (as the case may be) shall have the right to replace CHOPS as construction manager of Cameron Highway. In such event, all costs attributable to the completion of Cameron Highway (including, without limitation, design, fabrication, construction, installation and commissioning costs) shall be borne by the CHOPS Parties; provided, that in such event the total cumulative cost to be borne by the CHOPS Parties to design, fabricate, construct, install and commission Cameron Highway shall not exceed $480 million plus an additional amount directly attributable to the costs to BP and Mardi Gras resulting from or arising out of the CHOPS Parties' performance or failure to perform under this Agreement (such $480 million plus such additional amount collectively referred to as the "CHOPS Parties Cap"), which additional amount shall be mutually agreed to by the Parties. In the event the Parties cannot agree on such additional amount, the determination of such additional amount shall be determined by the third party engineering firm selected pursuant to Section 2.3(a)(ii) above. In addition, in the event BP and/or Mardi Gras (or their respective designee(s)) replaces CHOPS as construction manager of Cameron Highway and elects, in their sole discretion, to complete Cameron Highway utilizing the CHOPS Parties' contracts and agreements with contractors and subcontractors, the CHOPS Parties shall be responsible for and shall reimburse BP and Mardi Gras for all damages, judgments, costs, fees, and expenses (including, without limitation, attorneys' fees) incurred by BP and Mardi Gras (or their respective designee(s)) related to claims and lawsuits brought by such contractors and subcontractors or their employees and agents, or for which the CHOPS Parties would have been responsible for in accordance with the indemnity provisions of such contracts and agreements had CHOPS remained as construction manager, arising out of such Cameron Highway activities and accruing after CHOPS is replaced as construction manager, but only to the extent not resulting from the negligence or misconduct of BP or Mardi Gras (or their respective

designee(s)), and such obligations of the CHOPS Parties, including their reimbursement obligations, shall not be subject to the CHOPS Parties Cap. In the event BP and/or Mardi Gras (or their respective designee(s)) elect not to utilize the CHOPS Parties' contracts and agreements with contractors and subcontractors to complete Cameron Highway, and instead secure their own contracts and agreements with contractors and subcontractors, the indemnification provisions contained in Article III below shall apply. The rights to replace CHOPS as construction manager pursuant to the terms of this Section 2.3(a) shall be rights granted only to, and exercisable by, BP and Mardi Gras (and not to permitted assignees of BP and Mardi Gras).

(v) If BP and/or Mardi Gras (or their respective designee(s)) elect to replace CHOPS as construction manager pursuant to the terms of this Section 2.3(a), the engineering firm referenced in Section 2.3(a)(ii) above shall determine the number of days such firm reasonably believes Cameron Highway would have been delayed in being (A) Operational by the Required Commencement Date, and (B) Fully Operational within six (6) months following the Required Commencement Date had CHOPS remained as construction manager. Notwithstanding anything to the contrary contained herein, (x) the CHOPS Parties shall not be liable or responsible to BP for the liquidated damages referenced in Articles XI.c. and XI.d. of the Purchase and Sale Agreement attributable to any additional delay in Cameron Highway becoming (i) Operational by the Required Commencement Date, and (ii) Fully Operational within six (6) months following the Required Commencement Date beyond that number of days as determined by such engineering firm, and (y) such replacement as construction manager, along with the express rights and remedies granted in this Section 2.3(a), and the liquidated damages referenced in Articles XI.c. and XI.d. of the Purchase and Sale Agreement, if applicable, for that number of days of delay as determined by the engineering firm, shall be the sole and exclusive remedies (whether under contract or at law or equity) of BP and Mardi Gras with respect to any alleged delay by the CHOPS Parties in the design, fabrication, construction, installation and commissioning of any portion of Cameron Highway.

(b) Except as expressly set forth herein, in performing as construction manager of Cameron Highway, CHOPS is not subject to the control or direction of BP or Mardi Gras. In addition, if BP and/or Mardi Gras or their designee(s) are acting as construction manager of Cameron Highway pursuant to the terms of this Agreement, in performing as construction manager, BP and/or Mardi Gras or their designee(s), as applicable, are not subject to the control or direction of the CHOPS Parties.

(c) Mardi Gras and BP shall each have the right to assign representatives to the CHOPS Parties' Cameron Highway project team for the purpose of (i) monitoring the progress of the design, fabrication, construction and installation of Cameron Highway, and (ii) reviewing plans for the design, fabrication, commissioning and engineering of Cameron Highway. Specifically, BP and Mardi Gras shall each have the right to participate in technical discussions and all team meetings. Notwithstanding the foregoing, subject to Section 2.3(a)(iv) above, all final decisions shall be made by and the responsibility of the CHOPS Parties with respect to all design, fabrication, engineering, construction, installation and commissioning matters. The right to assign representatives to the CHOPS Parties' Cameron Highway project team granted above shall be a right granted only to, and exercisable by, Mardi Gras and BP (and not to permitted assignees of Mardi Gras and BP).

(d) The CHOPS Parties shall provide BP and Mardi Gras with monthly status reports regarding the progress of Cameron Highway. In addition, the CHOPS Parties shall keep BP and Mardi Gras informed of matters which a reasonable and prudent operator would reasonably expect to impact such operator's ability to have Cameron Highway Fully Operational by the Required Commencement Date.

(e) The CHOPS Parties shall use their commercially reasonable efforts to obtain all rights of way necessary for Cameron Highway, and after the CHOPS Parties have exhausted all commercially reasonable efforts to obtain rights of way for Cameron Highway, BP agrees to use commercially reasonable efforts to utilize its existing pipeline rights of way where beneficial to the construction of Cameron Highway. In the event BP's rights of way are utilized, BP shall be compensated by the CHOPS Parties for the use of such rights of way based on customary and reasonable practice in the pipeline industry.

2.4 Standard of Care. The CHOPS Parties shall conduct all activities and operations in a sound and workmanlike manner, as would a reasonable and prudent operator under the same or similar circumstances, and in accordance with applicable laws, statutes, rules and regulations.

2.5 Quality Specifications. The quality specifications for Cameron Highway are attached to this Agreement as Exhibit C.

2.6 Governmental Approvals.

(a) Except for the Poseidon SS 332 A Approval, the construction of Cameron Highway and the Caesar System under this Agreement shall be subject to the applicable Parties obtaining all required governmental approvals relating to such construction.

(b) The CHOPS Parties shall diligently pursue and use commercially reasonable efforts to obtain all required governmental approvals in a timely manner.

2.7 Access and Space Rights. The CHOPS Parties will use commercially reasonable efforts to obtain all access and space rights necessary on GB 72 and HI A-5"C" for the construction and installation of Cameron Highway as contemplated by this Agreement.

ARTICLE III

INDEMNIFICATION AND INSURANCE

3.1 MARDI GRAS GROUP.

(a) SUBJECT TO SECTION 2.3(a)(iv) ABOVE, MARDI GRAS SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE CHOPS PARTIES GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE

TO OR LOSS OF PROPERTY OF THE MARDI GRAS GROUP AND (ii) PERSONAL INJURY TO OR DEATH OF PERSONS IN THE MARDI GRAS GROUP, IN EACH CASE OF (i) AND (ii) ABOVE, RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT, EVEN THOUGH CAUSED IN WHOLE OR IN PART BY THE CHOPS PARTIES GROUP'S NEGLIGENCE (ACTIVE, PASSIVE, JOINT, CONCURRENT OR SOLE) OR STRICT LIABILITY, OR OTHER LEGAL FAULT OF THE CHOPS PARTIES GROUP, EXCEPT TO THE EXTENT THAT ANY SUCH LOSS RESULTS FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A MEMBER OF THE CHOPS PARTIES GROUP.

(b) SUBJECT TO SECTION 2.3(a)(iv) ABOVE, MARDI GRAS SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE BP GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THE MARDI GRAS GROUP AND (ii) PERSONAL INJURY TO OR DEATH OF PERSONS IN THE MARDI GRAS GROUP, IN EACH CASE OF (i) AND (ii) ABOVE, RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT, EVEN THOUGH CAUSED IN WHOLE OR IN PART BY THE BP GROUP'S NEGLIGENCE (ACTIVE, PASSIVE, JOINT, CONCURRENT OR SOLE) OR STRICT LIABILITY, OR OTHER LEGAL FAULT OF THE BP GROUP, EXCEPT TO THE EXTENT THAT ANY SUCH LOSS RESULTS FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A MEMBER OF THE BP GROUP.

3.2 CHOPS PARTIES GROUP.

(a) IN ADDITION TO THE LIABILITIES ASSUMED BY THE CHOPS PARTIES IN SECTION 2.3(a)(iv) ABOVE, THE CHOPS PARTIES, JOINTLY AND SEVERALLY, SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE MARDI GRAS GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THE CHOPS PARTIES GROUP AND (ii) PERSONAL INJURY TO OR DEATH OF PERSONS IN THE CHOPS PARTIES GROUP, IN EACH CASE OF (i) AND (ii) ABOVE, RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT, EVEN THOUGH CAUSED IN WHOLE OR IN PART BY THE MARDI GRAS GROUP'S NEGLIGENCE (ACTIVE,

PASSIVE, JOINT, CONCURRENT OR SOLE) OR STRICT LIABILITY, OR OTHER LEGAL FAULT OF THE MARDI GRAS GROUP, EXCEPT TO THE EXTENT THAT ANY SUCH LOSS RESULTS FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A MEMBER OF THE MARDI GRAS GROUP.

(b) IN ADDITION TO THE LIABILITIES ASSUMED BY THE CHOPS PARTIES IN SECTION 2.3(a)(iv) ABOVE, THE CHOPS PARTIES, JOINTLY AND SEVERALLY, SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE BP GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THE CHOPS PARTIES GROUP AND (ii) PERSONAL INJURY TO OR DEATH OF PERSONS IN THE CHOPS PARTIES GROUP, IN EACH CASE OF (i) AND (ii) ABOVE, RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT, EVEN THOUGH CAUSED IN WHOLE OR IN PART BY THE BP GROUP'S NEGLIGENCE (ACTIVE, PASSIVE, JOINT, CONCURRENT OR SOLE) OR STRICT LIABILITY, OR OTHER LEGAL FAULT OF THE BP GROUP, EXCEPT TO THE EXTENT THAT ANY SUCH LOSS RESULTS FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A MEMBER OF THE BP GROUP.

3.3 BP GROUP.

(a) SUBJECT TO SECTION 2.3(a)(iv) ABOVE, BP SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE MARDI GRAS GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THE BP GROUP AND (ii) PERSONAL INJURY TO OR DEATH OF PERSONS IN THE BP GROUP, IN EACH CASE OF (i) AND (ii) ABOVE, RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT, EVEN THOUGH CAUSED IN WHOLE OR IN PART BY THE MARDI GRAS GROUP'S NEGLIGENCE (ACTIVE, PASSIVE, JOINT, CONCURRENT OR SOLE) OR STRICT LIABILITY, OR OTHER LEGAL FAULT OF THE MARDI GRAS GROUP, EXCEPT TO THE EXTENT THAT ANY SUCH LOSS RESULTS FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A MEMBER OF THE MARDI GRAS GROUP.

(b) SUBJECT TO SECTION 2.3(a)(iv) ABOVE, BP SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE CHOPS PARTIES GROUP FROM AND AGAINST ALL LOSSES,

DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THE BP GROUP AND (ii) PERSONAL INJURY TO OR DEATH OF PERSONS IN THE BP GROUP, IN EACH CASE OF (i) AND (ii) ABOVE, RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT, EVEN THOUGH CAUSED IN WHOLE OR IN PART BY THE CHOPS PARTIES GROUP'S NEGLIGENCE (ACTIVE, PASSIVE, JOINT, CONCURRENT OR SOLE) OR STRICT LIABILITY, OR OTHER LEGAL FAULT OF THE CHOPS PARTIES GROUP, EXCEPT TO THE EXTENT THAT ANY SUCH LOSS RESULTS FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A MEMBER OF THE CHOPS PARTIES GROUP.

3.4 THIRD PARTIES.

(a) FOR PURPOSES OF THIS SECTION 3.4, "THIRD PARTIES" SHALL MEAN ALL PERSONS AND ENTITIES THAT ARE NOT INCLUDED IN THE CHOPS PARTIES GROUP, THE BP GROUP, OR THE MARDI GRAS GROUP.

(b) SUBJECT TO SECTION 2.3(a)(iv) ABOVE, MARDI GRAS SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE CHOPS PARTIES GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THIRD PARTIES AND (ii) PERSONAL INJURY TO OR DEATH OF THIRD PARTIES, IN EACH CASE OF (i) AND (ii) ABOVE, WHEN CAUSED BY OR RESULTING FROM THE NEGLIGENCE OR FAULT OF THE MARDI GRAS GROUP AND RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH, OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT; PROVIDED THAT, IN THE EVENT OF JOINT OR CONCURRENT NEGLIGENCE OR FAULT OF THE MARDI GRAS GROUP AND THE CHOPS PARTIES GROUP, MARDI GRAS' INDEMNIFICATION OBLIGATION HEREUNDER SHALL BE LIMITED TO THE MARDI GRAS GROUP'S ALLOCABLE SHARE OF SUCH JOINT OR CONCURRENT NEGLIGENCE OR FAULT.

(c) SUBJECT TO SECTION 2.3(a)(iv) ABOVE, MARDI GRAS SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE BP GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THIRD PARTIES AND (ii) PERSONAL INJURY TO OR DEATH OF THIRD PARTIES, IN EACH CASE OF (i) AND (ii) ABOVE, WHEN CAUSED BY OR

RESULTING FROM THE NEGLIGENCE OR FAULT OF THE MARDI GRAS GROUP AND RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH, OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT; PROVIDED THAT, IN THE EVENT OF JOINT OR CONCURRENT NEGLIGENCE OR FAULT OF THE MARDI GRAS GROUP AND THE BP GROUP, MARDI GRAS' INDEMNIFICATION OBLIGATION HEREUNDER SHALL BE LIMITED TO THE MARDI GRAS GROUP'S ALLOCABLE SHARE OF SUCH JOINT OR CONCURRENT NEGLIGENCE OR FAULT.

(d) IN ADDITION TO THE LIABILITIES ASSUMED BY THE CHOPS PARTIES IN SECTION 2.3(a)(iv) ABOVE, THE CHOPS PARTIES, JOINTLY AND SEVERALLY, SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE MARDI GRAS GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THIRD PARTIES AND (ii) PERSONAL INJURY TO OR DEATH OF THIRD PARTIES, IN EACH CASE OF (i) AND (ii) ABOVE, WHEN CAUSED BY OR RESULTING FROM THE NEGLIGENCE OR FAULT OF THE CHOPS PARTIES GROUP AND RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH, OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT; PROVIDED THAT, IN THE EVENT OF JOINT OR CONCURRENT NEGLIGENCE OR FAULT OF THE MARDI GRAS GROUP AND THE CHOPS PARTIES GROUP, THE CHOPS PARTIES' INDEMNIFICATION OBLIGATION HEREUNDER SHALL BE LIMITED TO THE CHOPS PARTIES GROUP'S ALLOCABLE SHARE OF SUCH JOINT OR CONCURRENT NEGLIGENCE OR FAULT.

(e) IN ADDITION TO THE LIABILITIES ASSUMED BY THE CHOPS PARTIES IN SECTION 2.3(a)(iv) ABOVE, THE CHOPS PARTIES, JOINTLY AND SEVERALLY, SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE BP GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THIRD PARTIES AND (ii) PERSONAL INJURY TO OR DEATH OF THIRD PARTIES, IN EACH CASE OF (i) AND (ii) ABOVE, WHEN CAUSED BY OR RESULTING FROM THE NEGLIGENCE OR FAULT OF THE CHOPS PARTIES GROUP AND RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH, OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT; PROVIDED THAT, IN THE EVENT OF JOINT OR CONCURRENT NEGLIGENCE OR FAULT OF THE BP GROUP AND THE CHOPS PARTIES GROUP, THE CHOPS PARTIES' INDEMNIFICATION OBLIGATION

HEREUNDER SHALL BE LIMITED TO THE CHOPS PARTIES GROUP'S ALLOCABLE SHARE OF SUCH JOINT OR CONCURRENT NEGLIGENCE OR FAULT.

(f) SUBJECT TO SECTION 2.3(a)(iv) ABOVE, BP SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE MARDI GRAS GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THIRD PARTIES AND (ii) PERSONAL INJURY TO OR DEATH OF THIRD PARTIES, IN EACH CASE OF (i) AND (ii) ABOVE, WHEN CAUSED BY OR RESULTING FROM THE NEGLIGENCE OR FAULT OF THE BP GROUP AND RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH, OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT; PROVIDED THAT, IN THE EVENT OF JOINT OR CONCURRENT NEGLIGENCE OR FAULT OF THE BP GROUP AND THE MARDI GRAS GROUP, BP'S INDEMNIFICATION OBLIGATION HEREUNDER SHALL BE LIMITED TO THE BP GROUP'S ALLOCABLE SHARE OF SUCH JOINT OR CONCURRENT NEGLIGENCE OR FAULT.

(g) SUBJECT TO SECTION 2.3(a)(iv) ABOVE, BP SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE CHOPS PARTIES GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THIRD PARTIES AND (ii) PERSONAL INJURY TO OR DEATH OF THIRD PARTIES, IN EACH CASE OF (i) AND (ii) ABOVE, WHEN CAUSED BY OR RESULTING FROM THE NEGLIGENCE OR FAULT OF THE BP GROUP AND RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH, OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT; PROVIDED THAT, IN THE EVENT OF JOINT OR CONCURRENT NEGLIGENCE OR FAULT OF THE BP GROUP AND THE CHOPS PARTIES GROUP, BP'S INDEMNIFICATION OBLIGATION HEREUNDER SHALL BE LIMITED TO THE BP GROUP'S ALLOCABLE SHARE OF SUCH JOINT OR CONCURRENT NEGLIGENCE OR FAULT.

3.5 GENERAL. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, NO PARTY TO THIS AGREEMENT SHALL BE LIABLE TO THE OTHER PARTIES FOR SPECIAL, INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES SUFFERED BY SUCH OTHER PARTIES RESULTING FROM OR ARISING OUT OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, LOSS OF USE, INCREASED COST OF OPERATIONS, LOSS OF PROFIT OR REVENUE OR BUSINESS INTERRUPTIONS. IN FURTHERANCE OF THE FOREGOING, EACH PARTY

RELEASES THE OTHER PARTIES AND WAIVES ANY RIGHT OF RECOVERY FOR SPECIAL, INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES SUFFERED BY SUCH PARTY REGARDLESS OF WHETHER ANY SUCH DAMAGES ARE CAUSED BY THE OTHER PARTIES' NEGLIGENCE (AND REGARDLESS OF WHETHER SUCH NEGLIGENCE IS SOLE, JOINT, CONCURRENT, ACTIVE, PASSIVE OR GROSS NEGLIGENCE), FAULT OR LIABILITY WITHOUT FAULT.

3.6 Insurance. All Parties shall procure and maintain or cause to be procured and maintained all insurance in the types and amounts as required by applicable laws, rules and regulation, to provide coverage against risks which are the subject of this Agreement, as is either customarily carried by companies owning, operating or conducting similar business(es), or as deemed necessary and reasonably requested by the Parties from time to time. Any such insurance purchased by or on behalf of any Party shall be properly endorsed to waive the insurer's rights of subrogation under any such policies against the other Parties (and the other Parties' insurers) when any such other Party is released from liability or loss or damage pursuant to this Agreement. Notwithstanding anything in this Agreement to the contrary, a Party may, in its sole discretion, elect to self-insure with respect to such coverage so long as the Party providing self insurance has the overall ability to assume and be responsible financially for any and all liability hereunder.

ARTICLE IV
FORCE MAJEURE

4.1 Force Majeure. No Party shall be liable to the other Parties for failure to perform any of its obligations under this Agreement, other than the obligation to make payments pursuant to this Agreement, to the extent such performance is hindered, delayed or prevented by Force Majeure.

4.2 Notice. A Party who is unable, in whole or in part, to carry out its obligations under this Agreement due to Force Majeure shall promptly give written notice to that effect to the other Parties stating the circumstances underlying such Force Majeure.

4.3 Resolution. A Party claiming Force Majeure shall use commercially reasonable efforts to remove the cause, condition, event or circumstance of such Force Majeure, shall give written notice to the other Parties of the termination of such Force Majeure and shall resume performance of any suspended obligation promptly after termination of such Force Majeure.

ARTICLE V
MISCELLANEOUS

5.1 Assignment.

(a) CHOPS Parties.

(i) Neither CHOPS nor GTM may assign or transfer this Agreement or their respective obligations hereunder (including CHOPS' rights, duties and obligations as construction manager under this Agreement) (in whole or in part) unless the other (either CHOPS or GTM) is also assigning or transferring its interest in this Agreement or the obligations hereunder to the same assignee in the same assignment transaction, and any assignment or transfer by CHOPS and/or GTM of this Agreement or any obligations hereunder shall require the prior written consent of BP and Mardi Gras, such consent which may be withheld by BP and/or Mardi Gras in their sole discretion.

(ii) Any assignment or transfer by the CHOPS Parties of their obligations under this Agreement (in whole or in part) shall also include the assignment or transfer of all or a portion, as applicable, of CHOPS' ownership interest in Cameron Highway. Further, any assignee of any or all of CHOPS' right, title and interest in Cameron Highway shall agree to be bound by the terms of this Agreement and any such assignment shall be made subject to this Agreement.

(iii) Any assignment or transfer of this Agreement or the obligations hereunder (in whole or in part) by the CHOPS Parties shall be null and void unless such assignment or transfer is made in compliance with this Section 5.1(a).

(b) Mardi Gras.

(i) Except as otherwise expressly provided in this Agreement, Mardi Gras shall have the right to assign or transfer this Agreement or the obligations hereunder (in whole or in part), without the prior consent of the other Parties, to (i) Caesar or (ii) any Financially Capable Entity; provided, that any other assignment or transfer of this Agreement or the obligations hereunder (in whole or in part) shall require the prior written consent of the other Parties, such consent not to be unreasonably withheld or delayed; provided further, that upon any permitted assignment by Mardi Gras, Mardi Gras shall be relieved of its obligations under this Agreement accruing after the effective date of such assignment to the extent, and only to the extent, so assigned and expressly assumed by the assignee.

(ii) Any assignee of any or all of Mardi Gras' right, title and interest in this Agreement shall agree to be bound by the terms of this Agreement, and any such assignment shall be made subject to this Agreement.

(iii) Any assignment or transfer of this Agreement or the obligations hereunder (in whole or in part) by Mardi Gras shall be null and void unless such assignment or transfer is made in compliance with this Section 5.1(b).

(c) BP. Except as otherwise expressly provided in this Agreement, BP shall have the right to assign or transfer this Agreement or the obligations hereunder (in whole or in part), without the prior consent of the other Parties, to any creditworthy entity or creditworthy Affiliate of BP; provided, that any other assignment or transfer of this Agreement or the obligations hereunder (in whole or in part) shall require the prior written consent of the other Parties, such consent not to be unreasonably withheld or delayed; provided further, that any assignment of BP's rights and obligations under this Agreement shall also include the assignment or transfer of all or a portion of BP's right, title or interest in the applicable Dedicated Leases. Upon any permitted assignment by BP, BP shall be relieved of its obligations under this Agreement accruing after the effective date of such assignment to the extent, and only to the extent, so assigned and expressly assumed by the assignee. Any assignment or transfer of this Agreement or the obligations hereunder (in whole or in part) by BP shall be null and void unless such assignment or transfer is made in compliance with this Section 5.1(c).

(d) This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties.

5.2 Term.

(a) The Construction Agreement shall become effective as of execution and delivery thereof by all of the Parties, and, except as otherwise provided herein, shall continue in effect until Cameron Highway is Fully Operational and the expiration of a subsequent one hundred twenty (120) consecutive days of Cameron Highway pipeline operations with no material operational or integrity problems.

(b) The provisions contained in Article III (Indemnification and Insurance), Article IV (Force Majeure), and Article V (Miscellaneous) of this Agreement shall survive the termination/expiration of this Agreement.

(c) Except with respect to provisions contained in this Agreement that expressly provide for sole and exclusive remedies, (i) in the event of termination of this Agreement by any Party pursuant to the terms hereof, such termination shall not be the sole remedy of such Party, and (ii) nothing contained in this Agreement shall prevent such Party from pursuing any other remedies available to such Party whether under contract or at law or equity with respect to any other Party's breach of or failure to fulfill its obligations under this Agreement.

5.3 Laws. It is understood by the Parties that this Agreement and performance hereunder is subject to all present and future valid and applicable laws, orders, statutes, and regulations of courts or regulatory bodies (state or federal) having jurisdiction over the Parties.

5.4 Authorizations. The Parties hereto represent that they have all requisite corporate authorizations necessary or proper to consummate this Agreement.

5.5 Notices. Any notice, request, demand, statement or payment provided for in this Agreement shall be confirmed in writing and shall be made as specified below; provided, however, that notices claiming default, or initiating dispute resolution procedures, or similar matters, shall only be made using overnight mail, certified mail, or courier; and provided further, that notices of meetings and routine matters may be provided verbally or by electronic mail, effective immediately and, upon request, confirmed in writing. A notice sent by facsimile transmission shall be deemed received by the close of the Business Day on which such notice was transmitted or such earlier time as confirmed by the receiving Party and by overnight mail or courier shall be deemed to have been received two (2) Business Days after it was sent or such earlier time as is confirmed by the receiving Party unless it confirms a prior verbal communication in which case any such notice shall be deemed received on the day sent. The addresses of the Parties are set forth below:

To Mardi Gras:
Mardi Gras Transportation System Inc.
501 WestLake Park Blvd.
Houston, TX 77079
Attn: Commercial Manager
Telephone: 281-366-4732
Facsimile: 281-366-7910

Copies with attachments:
Mardi Gras Transportation System Inc.
501 Westlake Park Blvd.
Houston, TX 77079
Attn: Peter A. Edlund
Telephone: 281-366-5614
Facsimile: 281-366-7910
Email: edlundpa@bp.com

To BP:
BP Exploration & Production Inc.
501 WestLake Park Blvd.
Houston, TX 77079
Attn: Commercial Manager, Gulf of Mexico Deepwater Projects
Telephone: 281-366-5311
Facsimile: 281-366-7870
Email: morristd@bp.com

To CHOPS:
Cameron Highway Oil Pipeline Company
Attn: Manta Ray Gathering Company, L.L.C., Operator
Four Greenway Plaza, Houston, Texas 77046
Attn: President
Telephone: 832-676-5666
Facsimile: 832-676-1710
E-Mail: james.lytal@elpaso.com

To GTM: GulfTerra Energy Partners, L.P.
Four Greenway Plaza
Houston, Texas, 77406
Attn: President
Facsimile: 832-676-1710
Telephone: 832-676-5666
E-Mail: james.lytal@elpaso.com

These addresses will remain in effect for the duration of this Agreement, unless changed by notice.

5.6 Entirety. This Agreement (including the Exhibits hereto), together with the Purchase and Sale Agreement and the Supplementary Agreement, constitutes the entire agreement between the Parties hereto relative to the subject matter hereof, and replaces and supersedes all prior agreements, conditions, understandings, representations and warranties made between the Parties with respect to the subject matter hereof, whether written or oral, including, without limitation, the Cameron Highway MOU and the Confidentiality Agreement. This Agreement is intended to be construed together with the Purchase and Sale Agreement and the Supplementary Agreement and should be interpreted so as to give full effect to this Agreement, the Supplementary Agreement and the Purchase and Sale Agreement; provided, that, in the event of any inconsistency between this Agreement and the Purchase and Sale Agreement related to the dedication, purchase and sale of the Dedicated Production, the Purchase and Sale Agreement shall govern, and in the event of any inconsistency between this Agreement and the Purchase and Sale Agreement related to the design, fabrication, construction, installation, commissioning, ownership, operation or maintenance of Cameron Highway, then this Agreement shall govern, and in the event of any inconsistency between this Agreement and the Supplementary Agreement related to the matters covered by the Supplementary Agreement, then the Supplementary Agreement shall govern.

5.7 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO ANY CONFLICT OF LAW PRINCIPLES WHICH, IF APPLIED, MIGHT PERMIT OR REQUIRE THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION, AND THE PARTIES AGREE THAT THE PLACE OF EXECUTION OF THIS AGREEMENT IS HOUSTON, HARRIS COUNTY, TEXAS, AND THAT VENUE WITH RESPECT TO ANY DISPUTE ARISING UNDER THIS AGREEMENT OR IN CONNECTION HEREWITH SHALL LIE IN HOUSTON, HARRIS COUNTY, TEXAS. NOTWITHSTANDING THE FOREGOING, SECTIONS 3.1(a)(ii), 3.1(b)(ii), 3.2(a)(ii), 3.2(b)(ii), 3.3(a)(ii), AND 3.3(b)(ii) SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE MARITIME LAWS OF THE UNITED STATES.

5.8 Non-Waiver. No waiver by any Party hereto of any one or more defaults by any other Party in the performance of any of the provisions of this Agreement shall be construed as a waiver of any other default or defaults whether of a like kind or different nature. Any delay, less than any applicable statutory period of limitations, in asserting or enforcing any rights under this

Agreement, shall not be deemed a waiver of such rights. Failure of any Party to enforce any provision of this Agreement or to require performance by any other Party of any of the provisions hereof shall not be construed to waive such provision, or to affect the validity of this Agreement or any part thereof, or the right of any Party thereafter to enforce each and every provision hereof.

5.9 Severability. If any term or other provision of this Agreement is determined to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms and conditions of this Agreement shall nevertheless remain in full force and effect.

5.10 Amendments. This Agreement shall not be amended or modified except by a written document executed by all the Parties.

5.11 No Electronic Means. The Parties agree not to conduct the transactions contemplated by this Agreement by electronic means, except as specifically set forth in Section 5.5.

5.12 Headings. The headings used for the Articles and Sections herein are for convenience and reference purposes only and shall in no way affect the meaning or interpretation of the provisions of this Agreement.

5.13 Confidentiality.

(a) No Party shall disclose another Party's Confidential Information to a third party (other than such Party's and its members' or Affiliates' employees, lenders, agents, servants, counsel, contractors, consultants or accountants who need to know and agree to maintain the confidentiality of the Confidential Information in accordance with this Section 5.13) except in order to comply with any applicable law, order, regulation or exchange rule and except in connection with any arbitration in accordance with Exhibit D; provided, however, that a disclosing Party shall notify the other Parties of any proceeding of which it is aware that may result in disclosure and use reasonable efforts to prevent or limit the disclosure. The Parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation including, without limitation, obtaining an injunction against disclosure; provided, all monetary damages shall be limited to actual direct damages and a breach of this section shall not give rise to a right to suspend or terminate this transaction.

(b) Notwithstanding any other provision in this Agreement, but subject to the provisions of Section 5.13(c), (i) a Party (including its members) may disclose all terms and conditions of this Agreement to (A) its members, (B) any third party where such third party is a potential bona fide purchaser or user of substantially all of a Party's or its members' assets, or of the portion of such assets affected by this Agreement, or (C) its pipeline operator, pipeline construction manager, or its contractors and consultants, (ii) the Parties may disclose Confidential Information to Manta Ray Offshore Gathering, LLC to the extent (A) related to the design, fabrication, construction, and installation of the interconnection of Cameron Highway with the Caesar System and (B) necessary in connection with the design, fabrication, construction, and installation of the interconnection of Cameron Highway with the Caesar

System, and (iii) Mardi Gras may disclose all terms and conditions of this Agreement to Caesar and the members thereof.

(c) If a Party discloses any or all of the terms and conditions of this Agreement as contemplated in paragraph (b) above, it shall do so only if a confidentiality arrangement exists, containing terms no less stringent than those provided herein, with the Person to whom such Confidential Information is to be disclosed.

(d) The terms of this Section 5.13 shall survive and Confidential Information received from a Party shall be kept confidential for a period of three (3) years following termination of this Agreement.

(e) Upon (i) the termination of this Agreement and (ii) the request of a Party, the other Parties shall return or destroy all written Confidential Information (excluding this Agreement but including written confirmation of oral communications) provided by the requesting Party which was stamped "Confidential," provided that a Party may keep a copy of a document marked "Confidential" if such Party's counsel determines that it is required to do so by law or pending the outcome of any dispute involving the Parties under this Agreement. In the event of such request, documents, analyses, compilations, studies or other materials prepared by a Party or its representatives that contain or reflect Confidential Information from the other Parties, other than computer archival and backup tapes or archival and backup files (collectively "Computer Tapes") and billing and trading records (collectively, "Other Records") shall be destroyed (such destruction to be confirmed in writing by a duly authorized officer of the returning Party) or shall be retained on a confidential basis consistent with the terms of this Agreement. Computer Tapes and Other Records shall be kept confidential in accordance with the terms of this Agreement. Notwithstanding the foregoing, no Party shall be required to destroy or return documents covered by this provision prior to the later of the expiration of applicable statutes of limitations for actions that might arise with respect to the subject matter of such documents or final action with respect to any legal action or arbitration involving such documents.

(f) The Parties agree that except as provided herein, each Party shall maintain its right, title and interest in all proprietary data, documentation and software furnished to the other Parties pursuant to this Agreement, except any portion of information that was supplied by the other Parties, which information shall be returned or destroyed pursuant to paragraph (e) above.

5.14 Representations. As of the Effective Date, each Party declares, warrants, and represents on behalf of itself (a) that it has contributed to the drafting of this Agreement or has had it reviewed by legal counsel before executing it, (b) that this Agreement has been purposefully drawn and correctly reflects such Party's understanding of the transaction that it contemplates as of the effective date hereof, (c) that this Agreement has been validly executed and delivered; (d) that this Agreement has been duly authorized by all action necessary for the authorization thereof, (e) this Agreement constitutes a binding and enforceable obligation of the Party, enforceable in accordance with its terms, and (f) that the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby

will not (i) violate, conflict with, or result in a breach of any provisions of (or with notice or lapse of time or both would constitute such a breach of) any agreement, arrangement or other instrument or obligation to which such Party is a party or by which any its assets are bound, or (ii) violate any order, writ, injunction, decree, statute, rule or regulation of any court, commission, governmental body, regulatory agency, authority, political subdivision or tribunal to which such Party is subject or by which it is bound. As of the Effective Date, the CHOPS Parties jointly and severally represent and warrant to BP and Mardi Gras that, to the best knowledge of the CHOPS Parties, there are no liens or claims filed or threatened relating to Cameron Highway (other than any liens in favor of any lenders in connection with the financing of the construction of Cameron Highway (collectively, "Lender Liens")).

5.15 Counterparts. This Agreement may be executed by signing the original or a counterpart thereof. If this Agreement is executed in counterparts, all counterparts taken together shall have the same effect as if all Parties had signed the same instrument.

5.16 Independent Contractor Status; No Partnership. In the event that any Party performs any work on behalf of another Party, such working Party will perform in the status of an independent contractor and shall not be deemed to be an agent or employee of the other Parties as a result of such work. Nothing herein is intended to create a partnership, joint venture, agency or other relationship creating fiduciary or quasi fiduciary duties or similar duties and obligations or otherwise subject the Parties to joint and several or vicarious liability or, except as otherwise provided in this Agreement, to impose any duty, obligation or liability that would arise therefrom with respect to either Party.

5.17 No Third Party Beneficiaries. This Agreement is for the sole and exclusive benefit of the Parties hereto. Except as expressly provided herein to the contrary, nothing herein is intended to benefit any other Person not a Party hereto, and no such Person shall have any legal or equitable right, remedy or claim under this Agreement.

5.18 Exhibits and Schedules. All exhibits, schedules and the like contained herein or attached hereto are integrally related to this Agreement and are hereby made a part of this Agreement for all purposes. To the extent of any ambiguity, inconsistency or conflict between the body of this Agreement and any of the exhibits, schedules and the like attached hereto, the terms of the body of this Agreement shall prevail.

5.19 Further Assurances. Subject to the terms and conditions set forth in this Agreement, each of the Parties agrees to use all reasonable efforts to take, or cause to be taken, all actions, and to do, or to cause to be done, all things necessary, proper or advisable under applicable laws to consummate and make effective the transactions contemplated by this Agreement. In case, at any time after the execution of this Agreement, any further action is necessary or desirable to carry out its purpose, the proper members, officers or directors of the Parties shall take or cause to be taken all such necessary actions.

5.20 Interpretation. Whenever the context requires: the gender of all words used in this agreement includes the masculine, feminine, and neuter; a reference to any Person includes its permitted successors and assigns; the words "hereof," "herein," "hereto," "hereunder," and

words of similar import when used in this Agreement will refer to this Agreement as a whole and not to any particular provisions of such Agreement; articles and other titles or headings are for convenience only and neither limit nor amplify the provisions of this Agreement itself, and all references herein to articles, sections or subdivisions thereof will refer to the corresponding article, section or subdivision thereof of this Agreement unless specific reference is made to such articles, sections or subdivisions of another document or instrument; any reference to "includes" or "including" will mean "includes without limitation" or "including but not limited to," respectively; and any references in the singular will include references in the plural and vice-versa.

5.21 Time of the Essence. Time is of the essence with respect to any and all obligations arising pursuant to this Agreement.

5.22 Dispute Resolution. Other than any claim for injunctive relief restricting disclosure of Confidential Information as specifically provided under Section 5.13(a) of this Agreement, any controversy or claim (whether based on contract, tort, statute or other legal or equitable theory (including, but not limited to, any claim of fraud, misrepresentation or fraudulent inducement or any question as to the validity or effect of this Agreement)), or the breach or termination hereof (a "Dispute") shall be exclusively resolved pursuant to the dispute resolution procedures set forth in Exhibit D. With respect to any particular Dispute, the Party bringing such Dispute is referred to as a "Submitting Party", and the other Parties are referred to as the "Non-Submitting Parties".

5.23 Public Announcements. Except with respect to (a) information already in the public domain (other than as a result of the breach of this Agreement) and (b) public announcements required by applicable laws or securities exchange, market or similar rules, public announcements concerning this Agreement and the activities contemplated hereunder shall require the prior written consent of the other Parties, such consent not to be unreasonably withheld. In the case of any public announcement pursuant to Section 5.23(b) above, the disclosing Party shall provide an advance copy of the proposed public disclosure to the non-disclosing Parties and permit the non-disclosing Parties the opportunity to reasonably comment on such proposed disclosure.

5.24 Joint, Several and Primary Obligations of the CHOPS Parties. As consideration for Mardi Gras' and BP's entering into this Agreement, and further expressly acknowledging Mardi Gras' and BP's reliance on the undertakings set forth in this Section 5.24, each of CHOPS and GTM hereby agrees and acknowledges that all of the obligations and liabilities of the CHOPS Parties under this Agreement (including, without limitation, obligations and liabilities relating to or arising in connection with representations, warranties, covenants, the payment of money, performance or otherwise) are the joint and several, primary and direct obligations and liabilities of each of CHOPS and GTM, and the CHOPS Parties agree that each of them is jointly, severally and fully and primarily responsible and liable for all such obligations and liabilities. In addition, without limiting the foregoing, each of CHOPS and GTM agrees that its obligation for the obligations and liabilities of the CHOPS Parties contained in this Agreement shall include the obligation of such CHOPS Party to cause the other CHOPS Party to perform such obligations and liabilities of the CHOPS Parties under this Agreement. For example (and

without limiting anything contained herein), the CHOPS Parties obligation in the first sentence of Section 2.1(e). to "notify the Interconnect Parties via facsimile . . ." shall include (i) the joint and several (together with CHOPS), primary obligation of GTM to, and to cause CHOPS to, notify the Interconnect Parties, and (ii) the joint and several (together with GTM), primary obligation of CHOPS to, and to cause GTM to, notify the Interconnect Parties, in each case, in accordance with the terms of such sentence.

The joint and several, primary and direct obligations and liabilities of each of CHOPS and GTM under this Agreement shall not be subject to any reduction, limitation, impairment or termination for any claim of waiver, release, surrender, alteration or compromise that may be granted or otherwise provided to one or more of the other CHOPS Parties but not to it, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the obligations of the other CHOPS Parties or otherwise.

Upon payment or performance by any CHOPS Party of any amounts, obligations or liabilities owed to BP and/or Mardi Gras under this Agreement, all rights of the paying or performing CHOPS Party against the other CHOPS Party arising as a result thereof by way of right of subrogation or otherwise shall in all respects be subordinated and junior in right of payment and performance to the prior indefeasible payment and performance in full of all obligations of each of the CHOPS Parties to BP and Mardi Gras.

5.25 Additional Covenants of the CHOPS Parties. As material inducement for and in consideration of BP's and Mardi Gras' entering into this Agreement, from and after the date of this Agreement, the CHOPS Parties shall deliver, or cause to be delivered, to BP and Mardi Gras:

(a) a copy of the final term sheet relating to the financing of the Cameron Highway within two Business Days following the finalization thereof,

(b) during the period between the date of this Agreement and the Cameron Highway Completion Date (the "Construction Period"), promptly upon issuance thereof, a copy of the final Stone & Webster engineering report relating to Cameron Highway, redacted to exclude information relating to (i) the specific terms of any business relationships between the equity owners of CHOPS and (ii) Crude Oil deliveries to CHOPS and/or GTM at Cameron Highway receipt points,

(c) during the Construction Period, monthly updates of current and projected monthly forecasts of capital expenditures for Cameron Highway, and

(d) during the Construction Period, prompt notice of any liens or claims filed or threatened relating to Cameron Highway other than any Lender Liens.

With respect to the sharing of information received pursuant to this Section 5.25 with Caesar, Mardi Gras and BP (a) may not share any share any information and documents received pursuant to Section 5.25(a) with Caesar, (b) other than the section of the executive summary of

the Stone & Webster engineering report titled "Approvals and Permits" (which is anticipated to be section 1.6 of such executive summary), may only share the executive summary of the Stone & Webster engineering report received pursuant to Section 5.25(b) with Caesar, (c) may share any information and documents received pursuant to Section 5.25(c) with Caesar, and (d) may share any information and documents received pursuant to Section 5.25(d) with Caesar.

[Next Page Is Signature Page]

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the date set forth hereinabove.

BP EXPLORATION & PRODUCTION INC.

By /s/ O. Kirk Wardlaw

Name O. Kirk Wardlaw
Title Attorney-In-Fact

MARDI GRAS TRANSPORTATION SYSTEM INC.

By /s/ L. L. Freeman

Name L.L. Freeman
Title Vice President

CAMERON HIGHWAY OIL PIPELINE COMPANY

By /s/ James Lytal

Name James Lytal
Title President

GULFTERRA ENERGY PARTNERS, L.P.

By /s/ James Lytal

Name James Lytal
Title President

Exhibits:

A - Cameron Highway Schematic

B - Third Party Engineering Firms

C - Cameron Highway Quality Specifications

D - Dispute Resolution Procedures

EXHIBIT A
CAMERON HIGHWAY SCHEMATIC

See attached.

EXHIBIT B
THIRD PARTY ENGINEERING FIRMS

Pegasus International, Inc.

Fluor Daniel, Inc.

Halliburton KBR

EXHIBIT C
CAMERON HIGHWAY QUALITY SPECIFICATIONS

1. Crude Oil delivered to Cameron Highway will conform to the specifications and operating conditions required by other refineries, terminals or pipelines downstream of the Delivery Points and Additional Delivery Points ultimately receiving the Crude Oil (for purposes of this Exhibit C, the "Downstream Facilities") and will meet the following specifications except if the specifications of the Downstream Facilities should be more stringent:

(a) Viscosity, Gravity, and Pour Point. The Crude Oil must be good and merchantable Crude Oil of such viscosity, gravity and pour point such that it will be readily susceptible for movement through Cameron Highway, and subject to the Cameron Highway quality bank, will not materially affect or damage the quality of other shipments or cause disadvantage to other parties with a purchase and sale arrangement with CHOPS. No Crude Oil will be accepted for purchase which has a pour point greater than 40 degrees Fahrenheit or viscosity greater than 400 Saybolt Universal Seconds at 60 degrees Fahrenheit unless under terms and conditions acceptable to CHOPS.

(b) Basic Sediment, Water and Other Impurities. The Crude Oil will not have a content consisting of more than one percent (1%) of basic sediment, water or other impurities. CHOPS reserves the right to reject Crude Oil containing more than one percent (1%) of basic sediment, water, and other impurities, except that sediment and water limitations of a connecting carrier may be imposed upon CHOPS when such limits are less than that of CHOPS, in which case the limitations of the connecting carrier will be applied.

(c) Vapor Pressure. The Crude Oil shall not have a Reid Vapor Pressure (RVP) of more than 8.6 pounds per square inch. During the months of October through March, Crude Oil with a maximum RVP of 9.6 will be accepted. Crude Oil with a maximum RVP above 9.6 may be accepted at the discretion of CHOPS.

(d) Refined. The Crude Oil will not have been partially refined or altered in any way so as to impact its value.

(e) Contamination. The Crude Oil will not have been contaminated by the presence of any chemicals, chlorinated and/or oxygenated hydrocarbons, arsenic, or greater than trace amounts of other metals; provided, however, that this Section 1(e) will not prohibit use of corrosion/paraffin inhibitors, asphaltene dispersants or demulsifiers in platform or pipeline operations. If CHOPS pre-approves the introduction of methanol, BP is responsible for notifying CHOPS as soon as reasonably practicable concerning the initiation and duration of methanol use by BP, as well as anticipated concentration levels. Receipt of any methanol-treated Crude Oil may be suspended at CHOPS' sole discretion if the methanol dosage is not below levels that would adversely affect Crude Oil value and end-user operations.

2. If any Crude Oil delivered and sold by BP to CHOPS fails at any time to conform to the applicable specifications above, then, subject to Section 5(a) below, CHOPS will immediately have the right to discontinue purchasing such non-conforming Crude Oil so long as such Crude Oil continues to be non-conforming. In any event, BP will undertake commercially reasonable measures to eliminate the cause of such non-conformance. BP will be held responsible for any disposal required and/or expenses incurred in CHOPS' handling of such non-conforming Crude Oil.

3. Assay. Upon initial start up of production, a laboratory analysis of Crude Oil will be submitted to CHOPS by BP and will include API gravity, Reid vapor pressure, pour point, sediment and water content, sulfur content, viscosity at 60 and 100 degrees Fahrenheit, and other characteristics as may be required by CHOPS.

4. CHOPS reserves the right to periodically sample and test the quality of the Crude Oil delivered by BP at any Receipt Point. The CHOPS Parties shall be responsible for all costs attributable to such periodic sampling and testing.

5. To the extent CHOPS must discontinue redelivery of Cameron Highway common stream Crude Oil to one or more of the Delivery Points and Additional Delivery Points as a result of BP's non-conformance hereunder, BP and the CHOPS Parties agree to the following:

(a) If BP is the sole party nominating deliveries to such Delivery Points and Additional Delivery Points that is not accepting the common stream, CHOPS will continue to accept and redeliver BP's Crude Oil to the other Delivery Points and Additional Delivery Points that are accepting the common stream until such time as CHOPS is required to again deliver Crude Oil to any Delivery Point or Additional Delivery Point that is not accepting the common stream by another party delivering conforming Crude Oil. It being the intent that CHOPS will continue to accept and redeliver BP's Crude Oil so long as redeliveries can be made to any Delivery Point and Additional Delivery Point and CHOPS does not have to curtail deliveries to any Delivery Point or Additional Delivery Point due to BP's non-conformance.

(b) If third-party conforming Crude Oil is nominated to the Delivery Point or Additional Delivery Point that is not accepting the common stream, CHOPS will immediately have the right to discontinue purchasing Crude Oil so long as such Crude Oil continues to be non-conforming. In any event, BP will undertake commercially reasonable measures to eliminate the cause of such non-conformance.

EXHIBIT D
DISPUTE RESOLUTION PROCEDURES

1. If a Dispute arises, the Submitting Party shall deliver written notice to the Non-Submitting Parties of such Dispute, and the Parties shall in good faith attempt to settle such Dispute by consultation between senior management representatives of the Submitting Party and the Non-Submitting Parties. In the event such consultation does not settle the Dispute within thirty (30) days after receipt of the written notice of such Dispute by the Non-Submitting Parties, the Dispute shall be submitted to non-binding mediation. In the event the Parties are unable to settle the Dispute through use of mediation within thirty (30) days of the commencement of such mediation, the Dispute shall be settled by binding arbitration in accordance with the Rules of the AAA, and the following provisions of this Exhibit D:

(a) The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. Sections 1-16 to the exclusion of any provision of state law inconsistent therewith, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction. Any arbitration proceeding hereunder will be conducted on a confidential basis.

(b) The arbitration shall be held in Houston, Texas.

(c) There shall be one (1) arbitrator. The Parties shall attempt jointly to select an arbitrator. If the Parties are unable or fail to agree upon an arbitrator within fifteen (15) days after the commencement of arbitration, one shall be selected by AAA in accordance with its Rules. The arbitration hearing shall occur no later than sixty (60) days after selection of the arbitrator. The arbitrator shall determine the claims of the Parties and render a final award in accordance with the substantive law of the State of Texas, excluding the conflicts provisions of such law. The arbitrator shall not have the right or the ability to terminate this Agreement. The arbitrator shall set forth the reasons for the award in writing within ten (10) Business Days after the close of evidence and any post-evidence briefing and arguments that may be agreed upon (which shall be concluded within fourteen (14) days after close of evidence).

(d) Any claim by a Party shall be time-barred if the Submitting Party commences arbitration with respect to such claim later than two (2) years after the receipt of the written notice of the Dispute by the Non-Submitting Party. All statutes of limitations and defenses based upon passage of time applicable to any claim of a defending Party (including any counterclaim or setoff) shall be tolled while the arbitration is pending.

(e) The obligation to arbitrate any Dispute shall extend to the successors and assigns of the Parties. The Parties shall use their commercially reasonable efforts to cause the obligation to arbitrate any Dispute to extend to any officer, director, employee, shareholder, agent, trustee, Affiliate, or subsidiary. The terms hereof shall not limit any obligations of a Party to defend, indemnify or hold harmless another Party against court proceedings or other claims, losses, damages or expenses.

(f) The arbitrator shall order the Parties to promptly exchange copies of all exhibits and witness lists and, if requested by a Party, to produce other relevant documents, to answer up to ten (10) interrogatories (including subparts), to respond to up to ten (10) requests for admissions (which shall be deemed admitted if not denied) and to produce for deposition and, if requested, at the hearing all witnesses that such Party has listed and up to four (4) other Persons within such Party's control. Any additional discovery shall only occur by agreement of the Parties or as ordered by the arbitrator upon a finding of good cause.

(g) Each Party shall bear its own costs, expenses and attorney's fees; provided that if court proceedings to stay litigation or compel arbitration are necessary, the Party who unsuccessfully opposes such proceedings shall pay all reasonable associated costs, expenses, and attorney's fees in connection with such court proceeding.

(h) In order to prevent irreparable harm, the arbitrator shall have the power to grant temporary or permanent injunctive or other equitable relief. Prior to the appointment of an arbitrator a Party may, notwithstanding any other provision of this Agreement, seek temporary injunctive relief from any court of competent jurisdiction; provided that the Party seeking such relief shall (if arbitration has not already been commenced) simultaneously commence arbitration. Such court ordered relief shall not continue more than ten (10) days after the appointment of the arbitrator (or in any event for longer than sixty (60) days).

2. If any part of these dispute resolution procedures is held to be unenforceable, it shall be severed and shall not affect either the duty to arbitrate or any other part of these provisions.

CAMERON HIGHWAY

PURCHASE AND SALE AGREEMENT

THIS CAMERON HIGHWAY PURCHASE AND SALE AGREEMENT dated effective the 23rd day of June, 2003 (the "EFFECTIVE DATE"), by and between BP Exploration & Production Inc., a Delaware corporation ("BP"), Cameron Highway Oil Pipeline Company, a Delaware general partnership ("CHOPS") and GulfTerra Energy Partners, L.P., a Delaware limited partnership ("GTM") successor to El Paso Energy Partners, L.P., (hereinafter the "AGREEMENT"). BP, CHOPS and GTM are individually referred to herein as a "PARTY", and collectively as "PARTIES", as the context may require. CHOPS and GTM are collectively referred to herein as the "CHOPS PARTIES".

WITNESSETH:

WHEREAS, BP is a working interest owner in certain offshore oil and gas leases located in the Southern Green Canyon Area of the Gulf of Mexico, and along with its co-working interest owners in the leases, are developing or are planning to develop the associated fields for the production of oil and gas as further described herein;

WHEREAS, subject to the terms of the Construction Agreement, the CHOPS Parties will construct and install (or cause the construction and installation of) a Crude Oil pipeline and connect such pipeline with a deepwater Crude Oil pipeline to be constructed by Caesar Oil Pipeline Company, LLC from the southern Green Canyon Area to Ship Shoal Block 332, Gulf of Mexico; and

WHEREAS, the CHOPS Parties will purchase Crude Oil at the Receipt Points produced by BP and resell volumes of Crude Oil to BP at the Delivery Points and Additional Delivery Points, all as set forth in this Agreement;

WHEREAS, as a material inducement to BP's agreeing to enter into this Agreement, GTM is entering into this Agreement as a joint and several primary obligor with respect to the obligations of CHOPS hereunder; and

WHEREAS, BP and the CHOPS Parties desire to document the rights and obligations of each of the Parties with regard to the purchase and sale of Crude Oil as set forth in this Agreement.

NOW THEREFORE, in consideration of the premises and the mutual promises and covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, and intending hereby to be legally bound, the Parties hereby agree and stipulate as follows:

DEFINITIONS

As used in this Agreement, the initially capitalized terms listed below shall have the following meanings:

"AAA" shall mean the American Arbitration Association.

"API" shall mean American Petroleum Institute.

"ADDITIONAL DELIVERY POINTS" shall mean each of the following points to be established on Cameron Highway, where the CHOPS Parties shall deliver Crude Oil to BP (or its Affiliate designees) upon nomination of any such point by BP in accordance with the terms of this Agreement: the Premcor Refinery, Premcor's Lucas Terminal and Valero Energy Company's Texas City Refinery, and such other mutually agreed to points, such

agreement not to be unreasonably withheld. Deliveries to all Additional Delivery Points shall be through a direct connection with Cameron Highway and such Additional Delivery Point.

"AFFILIATE" shall mean, as to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with such first Person. As used in this definition, the term "control" (including the phrases "controlled by" and "under common control") shall mean possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise); provided, that, in any event, any Person that owns, directly or indirectly, more than 50% of the voting interests in any Person will be deemed to control such Person.

"AGREEMENT" shall have the meaning ascribed to such term in the introductory paragraph of this Agreement.

"ATLANTIS" shall mean Green Canyon Blocks 698, 699, 700, 701, 742, 743 and 744, Gulf of Mexico.

"BHP" shall mean BHP Billiton Petroleum (Deepwater) Inc.

"BOPD" shall mean Barrels of Crude Oil per Day.

"BP" shall have the meaning ascribed to such term in the introductory paragraph of this Agreement.

"BP AFFILIATE" shall mean a direct or indirect wholly-owned subsidiary of BP's parent companies.

"BP GROUP" shall mean BP and its Affiliates, subsidiaries, co-working interest owners and joint venturers and the respective employees, officers, directors, representatives, agents, contractors and subcontractors of each.

"BP MDQ" shall mean the maximum daily quantity of Dedicated Production the CHOPS Parties are required to accept and purchase from BP on a Firm basis at the Receipt Points each Day, as further described in this Agreement.

"BP MDQ LEVELS" shall have the meaning ascribed to such term in Article VI.a. of this Agreement.

"BP PRICE" shall have the meaning ascribed to such term in Article XII.b. of this Agreement.

"BP PRODUCTION" shall mean Dedicated Production and Excess Production, collectively.

"BTU OR BRITISH THERMAL UNIT" shall mean the amount of heat required to raise the temperature of one (1) pound of water one degree (1(0)) Fahrenheit at sixty degrees (60(0)) Fahrenheit at a pressure of 14.73 PSIG and determined on a gross, dry basis.

"BARREL" shall mean forty-two (42) U.S. gallons at a temperature of 60(0)F and 0 PSIG.

"BASE GAS PRICE" shall mean the Henry Hub gas price as published in the first of the month issue of FERC's Inside Gas Market Report for the then current month of fuel purchases.

"BASE OIL PRICE" shall mean Platt's Oilgram Mars monthly average price (Trading) per Barrel. Platt's prices are as quoted in Platt's Oilgram and are calculated from the 26th day of the month two (2) months prior to the month of delivery through the 25th day of the month one (1) month prior to delivery, excluding weekends and holidays.

"BUSINESS DAY" shall mean Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States or the States of Texas or Louisiana shall not be regarded as a Business Day.

"CAESAR" shall mean Caesar Oil Pipeline Company, LLC, a Delaware limited liability company.

"CAESAR SYSTEM" shall mean the offshore Crude Oil pipeline consisting of approximately sixty (60) miles of twenty-eight inch (28") trunkline and all related laterals and equipment and facilities to be owned, constructed and installed by Caesar that will extend from the area of the Initial Dedicated Leases to Ship Shoal Block 332, Gulf of Mexico, where it will connect into Cameron Highway and could potentially extend to other platforms and/or interconnect with other pipelines.

"CAMERON HIGHWAY" shall mean the offshore Crude Oil pipeline depicted in Exhibit "A" and all related equipment and facilities and including a new platform located in Ship Shoal Block 332, Gulf of Mexico, to be constructed and installed by the CHOPS Parties and owned by CHOPS pursuant to the terms of the Construction Agreement that will extend from Ship Shoal Block 332, Gulf of Mexico, to the Delivery Points. Such pipeline shall be used by the CHOPS Parties to purchase and sell the Crude Oil under this Agreement.

"CAMERON HIGHWAY COMPLETION DATE" shall mean the date on which Cameron Highway is Fully Operational.

"CAMERON HIGHWAY MOU" shall mean that certain Cameron Highway Memorandum of Understanding dated effective February 11, 2002 among BP, Mardi Gras, Manta Ray and EPN, as amended.

"CHOPS" shall have the meaning ascribed to such term in the introductory paragraph of this Agreement.

"CHOPS PARTIES" shall have the meaning ascribed to such term in the introductory paragraph of this Agreement.

"CHOPS PARTIES GROUP" shall mean each of CHOPS and GTM, and their respective Affiliates, members, subsidiaries, co-owners and joint venturers and its and their respective employees, officers, directors, representatives, agents, contractors and subcontractors.

"CHOPS PARTIES PRICE" shall have the meanings ascribed to such term in Article XII.a. of this Agreement.

"COMPUTER TAPES" shall have the meaning ascribed to such term in Article XXVI.e. of this Agreement.

"CONFIDENTIAL INFORMATION" shall mean this Agreement and any other written data or information that is privileged, confidential or proprietary, except information that (a) is a matter of public knowledge at the time of its disclosure or is thereafter published in or otherwise ascertainable from any source available to the public without breach of this Agreement, (b) constitutes information that is obtained from a third party (who or which is not an Affiliate of one of the Parties) other than by or as a result of unauthorized disclosure or (c) prior to the time of disclosure had been independently developed by the receiving Party or its Affiliates not utilizing improper means.

"CONFIDENTIALITY AGREEMENT" shall mean that certain Confidentiality Agreement dated April 3, 2001, by and between Amoco Production Company, BP Exploration & Oil Inc. and EPN, as amended.

"CONSTRUCTION AGREEMENT" shall mean that certain Cameron Highway Construction Agreement dated as of even date herewith among BP, Mardi Gras, and the CHOPS Parties.

"CONTRACT QUARTER" shall mean a consecutive three (3) month period. The first such Contract Quarter shall begin with the month that production commences from the first of the Dedicated Leases to commence production and ends at the beginning of the next calendar quarter.

"CRUDE OIL" shall mean the liquid hydrocarbon production from wells, or a blend of such, in its natural form, not having been enhanced or altered in any manner or by any process, other than those processes that normally occur on an offshore production facility, that would result in misrepresentation of its true value for adaptability to refining as a whole crude oil.

"DAY" shall mean a period of twenty-four (24) consecutive hours, beginning and ending at 7:00 A.M. (CST).

"DEDICATED LEASES" shall mean the (i) Initial Dedicated Leases, as described on Exhibit "B", and (ii) leases underlying other offshore fields that BP dedicates to this Agreement pursuant to Article IV. of this Agreement and which shall be added to Exhibit "B".

"DEDICATED PRODUCTION" shall mean the first volumes of Crude Oil produced from the Dedicated Leases up to the applicable BP MDQ that are (i) owned by BP (or its Affiliate designees (as provided in Article II.a. below), or successors or assigns), and/or (ii) with respect to royalty volumes of Crude Oil owned and/or taken in kind by the MMS, controlled by BP or its Affiliates.

"DELIVERY POINTS" shall mean the following points where the CHOPS Parties shall deliver Crude Oil to BP (or its Affiliate designees): BP Products North America Inc.'s ("BP PRODUCTS") Texas City Refinery, TEPPCO Seaway Terminal at Texas City, Sun Marine Terminal in Nederland, and Unocal Pipeline Company's Beaumont Terminal. Deliveries to all Delivery Points shall be through a direct connection with Cameron Highway and such Delivery Point.

"DISPUTES" shall have the meaning ascribed to such term in Article XXV.a. of this Agreement.

"EFFECTIVE DATE" shall have the meaning ascribed to such term in the introductory paragraph of this Agreement.

"EPN" shall mean El Paso Energy Partners, L.P., predecessor to GTM.

"EXCESS PRODUCTION" shall mean Crude Oil produced from the Dedicated Leases in excess of the Dedicated Production that is (i) owned by BP (or its Affiliate designees (as provided in Article II.a. below), or successors or assigns), and/or (ii) with respect to royalty volumes of Crude Oil owned and/or taken in kind by the MMS, controlled by BP or its Affiliates. Such Excess Production is not required to be delivered or sold to Cameron Highway under the terms of this Agreement.

"FERC" shall mean the Federal Energy Regulatory Commission and any successor governmental agency.

"FINAL APPROVAL" shall have the meaning ascribed to such term in Article I.a. of this Agreement.

"FINANCIALLY CAPABLE ENTITY" shall mean an entity ("PROPOSED ASSIGNEE") whose financial capability and resources, for purposes of this Agreement, shall be evaluated based on (a) the financial wherewithal of such entity and (b) any guaranty, agreement or other obligation of any other Person (including such Proposed Assignee's parent entity) to the extent such guaranty, agreement or other obligation provides for such Person to be

financially obligated for the obligations of the Proposed Assignee in connection with any applicable assignment of this Agreement to the Proposed Assignee.

"FIRM" shall mean not subject to interruption or curtailment except in the event of Force Majeure, or as provided in Article X.b. of this Agreement.

"FIRM P&S REQUEST" shall have the meaning ascribed to such term in Article VIII.a.i. of this Agreement.

"FORCE MAJEURE" shall have the meaning ascribed to such term in Article XXIV.a. of this Agreement.

"FULLY OPERATIONAL" shall mean that the Cameron Highway pipeline system, including all Delivery Points, is completed, active and operational such that it is capable of receiving all Dedicated Production at the Receipt Points and delivering an equivalent volume of Crude Oil at the Delivery Points.

"GB 72" shall mean the existing platform owned by GTM and GOM Shelf, LLC located in Garden Banks Block 72, Gulf of Mexico.

"GOVERNMENTAL AGENCIES" shall mean the FERC and any governmental agencies claiming or asserting jurisdiction under the OCSLA.

"GTM" shall have the meaning ascribed to such term in the introductory paragraph of this Agreement.

"HI A-5 "C"" shall mean a platform to be owned by CHOPS located in the area of High Island Block A-5, which Cameron Highway is anticipated to cross.

"HOLSTEIN" shall mean Green Canyon Blocks 644 and 645, Gulf of Mexico.

"INITIAL DEDICATED LEASES" shall mean the leases underlying Atlantis, Holstein and Mad Dog.

"INITIAL CAMERON HIGHWAY RECEIPT POINT" shall mean the Receipt Point between the Caesar System and Cameron Highway, on the SS 332 B Platform and specifically, the downstream flange of the flow control valve located immediately downstream of the LACT Unit.

"INTERCONNECT AGREEMENT" shall mean that certain Offshore Facilities Interconnection, Construction and Operating Agreement dated as of even date herewith among the CHOPS Parties, Manta Ray and Caesar.

"LACT UNIT" shall mean Lease Automated Custody Transfer Unit.

"LANDING PLATFORM" shall have the meaning ascribed to such term in the Interconnect Agreement.

"MMBTU" shall mean one million (1,000,000) BTUs.

"MMS" shall mean the Minerals Management Service and any successor governmental agency.

"MAD DOG" shall mean Green Canyon Blocks 738, 739, 781, 782, 783, 825, 826 and 827, Gulf of Mexico.

"MANTA RAY" shall mean Manta Ray Gathering Company, L.L.C., a direct wholly-owned subsidiary of GTM, and a member of Atlantis Offshore, LLC.

"MARDI GRAS" shall mean Mardi Gras Transportation System Inc., a Delaware corporation.

"NON-SUBMITTING PARTY" shall have the meaning ascribed to such term in Article XXV.a. of this Agreement.

"OCSLA" shall mean the Outer Continental Shelf Lands Act (43 U.S.C. Sections 1331 et seq.) as in effect on February 11, 2002, the effective date of the Cameron Highway MOU, and any regulations or rules promulgated thereunder by Governmental Agencies and decisions of courts interpreting same.

"OPERATIONAL" shall mean that the Cameron Highway pipeline system is active and operational such that it is capable of receiving all Dedicated Production at the Receipt Points and delivering an equivalent volume of Crude Oil to at least one (1) but less than or equal to three (3) Delivery Points.

"OTHER RECORDS" shall have the meaning ascribed to such term in Article XXVI.e. of this Agreement.

"PSIG" shall mean pounds per square inch gauge.

"PARTY OR PARTIES" shall have the meanings ascribed to such terms in the introductory paragraph of this Agreement.

"PERSON" shall mean any individual, governmental authority, corporation, limited liability company, partnership, limited partnership, trust, association or other entity.

"PORT ARTHUR LATERAL" shall mean the twenty-four inch (24") pipeline segment from HI A-5 "C" to the following Delivery Points: Sun Marine Terminal in Nederland and Unocal Pipeline Company's Beaumont Terminal.

"POSEIDON" shall mean Poseidon Oil Pipeline Company, L.L.C., a Delaware limited liability company.

"POSEIDON PIPELINE" shall mean the crude oil pipeline system owned by Poseidon that consists of (i) 117 miles of pipeline extending from the GB 72 to SS 332, (ii) 122 miles of pipeline extending from SS 332 to Houma, Louisiana, (iii) 32 miles of pipeline extending from Ewing Bank Block 873 to South Timbalier Block 212, and (iv) 17 miles of pipeline extending from Garden Banks Block 260 to South Marsh Island Block 205, as such pipeline system may be modified or extended.

"PROPOSED ASSIGNEE" shall have the meaning ascribed to such term in the definition of "Financially Capable Entity".

"RECEIPT POINTS" shall mean the points including, without limitation, the Initial Cameron Highway Receipt Point, where the CHOPS Parties shall receive and purchase Crude Oil from BP (or its Affiliate designee).

"REQUIRED COMMENCEMENT DATE" shall have the meaning ascribed to such term in Article XI.c. of this Agreement.

"RULES" shall mean the then current Commercial Arbitration Rules of AAA.

"SS 332" shall mean the existing platform owned by Atlantis Offshore, LLC located in Ship Shoal Block 332, Gulf of Mexico.

"SUBMITTING PARTY" shall have the meaning ascribed to such term in Article XXV.a. of this Agreement.

"SUPPLEMENTARY AGREEMENT" shall mean that certain Cameron Highway Supplementary Agreement dated of even date herewith among BP, GTM and Mardi Gras.

"TEXAS CITY LATERAL" shall mean the twenty-four inch (24") pipeline segment from HI A-5 "C" to the following Delivery Points: BP Products' Texas City Refinery and TEPPCO Seaway Terminal at Texas City.

"UNOCAL" shall mean Union Oil Company of California, a California corporation.

ARTICLE I.

DEVELOPMENT OF INITIAL DEDICATED LEASES AND

CONSTRUCTION OF CAMERON HIGHWAY

a. For purposes of this Article I.a., "FINAL APPROVAL" shall mean (x) with respect to BP, that BP has obtained all necessary management and applicable board of directors approvals to fund its working interest share of the costs to develop the applicable Dedicated Leases, and the development plan for the applicable Dedicated Leases has been approved pursuant to the terms of the applicable operating agreement, and the applicable Dedicated Leases will be developed pursuant to the terms of the applicable operating agreement, as amended; and (y) with respect to the CHOPS Parties, that the CHOPS Parties have obtained all necessary management and applicable board of directors approvals to fund and construct Cameron Highway.

b. BP has received Final Approval with respect to Atlantis, Holstein and Mad Dog.

c. The CHOPS Parties have received Final Approval to construct Cameron Highway, and the CHOPS Parties shall commence designing, fabricating, constructing, installing and commissioning Cameron Highway pursuant to the terms and conditions of the Construction Agreement. The CHOPS Parties shall design, fabricate, construct, install and commission and CHOPS shall own Cameron Highway pursuant to the Construction Agreement, and allow connection with the Caesar System as provided in the Interconnect Agreement.

d. Upon execution of this Agreement by all the Parties, BP and the CHOPS Parties shall continue to meet monthly to discuss the progress of the construction of Cameron Highway. At CHOPS' request, the Parties shall meet to discuss the progress of the development of the Initial Dedicated Leases.

ARTICLE II.

THE CHOPS PARTIES PURCHASE FROM BP

a. The CHOPS Parties agree to receive and purchase, on a Firm basis, all Dedicated Production delivered by BP, or an Affiliate designee of BP, at the Receipt Points. If requested by BP, the CHOPS Parties shall receive and purchase Excess Production on an interruptible basis to the extent capacity is available on Cameron Highway. Unless another Receipt Point is mutually agreed to by the Parties, the BP Production from the Initial Dedicated Leases shall be received and purchased by the CHOPS Parties at the Initial Cameron Highway Receipt Point. BP shall be responsible for costs to deliver its Crude Oil, including BP Production, to the Initial Cameron Highway Receipt Point.

b. BP shall have the right to add Receipt Points in the future at locations on Cameron Highway for the receipt of Crude Oil owned by BP (or its Affiliate designee) and produced from leases other than the Initial Dedicated Leases, provided that BP bears the cost of connecting such leases to Cameron Highway and there is available capacity on Cameron Highway. Subject to available capacity on Cameron Highway and available space on such platforms, solely for the purpose of making deliveries into Cameron Highway hereunder, and subject to and as limited by GTM's and CHOPS', as applicable, right of

access and deck and riser space on such platforms, GTM and CHOPS hereby grant BP (at no cost to BP) access to HI A-5 "C", GB 72 and other platforms GTM and CHOPS may utilize in the future for Cameron Highway activities, and sufficient deck and riser space on all such platforms in accordance with industry standards for (i) the construction, installation, operation, maintenance and repair of facilities and equipment and (ii) the construction, installation, operation, maintenance and repair of import risers. The rights of access to HI A-5 "C", GB 72 and other platforms granted above shall be rights granted only to, and exercisable by (x) BP and, to the extent relating to BP Production or Dedicated Leases, solely for the purpose of making deliveries into Cameron Highway hereunder, Affiliate designees of BP (as provided in Article II.a. above), and assignees of BP who take assignment from BP of an interest in such BP Production or Dedicated Leases and (y) operators of fields (or their designees) from which BP (or BP's Affiliate designee as provided in Article II.a. above) is delivering BP Production to Cameron Highway, but only to the extent relating to BP Production or Dedicated Leases solely for the purpose of making deliveries into Cameron Highway hereunder. The rights of deck and riser space on HI A-5 "C", GB 72 and other platforms granted above shall be rights granted only to, and exercisable by, BP and the parties described in subsections (x) and (y) of this Article II.b., but not to any other assignee of BP.

ARTICLE III.

THE CHOPS PARTIES SALE TO BP

a. The CHOPS Parties shall sell and deliver to BP or an Affiliate designee of BP, and BP or such Affiliate designee shall receive and purchase from the CHOPS Parties, on a Firm basis, at the Delivery Points and, as applicable, the Additional Delivery Points, Crude Oil equivalent in volume to the volume delivered by BP to the CHOPS Parties contemporaneously at the Receipt Points, subject to normal imbalances, pursuant to Article II adjusted for pipeline loss or gain allowance as described in Article XIII. Any Affiliate designee of BP receiving and purchasing Crude Oil from the CHOPS Parties under this Article III.a. shall be the same Affiliate designee of BP which delivered Crude Oil to the CHOPS Parties under Article II.a. The CHOPS Parties shall be responsible for the costs to deliver the Crude Oil from the Receipt Points to the Delivery Points and, as applicable, Additional Delivery Points.

b. Subject to the capacity available on the downstream facility, BP (or its Affiliate designees, as provide in Article III.a. above) shall have the right to make a nomination for its Crude Oil at any Delivery Point or Additional Delivery Point.

ARTICLE IV.

DEDICATION OF PRODUCTION

a. BP hereby dedicates the Dedicated Production from the Initial Dedicated Leases to Cameron Highway. Except as otherwise expressly provided in this Agreement, such dedication shall be for the commercial life of production from the Initial Dedicated Leases. BP hereby reserves the rights and quantities of Dedicated Production sufficient to satisfy the following: the right to deliver royalty oil in kind to lessors of the Dedicated Leases; the right to process such Dedicated Production prior to delivery to the CHOPS Parties by the use of such processes that normally occur on an offshore production facility; the right to operate the Dedicated Leases free from any control by the CHOPS Parties, including without limitation, the right (but not the obligation) to drill new wells, to repair and rework old wells, to shut in wells, plug and abandon wells and to relinquish any or all of the Dedicated Leases in whole or in part; and the right to use such Dedicated Production for pipeline fill on Cameron Highway and the Caesar System.

b. Except as otherwise expressly provided in this Agreement, the foregoing dedication of the Initial Dedicated Leases by BP shall be an interest running with the Dedicated Leases and shall be binding upon the successors and assigns of BP. The Parties agree to promptly execute a recordable memorandum of agreement in the form of Exhibit "C", and if required by applicable law, include all documents in the chain of title (including applicable leases and assignments of interests) for the Initial Dedicated Leases. The CHOPS Parties, at their sole cost and expense, may file such agreement with the MMS and in the county and parish records of the appropriate jurisdictions.

c. Subject to available capacity on Cameron Highway, BP shall have the right to dedicate Crude Oil produced from other offshore leases in which it holds a working interest to this Agreement. At the request of BP, such other leases that BP dedicates to this Agreement within a period of ten (10) years from the date of initial delivery by the CHOPS Parties of Dedicated Production to a Delivery Point or Additional Delivery Point, as applicable, hereunder shall receive the same terms and conditions applicable to the Initial Dedicated Leases, and, upon such request, Exhibit "B" shall automatically be deemed to be amended to include all such leases. The Parties shall document such amendment to Exhibit "B" by execution of a written amendment to this Agreement that shall include a revised Exhibit "B". Such dedication shall be for the commercial life of production from such Dedicated Leases. The Parties agree that the rights granted to BP under this Article IV.c. shall be rights granted only to, and exercisable by, BP (and not to permitted assignees of BP); provided, however, that to the extent Crude Oil from other offshore leases is dedicated hereunder pursuant to the terms of this Article IV.c. prior to a permitted assignment by BP of all or a portion of its working interest in such Dedicated Leases, then following such permitted assignment, such Dedicated Production shall continue to receive the same terms and conditions as were applicable to such Dedicated Production prior to such assignment. It being the intent of the Parties that once a lease is dedicated to this Agreement by BP, such Dedicated Lease and the Dedicated Production from such lease shall remain dedicated to this Agreement as provided in this Agreement.

d. Upon expiration of the commercial life of production of any Dedicated Lease, BP and the CHOPS Parties shall file of record a termination of the memorandum of agreement and release of dedication thereunder, with respect to such Dedicated Leases.

ARTICLE V.

WARRANTY OF TITLE TO CRUDE OIL

a. BP hereby represents and warrants that it has good and marketable title to, or the right and authority to deliver to the CHOPS Parties, all Crude Oil delivered by BP or its Affiliate designee to the CHOPS Parties at the Receipt Points hereunder. BP represents and warrants that all such Crude Oil delivered by BP (or its Affiliate designee) hereunder shall be free and clear of all liens, encumbrances and claims whatsoever and AGREES TO RELEASE, PROTECT, DEFEND, INDEMNIFY AND HOLD HARMLESS the CHOPS Parties, their Affiliates, and their respective officers, directors, employees, agents and representatives against all losses incurred by such party on account of any such liens, encumbrances and claims. BP hereby represents and warrants that, as of the Effective Date, BP holds the applicable working interest share in each of the Dedicated Leases as listed on Exhibit "B" hereto.

b. The CHOPS Parties represent and warrant that they have good and marketable title to, and the right and authority to deliver to BP (or its Affiliate designee as provided in Article III.a. above) at the Delivery Points and Additional Delivery Points, all Crude Oil delivered to BP (or its Affiliate designee) hereunder. The CHOPS Parties represent and warrant that all such Crude Oil delivered by the CHOPS Parties hereunder

shall be free and clear of all liens, encumbrances and claims whatsoever and AGREES TO RELEASE, PROTECT, DEFEND, INDEMNIFY AND HOLD HARMLESS BP, its Affiliates and their respective officers, directors, employees, agents and representatives against all losses incurred by such party on account of any such liens, encumbrances and claims.

ARTICLE VI.

MAXIMUM DAILY QUANTITIES

a. As early as reasonably practicable in order to provide CHOPS reasonable time to contract available space on Cameron Highway with third parties and affiliated exploration and production companies, but in no event later than five (5) days prior to the first day of each calendar month, BP shall give CHOPS written notice of the BP MDQ for the succeeding month which shall equal one of the following BP MDQ levels ("BP MDQ LEVELS"):

BP MDQ LEVEL	VOLUME
Level 1 -	210,000 BOPD
Level 2 -	205,000 BOPD
Level 3 -	200,000 BOPD
Level 4 -	195,000 BOPD
Level 5 -	190,000 BOPD
Level 6 -	185,000 BOPD
Level 7 -	180,000 BOPD
Level 8 -	175,000 BOPD
Level 9 -	170,000 BOPD
Level 10 -	165,000 BOPD
Level 11 -	160,000 BOPD
Level 12 -	155,000 BOPD
Level 13 -	150,000 BOPD
Level 14 -	145,000 BOPD
Level 15 -	140,000 BOPD

Such minimum five (5) day notice period may be changed with the agreement of BP and the CHOPS Parties based on safety or environmental concerns or the final Cameron Highway nomination deadline. Subject to the terms of this Agreement, the CHOPS Parties shall be obligated to receive and purchase from BP a minimum volume of Dedicated Production equal to the applicable BP MDQ.

b. If on any Day, BP delivers less Dedicated Production to Cameron Highway than the applicable BP MDQ selected by BP pursuant to Article VI.a. above, CHOPS shall have the right to utilize such unused capacity on a fully interruptible basis.

c. Dedicated Production delivered to the Receipt Points by BP that is produced from Dedicated Leases other than the Initial Dedicated Leases shall be credited against the applicable BP MDQ so long as Dedicated Production delivered by BP from the Initial Dedicated Leases has not exceeded the applicable BP MDQ at the time such additional Dedicated Production is delivered to the Receipt Points.

d. If capacity is available, BP shall have the right to deliver Crude Oil that has not been dedicated to this Agreement to the Receipt Points. BP shall have the right to require the CHOPS Parties to enter into an interruptible purchase and sale arrangement for such Crude Oil with differentials no greater than those contained in Article XII of this Agreement. The right to deliver Crude Oil that has not been dedicated to this Agreement and receive differentials no greater than those contained in Article XII. shall be a right granted only to, and exercisable by, BP (and not to permitted assignees of BP); provided,

however, that to the extent an interruptible purchase and sale arrangement for such Crude Oil is entered into pursuant to this Article VI.d. prior to a permitted assignment by BP of all or a portion of its working interest in the lease from which such Crude Oil is produced, then following such permitted assignment, such Crude Oil shall continue to receive the same differentials under such interruptible purchase and sale arrangement as were applicable to such interruptible purchase and sale arrangement prior to such assignment; provided, that such assignment is treated in accordance with Article XXII.b.

e. Except as provided in Article VIII., the CHOPS Parties shall not enter into any firm purchase and sale arrangements if such arrangements would reasonably be expected by a reasonable and prudent operator to jeopardize the ability of such operator to accept and purchase, on a Firm basis, the volume of Crude Oil equivalent to Level 1 of the BP MDQ levels set forth in Article VI.a. above, at the Receipt Points from BP hereunder.

f. At the request of BP, the CHOPS Parties shall provide BP then current and up-to-date information regarding the aggregate contracted firm and interruptible throughput of Cameron Highway, subject to confidentiality restrictions.

ARTICLE VII.

INCREASE IN BP MDQ LEVELS

a. Notwithstanding anything to the contrary contained herein, at the request of BP (to be accompanied by supporting data, reasonably satisfactory to the CHOPS Parties, that indicates that BP has or will have the ability to deliver Crude Oil (whether or not deliveries are actually made) at such requested levels) and to the extent capacity is available on Cameron Highway, the CHOPS Parties shall increase (i) to the extent BP requests that Level 1 of the BP MDQ Levels set forth in Article VI.a above be increased to an amount that is less than or equal to 250,000 BOPD, then Level 1 of the BP MDQ Levels shall be increased to such requested amount, and the remaining fourteen (14) Levels of the BP MDQ Levels shall remain unchanged, and (ii) to the extent BP requests that Level 1 of the BP MDQ Levels be increased in excess of 250,000 BOPD, then Level 1 of the BP MDQ Levels shall be increased to such requested amount, and all of the remaining fourteen (14) Levels of the BP MDQ Levels shall be increased by the same amount that the increase in Level 1 exceeds 250,000 BOPD. Within sixty (60) days after receipt of BP's request, the CHOPS Parties shall notify BP in writing whether and to what extent capacity is available on Cameron Highway to accommodate any such requested increase (taking into consideration only existing and contracted written commitments of CHOPS to receive and deliver Crude Oil on Cameron Highway). Any increases in BP MDQ Levels made pursuant to this Article VII shall be evidenced by a formal amendment to this Agreement. Upon such increase in the applicable Levels of the BP MDQ Levels, the CHOPS Parties shall be obligated to receive and purchase Dedicated Production at the Receipt Points at such increased Levels and contemporaneously sell and deliver the equivalent volume of Crude Oil to BP or its Affiliate designee (as provided in Article III.a. above) at the Delivery Points and Additional Delivery Points, subject to normal imbalances, all on a Firm basis as provided in this Agreement. The terms related to an increase in BP MDQ Levels, and the rights related thereto, shall be rights granted only to, and exercisable by, BP (and not to permitted assignees of BP); provided, however, that to the extent an increase in any BP MDQ Level has occurred pursuant to this Article VII.a. prior to a permitted assignment by BP of all or a portion of its working interest in the Dedicated Leases and/or all or a portion of its interest in the Dedicated Production, such increase in BP MDQ Levels shall continue in effect following such permitted assignment; provided, that such assignment is treated in accordance with Article XXII.b.

b. In addition, subject to Article VII.c. below, it is agreed by BP and the CHOPS Parties that in the event BP has delivered Crude Oil equivalent to the applicable BP MDQ and wishes to deliver Dedicated Production from Dedicated Leases other than the Initial Dedicated Leases, then upon the dedication of such other Dedicated Leases, the CHOPS Parties shall increase Level 1 of the BP MDQ Levels set forth in Article VI.a. in order to accommodate such additional Dedicated Production; provided, that in no event shall Level 1 exceed 250,000 BOPD unless the remaining fourteen (14) Levels of the BP MDQ Levels are increased by the same volume as the amount Level 1 was increased in excess of 250,000 BOPD.

c. In the event capacity on Cameron Highway is not available for the CHOPS Parties to receive and purchase Crude Oil at such increased BP MDQ Levels as requested by BP in Article VII.a. and Article VII.b. above, the CHOPS Parties shall not unreasonably refuse to expand Cameron Highway to accommodate such additional volumes of Dedicated Production, provided such expansion is commercially reasonable and economically viable for Cameron Highway in the CHOPS Parties' sole reasonable discretion. The CHOPS Parties shall demonstrate such non-viability of such expansion to BP if the CHOPS Parties determine that such expansion of Cameron Highway is not commercially reasonable and/or economically viable for Cameron Highway. In such event, the CHOPS Parties and BP shall use good faith efforts to jointly develop a transaction that is commercially reasonable and economically viable for Cameron Highway and BP.

ARTICLE VIII.

REDUCTION IN BP MDQ LEVELS

a. In the event there has not been an increase, in accordance with Article VII. above, in Level 1 of the BP MDQ Levels resulting in Level 1 being greater than 210,000 BOPD, CHOPS shall have the right to request that BP reduce, temporarily or permanently, all fifteen (15) Levels of the BP MDQ Levels set forth in Article VI.a. above so long as each of the conditions precedent contained in Article VIII.a. below have been satisfied:

i. Conditions Precedent:

(A) Forty-eight (48) calendar months must have elapsed since the date of the first receipts and purchase of Dedicated Production from BP by the CHOPS Parties on Cameron Highway;

(B) Except for reasons of Force Majeure or the failure of the CHOPS Parties for any reason to receive and purchase all volumes of Crude Oil delivered by BP at the Receipt Points, BP has not utilized at least 85% of Level 1 of the BP MDQ Levels for at least nine (9) of the immediately preceding twelve (12) calendar months;

(C) CHOPS can demonstrate to the reasonable satisfaction of BP that CHOPS has received a bona fide request from any party for a firm purchase and sale arrangement on Cameron Highway and such request includes a life of lease dedication by such party with respect to all leases from which Crude Oil subject to such arrangement will be produced (a "FIRM P&S REQUEST");

(D) BP is unable to demonstrate to CHOPS (with data that reasonably supports such contention) that it has or will have the ability to consistently deliver (whether or not deliveries are actually made) to the Receipt Points Crude Oil equivalent to Level 1 of the BP MDQ Levels set forth in Article VI.a. above during the immediately following twelve (12) month period taking into consideration (i) the then current level of Dedicated

Production actually being produced from the Dedicated Leases, and (ii) any volumes of Crude Oil that will become Dedicated Production that BP reasonably anticipates will be produced from the Dedicated Leases, or from leases that BP reasonably anticipates to develop and dedicate to this Agreement (as provided in Article IV.) within the immediately following twelve (12) months; provided, that BP reasonably believes the field will be developed; and

(E) CHOPS has demonstrated to the reasonable satisfaction of BP that CHOPS has diligently and in good faith requested reductions in maximum daily quantities, on a pro rata basis, from all other parties with firm purchase and sale arrangements on Cameron Highway that are not utilizing their MDQ, and (b) CHOPS still cannot fulfill the Firm P&S Request.

ii. If each of the conditions precedent contained in Article VIII.a.i. above have been satisfied, each of the fifteen (15) Levels of the BP MDQ Levels set forth in Article VI.a. above shall be reduced by an amount equal to the minimum amount required to fulfill such Firm P&S Request; provided, that in no event shall the reduction in Level 1 of the BP MDQ Levels reduce such Level 1 lower than 110% of the sum of (x) the then current amount of Dedicated Production being produced, plus (y) any additional Crude Oil that will become Dedicated Production that BP reasonably anticipates will be produced from the Dedicated Leases or from leases that BP reasonably anticipates it will dedicate to the Agreement as provided in Article IV. in the immediately following twelve (12) month period. The CHOPS Parties shall demonstrate to the reasonable satisfaction of BP that the reduction in the fifteen (15) BP MDQ Levels satisfies this Article VIII.a. The differentials set forth in Article XII.a. for the BP MDQ Levels shall remain applicable following any reduction in such levels as provided in this Article VIII.a.

b. In the event there has been an increase, in accordance with Article VII. above, in Level 1 of the BP MDQ Levels resulting in Level 1 being greater than 210,000 BOPD, CHOPS shall have the right to request that BP reduce, temporarily or permanently, Level 1 of the BP MDQ Levels so long as CHOPS can demonstrate to the reasonable satisfaction of BP that CHOPS has received a bona fide request from any party for a firm purchase and sale arrangement on Cameron Highway. If CHOPS has received such a bona fide request, and CHOPS requests that BP reduce Level 1 of the BP MDQ Levels, BP shall elect to either (i) reduce Level 1 of the BP MDQ Levels by an amount equal to the lesser of (x) the amount required to fulfill such request or (y) the amount of the then current Level 1 that is in excess of 210,000 BOPD, or (ii) maintain the then current amount of Level 1 of the BP MDQ Levels and increase each of Levels 2 through 15 by an amount equal to the number of Barrels that were required to fulfill such request. The differentials set forth in Article XII.a. for Levels 1 through 15 of the BP MDQ Levels shall remain applicable following any reduction in such Levels as provided in this Article VIII.b.

c. In the event there has been an increase, in accordance with Article VII. above, in Level 1 of the BP MDQ Levels resulting in Level 1 being greater than 210,000 BOPD, CHOPS shall have the right to request that BP reduce, temporarily, Level 1 of the BP MDQ Levels so long as the CHOPS Parties can demonstrate to the reasonable satisfaction of BP that CHOPS has received a bona fide request from any party for an interruptible purchase and sale arrangement not to exceed three (3) calendar months on Cameron Highway. If CHOPS has received such a request, and CHOPS requests that BP reduce Level 1 of the BP MDQ Levels, BP shall elect to either (i) reduce Level 1 of the BP MDQ Levels for such interruptible arrangement period (not to exceed three (3) calendar months) by an amount equal to the lesser of (x) the amount required to fulfill such request or (y) the

amount of the then current Level 1 that is in excess of 210,000 BOPD, or (ii) maintain the then current amount of Level 1 of the BP MDQ Levels and, for the duration of the proposed interruptible arrangement period (not to exceed three (3) calendar months), increase Levels 2 through 15 by an amount equal to the number of Barrels that were required to fulfill such request. The differentials set forth in Article XII.a. for Levels 1 through 15 of the BP MDQ Levels shall remain applicable following any reduction in such Levels as provided in this Article VIII.c. At the end of such interruptible arrangement period (not to exceed three (3) calendar months), all Levels of the BP MDQ Levels shall automatically revert to their respective volumetric levels effective on the date immediately preceding such reduction.

d. With respect to all potential reductions in the BP MDQ Levels described in this Article VIII., in the event CHOPS has not entered into a valid, binding and effective firm or interruptible, as the case may be, purchase and sale arrangement with such requesting party effectuating the request within sixty (60) days of the effective date of the reduction of the applicable BP MDQ Levels, then all such BP MDQ Levels will automatically revert to their respective volumetric levels effective on the date immediately preceding such reduction.

e. Any reductions in BP MDQ Levels made pursuant to this Article VIII shall be evidenced by a formal amendment to this Agreement.

ARTICLE IX.

CAMERON HIGHWAY REGULATORY STATUS

a. The CHOPS Parties have elected to establish Cameron Highway as a private pipeline system. Regardless of the ultimate regulatory status of Cameron Highway, subject to the terms contained in the Construction Agreement, the CHOPS Parties shall construct and install Cameron Highway. If the CHOPS Parties are unable for any reason to establish and maintain the Cameron Highway system as a private pipeline system, such failure shall not be deemed a breach of this Agreement. In such case, the Parties agree that they shall simultaneously terminate this Agreement and enter into a replacement agreement under which the CHOPS Parties shall effectuate receipt at the Receipt Points and delivery to the Delivery Points and Additional Delivery Points of (i) Dedicated Production, and (ii) Excess Production and other non-dedicated Crude Oil, with as close to the same type and level of services as provided in this Agreement as the circumstances will allow, attempting to preserve as many of the terms and conditions contained in this Agreement as possible, and on the same economic basis for BP and the CHOPS Parties as agreed to in this Agreement.

b. The Parties further agree that to the extent one or more Governmental Agencies or a court requires a pro rata allocation of firm capacity on Cameron Highway pursuant to the OCSLA, the terms of Articles XI.a.ii. and XI.d. below shall apply.

c. Subject to the terms contained in this Article IX.c., BP agrees that it will not support, commence or participate in support of any proceeding before any court or Governmental Agency, seeking (i) pro rata allocation of firm capacity on Cameron Highway pursuant to the OCSLA, or (ii) to have Cameron Highway determined to be subject to the jurisdiction of any Governmental Agency.

(1) In the event BP or a BP Affiliate, acting solely on its own behalf and not as part of a group or organization (other than a group consisting solely of BP Affiliates), supports, commences or participates in support of any proceeding before any court or Governmental Agency seeking any of the actions described in subsections (i) or (ii) of this Article IX.c., CHOPS shall have the right to notify BP in writing that CHOPS believes such action is prohibited by this Article IX.c.

(A) In the event BP or a BP Affiliate, acting solely on its own behalf and not as part of a group or organization (other than a group consisting

solely of BP Affiliates), supports, commences or participates in support of any proceeding before any court or Governmental Agency seeking pro rata allocation of firm capacity on Cameron Highway pursuant to the OCSLA, and CHOPS does not notify BP in writing that CHOPS believes such action is prohibited by this Article IX.c., then if such proceeding directly results in pro rata allocation of firm capacity on Cameron Highway pursuant to the OCSLA, then BP shall waive any right to receive liquidated damages pursuant to Article XI.d. below.

(B) In the event BP or a BP Affiliate, acting solely on its own behalf and not as part of a group or organization (other than a group consisting solely of BP Affiliates), supports, commences or participates in support of any proceeding before any court or Governmental Agency seeking pro rata allocation of firm capacity on Cameron Highway pursuant to the OCSLA, and CHOPS notified BP in writing that CHOPS believes such action is prohibited by this Article IX.c. and requests that any pleadings and filings made by BP or such BP Affiliate be withdrawn from such action and that BP or such BP Affiliate withdraw from such action, then BP shall have the right to notify CHOPS in writing if BP disputes such allegation of CHOPS. In the event BP disputes such allegation of CHOPS, such dispute shall be submitted to dispute resolution and the Parties agree that such dispute resolution procedure shall be accelerated so that the arbitrator's decision shall be rendered within forty-five (45) days of CHOPS' receipt of BP's notice referenced in the immediately preceding sentence. During any dispute resolution process described in this Article IX.c., neither BP, nor such BP Affiliate, shall be required to withdraw pleadings and filings made in any proceeding or withdraw from any such proceeding, and BP shall not be deemed to be in breach of this Article IX.c.

i. If the arbitrator determines that BP or a BP Affiliate has supported, commenced or participated in support of any proceeding before any court or Governmental Agency, seeking pro rata allocation of firm capacity on Cameron Highway pursuant to the OCSLA, BP shall have the right to either (i) withdraw its pleadings and filings in such proceeding and withdraw from the proceeding (or cause BP Affiliate to do the same) and in such event, regardless of the result of such proceeding the CHOPS Parties shall remain liable and responsible for the payment of liquidated damages as set forth in Article XI.d. below, if applicable, or (ii) maintain all pleadings and filings made in the proceeding and remain active in the proceeding and in such event, to the extent such proceeding directly results in pro rata allocation of firm capacity on Cameron Highway pursuant to the OCSLA, BP shall waive any right to receive liquidated damages pursuant to Article XI.d.

ii. If the arbitrator determines that BP or a BP Affiliate has not supported, commenced or participated in support of any proceeding before any court or Governmental Agency, seeking pro rata allocation of firm capacity on Cameron Highway pursuant to the OCSLA, BP or BP Affiliate, as applicable, shall have the right to continue its participation in such proceeding and shall not be required to withdraw any filings or pleadings made and the CHOPS Parties shall remain liable and responsible for the payment of all liquidated damages as set forth in Article XI.d., if applicable.

(C) In the event BP or a BP Affiliate, acting solely on its own behalf and not as part of a group or organization (other than a group consisting solely of BP Affiliates), supports, commences or participates in support of any proceeding before any court or Governmental Agency seeking to have Cameron Highway determined to be subject to the jurisdiction of any Governmental Agency, and CHOPS does not notify BP in writing that CHOPS believes such action violates this Article IX.c., then if such proceeding directly results in Cameron Highway being made subject to the jurisdiction of any Governmental Agency, then BP and the CHOPS Parties agree that they shall simultaneously terminate this Agreement and enter into a replacement agreement under which the CHOPS Parties shall effectuate receipt at the Receipt Points and delivery to the Delivery Points and Additional Delivery Points of Dedicated Production, Excess Production and other non-dedicated Crude Oil with as close to the same type and level of services as provided in this Agreement as the circumstances will allow, attempting to preserve as many of the terms and conditions contained in this Agreement as possible, and on the same economic basis for BP and the CHOPS Parties as agreed to in this Agreement.

(D) In the event BP or a BP Affiliate, acting solely on its own behalf and not as part of a group or organization (other than a group consisting solely of BP Affiliates), supports, commences or participates in support of any proceeding before any court or Governmental Agency seeking to have Cameron Highway determined to be subject to the jurisdiction of any Governmental Agency, and the CHOPS Parties notify BP in writing that CHOPS believes such action violates this Article IX.c. and CHOPS requests that any pleadings and filings made by BP or such BP Affiliate be withdrawn from such action and that BP or such BP Affiliate withdraw from such action, then BP shall have the right to notify CHOPS in writing if BP disputes such allegation of CHOPS. In the event BP disputes such allegation of CHOPS, such dispute shall be submitted to dispute resolution and the Parties agree that such dispute resolution procedure shall be accelerated so that the arbitrator's decision shall be rendered within forty-five (45) days of CHOPS' receipt of BP's notice referenced in the immediately preceding sentence. During any dispute resolution process described in this Article IX.c., neither BP, nor such BP Affiliate shall be required to withdraw pleadings and filings made in any proceeding or withdraw from any such proceeding, and BP shall not be deemed to be in breach of this Article IX.c.

i. If the arbitrator determines that BP or a BP Affiliate has supported, commenced or participated in support of any proceeding before any court or Governmental Agency, seeking to have Cameron Highway determined to be subject to the jurisdiction of any Governmental Agency, BP shall have the right to either (i) withdraw its pleadings and filings in such proceeding and withdraw from the proceeding (or cause its BP Affiliate to do the same), or (ii) maintain all pleadings and filings made in the proceeding and remain active in the proceeding, and in the event of either (i) or (ii) above, if such proceeding directly results in Cameron Highway being made subject to the jurisdiction of any Governmental Agency, then BP and the CHOPS Parties agree that they shall simultaneously terminate this Agreement and enter into a replacement agreement under which the CHOPS Parties shall effectuate receipt at the Receipt Points and delivery to the

Delivery Points and Additional Delivery Points of Dedicated Production, Excess Production and other non-dedicated Crude Oil with as close to the same type and level of services as provided in this Agreement as the circumstances will allow, attempting to preserve as many of the terms and conditions contained in this Agreement as possible, and on the same economic basis for BP and the CHOPS Parties as agreed to in this Agreement; and further, in the event of either (i) or (ii) above, if such proceeding does not result in Cameron Highway being made subject to the jurisdiction of any Governmental Agency, this Agreement shall remain in effect.

ii. If the arbitrator determines that BP or a BP Affiliate has not supported, commenced or participated in support of any proceeding before any court or Governmental Agency, seeking to have Cameron Highway determined to be subject to the jurisdiction of any Governmental Agency, BP or BP Affiliate, as applicable, shall have the right to continue its participation in such proceeding and shall not be required to withdraw any filings or pleadings made and the terms of this Agreement shall remain in effect.

(2) Notwithstanding anything to the contrary contained herein, the remedies expressly set forth in this Article IX.c. shall be the sole and exclusive remedies (whether under contract or at law or equity) of the Parties with respect to any violation or alleged violation of Article IX.c. by BP or BP Affiliates.

ARTICLE X.

CURTAILMENT PRIORITIES ON CAMERON HIGHWAY

a. The CHOPS Parties shall not oversubscribe the capacity on Cameron Highway so that firm purchase and sale arrangements would reasonably be expected by a reasonable and prudent operator to be curtailed. However, if it becomes necessary to curtail Crude Oil on Cameron Highway as provided in this Agreement, the CHOPS Parties shall curtail in the following order: (i) all interruptible Crude Oil arrangements shall be curtailed on a pro rata basis, and completely curtailed if necessary to fulfill all firm purchase and sale arrangements, and (ii) after all interruptible Crude Oil arrangements are curtailed as provided in (i) above if it is apparent that such curtailment is not sufficient to enable the CHOPS Parties to fulfill all firm purchase and sale arrangements, such Crude Oil subject to firm purchase and sale arrangements shall be curtailed pro rata based on the then effective maximum daily quantities of all valid firm purchase and sale arrangements. The CHOPS Parties shall use commercially reasonable efforts to minimize the time period of any curtailments of Dedicated Production.

b. The Parties agree that the CHOPS Parties may temporarily curtail purchases of Dedicated Production due to routine operations and maintenance on Cameron Highway; provided that, the CHOPS Parties shall exercise reasonable diligence to schedule routine operations and maintenance so to as nearly as possible avoid service interruptions and shall not schedule such operations during periods of peak demand. To the extent known by the CHOPS Parties, the CHOPS Parties shall notify BP in writing of the routine operations and maintenance projects that CHOPS has planned for each upcoming year, and shall immediately notify BP of any unplanned routine operations and maintenance projects.

c. To the extent that nominations for Crude Oil on either the Port Arthur Lateral or the Texas City Lateral exceed the capacity on such lateral, the CHOPS Parties shall curtail Crude Oil on such affected lateral in the following order: (i) all interruptible Crude Oil arrangements on such lateral shall be curtailed on a pro rata basis, and completely curtailed

if necessary to fulfill all firm purchase and sale arrangements on such lateral, and (ii) after all interruptible Crude Oil arrangements on such lateral are curtailed as provided in subsection (i) of this Article X.c., if it is apparent that such curtailment is not sufficient to enable the CHOPS Parties to fulfill all firm purchase and sale arrangements on such lateral, such Crude Oil subject to firm purchase and sale arrangements on such lateral shall be curtailed pro rata based on the then effective maximum daily quantities of all valid firm purchase and sale arrangements on such lateral. In the event of such a curtailment, the affected volumes will be nominated to Delivery Points and Additional Delivery Points on the other lateral. Further, if such allocation of capacity continues for a period of one hundred eighty (180) consecutive days, then within the following sixty (60) days, the CHOPS Parties shall initiate a plan to expand the capacity of either the Port Arthur Lateral or the Texas City Lateral to the extent such expansion is commercially reasonable and economically viable for Cameron Highway in the CHOPS Parties' sole reasonable discretion. Such plan shall be implemented within one hundred eighty (180) days after the expiration of the sixty (60) day period referenced above.

ARTICLE XI.

RELEASE OF DEDICATED PRODUCTION

a. Certain quantities of Dedicated Production shall be temporarily released from dedication under this Agreement in accordance with the following:

i. In the event the Cameron Highway Completion Date has not occurred by the commencement of production from one or more of the Dedicated Leases, then the quantities of Dedicated Production that the CHOPS Parties are unable to receive and purchase shall be temporarily released;

ii. If at any time during the terms of this Agreement, (x) any Governmental Agency or court requires a pro rata allocation of firm capacity on Cameron Highway pursuant to the OCSLA, or (y) the CHOPS Parties, in their discretion, curtails Crude Oil on Cameron Highway as a direct response to a claim or threatened claim of any party related to the OCSLA; then the Parties agree that, to the extent such pro rata allocation results in the CHOPS Parties not being able (i) to receive and purchase all of the Dedicated Production delivered by BP at the Receipt Points and (ii) to sell and deliver an equivalent volume of Crude Oil at the Delivery Points and Additional Delivery Points, quantities of Dedicated Production that the CHOPS Parties are unable to receive and purchase shall be temporarily released; and

iii. In the event that BP at any time attempts to deliver to Cameron Highway any quantity of the Dedicated Production, and, for reasons other than (A) those described in Articles XI.a.i. and XI.a.ii. above, or (B) a breach by BP of this Agreement, the CHOPS Parties fail to receive and purchase from BP all of such quantity, then the quantity of Dedicated Production that the CHOPS Parties fail to receive and purchase shall be temporarily released. For the avoidance of doubt, if, for reasons other than those described in Article XI.a.i. and XI.a.ii., CHOPS fails to receive and purchase any Dedicated Production due to such Dedicated Production not meeting the quality specifications set forth in Exhibit "D", such Dedicated Production that the CHOPS Parties fail to receive and purchase shall be temporarily released pursuant to this Article XI.a.iii.

b. Each of the following shall apply to any temporary release of Dedicated Production pursuant to Article XI.a. above:

i. Except as otherwise provided in Article XI.b.iii. below, BP shall have no obligations under this Agreement with respect to such temporarily released

quantities of Dedicated Production during the applicable temporary release period described in Article XI.b.iv. below.

ii. BP shall have the right to deliver and/or sell such temporarily released quantities of Dedicated Production to any other Crude Oil pipelines without penalty hereunder and with no liability to the CHOPS Parties except as expressly provided in the following Article XI.b.iii.; provided, that the CHOPS Parties shall be under no obligation to BP to expend any funds to make connections to other Crude Oil pipelines.

iii. Except as set forth in the immediately following sentence, Article XI.g. below shall not apply to such temporarily released quantities of Dedicated Production, and in no event shall BP be obligated to compensate the CHOPS Parties for any such temporarily released quantities of Dedicated Production delivered to alternative pipelines. However, notwithstanding the foregoing, to the extent any quantity of Dedicated Production is temporarily released pursuant to the terms of Article XI.a.iii. above due to the failure of the Dedicated Production to meet the quality specifications contained in Exhibit "D", and BP diverts all or part of such temporarily released quantity to another pipeline, then such temporarily released and diverted quantity of Dedicated Production shall be treated as if BP, in its sole discretion, elected to divert such quantity of Dedicated Production to the other pipelines pursuant to the terms of Article XI.g. below, and in such case, BP shall pay the CHOPS Parties the differential described in Article XI.g. below.

iv. (x) In the event of a temporary release of Dedicated Production pursuant to Articles XI.a.i. or XI.a.ii. above, the CHOPS Parties shall give BP ten (10) days prior written notice of the effective date on which the CHOPS Parties are able to receive and purchase any portion of the temporarily released volumes of Dedicated Production tendered by BP at the Receipt Points and sell and deliver an equivalent volume of Crude Oil at the Delivery Points and Additional Delivery Points. Upon receipt of such notice by BP, such temporary release shall continue no longer than the remainder of the calendar month in which BP receives such written notice and the succeeding calendar month. BP shall commence deliveries to Cameron Highway of all volumes of Dedicated Production that were previously released, that the CHOPS Parties are then able to receive and purchase, immediately upon the termination of the period described in the immediately preceding sentence.

(y) (A) In the event of a temporary release of Dedicated Production pursuant to Article XI.a.iii., if such temporary release has been in effect for fewer than twenty (20) consecutive days, the CHOPS Parties shall give BP forty-eight (48) hours prior written notice of the effective date on which the CHOPS Parties are able to receive and purchase any portion of the temporarily released volumes of Dedicated Production tendered by BP at the Receipt Points and sell and deliver an equivalent volume of Crude Oil at the Delivery Points and Additional Delivery Points. Upon receipt of such notice by BP, such temporary release shall continue no longer than forty-eight (48) hours following such receipt. BP shall commence deliveries to Cameron Highway of all volumes of Dedicated Production that were previously released, that the CHOPS Parties are then able to receive and purchase, immediately upon the termination of the period described in the immediately preceding sentence.

(B) In the event of a temporary release of Dedicated Production pursuant to Article XI.a.iii., if such temporary release has been in effect for twenty (20) or more consecutive days, the notice provisions and the timing of

the termination of the temporary release shall be in accordance with Article XI.b.iv.(x). above.

c. In the event the Cameron Highway Completion Date has not occurred by 12:01 AM on August 15, 2004 (as such date may be adjusted pursuant to Article XI.h. below, the "REQUIRED COMMENCEMENT DATE") and quantities of Dedicated Production are temporarily released pursuant to Article XI.a.i. above, then subject to Article XI.f. below, the CHOPS Parties shall pay BP the following liquidated damages:

i. $0.63 per Barrel for all such temporarily released quantities of Dedicated Production delivered and/or sold by BP to alternative Crude Oil pipelines during the period commencing on the Required Commencement Date and extending until the Cameron Highway Completion Date, and

ii. The following amounts per Barrel of Dedicated Production received and purchased by the CHOPS Parties at the Receipt Points and redelivered to BP hereunder during the period commencing on the Required Commencement Date and extending until the Cameron Highway Completion Date:

w. $0.50 per Barrel to the extent that nominated deliveries of Dedicated Production to BP can be made by the CHOPS Parties at only one (1) of the Delivery Points, or

x. $0.35 per Barrel to the extent that nominated deliveries of Dedicated Production to BP can be made by the CHOPS Parties at only two (2) of the Delivery Points, or

y. $0.15 per Barrel to the extent that nominated deliveries of Dedicated Production to BP can be made by the CHOPS Parties at only three (3) of the Delivery Points, if the Delivery Point not operational is BP Products' Texas City Refinery, or

z. $0.05 per Barrel to the extent that nominated deliveries of Dedicated Production to BP can be made by the CHOPS Parties at only three (3) of the Delivery Points, if the Delivery Point not operational is a Delivery Point other than BP Products' Texas City Refinery.

The CHOPS Parties shall not be obligated to pay liquidated damages to BP for temporarily released volumes of Dedicated Production that are delivered to alternative Crude Oil pipelines by BP prior to the Required Commencement Date.

d. With respect to Dedicated Production temporarily released pursuant to Article XI.a.ii. above, subject to Article XI.f. below, the CHOPS Parties shall pay BP, as liquidated damages, (i) to the extent the then applicable BP MDQ Level is equal to or less than 210,000 BOPD, $0.63 per Barrel for the temporarily released quantities of Dedicated Production delivered and/or sold by BP to alternative Crude Oil pipelines, and (ii) to the extent the then applicable BP MDQ Level is greater than 210,000 BOPD, (x) $0.63 per Barrel for the temporarily released quantities that are within the first 210,000 BOPD of Dedicated Production produced on such Day that are delivered and/or sold by BP to alternative Crude Oil pipelines, and (y) no amount of liquidated damages for the temporarily released quantities that are in excess of the first 210,000 BOPD of Dedicated Production produced on such Day that are delivered and/or sold by BP to alternative Crude Oil pipelines.

e. With respect to Dedicated Production temporarily released pursuant to Article XI.a.iii. above, the CHOPS Parties shall not be liable to, or obligated to pay, BP any liquidated damages with respect to such temporarily released quantities.

f. Without limiting the terms of the immediately following sentence, if (i) the CHOPS Parties are otherwise able and willing to receive and purchase all Dedicated

Production able to be delivered by BP and (ii) BP has not commenced deliveries of Dedicated Production from Mad Dog to the Receipt Points on or before November 15, 2004, then beginning November 15, 2004 and continuing until such date that deliveries of Dedicated Production from Mad Dog are tendered by BP at the Receipt Points, the CHOPS Parties shall not be liable to, or obligated to pay, BP any amounts of liquidated damages described in Articles XI.c. and XI.d. above. If (i) the CHOPS Parties are otherwise able and willing to receive and purchase all Dedicated Production able to be delivered by BP and (ii) BP has not commenced deliveries of Dedicated Production from Atlantis to the Receipt Points on or before April 1, 2005, then beginning April 1, 2005 and continuing until such date that deliveries of Dedicated Production from Atlantis are tendered by BP at the Receipt Points, the CHOPS Parties shall not be liable to, or obligated to pay, BP any amounts of liquidated damages described in Article XI.c. and XI.d. above. Notwithstanding anything in this Article XI.f. to the contrary, if BP commences deliveries of Dedicated Production from Holstein prior to November 15, 2004 and/or April 1, 2005, and the CHOPS Parties are not able to receive and purchase all Dedicated Production tendered by BP up to the applicable BP MDQ, the CHOPS Parties shall be liable for and shall pay BP liquidated damages as provided in this Article XI. The rights to receive liquidated damages and other payments from the CHOPS Parties as described in this Article XI. shall be rights granted only to, and exercisable by, BP (and not to permitted assignees of BP); provided, however, that the rights to have Dedicated Production temporarily released shall be rights exercisable by BP and its permitted assignees. Notwithstanding anything to the contrary contained herein, the rights to have Dedicated Production temporarily released, to receive liquidated damages and other payments, and to receive the other rights expressly granted in this Article XI., shall be the sole and exclusive remedies (whether under contract or at law or equity) of BP with respect to any temporary release of Dedicated Production or related event.

g. After the Cameron Highway Completion Date, BP, in its sole discretion, shall have the right to divert all or part of the Dedicated Production to other pipelines in lieu of delivery to Cameron Highway as provided in this Article XI.g. In such case and except as expressly provided otherwise in this Agreement, BP shall pay CHOPS the differential that corresponds to the applicable BP MDQ Level as reflected in BP's notice given pursuant to Article VI.a. for such diverted volumes of Dedicated Production. This Article XI.g. shall not apply to Excess Production, it being understood by the Parties that BP is not obligated in any way to deliver or sell Excess Production to Cameron Highway. Such Excess Production may be delivered by BP to any Crude Oil pipeline at BP's sole discretion with no restriction or penalty. Except as provided in Article XI.b.iii. above, this Article XI.g. shall not apply to Dedicated Production temporarily released pursuant to Article XI.a. above.

h. With respect to the term "Required Commencement Date", the Parties agree that the designated date of August 15, 2004, shall automatically be revised as follows: (i) such date shall be delayed on a day for day basis with the duration of any Force Majeure events declared by CHOPS hereunder in excess of the first ninety (90) days of Force Majeure events declared by CHOPS hereunder occurring during the construction phase of Cameron Highway, and (ii) such date shall be delayed until production actually commences from the first of the Initial Dedicated Leases to commence production. In the event of anticipated delays in the date of commencement of production from the first of the Initial Dedicated Leases that BP in its reasonable discretion believes it cannot make up, which would reasonably be expected to extend the Required Commencement Date, BP shall promptly notify CHOPS in writing of such anticipated delays and shall provide a revised Required Commencement Date. For purposes of this Agreement, the Required Commencement Date shall be deemed to be such revised date as further revised by the foregoing terms of this Article XI.h.

ARTICLE XII.

PRICE AND PRICE ADJUSTMENTS

a. For each Barrel of Crude Oil delivered to the Receipt Points (excluding pipeline loss or gain allowance described in Article XIII. below), the CHOPS Parties shall pay BP the Base Oil Price less a differential amount per Barrel based on the then applicable BP MDQ Level selected by BP pursuant to Article VI.a. above as set forth in the table below (such price being referred to as the "CHOPS PARTIES PRICE"). Such differentials shall not be escalated for any reason.

	DIFFERENTIAL ($)	
BP MDQ LEVEL	VOLUMES UP TO BP MDQ	VOLUMES IN EXCESS OF BP MDQ
Level 1	$0.95/Barrel	$0.95/Barrel
Level 2	$0.97/Barrel	$0.95/Barrel
Level 3	$0.99/Barrel	$0.95/Barrel
Level 4	$1.01/Barrel	$0.95/Barrel
Level 5	$1.03/Barrel	$0.95/Barrel
Level 6	$1.04/Barrel	$0.95/Barrel
Level 7	$1.05/Barrel	$0.95/Barrel
Level 8	$1.06/Barrel	$0.95/Barrel
Level 9	$1.09/Barrel	$0.95/Barrel
Level 10	$1.12/Barrel	$0.95/Barrel
Level 11	$1.15/Barrel	$0.95/Barrel
Level 12	$1.18/Barrel	$0.95/Barrel
Level 13	$1.21/Barrel	$0.95/Barrel
Level 14	$1.23/Barrel	$0.95/Barrel
Level 15	$1.24/Barrel	$0.95/Barrel

b. BP shall pay the CHOPS Parties the Base Oil Price for each Barrel delivered at the Delivery Points and Additional Delivery Points (such price being referred to as the "BP PRICE").

c. With respect to Article XII.a. and Article XII.b. above, BP, at any time and from time to time, shall have the right to change the Base Oil Price to a Platt's indicator for southern Green Canyon crude for deliveries in Texas. BP shall give CHOPS sixty (60) days prior written notice of such change. In the event BP elects to change the Base Oil Price as provided in this Article XII.c., BP and the CHOPS Parties shall settle any existing purchase and sale imbalance at such time pursuant to Article XXI. below.

d. Any Crude Oil attributable to BP's working interest in a lease that is delivered to the Receipt Points by BP and purchased by the CHOPS Parties on an interruptible basis shall be subject to the fee differentials contained in this Agreement applicable to Dedicated Production for a period of ten (10) years from the date of the initial delivery by the CHOPS Parties of Crude Oil to any Delivery Point or Additional Delivery Point hereunder. The Parties

agree that the rights granted to BP under this Article XII.d. shall be rights granted only to, and exercisable by, BP (and not to a permitted assignee of BP).

e. During the term of this Agreement, in the event that the owner of Cameron Highway enters into a purchase and sale arrangement containing firm maximum daily quantities with either BHP or Unocal, as working interest owners in Mad Dog and/or Atlantis, as applicable, or amends any such agreement so that purchase and sale differentials for firm quantities for Mad Dog and/or Atlantis, as applicable, are lower than the corresponding differentials set forth in Article XII.a. of this Agreement, the differentials applicable to BP under this Agreement shall be decreased to such lowest differential for firm quantities received by BHP and/or Unocal, for Crude Oil delivered by BP from Mad Dog and/or Atlantis, as applicable, for a term consistent with that term applicable to BHP and/or Unocal, as applicable, with respect to the lower differential for firm quantities; provided, however, that the Parties understand and agree that BP, BHP and Unocal each have different firm maximum daily quantity levels, and such levels shall be permitted to remain different during the term of this Agreement without triggering the terms of this provision. In the event BP and the CHOPS Parties enter into an alternative form of agreement as described in Article IX. of this Agreement and during the term of such agreement, either BHP or Unocal, as working interest owners in Mad Dog and/or Atlantis, as applicable, enter into an alternative form of agreement or amend such agreement so that the BHP and/or Unocal agreement contains fees for firm quantities that are lower than the corresponding fees in the agreement between BP and the CHOPS Parties, the fees applicable to BP under this Agreement shall be decreased to such lowest fee received by BHP and/or Unocal, for firm quantities of Crude Oil delivered by BP from Mad Dog and/or Atlantis, as applicable, for a term consistent with that term applicable to BHP and/or Unocal, as applicable, with respect to the lower fee. Notwithstanding anything to the contrary contained herein, the Parties agree that this Article XII.e. shall only be triggered by an agreement between the owner of Cameron Highway and either BHP or Unocal, as working interest owners in Mad Dog and Atlantis, as applicable, and not by a future agreement between the owner of Cameron Highway and BP. At the expense of BP and upon thirty (30) days prior written notice to the CHOPS Parties, BP shall have the right to review and audit the books, records, and accounts of the owner of Cameron Highway in order to verify the compliance of the CHOPS Parties with this Article XII.e. The Parties agree that the rights granted to BP under this Article XII.e. shall be rights granted only to, and exercisable by, BP (and not to a permitted assignee of BP).

f. Notwithstanding anything contained in this Agreement to the contrary, as a result of the requirement contained in this Agreement that, for any volumes of Crude Oil delivered by BP (or its Affiliate designee) to the CHOPS Parties at the Receipt Points, equivalent volumes of Crude Oil be delivered simultaneously by the CHOPS Parties to BP (or its Affiliate designee) at the Delivery Points and Additional Delivery Points, BP and the CHOPS Parties hereby acknowledge and agree that subject only to normal imbalances and adjustments for pipeline loss or gain allowance as described in Article XIII, as a result of equivalent volumes of Crude Oil being purchased by the CHOPS Parties from BP (or its Affiliate designee) at the Receipt Points and contemporaneously sold by the CHOPS Parties to BP (or its Affiliate designee) at the Delivery Points and Additional Delivery Points, the CHOPS Parties shall only be entitled to receive the net amount equal to the BP Price for such Crude Oil less the CHOPS Parties Price for such Crude Oil resulting from such purchase and sale, and not the full BP Price for such Crude Oil.

ARTICLE XIII.

PIPELINE LOSS OR GAIN ALLOWANCE

The pipeline loss or gain allowance shall initially be a fixed percentage of volumes at the Receipt Points or Delivery Points and Additional Delivery Points and the accounting shall conform to standard industry practices on similarly situated pipeline systems. The pipeline loss or gain allowance shall be adjusted annually in order to conform to the previous year's actual pipeline loss or gain but such pipeline loss or gain allowance shall not exceed two-tenths (2/10) of one percent (1%) for any calendar year.

ARTICLE XIV.

QUALITY AND PRESSURE

a. The quality specifications for Cameron Highway are attached to this Agreement as Exhibit "D".

b. Except for reasons of Force Majeure, the maximum pressure to be provided by the CHOPS Parties at the Initial Cameron Highway Receipt Point shall be no greater than 150 PSIG. BP may, but is under no obligation to, deliver Crude Oil at pressures up to 1950 PSIG.

ARTICLE XV.

QUALITY BANK

a. CHOPS shall have the right to commingle production from the Dedicated Leases with production from other properties, pipelines and facilities. BP acknowledges and agrees that the Crude Oil delivered by BP at the Receipt Points will be commingled and blended with the Cameron Highway common stream.

b. In order to compensate for variations in the quality of Crude Oil delivered by BP and other parties at the Receipt Points and that delivered by the CHOPS Parties at the Delivery Points and Additional Delivery Points, the CHOPS Parties shall establish and administer a market based quality bank. The operating procedures and details concerning the computation of quality bank adjustments are set forth in Exhibit "E" attached hereto. BP, as well as all other parties selling Crude Oil at Cameron Highway receipt points are required to participate in such quality bank. BP hereby authorizes the CHOPS Parties to compute adjustments among all such parties for quality differences in accordance with the procedures set forth in Exhibit "E".

ARTICLE XVI.

RESPONSIBILITY, LIABILITY, POSSESSION AND CONTROL OF CRUDE OIL

a. As between BP and the CHOPS Parties, (a) BP shall control and possess the Crude Oil delivered hereunder at all times prior to delivery to the CHOPS Parties at the Receipt Points and after delivery by the CHOPS Parties at the Delivery Points and Additional Delivery Points and (b) the CHOPS Parties shall control and possess the Crude Oil at all times after delivery by BP at the Receipt Points and until delivery by the CHOPS Parties at the Delivery Points and Additional Delivery Points.

b. EXCEPT AS OTHERWISE PROVIDED IN ARTICLE XVI.e. BELOW, BP SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE CHOPS PARTIES GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, ARISING OUT OF THE PERFORMANCE OF THIS AGREEMENT AND OCCURRING WHILE THE CRUDE OIL IS IN THE POSSESSION AND CONTROL OF BP, EVEN

THOUGH SUCH IS CAUSED IN WHOLE OR IN PART BY THE CHOPS PARTIES GROUP'S NEGLIGENCE (ACTIVE, PASSIVE, JOINT, CONCURRENT OR SOLE) OR STRICT LIABILITY, OR OTHER LEGAL FAULT OF THE CHOPS PARTIES GROUP, EXCEPT TO THE EXTENT THAT ANY SUCH LOSS, DAMAGE, CLAIM, DEMAND OR ACTION RESULTS FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A MEMBER OF THE CHOPS PARTIES GROUP.

c. EXCEPT AS OTHERWISE PROVIDED IN ARTICLE XVI.d. BELOW, THE CHOPS PARTIES SHALL, JOINTLY AND SEVERALLY, BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE BP GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, ARISING OUT OF THE PERFORMANCE OF THIS AGREEMENT AND OCCURRING WHILE THE CRUDE OIL IS IN THE POSSESSION AND CONTROL OF THE CHOPS PARTIES, EVEN THOUGH SUCH IS CAUSED IN WHOLE OR IN PART BY THE BP GROUP'S NEGLIGENCE (ACTIVE, PASSIVE, JOINT, CONCURRENT OR SOLE) OR STRICT LIABILITY, OR OTHER LEGAL FAULT OF THE BP GROUP, EXCEPT TO THE EXTENT THAT ANY SUCH LOSS, DAMAGE, CLAIM, DEMAND OR ACTION RESULTS FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A MEMBER OF THE BP GROUP.

d. BP SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE CHOPS PARTIES GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, DIRECTLY CAUSED BY OR DIRECTLY RESULTING FROM THE FAILURE OF THE CRUDE OIL DELIVERED BY BP TO THE CHOPS PARTIES AT THE RECEIPT POINTS TO MEET THE QUALITY SPECIFICATIONS SET FORTH IN ARTICLE XIV.a. OF THIS AGREEMENT.

e. EXCEPT AS DIRECTLY CAUSED BY OR DIRECTLY RESULTING FROM BP'S DELIVERY TO THE CHOPS PARTIES OF CRUDE OIL AT THE RECEIPT POINTS THAT DOES NOT MEET THE QUALITY SPECIFICATION SET FORTH IN ARTICLE XIV.a. OF THIS AGREEMENT, THE CHOPS PARTIES SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE BP GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, DIRECTLY CAUSED BY OR DIRECTLY RESULTING FROM THE FAILURE OF THE CRUDE OIL DELIVERED BY THE CHOPS PARTIES TO BP AT ANY DELIVERY POINT OR ADDITIONAL DELIVERY POINT TO MEET THE QUALITY SPECICATIONS SET FORTH IN ARTICLE XIV.a. OF THIS AGREEMENT.

f. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, NO PARTY TO THIS AGREEMENT SHALL BE LIABLE TO ANY OTHER PARTY HERETO FOR SPECIAL, INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES SUFFERED BY SUCH OTHER PARTY RESULTING FROM OR ARISING OUT OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, LOSS OF USE, INCREASED COST OF OPERATIONS, LOSS OF PROFIT OR REVENUE OR BUSINESS INTERRUPTIONS. IN FURTHERANCE OF THE FOREGOING, EACH PARTY RELEASES THE OTHER PARTIES AND WAIVES ANY RIGHT OF RECOVERY FOR SPECIAL, INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES SUFFERED BY SUCH PARTY REGARDLESS OF WHETHER ANY SUCH DAMAGES ARE CAUSED BY ANY OTHER PARTY'S NEGLIGENCE (AND REGARDLESS OF WHETHER SUCH NEGLIGENCE IS SOLE, JOINT, CONCURRENT, ACTIVE, PASSIVE OR GROSS NEGLIGENCE), FAULT OR LIABILITY WITHOUT FAULT.

g. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY BUT EXCEPT AS OTHERWISE PROVIDED IN THE CONSTRUCTION AGREEMENT, TO THE EXTENT OF ITS WORKING INTEREST IN THE DEDICATED LEASES, BP AGREES TO BE SOLELY RESPONSIBLE AND LIABLE FOR, AND RELEASE AND INDEMNIFY THE CHOPS PARTIES GROUP WITH RESPECT TO, ANY LOSSES SUFFERED BY BP ARISING OUT OF, CONNECTED WITH OR IN

ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY TO THE DELAY OF PRODUCTION OR ANY DAMAGE TO THE DEDICATED LEASES OR LOSS OF ANY RELATED RESERVES NOT PREVIOUSLY DELIVERED TO THE CAMERON HIGHWAY RESULTING FROM ANY ACTS OR OMISSIONS BY THE CHOPS PARTIES IN CONNECTION WITH OR OTHERWISE RELATED TO THIS AGREEMENT.

ARTICLE XVII.

LINE FILL

a. The CHOPS Parties shall provide all line fill for Cameron Highway. The cost of such line fill Barrels shall be based on the Base Oil Price for the month Cameron Highway line fill operations commence, less $0.95, plus or minus (as the case may be) quality bank adjustments. The portion of the Base Oil Price of a line fill Barrel up to $20.00 per Barrel shall be paid by the CHOPS Parties. The portion of the Base Oil Price of a line fill Barrel in excess of $20.00 per Barrel shall be allocated to and paid by the working interest owners in Holstein, Mad Dog and Atlantis who enter into purchase and sale arrangements on Cameron Highway, and all other parties who enter into purchase and sale arrangements on Cameron Highway that are effective upon commencement of operations of Cameron Highway, based on each party's maximum daily quantity compared to the aggregate maximum daily quantity on Cameron Highway.

b. Within fifteen (15) Days after the Effective Date of this Agreement, the Parties will meet to implement a plan for the acquisition of linefill for Cameron Highway. Such plan may include, but not be limited to, the evaluation of purchasing linefill from BP (or an Affiliate designee of BP), the mechanisms for the management of the Crude Oil price risk for the Parties related to such linefill, and the disclosure of operational parameters related to such linefill, including the approximate timeline and approximate volumes of linefill required by CHOPS. The Parties agree to use their respective commercially reasonable efforts to finalize a plan for the acquisition of the Cameron Highway linefill within forty-five (45) Days after their first meeting as provided in the first sentence of this Article XVII.b.

ARTICLE XVIII.

OIL PUMP FUEL GAS

The CHOPS Parties shall provide all fuel gas for the operation of Cameron Highway. The cost of such fuel gas shall be based on the Base Gas Price for the then current month of fuel purchases, less $0.10 per MMBTU. The portion of the Base Gas Price up to $5.00 per MMBTU shall be paid by the CHOPS Parties. The portion of the Base Gas Price of an MMBTU in excess of $5.00 per MMBTU shall be allocated to and paid by all parties selling Crude Oil at Cameron Highway receipt points at the time such fuel gas is utilized by Cameron Highway, based on such parties' deliveries of Crude Oil in proportion to the total deliveries of Crude Oil at all Cameron Highway receipt points.

ARTICLE XIX.

STATEMENTS, PAYMENTS, AUDIT

a. The CHOPS Parties shall render a statement to BP on or before the fifteenth (15th) day of each calendar month setting forth the amount due BP for purchases of Crude Oil by the CHOPS Parties hereunder and the amount due for sales of Crude Oil hereunder during the preceding month. If actual quantities cannot be made available through no fault of the CHOPS Parties, the CHOPS Parties and BP may utilize a reasonable, good faith estimated quantity. As soon as the actual quantity becomes

available, the estimate shall be adjusted and the adjustment shall be reflected in the subsequent month's statement. The CHOPS Parties agree to prepare a summary billing containing all amounts owed between BP and the CHOPS Parties to each other as provided in this Agreement for the applicable production month and the CHOPS Parties shall deliver a net statement to BP showing the net balance.

b. The Party with the net balance due to the other Party shall pay such other Party the amount due in the form of immediately available federal funds by wire transfer to the bank account specified on the net statement, or any other mutually agreed upon method, on or before the twentieth (20th) day of each month for transactions accruing hereunder during the preceding month. Payments due on a Saturday or a bank holiday shall be made on the preceding Business Day unless such holiday is a Monday, in which case payment shall be made on the following Business Day; payments due on Sunday shall be made on the following Monday. The paying Party must tender a timely payment even if the net statement includes an estimated receipt or delivery volume. Any payment made hereunder by a Party shall not prejudice the right of the paying Party to an adjustment of any statement to which it has taken written exception, provided that claim therefore shall have been made within sixty (60) days from the date of discovery of such error, but, in any event, within twenty-four (24) months from the date of the net statement. If the paying Party fails to pay any statement in whole or in part when due, in addition to any other rights or remedies available to the Party to whom payment is due, interest at the Stated Rate shall accrue on unpaid amounts. "STATED RATE" means an annual rate of interest (compounded daily) equal to the lesser of (i) the sum of the prime or reference rate posted from time to time by JP Morgan Chase Bank (Houston, Texas office) or its successor or a mutually agreed substitute bank plus two percent (2%) or (ii) the maximum lawful interest rate then in effect under applicable law.

Notwithstanding the foregoing, if a good faith dispute arises between BP and the CHOPS Parties concerning a net statement, the paying Party shall pay that portion of the net statement not in dispute on or before such due date, and upon the ultimate determination of the disputed portion of the statement, the paying Party shall pay the remaining amount owed (if any) plus the interest accrued thereon.

c. The CHOPS Parties shall maintain for not less than twenty-four (24) months following the end of each calendar year, complete and accurate books, records and accounts of any amounts which are charged to BP hereunder during such calendar year, specifically including any records with respect to Article XII.e. For a period of twenty-four (24) months from the end of each calendar year, upon thirty (30) days' prior written notice to the CHOPS Parties, BP, at its sole expense, shall have the right to inspect, at any reasonable time and from time-to-time, and audit such books, records and accounts related to any invoice or payment made during such calendar year.

ARTICLE XX.

MEASUREMENT

All measurement practices must conform to the latest guidelines set out in the current API Manual of Petroleum Measurement Standards and all applicable API Bulletin and API Standards publications.

ARTICLE XXI.

PURCHASE AND SALE BALANCES

The Parties will endeavor, as far as practicable, to keep the purchase and sale arrangement in balance on a monthly basis and respond to status statements. It is recognized that for a given month, a Crude Oil imbalance between the Receipt Points, on

the one hand, and the Delivery Points and Additional Delivery Points, on the other hand, may exist. The CHOPS Parties shall calculate and track all imbalances and include same in their monthly statement. The Parties agree to make a good faith effort to correct any actual monthly imbalances by subsequent nominations and deliveries of Crude Oil during the remainder of the month or the next available full business month, including the adjustments of receipts, deliveries and nominations. Delivery of such imbalance shall be made in the month following the month in which the volume imbalance is determined.

ARTICLE XXII.

ASSIGNMENT

a. CHOPS Parties.

i. Prior to the Cameron Highway Completion Date, (A) Neither CHOPS nor GTM may assign or transfer this Agreement or their respective obligations hereunder (in whole or in part) unless the other (either CHOPS or GTM) is also assigning or transferring its interest in this Agreement or the obligations hereunder to the same assignee in the same assignment transaction, and (B) any assignment or transfer of this Agreement or the obligations hereunder (in whole or in part) by CHOPS and/or GTM shall require the prior written consent of BP (which consent may be withheld by BP in its sole discretion). After the Cameron Highway Completion Date, the CHOPS Parties shall have the right to assign or transfer this Agreement or the obligations hereunder (in whole or in part) to any Financially Capable Entity without the prior consent of BP; provided, that any other assignment or transfer of this Agreement or the obligations hereunder (in whole or in part) shall require the prior written consent of BP, such consent not to be unreasonably withheld or delayed; provided further, that upon any permitted assignment by the CHOPS Parties, the CHOPS Parties shall be relieved of their obligations under this Agreement accruing after the effective date of such assignment to the extent, and only to the extent, so assigned and expressly assumed by the assignee.

ii. Any assignment or transfer by the CHOPS Parties of this Agreement or the obligations hereunder (in whole or in part) shall also include the assignment or transfer of all or a portion of CHOPS' ownership interest in Cameron Highway (such that Cameron Highway remains subject to this Agreement). Further, any assignee of any or all of CHOPS' right, title and interest in Cameron Highway shall agree to be bound by the terms of this Agreement, and any such assignment shall be made subject to this Agreement.

iii. Any assignment or transfer of this Agreement or the obligations hereunder (in whole or in part) by the CHOPS Parties shall be null and void unless such assignment or transfer is made in compliance with this Article XXII.a.

b. BP.

i. Except as otherwise expressly provided in Articles II.b., IV.c., VI.d., VII.a., XI.f., XI.g., XII.d. and XII.e. of this Agreement, BP shall have the right to assign or transfer this Agreement or the obligations hereunder (in whole or in part) to any creditworthy entity or creditworthy Affiliate of BP without the prior consent of the CHOPS Parties; provided, that any other assignment or transfer of this Agreement or the obligations hereunder (in whole or in part) shall require the prior written consent of the CHOPS Parties, such consent not to be unreasonably withheld;

provided further, that any assignment of BP's rights and obligations under this Agreement shall also include the assignment or transfer of all or a portion of BP's right, title or interest in the applicable Dedicated Leases. Further, any assignee of any or all of BP's right, title or interest in the Dedicated Leases shall agree to be bound by the terms of this Agreement, such that BP's Dedicated Production from such leases so assigned shall remain subject to this Agreement. Upon any permitted assignment by BP, BP shall be relieved of its obligations under this Agreement accruing after the effective date of such assignment to the extent, and only to the extent, so assigned and expressly assumed by the assignee. Any assignment or transfer of this Agreement or the obligations hereunder (in whole or in part) by BP shall be null and void unless such assignment or transfer is made in compliance with this Article XXII.b.

ii. In conjunction with the assignment by BP of all or a portion of its working interest in the Dedicated Leases, upon any such assignment by BP of this Agreement or the obligations hereunder (in whole or in part) pursuant to Article XXII.b.i. above, the following shall apply:

(A) Any working interest in the Dedicated Leases assigned by BP, and BP's remaining working interest in the Dedicated Leases, shall remain dedicated to Cameron Highway, pursuant to this Agreement.

(B) The purchase and sale differentials contained in Article XII. above shall be applicable to (x) the Crude Oil delivered by BP's assignee that is produced from the Dedicated Leases and (y) the BP Production delivered by BP that is produced from the Dedicated Leases, pursuant to this Agreement.

(C) The BP MDQ Levels set forth in Article VI. above shall remain the same; provided, that following such assignment by BP, BP shall receive a Barrel for Barrel credit against the applicable BP MDQ for the actual number of Barrels delivered to Cameron Highway that are produced from the working interest in the Dedicated Leases assigned by BP. Such assignee of BP shall be entitled to a maximum daily quantity level on Cameron Highway commensurate with the daily volume of Dedicated Production reasonably anticipated to be produced in the future from the Dedicated Leases so assigned that is allocated to its working interest share of such leases.

(D) At such times as BP transfers or assigns all or a portion of its working interest in one or more Dedicated Leases, the CHOPS Parties shall execute a purchase and sale agreement with BP's assignee that contains the same terms and conditions as those contained in this Agreement (with the exception of the non-assignable rights of BP contained in Articles II.b., IV.c., VI.d., VII.a., XI.f., XI.g., XII.d. and XII.e. of this Agreement) and that reflects the maximum daily quantity level allocated to such assignee as set forth in Article XXII.ii.C. above.

Notwithstanding anything contained in Article XXII.b. to the contrary, BP shall not be prohibited or restricted from assigning or transferring this Agreement or the obligations hereunder (in whole or in part) pending negotiation and execution of the purchase and sale agreement between the CHOPS Parties and BP's assignee. It being the intent of the Parties that completion of such negotiations and execution of such documentation shall not impede,

hinder or delay any consents by the CHOPS Parties required under this Agreement with respect to an assignment or transfer thereof (in whole or in part) by BP.

c. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties.

ARTICLE XXIII.

TERM

a. This Agreement shall become effective as of the execution and delivery thereof by each of the Parties and, except as otherwise provided herein, shall continue in effect for the commercial life of production from the Dedicated Leases.

b The provisions contained in Article XVI. (Responsibility, Liability, Possession and Control of Crude Oil), Article XIX. (Statements, Payment, Audit), Article XXIV. (Force Majeure) and Article XXV. (Dispute Resolution), Article XXVI (Confidentiality), and Article XXVII. (Miscellaneous) of this Agreement shall survive termination/expiration of this Agreement.

c. Except with respect to those provisions in this Agreement that expressly provide for sole and exclusive remedies, (i) in the event of termination of this Agreement by a Party pursuant to the terms of this Agreement, such termination of this Agreement shall not be the sole remedy of such Party, and (ii) nothing contained in this Agreement shall prevent any Party from pursuing any other remedies available to such Party whether under contract or at law or equity with respect to any other Party's breach of or failure to fulfill its obligations under this Agreement.

ARTICLE XXIV.

FORCE MAJEURE

a. Definition. No Party shall be liable to the other Parties for failure to perform any of its obligations under this Agreement, other than the obligation to make payments pursuant to the Agreement, to the extent such performance is hindered, delayed or prevented by Force Majeure. For purposes of this Agreement, "FORCE MAJEURE" shall mean causes, conditions, events or circumstances affecting the Parties, or downstream or upstream facilities which are beyond the reasonable control of the Party claiming Force Majeure. The term "Force Majeure" may include, without limitation, acts of God, wars (declared or undeclared), hostilities, acts of terrorism, strikes, lockouts, riots, floods, fires, storms, storm warnings, industrial disturbances, acts of the public enemy, sabotage, blockades, insurrections, epidemics, landslides, lightning, earthquakes, washouts, arrests and restraints of rulers and peoples, civil disturbances, explosions, breakage or accidents to machinery or lines of pipe, hydrate obstruction or blockages of any kind of lines of pipe, abnormal operating conditions on a Party's facilities, repairs, improvements, replacements or alterations to plants, lines of pipe or related facilities, inability of a Party to obtain necessary machinery, drilling or workover rigs, materials, permits, easements or rights-of-way on reasonable terms, freezing of a well or delivery facility, well blowout, cratering, depletion of reserves, the partial or entire failure of a well, the act of any court or governmental authority prohibiting a Party from discharging its obligations under this agreement or resulting in diminutions in service and conduct which would violate any applicable law, all of which events must be beyond the reasonable control of the Party claiming such event as Force Majeure. Notwithstanding anything in this Article XXIV. to the contrary, inability of a Party to make payments when due, be profitable or to secure funds, arrange bank loans or other financing, obtain credit or have adequate capacity (other than for reasons of Force Majeure declared by such

downstream facilities) on downstream facilities, and the events and activities referenced in Article IX. and Article XI.a.ii. shall not be regarded as events of Force Majeure.

b. Notice. A Party which is unable, in whole or in part, to carry out its obligations under this Agreement due to Force Majeure shall promptly give written notice to that effect to the other Parties stating the circumstances underlying such Force Majeure.

c. Resolution. A Party claiming Force Majeure shall use commercially reasonable efforts to remove the cause, condition, event or circumstance of such Force Majeure, shall give written notice to the other Parties of the termination of such Force Majeure and shall resume performance of any suspended obligation promptly after termination of such Force Majeure.

ARTICLE XXV.

DISPUTE RESOLUTION PROCEDURE

a. With respect to any controversy or claim ("DISPUTE"), whether based on contract, tort, statute or other legal or equitable theory (including, but not limited to, any claim of fraud, misrepresentation or fraudulent inducement or any question of validity or effect of this Agreement including this clause) arising out of or related to this Agreement (including any amendments or extensions), or the breach or termination thereof, the Parties to this Agreement shall in good faith attempt to settle such Dispute by consultation between senior management representatives of such Parties initiated by a Party's ("SUBMITTING PARTY") delivery of written notice of the Dispute to the other Party (the "NON-SUBMITTING PARTY"). In the event such consultation does not settle the Dispute within thirty (30) days after receipt of the written notice of such Dispute by the Non-Submitting Party, the Dispute shall be submitted to non-binding mediation. In the event the Parties are unable to settle the Dispute through use of mediation within thirty (30) days of the commencement of such mediation, the Dispute shall be settled by binding arbitration in accordance with the Rules of the AAA, and this provision.

b. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. Sections 1-16 to the exclusion of any provision of state law inconsistent therewith, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction. Any arbitration proceeding hereunder will be conducted on a confidential basis.

The arbitration shall be held in Houston, Texas.

There shall be one (1) arbitrator. The Parties shall attempt jointly to select an arbitrator. If the Parties are unable or fail to agree upon an arbitrator within fifteen (15) days after the commencement of arbitration, one shall be selected by AAA in accordance with its Rules. The arbitration hearing shall occur no later than sixty (60) days after selection of the arbitrator. The arbitrator shall determine the claims of the Parties and render a final award in accordance with the substantive law of the State of Texas, excluding the conflicts provisions of such law. Unless otherwise provided in this Agreement, the arbitrator shall not have the right or the ability to terminate this Agreement. Further, the arbitrator shall not have the right to award any special, indirect, consequential, punitive or exemplary damages. The arbitrator shall set forth the reasons for the award in writing within ten (10) Business Days after the close of evidence and any post-evidence briefing and arguments that may be agreed upon (which shall be concluded within fourteen (14) days after close of evidence).

Any claim by a Party shall be time-barred if the Submitting Party commences arbitration with respect to such claim later than two (2) years after the receipt of the written notice of the Dispute by the Non-Submitting Party. All statutes of limitations and

defenses based upon passage of time applicable to any claim of a defending Party (including any counterclaim or setoff) shall be tolled while the arbitration is pending.

The obligation to arbitrate any Dispute shall extend to the successors and assigns of the Parties. The Parties shall use their commercially reasonable efforts to cause the obligation to arbitrate any Dispute to extend to any officer, director, employee, shareholder, agent, trustee, Affiliate, or subsidiary. The terms hereof shall not limit any obligations of a Party to defend, indemnify or hold harmless another Party against court proceedings or other claims, losses, damages or expenses.

The arbitrator shall order the Parties to promptly exchange copies of all exhibits and witness lists, and, if requested by a Party, to produce other relevant documents, to answer up to ten (10) interrogatories (including subparts), to respond to up to ten (10) requests for admissions (which shall be deemed admitted if not denied) and to produce for deposition and, if requested, at the hearing all witnesses that such Party has listed and up to four (4) other Persons within such Party's control. Any additional discovery shall only occur by agreement of the Parties or as ordered by the arbitrator upon a finding of good cause.

Each Party shall bear its own costs, expenses and attorney's fees; provided that if court proceedings to stay litigation or compel arbitration are necessary, the Party who unsuccessfully opposes such proceedings shall pay all reasonable associated costs, expenses, and attorney's fees in connection with such court proceeding.

In order to prevent irreparable harm, the arbitrator shall have the power to grant temporary or permanent injunctive or other equitable relief. Prior to the appointment of an arbitrator a Party may, notwithstanding any other provision of this Agreement, seek temporary injunctive relief from any court of competent jurisdiction; provided that the Party seeking such relief shall (if arbitration has not already been commenced) simultaneously commence arbitration. Such court ordered relief shall not continue more than ten (10) days after the appointment of the arbitrator (or in any event for longer than sixty (60) days).

If any part of this arbitration provision is held to be unenforceable, it shall be severed and shall not affect either the duty to arbitrate or any other part of this provision.

ARTICLE XXVI.

CONFIDENTIALITY

a. No Party shall disclose any other Party's Confidential Information to a third party (other than such Party's and its Affiliates' employees, lenders, agents, servants, counsel, contractors, consultants or accountants who need to know and agree to maintain the confidentiality of the Confidential Information in accordance with this Article XXVI.) except in order to comply with any applicable law, order, regulation or exchange rule and except in connection with any arbitration in accordance with Article XXV.; provided each Party shall notify the other Parties of any proceeding of which it is aware that may result in disclosure and use reasonable efforts to prevent or limit the disclosure. The Parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation including, without limitation, obtaining an injunction against disclosure; provided, all monetary damages shall be limited to actual direct damages and a breach of this section shall not give rise to a right to suspend or terminate this transaction.

b. Notwithstanding any other provision in this Agreement, but subject to the provisions of Article XXVI.c. below, a Party may disclose all terms and conditions of this Agreement to (A) any third party where such third party is a potential bona fide purchaser

of substantially all of a Party's assets, or of the portion of such assets affected by this Agreement, or (B) its contractors and consultants.

c. If a Party discloses any or all of the terms and conditions of this Agreement as contemplated in Article XXVI.b. above, it shall do so only after (A) giving all other Parties not less than ten (10) days prior written notice specifying the extent to which the disclosing Party intends to disclose the Confidential Information and (B) entering into a confidentiality arrangement, containing terms no less stringent than those provided herein, with the Person to whom such Confidential Information is to be disclosed.

d. The terms of this Article XXVI. shall survive and Confidential Information received from the other Party shall be kept confidential for a period of three (3) years following termination of this Agreement.

e. Upon (i) the termination of this Agreement and (ii) the request of the applicable Party, the Party receiving such request shall return or destroy all written Confidential Information (excluding this Agreement but including written confirmation of oral communications) provided by the requesting Party which was stamped "Confidential," provided that a Party may keep a copy of a document marked "Confidential" if such Party's counsel determines that it is required to do so by law or pending the outcome of any dispute involving the Parties under this Agreement. In the event of such request, documents, analyses, compilations, studies or other materials prepared by a Party or its Representatives that contain or reflect Confidential Information from any other Party, other than computer archival and backup tapes or archival and backup files (collectively "COMPUTER TAPES") and billing and trading records (collectively, "OTHER RECORDS") shall be destroyed (such destruction to be confirmed in writing by a duly authorized officer of the returning Party) or shall be retained on a confidential basis consistent with the terms of this Agreement. Computer Tapes and Other Records shall be kept confidential in accordance with the terms of this Agreement. Notwithstanding the foregoing, no Party shall be required to destroy or return documents covered by this provision prior to the later of the expiration of applicable statutes of limitations for actions that might arise with respect to the subject matter of such documents or final action with respect to any legal action or arbitration involving such documents.

f. The Parties agree that except as provided herein, each Party shall maintain its right, title and interest in all proprietary data, documentation and software furnished to the other Parties pursuant to this Agreement, except any portion of information that was supplied by any other Party, which information shall be returned or destroyed pursuant to paragraph (e) above.

g. Except with respect to (a) information already in the public domain (other than as a result of the breach of this Agreement) and (b) public announcements required by applicable laws or securities exchange, market or similar rules, public announcements concerning this Agreement and the activities contemplated hereunder shall require the prior written consent of the other Parties, such consent not to be unreasonably withheld. In the case of any public announcement pursuant to Article XXVI.g.(b) above, the disclosing Party shall provide an advance copy of the proposed public disclosure to the non-disclosing Parties and permit the non-disclosing Parties the opportunity to reasonably comment on such proposed disclosure.

ARTICLE XXVII.

MISCELLANEOUS

a. NOTICES. Any notice, request, demand, statement or payment provided for in this Agreement shall be confirmed in writing and shall be made as specified below; provided, however, that notices claiming default, or initiating dispute resolution procedures, or similar matters, shall only be made using overnight mail, certified mail, or courier; and provided further, that notices of interruption and similar operating matters may be provided verbally or by electronic mail, effective immediately and, upon request, confirmed in writing. A notice sent by facsimile transmission shall be deemed received by the close of the Business Day on which such notice was transmitted or such earlier time as confirmed by the receiving Party and by overnight mail or courier shall be deemed to have been received two (2) Business Days after it was sent or such earlier time as is confirmed by the receiving Party unless it confirms a prior verbal communication in which case any such notice shall be deemed received on the day sent. The addresses of the Parties are set forth below:

if to GTM, addressed as follows:

GulfTerra Energy Partners, L.P.
Four Greenway Plaza
Houston, Texas 77046
Attn: President
(832) 676-5666 (telephone)
(832) 676-1710 (facsimile)

if to CHOPS, addressed as follows:

Cameron Highway Oil Pipeline Company
Attn: Manta Ray Gathering Company, L.L.C., Operator
Four Greenway Plaza
Houston, TX 77046
Attention: President
(832) 676-5666 (telephone)
(832) 676-1710 (facsimile)

if to BP, addressed as follows:

BP Exploration & Production Inc.
501 WestLake Park Blvd.
Houston, TX 77079
Attn: Commercial Manager, Gulf of Mexico Deepwater Projects
281-366-5311 (telephone)
281-366-7870 (facsimile)

These addresses will remain in effect for the duration of this Agreement, unless changed by notice.

b. INSURANCE. All Parties shall procure and maintain or cause to be procured and maintained all insurance in the types and amounts as required by applicable laws, rules and regulations, to provide coverage against risks which are the subject of this Agreement, as is either customarily carried by companies owning, operating or conducting similar business(es), or as deemed necessary and reasonably requested by the Parties from time to time. Any such insurance purchased by or on behalf of any Party shall be properly endorsed to waive the insurer's rights of subrogation under any such policies against the other Parties (and the other Parties' insurers) when any such other Party is released from liability or loss or damage pursuant to this Agreement. Notwithstanding anything in this Agreement to the contrary, a Party may, in its sole discretion, elect to self-insure with respect to such coverage so long as the Party providing self insurance has the overall ability to assume and be responsible financially for any and all liability hereunder.

c. TAXES. BP shall be responsible for all applicable production, excise, sales, use or similar taxes and royalties on or with respect to the production, delivery and sale, of Crude Oil to the CHOPS Parties hereunder. BP shall also be responsible for any tax, fee, or other charge levied by any governmental authority against BP, pursuant to any federal, State, or local act or regulation for the purpose of creating a fund for the prevention, containment, clean up and/or removal of spills and/or the reimbursement of persons sustaining loss therefrom. The CHOPS Parties shall be responsible for all applicable excise, sales, use or similar taxes on or with respect to the delivery and sale to BP of Crude Oil hereunder. The CHOPS Parties shall also be responsible for any tax, fee, or other charge levied by any governmental authority against any CHOPS Party or any operator of Cameron Highway, pursuant to any federal, State, or local act or regulation for the purpose of creating a fund for the prevention, containment, cleanup and/or removal of spills and/or the reimbursement of persons sustaining loss therefrom.

d. TIME OF THE ESSENCE. Time is of the essence with respect to any and all obligations arising pursuant to this Agreement.

e. INDEPENDENT CONTRACTOR STATUS; NO PARTNERSHIP. In the event that any Party performs any work on behalf of any other Party, such working Party will perform in the status of an independent contractor and shall not be deemed to be an agent or employee of the other Parties as a result of such work. Nothing herein is intended to create a partnership, joint venture, agency or other relationship creating fiduciary or quasi fiduciary duties or similar duties and obligations or otherwise subject the Parties to joint and several or vicarious liability or, except as otherwise provided in this Agreement, to impose any duty, obligation or liability that would arise therefrom with respect to any Party.

f. ENTIRETY. This Agreement (including the Exhibits hereto), together with the Construction Agreement and the Supplementary Agreement, constitutes the entire agreement between the Parties hereto relative to the subject matter hereof, and replaces and supersedes all prior agreements, conditions, understandings, representations and warranties made between the Parties with respect to the subject matter hereof, whether written or oral, including, without limitation, the Cameron Highway MOU and the Confidentiality Agreement. This Agreement is intended to be construed together with the Construction Agreement and the Supplementary Agreement and should be interpreted so as to give full effect to this Agreement, the Construction Agreement and the Supplementary Agreement; provided, that, in the event of any inconsistency between this Agreement and the Construction Agreement related to the dedication, purchase and sale of the Dedicated Production, this Agreement shall govern, and in the event of any inconsistency between this Agreement and the Construction Agreement related to the design, fabrication, construction, installation, commissioning, ownership, operation or maintenance of Cameron Highway, then the Construction Agreement shall govern, and in the event of any inconsistency

between this Agreement and the Supplementary Agreement related to the matters covered by the Supplementary Agreement, then the Supplementary Agreement shall govern.

g. NON-WAIVER. No waiver by any Party hereto of any one or more defaults by any other Party in the performance of any of the provisions of this Agreement shall be construed as a waiver of any other default or defaults whether of a like kind or different nature. Any delay, less than any applicable statutory period of limitations, in asserting or enforcing any rights under this Agreement, shall not be deemed a waiver of such rights. Failure of any Party to enforce any provision of this Agreement or to require performance by any other Party of any of the provisions hereof shall not be construed to waive such provision, or to affect the validity of this Agreement or any part thereof, or the right of any Party thereafter to enforce each and every provision hereof.

h. AMENDMENTS. This Agreement shall not be amended or modified except by a written document executed by all of the Parties.

i. SEVERABILITY. If any term or other provision of this Agreement is determined to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms and conditions of this Agreement shall nevertheless remain in full force and effect.

j. NO ELECTRONIC MEANS. The Parties agree not to conduct the transactions contemplated by this Agreement by electronic means, except as specifically set forth in Article XXVII.a.

k. HEADINGS. The headings used for the Articles and Sections herein are for convenience and reference purposes only and shall in no way affect the meaning or interpretation of the provisions of this Agreement.

l. REPRESENTATIONS. As of the Effective Date, each Party declares, warrants, and represents on behalf of itself (a) that it has contributed to the drafting of this Agreement or has had it reviewed by legal counsel before executing it, (b) that this Agreement has been purposefully drawn and correctly reflects such Party's understanding of the transaction that it contemplates as of the Effective Date hereof, (c) that this Agreement has been validly executed and delivered; (d) that this Agreement has been duly authorized by all action necessary for the authorization thereof, (e) this Agreement constitutes a binding and enforceable obligation of the Party, enforceable in accordance with its terms, and (f) that the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not (i) violate, conflict with, or result in a breach of any provisions of (or with notice or lapse of time or both would constitute such a breach of) any agreement, arrangement or other instrument or obligation to which such Party is a party or by which any its assets are bound, or (ii) violate any order, writ, injunction, decree, statute, rule or regulation of any court, commission, governmental body, regulatory agency, authority, political subdivision or tribunal to which such Party is subject or by which it is bound.

m. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO ANY CONFLICT OF LAW PRINCIPLES WHICH, IF APPLIED, MIGHT PERMIT OR REQUIRE THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION, AND THE PARTIES AGREE THAT THE PLACE OF EXECUTION OF THIS AGREEMENT IS HARRIS COUNTY, TEXAS AND THAT VENUE WITH RESPECT

TO ANY DISPUTE ARISING HEREUNDER OR IN CONNECTION HEREWITH SHALL LIE IN HOUSTON, HARRIS COUNTY, TEXAS.

n. LAWS. It is understood by the Parties that this Agreement and performance hereunder is subject to all present and future valid and applicable laws, orders, statutes, and regulations of courts or regulatory bodies (state or federal) having jurisdiction over the Parties.

o. AUTHORIZATIONS. The Parties hereto represent that they have all requisite corporate authorizations necessary or proper to consummate this Agreement.

p. COUNTERPARTS. This Agreement may be executed by signing the original or a counterpart thereof. If this Agreement is executed in counterparts, all counterparts taken together shall have the same effect as if all of the Parties had signed the same instrument.

q. NO THIRD PARTY BENEFICIARIES. This Agreement is for the sole and exclusive benefit of the Parties hereto. Except as expressly provided herein to the contrary, nothing herein is intended to benefit any other Person not a Party hereto, and no such Person shall have any legal or equitable right, remedy or claim under this Agreement.

r. EXHIBITS AND SCHEDULES. All exhibits, schedules and the like contained herein or attached hereto are integrally related to this Agreement and are hereby made a part of this Agreement for all purposes. To the extent of any ambiguity, inconsistency or conflict between the body of this Agreement and any of the exhibits, schedules and the like attached hereto, the terms of the body of this Agreement shall prevail.

s. FURTHER ASSURANCES. Subject to the terms and conditions set forth in this Agreement, each of the Parties agrees to use all reasonable efforts to take, or cause to be taken, all actions, and to do, or to cause to be done, all things necessary, proper or advisable under applicable laws to consummate and make effective the transactions contemplated by this Agreement. In case, at any time after the execution of this Agreement, any further action is necessary or desirable to carry out its purpose, the proper members, officers or directors of the Parties shall take or cause to be taken all such necessary actions.

t. INTERPRETATION. Whenever the context requires: the gender of all words used in this Agreement includes the masculine, feminine, and neuter; a reference to any Person or entity includes its permitted successors and assigns; the words "hereof," "herein," "hereto," "hereunder," and words of similar import when used in this Agreement will refer to such applicable agreement as a whole and not to any particular provisions of such agreement; articles and other titles or headings are for convenience only and neither limit nor amplify the provisions of the agreement itself, and all references herein to articles, sections or subdivisions thereof will refer to the corresponding article, section or subdivision thereof of this Agreement unless specific reference is made to such articles, sections or subdivisions of another document or instrument; any reference to "includes" or "including" will mean "includes without limitation" or "including but not limited to," respectively; and any references in the singular will include references in the plural and vice versa.

u. RECOUPMENT AND SETOFF. In addition to and not in lieu of any other rights and remedies available under contract, at law, in equity or otherwise, this Agreement constitutes a grant by each Party to the other Parties of a contractual right of

(i) recoupment and (ii) setoff, and each Party shall be entitled to exercise its respective rights of (i) recoupment and (ii) setoff, without notice to, or consent of, the other Parties.

v. JOINT, SEVERAL AND PRIMARY OBLIGATIONS OF THE CHOPS PARTIES. As consideration for BP's entering into this Agreement, and further expressly acknowledging BP's reliance on the undertakings set forth in this Article XXVII.v., each of CHOPS and GTM hereby agrees and acknowledges that all of the obligations and liabilities of the CHOPS Parties under this Agreement (including, without limitation, obligations and liabilities relating to or arising in connection with representations, warranties, covenants, the payment of money, performance or otherwise) are the joint and several, primary and direct obligations and liabilities of each of CHOPS and GTM, and the CHOPS Parties agree that each of them is jointly, severally and fully and primarily responsible and liable for all such obligations and liabilities. In addition, without limiting the foregoing, each of CHOPS and GTM agrees that its obligation for the obligations and liabilities of the CHOPS Parties contained in this Agreement shall include the obligation of such CHOPS Party to cause the other CHOPS Party to perform such obligations and liabilities of the CHOPS Parties under this Agreement. For example (and without limiting anything contained herein), the CHOPS Parties obligation in the first sentence of Article II.a. to "receive and purchase, on a Firm Basis, all Dedicated Production delivered by BP, or an Affiliate designee of BP, at the Receipt Points" shall include (i) the joint and several (together with CHOPS), primary obligation of GTM to, and to cause CHOPS to, receive and purchase, and (ii) the joint and several (together with GTM), primary obligation of CHOPS to, and to cause GTM to, receive and purchase, in each case, in accordance with the terms of such sentence.

The joint and several, primary and direct obligations and liabilities of each of CHOPS and GTM under this Agreement shall not be subject to any reduction, limitation, impairment or termination for any claim of waiver, release, surrender, alteration or compromise that may be granted or otherwise provided to one or more of the other CHOPS Parties but not to it, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the obligations of the other CHOPS Parties or otherwise.

Upon payment or performance by any CHOPS Party of any amounts, obligations or liabilities owed to BP under this Agreement, all rights of the paying or performing CHOPS Party against the other CHOPS Party arising as a result thereof by way of right of subrogation or otherwise shall in all respects be subordinated and junior in right of payment and performance to the prior indefeasible payment and performance in full of all obligations of each of the CHOPS Parties to BP.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be signed by their respective duly authorized representatives effective as of the Effective Date.

GULFTERRA ENERGY PARTNERS, L.P.

By:/s/ James Lytal

Name: James Lytal
Title: President
Date: June 23, 2003

BP EXPLORATION & PRODUCTION INC.

By:/s/ O. Kirk Wardlaw

Name: O. Kirk Wardlaw
Title: Attorney-In-Fact
Date: June 23, 2003

CAMERON HIGHWAY OIL PIPELINE COMPANY

By:/s/ James Lytal

Name: James Lytal
Title: President
Date: June 23, 2003

EXHIBIT "A"

CAMERON HIGHWAY DIAGRAM

(see attached)

EXHIBIT "B"

INITIAL DEDICATED LEASES

Field	Leases	BP Working Interest
Atlantis	Green Canyon 698	56 %
	Green Canyon 699	56 %
	Green Canyon 700	56 %
	Green Canyon 701	56 %
	Green Canyon 742	56 %
	Green Canyon 743	56 %
	Green Canyon 744	56 %
Holstein	Green Canyon 644	50 %
	Green Canyon 645	50 %
Mad Dog	Green Canyon 738	60.5%
	Green Canyon 739	60.5%
	Green Canyon 781	60.5%
	Green Canyon 782	60.5%
	Green Canyon 783	60.5%
	Green Canyon 825	60.5%
	Green Canyon 826	60.5%
	Green Canyon 827	60.5%

EXHIBIT "C"

MEMORANDUM OF AGREEMENT

Memorandum of Agreement and

Covenant Running With The Dedicated Leases

This Memorandum of Agreement and Covenant Running With the Dedicated Leases ("Memorandum") is effective as of the _____ day of _____, 2003, and is entered into by and among BP Exploration & Production Inc., a Delaware corporation ("BP"), Cameron Highway Oil Pipeline Company, A Delaware general partnership ("CHOPS"), and GulfTerra Energy Partners, L.P., a Delaware limited partnership ("GTM"). BP, CHOPS and GTM are individually referred to herein as a "Party" and collectively as "Parties."

1. The Parties hereto have entered into a Purchase and Sale Agreement providing for among other things, the commitment and dedication by BP of its crude petroleum produced from, or attributable to, certain leases in the Green Canyon Area, Offshore Louisiana, Gulf of Mexico (the "Leases") to a pipeline (the "Pipeline") to be constructed and installed by GTM and CHOPS that will extend from Ship Shoal Block 332, Gulf of Mexico, OCS Region to various delivery points specified in the Purchase and Sale Agreement. Such Leases are set forth in Attachment "1", hereto.

2. The purpose of this Memorandum is to place third parties on notice that BP's interest in the Leases is committed and dedicated to the Pipeline for delivery to such various delivery points. Any purported assignment of the Leases is restricted by the terms of the Purchase and Sale Agreement. Should any person or firm desire additional information regarding the Purchase and Sale Agreement, said person or firm should contact (a) BP Exploration & Production Inc. (Attention: Commercial Manager, Gulf of Mexico Deepwater Projects), 501 WestLake Park Boulevard, Houston, TX 77079 and (b) Cameron Highway Oil Pipeline Company (Attention: President), Four Greenway Plaza, Houston, TX 77046.

3. The Parties acknowledge and agree that (i) this Agreement has been executed in addition to the Purchase and Sale Agreement and not as a replacement, supplement or other amendment to any of the terms and conditions in the Purchase and Sale Agreement and (ii) the terms and conditions contained in the Purchase and Sale Agreement will govern and control any conflicts, ambiguities or inconsistencies between the terms and conditions of this Agreement and the Purchase and Sale Agreement.

4. This Memorandum shall be binding upon and shall inure to the benefit of the Parties hereto, and to their respective successors and permitted assigns.

WITNESSES:

BP EXPLORATION & PRODUCTION INC.

_____ By:_____

_____ Name:_____

_____ Title:_____

_____ Date:_____

WITNESSES: GULFTERRA ENERGY PARTNERS, L.P.

_____ By:_____

_____ Name:_____

_____ Title:_____

_____ Date:_____

WITNESSES: CAMERON HIGHWAY OIL PIPELINE COMPANY

_____ By:_____

_____ Name:_____

_____ Title:_____

_____ Date:_____

STATE OF TEXAS

COUNTY OF HARRIS

On this _____ day of _____, 2003, before me personally appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____of BP Exploration & Production Inc. and said appearer acknowledged to me, Notary, in the presence of the undersigned competent witnesses, that the foregoing instrument was signed on behalf of said corporation by authority of its Board of Directors, and said appearer acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, said appearer has executed these presents together with me, Notary, and the undersigned competent witnesses, in the County and State aforesaid, on the date first above written.

WITNESSES:

_____

_____

_____

_____
Notary Public

STATE OF TEXAS

COUNTY OF HARRIS

On this _____ day of _____, 2003, before me personally appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____of GulfTerra Energy Partners, L.P. and said appearer acknowledged to me, Notary, in the presence of the undersigned competent witnesses, that the foregoing instrument was signed on behalf of said partnership by authority of its partners, and said appearer acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, said appearer has executed these presents together with me, Notary, and the undersigned competent witnesses, in the County and State aforesaid, on the date first above written.

WITNESSES:

_____

_____

_____

_____
Notary Public

STATE OF TEXAS

COUNTY OF HARRIS

On this _____ day of _____, 2003, before me personally appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____of Cameron Highway Oil Pipeline Company and said appearer acknowledged to me, Notary, in the presence of the undersigned competent witnesses, that the foregoing instrument was signed on behalf of said partnership by authority of its partners, and said appearer acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, said appearer has executed these presents together with me, Notary, and the undersigned competent witnesses, in the County and State aforesaid, on the date first above written.

WITNESSES:

_____

_____

_____

_____
Notary Public

ATTACHMENT 1

TO

MEMORANDUM

The Leases consist of the following lands and leases located offshore Louisiana:

Field	Blocks	Leases
Atlantis	Green Canyon 698	OCS-G 15603
	Green Canyon 699	OCS-G 15604
	Green Canyon 700	OCS-G 15605
	Green Canyon 701	OCS-G 16779
	Green Canyon 742	OCS-G 15606
	Green Canyon 743	OCS-G 15607
	Green Canyon 744	OCS-G 15608
Holstein	Green Canyon 644	OCS-G 11080
	Green Canyon 645	OCS-G 11081
Mad Dog	Green Canyon 738	OCS-G 16786
	Green Canyon 739	OCS-G 16787
	Green Canyon 781	OCS-G 15609
	Green Canyon 782	OCS-G 15610
	Green Canyon 783	OCS-G 15611
	Green Canyon 825	OCS-G 9981
	Green Canyon 826	OCS-G 9982
	Green Canyon 827	OCS-G 16810

EXHIBIT "D"

CAMERON HIGHWAY QUALITY SPECIFICATIONS

1. Crude Oil delivered to Cameron Highway will conform to the specifications and operating conditions required by other refineries, terminals or pipelines downstream of the Delivery Points and Additional Delivery Points ultimately receiving the Crude Oil (the "Downstream Facilities") and will meet the following specifications except if the specifications of the Downstream Facilities should be more stringent:

(a) Viscosity, Gravity, and Pour Point. The Crude Oil must be good and merchantable Crude Oil of such viscosity, gravity and pour point such that it will be readily susceptible for movement through Cameron Highway, and subject to the Cameron Highway quality bank, will not materially affect or damage the quality of other shipments or cause disadvantage to other parties with a purchase and sale arrangement with CHOPS. No Crude Oil will be accepted for purchase which has a pour point greater than 40 degrees Fahrenheit or viscosity greater than 400 Saybolt Universal Seconds at 60 degrees Fahrenheit unless under terms and conditions acceptable to CHOPS.

(b) Basic Sediment, Water and Other Impurities. The Crude Oil will not have a content consisting of more than one percent (1%) of basic sediment, water or other impurities. CHOPS reserves the right to reject Crude Oil containing more than one percent (1%) of basic sediment, water, and other impurities, except that sediment and water limitations of a connecting carrier may be imposed upon CHOPS when such limits are less than that of CHOPS, in which case the limitations of the connecting carrier will be applied.

(c) Vapor Pressure. The Crude Oil shall not have a Reid Vapor Pressure (RVP) of more than 8.6 pounds per square inch. During the months of October through March, Crude Oil with a maximum RVP of 9.6 will be accepted. Crude Oil with a maximum RVP above 9.6 may be accepted at the discretion of CHOPS.

(d) Refined. The Crude Oil will not have been partially refined or altered in any way so as to impact its value.

(e) Contamination. The Crude Oil will not have been contaminated by the presence of any chemicals, chlorinated and/or oxygenated hydrocarbons, arsenic, or greater than trace amounts of other metals; provided, however, that this Section 1(e) will not prohibit use of corrosion/paraffin inhibitors, asphaltene dispersants or demulsifiers in platform or pipeline operations. If CHOPS pre-approves the introduction of methanol, BP is responsible for notifying CHOPS as soon as reasonably practicable concerning the initiation and duration of methanol use by BP, as well as anticipated concentration levels. Receipt of any methanol-treated Crude Oil may be suspended at CHOPS' sole discretion if the methanol dosage is not below levels that would adversely affect Crude Oil value and end-user operations.

2. If any Crude Oil delivered and sold by BP to CHOPS fails at any time to conform to the applicable specifications above, then, subject to Section 5(a) below, CHOPS will immediately have the right to discontinue purchasing such non-conforming Crude Oil so long as such Crude Oil continues to be non-conforming. In any event, BP will undertake commercially reasonable measures to eliminate the cause of such non-conformance. BP will be held responsible for any disposal required and/or expenses incurred in CHOPS' handling of such non-conforming Crude Oil.

3. Assay. Upon initial start up of production, a laboratory analysis of Crude Oil will be submitted to CHOPS by BP and will include API gravity, Reid vapor pressure, pour point, sediment and water content, sulfur content, viscosity at 60 and 100 degrees Fahrenheit, and other characteristics as may be required by CHOPS.

4. CHOPS reserves the right to periodically sample and test the quality of the Crude Oil delivered by BP at any Receipt Points. CHOPS shall be responsible for all costs attributable to such periodic sampling and testing.

5. To the extent CHOPS must discontinue redelivery of Cameron Highway common stream Crude Oil to one or more of the Delivery Points and Additional Delivery Points as a result of BP's non-conformance hereunder, BP and the CHOPS Parties agree to the following:

(a) If BP is the sole party nominating deliveries to such Delivery Points and Additional Delivery Points that is not accepting the common stream, CHOPS will continue to accept and redeliver BP's Crude Oil to the other Delivery Points and Additional Delivery Points that are accepting the common stream until such time as CHOPS is required to again deliver Crude Oil to any Delivery Point or Additional Delivery Point that is not accepting the common stream by another party delivering conforming Crude Oil. It being the intent that CHOPS will continue to accept and redeliver BP's Crude Oil so long as redeliveries can be made to any Delivery Point and any Additional Delivery Point and CHOPS does not have to curtail deliveries to any Delivery Point or Additional Delivery Point due to BP's non-conformance.

(b) If third-party conforming Crude Oil is nominated to any Delivery Point or Additional Delivery Point that is not accepting the common stream, CHOPS will immediately have the right to discontinue purchasing Crude Oil so long as such Crude Oil continues to be non-conforming. In any event, BP will undertake commercially reasonable measures to eliminate the cause of such non-conformance.

EXHIBIT "E"

QUALITY BANK RULES FOR CAMERON HIGHWAY OIL PIPELINE SYSTEM
MARKET BASED QUALITY BANK

SECTION I.

GENERAL

1. The purpose of this Market Based Quality Bank ("Quality Bank") is to mitigate damage and/or improvement to producers whose crude oil is purchased by CHOPS and commingled in Cameron Highway. Differences in the quality of all the producers' crude oil that are mixed within the common crude oil stream in Cameron Highway either increase or decrease the quality of the common crude oil stream. This Quality Bank charges the producer or pays the producer depending on the quality of the common crude oil stream and the quality of the producer's crude oil. Each producer will be required, as a condition of tendering, to participate in this Quality Bank.

2. API gravity and sulfur content are the quality parameters used to determine the relative value of each producer's receipt stream. Adjustment factors for gravity and sulfur are based upon a market price spread between Louisiana Light Sweet ("LLS") and Mars (see Section III-Current Month Gravity and Sulfur Adjustment Factors). The price spread is derived using Platt's spot price quote, high/low mean, posted average trade month (the 26th of the month two months prior to delivery through the 25th of the month one month prior to delivery, Business Days only)("Trade Month").

3. Should a Platt's Quote for Cameron Highway common stream be established, it will replace Mars in the Quality Bank calculations, subject to the provisions of Section VI. -Periodic Review.

4. Any material changes to the Quality Bank, including proposed changes from a Periodic Review, must be approved by greater than a seventy percent (70%) vote of the producers then participating in this Quality Bank in order to effect the change. Each five hundred (500) Barrels of monthly average production (based on the monthly average of the twelve month period preceding the month the vote is taken) will have one vote.

Any group of producers with seventy percent (70%) of the volume purchased by CHOPS and delivered to Cameron Highway may make a proposal to CHOPS providing for an alternate method and an explanation of why such alternate method provides a more accurate, actual market price to quality relationship than the then existing Quality Bank. CHOPS will retain the right to reject such proposal if CHOPS believes, in it's sole discretion after using good faith, reasonable efforts to analyze such proposal, that the proposal does not uphold the intent of the Quality Bank as stated in Paragraph 1 above in this Section I.

Notwithstanding any of the above, CHOPS may, at it's sole discretion, change any of the provisions of this Exhibit as necessary to comply with any governmental requirement, order or mandate and such change will be binding upon BP and all participants upon proper notice thereof.

SECTION II.

GRAVITY AND SULFUR WEIGHTING FACTORS

1. Gravity and Sulfur weighting factors are used in establishing a price and quality relationship between different crude oil streams.

2. The weighting factors, to be used in calculating the GAF and SAF as defined in Section III, are as follows.

Gravity Weighting ("GW") = 31.5%

Sulfur Weighting ("SW") = 44.3%

SECTION III.

CURRENT MONTH GRAVITY AND SULFUR ADJUSTMENT FACTORS

1. The applicable delivery month Gravity Adjustment Factor ("GAF") and the applicable delivery month Sulfur Adjustment Factor ("SAF") are calculated using the following equations:

GAF = (GW x a) divided by b

SAF = (SW x a) divided by c

Where Gravity and Sulfur Weighting factors (GW and SW) are expressed as decimals and,

"a" = The price differential between the LLS Platt's Quote and the Mars Platt's Quote for the Trade Month.

"b" = The delivery month Gravity difference between LLS and Mars based on the gravity of LLS crude oil at the point of sale where "a" is determined, currently Capline's LLS receipt stream at St. James, Louisiana as calculated by Gravcap, minus the weighted average gravity of Mars at the point of sale where "a" is determined, currently Shell's composite gravity for Mars deliveries at Clovelly, LA.

"c" = The delivery month Sulfur difference between LLS and Mars based on the weighted average of sulfur of LLS crude oil at the point of sale where "a" is determined, currently Capline's LLS receipt stream at St. James, Louisiana as calculated by Gravcap, minus the weighted average sulfur of Mars at the point of sale where "a" is determined, currently Shell's composite sulfur for Mars deliveries at Clovelly, LA.

SECTION IV.

CALCULATION OF QUALITY BANK CREDIT/DEBIT

Quality Bank credit/debit adjustments between producers are computed as follows:

1. The applicable receipt Barrels and gravities are the delivery month actual net Barrels at sixty (60) degrees Fahrenheit (with no deductions for loss allowance) and the gravities recorded by CHOPS at the measurement facility where it customarily records gravities and quantities.

2. No compensation is given for gravity between 37 and 45 degrees API. For gravities of 45 API degrees and above, a "bend-over" disincentive is applied.

3. GRAVITY CREDIT/DEBIT CALCULATION

To compute the gravity credit/debit to be paid/received the following equation is used:

Gravity credit/debit = ((PG - WAG) multiplied by GAF) multiplied by T

Where,

"PG" = BP's gravity based on the custody transfer tickets, subject to the Gravity Limits set out below.

"WAG" = The weighted average receipt gravity of the common stream for a given delivery month. For Quality Bank calculation purposes, WAG is obtained by taking the sum of the products obtained by multiplying the gravity of each producer's point of receipt volume based on the custody transfer tickets (subject to the Gravity Limits set out below) by the number of net Barrels in each producer's receipt point volume, and divide the total resultant by the total net Barrels received during the given delivery month.

"T" = The total current month volume delivered to CHOPS by BP based on the custody transfer tickets.

Gravity Limits: When actual gravity exceeds 37 but is less than 45 degrees API, a Deemed Gravity of 37 degrees API is used in determining PG and WAG. When actual gravity is equal to or greater than 45 degrees API, a Deemed Gravity is used that is calculated by the formula: Deemed Gravity = 80 minus actual API gravity. In all other instances (gravity less than or equal to 37 API) the actual API gravity is used.

4. SULFUR CREDIT/DEBIT CALCULATION

To compute the sulfur credit/debit to be paid/received the following equation is used:

Sulfur credit/debit = ((WAS - PS) multiplied by SAF) multiplied by T

Where,

"PS" = BP's Sulfur based on the custody transfer tickets.

"WAS" = The weighted average receipt sulfur of the common stream for a given delivery month. WAS is obtained by taking the sum of the products obtained by multiplying the sulfur percentage (by weight) of each producer's point of receipt volume based on the custody transfer tickets by the number of net Barrels in each producer's point of receipt, and divide the total resultant by the total net Barrels received during the given delivery month. Since there will be no minimum or maximum sulfur percentage limitations, this weighted average sulfur percentage calculation will be used for Quality Bank adjustment purposes.

"T" = The total current month volume delivered to CHOPS by BP based on the custody transfer tickets.

5. To obtain the total Quality Bank Credit/Debit add the Gravity and Sulfur credit/debit. Sample calculations are attached hereto as Table 1.

6. These calculations will be made for each delivery month and the algebraic sum of all the producers' credit/debit for Cameron Highway will be zero (+/- fifty Dollars). If a producer has a net debit balance in combining the two adjustments made above, the balance due will be remitted to CHOPS within fifteen (15) days from producer's receipt of statements of such debit. If a producer has a credit, CHOPS will remit the amount thereof within 5 days of receipt of all the payments due from those producers owing a debit.

SECTION V.

ADMINISTRATIVE

1. Capitalized terms, including "GTM," "CHOPS" and "BP," have the meanings defined in the Purchase and Sale Agreement to which this Exhibit is attached, unless the context dictates otherwise. Similarly, the term "producer" means an individual producer on Cameron Highway (collectively "producers").

2. CHOPS will include requirements for participation in the Quality Bank and procedures for calculating adjustments between producers in all contracts to be entered into with producers covering the purchase and sale of crude oil on Cameron Highway.

3. CHOPS will administer the Quality Bank and will perform the clearinghouse business of calculating and effecting adjustments, by a process of debits and credits and interchange of funds, among the producers of crude oil connected to Cameron Highway. CHOPS may subcontract any or all of the work associated with the Quality Bank, but by doing so CHOPS will not be relieved of any of its obligations hereunder.

4. CHOPS will perform necessary calculations and prepare appropriate statements for each producer as soon as the gravity, sulfur and price data is available.

5. CHOPS will be responsible, at its sole cost and expense, for determining and/or securing data on all gravities, sulfur contents, net Barrels of the crude oil received into Cameron Highway, and Platt's Quote prices. The gravities will be determined from the custody transfer receipt tickets written by CHOPS. The sulfur content will be determined based on samples secured by CHOPS from the composite sampler at the time the custody transfer receipt tickets are written. The gravity will be determined by ASTM 287 (Standard Test Method for API gravity of Crude Petroleum and Petroleum Products) and the sulfur content pursuant to ASTM D-2622 (ASTM D-4294 is acceptable if ASTM D-2622 is not available) (Standard Test Method for Sulfur in Petroleum Products).

6. If any producer fails to perform any Quality Bank payment obligation as established herein, CHOPS will make equivalent payment into the Quality Bank within five (5) Days of such failure, to enable distribution of funds to producers due credits. CHOPS will, however, have the right to withhold payment of or offset against, any moneys due such failing producer pursuant to the Purchase and Sale Agreement between the producer and CHOPS to recover or otherwise fulfill any and all of producer's Quality Bank payment obligations.

7. CHOPS agrees that all transfers of interest of Cameron Highway will be made subject to this Agreement and will require the transferee to assume, as to such interest acquired, all of the obligations of CHOPS under this Agreement which accrue on or after the effective date of the transfer.

8. Notwithstanding anything to the contrary set forth in Article XVI of the Agreement, inasmuch as CHOPS has agreed to operate the Quality Bank without profit, and except to the extent resulting from the gross negligence or willful misconduct of CHOPS, BP hereby fully releases and agrees to indemnify CHOPS from all claims, actions and demands for loss by, or damage to, CHOPS or BP arising out of, in connection with, or as an incident to any act or omission, including any negligence, of CHOPS or its employees, agents or contractors, in the administration of the Quality Bank. CHOPS will have no liability to BP or to any producers or to any third person in respect to obligations or liabilities incurred by any such producers or third persons in connection with their separate business unrelated to Cameron Highway, and obligations to BP under this Agreement are several and not joint or in solido to any producer or any third person. BP will have no liability to CHOPS or to any producers or to any third person in respect to obligations or liabilities incurred by any such producers or third persons in connection with their separate business unrelated to Cameron Highway, and obligations to CHOPS under this Agreement are several and not joint or in solido to any producer or any third person.

9. Any individual producer, or his representative, will, at any time during normal business hours and upon reasonable notice, have access to the books, accounts and records of CHOPS for the purpose of verifying that CHOPS is operating the process of adjustments and determining values in accordance with the provisions of this Quality Bank. Samples used for Quality Bank calculations will be retained by CHOPS for 90 days following the month in which the samples were used for Quality Bank adjustments. Cost of such individual audits will be borne by the producer(s) requesting the audit.

SECTION VI.

PERIODIC REVIEW

1. The Quality Bank will be periodically reviewed and updated in accordance with the following:

- - Immediately prior to the date when Cameron Highway common stream replaces Mars crude oil as a component of differential market price, in order to re-establish adjustment factors and verify satisfactory correlation of an updated database.

- - At any time a quality parameter other than gravity or sulfur significantly affects the pricing of the Cameron Highway common stream, or the pricing of LLS or Mars (if Mars is then currently being used as the proxy to Cameron Highway common stream).

- - Every five years following April 30, 2002, to determine if the market for database crude oil types or the Cameron Highway common stream has changed sufficiently to warrant modifications of the adjustment factors or formulas used by the Quality Bank.

2. In any subsequent review of the Quality Bank, the Cameron Highway common stream will be incorporated into the crude oil database if sufficient independently published price data are available. Other crude oils commonly marketed on the U.S. Gulf Coast ("USGC") may also be added at this time if required to expand the range of the crude oil database to ensure it encompasses the full range of gravity and sulfur applicable to crude oil streams that might be introduced into the pipeline system. These other crude oils will only be added if appropriate pricing data from an independent source is available covering the specified period.

3. The following criteria will be used in assembling a historical database.

- - It will include commercially traded Gulf of Mexico originating crude oil streams (types) that are representative of the USGC market and for which there are sufficient published price data.

Import crude oils that routinely compete in the USGC market will be added to the historical database to cover the full range of key quality parameters anticipated to be seen in Cameron Highway.

- - If pricing data is based on transactions, such pricing must be continuously available from publicly available sources for the crude oils used, and ideally cover one (multiple preferred) pricing cycle.

- - Accurate assay data on the crude oils must be available.

- - Certain crude oils will be excluded from the database based on the characteristics listed below, provided that (i) such characteristic is not taken into account in the Quality Bank and (ii) the Cameron Highway common stream does not, or is not expected to, have such characteristic.

- - Crude oils that are not chemically similar.

- - Crude oils that are known to routinely contain contaminants, to a degree that market price is significantly affected.

- - Crude oils whose assays indicate they are not whole crude oils.

4. A historical database will contain, at a minimum, the prices, API gravity and sulfur content of each selected crude oil type. To the extent possible, the database should contain crude oil types which encompass the full range of gravity and sulfur applicable to crude oil streams that might be introduced into Cameron Highway and provide sufficient variation of the key quality parameters to yield a robust Quality Bank. It is expected the database will include the most recently available monthly data for a minimum period encompassing not less than one complete crude oil pricing cycle or twelve consecutive months, whichever is greater. The database will be extended to a longer period if the required data are available, provided that the database will not be extended beyond sixty (60) months unless a determination is made that market conditions and transportation costs do not distort the older data.

5. For the purpose of correlating the key quality parameters to price, the published crude oil price for each crude oil type will be adjusted to a commonly accepted market clearing location on the USGC for that type. All costs that are reasonably expected to be incurred in transporting each crude oil from its usual marketing center to the selected market clearing location, using predominant and efficient transportation, will serve as the basis for such adjustments.

6. All transportation costs will be based on arms-length transactions, and will exclude discounted or contract rates (such as those requiring minimum shipments over a specified period of time). If pipeline tariffs are not published then purchase and sale (buy/sell) differentials may be substituted, provided that such differentials are known or can be reasonably estimated from trade experience or market pricing.

7. Other types of adjustments to deal with different pricing bases and timing biases may be made as reasonably determined to be necessary or convenient.

OFFSHORE

FACILITIES INTERCONNECTION, CONSTRUCTION AND OPERATING

AGREEMENT

CAMERON HIGHWAY

This OFFSHORE FACILITIES INTERCONNECTION, CONSTRUCTION AND OPERATING AGREEMENT (this "AGREEMENT") is entered into effective as of the 23rd day of June, 2003 among Caesar Oil Pipeline Company, LLC, a Delaware limited liability company ("CAESAR"), Manta Ray Gathering Company, L.L.C., a Delaware limited liability company ("MANTA RAY"), Cameron Highway Oil Pipeline Company, a Delaware general partnership ("CHOPS"), and GulfTerra Energy Partners, L.P., a Delaware limited partnership ("GTM"). Caesar, Manta Ray, CHOPS and GTM are individually referred to herein as a "PARTY" and collectively as "PARTIES". Manta Ray and GTM are collectively referred to herein as the "MR PARTIES". CHOPS and GTM are collectively referred to herein as the "CHOPS PARTIES".

W I T N E S S E T H:

WHEREAS, Caesar intends to install, own and operate an offshore Crude Oil pipeline system consisting of approximately sixty (60) miles of twenty-eight inch (28") trunkline and all related laterals, equipment and facilities that is anticipated to extend from the area of the SGC Fields to one or more shelf connections located offshore Louisiana in the Gulf of Mexico (including all future extensions and laterals of such system, the "CAESAR SYSTEM");

WHEREAS, the CHOPS Parties intend to construct, install and operate, and CHOPS shall own, a Crude Oil pipeline system consisting of (a) approximately 239 miles of thirty inch (30") pipe and 139 miles of twenty-four inch (24") pipe, (b) a platform located in Ship Shoal Block 332, Gulf of Mexico (the "SS 332 B PLATFORM"), and (c) and all related equipment and facilities, with it being intended that the pipeline extend from a connection with the Caesar System to certain delivery points, including without limitation, BP Products North America Inc.'s Texas City Refinery, TEPPCO Seaway Terminal at Texas City, Sun Marine Terminal in Nederland, and Unocal Pipeline Company's Beaumont Terminal. (collectively, "CAMERON HIGHWAY");

WHEREAS, the Parties initially intended to (a) cause the interconnection of the Caesar System with Cameron Highway on the SS 332 A Platform and (b) cause certain access and platform space rights to be granted to Caesar from the CHOPS Parties relating to interconnections of the Caesar System with the Poseidon Pipeline and the Amberjack Pipeline on the SS 332 A Platform;

WHEREAS, the Parties now intend to (a) cause the interconnection of the Caesar System with Cameron Highway on the Landing Platform, (b) cause certain access and platform space rights to be granted to Caesar from the CHOPS Parties relating to intended interconnections of the Caesar System with the Amberjack Pipeline on the Landing Platform, and (c) cause certain access and platform space rights to be granted to Caesar from the CHOPS Parties relating to the intended interconnection of the Caesar System with the Poseidon Pipeline on the SS 332 A Platform, including access and space rights relating to extending the Caesar System from the Landing Platform to the Poseidon Pipeline on the SS 332 A Platform;

WHEREAS, in order to determine whether the Landing Platform will be the SS 332 A Platform or the SS 332 B Platform, Caesar intends to evaluate the progress of the construction of the SS 332 B Platform at certain Milestone Dates;

WHEREAS, Caesar, GTM, Manta Ray and CHOPS desire to document the rights and obligations of each of the Parties with regard to the interconnection of the Caesar System with Cameron Highway, the Poseidon Pipeline and other pipeline systems, as well as the related access and use of the SS 332 B Platform and the SS 332 A Platform in this Agreement, and the other matters covered by this Agreement; and

WHEREAS, as a material inducement to Caesar's agreeing to enter into this Agreement, GTM is entering into this Agreement as a joint and several primary obligor with respect to the obligations of CHOPS and Manta Ray hereunder;

NOW, THEREFORE, in consideration of the premises and the mutual promises and covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, and intending hereby to be legally bound, the Parties hereby agree and stipulate as follows:

ARTICLE I
DEFINITIONS

As used herein, the initially capitalized terms listed below shall have the following meanings:

"AAA" shall mean the American Arbitration Association.

"ANSI" shall mean the American National Standards Institute.

"API" shall mean the American Petroleum Institute.

"ADDITIONAL ITEMS" shall have the meaning set forth in Section 4.1(a) of this Agreement.

"AFFILIATE" shall mean, as to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with such first Person. As used in this definition, the term "control" (including the phrases "controlled by" and "under common control") shall mean possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise); provided that, in any event, any Person that owns, directly or indirectly, more than 50% of the voting interests in any Person will be deemed to control such Person.

"AGREEMENT" shall have the meaning set forth in the introductory paragraph of this Agreement.

"AMBERJACK" shall mean Amberjack Pipeline Company, a Texas general partnership.

"AMBERJACK PIPELINE" shall mean the crude oil pipeline system owned by Amberjack (or its successors or assigns) extending from ST 301 to a connection with Mars Oil Pipeline Company's oil pipeline at Fourchon, Louisiana.

"ATLANTIS" shall mean Green Canyon Blocks 698, 699, 700, 701, 742, 743 and 744, Gulf of Mexico.

"BUSINESS DAY" shall mean Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States or the States of Texas or Louisiana shall not be regarded as a Business Day.

"CAESAR" shall have the meaning set forth in the introductory paragraph of this Agreement.

"CAESAR GROUP" shall mean Caesar and its Affiliates, subsidiaries, co-owners, members and joint venturers and its and their respective employees, officers, directors, representatives, agents, pipeline operators, construction managers, contractors and subcontractors.

"CAESAR RECEIVER EQUIPMENT" shall mean all pressure and fluid handling equipment and/or materials to be located on the Landing Platform that are required for the monitoring and receipt of pipeline pigs to be transported through the Caesar System.

"CAESAR RISER MATERIAL" shall mean all pressure containing riser materials that are part of the Caesar Pipeline.

"CAESAR SYSTEM" shall have the meaning set forth in the first WHEREAS clause of this Agreement.

"CAMERON HIGHWAY" shall have the meaning set forth in the second WHEREAS clause of this Agreement.

"CAMERON HIGHWAY COMPLETION DATE" shall mean the date identified as the "Cameron Highway Completion Date" in a written notice delivered to the Parties from CHOPS.

"CAMERON HIGHWAY RECEIPT POINT" shall mean the receipt point between the Caesar System and Cameron Highway on the SS 332 B Platform, and specifically, the downstream flange of the flow control valve located immediately downstream of the LACT Unit.

"CHART OF RESPONSIBILITIES" shall have the meaning set forth in Section 4.1(a) of this Agreement.

"CHOPS" shall have the meaning set forth in the introductory paragraph of this Agreement.

"CHOPS GROUP" shall mean CHOPS and its Affiliates, members, subsidiaries, co-owners and joint venturers and its and their respective employees, officers, directors, representatives, agents, pipeline operators, construction managers, contractors and subcontractors.

"CHOPS INTERCONNECT FACILITIES" shall have the meaning set forth in Section 4.1(a) of this Agreement.

"CHOPS PARTIES" shall have the meaning set forth in the introductory paragraph of this Agreement.

"COMPUTER TAPES" shall have the meaning set forth in Section 7.14(e) of this Agreement.

"CONFIDENTIAL INFORMATION" means this Agreement and any other written data or information that is privileged, confidential or proprietary, except information that (a) is a matter of public knowledge at the time of its disclosure or is thereafter published in or otherwise ascertainable from any source available to the public without breach of this Agreement, (b) constitutes information that is obtained from a third party (who or which is not a member or an Affiliate of one of the Parties) other than by or as a result of unauthorized disclosure or (c) prior to the time of disclosure had been independently developed by the receiving Party or its members or affiliates not utilizing improper means.

"CRUDE OIL" shall mean the liquid hydrocarbon production from wells, or a blend of such, in its natural form, not having been enhanced or altered in any manner or by any process (other than those processes that normally occur on an offshore production facility) that would result in misrepresentation of its true value for adaptability to refining as a whole crude oil.

"DAY" shall mean a period of twenty-four (24) consecutive hours, beginning and ending at 7:00 a.m. (CST).

"DISPUTE" shall have the meaning set forth in Section 7.23.

"FERC" shall mean the Federal Energy Regulatory Commission and any successor governmental agency.

"FINANCIALLY CAPABLE ENTITY" shall mean an entity ("PROPOSED ASSIGNEE") whose financial capability and resources, for purposes of this Agreement, shall be evaluated based on (a) the financial wherewithal of such entity to perform under this Agreement and (b) any guaranty, agreement or other obligation of any other Person (including a Proposed Assignee's parent entity) to the extent such guaranty, agreement or other obligation provides for such Person to be financially obligated for the obligations of the Proposed Assignee in connection with any applicable assignment of this Agreement to the Proposed Assignee.

"FORCE MAJEURE" shall mean causes, conditions, events or circumstances affecting the Parties, or downstream or upstream facilities that are beyond the reasonable control of the Party claiming Force Majeure. Such causes, conditions, events and circumstances may include, without limitation, acts of God, wars (declared or undeclared), hostilities, acts of terrorism, strikes, lockouts, riots, floods, fires, storms, storm warnings, industrial disturbances, acts of the public enemy, sabotage, blockades, insurrections, epidemics, landslides, lightning, earthquakes, washouts, arrests and restraints of rulers and peoples, civil disturbances, explosions, breakage or accidents to machinery or lines of pipe, hydrate obstruction or blockages of any kind of lines of pipe, abnormal operating conditions on a Party's facilities, repairs, improvements, replacements or alterations to plants, lines of pipe or related facilities, inability of a Party to obtain necessary machinery, drilling or workover rigs, materials, permits, easements or rights-of-way on

reasonable terms, freezing of a well or delivery facility, well blowout, cratering, depletion of reserves, the partial or entire failure of a well, the act of any court or governmental authority prohibiting a Party from discharging its obligations under this Agreement or resulting in diminutions in service and conduct that would violate any applicable law, all of which events must be beyond the reasonable control of the Party claiming such event as Force Majeure. Notwithstanding anything in this definition of "Force Majeure" to the contrary, none of the following events shall be regarded as events of Force Majeure: (a) the inability of a Party to (i) make payments when due, (ii) be profitable, (iii) secure funds, (iv) arrange bank loans or other financing, or (v) obtain credit, (b) the failure of Cameron Highway to be established and/or maintained as a private pipeline system, (c) any portion of Cameron Highway being made subject to the jurisdiction of any governmental authority, (d) a governmental authority or court requiring a pro rata allocation of firm capacity on Cameron Highway pursuant to the OCSLA (e) any curtailment of Crude Oil by the owner or operator of Cameron Highway as a direct response to a claim or threatened claim of any party related to the OCSLA or (f) the lack of or failure to obtain the Poseidon SS 332 A Approval, or the failure of the Poseidon SS 332 A Approval to be valid for any reason.

"GB 72" shall mean the existing platform owned by GTM and GOM Shelf, LLC and located in Garden Banks Block 72, Gulf of Mexico.

"GOVERNMENTAL AGENCIES" shall mean the FERC and any governmental agencies claiming or asserting jurisdiction under the OCSLA.

"GTM" shall have the meaning set forth in the introductory paragraph of this Agreement.

"GTM CHOPS OBLIGATIONS" shall mean the obligations and liabilities of GTM as a CHOPS Party under this Agreement, including GTM's obligations and liabilities under Section 4.7.

"GTM MANTA RAY OBLIGATIONS" shall mean (a) the obligations and liabilities of GTM as a MR Party under this Agreement, including GTM's obligations and liabilities under Section 4.8, and (b) any obligations and liabilities assigned to GTM from Manta Ray pursuant to Section 7.1(c)(i), if applicable.

"GTM SUB" shall mean a subsidiary (direct or indirect of GTM in which GTM owns (directly or indirectly) a fifty percent (50%) or more ownership interest.

"HOLSTEIN" shall mean the Green Canyon Block 644 Unit consisting of Green Canyon Blocks 644 and 645, Gulf of Mexico.

"INTERCONNECT FACILITIES" shall have the meaning set forth in Section 4.1(a).

"LACT UNIT" shall mean Lease Automated Custody Transfer Unit.

"LANDING PLATFORM" shall mean either the SS 332 A Platform or the SS 332 B Platform, as determined pursuant to Section 2.3.

"MMS" shall mean the Minerals Management Service and any successor governmental agency.

"MAD DOG" shall mean Green Canyon Blocks 738, 739, 781, 782, 783, 825, 826 and 827, Gulf of Mexico.

"MANTA RAY" shall have the meaning set forth in the introductory paragraph of this Agreement.

"MANTA RAY GROUP" shall mean Manta Ray and its Affiliates (including, without limitation, GTM, the SS 332 A Platform Owner and CHOPS), subsidiaries, co-owners, members and joint venturers and its and their respective employees, officers, directors, representatives, agents, pipeline operators, construction managers, contractors and subcontractors.

"MILESTONE DATES" shall mean the dates identified on Exhibit D as "Milestone Dates", which dates correspond to the Milestones described on Exhibit D.

"MILESTONE STANDARDS" shall have the meaning set forth in Section 2.2(a).

"MILESTONES" shall mean the completion Milestones related to the design, construction and installation of the SS 332 B Platform described on Exhibit D under the heading "Milestones", which Milestones correspond to the Milestone Dates identified on Exhibit D.

"MISSED MILESTONE" shall have the meaning set forth in Section 2.3(a).

"MISSED MILESTONE DETERMINATION DATE" shall have the meaning set forth in Section 2.3(a)(i).

"MR PARTIES" shall have the meaning set forth in the introductory paragraph of this Agreement.

"NON-SUBMITTING PARTIES" shall have the meaning set forth in Section 7.23 of this Agreement.

"OBTAINED SS 332 A APPROVALS" shall mean the approval issued by the MMS on May 8, 2003 approving a proposed structural modification to allow for a bridge connection between the SS 332 A Platform and the SS 332 B Platform.

"OCSLA" shall mean the Outer Continental Shelf Lands Act (43 U.S.C. Sections. 1331 et seq.) as in effect on February 11, 2002, and any regulations or rules promulgated thereunder by Governmental Agencies and decisions of courts interpreting same.

"OPTION PERIOD" shall have the meaning set forth in Section 2.3(a)(ii).

"OTHER RECORDS" shall have the meaning set forth in Section 7.14(e) of this Agreement.

"PARTIES" shall have the meaning set forth in the introductory paragraph of this Agreement.

"PARTY" shall have the meaning set forth in the introductory paragraph of this Agreement.

"PERSON" shall mean any individual, governmental authority, corporation, limited liability company, partnership, limited partnership, trust, association or other entity.

"POSEIDON" shall mean Poseidon Oil Pipeline Company, L.L.C., a Delaware limited liability company.

"POSEIDON PIPELINE" shall mean the Crude Oil pipeline system consisting of approximately (a) 117 miles of pipeline extending from GB 72 to the SS 332 A Platform, (b) 122 miles of pipeline extending from the SS 332 A Platform to Houma, Louisiana, (c) 32 miles of pipeline extending from Ewing Bank Block 873 to South Timbalier Block 212, and (d) 17 miles of pipeline extending from Garden Banks Block 260 to South March Island Block 205 and related equipment and facilities that will extend from a connection with the Caesar System to certain delivery points as such pipeline system may be modified or extended.

"POSEIDON SS 332 A APPROVAL" shall mean the permits required to connect the Caesar System to the Poseidon Pipeline on the SS 332 A Platform.

"PROPOSED ASSIGNEE" shall have the meaning set forth in the definition of the term "Financially Capable Entity".

"PSIG" shall mean pounds per square inch gauge.

"PURCHASE AND SALE AGREEMENTS" shall mean (i) each of the Purchase and Sale Agreements among CHOPS and/or GTM and (a) BP Exploration & Production Inc., (b) Union Oil Company of California, and (c) BHP Billiton Petroleum (Deepwater) Inc., each of (a) through (c) dated effective as of even date herewith, and (ii) any other purchase and sale agreements between any of the members of Caesar (or any of their Affiliates), as parties of the first part, and CHOPS, as party of the second part, and each of (i) and (ii) as such may be amended, supplemented or restated from time to time.

"PURCHASE AND SALE LOSSES" shall mean any and all losses, damages, claims, demands and actions and related expenses covered by the scope of the indemnity obligations set forth in the Purchase and Sale Agreements.

"REQUIRED COMMENCEMENT DATE" shall mean 12:01 a.m. on August 15, 2004, as such date may be adjusted by a written notice delivered to the Parties from CHOPS.

"RULES" shall mean the then current Commercial Arbitration Rules of AAA.

"SGC FIELDS" shall mean Atlantis, Holstein and Mad Dog.

"SS 332 A APPROVALS" shall mean all required approvals including, without limitation, those required by the MMS, to maintain the SS 332 A Platform in its current location and for the purposes contained in this Agreement, including the Obtained SS 332 A Approvals and including (a) approvals relating to the interconnection of the Caesar System with Cameron Highway and the Poseidon Pipeline on the SS 332 A Platform, and (b) any necessary approvals relating to any bridge or subsea connection between the SS 332 A Platform and the SS 332 B Platform.

"SS 332 A PLATFORM" shall mean the existing platform owned by Atlantis Offshore, LLC, located in Ship Shoal Block 332, Gulf of Mexico.

"SS 332 A PLATFORM OWNER" shall mean Atlantis Offshore, LLC.

"SS 332 B PLATFORM" shall have the meaning set forth in the second WHEREAS clause of this Agreement.

"SS 332 B APPROVALS" shall have the meaning set forth in Section 3.2 of this Agreement.

"ST 301" shall mean the platform owned by Shell Offshore Inc. located in South Timbalier Block 301, Gulf of Mexico.

"SUBMITTING PARTY" shall have the meaning set forth in Section 7.23 of this Agreement.

"VALVE ASSEMBLY" means a 28-inch ANSI 1500 series valve installed on the Landing Platform between the Caesar System 28-inch riser and the inlet flange to the Caesar System pig receiver skid.

ARTICLE II

CONSTRUCTION OF THE CAESAR SYSTEM, CAMERON HIGHWAY AND THE SS 332 B PLATFORM; DETERMINATION OF LANDING PLATFORM

2.1 Construction of Cameron Highway and the Caesar System. The CHOPS Parties shall (a) design, fabricate, construct, install and commission Cameron Highway at their sole cost, risk, liability and expense (and CHOPS shall own Cameron Highway), and (b) use their commercially reasonable efforts to cause Cameron Highway to be completed and operational by the Required Commencement Date, and Caesar shall cause the twenty-eight inch (28") trunkline included in the Caesar System to be completed and operational by the Required Commencement Date. Upon request by CHOPS to Caesar, Caesar shall provide CHOPS with an update regarding the progress of the construction of the Caesar System.

2.2 Completion of SS 332 B Platform Milestones.

(a) In addition to the CHOPS Parties' obligation to use their commercially reasonable efforts to cause the completion of the design, fabrication, construction, installation and commissioning of Cameron Highway by the Required Commencement Date, the CHOPS Parties shall use their commercially reasonable efforts to cause each Milestone to be completed in accordance with prudent, sound and generally acceptable industry practices, standards and procedures (the "MILESTONE STANDARDS") by the corresponding Milestone Date for such Milestone. Upon completion of each Milestone, CHOPS shall provide Caesar with a written certificate signed by an officer of CHOPS, certifying that the Milestone has been completed in accordance with this Agreement. One of the CHOPS Parties shall provide Caesar with written monthly updates regarding the status of the completion of the Milestones, and, upon reasonable request by Caesar, shall provide Caesar with the opportunity to inspect the work related to the completion of the Milestones.

(b) The Parties acknowledge that, in order for the CHOPS Parties to meet the Milestone Dates, Caesar must provide (i) all Caesar Riser Materials to CHOPS on or before August 30, 2003, and (ii) all Caesar Receiver Equipment on or before September 8, 2003; provided that, with respect to Caesar Receiver Equipment, Caesar agrees to provide Caesar Receiver Equipment components as such components become available and shall take commercially reasonable efforts to provide all Caesar Receiver Equipment to CHOPS on or before August 8, 2003. In the event Caesar has not provided all of the Caesar Riser Materials and Caesar Receiver Equipment by their respective corresponding due dates described above in (i) and (ii), the Milestone Dates that have not yet been reached shall be extended day for day to the extent of such delay.

(c) Subject to applicable confidentiality obligations, for which Caesar will use its commercially reasonable efforts to receive waivers, Caesar agrees that, on a monthly basis, it will discuss with CHOPS the status of the Caesar System commissioning schedule. If, based on such discussions, Caesar and CHOPS mutually agree (as determined by each of Caesar and CHOPS in its sole discretion) to adjust the Milestone Dates based on such commissioning schedule, then the Parties shall enter into an amendment to this Agreement to reflect such adjusted Milestone Dates.

2.3 Landing Platform Determination. The Landing Platform, as such term is used herein, shall be the SS 332 B Platform; provided, however, that the Landing Platform designation shall change for all purposes under this Agreement in accordance with the terms of this Section 2.3.

(a) If the CHOPS Parties fail to complete any Milestone to the Milestone Standards by the corresponding Milestone Date for such Milestone (a "MISSED MILESTONE"), Caesar shall have the right and option to designate the SS 332 A Platform as the Landing Platform as provided in this Section 2.3(a).

(i) Upon the occurrence of any Missed Milestone, the Parties shall meet no later than two Business Days after the later of (A) the Milestone Date of the applicable Missed Milestone or (B) the date that the applicable Milestone was determined to be a Missed Milestone as a result of the determination of an engineering firm pursuant to the procedures set forth in Exhibit D, if applicable (such later date being referred to as the "MISSED MILESTONE DETERMINATION DATE"). At such meeting, the Parties shall discuss the Missed Milestone, the ability and timing of the anticipated completion of the Missed Milestone and the overall impact of the Missed Milestone on the completion of SS 332 B Platform by the CHOPS Parties. In addition, at such meeting, the CHOPS Parties shall provide Caesar with all relevant information relating to the anticipated completion of the Missed Milestone by the CHOPS Parties.

(ii) During the period beginning two Business Days after the Missed Milestone Determination Date of the applicable Missed Milestone and ending 12 days after the Missed Milestone Determination Date of the applicable Missed Milestone (the "OPTION PERIOD"), Caesar shall have the right (determined by Caesar in its reasonable discretion) to designate the SS 332 A Platform as the Landing Platform. If Caesar elects to cause the SS 332 A Platform to be the Landing Platform during the Option Period, Caesar shall notify GTM, CHOPS and Manta Ray in writing of such election, and the SS 332 A Platform shall become the Landing Platform for all purposes of this Agreement. Upon such election to cause the SS 332 A Platform to be the Landing Platform, (A) the Parties shall cause the interconnection of the Caesar System with Cameron Highway on the SS 332 A Platform (as the Landing Platform) in accordance with the terms of this Agreement, and the CHOPS Parties and the MR Parties shall grant Caesar all of the rights contained in this Agreement on the SS 332 A Platform as the Landing Platform (including the rights related to connection of the Caesar System with the Poseidon Pipeline and the Amberjack Pipeline), (B) the CHOPS Parties and the MR Parties, at their sole cost and expense, shall be responsible for obtaining all SS 332 A Approvals in accordance with ARTICLE III, and (C) except as set forth in (B) above, each Party shall be responsible for its own respective costs and expenses of having the Landing Platform changed from the SS 332 B Platform to the SS 332 A Platform.

(iii) For any Missed Milestone, (A) if Caesar does not elect to exercise its option to cause the SS 332 A Platform to be the Landing Platform during the Option Period, or (B) if the CHOPS Parties cause all of the then-existing Missed Milestones to be completed prior to Caesar's exercise of its option to cause the SS 332 A Platform to be the Landing Platform, then Caesar's right to cause the SS 332 A Platform to be the Landing Platform that arose as a result of such Missed Milestone shall terminate only relative to that particular Missed Milestone.

(b) If, after Caesar has elected to cause the SS 332 A Platform to be the Landing Platform in accordance with Section 2.3(a), the CHOPS Parties and the MR Parties fail to obtain all SS 332 A Approvals by forty-five days after Caesar's designation of the SS 332 A Platform as the Landing Platform, Caesar shall have the right and option (determined by Caesar in its sole discretion) to designate the SS 332 B Platform as the Landing Platform. If Caesar so elects to cause the SS 332 B Platform to be the Landing Platform in accordance with this Section

2.3(c), Caesar shall notify GTM, CHOPS and Manta Ray in writing of such election to cause the SS 332 B Platform to be the Landing Platform, and the SS 332 B Platform shall become the Landing Platform for all purposes of this Agreement. Upon such election to cause the SS 332 B Platform to be the Landing Platform, (i) the Parties shall cause the interconnection of the Caesar System with Cameron Highway on the SS 332 B Platform (as the Landing Platform) in accordance with the terms of this Agreement, and the CHOPS Parties and the MR Parties shall grant Caesar all of the rights contained in this Agreement on the SS 332 B Platform as the Landing Platform (including the rights related to connection of the Caesar System with the Poseidon Pipeline and the Amberjack Pipeline), (ii) the CHOPS Parties and the MR Parties, at their sole cost and expense, shall be responsible for obtaining all SS 332 B Approvals in accordance with ARTICLE III, and (iii) the CHOPS Parties and the MR Parties shall pay and reimburse Caesar for all costs and expenses of Caesar in connection with causing the Landing Platform to change from the SS 332 A Platform to the SS 332 B Platform, including all costs and expenses relating to the design, construction and installation of the equipment necessary to cause the Caesar System to connect to the SS 332 B Platform and connect to Cameron Highway on the SS 332 B Platform as the Landing Platform and to connect to the Poseidon Pipeline on the SS 332 A Platform (including, without limitation, all costs and expenses relating to disconnection, equipment removal, commissioning, and hydrotesting).

ARTICLE III
APPROVALS

3.1 Poseidon Approval. The MR Parties, at their sole cost and expense, shall use their respective best efforts to cause the SS 332 A Platform Owner to submit the completed Poseidon SS 332 A Approval application to the MMS as soon as practicable. Upon request of Caesar (which request may be made no more than weekly), the MR Parties shall provide Caesar with written updates regarding the status of their efforts to complete and cause the submission of the Poseidon SS 332 A Approval application in accordance with this Section 3.1, and each such update shall provide Caesar with reasonable detail regarding all activities performed by the MR Parties and their affiliates (including the SS 332 A Platform Owner) in connection with obtaining such approval. In addition, Caesar and its representatives shall have the right (subject to the consent of the SS 332 A Platform Owner to the extent required) to participate in the process of obtaining such approval, including the right to participate in all meetings regarding such approval (including internal meetings of the MR Parties and/or their affiliates, and meetings of the MR Parties and/or their affiliates with third parties such as the MMS).

3.2 SS 332 B Approvals. The CHOPS Parties shall, at their sole cost and expense, be responsible for, and shall use their commercially reasonable efforts to obtain in a timely manner, (i) all approvals to be obtained by a platform owner and/or operator that are required by the MMS for the SS 332 B Platform as contemplated by this Agreement and (ii) all other approvals related to the SS 332 B Platform customarily obtained by a platform owner and operator, including, as applicable, (a) approvals relating to the interconnections of the Caesar System with Cameron Highway and the Amberjack Pipeline on the SS 332 B Platform, (b) approvals relating to the LACT Unit related to the interconnection of the Caesar System and Cameron Highway

being located on the SS 332 B Platform, and (c) approvals relating to any bridge or subsea connection necessary to extend the Caesar System from the SS 332 B Platform to the SS 332 A Platform in order to allow the connection of the Caesar System with the Poseidon Pipeline on the SS 332 A Platform (collectively, the "SS 332 B APPROVALS"). The CHOPS Parties shall use their commercially reasonable efforts to cause such approvals to be valid, binding and effective during the term of this Agreement. Upon request of Caesar (which request may be made no more than weekly), the CHOPS Parties shall provide Caesar with written updates regarding the status of their efforts to obtain the SS 332 B Approvals, and each such update shall provide Caesar with reasonable detail regarding all activities performed by the CHOPS Parties and their affiliates in connection with obtaining such approvals. In addition, Caesar and its representatives shall have the right to participate in the process of obtaining such approvals, including the right to participate in all meetings regarding such approvals (including internal meetings of the CHOPS Parties and/or their affiliates, and meetings of the CHOPS Parties and/or their affiliates with third parties such as the MMS).

3.3 SS 332 A Approvals.

(a) The MR Parties shall, at their sole cost and expense, be responsible for, and shall use their commercially reasonable efforts to obtain, and shall use their commercially reasonable efforts to cause the SS 332 A Platform Owner to obtain, in a timely manner, as applicable, the SS 332 A Approvals. The MR Parties shall use their commercially reasonable efforts to cause the SS 332 A Approvals to be valid, binding and effective during the term of this Agreement. Upon request of Caesar (which request may be made no more often than weekly) the MR Parties shall provide Caesar with written updates regarding the status of their efforts to obtain the SS 332 A Approvals, and each such update shall provide Caesar with reasonable detail regarding all activities performed by the MR Parties and their affiliates (including the SS 332 A Platform Owner) in connection with obtaining such approvals. In addition, Caesar and its representatives shall have the right (subject to the consent of the SS 332 A Platform Owner to the extent required) to participate in the process of obtaining such approvals, including the right to participate in all meetings regarding such approvals (including internal meetings of the MR Parties and/or their affiliates, and meetings of the MR Parties and/or their affiliates with third parties such as the MMS).

(b) The MR Parties and the CHOPS Parties represent and warrant to Caesar that, as of the date of this Agreement, the Obtained SS 332 A Approvals have been obtained and are valid, binding and effective.

3.4 Amendments to Permits.

(a) Following the receipt of the Poseidon SS 332 A Approval, the CHOPS Parties and the MR Parties shall not cause, or take any action or fail to take any action that causes or has the effect of causing, any modification of the Poseidon SS 332 A Approval.

(b) If, upon the completion of the last Milestone, Caesar has not elected to cause the Landing Platform to be the SS 332 A Platform pursuant to Section 2.3(a), then the CHOPS Parties and the MR Parties shall, at their sole cost and expense, use commercially reasonable efforts to obtain in a timely manner any necessary amendments or modifications to the Poseidon SS 332 A Approval.

(c) If, upon the completion of the last Milestone, Caesar has not elected to cause the Landing Platform to be the SS 332 A Platform pursuant to Section 2.3(a), Caesar shall, at its sole cost and expense, use commercially reasonable efforts to obtain in a timely manner an amendment to its approval from the MMS allowing the Caesar System to board the SS 332 A Platform to provide that such boarding may occur on the SS 332 B Platform.

(d) If, after Caesar has elected to cause the SS 332 A Platform to be the Landing Platform in accordance with Section 2.3(a), Caesar then elects to cause the Landing Platform to be the SS 332 B Platform pursuant to Section 2.3(b), Caesar shall, at its sole cost and expense, use commercially reasonable efforts to obtain in a timely manner an amendment to its approval from the MMS allowing the Caesar System to board the SS 332 A Platform to provide that such boarding may occur on the SS 332 B Platform.

ARTICLE IV
CONSTRUCTION, OWNERSHIP, OPERATIONS AND MAINTENANCE OF INTERCONNECT FACILITIES; REIMBURSEMENT

4.1 Engineering, Design, Fabrication and Construction of Interconnect Facilities. The engineering, design, fabrication and construction of the interconnect facilities relating to the interconnection of the Caesar System and Cameron Highway shall be in accordance with the terms of this Section 4.1, and shall provide for the Cameron Highway Receipt Point to be located on the Landing Platform, with the LACT Unit relating to such interconnection to be located upstream of the Cameron Highway Receipt Point.

(a) By the Required Commencement Date, Caesar and the CHOPS Parties shall conduct all activities necessary to design, fabricate, construct, install and commission the equipment and facilities necessary to interconnect Cameron Highway and the Caesar System, including all necessary pipeline risers and meter systems and associated facilities on the Landing Platform, all in accordance with the Chart of Responsibilities (the "CHART OF RESPONSIBILITIES") set forth in Exhibit B (collectively, including any items identified pursuant to the last sentence of this Section 4.1(a) and the Valve Assembly, the "INTERCONNECT FACILITIES"). The Chart of Responsibilities identifies, for each item included in the Interconnect Facilities, the Party responsible for the design, construction, transport and installation, related capital expenditures, provision of necessary deck space on the Landing Platform, operation, operating expenses, maintenance and repair, costs of maintenance and repair for any single item or occurrence costing $5,000 or less, and costs of maintenance and repair for any single item or occurrence costing in excess of $5,000 (such costs of maintenance and repair, for purposes of the Chart of Responsibilities, being referred to as "TANGIBLE MAINTENANCE"), in each case, for each such

item, and additionally identifies the Party that will own each such item. Unless otherwise expressly permitted pursuant to Section 7.1(a) of this Agreement, with respect to the items identified on the Chart of Responsibilities for which the CHOPS Parties are designated as having construction responsibilities (such items being referred to as the "CHOPS INTERCONNECT FACILITIES"), Manta Ray shall be the construction manager and shall not delegate, assign or transfer (in whole or in part) any such obligations. If the Parties identify any portions of the Interconnect Facilities that are reasonably necessary for the completion of the Interconnect Facilities and that are not listed on the Chart of Responsibilities ("ADDITIONAL ITEMS"), the Parties agree that they will use their good faith efforts to reach agreement with each other regarding the Party or Parties who will be responsible for such Additional Items with respect to the categories of responsibility listed on the Chart of Responsibilities.

(b) Caesar shall have the right to assign representatives to the CHOPS Interconnect Facilities project team of the CHOPS Parties for the purpose of (i) monitoring the progress of the design, fabrication, construction, installation and commissioning of the CHOPS Interconnect Facilities, and (ii) reviewing plans for the design, construction, fabrication, installation, commissioning and engineering of the CHOPS Interconnect Facilities. Specifically, Caesar shall have the right to participate in technical discussions and all team meetings related to the CHOPS Interconnect Facilities. Notwithstanding the foregoing, all final decisions shall be made by and be the responsibility of the CHOPS Parties with respect to all design, fabrication, construction, installation and commissioning matters. The right to assign representatives to the CHOPS Interconnect Facilities project team granted above shall be a right granted only to, and exercisable by, Caesar (and not to permitted assignees of Caesar).

(c) The design and installation plan of the Interconnect Facilities shall provide for and be in compliance with the following:

(i) The design, fabrication, construction and installation of the Interconnect Facilities shall be done in a good and workmanlike manner in accordance with prudent, sound and generally acceptable industry practices, standards and procedures, and shall be in accordance with primary design codes for crude oil pipelines, including platform piping and pig receiver facilities, in the following order of precedence:

- Code of Federal Regulations 49 CFR 195; and

- ANSI B31.4; and

- ANSI B31.3, as applicable.

(ii) All exposed steel of the Interconnect Facilities shall be suitably coated with a coating to retain its corrosion protection.

(iii) All equipment included in the Interconnect Facilities that will be attached to the Caesar System and used to contain Crude Oil (e.g., check valves, associated

piping, fittings, connectors, etc.) shall be hydrostatically tested prior to installation of such equipment.

(iv) All meter design and development shall be designed and agreed to by CHOPS and Caesar.

(d) GTM, CHOPS and Manta Ray have requested, and the Parties have agreed, to include the Valve Assembly in the Interconnect Facilities, with the Valve Assembly being treated as if it was included as a line item on the Chart of Responsibilities, with (i) Caesar responsible for the design, fabrication, construction, transport and installation, related capital expenditures, and costs of maintenance and repair for any single item or occurrence directly relating to the Valve Assembly costing in excess of $5,000, (ii) the CHOPS Parties or the MR Parties, as the case may be, responsible for providing necessary deck space on the Landing Platform, all operating expenses, maintenance and repair, and costs of maintenance and repair for any single item or occurrence directly relating to the Valve Assembly costing $5,000 or less, (iii) the CHOPS Parties responsible for operating the Valve Assembly, and (iv) Caesar owning the Valve Assembly; provided, however, that the CHOPS Parties shall, within 30 days after receipt of an invoice therefore, reimburse Caesar for all reasonable capital expenditures related to the Valve Assembly.

4.2 Operation of Interconnect Facilities and Equipment; Meter Systems.

(a) The Interconnect Facilities specified shall be operated by the Party specified as the Party who "Operates" in the Chart of Responsibilities. As provided in the Chart of Responsibilities, the CHOPS Parties shall operate the meter system between Cameron Highway and the Caesar System, however, the CHOPS Parties shall provide Caesar with reasonable prior notice of all meter system calibration operations, and Caesar shall have the right to witness and be present for all such meter system calibration operations. Caesar shall have the right to take over operations of the Interconnect Facilities and associated equipment operated by the CHOPS Parties under this Agreement at any time by giving thirty (30) days prior written notice to CHOPS, at which time Caesar shall commence paying all costs related to such operations. The right to take over operations of the Interconnect Facilities granted above shall be rights granted only to, and exercisable by, Caesar for purposes of use by the Caesar System.

(b) In addition, upon the interconnection of the Caesar System with the Poseidon Pipeline on the SS 332 A Platform, for so long as Manta Ray is the operator of the Poseidon Pipeline, Caesar hereby designates the MR Parties as the operator of the Poseidon interconnect facilities. Such Poseidon interconnect facilities shall be operated by the MR Parties at the MR Parties' sole cost and expense in accordance with prudent, sound and generally acceptable industry practices, standards and procedures. Caesar shall have the right to revoke such designation for any reason and take over operations of the Poseidon interconnect facilities and associated equipment at any time by giving thirty (30) days prior written notice to Manta Ray, at which time the MR Parties shall cease to be the operator of the Poseidon interconnect facilities and Caesar shall commence paying all costs related to such operations.

(c) The CHOPS Parties and the MR Parties shall use their respective commercially reasonable efforts to cooperate with Caesar to obtain all required approvals in a timely manner, including without limitation, those required by the MMS, for the interconnection of the Caesar System with the Amberjack Pipeline on the Landing Platform. If Caesar has the right to designate the operator of the Amberjack Pipeline meter related to the interconnection of the Caesar System with the Amberjack Pipeline and such meter is located on the Landing Platform (which shall only occur with Manta Ray's consent if the Landing Platform is the SS 332 A Platform, and which shall only occur with CHOPS' consent if the Landing Platform is the SS 332 B Platform), then Caesar shall designate the CHOPS Parties (if the Landing Platform is the SS 332 B Platform) or the MR Parties (if the Landing Platform is the SS 332 A Platform) to operate such Amberjack Pipeline meter, and such operator shall operate such Amberjack meter at its sole cost and expense in accordance with prudent, sound and generally acceptable industry practices, standards and procedures. Caesar shall have the right to revoke such designation for any reason and take over operations of the Amberjack meter and associated equipment at any time by giving thirty (30) days prior written notice to the operator thereof, at which time the CHOPS Parties or the MR Parties, as appropriate, shall cease to be the operator of the Amberjack meter and Caesar shall commence paying all costs related to such operations.

4.3 Use of Deck Space and Riser Space on the SS 332 A Platform and the SS 332 B Platform by Caesar; Access to the SS 332 A Platform and the SS 332 B Platform.

(a) The CHOPS Parties and the MR Parties, as the case may be, shall provide (or cause to be provided) to Caesar at no cost to Caesar the following:

(i) Sufficient deck and riser space on the Landing Platform in accordance with industry standards for the construction, installation, operation, maintenance and repair of (A) the Caesar System facilities and equipment necessary to effectuate Crude Oil deliveries from the Caesar System to Cameron Highway, including, but not limited to, meters, pig receiver, piping, and valves, and (B) a 28" import riser for the Caesar System on the Landing Platform;

(ii) Sufficient deck and riser space on the Landing Platform in accordance with industry standards for the construction, installation, operation, maintenance and repair of (A) a pig launcher, piping, and valves necessary to effectuate Crude Oil deliveries from the Caesar System to the Amberjack Pipeline, and (B) a 20" or smaller (at Caesar's sole discretion) export riser to allow an interconnect with the Amberjack Pipeline upon Caesar's election at any time after the date hereof to connect the Caesar System with the Amberjack Pipeline at the Landing Platform; and

(iii) Sufficient deck space on the SS 332 A Platform and the SS 332 B Platform in accordance with industry standards for the construction, installation, operation, maintenance and repair of an interconnection with the Poseidon Pipeline and a meter system and all other facilities related thereto on the SS 332 A Platform or the SS 332 B Platform, as applicable, upon Caesar's election at any time after the date hereof to connect the Caesar System

with the Poseidon Pipeline at the SS 332 A Platform, including, in the event the Landing Platform is the SS 332 B Platform, (A) sufficient deck space on the SS 332 A Platform and the SS 332 B Platform to allow Caesar to construct, install, operate, maintain and repair a bridge or subsea piping connection extending the Caesar System from the SS 332 B Platform to the SS 332 A Platform to allow such connection with the Poseidon Pipeline, and (B) sufficient deck space on the SS 332 B Platform for a meter system and other facilities related to the interconnection of the Caesar System with the Poseidon Pipeline.

(b) The CHOPS Parties shall bear the costs, if any, to prepare the Landing Platform and the SS 332 A Platform, as applicable, to accommodate all the Caesar System facilities and equipment and the risers and second meter system described in Section 4.3(a) including, without limitation, the costs to relocate and/or remove facilities and equipment on the Landing Platform and the SS 332 A Platform as necessary. The Parties agree that the deck space and rights granted to Caesar under this Section 4.3 shall be rights granted only to, and exercisable by, Caesar for purposes of use by the Caesar System as contemplated herein, including for purposes of interconnections with the Poseidon Pipeline and the Amberjack Pipeline.

(c) Exhibit C-1 attached hereto more fully outlines the deck space on the SS 332 A Platform referenced in Section 4.3(a) and the responsibilities related thereto, in the event the Landing Platform is the SS 332 A Platform; and Exhibit C-2 attached hereto more fully outlines the deck space on the SS 332 B Platform and the SS 332 A Platform referenced in Section 4.3(a) and the responsibilities related thereto, in the event the Landing Platform is the SS 332 B Platform. Exhibits C-1 and C-2 are the Parties' best approximation (based on accepted engineering practices and industry standards) of the allocation of deck space on the SS 332 A Platform and the SS 332 B Platform as of the date of this Agreement. The Parties acknowledge that such allocation may change as the design and engineering work on the SS 332 A Platform and/or the SS 332 B Platform progresses. Any proposed change (i) shall be reviewed and discussed by the Parties prior to the re-allocation of deck space and (ii) shall not in any way impede or impair the rights of Caesar under this Agreement.

(d) Caesar (and its members, construction manager, operator, contractors, subcontractors and designees) shall have the right of access to the SS 332 A Platform and the SS 332 B Platform, and the right to access and use deck space and riser space described in this Section 4.3 at all reasonable times (to the extent such access or use does not impede or impair other ongoing operations on the SS 332 A Platform or the SS 332 B Platform in any material respect) for purposes of design, construction, installation, commissioning, operation, maintenance, repair and removal of (i) the Caesar System, (ii) the interconnection facilities related to the connection of the Caesar System and the Poseidon Pipeline, and (iii) the other facilities and equipment contemplated by this Agreement, together with the right to land helicopters on the SS 332 A Platform and SS 332 B Platform heliports and to moor vessels to the SS 332 A Platform and SS 332 B Platform mooring facilities; provided, however, each such landing or mooring shall first be cleared with the SS 332 A Platform or SS 332 B Platform representative, as applicable, designated by Manta Ray or CHOPS. In addition, upon Caesar's

prior written request in connection with any access to the SS 332 A Platform or the SS 332 B Platform contemplated by this Agreement or related to the Interconnect Facilities or the Caesar System, the CHOPS Parties and the MR Parties shall provide Caesar and its members, construction manager, operator, contractors, subcontractors, designees and employees with quarters, room and board on the SS 332 A Platform or the SS 332 B Platform, as applicable, at reasonable industry standard costs, subject to availability of the requested quarters, room and board. Caesar's request shall contain the number of persons to be accommodated and the estimated duration of their stay on the SS 332 A Platform or the SS 332 B Platform, as applicable.

4.4 Other Pipeline System Connections.

(a) In addition to Cameron Highway, Caesar shall have the right to construct and install connections upstream of the Landing Platform to any other crude oil pipelines. Pipelines to which Caesar may connect the Caesar System shall include the Amberjack Pipeline (at the Landing Platform) and the Poseidon Pipeline (at the SS 332 A Platform), and Caesar shall have the right to construct, install, own and/or operate (or cause the construction and installation of (without regard to ownership)) (i) at Caesar's sole cost and expense, a pipeline commencing at the Landing Platform and extending to ST 301 in order to interconnect the Caesar System with the Amberjack Pipeline, and (ii) (A) in the event the SS 332 B Platform is the Landing Platform, at the CHOPS Parties' sole cost and expense, the piping necessary to cross the bridge from the SS 332 B Platform to the SS 332 A Platform, or to extend the piping subsea from the SS 332 B Platform to the SS 332 A Platform, as appropriate, each in anticipation of a connection between the Caesar Pipeline and the Poseidon Pipeline at the SS 332 A Platform and, at Caesar's sole cost and expense, the piping necessary to connect the piping from the point of landing on the SS 332 A Platform to the Poseidon Pipeline, and (B) in the event the SS 332 A Platform is the Landing Platform, at Caesar's sole cost and expense, a pipeline connection at the SS 332 A Platform with the Poseidon Pipeline with the approval of Poseidon.

(b) Each of the CHOPS Parties and the MR Parties shall not take any action (or cause any action to be taken by any other Person including, without limitation, the SS 332 A Platform Owner) that would reasonably be expected to impede the construction, installation or operation of such pipeline connections. Neither Caesar, Poseidon, nor any shipper on the Caesar System shall be charged any fees or costs by the CHOPS Parties or the MR Parties (or cause any action to be taken by the SS 332 A Platform Owner to charge any fees or costs) to access pipeline connections with Cameron Highway, the Amberjack Pipeline and the Poseidon Pipeline on the SS 332 A Platform or the SS 332 B Platform. In the event any fees or costs to access these pipelines are charged to and paid by Caesar, Poseidon, or any shipper on the Caesar System, the CHOPS Parties shall reimburse such parties for all such fees and costs paid.

(c) Neither Cameron Highway nor the CHOPS Parties shall be required to provide pumps or similar equipment to effectuate deliveries of Crude Oil into either the Poseidon Pipeline or the Amberjack Pipeline.

4.5 Pipeline System Coordination Between Caesar and the CHOPS Parties. Except for reasons of Force Majeure, the maximum pressure to be provided by the CHOPS Parties at the Cameron Highway Receipt Point shall be no greater than 150 Psig. Caesar may, but is under no obligation to, deliver Crude Oil at pressures up to 1,950 Psig.

4.6 Governmental Approvals. The obligations of Caesar under this Agreement shall be subject to Caesar obtaining all required governmental approvals. Caesar shall diligently pursue and use commercially reasonable efforts to obtain such approvals in a timely manner.

4.7 Joint, Several and Primary Obligations of the CHOPS Parties. As consideration for Caesar's entering into this Agreement, and further expressly acknowledging Caesar's reliance on the undertakings set forth in this Section 4.7, each of CHOPS and GTM hereby agrees and acknowledges that all of the obligations and liabilities of the CHOPS Parties under this Agreement (including, without limitation, obligations and liabilities relating to or arising in connection with representations, warranties, covenants, the payment of money, performance or otherwise) are the joint and several, primary and direct obligations and liabilities of each of CHOPS and GTM, and the CHOPS Parties agree that each of them is jointly, severally and fully and primarily responsible and liable for all such obligations and liabilities. In addition, without limiting the foregoing, each of CHOPS and GTM agrees that its obligation for the obligations and liabilities of the CHOPS Parties contained in this Agreement shall include the obligation of such CHOPS Party to cause the other CHOPS Party to perform such obligations and liabilities of the CHOPS Parties under this Agreement. For example (and without limiting anything contained herein), the CHOPS Parties obligation in the first sentence of Section 2.1 to "design, fabricate, construct, install and commission Cameron Highway . . . ." shall include (i) the joint and several (together with CHOPS), primary obligation of GTM to, and to cause CHOPS to, perform such activities, and (ii) the joint and several (together with GTM), primary obligation of CHOPS to, and to cause GTM to, perform such activities, in each case, in accordance with the terms of such sentence.

The joint and several, primary and direct obligations and liabilities of each of CHOPS and GTM under this Agreement shall not be subject to any reduction, limitation, impairment or termination for any claim of waiver, release, surrender, alteration or compromise that may be granted or otherwise provided to one or more of the other CHOPS Parties but not to it, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the obligations of the other CHOPS Parties or otherwise.

Upon payment or performance by any CHOPS Party of any amounts, obligations or liabilities owed to Caesar under this Agreement, all rights of the paying or performing CHOPS Party against the other CHOPS Party arising as a result thereof by way of right of subrogation or otherwise shall in all respects be subordinated and junior in right of payment and performance to the prior indefeasible payment and performance in full of all obligations of each of the CHOPS Parties to Caesar.

4.8 Joint, Several and Primary Obligations of the MR Parties. As consideration for Caesar's entering into this Agreement, and further expressly acknowledging Caesar's reliance on the undertakings set forth in this Section 4.8, each of Manta Ray and GTM hereby agrees and acknowledges that all of the obligations and liabilities of the MR Parties under this Agreement (including, without limitation, obligations and liabilities relating to or arising in connection with representations, warranties, covenants, the payment of money, performance or otherwise) are the joint and several, primary and direct obligations and liabilities of each of Manta Ray and GTM, and the MR Parties agree that each of them is jointly, severally and fully and primarily responsible and liable for all such obligations and liabilities. In addition, without limiting the foregoing, each of Manta Ray and GTM agrees that its obligation for the obligations and liabilities of the MR Parties contained in this Agreement shall include the obligation of such MR Party to cause the other MR Party to perform such obligations and liabilities of the MR Parties under this Agreement. For example (and without limiting anything contained herein), the MR Parties obligation in the first sentence of Section 3.1 to "use their respective best efforts to cause the SS 332 A Platform Owner to submit the completed Poseidon SS 332 A Approval application . . . ." shall include (i) the joint and several (together with Manta Ray), primary obligation of GTM to, and to cause Manta Ray to, perform such activities, and (ii) the joint and several (together with GTM), primary obligation of Manta Ray to, and to cause GTM to, perform such activities, in each case, in accordance with the terms of such sentence.

The joint and several, primary and direct obligations and liabilities of each of Manta Ray and GTM under this Agreement shall not be subject to any reduction, limitation, impairment or termination for any claim of waiver, release, surrender, alteration or compromise that may be granted or otherwise provided to one or more of the other MR Parties but not to it, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the obligations of the other MR Parties or otherwise.

Upon payment or performance by any MR Party of any amounts, obligations or liabilities owed to Caesar under this Agreement, all rights of the paying or performing MR Party against the other MR Party arising as a result thereof by way of right of subrogation or otherwise shall in all respects be subordinated and junior in right of payment and performance to the prior indefeasible payment and performance in full of all obligations of each of the MR Parties to Caesar.

4.9 HAZOP.

(a) Caesar and Manta Ray have commenced a joint HAZOP study on the SS 332 A Platform. The HAZOP shall be managed by a qualified representative of a third party engineering firm that is mutually agreeable to Manta Ray and Caesar. The CHOPS Parties and Caesar shall each be responsible for fifty percent (50%) of the costs of such HAZOP. The results of the HAZOP shall be delivered to Caesar within 30 days of completion of the HAZOP and shall be deemed Confidential Information (as defined herein) and subject to the confidentiality provisions contained in Section 7.14 of this Agreement. If the HAZOP results indicate any

repairs or alterations may be necessary in order to accommodate all facilities and equipment contemplated by this Agreement to be located on the SS 332 A Platform, then the MR Parties shall, in their sole reasonable discretion and at their sole risk and liability, determine whether to implement any or all of the repairs or alterations indicated. Caesar (or its designee) may submit a written request for repairs or alterations to Manta Ray for consideration. Unless mutually agreed to otherwise in writing by Caesar and Manta Ray, the performance (or nonperformance) of any repairs or alterations made to the SS 332 A Platform as a result of the HAZOP or in response to a request by Caesar (or its designee) shall be at the MR Parties' sole discretion and at the CHOPS Parties' sole cost, risk and liability.

(b) The CHOPS Parties caused the piping and instrumentation drawings related to the SS 332 B Platform to be completed and delivered to Caesar on April 14, 2003. The CHOPS Parties and Caesar commenced a joint HAZOP study on the SS 332 B Platform during the week of April 14, 2003. The HAZOP shall be managed by a qualified representative of a third party engineering firm that is mutually agreeable to CHOPS and Caesar. The CHOPS Parties shall be solely responsible for the costs of such HAZOP. The results of the HAZOP shall be delivered to Caesar within 30 days of completion of the HAZOP and shall be deemed Confidential Information (as defined herein) and subject to the confidentiality provisions contained in Section 7.14 of this Agreement. If the HAZOP results indicate any repairs or alterations may be necessary in order to accommodate all facilities and equipment contemplated by this Agreement to be located on the SS 332 B Platform, then the CHOPS Parties shall, at their sole cost and expense and at their sole risk and liability, implement such repairs and alterations indicated. Caesar (or its designee) may submit a written request for repairs or alterations to CHOPS for consideration. Unless mutually agreed to otherwise in writing by Caesar and CHOPS, the performance (or nonperformance) of any repairs or alterations made to the SS 332 B Platform as a result of the HAZOP or in response to a request by Caesar (or its designee) shall be at the CHOPS Parties sole cost, risk and liability.

ARTICLE V
INDEMNIFICATION AND INSURANCE

5.1 CAESAR.

(a) EXCEPT FOR ANY PURCHASE AND SALE LOSSES, CAESAR SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE MANTA RAY GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THE CAESAR GROUP AND (ii) PERSONAL INJURY TO OR DEATH OF PERSONS IN THE CAESAR GROUP, IN EACH CASE OF (i) AND (ii) ABOVE, RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS

AGREEMENT, EVEN THOUGH CAUSED IN WHOLE OR IN PART BY THE MANTA RAY GROUP'S NEGLIGENCE (ACTIVE, PASSIVE, JOINT, CONCURRENT OR SOLE) OR STRICT LIABILITY, OR OTHER LEGAL FAULT OF THE MANTA RAY GROUP, EXCEPT TO THE EXTENT THAT ANY SUCH LOSS RESULTS FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A MEMBER OF THE MANTA RAY GROUP.

(b) EXCEPT FOR ANY PURCHASE AND SALE LOSSES, CAESAR SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE CHOPS GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THE CAESAR GROUP AND (ii) PERSONAL INJURY TO OR DEATH OF PERSONS IN THE CAESAR GROUP, IN EACH CASE OF (i) AND (ii) ABOVE, RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT, EVEN THOUGH CAUSED IN WHOLE OR IN PART BY THE CHOPS GROUP'S NEGLIGENCE (ACTIVE, PASSIVE, JOINT, CONCURRENT OR SOLE) OR STRICT LIABILITY, OR OTHER LEGAL FAULT OF THE CHOPS GROUP, EXCEPT TO THE EXTENT THAT ANY SUCH LOSS RESULTS FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A MEMBER OF THE CHOPS GROUP.

5.2 THE MR PARTIES.

(a) THE MR PARTIES SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE CAESAR GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THE MANTA RAY GROUP AND (ii) PERSONAL INJURY TO OR DEATH OF PERSONS IN THE MANTA RAY GROUP, IN EACH CASE OF (i) AND (ii) ABOVE, RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT, EVEN THOUGH CAUSED IN WHOLE OR IN PART BY THE CAESAR GROUP'S NEGLIGENCE (ACTIVE, PASSIVE, JOINT, CONCURRENT OR SOLE) OR STRICT LIABILITY, OR OTHER LEGAL FAULT OF THE CAESAR GROUP, EXCEPT TO THE EXTENT THAT ANY SUCH LOSS RESULTS FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A MEMBER OF THE CAESAR GROUP.

(b) THE MR PARTIES SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE CHOPS

GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THE MANTA RAY GROUP AND (ii) PERSONAL INJURY TO OR DEATH OF PERSONS IN THE MANTA RAY GROUP, IN EACH CASE OF (i) AND (ii) ABOVE, RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT, EVEN THOUGH CAUSED IN WHOLE OR IN PART BY THE CHOPS GROUP'S NEGLIGENCE (ACTIVE, PASSIVE, JOINT, CONCURRENT OR SOLE) OR STRICT LIABILITY, OR OTHER LEGAL FAULT OF THE CHOPS GROUP, EXCEPT TO THE EXTENT THAT ANY SUCH LOSS RESULTS FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A MEMBER OF THE CHOPS GROUP.

5.3 THE CHOPS PARTIES.

(a) THE CHOPS PARTIES SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE CAESAR GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THE CHOPS GROUP AND (ii) PERSONAL INJURY TO OR DEATH OF PERSONS IN THE CHOPS GROUP, IN EACH CASE OF (i) AND (ii) ABOVE, RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT, EVEN THOUGH CAUSED IN WHOLE OR IN PART BY THE CAESAR GROUP'S NEGLIGENCE (ACTIVE, PASSIVE, JOINT, CONCURRENT OR SOLE) OR STRICT LIABILITY, OR OTHER LEGAL FAULT OF THE CAESAR GROUP, EXCEPT TO THE EXTENT THAT ANY SUCH LOSS RESULTS FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A MEMBER OF THE CAESAR GROUP.

(b) THE CHOPS PARTIES SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE MANTA RAY GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THE CHOPS GROUP AND (ii) PERSONAL INJURY TO OR DEATH OF PERSONS IN THE CHOPS GROUP, IN EACH CASE OF (i) AND (ii) ABOVE, RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT, EVEN THOUGH CAUSED

IN WHOLE OR IN PART BY THE MANTA RAY GROUP'S NEGLIGENCE (ACTIVE, PASSIVE, JOINT, CONCURRENT OR SOLE) OR STRICT LIABILITY, OR OTHER LEGAL FAULT OF THE MANTA RAY GROUP, EXCEPT TO THE EXTENT THAT ANY SUCH LOSS RESULTS FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A MEMBER OF THE MANTA RAY GROUP.

5.4 THIRD PARTIES.

(a) FOR PURPOSES OF THIS SECTION 5.4, "THIRD PARTIES" SHALL MEAN ALL PERSONS THAT ARE NOT INCLUDED IN THE CHOPS GROUP, MANTA RAY GROUP OR THE CAESAR GROUP.

(b) CAESAR SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE MANTA RAY GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THIRD PARTIES AND (ii) PERSONAL INJURY TO OR DEATH OF THIRD PARTIES, IN EACH CASE OF (i) AND (ii) ABOVE, WHEN CAUSED BY OR RESULTING FROM THE NEGLIGENCE OR FAULT OF THE CAESAR GROUP AND RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH, OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT; PROVIDED THAT, IN THE EVENT OF JOINT OR CONCURRENT NEGLIGENCE OR FAULT OF THE CAESAR GROUP AND THE MANTA RAY GROUP, CAESAR'S INDEMNIFICATION OBLIGATION HEREUNDER SHALL BE LIMITED TO THE CAESAR GROUP'S ALLOCABLE SHARE OF SUCH JOINT OR CONCURRENT NEGLIGENCE OR FAULT.

(c) CAESAR SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE CHOPS GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THIRD PARTIES AND (ii) PERSONAL INJURY TO OR DEATH OF THIRD PARTIES, IN EACH CASE OF (i) AND (ii) ABOVE, WHEN CAUSED BY OR RESULTING FROM THE NEGLIGENCE OR FAULT OF THE CAESAR GROUP AND RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH, OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT; PROVIDED THAT, IN THE EVENT OF JOINT OR CONCURRENT NEGLIGENCE OR FAULT OF THE CAESAR GROUP AND THE CHOPS GROUP, CAESAR'S INDEMNIFICATION OBLIGATION HEREUNDER SHALL BE LIMITED TO

THE CAESAR GROUP'S ALLOCABLE SHARE OF SUCH JOINT OR CONCURRENT NEGLIGENCE OR FAULT.

(d) THE MR PARTIES SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE CAESAR GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THIRD PARTIES AND (ii) PERSONAL INJURY TO OR DEATH OF THIRD PARTIES, IN EACH CASE OF (i) AND (ii) ABOVE, WHEN CAUSED BY OR RESULTING FROM THE NEGLIGENCE OR FAULT OF THE MANTA RAY GROUP AND RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH, OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT; PROVIDED THAT, IN THE EVENT OF JOINT OR CONCURRENT NEGLIGENCE OR FAULT OF THE MANTA RAY GROUP AND THE CAESAR GROUP, MANTA RAY'S INDEMNIFICATION OBLIGATION HEREUNDER SHALL BE LIMITED TO THE MANTA RAY GROUP'S ALLOCABLE SHARE OF SUCH JOINT OR CONCURRENT NEGLIGENCE OR FAULT.

(e) THE MR PARTIES SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE CHOPS GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THIRD PARTIES AND (ii) PERSONAL INJURY TO OR DEATH OF THIRD PARTIES, IN EACH CASE OF (i) AND (ii) ABOVE, WHEN CAUSED BY OR RESULTING FROM THE NEGLIGENCE OR FAULT OF THE MANTA RAY GROUP AND RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH, OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT; PROVIDED THAT, IN THE EVENT OF JOINT OR CONCURRENT NEGLIGENCE OR FAULT OF THE MANTA RAY GROUP AND THE CHOPS GROUP, MANTA RAY'S INDEMNIFICATION OBLIGATION HEREUNDER SHALL BE LIMITED TO THE MANTA RAY GROUP'S ALLOCABLE SHARE OF SUCH JOINT OR CONCURRENT NEGLIGENCE OR FAULT.

(f) THE CHOPS PARTIES SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE CAESAR GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THIRD PARTIES AND (ii) PERSONAL INJURY TO OR DEATH OF THIRD PARTIES, IN EACH CASE OF (i) AND (ii) ABOVE, WHEN CAUSED BY OR RESULTING FROM THE

NEGLIGENCE OR FAULT OF THE CHOPS GROUP AND RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH, OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT; PROVIDED THAT, IN THE EVENT OF JOINT OR CONCURRENT NEGLIGENCE OR FAULT OF THE CHOPS GROUP AND THE CAESAR GROUP, CHOPS' INDEMNIFICATION OBLIGATION HEREUNDER SHALL BE LIMITED TO THE CHOPS GROUP'S ALLOCABLE SHARE OF SUCH JOINT OR CONCURRENT NEGLIGENCE OR FAULT.

(g) THE CHOPS PARTIES SHALL BE RESPONSIBLE FOR AND SHALL DEFEND, PROTECT, INDEMNIFY, RELEASE AND HOLD HARMLESS THE MANTA RAY GROUP FROM AND AGAINST ALL LOSSES, DAMAGES, CLAIMS, DEMANDS AND ACTIONS AND RELATED EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES, FOR OR BASED UPON (i) DAMAGE TO OR LOSS OF PROPERTY OF THIRD PARTIES AND (ii) PERSONAL INJURY TO OR DEATH OF THIRD PARTIES, IN EACH CASE OF (i) AND (ii) ABOVE, WHEN CAUSED BY OR RESULTING FROM THE NEGLIGENCE OR FAULT OF THE CHOPS GROUP AND RELATED TO, ARISING OUT OF, CONNECTED WITH OR IN ANY MANNER ATTRIBUTABLE TO (OR ALLEGED TO BE RELATED TO, ARISING OUT OF, CONNECTED WITH, OR IN ANY MANNER ATTRIBUTABLE TO), DIRECTLY OR INDIRECTLY, THE ACTIVITIES OR PERFORMANCE CONTEMPLATED BY THIS AGREEMENT; PROVIDED THAT, IN THE EVENT OF JOINT OR CONCURRENT NEGLIGENCE OR FAULT OF THE CHOPS GROUP AND THE MANTA RAY GROUP, CHOPS' INDEMNIFICATION OBLIGATION HEREUNDER SHALL BE LIMITED TO THE CHOPS GROUP'S ALLOCABLE SHARE OF SUCH JOINT OR CONCURRENT NEGLIGENCE OR FAULT.

5.5 GENERAL. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, NO PARTY SHALL BE LIABLE TO ANY OTHER PARTY FOR SPECIAL, INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES SUFFERED BY ANY SUCH OTHER PARTIES RESULTING FROM OR ARISING OUT OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, LOSS OF USE, INCREASED COST OF OPERATIONS, LOSS OF PROFIT OR REVENUE OR BUSINESS INTERRUPTIONS. IN FURTHERANCE OF THE FOREGOING, EACH PARTY RELEASES THE OTHER PARTIES AND WAIVES ANY RIGHT OF RECOVERY FOR SPECIAL, INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES SUFFERED BY SUCH PARTY REGARDLESS OF WHETHER ANY SUCH DAMAGES ARE CAUSED BY THE OTHER PARTIES' NEGLIGENCE (AND REGARDLESS OF WHETHER SUCH NEGLIGENCE IS SOLE, JOINT, CONCURRENT, ACTIVE, PASSIVE OR GROSS NEGLIGENCE), FAULT OR LIABILITY WITHOUT FAULT.

5.6 Insurance. All Parties shall procure and maintain or cause to be procured and maintained all insurance in the types and amounts as required by applicable laws, rules and regulations, to provide coverage against such risks, which are the subject of this Agreement, as is

either customarily carried by companies owning, operating or conducting similar business(es), or as deemed necessary and reasonably requested by the Parties from time to time. Any such insurance purchased by or on behalf of any Party shall be properly endorsed to waive the insurer's rights of subrogation under any such policies against the other Parties (and the other Parties' insurers) when any such other Party is released from liability or loss or damage pursuant to this Agreement. Notwithstanding anything in this Agreement to the contrary, a Party may, in its sole discretion, elect to self-insure with respect to such coverage so long as the Party providing self insurance has the overall ability to assume and be responsible financially for any and all liability hereunder.

ARTICLE VI
FORCE MAJEURE

6.1 Force Majeure. No Party shall be liable to the other Parties for failure to perform any of its obligations under this Agreement, other than the obligation to make payments pursuant to this Agreement, to the extent such performance is hindered, delayed or prevented by Force Majeure.

6.2 Notice. A Party who is unable, in whole or in part, to carry out its obligations under this Agreement due to Force Majeure shall promptly give written notice to that effect to the other Parties stating the circumstances underlying such Force Majeure.

6.3 Resolution. A Party claiming Force Majeure shall use commercially reasonable efforts to remove the cause, condition, event or circumstance of such Force Majeure, shall give written notice to the other Parties of the termination of such Force Majeure and shall resume performance of any suspended obligation promptly after termination of such Force Majeure.

ARTICLE VII
MISCELLANEOUS

7.1 Assignment.

(a) CHOPS Parties.

(i) Prior to the Cameron Highway Completion Date, (A) CHOPS may not assign or transfer this Agreement or its obligations hereunder (in whole or in part) and GTM may not assign or transfer any GTM CHOPS Obligation unless the other (either CHOPS or GTM) is also assigning or transferring, in the case of CHOPS, its interest in this Agreement or the obligations hereunder or, in the case of GTM, the GTM CHOPS Obligations, to the same assignee in the same assignment transaction, and (B) any assignment or transfer of all or any portion this Agreement by CHOPS or all or any portion of the GTM CHOPS Obligations by GTM shall require the prior written consent of the other Parties (which consent may be withheld by the other Parties in their sole discretion). After the Cameron Highway Completion Date, CHOPS shall have the right to assign or transfer this Agreement or the obligations hereunder (in

whole or in part) and GTM shall have the right to assign or transfer the GTM CHOPS Obligations (in whole or in part) to any Financially Capable Entity without the prior consent of the other Parties; provided, that any other assignment or transfer of this Agreement or the obligations hereunder (in whole or in part) shall require the prior written consent of the other Parties, such consent not to be unreasonably withheld or delayed; provided further, that upon any permitted assignment by the CHOPS Parties, the CHOPS Parties shall be relieved of their obligations under this Agreement accruing after the effective date of such assignment to the extent, and only to the extent, so assigned and expressly assumed by the assignee.

(ii) Any assignment or transfer by the CHOPS Parties of their obligations under this Agreement (in whole or in part) shall also include the assignment or transfer of all or a portion, as applicable, of CHOPS' ownership interest in Cameron Highway (such that Cameron Highway remains subject to this Agreement). Further, any assignee of any or all of CHOPS' right, title and interest in Cameron Highway shall agree to be bound by the terms of this Agreement and any such assignment shall be made subject to this Agreement.

(iii) Any assignment or transfer of this Agreement or the obligations hereunder (in whole or in part) by the CHOPS Parties shall be null and void unless such assignment or transfer is made in compliance with this Section 7.1(a).

(b) Caesar.

(i) Except as otherwise expressly provided in this Agreement, Caesar shall have the right to assign or transfer this Agreement or the obligations hereunder (in whole or in part), without the prior consent of the other Parties, to any Financially Capable Entity; provided, that any other assignment or transfer of this Agreement or the obligations hereunder (in whole or in part) shall require the prior written consent of the other Parties, such consent not to be unreasonably withheld or delayed; provided further, that upon any permitted assignment by Caesar, Caesar shall be relieved of its obligations under this Agreement accruing after the effective date of such assignment to the extent, and only to the extent, so assigned and expressly assumed by the assignee.

(ii) Any assignee of any or all of Caesar's right, title and interest in this Agreement shall agree to be bound by the terms of this Agreement, and any such assignment shall be made subject to this Agreement.

(iii) Any assignment or transfer of this Agreement or the obligations hereunder (in whole or in part) by Caesar shall be null and void unless such assignment or transfer is made in compliance with this Section 7.1(b).

(c) Manta Ray.

(i) Prior to the Cameron Highway Completion Date, Manta Ray shall have the right to assign or transfer this Agreement or the obligations hereunder (in whole or in

part) without the prior consent of the other Parties to GTM and/or GTM Sub; provided, that if requested by Caesar, upon and as a condition to such an assignment to GTM Sub, GTM shall (x) remain primarily liable for the obligations hereunder so assigned to such GTM Sub and (y) provide additional assurances of the performance of such GTM Sub hereunder (including, without limitation, a company guaranty from GTM) as may be reasonably required by Caesar. Further, Manta Ray shall provide Caesar written notice of such assignment or transfer at least thirty (30) Days prior to the effective date of such assignment or transfer, and agrees to promptly furnish Caesar additional information regarding the GTM Sub in order for Caesar to sufficiently evaluate whether additional assurances will be required. Prior to the effective date of such assignment or transfer, Caesar and GTM shall execute appropriate documents regarding the primary liability of GTM for the obligations assigned to such GTM Sub and Manta Ray shall, and shall cause GTM to, provide Caesar any additional assurances of performance as may be reasonably required by Caesar.

(ii) Prior to the Cameron Highway Completion Date, other than any assignment covered by Section 7.1(c)(i), (A) neither Manta Ray nor GTM Sub may assign or transfer this Agreement or its obligations hereunder (in whole or in part) unless GTM is also assigning or transferring the GTM Manta Ray Obligations to the same assignee in the same assignment transaction, (B) GTM may not assign or transfer any GTM Manta Ray Obligation unless Manta Ray and GTM Sub are also assigning or transferring their respective interests in this Agreement and their respective obligations hereunder to the same assignee in the same assignment transaction, and (C) any assignment or transfer of all or any portion of this Agreement by Manta Ray or GTM Sub or all or any portion of the GTM Manta Ray Obligations by GTM shall require the prior written consent of the other Parties (which consent may be withheld by the other Parties in their sole discretion). After the Cameron Highway Completion Date, Manta Ray and GTM Sub shall each have the right to assign or transfer this Agreement or the obligations hereunder (in whole or in part) and GTM shall have the right to assign or transfer the GTM Manta Ray Obligations (in whole or in part) to any Financially Capable Entity without the prior consent of the other Parties; provided, that any other assignment or transfer of this Agreement or the obligations hereunder (in whole or in part) shall require the prior written consent of the other Parties, such consent not to be unreasonably withheld or delayed.

(iii) Any assignment or transfer by Manta Ray or GTM Sub of this Agreement or the obligations hereunder (in whole or in part) or GTM (in the case of the GTM Manta Ray Obligations) shall also include the assignment or transfer of all or a portion, as applicable, of Manta Ray's ownership interest in Atlantis Offshore, LLC, the SS 332 A Platform Owner. Further, any assignee of any or all of Manta Ray's right, title and interest in the SS 332 A Platform or Atlantis Offshore, LLC shall agree to be bound by the terms of this Agreement, such that the SS 332 A Platform remains subject to this Agreement. Further, upon any permitted assignment by Manta Ray, GTM Sub or GTM under the terms of this Section 7.1(c), such Person (whether Manta Ray, GTM Sub or GTM) shall be relieved of its obligations under this Agreement accruing after the effective date of such assignment to the extent, and only to the extent, so assigned and expressly assumed by the assignee.

(iv) Any assignment or transfer of this Agreement or the obligations hereunder (in whole or in part) by Manta Ray, GTM Sub or GTM (with respect to the GTM Manta Ray Obligations) shall be null and void unless such assignment or transfer is made in compliance with this Section 7.1(c).

(d) This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties.

7.2 Term.

(a) This Agreement shall become effective as of the execution and delivery thereof by all of the Parties and, except as otherwise provided herein, shall continue in effect until Caesar's (or its successor's or assignee's, as applicable) election, in its sole discretion, to cease operations and abandon the Caesar System.

(b) The provisions contained in ARTICLE V (Indemnification and Insurance), ARTICLE VI (Force Majeure) and ARTICLE VII (Miscellaneous) of this Agreement shall survive termination/expiration of this Agreement.

(c) In the event of termination of this Agreement by any Party pursuant to the terms hereof, such termination of this Agreement shall not be the sole remedy of such Party.

7.3 Payments. If (a) any Party (or its employees, agents or contractors), performs any work or services on behalf of another Party (with the prior approval of such other Party) in connection with this Agreement or (b) any Party owes another Party any amount as a reimbursement or other payment pursuant to the terms of this Agreement, payment for such work, services, reimbursement or other payment shall be due and payable to the Party providing the work or services or entitled to the reimbursement or other payment, as to all invoiced amounts, within thirty (30) days of the other Party's receipt of an invoice therefor. All books, accounts and records related to such invoices for the current and preceding two (2) calendar years shall at all reasonable times be open to inspection by the Party who was invoiced. Such Party, at its sole expense, may audit the invoicing Party's books, accounts and records related to such invoices by giving sixty (60) days written notice to such Party, but such Party may decline to permit more than one (1) such audit to be conducted in any six-month period. All audit exceptions shall be resolved in a timely manner.

7.4 Laws. It is understood by the Parties that this Agreement and performance hereunder is subject to all present and future valid and applicable laws, orders, statutes, and regulations of courts or regulatory bodies (state or federal) having jurisdiction over the Parties.

7.5 Authorizations. The Parties hereto represent that they have all requisite corporate authorizations necessary or proper to consummate this Agreement.

7.6 Notices. Any notice, request, demand, statement or payment provided for in this Agreement shall be confirmed in writing and shall be made as specified below; provided, however, that notices claiming default, or initiating dispute resolution procedures, or similar matters, shall only be made using overnight mail, certified mail, or courier; and provided further, that notices of interruption and similar operating matters may be provided verbally or by electronic mail, effective immediately and, upon request, confirmed in writing. A notice sent by facsimile transmission shall be deemed received by the close of the Business Day on which such notice was transmitted or such earlier time as confirmed by the receiving Party and by overnight mail or courier shall be deemed to have been received two (2) Business Days after it was sent or such earlier time as is confirmed by the receiving Party unless it confirms a prior verbal communication in which case any such notice shall be deemed received on the day sent. The addresses of the Parties are set forth below:

To Caesar:
Caesar Oil Pipeline Company, LLC
501 WestLake Park Blvd.
Houston, TX 77079
Attn: Vice President
Telephone: 281-366-3644
Facsimile: 281-366-7910

Copies with attachments:
Mardi Gras Transportation System Inc.
501 WestLake Park Blvd.
Houston, TX 77079
Attn: Peter A. Edlund
Telephone: 281-366-5614
Facsimile: 281-366-7910
Email: edlundpa@bp.com

To Manta Ray:
Manta Ray Gathering Company, L.L.C.
Four Greenway Plaza
Houston, TX 77046
Attn: President
Telephone: 832-676-5666
Facsimile: 832-676-1710
Email: james.lytal@elpaso.com

To CHOPS: Cameron Highway Oil Pipeline Company
Attn: Manta Ray Gathering Company,
L.L.C., Operator
Four Greenway Plaza
Houston, TX 77046
Attn: President
Telephone: 832-676-5666
Facsimile: 832-676-1710
Email: james.lytal@elpaso.com

To GTM: GulfTerra Energy Partners, L.P.
Four Greenway Plaza
Houston, TX 77046
Attn: President
Telephone: 832-676-5666
Facsimile: 832-676-1710
Email: james.lytal@elpaso.com

These addresses will remain in effect for the duration of this Agreement, unless changed by notice.

7.7 Entirety. This Agreement and the Exhibits hereto constitute the entire agreement between the Parties hereto relative to the subject matter hereof, and replace and supersede all prior agreements, conditions, understandings, representations and warranties made between the Parties with respect to the subject matter hereof, whether written or oral.

7.8 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO ANY CONFLICT OF LAW PRINCIPLES WHICH, IF APPLIED, MIGHT PERMIT OR REQUIRE THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION, AND THE PARTIES AGREE THAT THE PLACE OF EXECUTION OF THIS AGREEMENT IS HOUSTON, HARRIS COUNTY, TEXAS, AND THAT VENUE WITH RESPECT TO ANY DISPUTE ARISING UNDER THIS AGREEMENT OR IN CONNECTION HEREWITH SHALL LIE IN HOUSTON, HARRIS COUNTY, TEXAS. NOTWITHSTANDING THE FOREGOING, SECTIONS 5.1(a)(ii), 5.1(b)(ii), 5.2(a)(ii), 5.2(b)(ii), 5.3(a)(ii) AND 5.3(b)(ii) SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE MARITIME LAWS OF THE UNITED STATES.

7.9 Non-Waiver. No waiver by any Party hereto of any one or more defaults by any other Party in the performance of any of the provisions of this Agreement shall be construed as a waiver of any other default or defaults whether of a like kind or different nature. Any delay, less than any applicable statutory period of limitations, in asserting or enforcing any rights under this Agreement, shall not be deemed a waiver of such rights. Failure of any Party to enforce any provision of this Agreement or to require performance by any other Party of any of the

provisions hereof shall not be construed to waive such provision, or to affect the validity of this Agreement or any part thereof, or the right of any Party thereafter to enforce each and every provision hereof.

7.10 Severability. If any term or other provision of this Agreement is determined to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms and conditions of this Agreement shall nevertheless remain in full force and effect.

7.11 Amendments. This Agreement shall not be amended or modified except by a written document executed by GTM, Caesar and CHOPS; provided, however, that any amendment or modification that relates to access to the SS 332 A Platform, or space or activities on the SS 332 A Platform, shall also require the written consent of Manta Ray.

7.12 No Electronic Means. The Parties agree not to conduct the transactions contemplated by this Agreement by electronic means, except as specifically set forth in Section 7.6.

7.13 Headings. The headings used for the ARTICLES and Sections herein are for convenience and reference purposes only and shall in no way affect the meaning or interpretation of the provisions of this Agreement.

7.14 Confidentiality.

(a) No Party shall disclose any other Party's Confidential Information to a third party (other than such Party's and its members' or Affiliates' employees, lenders, agents, servants, counsel, contractors, consultants or accountants who need to know and agree to maintain the confidentiality of the Confidential Information in accordance with this Section 7.14) except in order to comply with any applicable law, order, regulation or exchange rule and except in connection with any arbitration in accordance with Exhibit A; provided, however, that each Party shall notify the other Parties of any proceeding of which it is aware that may result in disclosure and use reasonable efforts to prevent or limit the disclosure. The Parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation including, without limitation, obtaining an injunction against disclosure; provided, all monetary damages shall be limited to actual direct damages and a breach of this section shall not give rise to a right to suspend or terminate this transaction.

(b) Notwithstanding any other provision in this Agreement, but subject to the provisions of Section 7.14(c), (i) a Party (including its members) may disclose all terms and conditions of this Agreement to (A) its members, (B) any third party where such third party is a potential bona fide purchaser or user of substantially all of a Party's or its members' assets, or of the portion of such assets affected by this Agreement, or (C) its pipeline operator, pipeline construction manager, or its contractors and consultants, and (ii) the Parties may disclose Confidential Information to Manta Ray Offshore Gathering Company, L.L.C. to the extent (A) related to the design, fabrication, construction, and installation of the interconnection of

Cameron Highway with the Caesar System and (B) necessary in connection with the design, fabrication, construction, and installation of the interconnection of Cameron Highway with the Caesar System.

(c) If a Party discloses any or all of the terms and conditions of this Agreement as contemplated in paragraph (b) above, it shall do so only if a confidentiality arrangement exists, containing terms no less stringent than those provided herein, with the Person to whom such Confidential Information is to be disclosed.

(d) The terms of this Section 7.14 shall survive and Confidential Information received from the another Party shall be kept confidential for a period of three (3) years following termination of this Agreement.

(e) Upon (i) the termination of this Agreement and (ii) the request of a Party, the other Parties shall return or destroy all written Confidential Information (excluding this Agreement but including written confirmation of oral communications) provided by the requesting Party which was stamped "Confidential," provided that a Party may keep a copy of a document marked "Confidential" if such Party's counsel determines that it is required to do so by law or pending the outcome of any dispute involving the Parties under this Agreement. In the event of such request, documents, analyses, compilations, studies or other materials prepared by a Party or its representatives that contain or reflect Confidential Information from another Party, other than computer archival and backup tapes or archival and backup files (collectively "COMPUTER TAPES") and billing and trading records (collectively, "OTHER RECORDS") shall be destroyed (such destruction to be confirmed in writing by a duly authorized officer of the returning Party) or shall be retained on a confidential basis consistent with the terms of this Agreement. Computer Tapes and Other Records shall be kept confidential in accordance with the terms of this Agreement. Notwithstanding the foregoing, no Party shall be required to destroy or return documents covered by this provision prior to the later of the expiration of applicable statutes of limitations for actions that might arise with respect to the subject matter of such documents or final action with respect to any legal action or arbitration involving such documents.

(f) The Parties agree that except as provided herein, each Party shall maintain its right, title and interest in all proprietary data, documentation and software furnished to the other Parties pursuant to this Agreement, except any portion of information that was supplied by another Party, which information shall be returned or destroyed pursuant to paragraph (e) above.

7.15 Representations and Warranties of the Parties.

(a) The MR Parties represent and warrant to Caesar that:

(i) Manta Ray is a direct wholly-owned subsidiary of GTM and is a member of Atlantis Offshore, LLC, the SS 332 A Platform Owner;

(ii) As a member of the SS 332 A Platform Owner, Manta Ray has all right and authority to grant Caesar, GTM and CHOPS (A) access to the SS 332 A Platform for the purposes described in this Agreement and (B) the right to access and use the deck space and riser space on the SS 332 A Platform for the activities contemplated in this Agreement; and

(iii) Manta Ray has all right and authority to execute this Agreement and to fulfill the obligations and duties contained herein.

(b) The CHOPS Parties represent and warrant to Caesar that:

(i) CHOPS is a general partnership, with 50% of its ownership interests owned by Cameron Highway Pipeline I, L.P. (an indirect wholly-owned subsidiary of GTM), 25% of its ownership interests owned by Cameron Highway Pipeline II, L.P. (an indirect wholly-owned subsidiary of GTM) and 25% of its ownership interests owned by Cameron Highway Pipeline III, L.P. (an indirect wholly-owned subsidiary of GTM). CHOPS has all necessary rights and authorities to grant Caesar (A) access to the SS 332 B Platform for the purposes described in this Agreement and (B) the right to access and use the deck space and riser space on the SS 332 B Platform for the activities contemplated in this Agreement; and

(ii) CHOPS has all right and authority to execute this Agreement and to fulfill the obligations and duties contained herein.

(c) Caesar represents and warrants to CHOPS and Manta Ray that:

(i) Caesar is a Delaware limited liability company and is the owner of the Caesar System; and

(ii) Caesar has all right and authority to execute this Agreement and to fulfill the obligations and duties contained herein.

(d) GTM represents and warrants to Caesar that:

(i) GTM is a Delaware limited partnership; and

(ii) GTM has all right and authority to execute this Agreement and to fulfill the obligations and duties contained herein.

(e) Each Party declares, warrants, and represents on behalf of itself (i) that it has contributed to the drafting of this Agreement or has had it reviewed by legal counsel before executing it, (ii) that this Agreement has been purposefully drawn and correctly reflects such Party's understanding of the transaction that it contemplates as of the effective date hereof, (iii) that this Agreement has been validly executed and delivered, (iv) that this Agreement has been duly authorized by all action necessary for the authorization thereof, and (v) this Agreement constitutes a binding and enforceable obligation of the Party, enforceable in accordance with its terms.

7.16 Counterparts. This Agreement may be executed by signing the original or a counterpart thereof. If this Agreement is executed in counterparts, all counterparts taken together shall have the same effect as if all Parties had signed the same instrument.

7.17 Independent Contractor Status; No Partnership. In the event that any Party performs any work on behalf of another Party, such working Party will perform in the status of an independent contractor and shall not be deemed to be an agent or employee of the other Parties as a result of such work. Nothing herein is intended to create a partnership, joint venture, agency or other relationship creating fiduciary or quasi fiduciary duties or similar duties and obligations or otherwise subject the Parties to joint and several or vicarious liability or, except as otherwise provided in this Agreement, to impose any duty, obligation or liability that would arise therefrom with respect to any Party.

7.18 No Third Party Beneficiaries. This Agreement is for the sole and exclusive benefit of the Parties hereto. Except as expressly provided herein to the contrary, nothing herein is intended to benefit any other Person not a Party hereto, and no such Person shall have any legal or equitable right, remedy or claim under this Agreement.

7.19 Exhibits and Schedules. All exhibits, schedules and the like contained herein or attached hereto are integrally related to this Agreement and are hereby made a part of this Agreement for all purposes. To the extent of any ambiguity, inconsistency or conflict between the body of this Agreement and any of the exhibits, schedules and the like attached hereto, the terms of the body of this Agreement shall prevail.

7.20 Further Assurances. Subject to the terms and conditions set forth in this Agreement, each of the Parties agrees to use all reasonable efforts to take, or cause to be taken, all actions, and to do, or to cause to be done, all things necessary, proper or advisable under applicable laws to consummate and make effective the transactions contemplated by this Agreement. In case, at any time after the execution of this Agreement, any further action is necessary or desirable to carry out its purpose, the proper members, officers or directors of the Parties shall take or cause to be taken all such necessary actions.

7.21 Interpretation. Whenever the context requires: the gender of all words used in this Agreement includes the masculine, feminine, and neuter; a reference to any Person or entity includes its permitted successors and assigns; the words "hereof," "herein," "hereto," "hereunder," and words of similar import when used in this Agreement will refer to this Agreement as a whole and not to any particular provisions of such Agreement; articles and other titles or headings are for convenience only and neither limit nor amplify the provisions of this Agreement itself, and all references herein to articles, sections or subdivisions thereof will refer to the corresponding article, section or subdivision thereof of this Agreement unless specific reference is made to such articles, sections or subdivisions of another document or instrument; any reference to "includes" or "including" will mean "includes without limitation" or "including but not limited to," respectively; and any references in the singular will include references in the plural and vice-versa.

7.22 Time of the Essence. Time is of the essence with respect to any and all obligations arising pursuant to this Agreement.

7.23 Dispute Resolution. Other than any claim for injunctive relief restricting disclosure of Confidential Information as specifically provided under Section 7.14(a) of this Agreement, any controversy or claim (whether based on contract, tort, statute or other legal or equitable theory (including, but not limited to, any claim of fraud, misrepresentation or fraudulent inducement or any question as to the validity or effect of this Agreement)), or the breach or termination hereof (a "DISPUTE") shall be exclusively resolved pursuant to the dispute resolution procedures set forth in Exhibit A. With respect to any particular Dispute, the Party bringing such Dispute is referred to as a "SUBMITTING PARTY", and the other Parties are referred to as the "NON-SUBMITTING PARTIES".

7.24 Public Announcements. Except with respect to (a) information already in the public domain (other than as a result of the breach of this Agreement) and (b) public announcements required by applicable laws or securities exchange, market or similar rules, public announcements concerning this Agreement and the activities contemplated hereunder shall require the prior written consent of the other Parties, such consent not to be unreasonably withheld. In the case of any public announcement pursuant to Section 7.24(b) above, the disclosing Party shall provide an advance copy of the proposed public disclosure to the non-disclosing Parties and permit the non-disclosing Parties the opportunity to reasonably comment on such proposed disclosure.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the date set forth hereinabove.

CAESAR OIL PIPELINE COMPANY, LLC

By: /s/ J. F. Wenzel

Name: J. F. Wenzel
Title: Vice President

MANTA RAY GATHERING COMPANY, L.L.C.

By: /s/ James Lytal

Name: James Lytal
Title: President

CAMERON HIGHWAY OIL PIPELINE COMPANY

By: /s/ James Lytal

Name: James Lytal
Title: President

GULFTERRA ENERGY PARTNERS, L.P.

By: /s/ James Lytal

Name: James Lytal
Title: President

Exhibits:

A	-	Dispute Resolution Procedures
B	-	Chart of Responsibilities
C-1	-	SS 332 A Platform Deck Space and Responsibilities
C-2	-	SS 332 B Platform Deck Space and Responsibilities
D	-	SS 332 B Platform Milestones and Milestone Dates

Exhibit A

Dispute Resolution Procedures

1. If a Dispute arises, the Submitting Party shall deliver written notice to the Non-Submitting Parties of such Dispute, and the Parties shall in good faith attempt to settle such Dispute by consultation between senior management representatives of the Submitting Party and the Non-Submitting Parties. In the event such consultation does not settle the Dispute within thirty (30) days after receipt of the written notice of such Dispute by the Non-Submitting Parties, the Dispute shall be submitted to non-binding mediation. In the event the Parties are unable to settle the Dispute through use of mediation within thirty (30) days of the commencement of such mediation, the Dispute shall be settled by binding arbitration in accordance with the Rules of the AAA, and the following provisions of this Exhibit A:

(a) The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. Sections 1-16 to the exclusion of any provision of state law inconsistent therewith, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction. Any arbitration proceeding hereunder will be conducted on a confidential basis.

(b) The arbitration shall be held in Houston, Texas.

(c) There shall be one (1) arbitrator. The Parties shall attempt jointly to select an arbitrator. If the Parties are unable or fail to agree upon an arbitrator within fifteen (15) days after the commencement of arbitration, one shall be selected by AAA in accordance with its Rules. The arbitration hearing shall occur no later than sixty (60) days after selection of the arbitrator. The arbitrator shall determine the claims of the Parties and render a final award in accordance with the substantive law provided for in the Agreement. The arbitrator shall not have the right or the ability to terminate this Agreement. The arbitrator shall set forth the reasons for the award in writing within ten (10) Business Days after the close of evidence and any post-evidence briefing and arguments that may be agreed upon (which shall be concluded within fourteen (14) days after close of evidence).

(d) Any claim by a Party shall be time-barred if the Submitting Party commences arbitration with respect to such claim later than two (2) years after the receipt of the written notice of the Dispute by the Non-Submitting Parties. All statutes of limitations and defenses based upon passage of time applicable to any claim of a defending Party (including any counterclaim or setoff) shall be tolled while the arbitration is pending.

(e) The obligation to arbitrate any Dispute shall extend to the successors and assigns of the Parties. The Parties shall use their commercially reasonable efforts to cause the obligation to arbitrate any Dispute to extend to any officer, director, employee, shareholder, agent, trustee, Affiliate, or subsidiary. The terms hereof shall not limit any obligations of a Party

to defend, indemnify or hold harmless another Party against court proceedings or other claims, losses, damages or expenses.

(f) The arbitrator shall order the Parties to promptly exchange copies of all exhibits and witness lists and, if requested by a Party, to produce other relevant documents, to answer up to ten (10) interrogatories (including subparts), to respond to up to ten (10) requests for admissions (which shall be deemed admitted if not denied) and to produce for deposition and, if requested, at the hearing all witnesses that such Party has listed and up to four (4) other Persons within such Party's control. Any additional discovery shall only occur by agreement of the Parties or as ordered by the arbitrator upon a finding of good cause.

(g) Each Party shall bear its own costs, expenses and attorney's fees; provided that if court proceedings to stay litigation or compel arbitration are necessary, the Party who unsuccessfully opposes such proceedings shall pay all reasonable associated costs, expenses, and attorney's fees in connection with such court proceeding.

(h) In order to prevent irreparable harm, the arbitrator shall have the power to grant temporary or permanent injunctive or other equitable relief. Prior to the appointment of an arbitrator a Party may, notwithstanding any other provision of this Agreement, seek temporary injunctive relief from any court of competent jurisdiction; provided that the Party seeking such relief shall (if arbitration has not already been commenced) simultaneously commence arbitration. Such court ordered relief shall not continue more than ten (10) days after the appointment of the arbitrator (or in any event for longer than sixty (60) days).

2. If any part of these dispute resolution procedures is held to be unenforceable, it shall be severed and shall not affect either the duty to arbitrate or any other part of these provisions.

Exhibit B

Chart of Responsibilities

RESPONSIBILITIES FOR CAESAR TIE-IN AND ASSOCIATED FACILITIES ON THE LANDING PLATFORM

NUMBER	ITEM	DESIGN	CONSTRUCT	TRANSPORT AND INSTALL	OWN	CAPEX	PROVIDE DECK SPACE
			CAESAR/CAMERON HIGHWAY RISER AND FACILITIES				
1	28" Import Riser to EL. (+) 12'	C	C	C	C	C	CH
2	28" Riser From EL (+) 12' to Pig Receiver	C	C	C	C	C	CH
3	Pig Receiver Skid Package	C	C	C	C	C	CH
4	LACT Unit & Prover	C CH	CH	CH	C	CH	CH
5	Dedicated Interconnect Piping Between Pig Receiver and LACT Unit	CH	CH	CH	C	CH	CH
6	Interconnect Piping Downstream of LACT Unit	CH	CH	CH	CH	CH	CH
7	Utilities	CH	CH	CH	CH	CH	CH
	Instrument Air	CH	CH	CH	CH	CH	CH
	Lighting	CH	CH	CH	CH	CH	CH
	Electrical Power	CH	CH	CH	CH	CH	CH
	Hot oil Recycle/Dewaxing	CH	CH	CH	CH	CH	CH
8	Relief System	CH	CH	CH	CH	CH	CH
9	Open Drain System	CH	CH	CH	CH	CH	CH
10	Closed Drain System	CH	CH	CH	CH	CH	CH
11	Emergency Support System (ESD & Fusible Loop on Skid)	C/CH	C	C	C	C	CH
12	Fire Fighting Equipment	CH	CH	CH	CH	CH	CH
13	SCADA System	C	C	C	C	C	CH
	Dish	C	C	C	C	C	CH
	Space in Existing Control Building Space	CH	CH	CH	CH	CH	CH
	Communications Equipment	C	C	C	C	C	CH
14	Process Control/Safety System Panel	C	C	C	C	C	CH
15	Instrument & Electrical Interconnect	CH	CH	CH	C	C	CH
16	Pigs	C	C	N/A	C	C	CH
17	Pig Storage Containers	C	C	C	C	C	CH

NUMBER	ITEM	OPERATE	PAY FOR OPEX	MAINTENANCE	PAY FOR MAINTENANCE(1) COSTING $5,000 OR LESS	PAY FOR TANGIBLE MAINTENANCE(2)
			CAESAR/CAMERON HIGHWAY RISER AND FACILITIES			
1	28" Import Riser to EL. (+) 12'	C	C	C	C	C
2	28" Riser From EL (+) 12' to Pig Receiver	CH	CH	CH	CH	C
3	Pig Receiver Skid Package	CH	CH	CH	CH	C
4	LACT Unit & Prover	CH	CH	CH	CH	C
5	Dedicated Interconnect Piping Between Pig Receiver and LACT Unit	CH	CH	CH	CH	CH
6	Interconnect Piping Downstream of LACT Unit	CH	CH	CH	CH	CH
7	Utilities	CH	CH	CH	CH	CH
	Instrument Air	CH	CH	CH	CH	CH

	Lighting	CH	CH	CH	CH	CH
	Electrical Power	CH	CH	CH	CH	CH
	Hot oil Recycle/Dewaxing	CH	C	CH	CH	C
8	Relief System	CH	CH	CH	CH	CH
9	Open Drain System	CH	CH	CH	CH	CH
10	Closed Drain System	CH	CH	CH	CH	CH
11	Emergency Support System (ESD & Fusible Loop on Skid)	CH	CH	CH	CH	C
12	Fire Fighting Equipment	CH	CH	CH	CH	CH
13	SCADA System	C	C	C	C	C
	Dish	C	C	C	C	C
	Space in Existing Control Building Space	CH	CH	CH	CH	CH
	Communications Equipment	C	C	C	C	C
14	Process Control/Safety System Panel	CH	CH	CH	CH	C
15	Instrument & Electrical Interconnect	CH	CH	CH	CH	C
16	Pigs	CH	CH	C	C	C
17	Pig Storage Containers	CH	C	C	C	C

18	Pig Handling Equipment.	CH	CH	CH	CH	CH	CH	CH	CH	CH	CH	CH
19	Pig Transport From SS 332 'A'	N/A	N/A	N/A	N/A	N/A	CH	CH	C	N/A	N/A	N/A
20	Paraffin Handling	N/A	N/A	N/A	N/A	N/A	CH	CH	C	CH	C	C

RESPONSIBILITIES FOR CAESAR TIE-IN AND ASSOCIATED FACILITIES ON THE LANDING PLATFORM

NUMBER	ITEM	DESIGN	CONSTRUCT	TRANSPORT AND INSTALL	OWN	CAPEX	PROVIDE DECK SPACE
	CAESAR RISER AND FACILITIES IN ADDITION TO CAMERON HIGHWAY RISER AND FACILITIES						
1	Pig Launcher Skid Package	C	C	C	C	C	CH
2	20" Export Riser from Launcher to EL (+) 12'	C	C	C	C	C	CH
3	20" Export Riser from EL (+) 12' to ST 301P/L Tie-in	C	C	C	C	C	CH
4	Interconnect Piping Between 28" P/L Receiver and 20" P/L Launcher	CH	CH	CH	C	C	CH

NUMBER	ITEM	OPERATE	PAY FOR OPEX	MAINTENANCE	PAY FOR MAINTENANCE(1) COSTING $5,000 OR LESS	PAY FOR TANGIBLE MAINTENANCE(2)
	CAESAR RISER AND FACILITIES IN ADDITION TO CAMERON HIGHWAY RISER AND FACILITIES					
1	Pig Launcher Skid Package	CH	CH	CH	CH	C
2	20" Export Riser from Launcher to EL (+) 12'	CH	CH	CH	CH	C
3	20" Export Riser from EL (+) 12' to ST 301P/L Tie-in	C	C	C	C	C
4	Interconnect Piping Between 28" P/L Receiver and 20" P/L Launcher	CH	C	CH	C	C

Key: C Caesar Oil Pipeline Company, LLC

CH Cameron Highway Oil Pipeline System, L.P.

(1) Any single item or occurrence of maintenance or repair costing $5,000 or less

(2) Any single item or occurrence of maintenance or repair costing in excess of $5,000

Exhibit C-1

SS 332 A Platform Deck Space and Responsibilities

[PICTURE OF FLOOR PLAN]

CELLAR DECK
(SPECS)

[PICTURE OF FLOOR PLAN]

PLAN
SUB-CELLAR DECK
(SPECS)

Exhibit C-2

SS 332 B Platform Deck Space and Responsiblities

[PICTURE OF FLOOR PLAN]

[PICTURE OF FLOOR PLAN]

OFFSHORE FACILITIES INTERCONNECTION,
CONSTRUCTION AND OPERATING AGREEMENT
CAMERON HIGHWAY

[PICTURE OF FLOOR PLAN]

EXHIBIT D

SS 332 B Platform Milestones and Milestone Dates

With respect to each Milestone that contains a requirement that an item be a certain percentage complete, the Parties agree that the completion of such Milestone will be determined as follows: Such Milestones will be reviewed on a weekly basis by the fabricator's project manager, a Caesar representative and a CHOPS site representative. Such review will consist of an on-site visual inspection of each activity and based on such review, Caesar and CHOPS will mutually agree on the percentage completion of the applicable Milestone. Upon such mutual consent, the Caesar and CHOPS representative will execute a written statement evidencing their agreement on the percentage completion for the applicable Milestone, and such percentage completion shall control for all purposes under this Agreement.

The determination of the percentage completion will vary depending on the activity at issue. For example, in the case of rolling cans for jacket legs or piles, the percentage completion shall be the number of cans that have been rolled and welded on the long seam as a percentage of the total number of cans to be rolled and welded on the long seam. In the case of painting, the percentage completion is based on the square footage covered and the number of coats applied as a percentage of the total square footage to be painted and the total number of coats to be applied, respectively. The Parties acknowledge that some of these measures are somewhat subjective, thus requiring a joint review and mutual agreement.

Notwithstanding Section 7.23 of the Agreement to the contrary, in the event Caesar and CHOPS are unable to mutually agree on the percentage completion for any Milestone as provided above, Caesar and CHOPS will submit the determination of the percentage completion to one of the following engineering firms (the one firm to be used to be agreed by Caesar and CHOPS): Pegasus International, Inc., Fluor Daniel, Inc. or Halliburton KBR. Caesar and CHOPS shall cooperate to the maximum extent possible to furnish the engineering firm with all information and data required by the engineering firm to make such determination. Caesar and CHOPS shall direct the engineering firm to make its final decision within five (5) days of the submission of the issue to the engineering firm. Each of Caesar and CHOPS shall bear its own internal costs (including, without limitation, attorney's fees and expert witness fees) attributable to the preparation and presentation of its case to the engineering firm. The fees and costs of the engineering firm shall be borne by the non-prevailing Party in the proceeding. The determination of the engineering firm as to the percentage completion of the applicable Milestone shall be final and binding on the Parties for all purposes under this Agreement.

JACKET AND PILES

On or before July 16, 2003

- 46% complete or better overall
- All materials for critical path components on site (critical path components as defined on Contractor's fabrication schedule)
- 100% complete on fabrication of jacket row A
- 90% complete on fabrication of jacket row B

On or before August 14, 2003

- 56% complete or better overall
- 100% complete on fabrication of jacket elevations
- 100% complete on installation of row B skirt pile sleeves

On or before September 18, 2003

- 78% complete or better overall
- Horizontal framing elevations and row 1 and 2 braces erected onto row A
- Row B floated onto rows 1 and 2

On or before November 1, 2003

- Jacket and piles loaded out, tied down, and ready to sail (unless deferred by installation contractor, in which case the completion date for this activity will be as needed to dovetail with the installation contractor's schedule)

CELLAR DECK AND BRIDGE

On or before July 16, 2003

- 100% complete on fabrication of cellar deck center section, wings, sub-cellar deck, and sub-structure
- 90% complete on installation of major pipe supports below cellar deck center section and wings
- Progress milestones defined for piping fabrication and installation

On or before September 12, 2003

- 100% complete on coating of cellar deck center section, wings, sub-cellar deck, and sub-structure (excluding touch-up)

- 100% complete on installation of cellar deck center section on sub-structure

- 100% complete on installation of sub-cellar deck (including sump tank) under cellar deck

- 100% complete on installation of wings on center section

- 90% complete on fabrication of bridge structure

- Installation of piping below cellar deck in progress (% complete to be specified by June 16)

OTHER

On or before December 30, 2003

- The jacket and cellar deck of the SS 332 B Platform shall be installed (including the pig receiver and riser related to the connection of the Caesar System with the SS 332 B Platform), the jacket and cellar deck of the SS 332 B Platform (including the pig receiver and riser related to the connection of the Caesar System with the SS 332 B Platform) shall meet all required technical specifications and requirements reasonably necessary for the hydrotesting and commissioning of the Caesar System on the SS 332 B Platform in accordance with prudent, sound and generally acceptable industry practices, standards and procedures, and all SS 332 B Approvals necessary for (a) and (b) above shall have been obtained and shall be in full force and effect.

GULFTERRA ENERGY PARTNERS, L.P.
Four Greenway Plaza
Houston, Texas 77046

June 23, 2003

Cameron Highway Oil Pipeline Company
Four Greenway Plaza
Houston, Texas 77046
Attn: James Lytal, President

Re: Liquidated Damages Letter Agreement

Dear James:

Reference is hereby made to (i) that certain Cameron Highway Purchase and Sale Agreement dated effective the 23rd day of June, 2003, by and between BP Exploration & Production Inc. and Cameron Highway Oil Pipeline Company (the "Company") (the "BP PSA"), (ii) that certain Cameron Highway Purchase and Sale Agreement dated effective the 23rd day of June, 2003, by and between BHP Billiton Petroleum (Deepwater) Inc. and the Company (the "BHP PSA"), (iii) that certain Cameron Highway Purchase and Sale Agreement dated effective the 23rd day of June, 2003, by and between Union Oil Company of California and the Company (the "Unocal PSA"), and (iv) all other agreements relating to the purchase of oil from and the sale of oil to the Cameron Highway Oil Pipeline ("Purchase and Sale Agreements", together with the BP PSA, the BHP PSA, and the Unocal PSA, the "Agreements").

The Company (a) has agreed to pay liquidated damages to each of BP, BHP and Unocal (as applicable) upon the occurrence of certain specified circumstances as set forth in Article XI.c.-.f. of each Agreement with such party, and (b) may agree under Purchase and Sale Agreements to pay liquidated damages resulting from the failure of the Cameron Highway Oil Pipeline to be mechanically complete or in - service (or a concept of similar import) by a particular date certain ((a) and (b) collectively, the "Payment Obligations"). GulfTerra Energy Partners, L.P. ("GTM") hereby agrees, during the term of this Letter Agreement, (i) to fully and timely pay, perform, and discharge in accordance with their terms 100% of the Payment Obligations under each of the Agreements, and (ii) to the extent the Company pays all or a portion of such Payment Obligations directly, to reimburse, indemnify and hold harmless the Company within 10 business days after such Company payment (and the Company shall deliver to GTM an invoice requesting reimbursement therefore timely such that GTM can meet its obligations hereunder).

This Letter Agreement shall automatically terminate upon the occurrence of "Conversion" of the construction loans into term loans under the project financing currently being negotiated by the Company in respect of the Cameron Highway Oil Pipeline, as such term shall ultimately be defined under the final, executed financing agreements. This Letter Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes (i) all prior oral or written proposals or agreements between the parties hereto, (ii) all contemporaneous oral or written proposals or agreements and (iii) all

previous negotiations and all other communications or understandings between the parties hereto with respect to the subject matter hereof. All of the other terms of each Agreement shall remain effective and binding; provided that in the event of a conflict between the terms of any Agreement and this Letter Agreement, this Letter Agreement shall control. The terms and conditions of this Letter Agreement will inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto. This Letter Agreement will be governed by, and construed in accordance with, the laws of the State of Texas without regard to the conflict of laws rules of such state.

[Signature Page Follows]

If the foregoing accurately describes our agreement with respect to the foregoing, please so indicate by signing this letter in the space indicated below.

Very truly yours,

GULFTERRA ENERGY PARTNERS, L.P.

By: /s/ Keith Forman

Name: Keith Forman
Title: Vice President and Chief Financial Officer

Acknowledged and accepted by:

CAMERON HIGHWAY OIL PIPELINE COMPANY

By: /s/ James Lytal

Name: James Lytal
Title: President

[Signature Page of Liquidated Damages Letter Agreement]

PARTICIPATION AGREEMENT
SCHEDULE 5(j)
POSEIDON OPPORTUNITIES

None.

	Permit	Authorizing Agency	Permit Status	Secured	Pending	Comments
I) Offshore			Offshore[1]			
1	Pipeline Right-of-Way Permit No. OCS-G24294, Segment No. 13972 OCS-G24664, Segment No. 14077 OCS-G24626, Segment No. 13987 OCS-G24667, Segment No. 14096	United States Department of the Interior, Minerals Management Service ("MMS")	Applications for Amendment of Application submitted to MMS on December 3, 2002 and January 17, 2003.		X	Additional information requested by MMS for all four segments was submitted on February 23, 2003 and March 2, 2003.
2	Garden Banks to High Island Fairway Crossing Permit	United States Army Corps of Engineers ("USACE")		X		Additional information requested by USACE was submitted on March 2, 2003.
3	Coastal Zone Consistency Review No. C20030012, Coastal Zone Consistency	Louisiana Coastal Zone Management ("LCZM")	Letter dated 25 Feb 03 indicates project is consistent with LCZM program	X		Copy of letter to be forwarded to MMS.
4	Six-Inch Fuel Gas Pipeline	MMS	Planned date for submission of application is 4/15/03.		X	Application documents are being prepared.
5	HI A5 Platform	MMS	Submitted		X	
6	SS 332 Platform	MMS	To be Submitted		X	

SCHEDULE 6(h)

VALERO OPPORTUNITIES

NONE.

SCHEDULE 8(a)

PERSONS WITH "KNOWLEDGE" - GTM COMPANIES

James Lytal
Keith Forman
Brad Graves
Drew Cozby
Scott Jenkins
Dennis Jahde
Wynne Harvey
Bart Heijermans
David Ferer

SCHEDULE 8(b)

PERSONS WITH "KNOWLEDGE" - VALERO

Mike Ciskowski
Chris Quinn
Rodney Reese
Tom Shoaf
Mike Hoeltzel

EXHIBIT 31.A

CERTIFICATION

I, Robert G. Phillips, certify that:

1. I have reviewed this quarterly report on Form 10-Q of GulfTerra Energy Partners, L.P.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2003

/s/ ROBERT G. PHILLIPS

Robert G. Phillips
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)
GulfTerra Energy Partners, L.P.

EXHIBIT 31.B

CERTIFICATION

I, Keith B. Forman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of GulfTerra Energy Partners, L.P.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2003

/s/ KEITH B. FORMAN

Keith B. Forman
Vice President and Chief Financial Officer
(Principal Financial Officer)
GulfTerra Energy Partners, L.P.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ending September 30, 2003, of GulfTerra Energy Partners, L.P. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert G. Phillips, Chairman of the Board and Chief Executive Officer, certify (i) that the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (ii) that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert G. Phillips

Robert G. Phillips
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)
GulfTerra Energy Partners, L. P.

November 3, 2003

A signed original of this written statement required by Section 906 has been provided to GulfTerra Energy Partners, L.P. and will be retained by GulfTerra Energy Partners, L.P. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.B

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ending September 30, 2003, of GulfTerra Energy Partners, L.P. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Keith B. Forman, Vice President and Chief Financial Officer, certify (i) that the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (ii) that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Keith B. Forman

Keith B. Forman
Vice President and
Chief Financial Officer
(Principal Financial Officer)
GulfTerra Energy Partners, L.P.

November 3, 2003

A signed original of this written statement required by Section 906 has been provided to GulfTerra Energy Partners, L.P. and will be retained by GulfTerra Energy Partners, L.P. and furnished to the Securities and Exchange Commission or its staff upon request.