UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☑ 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

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

Commission File No. 1-10403

TEPPCO Partners, L.P.

(Exact name of Registrant as specified in its charter)

Delaware	**76-0291058**
(State of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

2929 Allen Parkway
P.O. Box 2521
Houston, Texas 77252-2521
(Address of principal executive offices, including zip code)

(713) 759-3636
(Registrant’s telephone number, including area code)

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 ☑ No o

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date. Limited Partner Units outstanding as of October 29, 2003: 62,998,554

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TEPPCO PARTNERS, L.P.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TEPPCO PARTNERS, L.P.

CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2003	December 31, 2002
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 100,364	$ 30,968
Accounts receivable, trade (net of allowance for doubtful accounts of $5,395 and $4,537)	359,505	276,163
Accounts receivable, related parties	2,081	4,313
Inventories	17,546	17,166
Other	25,668	31,670
Total current assets	505,164	360,280
Property, plant and equipment, at cost (net of accumulated depreciation and amortization of $328,350 and $338,746)	1,576,600	1,587,824
Equity investments	378,430	284,705
Intangible assets	437,506	465,374
Goodwill	16,944	16,944
Other assets	55,999	55,228
Total assets	$2,970,643	$2,770,355
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable and accrued liabilities	$ 364,381	$ 266,022
Accounts payable, related parties	15,969	6,619
Accrued interest	15,824	29,726
Other accrued taxes	13,536	11,260
Other	48,652	52,869
Total current liabilities	458,362	366,496
Senior Notes	1,135,576	945,692
Other long-term debt	225,000	432,000
Other liabilities and deferred credits	16,582	30,962
Redeemable Class B Units held by related party	—	103,363
Commitments and contingencies		
Partners' capital:		
Accumulated other comprehensive loss	(6,821)	(20,055)
General partner's interest	1,375	12,770
Limited partners' interests	1,140,569	899,127
Total partners' capital	1,135,123	891,842
Total liabilities and partners' capital	$2,970,643	$2,770,355

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(in thousands, except per Unit amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Operating revenues:				
Sales of petroleum products	$ 946,402	$766,502	$2,849,594	$2,111,817
Transportation – Refined products	37,992	35,271	102,688	92,218
Transportation – LPGs	18,498	12,515	62,676	46,688
Transportation – Crude oil	6,813	6,809	20,777	20,032
Transportation – NGLs	9,996	11,157	29,335	28,007
Gathering – Natural gas	34,081	33,031	100,627	54,005
Mont Belvieu operations	—	3,726	—	11,121
Other	13,107	11,793	41,231	36,382
Total operating revenues	1,066,889	880,804	3,206,928	2,400,270
Costs and expenses:				
Purchases of petroleum products	932,546	753,125	2,807,734	2,073,670
Operating, general and administrative	52,199	41,567	141,224	108,095
Operating fuel and power	10,413	9,599	30,560	25,431
Depreciation and amortization	22,562	24,551	73,362	58,191
Taxes – other than income taxes	3,904	4,875	13,403	12,854
Gain on sale of assets	—	—	(3,948)	—
Total costs and expenses	1,021,624	833,717	3,062,335	2,278,241
Operating income	45,265	47,087	144,593	122,029
Interest expense	(22,352)	(19,763)	(67,772)	(53,379)
Interest capitalized	1,815	1,338	3,374	4,476
Equity earnings	5,768	3,147	17,728	9,133
Other income (loss) – net	(5)	284	437	1,019
Net income	$ 30,491	$ 32,093	$ 98,360	$ 83,278
Net Income Allocation:				
Limited Partner Unitholders	$ 21,620	$ 22,139	$ 69,361	$ 57,200
Class B Unitholder	—	1,873	1,806	5,107
General Partner	8,871	8,081	27,193	20,971
Total net income allocated	$ 30,491	$ 32,093	$ 98,360	$ 83,278
Basic net income per Limited Partner and Class B Unit	$ 0.36	$ 0.48	$ 1.21	$ 1.33
Diluted net income per Limited Partner and Class B Unit	$ 0.36	$ 0.48	$ 1.21	$ 1.32
Weighted average Limited Partner and Class B Units outstanding	60,517	50,007	58,675	46,991

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2003	2002
Cash flows from operating activities:		
Net income	$ 98,360	$ 83,278
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	73,362	58,191
Earnings (losses) in equity investments, net of distributions	(6,988)	14,322
Gain on sale of assets	(3,948)	—
Non-cash portion of interest expense	4,223	4,018
Increase in accounts receivable	(83,343)	(71,503)
Increase in inventories	(380)	(4,450)
Increase in other current assets	(4,319)	(10,337)
Increase in accounts payable and accrued expenses	85,661	45,046
Other	14,031	22,021
Net cash provided by operating activities	176,659	140,586
Cash flows from investing activities:		
Acquisition of additional interest in Centennial Pipeline LLC	(20,000)	—
Acquisition of crude oil assets	(5,459)	—
Proceeds from the sale of assets	8,531	3,380
Purchase of Val Verde Gas Gathering System	—	(444,150)
Purchase of Chaparral NGL System	—	(132,372)
Purchase of Jonah Gas Gathering Company	—	(7,319)
Investment in Centennial Pipeline LLC	(3,000)	(7,721)
Investment in Mont Belvieu Storage Partners, L.P.	(250)	—
Capital expenditures	(103,903)	(98,363)
Net cash used in investing activities	(124,081)	(686,545)
Cash flows from financing activities:		
Proceeds from term and revolving credit facilities	382,000	662,000
Repayments on term and revolving credit facilities	(589,000)	(790,659)
Issuance of Senior Notes	198,570	497,805
Debt issuance costs	(3,079)	(7,025)
Proceeds from termination of interest rate swaps	—	17,984
Issuance of Limited Partner Units, net	287,554	275,264
Repurchase and retirement of Class B Units	(113,814)	—
General Partner’s contributions	2	5,627
Distributions paid	(145,415)	(108,379)
Net cash provided by financing activities	16,818	552,617
Net increase in cash and cash equivalents	69,396	6,658
Cash and cash equivalents at beginning of period	30,968	25,479
Cash and cash equivalents at end of period	$ 100,364	$ 32,137
Non-cash investing activities:		
Net assets transferred to Mont Belvieu Storage Partners, L.P.	$ 61,408	$ —
Supplemental disclosure of cash flows:		
Cash paid for interest (net of amounts capitalized)	$ 76,542	$ 30,475

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
(Unaudited)
(in thousands, except Unit amounts)

	Outstanding Limited Partner Units	General Partner's Interest	Limited Partners' Interests	Accumulated Other Comprehensive Loss	Total
Partners' capital at December 31, 2002	53,809,597	$ 12,770	$ 899,127	$(20,055)	$ 891,842
Issuance of Limited Partner Units, net	9,101,650	—	285,507	—	285,507
Retirement of Class B Units	—	—	(10,993)	—	(10,993)
Net gain on cash flow hedge	—	—	—	12,443	12,443
Reclassification due to discontinued portion of cash flow hedge	—	—	—	791	791
Net income allocation	—	27,193	69,361	—	96,554
Cash distributions	—	(38,590)	(104,478)	—	(143,068)
Issuance of Limited Partner Units upon exercise of options	87,307	2	2,045	—	2,047
Partners' capital at September 30, 2003	62,998,554	$ 1,375	$1,140,569	$ (6,821)	$1,135,123

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

TEPPCO Partners, L.P. (the "Partnership"), a Delaware limited partnership, is a master limited partnership formed in March 1990. We operate through TE Products Pipeline Company, Limited Partnership ("TE Products"), TCTM, L.P. ("TCTM") and TEPPCO Midstream Companies, L.P. ("TEPPCO Midstream"). Collectively, TE Products, TCTM and TEPPCO Midstream are referred to as the "Operating Partnerships." Texas Eastern Products Pipeline Company, LLC (the "Company" or "General Partner"), a Delaware limited liability company, serves as our general partner and owns a 2% general partner interest in us. The General Partner is a wholly owned subsidiary of Duke Energy Field Services, LLC ("DEFS"), a joint venture between Duke Energy Corporation ("Duke Energy") and ConocoPhillips. Duke Energy holds an approximate 70% interest in DEFS, and ConocoPhillips holds the remaining 30%. The Company, as general partner, performs all management and operating functions required for us, except for the management and operations of certain of the TEPPCO Midstream assets that are managed by DEFS on our behalf. We reimburse the General Partner for all reasonable direct and indirect expenses incurred in managing us.

As used in this Report, "we," "us," "our," and the "Partnership" means TEPPCO Partners, L.P. and, where the context requires, includes our subsidiaries.

The accompanying unaudited consolidated financial statements reflect all adjustments that are, in the opinion of the management of the Company, of a normal and recurring nature and necessary for a fair statement of our financial position as of September 30, 2003, and the results of our operations and cash flows for the periods presented. The results of operations for the three months and nine months ended September 30, 2003, are not necessarily indicative of results of our operations for the full year 2003. You should read the interim financial statements in conjunction with our consolidated financial statements and notes thereto presented in the TEPPCO Partners, L.P. Annual Report on Form 10-K for the year ended December 31, 2002. We have reclassified certain amounts from prior periods to conform with the current presentation.

We operate and report in three business segments: transportation and storage of refined products, liquefied petroleum gases ("LPGs") and petrochemicals ("Downstream Segment"); gathering, transportation, marketing and storage of crude oil and distribution of lubrication oils and specialty chemicals ("Upstream Segment"); and gathering of natural gas, fractionation of natural gas liquids ("NGLs") and transportation of NGLs ("Midstream Segment"). Our reportable segments offer different products and services and are managed separately because each requires different business strategies.

Our interstate transportation operations, including rates charged to customers, are subject to regulations prescribed by the Federal Energy Regulatory Commission ("FERC"). We refer to refined products, LPGs, petrochemicals, crude oil, NGLs and natural gas in this Report, collectively, as "petroleum products" or "products."

Net Income Per Unit

Basic net income per Limited Partner and Class B Unit (collectively, "Units") is computed by dividing net income, after deduction of the General Partner's interest, by the weighted average number of Units outstanding (a total of 60.5 million and 50.0 million Units for the three months ended September 30, 2003, and 2002, respectively, and 58.7 million and 47.0 million Units for the nine months ended September 30, 2003, and 2002, respectively). The General Partner's percentage interest in our net income is based on its percentage of cash distributions from Available Cash for each period (see Note 10. Quarterly Distributions of Available Cash). The General Partner was allocated $8.9 million (representing 29.09%) and $8.1 million (representing 25.18%) of net income for the three months ended September 30, 2003, and 2002, respectively, and $27.2 million (representing 27.65%) and $21.0 million (representing 25.18%) of net income for the nine months ended September 30, 2003, and 2002, respectively.

The General Partner's percentage interest in our net income increases as cash distributions paid per Unit increase, according to our limited partnership agreement.

Diluted net income per Unit is similar to the computation of basic net income per Unit, except that the denominator is increased to include the dilutive effect of outstanding Unit options by application of the treasury stock method. For the three months ended September 30, 2003, and 2002, the denominator was increased by 12,677 Units and 20,645 Units, respectively. For the nine months ended September 30, 2003, and 2002, the denominator was increased by 10,813 Units and 34,931 Units, respectively. During the third quarter of 2003, all remaining outstanding Unit options were exercised.

New Accounting Pronouncements

In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*. SFAS 148 amends SFAS No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on the reported results. The provisions of SFAS 148 are effective for financial statements for fiscal years ending after December 15, 2002. We have not granted options for any periods presented. For options outstanding under our 1994 Long Term Incentive Plan, we followed the intrinsic value method of accounting for recognizing stock-based compensation expense. Under this method, we record no compensation expense for unit options granted when the exercise price of the options granted is equal to, or greater than, the market price of our Units on the date of the grant. Assuming we had used the fair value method of accounting for our unit option plan, pro forma net income for the nine months ended September 30, 2002, would be lower than reported net income by an immaterial amount. Pro forma net income would equal reported net income for the three months ended September 30, 2003, and 2002, and for the nine months ended September 30, 2003. Pro forma net income per Unit would equal reported net income per Unit for the periods presented. The adoption of SFAS 148 did not have an effect on our financial position, results of operations or cash flows.

In January 2003, the FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51* ("FIN 46"). FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. We are required to apply FIN 46 to all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, we were required to apply FIN 46 on July 1, 2003. In connection with the adoption of FIN 46, we evaluated our investments in Centennial Pipeline LLC, Seaway Crude Pipeline Company and Mont Belvieu Storage Partners, L.P. and determined that these entities are not variable interest entities as defined by FIN 46, and thus we have accounted for them as equity method investments (see Note 7. Equity Investments). The adoption of FIN 46 did not have an effect on our financial position, results of operations or cash flows.

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. SFAS 149 amends SFAS 133 to conform and incorporate derivative implementation issues and subsequently issued accounting guidance. SFAS 149 clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative, clarifies when a derivative contains a financing component, amends the definition of an underlying to conform it to language used in FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* and amends certain other existing pronouncements. SFAS 149 is effective for contracts

entered into or modified after June 30, 2003, and should be applied prospectively. However, certain SFAS 133 implementation issues that were effective for all fiscal quarters prior to June 15, 2003, should continue to be applied in accordance with their respective effective dates. We adopted SFAS 149 effective July 1, 2003. The adoption of SFAS 149 did not have a material effect on our financial position, results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. SFAS 150 establishes standards for how an issuer classifies and measures certain freestanding financial instruments with characteristics of both liabilities and equity. SFAS 150 requires that an issuer classify a financial instrument that is within its scope as a liability (or asset in some circumstances). We adopted SFAS 150 effective July 1, 2003. The adoption of SFAS 150 did not have a material effect on our financial position, results of operations or cash flows.

In May 2003, the Emerging Issues Task Force ("EITF") reached consensus in EITF 03-04, *Accounting for "Cash Balance" Pension Plans*, to specifically address the accounting for certain cash balance pension plans. The consensus reached in EITF 03-04 requires certain cash balance pension plans to be accounted for as defined benefit plans. For cash balance plans described in the consensus, the consensus also requires the use of the traditional unit credit method for purposes of measuring benefit obligations and annual cost of benefits earned as opposed to the projected unit credit method. We have historically accounted for our cash balance plans as defined benefit plans; however, we are required to adopt the measurement provisions of EITF 03-04 in our cash balance plans' next measurement date of December 31, 2003. Any differences in the measurement of the obligation as a result of applying the consensus will be reported as a component of actuarial gain or loss. We do not believe that the adoption of EITF 03-04 will have a material effect on our financial position, results of operations or cash flows.

In May 2003, the EITF reached consensus in EITF 01-08, *Determining Whether an Arrangement Contains a Lease*, to clarify the requirements of identifying whether an arrangement should be accounted for as a lease at its inception. The guidance in the consensus is designed to mandate reporting revenue as rental or leasing income that otherwise would be reported as part of product sales or service revenue. EITF 01-08 requires both parties in an arrangement to determine whether a service contract or similar arrangement is or includes a lease within the scope of SFAS No. 13, *Accounting For Leases*. We have historically leased storage capacity to outside parties and entered into pipeline capacity lease agreements both as the lessee and as the lessor. Upon application of EITF 01-08, the accounting requirements under the consensus could affect the timing of revenue and expense recognition, and revenues reported as transportation and storage services might have to be reported as rental or leasing income. Should capital-lease treatment be necessary, purchasers of transportation and storage services in the arrangements would have to recognize new assets on their balance sheets. The consensus is to be applied prospectively to arrangements agreed to, modified, or acquired in business combinations in fiscal periods beginning after May 28, 2003. Previous arrangements that would be leases or would contain a lease according to the consensus will continue to be accounted for as transportation and storage purchases or sales arrangements. The adoption of EITF 01-08 did not have a material effect on our financial position, results of operations or cash flows.

In July 2003, the EITF reached consensus in EITF 03-11, *Reporting Gains and Losses on Derivative Instruments That Are Subject to FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, and Not Held for Trading Purposes*. In a 2002 Issue, the EITF reached a consensus that all gains and losses (realized and unrealized) on derivative instruments within the scope of SFAS 133 should be shown net in the income statement, whether or not settled physically, if the derivative instruments are held for trading purposes. However, the EITF recognized that there may be contracts within the scope of SFAS 133 considered not held for trading purposes that warrant further consideration as to the appropriate income statement classification of the gains and losses. In EITF 03-11, the EITF clarified certain criteria to use in determining whether gains and losses related to non-trading derivative instruments should be shown net in the income statement. The adoption of EITF 03-11 did not have a material effect on our financial position, results of operations or cash flows.

NOTE 2. ASSET RETIREMENT OBLIGATIONS

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations*. SFAS 143 requires us to record the fair value of an asset retirement obligation as a liability in the period in which we incur a legal obligation for the retirement of tangible long-lived assets. A corresponding asset is also recorded and depreciated over the life of the asset. After the initial measurement of the asset retirement obligation, the liability will be adjusted at the end of each reporting period to reflect changes in the estimated future cash flows underlying the obligation. Determination of any amounts recognized upon adoption is based upon numerous estimates and assumptions, including future retirement costs, future inflation rates and the credit-adjusted risk-free interest rates.

The Downstream Segment assets consist primarily of an interstate trunk pipeline system and a series of storage facilities that originate along the upper Texas Gulf Coast and extend through the Midwest and northeastern United States. We transport refined products, LPGs and petrochemicals through the pipeline system. These products are primarily received in the south end of the system and stored and/or transported to various points along the system per customer nominations. The Upstream Segment’s operations include purchasing crude oil from producers at the wellhead and providing delivery, storage and other services to its customers. The properties in the Upstream Segment consist of interstate trunk pipelines, pump stations, trucking facilities, storage tanks and various gathering systems primarily in Texas and Oklahoma. The Midstream Segment gathers natural gas from wells owned by producers and transports natural gas and NGLs on its pipeline systems, primarily in Texas, Wyoming, New Mexico and Colorado. The Midstream Segment also owns and operates two NGL fractionator facilities in Colorado.

We have completed our assessment of SFAS 143, and we have determined that we are obligated by contractual or regulatory requirements to remove facilities or perform other remediation upon retirement of our assets. However, we are not able to reasonably determine the fair value of the asset retirement obligations for our trunk, interstate and gathering pipelines and our surface facilities, since future dismantlement and removal dates are indeterminate.

In order to determine a removal date for our gathering lines and related surface assets, reserve information regarding the production life of the specific field is required. As a transporter and gatherer of crude oil and natural gas, we are not a producer of the field reserves, and we therefore do not have access to adequate forecasts that predict the timing of expected production for existing reserves on those fields in which we gather crude oil and natural gas. In the absence of such information, we are not able to make a reasonable estimate of when future dismantlement and removal dates of our gathering assets will occur. With regard to our trunk and interstate pipelines and their related surface assets, it is impossible to predict when demand for transportation of the related products will cease. Our right-of-way agreements allow us to maintain the right-of-way rather than remove the pipe. In addition, we can evaluate our trunk pipelines for alternative uses, which can be and have been found.

We will record such asset retirement obligations in the period in which more information becomes available for us to reasonably estimate the settlement dates of the retirement obligations. The adoption of SFAS 143 did not have an effect on our financial position, results of operations or cash flows.

NOTE 3. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of purchase price over fair value of net assets acquired and is presented on the consolidated balance sheets net of accumulated amortization. We account for goodwill under SFAS No. 142, *Goodwill and Other Intangible Assets*, which was issued by the FASB in July 2001. SFAS 142 prohibits

amortization of goodwill and intangible assets with indefinite useful lives, but instead requires testing for impairment at least annually.

To perform an impairment test of goodwill, we have identified our reporting units and have determined the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units. We then determine the fair value of each reporting unit and compare it to the carrying value of the reporting unit. We will continue to compare the fair value of each reporting unit to its carrying value on an annual basis to determine if an impairment loss has occurred.

At September 30, 2003, we had $16.9 million of unamortized goodwill and $25.5 million of excess investment in our equity investment in Seaway Crude Pipeline Company (equity method goodwill). The excess investment is included in our equity investments account at September 30, 2003. The following table presents the carrying amount of goodwill and equity method goodwill at September 30, 2003, by business segment (in thousands):

	Downstream Segment	Midstream Segment	Upstream Segment	Segments Total
Goodwill	$ —	$2,777	$14,167	$16,944
Equity method goodwill	—	—	25,502	25,502

Other Intangible Assets

The following table reflects the components of amortized intangible assets at September 30, 2003, and December 31, 2002 (in thousands):

	September 30, 2003		December 31, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Fractionation agreement	$ 38,000	$(10,450)	$ 38,000	$ (9,025)
Natural gas gathering contracts	462,449	(54,680)	462,449	(28,710)
Other	3,745	(1,558)	3,745	(1,085)
Total	$504,194	$(66,688)	$504,194	$(38,820)

At September 30, 2003, we had $33.4 million of excess investment in our equity investment in Centennial Pipeline LLC, which was created upon formation of the company (see Note 7. Equity Investments). The excess investment is included in our equity investments account at September 30, 2003. This excess investment is accounted for as an intangible asset with an indefinite life. We will assess the intangible asset for impairment on an annual basis.

SFAS 142 requires that intangible assets with finite useful lives be amortized over their respective estimated useful lives. If an intangible asset has a finite useful life, but the precise length of that life is not known, that intangible asset shall be amortized over the best estimate of its useful life. At a minimum, we will assess the useful lives and residual values of all intangible assets on an annual basis to determine if adjustments are required. With respect to our natural gas gathering contracts, we update throughput estimates and evaluate the remaining expected useful life of the contract assets on a quarterly basis based on the best available information. Amortization expense on intangible assets was $8.1 million and $10.1 million for the three months ended September 30, 2003 and 2002,

respectively, and $27.9 million and $19.4 million for the nine months ended September 30, 2003 and 2002, respectively.

The value assigned to our intangible assets for natural gas gathering contracts is amortized on a unit-of-production basis, based upon the actual throughput of the system over the expected total throughput for the lives of the contracts. Due to our recent expansions on the gathering systems at Jonah Gas Gathering Company ("Jonah") and because of certain limited production forecasts obtained from producers on the Jonah system related to the expansions, we increased, in the second quarter of 2003, our best estimate of future throughput on the Jonah system. This increase in the estimate of future throughput extends the amortization period of Jonah's natural gas gathering contracts by an estimated 9 years, increasing from approximately 16 years to 25 years. Further revisions to this estimate may occur as additional production information is made available to us.

The following table sets forth the estimated amortization expense on intangible assets for the years ending December 31 (in thousands):

Year	Amount
2003	$ 35,872
2004	34,537
2005	39,534
2006	36,834
2007	33,990

NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS

We have entered into an interest rate swap agreement to hedge our exposure to increases in the benchmark interest rate underlying our variable rate revolving credit facility. This interest rate swap matures on April 6, 2004. We designated this swap agreement, which hedges exposure to variability in expected future cash flows attributed to changes in interest rates, as a cash flow hedge. The swap agreement is based on a notional amount of $250.0 million. Under the swap agreement, we pay a fixed rate of interest of 6.955% and receive a floating rate based on a three-month U.S. Dollar LIBOR rate. Since this swap is designated as a cash flow hedge, the changes in fair value, to the extent the swap is effective, are recognized in other comprehensive income until the hedged interest costs are recognized in earnings.

On June 27, 2003, we repaid the amounts outstanding under the revolving credit facility with borrowings under a new three year revolving credit facility and canceled the old facility (see Note 9. Debt). We redesignated this interest rate swap as a hedge of our exposure to increases in the benchmark interest rate underlying the new variable rate revolving credit facility. During the nine months ended September 30, 2003, and 2002, we recognized increases in interest expense of $10.7 million and $9.6 million, respectively, related to the difference between the fixed rate and the floating rate of interest on the interest rate swap.

During the quarter ended September 30, 2003, we determined that we would repay a portion of the amount outstanding under the revolving credit facility with proceeds from our Unit offering in August 2003 (see Note 8. Partners' Capital) resulting in a reduction of probable future interest payments under the credit facility. As a result, we measured and reclassified amounts previously accumulated in other comprehensive income related to the discontinued portion of the hedge and recognized a loss of $0.8 million, which has been included in interest expense. The total fair value of the interest rate swap was a loss of approximately $7.6 million and $20.1 million at September 30, 2003, and December 31, 2002, respectively. Losses recognized in other comprehensive income of approximately $6.8 million related to the portion of the interest rate swap hedging probable future interest payments will be transferred into earnings over the remaining term of the interest rate swap agreement. Changes in the fair

value of the portion of the interest rate swap related to the discontinued hedge will be recorded in earnings currently over the remaining term of the interest rate swap.

On October 4, 2001, TE Products entered into an interest rate swap agreement to hedge its exposure to changes in the fair value of its fixed rate 7.51% Senior Notes due 2028. We designated this swap agreement as a fair value hedge. The swap agreement has a notional amount of $210.0 million and matures in January 2028 to match the principal and maturity of the TE Products Senior Notes. Under the swap agreement, TE Products pays a floating rate of interest based on a three-month U.S. Dollar LIBOR rate, plus a spread, and receives a fixed rate of interest of 7.51%. During the nine months ended September 30, 2003, and 2002, we recognized reductions in interest expense of $7.4 million and $5.4 million, respectively, related to the difference between the fixed rate and the floating rate of interest on the interest rate swap. During the quarter ended September 30, 2003, we measured the hedge effectiveness of this interest rate swap and noted that no gain or loss from ineffectiveness was required to be recognized. The fair value of this interest rate swap was a gain of approximately $7.3 million and $13.6 million at September 30, 2003, and December 31, 2002, respectively.

On February 20, 2002, we entered into interest rate swap agreements, designated as fair value hedges, to hedge our exposure to changes in the fair value of our fixed rate 7.625% Senior Notes due 2012. The swap agreements had a combined notional amount of $500.0 million and matured in 2012 to match the principal and maturity of the Senior Notes. Under the swap agreements, we paid a floating rate of interest based on a U.S. Dollar LIBOR rate, plus a spread, and received a fixed rate of interest of 7.625%. On July 16, 2002, the swap agreements were terminated resulting in a gain of approximately $18.0 million. Concurrent with the swap terminations, we entered into new interest rate swap agreements, with identical terms as the previous swap agreements; however, the floating rate of interest was based upon a spread of an additional 50 basis points. In December 2002, the swap agreements entered into on July 16, 2002, were terminated, resulting in a gain of approximately $26.9 million. The gains realized from the July 2002 and December 2002 swap terminations have been deferred as adjustments to the carrying value of the Senior Notes and are being amortized using the effective interest method as reductions to future interest expense over the remaining term of the Senior Notes. At September 30, 2003, the unamortized balance of the deferred gains was $41.5 million. In the event of early extinguishment of the Senior Notes, any remaining unamortized gains would be recognized in the consolidated statement of income at the time of extinguishment.

NOTE 5. ACQUISITIONS AND DISPOSITIONS

Jonah Gas Gathering Company

On September 30, 2001, we completed the purchase of Jonah from Alberta Energy Company for $359.8 million. This purchase served as our entry into the natural gas gathering industry. We paid an additional $7.3 million on February 4, 2002, for final purchase adjustments related primarily to construction projects in progress at the time of closing. Under a contractual agreement, DEFS manages and operates Jonah on our behalf.

Chaparral NGL System

On March 1, 2002, we completed the purchase of the Chaparral NGL system (“Chaparral”) for $132.4 million from Diamond-Koch II, L.P. and Diamond-Koch III, L.P., including acquisition related costs of approximately $0.4 million. We funded the purchase by a borrowing under our $500.0 million revolving credit facility (see Note 9. Debt). Chaparral is an NGL pipeline system that extends from West Texas and New Mexico to Mont Belvieu, Texas. The pipeline delivers NGLs to fractionators and to our existing storage in Mont Belvieu. Under a contractual agreement, DEFS manages and operates Chaparral on our behalf. We accounted for the acquisition of these assets under the purchase method of accounting, and we allocated the purchase price to property,

plant and equipment. Accordingly, the results of the acquisition are included in the consolidated financial statements from March 1, 2002.

Val Verde Gas Gathering Company

On June 30, 2002, we completed the purchase of Val Verde Gas Gathering Company ("Val Verde") for $444.2 million from Burlington Resources Gathering Inc., a subsidiary of Burlington Resources Inc., including acquisition related costs of approximately $1.2 million. We funded the purchase by borrowings of $168.0 million under our $500.0 million revolving credit facility, $72.0 million under our 364-day revolving credit facility and $200.0 million under a six-month term loan with SunTrust Bank (see Note 9. Debt). The remaining purchase price was funded through working capital sources of cash. The Val Verde system gathers coal bed methane ("CBM") from the San Juan Basin in New Mexico and Colorado. The system is one of the largest CBM gathering and treating facilities in the United States. Under a contractual agreement, DEFS manages and operates Val Verde on our behalf. We accounted for the acquisition of these assets under the purchase method of accounting. Accordingly, the results of the acquisition are included in the consolidated financial statements from June 30, 2002.

The following table allocates the estimated fair value of the Val Verde assets acquired on June 30, 2002 (in thousands):

Property, plant and equipment	$205,146
Intangible assets (primarily gas gathering contracts)	239,649
Total assets	444,795
Total liabilities assumed	(645)
Net assets acquired	$444,150

The value assigned to intangible assets relates to fixed-term contracts with customers. We are amortizing the value assigned to intangible assets on a units-of-production basis, based upon the actual throughput of the system over the expected total throughput for the contracts. The period of amortization is expected to be approximately 20 years from the date of acquisition.

The following table presents our unaudited pro forma results as though the acquisition of Val Verde occurred at the beginning of 2002 (in thousands, except per Unit amounts). The unaudited pro forma results give effect to certain pro forma adjustments including depreciation and amortization expense adjustments of property, plant and equipment and intangible assets based upon the purchase price allocations, interest expense related to financing the acquisition, amortization expense of debt issue costs and the removal of income tax effects in historical results of operations. The pro forma results do not include operating efficiencies or revenue growth from historical results.

	Nine Months Ended September 30, 2002
Revenues	$2,438,055
Operating income	133,499
Net income	89,944
Basic and diluted net income per Limited Partner and Class B Unit	$ 1.18

The summarized pro forma information has been prepared for comparative purposes only. It is not intended to be indicative of the actual operating results that would have occurred had the acquisition been consummated at the beginning of 2002, or the results which may be attained in the future.

Rancho Pipeline

We owned an approximate 25% undivided joint interest in the Rancho Pipeline, which was a crude oil pipeline system from West Texas to Houston, Texas, acquired in connection with our acquisition of crude oil assets in 2000. In March 2003, the Rancho Pipeline ceased operations, and segments of the pipeline were sold to certain of the owners which previously held undivided interests in the pipeline. We acquired approximately 230 miles of the pipeline in exchange for cash of $5.5 million and our interests in other portions of the Rancho Pipeline. We sold part of the segment we acquired to other entities for cash and assets valued at approximately $8.5 million. We recorded a net gain of $3.9 million on the transactions, which is included in the gain on sale of assets in our consolidated statements of income.

NOTE 6. INVENTORIES

Inventories are carried at the lower of cost (based on weighted average cost method) or market. The major components of inventories were as follows (in thousands):

	September 30, 2003	December 31, 2002
Gasolines	$ 557	$ 4,700
Butanes	4,222	1,991
Transmix	2,632	2,526
Other products	2,950	3,836
Materials and supplies	7,185	4,113
Total	$17,546	$17,166

The costs of inventories did not exceed market values at September 30, 2003, and December 31, 2002.

NOTE 7. EQUITY INVESTMENTS

Through one of our indirect wholly owned subsidiaries, we own a 50% ownership interest in Seaway Crude Pipeline Company (“Seaway”). The remaining 50% interest is owned by ConocoPhillips. Seaway owns a pipeline that carries mostly imported crude oil from a marine terminal at Freeport, Texas, to Cushing, Oklahoma, and from a marine terminal at Texas City, Texas, to refineries in the Texas City and Houston areas. The Seaway Crude Pipeline Company Partnership Agreement provides for varying participation ratios throughout the life of the Seaway partnership. From July 20, 2000, through May 2002, we received 80% of revenue and expense of Seaway. From June 2002 through May 2006, we receive 60% of revenue and expense of Seaway. Thereafter, the sharing ratio becomes 40% of revenue and expense to us. For the year ended December 31, 2002, our portion of equity earnings on a pro-rated basis averaged approximately 67%.

In August 2000, TE Products entered into agreements with Panhandle Eastern Pipeline Company (“PEPL”), a former subsidiary of CMS Energy Corporation, and Marathon Ashland Petroleum LLC (“Marathon”) to form Centennial Pipeline LLC (“Centennial”). Centennial owns an interstate refined petroleum products pipeline extending from the upper Texas Gulf Coast to Illinois. Through February 9, 2003, each participant owned a one-

third interest in Centennial. On February 10, 2003, TE Products and Marathon each acquired an additional interest in Centennial from PEPL for $20.0 million each, increasing their percentage ownerships in Centennial to 50% each. During the nine months ended September 30, 2003, excluding the amount paid for the acquisition of the additional ownership interest, TE Products contributed approximately $3.0 million to Centennial, which is included in the equity investment balance at September 30, 2003.

As of January 1, 2003, TE Products and Louis Dreyfus Energy Services, L.P. ("Louis Dreyfus") effectively formed Mont Belvieu Storage Partners, L.P. ("MB Storage"). TE Products and Louis Dreyfus each own a 50% ownership interest in MB Storage. The purpose of MB Storage is to expand services to the upper Texas Gulf Coast energy marketplace by increasing pipeline throughput and the mix of products handled through the existing system and establishing new receipt and delivery connections. MB Storage is a service-oriented, fee-based venture with no commodity trading activity. TE Products continues to operate the facilities for MB Storage. Effective January 1, 2003, TE Products contributed property and equipment with a net book value of $67.4 million to MB Storage. Additionally, as of the contribution date, Louis Dreyfus had invested $6.1 million for expansion projects for MB Storage that TE Products was required to reimburse if the original joint development and marketing agreement was terminated by either party. This deferred liability was also contributed and converted to the capital account of Louis Dreyfus in MB Storage. TE Products receives the first $1.8 million per quarter (or $7.2 million on an annual basis) of MB Storage's earnings before interest, taxes, depreciation and amortization, as defined in the operating agreement. Any amount of MB Storage's earnings before interest, taxes, depreciation and amortization in excess of the $7.2 million is allocated evenly between TE Products and Louis Dreyfus. For the nine months ended September 30, 2003, TE Products' sharing ratio in the earnings of MB Storage was approximately 74%.

We use the equity method of accounting to account for our investments in Seaway, Centennial and MB Storage. Summarized combined financial information for Seaway, Centennial and MB Storage for the nine months ended September 30, 2003, and for Seaway and Centennial for the nine months ended September 30, 2002, is presented below (in thousands):

	Nine Months Ended September 30,	
	2003	2002
Revenues	$96,941	$60,960
Net income	30,947	6,848

Summarized combined balance sheet data for Seaway, Centennial and MB Storage as of September 30, 2003, and for Seaway and Centennial as of December 31, 2002, is presented below (in thousands):

	September 30, 2003	December 31, 2002
Current assets	$ 68,741	$ 32,528
Noncurrent assets	609,549	551,324
Current liabilities	35,761	28,681
Long-term debt	140,000	140,000
Noncurrent liabilities	14,234	14,875
Partners' capital	488,295	400,296

Our investments in Seaway and Centennial include excess net investment amounts of $25.5 million and $33.4 million, respectively. Excess investment is the amount by which our investment balance exceeds our proportionate share of the net assets of the investment. Prior to January 1, 2002, and the adoption of SFAS 142, we were amortizing the excess investment in Seaway using the straight-line method over 20 years.

NOTE 8. PARTNERS' CAPITAL

On April 2, 2003, we sold in an underwritten public offering 3.9 million Units at $30.35 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $114.5 million, of which approximately $113.8 million was used to repurchase and retire all of the 3,916,547 previously outstanding Class B Units held by Duke Energy Transport and Trading Company, LLC ("DETTCO"), an affiliate of Duke Energy. We received approximately $0.7 million in proceeds from the offering in excess of the amount needed to repurchase and retire the Class B Units.

On August 7, 2003, we sold in an underwritten public offering 5.0 million Units at $34.68 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $166.0 million. On August 19, 2003, 162,900 Units were sold upon exercise of the underwriters' over-allotment option granted in connection with the offering on August 7, 2003. Proceeds from the over-allotment sale, net of underwriting discount, totaled $5.4 million. Approximately $38.0 million of the proceeds were used to repay indebtedness under our revolving credit facility. The remaining proceeds will be used to fund revenue-generating and system upgrade capital expenditures during the remainder of 2003, and $21.0 million will be used to fund the acquisition of additional crude oil facilities (see Note 15. Subsequent Event). The remaining amount will be used for general partnership purposes.

NOTE 9. DEBT

Senior Notes

On January 27, 1998, TE Products completed the issuance of $180.0 million principal amount of 6.45% Senior Notes due 2008, and $210.0 million principal amount of 7.51% Senior Notes due 2028 (collectively the "TE Products Senior Notes"). The 6.45% TE Products Senior Notes were issued at a discount of $0.3 million and are being accreted to their face value over the term of the notes. The 6.45% TE Products Senior Notes due 2008 are not subject to redemption prior to January 15, 2008. The 7.51% TE Products Senior Notes due 2028, issued at par, may be redeemed at any time after January 15, 2008, at the option of TE Products, in whole or in part, at a premium.

The TE Products Senior Notes do not have sinking fund requirements. Interest on the TE Products Senior Notes is payable semiannually in arrears on January 15 and July 15 of each year. The TE Products Senior Notes are unsecured obligations of TE Products and rank on a parity with all other unsecured and unsubordinated indebtedness of TE Products. The indenture governing the TE Products Senior Notes contains covenants, including, but not limited to, covenants limiting the creation of liens securing indebtedness and sale and leaseback transactions. However, the indenture does not limit our ability to incur additional indebtedness. As of September 30, 2003, TE Products was in compliance with the covenants of the TE Products Senior Notes.

On February 20, 2002, we completed the issuance of $500.0 million principal amount of 7.625% Senior Notes due 2012. The 7.625% Senior Notes were issued at a discount of $2.2 million and are being accreted to their face value over the term of the notes. We used the proceeds from the offering to reduce a portion of the outstanding balances of our credit facilities, including those issued in connection with the acquisition of Jonah. The Senior Notes may be redeemed at any time at our option with the payment of accrued interest and a make-whole premium determined by discounting remaining interest and principal payments using a discount rate equal to the rate of the United States Treasury securities of comparable remaining maturity plus 35 basis points. The indenture governing our 7.625% Senior Notes contains covenants, including, but not limited to, covenants limiting the creation of liens securing indebtedness and sale and leaseback transactions. However, the indenture does not limit our ability to incur

additional indebtedness. As of September 30, 2003, we were in compliance with the covenants of these Senior Notes.

On January 30, 2003, we completed the issuance of $200.0 million principal amount of 6.125% Senior Notes due 2013. The 6.125% Senior Notes were issued at a discount of $1.4 million and are being accreted to their face value over the term of the notes. We used $182.0 million of the proceeds from the offering to reduce the outstanding principal on our $500.0 million revolving credit facility to $250.0 million. The balance of the net proceeds received was used for general partnership purposes. The Senior Notes may be redeemed at any time at our option with the payment of accrued interest and a make-whole premium determined by discounting remaining interest and principal payments using a discount rate equal to the rate of the United States Treasury securities of comparable remaining maturity plus 35 basis points. The indenture governing our 6.125% Senior Notes contains covenants, including, but not limited to, covenants limiting the creation of liens securing indebtedness and sale and leaseback transactions. However, the indenture does not limit our ability to incur additional indebtedness. As of September 30, 2003, we were in compliance with the covenants of these Senior Notes.

We have entered into interest rate swap agreements to hedge our exposure to changes in the fair value on a portion of the Senior Notes discussed above. See Note 4. Derivative Financial Instruments.

Other Long Term Debt and Credit Facilities

On April 6, 2001, we entered into a $500.0 million revolving credit facility including the issuance of letters of credit of up to $20.0 million (“Three Year Facility”). The interest rate was based, at our option, on either the lender’s base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement for the Three Year Facility contained certain restrictive financial covenant ratios. During 2002, borrowings under the Three Year Facility were used to finance the acquisitions of Chaparral on March 1, 2002, and Val Verde on June 30, 2002, and for general partnership purposes. During 2002, repayments were made on the Three Year Facility with proceeds from the issuance of our 7.625% Senior Notes, proceeds from the issuance of additional Units and proceeds from the termination of interest rate swaps (see Note 4. Derivative Financial Instruments). During the first quarter of 2003, we repaid $182.0 million of the outstanding balance of the Three Year Facility with proceeds from the issuance of our 6.125% Senior Notes on January 30, 2003. On June 27, 2003, we repaid the outstanding balance under the Three Year Facility with borrowings under a new credit facility, and canceled the Three Year Facility.

On June 27, 2003, we entered into a $550.0 million revolving credit facility with a three year term, including the issuance of letters of credit of up to $20.0 million (“Revolving Credit Facility”). The interest rate is based, at our option, on either the lender’s base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement for the Revolving Credit Facility contains certain restrictive financial covenant ratios. We borrowed $263.0 million under the Revolving Credit Facility and repaid the outstanding balance of the Three Year Facility. On September 30, 2003, $225.0 million was outstanding under the Revolving Credit Facility at a weighted average interest rate, before the effects of hedging activities, of 1.9%. At September 30, 2003, we were in compliance with the covenants in this credit agreement.

We have entered into an interest rate swap agreement to hedge our exposure to increases in interest rates on a portion of the credit facilities discussed above. See Note 4. Derivative Financial Instruments.

Short Term Credit Facilities

On April 6, 2001, we entered into a 364-day, $200.0 million revolving credit agreement ("Short-term Revolver"). The interest rate was based, at our option, on either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement contained certain restrictive financial covenant ratios. On March 28, 2002, the Short-term Revolver was extended for an additional period of 364 days, ending in March 2003. During 2002, borrowings under the Short-term Revolver were used to finance the acquisition of the Val Verde assets and for other purposes. During 2002, we repaid the existing amounts outstanding under the Short-term Revolver with proceeds we received from the issuance of Units in 2002. The Short-term Revolver expired on March 27, 2003.

On June 27, 2002, we entered into a $200.0 million six-month term loan with SunTrust Bank ("Six-Month Term Loan") payable in December 2002. We borrowed $200.0 million under the Six-Month Term Loan to acquire the Val Verde assets (see Note 5. Acquisitions and Dispositions). The interest rate was based, at our option, on either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement contained certain restrictive financial covenant ratios. On July 11, 2002, we repaid $90.0 million of the outstanding principal from proceeds primarily received from the issuance of Units in July 2002. On September 10, 2002, we repaid the remaining outstanding balance of $110.0 million with proceeds received from the issuance of Units in September 2002, and canceled the facility.

The following table summarizes the principal outstanding under our credit facilities as of September 30, 2003, and December 31, 2002 (in thousands):

	September 30, 2003	December 31, 2002
Long Term Credit Facilities:		
Three Year Facility, due April 2004	$ —	$ 432,000
Revolving Credit Facility, due June 2006	225,000	—
6.45% TE Products Senior Notes, due January 2008	179,868	179,845
7.625% Senior Notes, due February 2012	498,161	497,995
6.125% Senior Notes, due February 2013	198,696	—
7.51% TE Products Senior Notes, due January 2028	210,000	210,000
Total borrowings	1,311,725	1,319,840
Adjustment to carrying value associated with hedges of fair value	48,851	57,852
Total Long Term Credit Facilities	$1,360,576	$1,377,692

NOTE 10. QUARTERLY DISTRIBUTIONS OF AVAILABLE CASH

We make quarterly cash distributions of all of our Available Cash, generally defined as consolidated cash receipts less consolidated cash disbursements and cash reserves established by the General Partner in its sole discretion. Pursuant to the Partnership Agreement, the Company receives incremental incentive cash distributions when cash distributions exceed certain target thresholds as follows:

	Unitholders	General Partner
Quarterly Cash Distribution per Unit:		
Up to Minimum Quarterly Distribution ($0.275 per Unit)	98%	2%
First Target - $0.276 per Unit up to $0.325 per Unit	85%	15%
Second Target - $0.326 per Unit up to $0.45 per Unit	75%	25%
Over Second Target - Cash distributions greater than $0.45 per Unit	50%	50%

The following table reflects the allocation of total distributions paid during the nine months ended September 30, 2003, and 2002 (in thousands, except per Unit amounts).

	Nine Months Ended September 30,	
	2003	2002
Limited Partner Units	$104,478	$ 74,924
General Partner Ownership Interest	2,180	1,669
General Partner Incentive	36,410	24,933
Total Partners’ Capital Cash Distributions	143,068	101,526
Class B Units	2,347	6,853
Total Cash Distributions Paid	$145,415	$108,379
Total Cash Distributions Paid Per Unit	$ 1.850	$ 1.750

On November 7, 2003, we will pay a cash distribution of $0.65 per Unit for the quarter ended September 30, 2003. The third quarter 2003 cash distribution will total approximately $57.1 million.

NOTE 11. SEGMENT DATA

We have three reporting segments: transportation and storage of refined products, LPGs and petrochemicals, which operates as the Downstream Segment; gathering, transportation, marketing and storage of crude oil and distribution of lubrication oils and specialty chemicals, which operates as the Upstream Segment; and gathering of natural gas, fractionation of NGLs and transportation of NGLs, which operates as the Midstream Segment. The amounts indicated below as “Partnership and Other” relate primarily to intersegment eliminations and assets that we hold that have not been allocated to any of our reporting segments.

Our Downstream Segment revenues are earned from transportation and storage of refined products and LPGs, intrastate transportation of petrochemicals, sale of product inventory and other ancillary services. The two largest operating expense items of the Downstream Segment are labor and electric power. We generally realize higher revenues during the first and fourth quarters of each year since our operations are somewhat seasonal. Refined products volumes are generally higher during the second and third quarters because of greater demand for gasolines during the spring and summer driving seasons. LPGs volumes are generally higher from November through March due to higher demand in the Northeast for propane, a major fuel for residential heating. Our Downstream Segment also includes the results of operations of the northern portion of the Dean Pipeline. Beginning in January 2003, the northern portion of the Dean Pipeline was converted to transport refinery grade propylene (“RGP”) from Mont Belvieu to Point Comfort, Texas. As a result, the revenues and expenses of the northern portion of the Dean Pipeline are included in the Downstream Segment. Our Downstream Segment also includes our equity investments in Centennial and MB Storage (see Note 7. Equity Investments).

Our Upstream Segment revenues are earned from gathering, transportation, marketing and storage of crude oil and distribution of lubrication oils and specialty chemicals, principally in Oklahoma, Texas and the Rocky Mountain region. Marketing operations consist primarily of aggregating purchased crude oil along our pipeline systems, or from third party pipeline systems, and arranging the necessary transportation logistics for the ultimate sale of the crude oil to local refineries, marketers or other end users. Our Upstream Segment also includes the equity earnings from our investment in Seaway. Seaway consists of large diameter pipelines that transport crude oil from Seaway's marine terminals on the U.S. Gulf Coast to Cushing, Oklahoma, a crude oil distribution point for the Central United States, and to refineries in the Texas City and Houston areas.

Our Midstream Segment revenues are earned from the fractionation of NGLs in Colorado, transportation of NGLs from two trunkline NGL pipelines in South Texas, two NGL pipelines in East Texas and a pipeline system (Chaparral) from West Texas and New Mexico to Mont Belvieu; the gathering of natural gas in the Green River Basin in southwestern Wyoming, through Jonah and the gathering of CBM in the San Juan Basin in New Mexico and Colorado, through Val Verde. DEFS manages and operates the Val Verde, Jonah and Chaparral assets for us under contractual agreements. The results of operations of the Chaparral and Val Verde acquisitions are included in periods subsequent to their respective acquisition dates (see Note 5. Acquisitions and Dispositions).

The table below includes interim financial information by reporting segment for the interim periods ended September 30, 2003 and 2002 (in thousands):

	Three Months Ended September 30, 2003					
	Downstream Segment	Upstream Segment	Midstream Segment	Segments Total	Partnership and Other	Consolidated
Revenues	$65,009	$955,977	$46,045	$1,067,031	$(142)	$1,066,889
Purchases of petroleum products	—	932,688	—	932,688	(142)	932,546
Operating expenses, including power	40,336	14,792	11,388	66,516	—	66,516
Depreciation and amortization expense	7,127	2,594	12,841	22,562	—	22,562
Operating income	17,546	5,903	21,816	45,265	—	45,265
Equity earnings (losses)	(1,437)	7,205	—	5,768	—	5,768
Other income, net	70	(183)	108	(5)	—	(5)
Earnings before interest	$16,179	$ 12,925	$21,924	$ 51,028	$ —	$ 51,028

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

	Three Months Ended September 30, 2002					
	Downstream Segment	Upstream Segment	Midstream Segment	Segments Total	Partnership and Other	Consolidated
Revenues	$58,754	$776,036	$46,210	$881,000	$(196)	$880,804
Purchases of petroleum products	—	753,321	—	753,321	(196)	753,125
Operating expenses, including power	31,530	12,238	12,273	56,041	—	56,041
Depreciation and amortization expense	7,496	2,117	14,938	24,551	—	24,551
Operating income	19,728	8,360	18,999	47,087	—	47,087
Equity earnings (losses)	(2,019)	5,166	—	3,147	—	3,147
Other income, net	77	533	40	650	(366)	284
Earnings before interest	$17,786	$ 14,059	$19,039	$ 50,884	$(366)	$ 50,518

	Nine Months Ended September 30, 2003					
	Downstream Segment	Upstream Segment	Midstream Segment	Segments Total	Partnership and Other	Consolidated
Revenues	$193,032	$2,878,055	$137,411	$3,208,498	$(1,570)	$3,206,928
Purchases of petroleum products	—	2,809,304	—	2,809,304	(1,570)	2,807,734
Operating expenses, including power	108,153	43,384	33,650	185,187	—	185,187
Depreciation and amortization expense	21,341	8,125	43,896	73,362	—	73,362
Gain on sale of assets	—	(3,948)	—	(3,948)	—	(3,948)
Operating income	63,538	21,190	59,865	144,593	—	144,593
Equity earnings (losses)	(2,632)	20,360	—	17,728	—	17,728
Other income, net	119	219	172	510	(73)	437
Earnings before interest	$ 61,025	$ 41,769	$ 60,037	$ 162,831	$ (73)	$ 162,758

	Nine Months Ended September 30, 2002					
	Downstream Segment	Upstream Segment	Midstream Segment	Segments Total	Partnership and Other	Consolidated
Revenues	$172,996	$2,139,703	$88,946	$2,401,645	$(1,375)	$2,400,270
Purchases of petroleum products	—	2,075,045	—	2,075,045	(1,375)	2,073,670
Operating expenses, including power	89,352	36,759	20,269	146,380	—	146,380
Depreciation and amortization expense	21,692	6,270	30,229	58,191	—	58,191
Operating income	61,952	21,629	38,448	122,029	—	122,029
Equity earnings (losses)	(5,005)	14,138	—	9,133	—	9,133
Other income, net	271	893	221	1,385	(366)	1,019
Earnings before interest	$ 57,218	$ 36,660	$38,669	$ 132,547	$ (366)	$ 132,181

The following table provides the total assets, capital expenditures and significant non-cash investing activities for each segment as of and for the periods ended September 30, 2003, and December 31, 2002 (in thousands):

	Downstream Segment	Upstream Segment	Midstream Segment	Segments Total	Partnership and Other	Consolidated
September 30, 2003:						
Total assets	$915,895	$834,285	$1,220,974	$2,971,154	$ (511)	$2,970,643
Capital expenditures	38,277	8,000	57,481	103,758	145	103,903
Non-cash investing activities	61,408	—	—	61,408	—	61,408
December 31, 2002:						
Total assets	883,163	724,860	1,174,010	2,782,033	(11,678)	2,770,355
Capital expenditures	60,900	10,212	62,260	133,372	—	133,372

The following table reconciles the segments total earnings before interest to consolidated net income (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Earnings before interest	$ 51,028	$ 50,518	$162,758	$132,181
Interest expense	(22,352)	(19,763)	(67,772)	(53,379)
Interest capitalized	1,815	1,338	3,374	4,476
Net income	$ 30,491	$ 32,093	$ 98,360	$ 83,278

NOTE 12. COMMITMENTS AND CONTINGENCIES

In the fall of 1999 and on December 1, 2000, the General Partner and the Partnership were named as defendants in two separate lawsuits in Jackson County Circuit Court, Jackson County, Indiana, styled *Ryan E. McCleery and Marcia S. McCleery, et al. v. Texas Eastern Corporation, et al.* (including the General Partner and Partnership) and *Gilbert Richards and Jean Richards v. Texas Eastern Corporation, et al.* (including the General Partner and Partnership). In both cases, the plaintiffs contend, among other things, that we and other defendants stored and disposed of toxic and hazardous substances and hazardous wastes in a manner that caused the materials to be released into the air, soil and water. They further contend that the release caused damages to the plaintiffs. In their complaints, the plaintiffs allege strict liability for both personal injury and property damage together with gross negligence, continuing nuisance, trespass, criminal mischief and loss of consortium. The plaintiffs are seeking compensatory, punitive and treble damages. We have filed an answer to both complaints, denying the allegations, as well as various other motions. These cases are not covered by insurance. Discovery is ongoing, and we are defending ourselves vigorously against the lawsuits. The plaintiffs have not stipulated the amount of damages that they are seeking in the suits. We cannot estimate the loss, if any, associated with these pending lawsuits.

On December 21, 2001, TE Products was named as a defendant in a lawsuit in the 10th Judicial District, Natchitoches Parish, Louisiana, styled *Rebecca L. Grisham et al. v. TE Products Pipeline Company, Limited Partnership*. In this case, the plaintiffs contend that our pipeline, which crosses the plaintiffs' property, leaked toxic products onto the plaintiffs' property. The plaintiffs further contend that this leak caused damages to the plaintiffs. We have filed an answer to the plaintiffs' petition denying the allegations. The plaintiffs have not stipulated the

amount of damages they are seeking in the suit. We are defending ourselves vigorously against the lawsuit. We cannot estimate the damages, if any, associated with this pending lawsuit; however, this case is covered by insurance.

On April 19, 2002, we, through our subsidiary TEPPCO Crude Oil, L.P., filed a declaratory judgment action in the U.S. District Court for the Western District of Oklahoma against D.R.D. Environmental Services, Inc. ("D.R.D.") seeking resolution of billing and other contractual disputes regarding potential overcharges for environmental remediation services provided by D.R.D. On May 28, 2002, D.R.D. filed a counterclaim for alleged breach of contract in the amount of $2,243,525, and for unspecified damages for alleged tortious interference with D.R.D.'s contractual relations with DEFS. On July 16, 2003, the parties entered into a Settlement Agreement and Mutual Release, dismissing all claims and counterclaims against each other. The terms of the Settlement Agreement and Mutual Release did not have a material adverse effect on our financial position, results of operations or cash flows.

In May 2003, the General Partner was named as a defendant in a lawsuit styled *John R. James, et al. v. J Graves Insulation Company, et al.* as filed in the first Judicial District Court, Caddo Parish, Louisiana. There are numerous plaintiffs identified in the action that are alleged to have suffered damages as the result of alleged exposure to asbestos-containing products and materials. According to the petition and as a result of a preliminary investigation, the General Partner believes that the only claim asserted against it results from one individual for the period from July 1971 through June 1972, who is alleged to have worked on a facility owned by the General Partner's predecessor. This period represents a small portion of the total alleged exposure period from January 1964 through December 2001 for this individual. The individual's claims involve numerous employers and alleged job sites. Currently, the General Partner has been unable to confirm involvement by the General Partner or its predecessors with the alleged location, and it is currently uncertain whether this case is covered by insurance. Discovery is planned, and the General Partner intends to defend itself vigorously against this lawsuit. The plaintiffs have not stipulated the amount of damages that they are seeking in this suit. We are obligated to reimburse the General Partner for any costs it incurs related to this lawsuit. We cannot estimate the loss, if any, associated with this pending lawsuit. We do not believe that the outcome of this lawsuit will have a material adverse effect on our financial position, results of operations or cash flows.

On April 2, 2003, Centennial was served with a petition in a matter styled *Adams, et al. v. Centennial Pipeline Company LLC, et al*. This matter involves approximately 2,000 plaintiffs who allege that over 200 defendants, including Centennial, generated, transported, and/or disposed of hazardous and toxic waste at two sites in Bayou Sorrell, Louisiana, an underground injection well and a landfill. The plaintiffs allege personal injuries ranging from headaches and allergies to birth defects, cancer and death. The underground injection well has been in operation since May 1976. Based upon current information, Centennial appears to be a *de minimis* contributor, having used the disposal site during the two month time period of December 2001 to January 2002. The plaintiffs have made a global settlement offer of $198.5 million. The defendants have rejected this offer and are preparing to make a global settlement counteroffer. Marathon is handling this matter for Centennial under its operating agreement with Centennial. TE Products has a 50% ownership interest in Centennial. Based upon Centennial's limited involvement with the disposal site, we do not believe that the outcome of this matter will have a material adverse effect on our financial position, results of operations or cash flows.

In addition to the litigation discussed above, we have been, in the ordinary course of business, a defendant in various lawsuits and a party to various other legal proceedings, some of which are covered in whole or in part by insurance. We believe that the outcome of these lawsuits and other proceedings will not individually or in the aggregate have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Our operations are subject to federal, state and local laws and regulations governing the discharge of materials into the environment. Failure to comply with these laws and regulations may result in the assessment of

administrative, civil and criminal penalties, imposition of injunctions delaying or prohibiting certain activities and the need to perform investigatory and remedial activities. Although we believe our operations are in material compliance with applicable environmental laws and regulations, risks of significant costs and liabilities are inherent in pipeline operations, and we cannot assure you that significant costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental laws and regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from our operations, could result in substantial costs and liabilities to us. We believe that changes in environmental laws and regulations will not have a material adverse effect on our financial position, results of operations or cash flows in the near term.

In 1994, the Louisiana Department of Environmental Quality (“LDEQ”) issued a compliance order for environmental contamination at our Arcadia, Louisiana, facility. This contamination may be attributable to our operations, as well as to adjacent petroleum terminals operated by other companies. In 1999, our Arcadia facility and adjacent terminals were directed by the Remediation Services Division of the LDEQ to pursue remediation of this containment phase. At September 30, 2003, we have an accrued liability of $0.3 million for remediation costs at our Arcadia facility. We do not expect that the completion of the remediation program that we have proposed will have a future material adverse effect on our financial position, results of operations or cash flows.

On March 17, 2003, we experienced a release of 511 barrels of jet fuel from a tank at our Blue Island terminal located in Cook County, Illinois. As a result of the release, we have entered into an Agreed Preliminary Injunction and Order (“Agreed Order”) with the State of Illinois. The Agreed Order requires us, in part, to complete a site investigation plan to delineate the scope of any potential contamination resulting from the release and to remediate any contamination. The Agreed Order does not contain any provision for any fines or penalties; however, it does not preclude the State of Illinois from assessing these at a later date. We do not expect that the completion of the remediation program will have a future material adverse effect on our financial position, results of operations or cash flows.

At September 30, 2003, we have an accrued liability of $6.8 million related to various TCTM sites requiring environmental remediation activities. Under the terms of the agreement through which we acquired various crude oil assets from DETTCO, we received a five year contractual indemnity obligation for environmental liabilities not otherwise assumed by us that are attributable to the operations of the assets prior to our acquisition. The indemnity expires on November 30, 2003. Under the agreement, we are responsible for the first $3.0 million in environmental liabilities covered by DETTCO’s indemnification obligation, and DETTCO is responsible for specified environmental liabilities in excess of $3.0 million, up to a maximum amount of $25.0 million. At December 31, 2002, we had a receivable balance from DETTCO of $4.2 million, the majority of which related to remediation activities at the Velma, Oklahoma crude oil site. On March 31, 2003, we received a $2.4 million payment from DETTCO for environmental liabilities we incurred that were covered under the indemnity obligation with DETTCO. The remaining $1.8 million due was determined by us as not attributable to DETTCO's indemnity obligation and was written off. Our accrued liability balance at September 30, 2003, also included an accrual of $2.3 million related to environmental liabilities incurred by DETTCO on a crude oil site in Stephens County, Oklahoma. In connection with the expiration of the DETTCO indemnity obligation, we are in discussions with DETTCO regarding a settlement with respect to certain environmental liabilities under the agreement, including the crude oil site in Stephens County. We do not expect that the completion of remediation programs associated with TCTM activities will have a future material adverse effect on our financial position, results of operations or cash flows.

Centennial entered into credit facilities totaling $150.0 million, and as of September 30, 2003, $150.0 million was outstanding under those credit facilities. The proceeds were used to fund construction and conversion costs of its pipeline system. TE Products and Marathon have each guaranteed one-half of Centennial’s debt, up to a maximum amount of $75.0 million each.

NOTE 13. COMPREHENSIVE INCOME

SFAS No. 130, *Reporting Comprehensive Income* requires certain items such as foreign currency translation adjustments, minimum pension liability adjustments and unrealized gains and losses on certain investments to be reported in a financial statement. As of and for the nine months ended September 30, 2003, and 2002, the components of comprehensive income were due to the interest rate swap related to our variable rate revolving credit facility, which is designated as a cash flow hedge. Changes in the fair value of the cash flow hedge, to the extent the hedge is effective, are recognized in other comprehensive income until the hedge interest costs are recognized in earnings. The table below reconciles reported net income to total comprehensive income for the three months and nine months ended September 30, 2003, and 2002 (in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net income	$30,491	$32,093	$ 98,360	$83,278
Net income (loss) on cash flow hedge	3,739	(2,216)	12,443	(1,868)
Total comprehensive income	$34,230	$29,877	$110,803	$81,410

The accumulated balance of other comprehensive loss related to cash flow hedges is as follows (in thousands):

Balance at December 31, 2001	$(20,324)
Transferred to earnings	12,883
Change in fair value of cash flow hedge	(12,614)
Balance at December 31, 2002	$(20,055)
Reclassification due to discontinued portion of cash flow hedge	791
Transferred to earnings	10,704
Change in fair value of cash flow hedge	1,739
Balance at September 30, 2003	$ (6,821)

NOTE 14. SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

In connection with our issuance of Senior Notes on February 20, 2002, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P. and Jonah Gas Gathering Company, our significant operating subsidiaries, issued unconditional guarantees of our debt securities. Effective with the acquisition of the Val Verde assets on June 30, 2002, our subsidiary, Val Verde Gas Gathering Company, L.P. also became a significant operating subsidiary and issued unconditional guarantees of our debt securities. The guarantees are full, unconditional, and joint and several. TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P., Jonah Gas Gathering Company and Val Verde Gas Gathering Company, L.P. are collectively referred to as the “Guarantor Subsidiaries.” The Guarantor Subsidiaries have also issued guarantees of our 6.125% Senior Notes issued in January 2003.

The following supplemental condensed consolidating financial information reflects our separate accounts, the combined accounts of the Guarantor Subsidiaries, the combined accounts of our other non-guarantor subsidiaries, the combined consolidating adjustments and eliminations and our consolidated accounts for the dates and periods indicated. For purposes of the following consolidating information, our investments in our subsidiaries and the Guarantor Subsidiaries’ investments in their subsidiaries are accounted for under the equity method of accounting.

	September 30, 2003				
	TEPPCO Partners, L .P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
	(in thousands)				
Assets					
Current assets	$ 19,406	$ 106,663	$ 391,922	$ (12,827)	$ 505,164
Property, plant and equipment – net	—	1,120,340	456,115	145	1,576,600
Equity investments	1,141,972	1,065,945	220,901	(2,050,388)	378,430
Intercompany notes receivable	959,625	—	—	(959,625)	—
Intangible assets	—	408,921	28,585	—	437,506
Other assets	6,161	29,565	37,324	(107)	72,943
Total assets	$2,127,164	$2,731,434	$1,134,847	$(3,022,802)	$2,970,643
Liabilities and partners’ capital					
Current liabilities	$ 28,668	$ 85,984	$ 357,106	$ (13,396)	$ 458,362
Long-term debt	963,373	397,203	—	—	1,360,576
Intercompany notes payable	—	550,466	408,553	(959,019)	—
Other long term liabilities	—	16,373	209	—	16,582
Total partners’ capital	1,135,123	1,681,408	368,979	(2,050,387)	1,135,123
Total liabilities and partners’ capital	$2,127,164	$2,731,434	$1,134,847	$(3,022,802)	$2,970,643

	December 31, 2002				
	TEPPCO Partners, L .P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
	(in thousands)				
Assets					
Current assets	$ 241	$ 92,511	$ 286,379	$ (18,851)	$ 360,280
Property, plant and equipment – net	—	1,128,803	459,021	—	1,587,824
Equity investments	1,011,935	846,991	211,229	(1,785,450)	284,705
Intercompany notes receivable	986,852	—	—	(986,852)	—
Intangible assets	—	434,941	30,433	—	465,374
Other assets	6,200	31,135	34,837	—	72,172
Total assets	$2,005,228	$2,534,381	$1,021,899	$(2,791,153)	$2,770,355
Liabilities and partners’ capital					
Current liabilities	$ 30,715	$ 122,882	$ 272,538	$ (59,639)	$ 366,496
Long-term debt	974,264	403,428	—	—	1,377,692
Intercompany notes payable	—	508,652	437,411	(946,063)	—
Other long term liabilities	6,523	24,230	209	—	30,962
Redeemable Class B Units held by related party	103,363	—	—	—	103,363
Total partners’ capital	890,363	1,475,189	311,741	(1,785,451)	891,842
Total liabilities and partners’ capital	$2,005,228	$2,534,381	$1,021,899	$(2,791,153)	$2,770,355

	Three Months Ended September 30, 2003				
	TEPPCO Partners, L .P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Operating revenues	$ —	$ 98,013	$969,018	$ (142)	$1,066,889
Costs and expenses	—	66,130	955,636	(142)	1,021,624
Operating income	—	31,883	13,382	—	45,265
Interest expense – net	—	(12,493)	(8,044)	—	(20,537)
Equity earnings	30,491	21,568	7,205	(53,496)	5,768
Other income – net	—	230	(235)	—	(5)
Net income	$30,491	$ 41,188	$ 12,308	$(53,496)	$ 30,491

	Three Months Ended September 30, 2002				
	TEPPCO Partners, L .P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Operating revenues	$ —	$ 92,005	$788,995	$ (196)	$880,804
Costs and expenses	—	60,027	773,886	(196)	833,717
Operating income	—	31,978	15,109	—	47,087
Interest expense – net	(15,184)	(12,741)	(6,050)	15,550	(18,425)
Equity earnings	32,093	19,615	5,166	(53,727)	3,147
Other income – net	15,184	69	581	(15,550)	284
Net income	$ 32,093	$ 38,921	$ 14,806	$(53,727)	$ 32,093

	Nine Months Ended September 30, 2003				
	TEPPCO Partners, L .P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Operating revenues	$ —	$291,904	$2,916,594	$ (1,570)	$3,206,928
Costs and expenses	—	189,370	2,878,483	(1,570)	3,066,283
Gain on sale of assets	—	—	(3,948)	—	(3,948)
Operating income	—	102,534	42,059	—	144,593
Interest expense – net	(36,416)	(40,484)	(23,987)	36,489	(64,398)
Equity earnings	98,360	61,672	20,360	(162,664)	17,728
Other income – net	36,416	268	242	(36,489)	437
Net income	$ 98,360	$123,990	$ 38,674	$(162,664)	$ 98,360

	Nine Months Ended September 30, 2002				
	TEPPCO Partners, L .P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
	(in thousands)				
Operating revenues	$ —	$228,367	$2,173,278	$ (1,375)	$2,400,270
Costs and expenses	—	146,663	2,132,953	(1,375)	2,278,241
Operating income	—	81,704	40,325	—	122,029
Interest expense – net	(38,323)	(29,279)	(19,990)	38,689	(48,903)
Equity earnings	83,278	40,165	14,138	(128,448)	9,133
Other income – net	38,323	422	963	(38,689)	1,019
Net income	$ 83,278	$ 93,012	$ 35,436	$(128,448)	$ 83,278

	Nine Months Ended September 30, 2003				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
	(in thousands)				
Cash flows from operating activities					
Net income	$ 98,360	$ 123,990	$ 38,674	$(162,664)	$ 98,360
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	58,274	15,088	—	73,362
Equity earnings, net of distributions	47,055	6,172	(9,620)	(50,595)	(6,988)
Changes in assets and liabilities and other	103,806	(19,471)	(49,877)	(22,533)	11,925
Net cash provided by (used in) operating activities	249,221	168,965	(5,735)	(235,792)	176,659
Cash flows from investing activities	(175,615)	(164,221)	(6,407)	222,162	(124,081)
Cash flows from financing activities	16,815	1,602	(6,949)	5,350	16,818
Net increase (decrease) in cash and cash equivalents	90,421	6,346	(19,091)	(8,280)	69,396
Cash and cash equivalents at beginning of period	—	8,247	22,721	—	30,968
Cash and cash equivalents at end of period	$ 90,421	$ 14,593	$ 3,630	$ (8,280)	$ 100,364

	Nine Months Ended September 30, 2002				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Cash flows from operating activities					
Net income	$ 83,278	$ 93,012	$ 35,436	$(128,448)	$ 83,278
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	45,723	12,468	—	58,191
Equity earnings, net of distributions	25,101	(2,185)	9,317	(17,911)	14,322
Changes in assets and liabilities and other	(382,191)	33,146	78,364	255,476	(15,205)
Net cash provided by (used in) operating activities	(273,812)	169,696	135,585	109,117	140,586
Cash flows from investing activities	(278,811)	(964,960)	(251,458)	808,684	(686,545)
Cash flows from financing activities	552,623	805,568	112,227	(917,801)	552,617
Net increase (decrease) in cash and cash equivalents	—	10,304	(3,646)	—	6,658
Cash and cash equivalents at beginning of period	—	3,655	21,824	—	25,479
Cash and cash equivalents at end of period	$ —	$ 13,959	$ 18,178	$ —	$ 32,137

NOTE 15. SUBSEQUENT EVENT

On October 15, 2003, we announced the signing of a definitive agreement to acquire crude supply and transportation assets along the upper Texas Gulf Coast from Genesis Crude Oil L.P. and Genesis Pipeline Texas L.P. The transaction is valued at approximately $21.0 million and is expected to close in November 2003. We will acquire and operate approximately 150 miles of small diameter trunk lines, 24,000 barrels per day of throughput and 12,000 barrels per day of lease marketing and trucking business. We will integrate the assets into our South Texas pipeline system, which is included in our Upstream Segment.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

You should read the following review of our financial position and results of operations in conjunction with the Consolidated Financial Statements. Material period-to-period variances in the consolidated statements of income are discussed under "Results of Operations." The "Financial Condition and Liquidity" section analyzes cash flows and financial position. "Other Considerations" addresses trends, future plans and contingencies that are reasonably likely to materially affect future liquidity or earnings. The Consolidated Financial Statements should be read in conjunction with the financial statements and related notes, together with our discussion and analysis of financial position and results of operations included in our Annual Report on Form 10-K for the year ended December 31, 2002.

We operate and report in three business segments:

- Downstream Segment — transportation and storage of refined products, LPGs and petrochemicals;
- Upstream Segment — gathering, transportation, marketing and storage of crude oil and distribution of lubrication oils and specialty chemicals; and
- Midstream Segment — gathering of natural gas, fractionation of NGLs and transportation of NGLs.

Our reportable segments offer different products and services and are managed separately because each requires different business strategies. TEPPCO GP, Inc., our wholly owned subsidiary, acts as managing general partner of our Operating Partnerships, with a 0.001% general partner interest and manages our subsidiaries.

Our Downstream Segment revenues are earned from transportation and storage of refined products and LPGs, intrastate transportation of petrochemicals, sale of product inventory and other ancillary services. The two largest operating expense items of the Downstream Segment are labor and electric power. We generally realize higher revenues during the first and fourth quarters of each year since our operations are somewhat seasonal. Refined products volumes are generally higher during the second and third quarters because of greater demand for gasolines during the spring and summer driving seasons. LPGs volumes are generally higher from November through March due to higher demand in the Northeast for propane, a major fuel for residential heating. Our Downstream Segment also includes the results of operations of the northern portion of the Dean Pipeline. Beginning in January 2003, the northern portion of the Dean Pipeline was converted to transport refinery grade propylene ("RGP") from Mont Belvieu to Point Comfort, Texas. As a result, the revenues and expenses of the northern portion of the Dean Pipeline are included in the Downstream Segment. Our Downstream Segment also includes our equity investments in Centennial Pipeline LLC ("Centennial") and Mont Belvieu Storage Partners, L.P. ("MB Storage") (see Note 7. Equity Investments).

Our Upstream Segment revenues are earned from gathering, transportation, marketing and storage of crude oil and distribution of lubrication oils and specialty chemicals, principally in Oklahoma, Texas and the Rocky Mountain region. Marketing operations consist primarily of aggregating purchased crude oil along our pipeline systems, or from third party pipeline systems, and arranging the necessary transportation logistics for the ultimate sale of the crude oil to local refineries, marketers or other end users. Our Upstream Segment also includes the equity earnings from our investment in Seaway Crude Pipeline Company ("Seaway"). Seaway consists of large diameter pipelines that transport crude oil from Seaway's marine terminals on the U.S. Gulf Coast to Cushing, Oklahoma, a crude oil distribution point for the Central United States, and to refineries in the Texas City and Houston areas.

Our Midstream Segment revenues are earned from the fractionation of NGLs in Colorado, transportation of NGLs from two trunkline NGL pipelines in South Texas, two NGL pipelines in East Texas and a pipeline system ("Chaparral") from West Texas and New Mexico to Mont Belvieu; the gathering of natural gas in the Green River Basin in southwestern Wyoming, through Jonah Gas Gathering Company ("Jonah") and the gathering of CBM in the

San Juan Basin in New Mexico and Colorado, through Val Verde Gas Gathering Company (“Val Verde”). DEFS manages and operates the Val Verde, Jonah and Chaparral assets for us under contractual agreements. The results of operations of the Chaparral and Val Verde acquisitions are included in periods subsequent to their respective acquisition dates (see Note 5. Acquisitions and Dispositions).

Results of Operations

The following table summarizes financial data by business segment for the three months and nine months ended September 30, 2003, and 2002 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Operating revenues:				
Downstream Segment	$ 65,009	$ 58,754	$ 193,032	$ 172,996
Upstream Segment	955,977	776,036	2,878,055	2,139,703
Midstream Segment	46,045	46,210	137,411	88,946
Intersegment eliminations	(142)	(196)	(1,570)	(1,375)
Total operating revenues	1,066,889	880,804	3,206,928	2,400,270
Operating income:				
Downstream Segment	17,546	19,728	63,538	61,952
Upstream Segment	5,903	8,360	21,190	21,629
Midstream Segment	21,816	18,999	59,865	38,448
Total operating income	45,265	47,087	144,593	122,029
Earnings before interest:				
Downstream Segment	16,179	17,786	61,025	57,218
Upstream Segment	12,925	14,059	41,769	36,660
Midstream Segment	21,924	19,039	60,037	38,669
Intersegment eliminations	—	(366)	(73)	(366)
Total earnings before interest	51,028	50,518	162,758	132,181
Interest expense	(22,352)	(19,763)	(67,772)	(53,379)
Interest capitalized	1,815	1,338	3,374	4,476
Net income	$ 30,491	$ 32,093	$ 98,360	$ 83,278

Below is a detailed analysis of the results of operations, including reasons for changes in results, by each of our operating segments.

Downstream Segment

The following table presents volumes delivered in barrels and average tariff per barrel for the three months and nine months ended September 30, 2003, and 2002:

	Three Months Ended September 30,		Percentage	Nine Months Ended September 30,		Percentage
	2003	2002	Increase (Decrease)	2003	2002	Increase (Decrease)
			(in thousands, except tariff information)			
Volumes Delivered						
Refined products	42,476	40,065	6%	114,964	101,174	14%
LPGs	9,146	8,689	5%	29,678	27,780	7%
Total	51,622	48,754	6%	144,642	128,954	12%
Average Tariff per Barrel						
Refined products	$ 0.89	$ 0.88	1%	$ 0.89	$ 0.91	(2%)
LPGs	2.02	1.44	40%	2.11	1.68	26%
Average system tariff per barrel	$ 1.09	$ 0.98	11%	$ 1.14	$ 1.08	6%

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

Our Downstream Segment reported earnings before interest of $16.2 million for the three months ended September 30, 2003, compared with earnings before interest of $17.8 million for the three months ended September 30, 2002. Earnings before interest decreased $1.6 million primarily due to an increase of $8.5 million in costs and expenses, partially offset by an increase of $6.3 million in operating revenues and increased income of $0.6 million from equity investments. We discuss the factors influencing our operating performance below.

Revenues from refined products transportation increased $2.7 million for the three months ended September 30, 2003, compared with the three months ended September 30, 2002, due to an overall increase of 6% in the refined products volumes delivered. This increase was primarily due to deliveries of products received into our pipeline from Centennial at Creal Springs, Illinois. Centennial, which commenced refined products deliveries to us in April 2002, has provided our system with additional pipeline capacity for products originating in the U.S. Gulf Coast area. With this incremental pipeline capacity, our previously constrained system has expanded deliveries in markets both south and north of Creal Springs. Volume increases were due to increased demand and market share for products supplied from the U.S. Gulf Coast into Midwest markets. The refined products average rate per barrel increased 1% from the prior year period primarily due to higher market-based tariff rates, which went into effect in July 2003, partially offset by the impact of the Midwest origin point for barrels received from Centennial, which resulted in an increase in short-haul barrels transported on our system.

Revenues from LPGs transportation increased $6.0 million for the three months ended September 30, 2003, compared with the three months ended September 30, 2002, primarily due to the impact of lower propane inventories at competing supply locations in the mid-continent. Lower mid-continent propane inventory resulted in increased foreign propane imports into the U.S. Gulf Coast at Mont Belvieu, Texas, and resulted in increased transportation to the mid-continent through our previously constrained system. Additional pipeline capacity for expanded propane movements was available due to a shift of refined product volumes to Centennial. The increase in total volumes of LPGs delivered was due to increased long-haul delivery of propane to the Midwest and Northeast. The LPGs average rate per barrel increased 40% from the prior year period as a result of an increased percentage of long-haul deliveries during the three months ended September 30, 2003, and higher LPG tariff rates, which went into effect in July 2003.

Effective January 1, 2003, TE Products’ 50% ownership interest in MB Storage is accounted for as an equity investment. Revenues generated from Mont Belvieu operations totaled $3.7 million during the three months ended September 30, 2002. As a result of the formation of MB Storage, revenues and expenses related to Mont Belvieu operations are now recorded within equity earnings. See discussion regarding changes in equity

earnings/losses below. The purpose of MB Storage is to expand services to the upper Texas Gulf Coast energy marketplace by increasing pipeline throughput and the mix of products handled through the existing system and establishing new receipt and delivery connections.

Other operating revenues increased $1.3 million for the three months ended September 30, 2003, compared with the three months ended September 30, 2002, primarily due to the addition of the northern portion of the Dean Pipeline to the Downstream Segment in January 2003, which increased other operating revenues by $1.3 million as the pipeline began transporting RGP in January 2003.

Costs and expenses increased $8.5 million for the three months ended September 30, 2003, compared with the three months ended September 30, 2002. The increase was made up of a $9.0 million increase in operating, general and administrative expenses and a $0.2 million increase in operating fuel and power, partially offset by a $0.4 million decrease in depreciation and amortization expense and a $0.3 million decrease in taxes - other than income taxes. Operating, general and administrative expenses increased primarily due to higher pipeline maintenance expenses, due in part to higher than planned pipeline rehabilitation expenses associated with our Integrity Management program, increased consulting and contract services, increased labor costs, increased general and administrative supplies expense, increased insurance expense and expense from the Centennial pipeline capacity lease agreement that we entered into in 2003. The addition of the northern portion of the Dean Pipeline to the Downstream Segment increased operating, general and administrative expense by $0.3 million. Operating fuel and power expense increased as a result of increased mainline throughput and higher power costs due to an increase in the price of natural gas. Depreciation expense decreased from the prior year period primarily due to the assets transferred to MB Storage. Taxes - other than income taxes decreased as a result of actual property taxes being lower than previously estimated and due to the transfer of assets to MB Storage.

Net losses from equity investments decreased $0.6 million for the three months ended September 30, 2003, compared with the three months ended September 30, 2002. Centennial, which commenced operations in April 2002, accounted for $3.0 million of the equity losses during the three months ended September 30, 2003, resulting in an increase of $1.0 million in equity losses from Centennial during the period. On February 10, 2003, TE Products acquired an additional 16.7% interest in Centennial, bringing its ownership interest to 50%. The losses from Centennial were partially offset by equity earnings of $1.6 million from our 50% ownership interest in MB Storage, which was formed effective January 1, 2003. Amounts in the prior year period related to Mont Belvieu operations which were recorded to revenues and costs and expenses are now being recorded within equity earnings based upon our 50% ownership interest in MB Storage, effective with its formation on January 1, 2003. If the 2002 revenues and costs and expenses from the Mont Belvieu operations had been accounted for under the same method as in 2003, equity earnings from MB Storage would have decreased $0.1 million in 2003, compared with the prior year, due to a slight increase in depreciation expense on MB Storage assets.

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

Our Downstream Segment reported earnings before interest of $61.0 million for the nine months ended September 30, 2003, compared with earnings before interest of $57.2 million for the nine months ended September 30, 2002. Earnings before interest increased $3.8 million primarily due to an increase of $20.0 million in operating revenues and increased income of $2.4 million from equity investments, partially offset by an increase of $18.4 million in costs and expenses and a decrease of $0.2 million in other income - net. We discuss the factors influencing our operating performance below.

Revenues from refined products transportation increased $10.5 million for the nine months ended September 30, 2003, compared with the nine months ended September 30, 2002, due to an overall increase of 14% in the refined products volumes delivered. This increase was primarily due to deliveries of products received into our pipeline from Centennial at Creal Springs, Illinois. Centennial, which commenced refined products deliveries to us in April 2002, has provided our system with additional pipeline capacity for products originating in the U.S. Gulf Coast area. With this incremental pipeline capacity, our previously constrained system has expanded deliveries in markets both south and north of Creal Springs. Volume increases were due to increased demand and market share for products supplied from the U.S. Gulf Coast into Midwest markets. The refined products average rate per barrel

decreased 2% from the prior year period primarily due to the impact of the Midwest origin point for barrels received from Centennial, which resulted in an increase in short-haul barrels transported on our system, partially offset by higher market-based tariff rates, which went into effect in July 2003.

Revenues from LPGs transportation increased $16.0 million for the nine months ended September 30, 2003, compared with the nine months ended September 30, 2002, primarily due to increased deliveries of propane in the upper Midwest and Northeast market areas attributable to colder than normal weather during the first quarter of 2003 and due to low inventories at competing supply locations during the second and third quarters of 2003. Lower mid-continent propane inventory resulted in increased foreign propane imports into the U.S. Gulf Coast at Mont Belvieu and resulted in increased transportation to the mid-continent through our previously constrained system. Additional pipeline capacity for expanded propane movements was available due to a shift of refined product volumes to Centennial. Butane deliveries also increased due to the increased demand by refineries for normal butane for use in gasoline blending and increased isobutane deliveries to Chicago area refineries. The LPGs average rate per barrel increased 26% from the prior year period as a result of an increased percentage of long-haul deliveries during the nine months ended September 30, 2003, and an increase in LPG tariff rates, which went into effect in July 2003.

Effective January 1, 2003, TE Products’ 50% ownership interest in MB Storage is accounted for as an equity investment. Revenues generated from Mont Belvieu operations totaled $11.1 million during the nine months ended September 30, 2002. As a result of the formation of MB Storage, revenues and expenses related to Mont Belvieu operations are now recorded within equity earnings. See discussion regarding changes in equity earnings/losses below.

Other operating revenues increased $4.6 million for the nine months ended September 30, 2003, compared with the nine months ended September 30, 2002, primarily due to the addition of the northern portion of the Dean Pipeline to the Downstream Segment in January 2003, which increased other operating revenues by $3.5 million as the pipeline began transporting RGP in January 2003, higher propane deliveries at our Providence, Rhode Island import facility and higher refined product loading fees. These increases were partially offset by lower revenues from product location exchanges which are used to position product in the Midwest market area and lower volume of product inventory sales.

Costs and expenses increased $18.4 million for the nine months ended September 30, 2003, compared with the nine months ended September 30, 2002. The increase was made up of a $16.2 million increase in operating, general and administrative expenses and a $3.5 million increase in operating fuel and power, partially offset by a $0.9 million decrease in taxes — other than income taxes and a $0.4 million decrease in depreciation and amortization expense. Operating, general and administrative expenses increased primarily due to higher pipeline maintenance expenses, due in part to higher than planned pipeline rehabilitation expenses associated with our Integrity Management program, increased consulting and contract services, increased labor costs, increased general and administrative supplies expense, increased insurance expense, expense from the Centennial pipeline capacity lease agreement that we entered into in 2003 and the write-off of receivables of $0.4 million related to customer bankruptcies. The addition of the northern portion of the Dean Pipeline to the Downstream Segment increased operating, general and administrative expense by $1.1 million. Operating fuel and power expense increased as a result of increased mainline throughput and higher power costs due to an increase in the price of natural gas. Taxes — other than income taxes decreased as a result of actual property taxes being lower than previously estimated and the transfer of assets to MB Storage. Depreciation expense decreased from the prior year period because of assets retired during the nine months ended September 30, 2003, which reduced the asset base, and due to the transfer of assets to MB Storage.

Net losses from equity investments decreased $2.4 million for the nine months ended September 30, 2003, compared with the nine months ended September 30, 2002. Centennial, which commenced operations in April 2002, accounted for $8.0 million of the equity losses during the nine months ended September 30, 2003, resulting in an increase of $3.0 million in equity losses during the period. On February 10, 2003, TE Products acquired an additional 16.7% interest in Centennial, bringing its ownership interest to 50%. The losses from Centennial are partially offset by equity earnings of $5.4 million from our 50% ownership interest in MB Storage, which was

formed effective January 1, 2003. Amounts in the prior year period related to Mont Belvieu operations which were recorded to revenues and costs and expenses are now being recorded within equity earnings based upon our 50% ownership interest in MB Storage, effective with its formation on January 1, 2003. If the 2002 revenues and costs and expenses from the Mont Belvieu operations had been accounted for under the same method as in 2003, equity earnings from MB Storage would have decreased $0.2 million in 2003, compared with the prior year, due to an increase in depreciation expense on MB Storage assets, partially offset by increased shuttle deliveries and increased storage revenue.

Upstream Segment

Information presented in the following table includes the margin of the Upstream Segment, which may be viewed as a non-GAAP (Generally Accepted Accounting Principles) financial measure under the rules of the Securities and Exchange Commission. We calculate the margin of the Upstream Segment as revenues generated from the sale of crude oil and lubrication oil, and transportation of crude oil, less the costs of purchases of crude oil and lubrication oil. We believe that margin is a more meaningful measure of financial performance than operating revenues and operating expenses due to the significant fluctuations in revenues and expenses caused by variations in the level of marketing activity and prices for products marketed. Margin and volume information for the three months and nine months ended September 30, 2003, and 2002 is presented below (in thousands, except per barrel and per gallon amounts):

	Three Months Ended September 30,		Percentage	Nine Months Ended September 30,		Percentage
	2003	2002	Increase (Decrease)	2003	2002	Increase (Decrease)
Margins:						
Crude oil transportation	$11,182	$ 9,518	17%	$ 33,278	$ 28,211	18%
Crude oil marketing	5,732	6,700	(14%)	16,936	17,367	(2%)
Crude oil terminaling	2,294	2,606	(12%)	6,843	7,695	(11%)
Lubrication oil sales	1,319	1,166	13%	4,010	3,531	14%
Total margin	$20,527	$19,990	3%	$ 61,067	$ 56,804	8%
Total barrels:						
Crude oil transportation	22,114	18,916	17%	70,670	61,704	15%
Crude oil marketing	43,694	30,064	45%	118,269	103,343	14%
Crude oil terminaling	28,004	31,361	(11%)	83,566	93,700	(11%)
Lubrication oil volume (total gallons)	2,420	2,079	16%	7,573	6,971	9%
Margin per barrel:						
Crude oil transportation	$ 0.506	$ 0.503	—	$ 0.471	$ 0.457	3%
Crude oil marketing	0.131	0.223	(41%)	0.143	0.168	(15%)
Crude oil terminaling	0.082	0.083	(1%)	0.082	0.082	—
Lubrication oil margin (per gallon)	0.545	0.561	(3%)	0.530	0.507	5%

The following table reconciles the Upstream Segment margin to the consolidated statements of income using the information presented in the consolidated statements of income and the statements of income in Note 11. Segment Data (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	**2002**	**2003**	**2002**
Sales of petroleum products	$ 946,402	$ 766,502	$ 2,849,594	$ 2,111,817
Transportation - Crude oil	6,813	6,809	20,777	20,032
Less: Purchases of petroleum products	(932,688)	(753,321)	(2,809,304)	(2,075,045)
Total margin	$ 20,527	$ 19,990	$ 61,067	$ 56,804

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

Our Upstream Segment reported earnings before interest of $13.0 million for the three months ended September 30, 2003, compared with earnings before interest of $14.1 million for the three months ended September 30, 2002. Earnings before interest decreased $1.1 million primarily due to an increase of $3.0 million in costs and expenses (excluding purchases of crude oil and lubrication oil) and a decrease of $0.6 million in other income - net, partially offset by an increase of $0.5 million in margin and an increase of $2.0 million in equity earnings of Seaway. We discuss factors influencing our operating performance below.

Our margin increased $0.5 million for the three months ended September 30, 2003, compared with the three months ended September 30, 2002. Crude oil transportation margin increased $1.7 million primarily due to increased revenues on our Red River, Basin, South Texas and West Texas systems resulting from a 17% increase in transportation volumes and a slight increase in the margin per barrel. Lubrication oil sales margin increased $0.1 million due to higher sales volume. Crude oil marketing margin decreased $1.0 million primarily from the sale of excess inventory in the 2002 period, partially offset by favorable crude oil price differentials, increased volumes marketed, renegotiated supply contracts and lower trucking expenses. Crude oil terminaling margin decreased $0.3 million as a result of lower volumes at Midland, Texas, and Cushing, Oklahoma.

Costs and expenses, excluding expenses associated with purchases of crude oil and lubrication oil, increased $3.0 million for the three months ended September 30, 2003, compared with the three months ended September 30, 2002. Operating, general and administrative expenses increased $2.6 million from the prior year period due to a $0.7 million increase in environmental remediation and assessment activities in the three months ended September 30, 2003, higher labor costs and higher legal costs related to the litigation and settlement with D.R.D. (see Note 12. Commitments and Contingencies), partially offset by lower general and administrative supplies expense. Depreciation and amortization expense increased $0.5 million due to assets placed in service in 2002 and 2003. Operating fuel and power increased $0.3 million during the period due to higher power costs. Taxes – other than income taxes decreased $0.4 million due to decreases in property tax accruals.

Equity earnings in Seaway increased $2.0 million for the three months ended September 30, 2003, compared with the three months ended September 30, 2002, due to a gain on the sale of inventory, a favorable crude oil imbalance settlement, higher long-haul transportation volumes and lower general and administrative expenses, partially offset by our portion of equity earnings which decreased from 80% to 60% on a pro-rated basis in 2002 (averaging approximately 67% for the year ended December 31, 2002), to 60% in 2003.

Other income – net decreased $0.6 million for the three months ended September 30, 2003, compared with the three months ended September 30, 2002, primarily due to lower interest income received on intercompany borrowings.

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

Our Upstream Segment reported earnings before interest of $41.8 million for the nine months ended September 30, 2003, compared with earnings before interest of $36.7 million for the nine months ended September 30, 2002. Earnings before interest increased $5.1 million primarily due to an increase of $4.3 million in margin, an increase of $6.2 million in equity earnings of Seaway and a gain of $3.9 million from the sale of assets, partially offset by an increase of $8.4 million in costs and expenses (excluding purchases of crude oil and lubrication oil), a decrease of $0.7 million in other income - net and a decrease of $0.2 million in other operating revenues. We discuss factors influencing our operating performance below.

Our margin increased $4.3 million for the nine months ended September 30, 2003, compared with the nine months ended September 30, 2002. Crude oil transportation margin increased $5.1 million primarily due to increased revenues on our Red River, Basin, South Texas and West Texas systems resulting from a 15% increase in transportation volumes on these systems. Lubrication oil sales margin increased $0.5 million due to increased sales of chemical volumes and higher margins on lubrication sales. Crude oil marketing margin decreased $0.4 million primarily due to an invoicing settlement on a marketing contract in the first quarter of 2003, partially offset by increased volumes marketed, renegotiated supply contracts, lower trucking expenses and more favorable crude oil price differentials. Crude oil terminaling margin decreased $0.9 million as a result of an 11% decrease in volumes at Midland, Texas, and Cushing, Oklahoma.

Other operating revenue of the Upstream Segment decreased $0.2 million for the nine months ended September 30, 2003, compared with the nine months ended September 30, 2002, due to lower revenues from documentation and other services to support customers' trading activity at Midland and Cushing.

Costs and expenses, excluding expenses associated with purchases of crude oil and lubrication oil, increased $8.4 million for the nine months ended September 30, 2003, compared with the nine months ended September 30, 2002. Operating, general and administrative expenses increased $6.2 million from the prior year period. The increase includes a $4.5 million increase in environmental assessment and remediation costs in 2003, higher legal costs related to the litigation and settlement with D.R.D. (see Note 12. Commitments and Contingencies) and $1.7 million from the net settlement of crude oil imbalances with customers, partially offset by lower labor costs and lower general and administrative supplies expenses during the period. Depreciation and amortization expense increased $1.9 million due to assets placed in service in 2002 and 2003. Operating fuel and power increased $0.2 million due to higher power costs and higher volumes in 2003. Taxes – other than income taxes increased $0.1 million due to slight increases in property tax accruals.

Equity earnings in Seaway increased $6.2 million for the nine months ended September 30, 2003, compared with the nine months ended September 30, 2002, due to a favorable crude oil imbalance settlement, a gain on the sale of inventory, lower general and administrative expenses and higher long-haul transportation volumes, partially offset by our portion of equity earnings which decreased from 80% to 60% on a pro-rated basis in 2002 (averaging approximately 67% for the year ended December 31, 2002), to 60% in 2003.

In June 2003, we recorded a net gain of $3.9 million on the sale of certain of the assets of the Rancho Pipeline. We owned an approximate 25% undivided joint interest in the Rancho Pipeline, which was a crude oil pipeline system from West Texas to Houston, Texas, acquired in connection with our acquisition of crude oil assets in 2000. In March 2003, the Rancho Pipeline ceased operations, and segments of the pipeline were sold to certain of the current owners of the Rancho Pipeline. We acquired approximately 230 miles of the pipeline in exchange for cash of $5.5 million and our interests in other portions of the Rancho Pipeline. We sold part of the segment we acquired to other entities for cash and assets valued at approximately $8.5 million. We recorded a net gain of $3.9 million on the transactions, which is included in the gain on sale of assets in our consolidated statements of income.

Other income – net decreased $0.7 million for the nine months ended September 30, 2003, compared with the nine months ended September 30, 2002, primarily due to lower interest income received on intercompany borrowings.

Midstream Segment

The following table presents volume and average rate information for the three months and nine months ended September 30, 2003, and 2002:

	Three Months Ended September 30,		Percentage	Nine Months Ended September 30,		Percentage
	2003	2002	Increase (Decrease)	2003	2002	Increase (Decrease)
Gathering – Natural Gas:						
Million cubic feet	115,119	111,197	4%	341,548	221,173	54%
Million British thermal units (“MMBtu”)	117,163	110,571	6%	346,376	232,792	49%
Average fee per MMBtu	$ 0.291	$ 0.299	(3%)	$ 0.291	$ 0.232	25%
Transportation – NGLs:						
Thousand barrels	14,929	15,790	(5%)	43,150	39,261	10%
Average rate per barrel	$ 0.670	$ 0.707	(5%)	$ 0.680	$ 0.713	(5%)
Fractionation – NGLs:						
Thousand barrels	956	993	(4%)	3,034	3,036	—
Average rate per barrel	$ 1.873	$ 1.838	2%	$ 1.815	$ 1.830	(1%)
Sales – Condensate:						
Thousand barrels	6.0	7.0	(14%)	52.0	57.7	(10%)
Average rate per barrel	$ 23.89	$ 27.78	(14%)	$ 30.22	$ 24.46	24%

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

Our Midstream Segment reported earnings before interest of $21.9 million for the three months ended September 30, 2003, compared with earnings before interest of $19.0 million for the three months ended September 30, 2002. Earnings before interest increased $2.9 million due primarily to a decrease of $2.9 million in costs and expenses and an increase of $0.1 million in other income - net, partially offset by a decrease of $0.1 million in operating revenues. We discuss factors influencing our operating performance below.

Revenues from the gathering of natural gas increased $1.1 million for the three months ended September 30, 2003, compared with the three months ended September 30, 2002. Natural gas gathering revenues from the Jonah system increased $3.3 million and volumes delivered increased 12.8 billion cubic feet during the three months ended September 30, 2003, due to the expansions of the Jonah system completed in October 2002, which increased the capacity of the Jonah system from 730 million cubic feet per day (“MMcf/day”) to approximately 880 MMcf/day. The increase in Jonah’s revenues is also partially due to an increase in the average natural gas gathering rate due to certain volume thresholds being exceeded. Natural gas gathering revenues from the Val Verde system decreased $2.2 million and volumes delivered decreased 8.9 billion cubic feet during the three months ended September 30, 2003. The decrease in volumes was due to the natural decline of CBM production, partially offset by an increase in the average natural gas gathering rate due to annual fee escalations in natural gas gathering agreements and higher carbon dioxide treating fees as a result of higher carbon dioxide content in the natural gas.

Revenues from the transportation of NGLs decreased $1.2 million for the three months ended September 30, 2003, compared with the three months ended September 30, 2002, primarily due to a decrease of $0.5 million on the Dean Pipeline as a result of lower transportation volumes in 2003. Lower transportation volumes resulted from the conversion of the northern portion of the pipeline to transport RGP, and subsequent classification as a part of the Downstream Segment, effective January 1, 2003. NGL transportation revenues also decreased $1.1 million due to

lower transportation volumes on the Panola Pipeline. These decreases were partially offset by an increase of $0.4 million on the Chaparral pipeline system, due to increased volumes transported.

Costs and expenses decreased $2.9 million for the three months ended September 30, 2003, compared with the three months ended September 30, 2002, due to a decrease of $2.1 million in depreciation and amortization expense, a decrease of $0.8 million in operating, general and administrative expense and a decrease of $0.3 million in taxes — other than income taxes, partially offset by an increase of $0.3 million in operating fuel and power. Depreciation and amortization expense decreased due to a $1.4 million decrease in amortization expense related to Jonah's intangible assets for natural gas gathering contracts under the units-of-production method and a $0.7 million decrease in amortization expense related to Val Verde's intangible assets for natural gas gathering contracts as volumes gathered decreased between periods. In second quarter 2003, Jonah's estimated total throughput of the system was adjusted which resulted in an extension of the expected amortization period from 16 years to 25 years (see Note 3. Goodwill and Other Intangible Assets). These decreases were partially offset by increases in depreciation expense due to assets placed in service in the fourth quarter of 2002 related primarily to the expansion of the Jonah system. Operating, general and administrative expense decreased $0.8 million due to lower general and administrative labor and supplies expense and decreased consulting and contracting services. Taxes - other than income taxes decreased $0.7 million due to adjustments to the estimated property taxes for the period, partially offset by an increase of $0.4 million due to a higher property tax base on Jonah as a result of the system expansions. Operating fuel and power costs increased $0.3 million due to increased transportation volumes on the Chaparral pipeline system.

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

Our Midstream Segment reported earnings before interest of $60.1 million for the nine months ended September 30, 2003, compared with earnings before interest of $38.7 million for the nine months ended September 30, 2002. Earnings before interest increased $21.4 million due to an increase of $48.5 million in operating revenues, partially offset by an increase of $27.1 million in costs and expenses. We discuss factors influencing our operating performance below.

Revenues from the gathering of natural gas increased $46.6 million for the nine months ended September 30, 2003, compared with the nine months ended September 30, 2002. Natural gas gathering revenues from the Jonah system increased $12.9 million and volumes delivered increased 47.6 billion cubic feet during the nine months ended September 30, 2003, due to the expansions of the Jonah system during 2002. The first expansion, which was completed in May 2002, increased the capacity of the Jonah system by 62%, from approximately 450 MMcf/day to approximately 730 MMcf/day. In October 2002, additional expansion projects were completed, which increased the capacity of the Jonah system from 730 MMcf/day to approximately 880 MMcf/day. The increase in Jonah's revenues is also partially due to an increase in the average natural gas gathering rate due to certain volume thresholds being exceeded. Natural gas gathering revenues from the Val Verde system increased $33.7 million and volumes delivered increased 72.8 billion cubic feet during the nine months ended September 30, 2003, primarily due to the acquisition of the Val Verde system on June 30, 2002. This increase, due to the acquisition, was partially offset by a decrease in volumes gathered during the third quarter of 2003 as compared to the third quarter of 2002 due to the natural decline of CBM production, partially offset by an increase in the average natural gas gathering rate due to annual fee escalations in gathering agreements and higher carbon dioxide treating fees as a result of increasing carbon dioxide content in the natural gas.

Revenues from the transportation of NGLs increased $1.3 million for the nine months ended September 30, 2003, compared with the nine months ended September 30, 2002, primarily due to an increase of $4.6 million related to the acquisition of Chaparral on March 1, 2002, and an increase in volumes transported on Chaparral. This increase was partially offset by a decrease of $1.3 million on the Dean Pipeline due to decreased transportation volumes. Lower transportation volumes resulted from the conversion of the northern portion of the pipeline to transport RGP and subsequent classification as a part of the Downstream Segment, effective January 1, 2003. NGL transportation revenues also decreased $2.0 million due to lower transportation volumes on the Panola Pipeline. The

decrease in the NGL transportation average rate per barrel resulted from a lower average rate per barrel on volumes transported on the Chaparral pipeline system.

Other operating revenues increased $0.6 million for the nine months ended September 30, 2003, compared with the nine months ended September 30, 2002, due to an increase in sales of gas condensate and stabilizer overhead gas on the Jonah system.

Costs and expenses increased $27.1 million for the nine months ended September 30, 2003, compared with the nine months ended September 30, 2002, due to an increase of $13.7 million in depreciation and amortization expense, an increase of $10.7 million in operating, general and administrative expense, an increase of $1.3 million in taxes – other than income taxes and an increase of $1.4 million in operating fuel and power. Depreciation and amortization expense increased $14.6 million due to the Chaparral and Val Verde assets acquired on March 1, 2002, and June 30, 2002, respectively, and $2.0 million due to assets placed in service in 2002 related primarily to the expansions of the Jonah system. These increases were partially offset by a decrease of $0.9 million in amortization expense on Jonah's intangible assets under the units-of-production method. In second quarter 2003, Jonah's estimated total throughput of the system was adjusted, which resulted in an extension of the expected amortization period from 16 years to 25 years (see Note 3. Goodwill and Other Intangible Assets). Operating, general and administrative expense increased $4.1 million from the assets acquired, and due to higher general and administrative labor and supplies expense and increased consulting and contracting services. Operating fuel and power costs increased $1.4 million due to the assets acquired and due to increased volumes transported on the Chaparral pipeline system. Taxes – other than income taxes increased $1.3 million due to the assets acquired and due to a higher property tax base on Jonah as a result of the system expansions.

Interest Expense and Capitalized Interest

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

Interest expense increased $2.6 million for the three months ended September 30, 2003, compared with the three months ended September 30, 2002, primarily due to an increased percentage of fixed-rate debt in 2003 and $0.8 million in expense related to the discontinued portion of the cash flow hedge.

Capitalized interest increased $0.5 million for the three months ended September 30, 2003, compared with the three months ended September 30, 2002, due to slightly higher construction work-in-progress balances during the third quarter of 2003.

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

Interest expense increased $14.4 million for the nine months ended September 30, 2003, compared with the nine months ended September 30, 2002, primarily due to an increased percentage of fixed-rate debt in 2003, $1.3 million of debt issuance costs written off in June 2003 related to the refinancing of our revolving credit facility, and $0.8 million in expense related to the discontinued portion of the cash flow hedge.

Capitalized interest decreased $1.1 million for the nine months ended September 30, 2003, compared with the nine months ended September 30, 2002, due to interest capitalized on our investment in Centennial during the first quarter of 2002, and decreased construction work-in-progress balances during 2003.

Financial Condition and Liquidity

Net cash from operating activities totaled $176.7 million for the nine months ended September 30, 2003. This cash was made up of $171.7 million of income before charges for depreciation and amortization and $5.0

million of cash provided by working capital. This compares with net cash from operating activities of $140.6 million for the corresponding period in 2002, comprised of $141.5 million of income before charges for depreciation and amortization, partially offset by $0.9 million of cash used for working capital. Net cash from operating activities for the nine months ended September 30, 2003, and 2002, included net interest payments of $76.5 million and $30.5 million, respectively.

Cash flows used in investing activities totaled $124.1 million for the nine months ended September 30, 2003, and were comprised of $103.9 million of capital expenditures, $20.0 million for TE Products' acquisition of an additional 16.7% ownership interest in Centennial, $3.0 million of cash contributions for TE Products' ownership interest in Centennial and $0.2 million of cash contributions for TE Products' ownership interest in MB Storage. These uses of cash were partially offset by $3.0 million in net cash proceeds from the Rancho Pipeline transactions. Cash flows used in investing activities totaled $686.5 million for the nine months ended September 30, 2002, and were comprised of $7.3 million for final purchase price adjustments on the acquisition of Jonah, $98.3 million of capital expenditures, $7.7 million of cash contributions for TE Products' ownership interest in Centennial, $132.4 million for the purchase of Chaparral on March 1, 2002, and $444.2 million for the purchase of Val Verde on June 30, 2002. These uses of cash were partially offset by $3.4 million in cash proceeds from the sale of assets.

Cash flows provided by financing activities totaled $16.8 million for the nine months ended September 30, 2003, and were comprised of $382.0 million in proceeds from revolving credit facilities; $198.6 million from the issuance in January 2003 of our 6.125% Senior Notes due 2013, partially offset by debt issuance costs of $3.1 million; and $287.5 million from the issuance of 9.2 million Units in April and August 2003. These sources of cash for the nine months ended September 30, 2003, were partially offset by $589.0 million of repayments on our revolving credit facilities; $113.8 million to repurchase and retire all of the 3.9 million outstanding Class B Units, and $145.4 million of distributions paid to unitholders. Cash flows provided by financing activities totaled $552.6 million for the nine months ended September 30, 2002, and were comprised of $662.0 million of proceeds from revolving credit facilities; $497.8 million from the issuance in February 2002 of our 7.625% Senior Notes due 2012, partially offset by debt issuance costs of $7.0 million; $275.3 million from the issuance of 9.5 million Units in March, July and September 2002, and $5.6 million of related General Partner contributions; and $18.0 million of proceeds from the termination of our interest rate swaps on the 7.625% Senior Notes due 2012. These sources of cash for the nine months ended September 30, 2002, were partially offset by $790.7 million of repayments on our revolving credit facilities and $108.4 million of distributions paid to unitholders.

Centennial entered into credit facilities totaling $150.0 million, and as of September 30, 2003, $150.0 million was outstanding under those credit facilities. The proceeds were used to fund construction and conversion costs of its pipeline system. TE Products and Marathon have each guaranteed one-half of Centennial's debt, up to a maximum amount of $75.0 million each.

Credit Facilities and Interest Rate Swap Agreements

On April 6, 2001, we entered into a $500.0 million revolving credit facility including the issuance of letters of credit of up to $20.0 million ("Three Year Facility"). The interest rate was based, at our option, on either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement for the Three Year Facility contained certain restrictive financial covenant ratios. During 2002, borrowings under the Three Year Facility were used to finance the acquisitions of Chaparral on March 1, 2002, and Val Verde on June 30, 2002, and for general partnership purposes. During 2002, repayments were made on the Three Year Facility with proceeds from the issuance of our 7.625% Senior Notes, proceeds from the issuance of additional Units and proceeds from the termination of interest rate swaps (see Note 4. Derivative Financial Instruments). During the first quarter of 2003, we repaid $182.0 million of the outstanding balance of the Three Year Facility with proceeds from the issuance of our 6.125% Senior Notes on January 30, 2003. On June 27, 2003, we repaid the outstanding balance under the Three Year Facility with borrowings under a new credit facility, and canceled the Three Year Facility.

On June 27, 2003, we entered into a $550.0 million revolving credit facility with a three year term, including the issuance of letters of credit of up to $20.0 million ("Revolving Credit Facility"). The interest rate is based, at our option, on either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement for the Revolving Credit Facility contains certain restrictive financial covenant ratios. We borrowed $263.0 million under the Revolving Credit Facility and repaid the outstanding balance of the Three Year Facility. On September 30, 2003, $225.0 million was outstanding under the Revolving Credit Facility at a weighted average interest rate, before the effects of hedging activities, of 1.9%. At September 30, 2003, we were in compliance with the covenants in this credit agreement.

On April 6, 2001, we entered into a 364-day, $200.0 million revolving credit agreement ("Short-term Revolver"). The interest rate was based, at our option, on either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement contained certain restrictive financial covenant ratios. On March 28, 2002, the Short-term Revolver was extended for an additional period of 364 days, ending in March 2003. During 2002, borrowings under the Short-term Revolver were used to finance the acquisition of the Val Verde assets and for other purposes. During 2002, we repaid the existing amounts outstanding under the Short-term Revolver with proceeds we received from the issuance of Units in 2002. The Short-term Revolver expired on March 27, 2003.

On February 20, 2002, we completed the issuance of $500.0 million principal amount of 7.625% Senior Notes due 2012. The 7.625% Senior Notes were issued at a discount of $2.2 million and are being accreted to their face value over the term of the notes. We used the proceeds from the offering to reduce a portion of the outstanding balances of our credit facilities, including those issued in connection with the acquisition of Jonah. The Senior Notes may be redeemed at any time at our option with the payment of accrued interest and a make-whole premium determined by discounting remaining interest and principal payments using a discount rate equal to the rate of the United States Treasury securities of comparable remaining maturity plus 35 basis points. The indenture governing the 7.625% Senior Notes contains covenants, including, but not limited to, covenants limiting the creation of liens securing indebtedness and sale and leaseback transactions. However, the indenture does not limit our ability to incur additional indebtedness. As of September 30, 2003, we were in compliance with the covenants of these Senior Notes.

On June 27, 2002, we entered into a $200.0 million six-month term loan with SunTrust Bank ("Six-Month Term Loan") payable in December 2002. We borrowed $200.0 million under the Six-Month Term Loan to acquire the Val Verde assets (see Note 5. Acquisitions and Dispositions). The interest rate was based, at our option, on either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreement contained certain restrictive financial covenant ratios. On July 11, 2002, we repaid $90.0 million of the outstanding principal from proceeds primarily received from the issuance of Units in July 2002. On September 10, 2002, we repaid the remaining outstanding balance of $110.0 million with proceeds received from the issuance of Units in September 2002, and canceled the facility.

On January 30, 2003, we completed the issuance of $200.0 million principal amount of 6.125% Senior Notes due 2013. The 6.125% Senior Notes were issued at a discount of $1.4 million and are being accreted to their face value over the term of the notes. We used $182.0 million of the proceeds from the offering to reduce the outstanding principal on the Three Year Facility to $250.0 million. The balance of the net proceeds received was used for general purposes. The Senior Notes may be redeemed at any time at our option with the payment of accrued interest and a make-whole premium determined by discounting remaining interest and principal payments using a discount rate equal to the rate of the United States Treasury securities of comparable remaining maturity plus 35 basis points. The indenture governing our 6.125% Senior Notes contains covenants, including, but not limited to, covenants limiting the creation of liens securing indebtedness and sale and leaseback transactions. However, the indenture does not limit our ability to incur additional indebtedness. As of September 30, 2003, we were in compliance with the covenants of these Senior Notes.

We have entered into interest rate swap agreements to hedge our exposure to cash flows and fair value changes. These agreements are more fully described in Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The following table summarizes our credit facilities as of September 30, 2003 (in millions):

	As of September 30, 2003		
Description:	Outstanding Principal	Available Borrowing Capacity	Maturity Date
Revolving Credit Facility	$ 225.0	$325.0	June 2006
6.45% Senior Notes (1)	180.0	—	January 2008
7.625% Senior Notes (1)	500.0	—	February 2012
6.125% Senior Notes (1)	200.0	—	February 2013
7.51% Senior Notes (1)	210.0	—	January 2028
Total	$1,315.0	$325.0	

(1) Our TE Products subsidiary entered into an interest rate swap agreement to hedge its exposure to changes in the fair value of its 7.51% Senior Notes due 2028. At September 30, 2003, the 7.51% Senior Notes include an adjustment to increase the fair value of the debt by $7.3 million related to this interest rate swap agreement. We also entered into interest rate swap agreements to hedge our exposure to changes in the fair value of our 7.625% Senior Notes due 2012. At September 30, 2003, the 7.625% Senior Notes include a deferred gain, net of amortization, from previous interest rate swap terminations of $41.5 million. At September 30, 2003, our 6.45% Senior Notes, our 7.625% Senior Notes and our 6.125% Senior Notes include $3.2 million of unamortized debt discounts. The fair value adjustments, the deferred gain adjustment and the unamortized debt discounts are excluded from this table.

Distributions and Issuance of Additional Limited Partner Units

We paid cash distributions of $145.4 million ($1.85 per Unit) and $108.4 million ($1.75 per Unit) for each of the nine months ended September 30, 2003 and 2002, respectively. Additionally, we declared a cash distribution of $0.65 per Unit for the quarter ended September 30, 2003. We will pay the distribution of approximately $57.1 million on November 7, 2003, to unitholders of record on October 31, 2003.

On March 22, 2002, we sold in an underwritten public offering 1.92 million Units at $31.18 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $57.3 million and were used to repay $50.0 million of the outstanding balance on the Three Year Facility, with the remaining amount being used for general partnership purposes.

On July 11, 2002, we sold in an underwritten public offering 3.0 million Units at $30.15 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $86.6 million and were used to reduce borrowings under our Six-Month Term Loan. On August 14, 2002, 175,000 Units were sold upon exercise of the underwriters' over-allotment option granted in connection with the offering on July 11, 2002. Proceeds from that sale totaled $5.1 million and were used for general partnership purposes.

On September 5, 2002, we sold in an underwritten public offering 3.8 million Units at $29.72 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $108.1 million and were used to reduce borrowings under our Six-Month Term Loan. On September 19, 2002, 570,000 Units were sold upon exercise of the underwriters' over-allotment option granted in connection with the offering on September 5, 2002. Proceeds from that sale totaled $16.2 million and were used to reduce borrowings under our Short-term Revolver.

On November 7, 2002, we sold in an underwritten public offering 3.3 million Units at $26.83 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $84.8 million and were used to reduce borrowings under our Short-term Revolver and Three Year Facility. On December 4, 2002, 495,000 Units were sold upon exercise of the underwriters' over-allotment option granted in connection with the offering on

November 7, 2002. Proceeds from that sale totaled $12.7 million and were used to reduce borrowings under our Short-term Revolver and Three Year Facility.

On April 2, 2003, we sold in an underwritten public offering 3.9 million Units at $30.35 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $114.5 million, of which approximately $113.8 million was used to repurchase and retire all of the 3,916,547 previously outstanding Class B Units held by Duke Energy Transport and Trading Company, LLC ("DETTCO"), an affiliate of Duke Energy. We received approximately $0.7 million in proceeds from the offering in excess of the amount needed to repurchase and retire the Class B Units.

On August 7, 2003, we sold in an underwritten public offering 5.0 million Units at $34.68 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $166.0 million. On August 19, 2003, 162,900 Units were sold upon exercise of the underwriters' over-allotment option granted in connection with the offering on August 7, 2003. Proceeds from the over-allotment sale, net of underwriting discount, totaled $5.4 million. Approximately $38.0 million of the proceeds were used to repay indebtedness under our revolving credit facility. The remaining proceeds will be used to fund revenue-generating and system upgrade capital expenditures during the remainder of 2003, and $21.0 million will be used to fund the acquisition of additional crude oil facilities (see Note 15. Subsequent Event). The remaining amount will be used for general partnership purposes.

Future Capital Needs and Commitments

We estimate that capital expenditures, excluding acquisitions, for 2003 will be approximately $142.4 million (which includes $4.1 million of capitalized interest). Of this amount, we expect to spend approximately $102.9 million for revenue generating projects. Capital spending on Downstream Segment revenue generating projects will total approximately $26.2 million, principally for the expansion of our pumping capacity of LPGs into the Northeast markets, the expansion of our North Houston terminal facility, increased capacity at Princeton, Indiana, and the expansion of delivery capacity at various locations. For the Midstream Segment, revenue generating capital expenditures will total approximately $69.3 million, principally for the upgrade of the Jonah system, and for additional well connections on both the Jonah and Val Verde systems. Upstream Segment revenue generating expenditures will be approximately $7.4 million, including the expansion of our South Texas system and connections to various other production facilities and pipelines. We expect to spend approximately $26.0 million to sustain existing operations, of which $15.2 million will be for various Downstream Segment pipeline projects, $6.0 million for Upstream Segment facilities and $4.8 million for the Midstream Segment. An additional $9.4 million will be expended on system upgrade projects among all of our business segments. We continually review and evaluate potential capital improvements and expansions that would be complementary to our present business segments. These expenditures can vary greatly depending on the magnitude of our transactions. We may finance capital expenditures through internally generated funds, debt or the issuance of additional equity.

Our debt repayment obligations consist of payments for principal and interest on (i) outstanding principal amounts under the Revolving Credit Facility due in June 2006 ($225.0 million outstanding at September 30, 2003), (ii) the TE Products $180.0 million 6.45% Senior Notes due January 15, 2008, (iii) our $500.0 million 7.625% Senior Notes due February 15, 2012, (iv) our $200.0 million 6.125% Senior Notes due February 1, 2013, and (v) the TE Products $210.0 million 7.51% Senior Notes due January 15, 2028.

TE Products is contingently liable as guarantor for the lesser of one-half or $75.0 million principal amount (plus interest) of the borrowings of Centennial. In January 2003, TE Products entered into a pipeline capacity lease agreement with Centennial for a period of five years that contains a minimum capacity requirement. On February 10, 2003, TE Products acquired an additional 16.7% ownership interest in Centennial, bringing its ownership percentage to 50%.

We do not rely on off-balance sheet borrowings to fund our acquisitions. We have no off-balance sheet commitments for indebtedness other than the limited guaranty of Centennial debt and leases covering assets utilized in several areas of our operations.

The following table summarizes our debt repayment obligations and material contractual commitments as of September 30, 2003 (in millions):

	Amount of Commitment Expiration Per Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Revolving Credit Facility	$ 225.0	$ —	$225.0	$ —	$ —
6.45% Senior Notes due 2008 (1) (2)	180.0	—	—	180.0	—
7.625% Senior Notes due 2012 (2)	500.0	—	—	—	500.0
6.125% Senior Notes due 2013 (2)	200.0	—	—	—	200.0
7.51% Senior Notes due 2028 (1) (2)	210.0	—	—	—	210.0
Debt subtotal	1,315.0	—	225.0	180.0	910.0
Operating leases	55.9	15.3	26.9	13.0	0.7
Contractual commitments subtotal	55.9	15.3	26.9	13.0	0.7
Total	$1,370.9	$15.3	$251.9	$193.0	$910.7

(1) Obligations of TE Products.

(2) Our TE Products subsidiary entered into an interest rate swap agreement to hedge its exposure to changes in the fair value of its 7.51% Senior Notes due 2028. At September 30, 2003, the 7.51% Senior Notes include an adjustment to increase the fair value of the debt by $7.3 million related to this interest rate swap agreement. We also entered into interest rate swap agreements to hedge our exposure to changes in the fair value of our 7.625% Senior Notes due 2012. At September 30, 2003, the 7.625% Senior Notes include a deferred gain, net of amortization, from previous interest rate swap terminations of $41.5 million. At September 30, 2003, our 6.45% Senior Notes, our 7.625% Senior Notes and our 6.125% Senior Notes include $3.2 million of unamortized debt discounts. The fair value adjustments, the deferred gain adjustments and the unamortized debt discounts are excluded from this table.

We expect to repay the long-term, senior unsecured obligations and bank debt through the issuance of additional long-term senior unsecured debt at the time the 2008, 2012, 2013 and 2028 debt matures, issuance of additional equity, proceeds from dispositions of assets, cash flow from operations or any combination of the above items.

Sources of Future Capital

Historically, we have funded our capital commitments from operating cash flow and borrowings under bank credit facilities or bridge loans. We repaid these loans in part by the issuance of long term debt in capital markets and the public offering of Units. We expect future capital needs would be similarly funded to the extent not otherwise available from cash flow from operations.

As of September 30, 2003, we had approximately $325.0 million in available borrowing capacity under the Revolving Credit Facility.

We expect that cash flows from operating activities will be adequate to fund cash distributions and capital additions necessary to sustain existing operations. However, future expansionary capital projects and acquisitions may require funding through proceeds from the sale of additional debt or equity offerings.

On May 29, 2002, Moody’s Investors Service downgraded our senior unsecured debt rating to Baa3 from Baa2. Our subsidiary, TE Products was also included in this downgrade. These ratings were given with stable

outlooks and followed our announcement of the acquisition of Val Verde. The downgrades reflect Moody's concern that we have a high level of debt relative to many of our peers and that our debt may be continually higher than our long-term targets if we continue to make a series of acquisitions of increasingly larger size. Because of our high distribution rate, we are particularly reliant on external financing to finance our acquisitions. Moody's indicated that our cash flows are becoming less predictable as a result of our acquisitions and expansion into the crude oil and natural gas gathering businesses. Further reductions in our credit ratings could increase the debt financing costs or possibly reduce the availability of financing. A rating reflects only the view of a rating agency and is not a recommendation to buy, sell or hold any indebtedness. Any rating can be revised upward or downward or withdrawn at any time by a rating agency if it determines that the circumstances warrant such a change. In October 2003, Moody's reaffirmed the Baa3 ratings for us and our subsidiary, TE Products.

Other Considerations

Our operations are subject to federal, state and local laws and regulations governing the discharge of materials into the environment. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of injunctions delaying or prohibiting certain activities and the need to perform investigatory and remedial activities. Although we believe our operations are in material compliance with applicable environmental laws and regulations, risks of significant costs and liabilities are inherent in pipeline operations, and we cannot assure you that significant costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental laws and regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from our operations, could result in substantial costs and liabilities to us. We believe that changes in environmental laws and regulations will not have a material adverse effect on our financial position, results of operations or cash flows in the near term.

In 1994, the Louisiana Department of Environmental Quality ("LDEQ") issued a compliance order for environmental contamination at our Arcadia, Louisiana, facility. This contamination may be attributable to our operations, as well as to adjacent petroleum terminals operated by other companies. In 1999, our Arcadia facility and adjacent terminals were directed by the Remediation Services Division of the LDEQ to pursue remediation of this containment phase. At September 30, 2003, we have an accrued liability of $0.3 million for remediation costs at our Arcadia facility. We do not expect that the completion of the remediation program that we have proposed will have a future material adverse effect on our financial position, results of operations or cash flows.

On March 17, 2003, we experienced a release of 511 barrels of jet fuel from a tank at our Blue Island terminal located in Cook County, Illinois. As a result of the release, we have entered into an Agreed Preliminary Injunction and Order ("Agreed Order") with the State of Illinois. The Agreed Order requires us, in part, to complete a site investigation plan to delineate the scope of any potential contamination resulting from the release and to remediate any contamination. The Agreed Order does not contain any provision for any fines or penalties; however, it does not preclude the State of Illinois from assessing these at a later date. We do not expect that the completion of the remediation program will have a future material adverse effect on our financial position, results of operations or cash flows.

At September 30, 2003, we have an accrued liability of $6.8 million related to various TCTM sites requiring environmental remediation activities. Under the terms of the agreement through which we acquired various crude oil assets from DETTCO, we received a five year contractual indemnity obligation for environmental liabilities not otherwise assumed by us that are attributable to the operations of the assets prior to our acquisition. The indemnity expires on November 30, 2003. Under the agreement, we are responsible for the first $3.0 million in environmental liabilities covered by DETTCO's indemnification obligation, and DETTCO is responsible for specified environmental liabilities in excess of $3.0 million, up to a maximum amount of $25.0 million. At December 31, 2002, we had a receivable balance from DETTCO of $4.2 million, the majority of which related to remediation activities at the Velma, Oklahoma crude oil site. On March 31, 2003, we received a $2.4 million payment from DETTCO for environmental liabilities we incurred that were covered under the indemnity obligation with DETTCO. The remaining $1.8 million due was determined by us as not attributable to DETTCO's indemnity obligation and was written off. Our accrued liability balance at September 30, 2003, also included an

accrual of $2.3 million related to environmental liabilities incurred by DETTCO on a crude oil site in Stephens County, Oklahoma. In connection with the expiration of the DETTCO indemnity obligation, we are in discussions with DETTCO regarding a settlement with respect to certain environmental liabilities under the agreement, including the crude oil site in Stephens County. We do not expect that the completion of remediation programs associated with TCTM activities will have a future material adverse effect on our financial position, results of operations or cash flows.

Recent Accounting Pronouncements

See discussion of new accounting pronouncements in Note 1. Organization and Basis of Presentation – New Accounting Pronouncements in the accompanying consolidated financial statements.

Forward-Looking Statements

The matters discussed in this Report include “forward-looking statements” within the meaning of various provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this document that address activities, events or developments that we expect or anticipate will or may occur in the future, including such things as estimated future capital expenditures (including the amount and nature thereof), business strategy and measures to implement strategy, competitive strengths, goals, expansion and growth of our business and operations, plans, references to future success, references to intentions as to future matters and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the circumstances. However, whether actual results and developments will conform with our expectations and predictions is subject to a number of risks and uncertainties, including general economic, market or business conditions, the opportunities (or lack thereof) that may be presented to and pursued by us, competitive actions by other pipeline companies, changes in laws or regulations and other factors, many of which are beyond our control. Consequently, all of the forward-looking statements made in this document are qualified by these cautionary statements and we cannot assure you that actual results or developments that we anticipate will be realized or, even if substantially realized, will have the expected consequences to or effect on us or our business or operations. For additional discussion of such risks and uncertainties, see our Annual Report on Form 10-K, for the year ended December 31, 2002, and other filings we have made with the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We may be exposed to market risk through changes in commodity prices and interest rates. We do not have foreign exchange risks. Our Risk Management Committee has established policies to monitor and control these market risks. The Risk Management Committee is comprised, in part, of senior executives of the Company.

At September 30, 2003, we had $225.0 million outstanding under our variable interest rate revolving credit agreement. The interest rate is based, at our option, on either the lender’s base rate plus a spread or LIBOR plus a spread in effect at the time of the borrowings and is adjusted monthly, bimonthly, quarterly or semiannually. Utilizing the balances of variable interest rate debt outstanding at September 30, 2003, including the effects of hedging activities discussed below, and assuming market interest rates increase 100 basis points, the potential annual increase in interest expense is $0.1 million.

We have utilized and expect to continue to utilize interest rate swap agreements to hedge a portion of our cash flow and fair value risks. Interest rate swap agreements are used to manage the fixed and floating interest rate mix of our total debt portfolio and overall cost of borrowing. The interest rate swap related to our cash flow risk is intended to reduce our exposure to increases in the benchmark interest rates underlying our variable rate revolving

credit facility. The interest rate swaps related to our fair value risks are intended to reduce our exposure to changes in the fair value of the fixed rate Senior Notes. The interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional amount upon which the payments are based. The related amount payable to or receivable from counterparties is included as an adjustment to accrued interest.

At September 30, 2003, TE Products had outstanding $180.0 million principal amount of 6.45% Senior Notes due 2008, and $210.0 million principal amount of 7.51% Senior Notes due 2028 (collectively the "TE Products Senior Notes"). At September 30, 2003, the estimated fair value of the TE Products Senior Notes was approximately $414.7 million. At September 30, 2003, we had outstanding $500.0 million principal amount of 7.625% Senior Notes due 2012 and $200.0 million principal amount of 6.125% Senior Notes due 2013. At September 30, 2003, the estimated fair value of the $500.0 million 7.625% Senior Notes and the $200.0 million 6.125% Senior Notes was approximately $576.4 million and $205.7 million, respectively.

As of September 30, 2003, TE Products had an interest rate swap agreement in place to hedge its exposure to changes in the fair value of its fixed rate 7.51% TE Products Senior Notes due 2028. We designated this swap agreement as a fair value hedge. The swap agreement has a notional amount of $210.0 million and matures in January 2028 to match the principal and maturity of the TE Products Senior Notes. Under the swap agreement, TE Products pays a floating rate of interest based on a three-month U.S. Dollar LIBOR rate, plus a spread, and receives a fixed rate of interest of 7.51%. During the nine months ended September 30, 2003, and 2002, we recognized reductions in interest expense of $7.4 million and $5.4 million, respectively, related to the difference between the fixed rate and the floating rate of interest on the interest rate swap. During the quarter ended September 30, 2003, we measured the hedge effectiveness of this interest rate swap and noted that no gain or loss from ineffectiveness was required to be recognized. The fair value of this interest rate swap was a gain of approximately $7.3 million and $13.6 million at September 30, 2003, and December 31, 2002, respectively. Utilizing the balance of the 7.51% TE Products Senior Notes outstanding at September 30, 2003, and including the effects of hedging activities, assuming market interest rates increase 100 basis points, the potential annual increase in interest expense is $2.1 million.

We have entered into an interest rate swap agreement to hedge our exposure to increases in the benchmark interest rate underlying our variable rate revolving credit facility. This interest rate swap matures on April 6, 2004. We designated this swap agreement, which hedges exposure to variability in expected future cash flows attributed to changes in interest rates, as a cash flow hedge. The swap agreement is based on a notional amount of $250.0 million. Under the swap agreement, we pay a fixed rate of interest of 6.955% and receive a floating rate based on a three-month U.S. Dollar LIBOR rate. Since this swap is designated as a cash flow hedge, the changes in fair value, to the extent the swap is effective, are recognized in other comprehensive income until the hedged interest costs are recognized in earnings.

On June 27, 2003, we repaid the amounts outstanding under the revolving credit facility with borrowings under a new three year revolving credit facility and canceled the old facility (see Note 9. Debt). We redesignated this interest rate swap as a hedge of our exposure to increases in the benchmark interest rate underlying the new variable rate revolving credit facility. During the nine months ended September 30, 2003, and 2002, we recognized increases in interest expense of $10.7 million and $9.6 million, respectively, related to the difference between the fixed rate and the floating rate of interest on the interest rate swap.

During the quarter ended September 30, 2003, we determined that we would repay a portion of the amount outstanding under the credit facility with proceeds from our Unit offering in August 2003 (see Note 8. Partners' Capital) resulting in a reduction of probable future interest payments under the credit facility. As a result, we measured and reclassified amounts previously accumulated in other comprehensive income related to the discontinued portion of the hedge and recognized a loss of $0.8 million, which has been included in interest expense. The total fair value of the interest rate swap was a loss of approximately $7.6 million and $20.1 million at September 30, 2003, and December 31, 2002, respectively. Losses recognized in other comprehensive income of approximately $6.8 million related to the portion of the interest rate swap hedging probable future interest payments will be transferred into earnings over the remaining term of the interest rate swap. Changes in the fair value of the

portion of the interest rate swap related to the discontinued hedge will be recorded in earnings currently over the remaining term of the interest rate swap.

On February 20, 2002, we entered into interest rate swap agreements, designated as fair value hedges, to hedge our exposure to changes in the fair value of our fixed rate 7.625% Senior Notes due 2012. The swap agreements had a combined notional amount of $500.0 million and matured in 2012 to match the principal and maturity of the Senior Notes. Under the swap agreements, we paid a floating rate of interest based on a U.S. Dollar LIBOR rate, plus a spread, and received a fixed rate of interest of 7.625%. On July 16, 2002, the swap agreements were terminated resulting in a gain of approximately $18.0 million. Concurrent with the swap terminations, we entered into new interest rate swap agreements, with identical terms as the previous swap agreements; however, the floating rate of interest was based upon a spread of an additional 50 basis points. In December 2002, the swap agreements entered into on July 16, 2002, were terminated, resulting in a gain of approximately $26.9 million. The gains realized from the July 2002 and December 2002 swap terminations have been deferred as adjustments to the carrying value of the Senior Notes and are being amortized using the effective interest method as reductions to future interest expense over the remaining term of the Senior Notes. At September 30, 2003, the unamortized balance of the deferred gains was $41.5 million. In the event of early extinguishment of the Senior Notes, any remaining unamortized gains would be recognized in the consolidated statement of income at the time of extinguishment.

Item 4. Controls and Procedures

The principal executive officer and principal financial officer of our General Partner, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of September 30, 2003, have concluded that, as of such date, our disclosure controls and procedures are adequate and effective to ensure that material information relating to us and our consolidated subsidiaries would be made known to them by others within those entities.

There have been no changes in our internal controls or in other factors known to us that could materially affect, or are reasonably likely to materially affect, those internal controls subsequent to the date of the evaluation. As a result, no corrective actions were required or undertaken.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We have been, in the ordinary course of business, a defendant in various lawsuits and a party to various other legal proceedings, some of which are covered in whole or in part by insurance. We believe that the outcome of these lawsuits and other proceedings will not individually or in the aggregate have a material adverse effect on our consolidated financial position, results of operations or cash flows. See discussion of legal proceedings in Note 12. Commitments and Contingencies in the accompanying consolidated financial statements.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

Exhibit Number	Description
3.1	Certificate of Limited Partnership of TEPPCO Partners, L.P. (Filed as Exhibit 3.2 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
3.2	Third Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., dated September 21, 2001 (Filed as Exhibit 3.7 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
4.1	Form of Certificate representing Limited Partner Units (Filed as Exhibit 4.1 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
4.2	Form of Indenture between TE Products Pipeline Company, Limited Partnership and The Bank of New York, as Trustee, dated as of January 27, 1998 (Filed as Exhibit 4.3 to TE Products Pipeline Company, Limited Partnership’s Registration Statement on Form S-3 (Commission File No. 333-38473) and incorporated herein by reference).
4.3	Form of Certificate representing Class B Units (Filed as Exhibit 4.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
4.4	Form of Indenture between TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P. and Jonah Gas Gathering Company, as subsidiary guarantors, and First Union National Bank, NA, as trustee, dated as of February 20, 2002 (Filed as Exhibit 99.2 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of February 20, 2002 and incorporated herein by reference).
4.5	First Supplemental Indenture between TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P. and Jonah Gas Gathering Company, as subsidiary guarantors, and First Union National Bank, NA, as trustee, dated as of February 20, 2002 (Filed as Exhibit 99.3 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of February 20, 2002 and incorporated herein by reference).
4.6	Second Supplemental Indenture, dated as of June 27, 2002, among TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P., and Jonah Gas Gathering Company, as Initial Subsidiary Guarantors, and Val Verde Gas Gathering Company, L.P., as New Subsidiary Guarantor, and Wachovia Bank, National Association, formerly known as First Union National Bank, as trustee (Filed as Exhibit 4.6 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
4.7	Third Supplemental Indenture among TEPPCO Partners, L.P. as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P., Jonah Gas Gathering Company and Val Verde Gas Gathering Company, L.P. as Subsidiary Guarantors, and Wachovia Bank, National Association, as trustee, dated as of January 30, 2003 (Filed as Exhibit 4.7 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).

Exhibit Number	Description
10.1+	Duke Energy Corporation Executive Savings Plan (Filed as Exhibit 10.7 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1999 and incorporated herein by reference).
10.2+	Duke Energy Corporation Executive Cash Balance Plan (Filed as Exhibit 10.8 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1999 and incorporated herein by reference).
10.3+	Duke Energy Corporation Retirement Benefit Equalization Plan (Filed as Exhibit 10.9 to Form 10-K for TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1999 and incorporated herein by reference).
10.4+	Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan executed on March 8, 1994 (Filed as Exhibit 10.1 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1994 and incorporated herein by reference).
10.5+	Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan, Amendment 1, effective January 16, 1995 (Filed as Exhibit 10.12 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1999 and incorporated herein by reference).
10.6	Asset Purchase Agreement between Duke Energy Field Services, Inc. and TEPPCO Colorado, LLC, dated March 31, 1998 (Filed as Exhibit 10.14 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
10.7	Contribution Agreement between Duke Energy Transport and Trading Company and TEPPCO Partners, L.P., dated October 15, 1998 (Filed as Exhibit 10.16 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
10.8	Guaranty Agreement by Duke Energy Natural Gas Corporation for the benefit of TEPPCO Partners, L.P., dated November 30, 1998, effective November 1, 1998 (Filed as Exhibit 10.17 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
10.9+	Form of Employment Agreement between the Company and Thomas R. Harper, Charles H. Leonard, James C. Ruth, John N. Goodpasture, Leonard W. Mallett, Stephen W. Russell, David E. Owen, and Barbara A. Carroll (Filed as Exhibit 10.20 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
10.10	Services and Transportation Agreement between TE Products Pipeline Company, Limited Partnership and Fina Oil and Chemical Company, BASF Corporation and BASF Fina Petrochemical Limited Partnership, dated February 9, 1999 (Filed as Exhibit 10.22 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
10.11	Call Option Agreement, dated February 9, 1999 (Filed as Exhibit 10.23 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
10.12+	Texas Eastern Products Pipeline Company Retention Incentive Compensation Plan, effective January 1, 1999 (Filed as Exhibit 10.24 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
10.13+	Form of Employment and Non-Compete Agreement between the Company and J. Michael Cockrell effective January 1, 1999 (Filed as Exhibit 10.29 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.14+	Texas Eastern Products Pipeline Company Non-employee Directors Unit Accumulation Plan, effective April 1, 1999 (Filed as Exhibit 10.30 to Form 10-Q of TEPPCO Partners,

Exhibit Number	Description
	L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.15+	Texas Eastern Products Pipeline Company Non-employee Directors Deferred Compensation Plan, effective November 1, 1999 (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.16+	Texas Eastern Products Pipeline Company Phantom Unit Retention Plan, effective August 25, 1999 (Filed as Exhibit 10.32 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.17	Amended and Restated Purchase Agreement By and Between Atlantic Richfield Company and Texas Eastern Products Pipeline Company With Respect to the Sale of ARCO Pipe Line Company, dated as of May 10, 2000. (Filed as Exhibit 2.1 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2000 and incorporated herein by reference).
10.18+	Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan, Amendment and Restatement, effective January 1, 2000 (Filed as Exhibit 10.28 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2000 and incorporated herein by reference).
10.19+	TEPPCO Supplemental Benefit Plan, effective April 1, 2000 (Filed as Exhibit 10.29 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2000 and incorporated herein by reference).
10.20+	Employment Agreement with Barry R. Pearl (Filed as Exhibit 10.30 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2001 and incorporated herein by reference).
10.21	Amended and Restated Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank, and Certain Lenders, dated as of April 6, 2001 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2001 and incorporated herein by reference).
10.22	Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent, and Certain Lenders, dated as of April 6, 2001 ($200,000,000 Revolving Facility) (Filed as Exhibit 10.32 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2001 and incorporated herein by reference).
10.23	Purchase and Sale Agreement By and Among Green River Pipeline, LLC and McMurry Oil Company, Sellers, and TEPPCO Partners, L.P., Buyer, dated as of September 7, 2000. (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.24	Amendment 1, dated as of September 28, 2001, to the Amended and Restated Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank, and Certain Lenders, dated as of April 6, 2001 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.33 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.25	Amendment 1, dated as of September 28, 2001, to the Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent, and Certain Lenders, dated as of April 6, 2001 ($200,000,000 Revolving Facility) (Filed as Exhibit 10.34 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.26	Amendment and Restatement, dated as of November 13, 2001, to the Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent, and

Exhibit Number	Description
	Certain Lenders, dated as of April 6, 2001 ($200,000,000 Revolving Facility) (Filed as Exhibit 10.35 to Form 10-K of TEPPCO Partners, L.P (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.27	Second Amendment and Restatement, dated as of November 13, 2001, to the Amended and Restated Credit Agreement amount TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank, and Certain Lenders, dated as of April 6, 2001 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.36 to Form 10-K of TEPPCO Partners, L.P (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.28	Second Amended and Restated Agreement of Limited Partnership of TE Products Pipeline Company, Limited Partnership, dated September 21, 2001 (Filed as Exhibit 3.8 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.29	Amended and Restated Agreement of Limited Partnership of TCTM, L.P., dated September 21, 2001 (Filed as Exhibit 3.9 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.30	Contribution, Assignment and Amendment Agreement among TEPPCO Partners, L.P., TE Products Pipeline Company, Limited Partnership, TCTM, L.P., Texas Eastern Products Pipeline Company, LLC, and TEPPCO GP, Inc., dated July 26, 2001 (Filed as Exhibit 3.6 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2001 and incorporated herein by reference).
10.31	Certificate of Formation of TEPPCO Colorado, LLC (Filed as Exhibit 3.2 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
10.32	Agreement of Limited Partnership of TEPPCO Midstream Companies, L.P., dated September 24, 2001 (Filed as Exhibit 3.10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.33	Agreement of Partnership of Jonah Gas Gathering Company dated June 20, 1996 as amended by that certain Assignment of Partnership Interests dated September 28, 2001 (Filed as Exhibit 10.40 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.34	Unanimous Written Consent of the Board of Directors of TEPPCO GP, Inc. dated February 13, 2002 (Filed as Exhibit 10.41 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.35	Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and Certain Lenders, as Lenders dated as of March 28, 2002 ($200,000,000 Revolving Credit Facility) (Filed as Exhibit 10.44 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the three months ended March 31, 2002 and incorporated herein by reference).
10.36	Amended and Restated Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank, as Administrative Agent and LC Issuing Bank and Certain Lenders, as Lenders dated as of March 28, 2002 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.45 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the three months ended March 31, 2002 and incorporated herein by reference).
10.37	Purchase and Sale Agreement between Burlington Resources Gathering Inc. as Seller and TEPPCO Partners, L.P., as Buyer, dated May 24, 2002 (Filed as Exhibit 99.1 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.38	Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent and Certain Lenders, as Lenders dated as of June 27, 2002

Exhibit Number	Description
	($200,000,000 Term Facility) (Filed as Exhibit 99.2 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.39	Amendment, dated as of June 27, 2002 to the Amended and Restated Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent, and Certain Lenders, dated as of March 28, 2002 ($500,000,000 Revolving Credit Facility) (Filed as Exhibit 99.3 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.40	Amendment 1, dated as of June 27, 2002 to the Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent and Certain Lenders, dated as of March 28, 2002 ($200,000,000 Revolving Credit Facility) (Filed as Exhibit 99.4 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.41	Agreement of Limited Partnership of Val Verde Gas Gathering Company, L.P., dated May 29, 2002 (Filed as Exhibit 10.48 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
10.42+	Texas Eastern Products Pipeline Company, LLC 2002 Phantom Unit Retention Plan, effective June 1, 2002 (Filed as Exhibit 10.43 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
10.43+	Amended and Restated TEPPCO Supplemental Benefit Plan, effective November 1, 2002 (Filed as Exhibit 10.44 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.44+	Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan, Second Amendment and Restatement, effective January 1, 2003 (Filed as Exhibit 10.45 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.45+	Amended and Restated Texas Eastern Products Pipeline Company, LLC Management Incentive Compensation Plan, effective January 1, 2003 (Filed as Exhibit 10.46 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.46+	Amended and Restated TEPPCO Retirement Cash Balance Plan, effective January 1, 2002 (Filed as Exhibit 10.47 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.47	Formation Agreement between Panhandle Eastern Pipe Line Company and Marathon Ashland Petroleum LLC and TE Products Pipeline Company, Limited Partnership, dated as of August 10, 2000 (Filed as Exhibit 10.48 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.48	Amended and Restated Limited Liability Company Agreement of Centennial Pipeline LLC dated as of August 10, 2000 (Filed as Exhibit 10.49 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.49	Guaranty Agreement, dated as of September 27, 2002, between TE Products Pipeline Company, Limited Partnership and Marathon Ashland Petroleum LLC for Note Agreements of Centennial Pipeline LLC (Filed as Exhibit 10.50 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.50	LLC Membership Interest Purchase Agreement By and Between CMS Panhandle Holdings, LLC, As Seller and Marathon Ashland Petroleum LLC and TE Products Pipeline Company, Limited Partnership, Severally as Buyers, dated February 10, 2003

Exhibit Number	Description
	(Filed as Exhibit 10.51 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.51	Joint Development Agreement between TE Products Pipeline Company, Limited Partnership and Louis Dreyfus Plastics Corporation dated February 10, 2000 (Filed as Exhibit 10.52 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2003 and incorporated herein by reference).
10.52	Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank and The Lenders Party Hereto, as Lenders, dated as of June 27, 2003 ($550,000,000 Revolving Facility) (Files as Exhibit 10.52 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2003 and incorporated herein by reference).
10.53*	Agreement of Limited Partnership of Mont Belvieu Storage Partners, L.P. dated effective January 21, 2003.
10.54*	Letter of Agreement Clarifying Rights and Obligations of the Parties Under the Mont Belvieu Storage Partners, L.P., Partnership Agreement and the Mont Belvieu Venture, LLC, LLC Agreement, dated October 13, 2003.
12.1*	Statement of Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of the Partnership (Filed as Exhibit 21 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

+ A management contract or compensation plan or arrangement.

(b) Reports on Form 8-K filed with or furnished to the Securities and Exchange Commission during the quarter ended September 30, 2003:

A current report on Form 8-K was filed on July 15, 2003, including as an exhibit the audited balance sheet of Texas Eastern Products Pipeline Company, LLC, as of December 31, 2002.

A current report on Form 8-K was furnished on July 30, 2003, in connection with disclosure of second quarter estimates and earnings guidance.

A current report on Form 8-K was filed on August 8, 2003, including as an exhibit an underwriting agreement with underwriters named therein in connection with respect to the issue and sale of up to 5,000,000 units of the Partnership.

A current report on Form 8-K was filed on September 16, 2003, in connection with a presentation at an industry conference.

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 and thereunto duly authorized.

	TEPPCO Partners, L.P.
	(Registrant) (A Delaware Limited Partnership)
By:	Texas Eastern Products Pipeline Company, LLC, as General Partner
By:	/s/ BARRY R. PEARL
	Barry R. Pearl, President and Chief Executive Officer (Principal Executive Officer)
By:	/s/ CHARLES H. LEONARD
	Charles H. Leonard, Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Date: October 29, 2003

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Certificate of Limited Partnership of TEPPCO Partners, L.P. (Filed as Exhibit 3.2 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
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4.2	Form of Indenture between TE Products Pipeline Company, Limited Partnership and The Bank of New York, as Trustee, dated as of January 27, 1998 (Filed as Exhibit 4.3 to TE Products Pipeline Company, Limited Partnership's Registration Statement on Form S-3 (Commission File No. 333-38473) and incorporated herein by reference).
4.3	Form of Certificate representing Class B Units (Filed as Exhibit 4.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
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4.6	Second Supplemental Indenture, dated as of June 27, 2002, among TEPPCO Partners, L.P., as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P., and Jonah Gas Gathering Company, as Initial Subsidiary Guarantors, and Val Verde Gas Gathering Company, L.P., as New Subsidiary Guarantor, and Wachovia Bank, National Association, formerly known as First Union National Bank, as trustee (Filed as Exhibit 4.6 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
4.7	Third Supplemental Indenture among TEPPCO Partners, L.P. as issuer, TE Products Pipeline Company, Limited Partnership, TCTM, L.P., TEPPCO Midstream Companies, L.P., Jonah Gas Gathering Company and Val Verde Gas Gathering Company, L.P. as Subsidiary Guarantors, and Wachovia Bank, National Association, as trustee, dated as of January 30, 2003 (Filed as Exhibit 4.7 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).

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10.2+	Duke Energy Corporation Executive Cash Balance Plan (Filed as Exhibit 10.8 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1999 and incorporated herein by reference).
10.3+	Duke Energy Corporation Retirement Benefit Equalization Plan (Filed as Exhibit 10.9 to Form 10-K for TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1999 and incorporated herein by reference).
10.4+	Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan executed on March 8, 1994 (Filed as Exhibit 10.1 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1994 and incorporated herein by reference).
10.5+	Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan, Amendment 1, effective January 16, 1995 (Filed as Exhibit 10.12 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1999 and incorporated herein by reference).
10.6	Asset Purchase Agreement between Duke Energy Field Services, Inc. and TEPPCO Colorado, LLC, dated March 31, 1998 (Filed as Exhibit 10.14 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
10.7	Contribution Agreement between Duke Energy Transport and Trading Company and TEPPCO Partners, L.P., dated October 15, 1998 (Filed as Exhibit 10.16 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
10.8	Guaranty Agreement by Duke Energy Natural Gas Corporation for the benefit of TEPPCO Partners, L.P., dated November 30, 1998, effective November 1, 1998 (Filed as Exhibit 10.17 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
10.9+	Form of Employment Agreement between the Company and Thomas R. Harper, Charles H. Leonard, James C. Ruth, John N. Goodpasture, Leonard W. Mallett, Stephen W. Russell, David E. Owen, and Barbara A. Carroll (Filed as Exhibit 10.20 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
10.10	Services and Transportation Agreement between TE Products Pipeline Company, Limited Partnership and Fina Oil and Chemical Company, BASF Corporation and BASF Fina Petrochemical Limited Partnership, dated February 9, 1999 (Filed as Exhibit 10.22 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
10.11	Call Option Agreement, dated February 9, 1999 (Filed as Exhibit 10.23 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
10.12+	Texas Eastern Products Pipeline Company Retention Incentive Compensation Plan, effective January 1, 1999 (Filed as Exhibit 10.24 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
10.13+	Form of Employment and Non-Compete Agreement between the Company and J. Michael Cockrell effective January 1, 1999 (Filed as Exhibit 10.29 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.14+	Texas Eastern Products Pipeline Company Non-employee Directors Unit Accumulation Plan, effective April 1, 1999 (Filed as Exhibit 10.30 to Form 10-Q of TEPPCO Partners,

Exhibit Number	Description
	L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.15+	Texas Eastern Products Pipeline Company Non-employee Directors Deferred Compensation Plan, effective November 1, 1999 (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.16+	Texas Eastern Products Pipeline Company Phantom Unit Retention Plan, effective August 25, 1999 (Filed as Exhibit 10.32 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).
10.17	Amended and Restated Purchase Agreement By and Between Atlantic Richfield Company and Texas Eastern Products Pipeline Company With Respect to the Sale of ARCO Pipe Line Company, dated as of May 10, 2000. (Filed as Exhibit 2.1 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2000 and incorporated herein by reference).
10.18+	Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan, Amendment and Restatement, effective January 1, 2000 (Filed as Exhibit 10.28 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2000 and incorporated herein by reference).
10.19+	TEPPCO Supplemental Benefit Plan, effective April 1, 2000 (Filed as Exhibit 10.29 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2000 and incorporated herein by reference).
10.20+	Employment Agreement with Barry R. Pearl (Filed as Exhibit 10.30 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2001 and incorporated herein by reference).
10.21	Amended and Restated Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank, and Certain Lenders, dated as of April 6, 2001 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2001 and incorporated herein by reference).
10.22	Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent, and Certain Lenders, dated as of April 6, 2001 ($200,000,000 Revolving Facility) (Filed as Exhibit 10.32 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2001 and incorporated herein by reference).
10.23	Purchase and Sale Agreement By and Among Green River Pipeline, LLC and McMurry Oil Company, Sellers, and TEPPCO Partners, L.P., Buyer, dated as of September 7, 2000. (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.24	Amendment 1, dated as of September 28, 2001, to the Amended and Restated Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank, and Certain Lenders, dated as of April 6, 2001 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.33 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.25	Amendment 1, dated as of September 28, 2001, to the Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent, and Certain Lenders, dated as of April 6, 2001 ($200,000,000 Revolving Facility) (Filed as Exhibit 10.34 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.26	Amendment and Restatement, dated as of November 13, 2001, to the Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent, and

Exhibit Number	Description
	Certain Lenders, dated as of April 6, 2001 ($200,000,000 Revolving Facility) (Filed as Exhibit 10.35 to Form 10-K of TEPPCO Partners, L.P (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.27	Second Amendment and Restatement, dated as of November 13, 2001, to the Amended and Restated Credit Agreement amount TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank, and Certain Lenders, dated as of April 6, 2001 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.36 to Form 10-K of TEPPCO Partners, L.P (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.28	Second Amended and Restated Agreement of Limited Partnership of TE Products Pipeline Company, Limited Partnership, dated September 21, 2001 (Filed as Exhibit 3.8 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.29	Amended and Restated Agreement of Limited Partnership of TCTM, L.P., dated September 21, 2001 (Filed as Exhibit 3.9 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.30	Contribution, Assignment and Amendment Agreement among TEPPCO Partners, L.P., TE Products Pipeline Company, Limited Partnership, TCTM, L.P., Texas Eastern Products Pipeline Company, LLC, and TEPPCO GP, Inc., dated July 26, 2001 (Filed as Exhibit 3.6 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2001 and incorporated herein by reference).
10.31	Certificate of Formation of TEPPCO Colorado, LLC (Filed as Exhibit 3.2 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
10.32	Agreement of Limited Partnership of TEPPCO Midstream Companies, L.P., dated September 24, 2001 (Filed as Exhibit 3.10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 2001 and incorporated herein by reference).
10.33	Agreement of Partnership of Jonah Gas Gathering Company dated June 20, 1996 as amended by that certain Assignment of Partnership Interests dated September 28, 2001 (Filed as Exhibit 10.40 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.34	Unanimous Written Consent of the Board of Directors of TEPPCO GP, Inc. dated February 13, 2002 (Filed as Exhibit 10.41 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2001 and incorporated herein by reference).
10.35	Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and Certain Lenders, as Lenders dated as of March 28, 2002 ($200,000,000 Revolving Credit Facility) (Filed as Exhibit 10.44 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the three months ended March 31, 2002 and incorporated herein by reference).
10.36	Amended and Restated Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank, as Administrative Agent and LC Issuing Bank and Certain Lenders, as Lenders dated as of March 28, 2002 ($500,000,000 Revolving Facility) (Filed as Exhibit 10.45 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the three months ended March 31, 2002 and incorporated herein by reference).
10.37	Purchase and Sale Agreement between Burlington Resources Gathering Inc. as Seller and TEPPCO Partners, L.P., as Buyer, dated May 24, 2002 (Filed as Exhibit 99.1 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.38	Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent and Certain Lenders, as Lenders dated as of June 27, 2002

Exhibit Number	Description
	($200,000,000 Term Facility) (Filed as Exhibit 99.2 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.39	Amendment, dated as of June 27, 2002 to the Amended and Restated Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent, and Certain Lenders, dated as of March 28, 2002 ($500,000,000 Revolving Credit Facility) (Filed as Exhibit 99.3 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.40	Amendment 1, dated as of June 27, 2002 to the Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent and Certain Lenders, dated as of March 28, 2002 ($200,000,000 Revolving Credit Facility) (Filed as Exhibit 99.4 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated as of July 2, 2002 and incorporated herein by reference).
10.41	Agreement of Limited Partnership of Val Verde Gas Gathering Company, L.P., dated May 29, 2002 (Filed as Exhibit 10.48 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
10.42+	Texas Eastern Products Pipeline Company, LLC 2002 Phantom Unit Retention Plan, effective June 1, 2002 (Filed as Exhibit 10.43 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
10.43+	Amended and Restated TEPPCO Supplemental Benefit Plan, effective November 1, 2002 (Filed as Exhibit 10.44 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.44+	Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan, Second Amendment and Restatement, effective January 1, 2003 (Filed as Exhibit 10.45 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.45+	Amended and Restated Texas Eastern Products Pipeline Company, LLC Management Incentive Compensation Plan, effective January 1, 2003 (Filed as Exhibit 10.46 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.46+	Amended and Restated TEPPCO Retirement Cash Balance Plan, effective January 1, 2002 (Filed as Exhibit 10.47 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.47	Formation Agreement between Panhandle Eastern Pipe Line Company and Marathon Ashland Petroleum LLC and TE Products Pipeline Company, Limited Partnership, dated as of August 10, 2000 (Filed as Exhibit 10.48 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.48	Amended and Restated Limited Liability Company Agreement of Centennial Pipeline LLC dated as of August 10, 2000 (Filed as Exhibit 10.49 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.49	Guaranty Agreement, dated as of September 27, 2002, between TE Products Pipeline Company, Limited Partnership and Marathon Ashland Petroleum LLC for Note Agreements of Centennial Pipeline LLC (Filed as Exhibit 10.50 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.50	LLC Membership Interest Purchase Agreement By and Between CMS Panhandle Holdings, LLC, As Seller and Marathon Ashland Petroleum LLC and TE Products Pipeline Company, Limited Partnership, Severally as Buyers, dated February 10, 2003

Exhibit Number	Description
	(Filed as Exhibit 10.51 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2002 and incorporated herein by reference).
10.51	Joint Development Agreement between TE Products Pipeline Company, Limited Partnership and Louis Dreyfus Plastics Corporation dated February 10, 2000 (Filed as Exhibit 10.52 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2003 and incorporated herein by reference).
10.52	Credit Agreement among TEPPCO Partners, L.P. as Borrower, SunTrust Bank as Administrative Agent and LC Issuing Bank and The Lenders Party Hereto, as Lenders, dated as of June 27, 2003 ($550,000,000 Revolving Facility) (Files as Exhibit 10.52 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2003 and incorporated herein by reference).
10.53*	Agreement of Limited Partnership of Mont Belvieu Storage Partners, L.P. dated effective January 21, 2003.
10.54*	Letter of Agreement Clarifying Rights and Obligations of the Parties Under the Mont Belvieu Storage Partners, L.P., Partnership Agreement and the Mont Belvieu Venture, LLC, LLC Agreement, dated October 13, 2003.
12.1*	Statement of Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of the Partnership (Filed as Exhibit 21 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2002 and incorporated herein by reference).
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

+ A management contract or compensation plan or arrangement.

Exhibit 10.53

AGREEMENT OF LIMITED PARTNERSHIP

OF

MONT BELVIEU STORAGE PARTNERS, L.P.

DATED EFFECTIVE JANUARY 21, 2003

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EXHIBIT A Dreyfus Storage Agreement

EXHIBIT B MB Assets

EXHIBIT C Operating Procedures

EXHIBIT D TE Storage Agreement

AGREEMENT OF LIMITED PARTNERSHIP

OF

MONT BELVIEU STORAGE PARTNERS, L.P.

THIS AGREEMENT, effective as of the 21st day of January, 2003, by and among Mont Belvieu Venture, LLC, a Delaware limited liability company, as the General Partner, and TE Products Pipeline Company, Limited Partnership, a Delaware limited partnership, and Louis Dreyfus Energy Services L.P., a Delaware limited partnership, as the Limited Partners.

WHEREAS, the parties hereto desire to form a limited partnership under and pursuant to Delaware law.

NOW, THEREFORE, in consideration of the premises and the mutual undertakings contained herein, the parties hereto hereby agree as follows:

DEFINITIONS

The following definitions shall be applicable to the terms set forth below as used in this Agreement:

“Acceptance” has the meaning assigned to such term in Section 16.3.

“Accountants” has the meaning given such term in Section 11.2(a)(i).

“Acquisition Proposal” has the meaning assigned to such term in Section 16.3.

“Affiliate” means, when used with respect to a specified person, any other person directly or indirectly controlling or controlled by or under direct or indirect common control with the specified person, provided that the Partnership shall not be deemed to be an Affiliate of the Partners or any of their respective subsidiaries or Affiliates. For purposes of this definition, “control”, when used with respect to any specified person, means the power to direct the management and policies of the person, directly or indirectly, whether through the ownership of voting securities, by contract, by family relationship or otherwise; and the terms “controlling” and “controlled” have the meanings correlative to the foregoing. Notwithstanding the foregoing, for purposes of this Agreement, Louis Dreyfus Natural Gas Corporation, an Oklahoma corporation, shall not be deemed an Affiliate of the LD Partner.

“Agreed Value” means, in the case of any contributions or distributions of property other than the contributions described in Section 8.1(a), the fair market value of such property net of any indebtedness or other liability either assumed or to which such property is subject, as such fair market value is determined by the General Partner using such reasonable method of valuation as it may adopt.

“Agreement” means the Agreement of Limited Partnership of Mont Belvieu Storage Partners, L.P. as the same may be amended, modified or restated from time to time in accordance with Article XX hereof.

“Built-In Gain” with respect to any Partnership property means (i) the excess of the Agreed Value of any Contributed Property over its adjusted basis for federal income tax purposes as of the time of contribution and (ii) in the case of any adjustment to the Carrying Value of any Partnership property subject to depreciation, cost recovery or amortization pursuant to Section 8.4 as a result of a contribution of cash for a Partnership Interest, the Unrealized Gain with respect to such property.

“Built-In Loss” with respect to any Partnership property means (i) the excess of its adjusted basis for federal income tax purposes of any Contributed Property over its Agreed Value as of the time of contribution and (ii) in the case of any adjustment to the Carrying Value of any Partnership property subject to depreciation, cost recovery or amortization pursuant to Section 8.4 as a result of a contribution of cash for a Partnership Interest, the Unrealized Loss with respect to such property.

“Business Day” means any day other than a Saturday, Sunday or bank holiday in Houston, Texas.

“Capital Account” means the account established for each Partner pursuant to Section 8.3.

“Capital Contributions” means the Agreed Value of any property and the amount of cash contributed to the Partnership.

“Carrying Value” with respect to any Capital Contribution means the Agreed Value of such property reduced as of the time of determination by all depreciation, cost recovery and amortization deductions charged to the Capital Accounts with respect to such property and an appropriate amount to reflect any sales, retirements or other dispositions of assets included in such property and, with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes as of the time of determination. The Carrying Values shall be further adjusted as provided in Section 8.4.

“Certificate of Limited Partnership” means the Certificate of Limited Partnership required to be filed in the Office of the Secretary of State of the State of Delaware pursuant to the Partnership Act, as the same may be amended, modified or restated from time to time.

“Change of Partner Control” means either a TE Change of Partner Control or a LD Change of Partner Control.

“Code” means the Internal Revenue Code of 1986, as amended and in effect on the effective date hereof and, to the extent applicable, as subsequently amended.

“Competing Business Transaction” has the meaning assigned to such term in Section 15.8(c).

“Contributed Property” means any Capital Contribution of property other than cash.

“Default Interest Rate” means a rate per annum equal to the lesser of (a) 3% per annum plus the Prime Rate or (b) the maximum rate permitted by law.

“Delinquent Partner” has the meaning assigned to such term in Section 8.1(d).

“Discretionary Capital Expenditures” means any expenditure related to the Partnership Business that is classified under GAAP as a capital expenditure and (i) is not a Mandatory Capital Expenditure, or (ii) if classified as a Mandatory Capital Expenditure, is associated or is in conjunction with, or is the result of, a prior or current Discretionary Capital Expenditure, in which case the portion of such Mandatory Capital Expenditure that is allocable to such prior or current Discretionary Capital Expenditure shall be classified as a Discretionary Capital Expenditure.

“Dispose, Disposing or Disposition” means, with respect to Partnership Interest or any portion thereof, a sale, assignment, transfer, conveyance, gift, exchange or other disposition of such asset, whether such disposition be voluntary, involuntary or by operation of law, including but not limited to the following: (a) in the case of a Partnership Interest owned by an entity, a Change of Partner Control and (b) a disposition in connection with, or in lieu of, a foreclosure of an Encumbrance; but such terms shall not include the creation of an Encumbrance.

“Disputes” has the meaning assigned to such term in Section 23.1.

“Distributable Cash” means, at the time of determination, all Partnership cash derived from the conduct of the Partnership’s business, other than (i) Capital Contributions, together with interest earned thereon pending utilization thereof, (ii) financing proceeds, (iii) amounts required for working capital and Discretionary and Mandatory Capital Expenditures and (iv) other amounts that the General Partner reasonably determines to be necessary for the proper operation of the Partnership’s business and its winding up and liquidation.

“Dreyfus Storage Agreement” shall mean the Storage Agreement in the form attached as Exhibit A hereto.

“EBITDA” means for any entity, such entity’s earnings for any period on a GAAP basis before all charges for such period, for depreciation and amortization, interest (except as provided below) and income taxes. Notwithstanding the foregoing, all interest incurred in connection with borrowings by such entity the proceeds of which are used for Discretionary Capital Expenditures relating to the MB Assets shall be deducted as an expense in calculating EBITDA.

“Encumber, Encumbering, or Encumbrance” means the creation of a security interest, lien, pledge, mortgage or other encumbrance, whether such encumbrance be voluntary, involuntary or by operation of law.

“Exercise Period” has the meaning assigned to such term in Section 23.7(a).

“First Party” has the meaning assigned to such term in Section 15.8(c).

"GAAP" means Generally Accepted Accounting Principles in the United States of America consistently applied for the time periods involved.

"General Partner" means Mont Belvieu Venture, LLC, a Delaware limited liability company or its successors or assigns.

"Indemnitee" has the meaning assigned to such term in Section 15.7.

"Interest" has the meaning assigned to such term in Section 16.3.

"Joint Development Agreement" means that certain Joint Development Agreement between the LD Partner and the TE Partner dated effective January 1, 2000, as the same may be modified, amended or restated from time to time.

"LD Combined Capital Account Balance" has the meaning assigned to such term in Section 16.4(b).

"LD Partner Change of Control" means an event that causes the Parent of LD Partner together with its Affiliates to cease to own, directly or indirectly, at least a 50% voting interest in (i) the LD Limited Partner or any Affiliate of the LD Limited Partner owning a membership interest in the General Partner or (ii) in the event of the transfer of the LD Partner's Partnership Interest to an Affiliate, in such Affiliate.

"LD Partner" means Louis Dreyfus Energy Services L.P., a Delaware limited partnership, or its successors or assigns.

"Lending Partner" has the meaning assigned to such term in Section 8.1(d).

"Limited Partners" means TE Products Pipeline Company, Limited Partnership, a Delaware limited partnership and Louis Dreyfus Energy Services L.P., a Delaware limited partnership, or their respective successors or permitted assigns, and "Limited Partner" means either of them.

"Liquidator" has the meaning assigned to such term in Section 18.1.

"LLC Agreement" means the Limited Liability Company Agreement of the General Partner as the same may be modified, amended or restated from time to time.

"Loss" shall mean on any date the amount, if any, by which the sum of the Minimum Cash Balance plus any other net requirements for cash to fund the operations of the Partnership reasonably expected to arise over the following month exceeds the Partnership's cash balance on that date exclusive of segregated cash balances.

"Mandatory Capital Expenditures" means all expenditures related to the Partnership's assets that are classified under GAAP as a capital expenditure, the primary function of which is for regulatory compliance, safety or operational integrity of the Partnership's assets or is otherwise the result of actions permitted in emergency situations as provided in the Operating Procedures.

“Maximum Loss” shall mean $1 million.

“MB Assets” means the Mont Belvieu salt cavern storage and Houston area shuttle system more fully described on Exhibit B hereto and all improvements, expansions and additions thereto.

“Minimum Cash Balance” shall mean $100,000 or such larger number as the General Partner determines is reasonable and necessary to carry out the business of the Partnership.

“Net EBITDA” means the amount of EBITDA, if any, in excess of $7.15 million during any period.

“Notice Month” has the meaning assigned to such term in Section 16.4(b).

“Offer” has the meaning assigned to such term in Section 16.3.

“Offer Period” has the meaning assigned to such term in Section 16.3.

“Offeree” has the meaning assigned to such term in Section 16.3.

“Offeror” has the meaning assigned to such term in Section 16.3.

“Operating Procedures” means the Operating Procedures in the form attached as Exhibit C hereto.

“Option Interest” has the meaning assigned to such term in Section 16.4.

“Option Partner” has the meaning assigned to such term in Section 16.4.

“Parent” means, with respect to TE Partner, TEPPCO Partners, L.P., a Delaware limited partnership, and with respect to LD Partner, S. A. Louis Dreyfus et Cie., a French societe anonyme or Louis Dreyfus S.A.S., a French societe par actions simplifiees.

“Partners” means the General Partner and the Limited Partners.

“Partnership” means Mont Belvieu Storage Partners, L.P., the limited partnership entered into and formed hereunder pursuant to the Partnership Act.

“Partnership Act” means the Delaware Revised Uniform Limited Partnership Act, 6 Del. Code §§ 17-101 et seq., as it may be amended from time to time, and any successor to said Partnership Act.

“Partnership Business” means the operation, maintenance and marketing of underground storage facilities for Products and the operation of the pipelines included within the MB Assets to and from their specific points of delivery and receipt.

“Partnership Interest” as to any Partner means the entire ownership interest and rights of that Partner in the Partnership, including, without limitation, its right to a distributive share of the profits and losses of the Partnership, its right to a distributive share of the assets of the

Partnership in accordance with the provisions hereof, and in the case of a General Partner, its right to participate in the management of the affairs of the Partnership.

"Pricing Period" means the trailing 12-month period ending on a date or month as specified in this Agreement.

"Prime Rate" means the interest rate as defined in Section 9.4 hereof.

"Products" means propane, normal butane, isobutane, natural gasoline and any other commodities as determined by the General Partner.

"Put/Call Right" has the meaning assigned to such term in Section 23.7(a).

"Restricted Affiliate" means with respect to each Limited Partner, any person in which such Limited Partner's Parent owns, directly or indirectly, at least a 51% voting or equity interest, or which it otherwise controls. For purposes of this definition, "control," has the meaning assigned to such term in the definition of Affiliate and Louis Dreyfus Natural Gas Corporation shall not be deemed a Restricted Affiliate of the LD Partner.

"Second Party" has the meaning assigned to such term in Section 15.8(c).

"Sharing Ratio" means 1% in the case of the General Partner and 49.5% in the case of each Limited Partner.

"Storage Agreements" means the Dreyfus Storage Agreement and the TE Storage Agreement.

"TE Partner Change of Control" means a Disposition of any entity of which over 75% of such entity's EBITDA for the preceding 12-month period is derived from the Partnership unless such disposition is to an Affiliate of the TE Partner.

"TE Partner" means TE Products Pipeline Company, Limited Partnership or its successors or assigns.

"TE Storage Agreement" means the Storage Agreement in the form attached hereto as Exhibit D.

"Territory" has the meaning assigned to such term in Section 15.8(a).

"TMP" has the meaning assigned to such term in Section 10.5.

"Unrealized Gain" attributable to a Partnership property means, as of the date of determination, the excess of the fair market value of such property as of such date of determination over the Carrying Value of such property as of such date of determination.

"Unrealized Loss" attributable to a Partnership property means, as of the date of such determination, the excess of the Carrying Value of such property as of such date of determination over the fair market value of such property as of such date of determination.

"Unrecovered Loss Balance" shall mean for either Limited Partner the result of (a) the sum of all Capital Contributions under Sections 8.1(b)(iii) and 8.1(c), minus (b) the sum of all distributions under Section 9.1(a).

"Valuation Expert" has the meaning assigned to that term in Section 23.7(b).

"Valuation Multiple" means the result of dividing the fair market value of businesses comparable or similar to the business of the Partnership by the same businesses' EBITDA for the twelve-month period immediately preceding the date such fair market value was measured.

ARTICLE I

FORMATION OF LIMITED PARTNERSHIP

The parties hereto hereby form a limited partnership pursuant to the Partnership Act. The rights and liabilities of the Partners shall be as provided in the Partnership Act, except as herein otherwise expressly provided. The Partnership Interests of any Partner shall be personal property for all purposes. On the request of the General Partner, the Limited Partners shall execute, acknowledge, swear to, and deliver all certificates and other instruments conforming with this Agreement that are necessary to qualify, continue, or terminate the Partnership as a limited partnership under the laws of the State of Delaware and to qualify the Partnership to do business in such other states where such qualification is necessary or desirable.

ARTICLE II

NAME

The name of the Partnership shall be, and the business of the Partnership shall be conducted under the name of, Mont Belvieu Storage Partners, L.P. or such other name or names that comply with applicable law as the General Partner may designate from time to time. The General Partner shall take any action that it determines is required to comply with the Partnership Act, assumed name act, fictitious name act, or similar statute in effect in each jurisdiction or political subdivision in which the Partnership proposes to do business and the Limited Partners agree to execute any documents requested by the General Partner in connection with any such action.

ARTICLE III

PURPOSE

The purpose of the Partnership is to acquire, own, operate, maintain, improve and otherwise deal with the MB Assets, and by means thereof, provide storage, truck and railcar loading and unloading and pipeline transportation services to the Partners, their Affiliates and third parties, and any other business activities necessary, incidental or ancillary to any of the foregoing.

ARTICLE IV

NAMES AND ADDRESSES OF PARTNERS AND PRINCIPAL OFFICE OF PARTNERSHIP

The names and mailing addresses of the Partners are as set forth on the signature pages hereof. The location of the principal office of the Partnership where the books and records of the Partnership shall be kept shall be 2929 Allen Parkway, Suite 3200, Houston, Texas 77019. The General Partner may change the location of the principal office of the Partnership.

ARTICLE V

REGISTERED AGENT; REGISTERED OFFICE; ADDITIONAL OFFICES

The name and address of the registered office of the Partnership in the State of Delaware is c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The name and address of the registered agent for service of process on the Partnership in the State of Delaware is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The General Partner may change the registered agent or the registered office of the Partnership and may establish such additional offices of the Partnership as the General Partner may from time to time determine. The General Partner shall provide the Limited Partners with written notice of any change in the Partnership's principal office, registered agent or registered office.

ARTICLE VI

TERM

The term of the Partnership shall be perpetual from the date of the filing of the Certificate of Limited Partnership in the Office of the Secretary of State of the State of Delaware unless sooner liquidated or dissolved in accordance with this Agreement.

ARTICLE VII

ADDITIONAL LIMITED PARTNERS

In the event the General Partner determines that funds in addition to those acquired pursuant to Section 8.1 are necessary to carry out the purposes of the Partnership and the General Partner and the Limited Partners do not agree to contribute such funds in their respective Sharing Ratios, the General Partner is authorized to offer and sell additional Partnership Interests and admit any purchasers thereof (which may include existing Partners or their Affiliates) as additional limited partners of the Partnership. In such event, the dilution of the then Partners shall be pro rata in accordance with their respective Sharing Ratios prior to the issuance of such additional Partnership Interests and this Partnership Agreement shall be amended to reflect the admissions of such persons as limited partners of the Partnership, the revised ownership and

Sharing Ratio of each Partner and otherwise to reflect the relative rights and obligations of the parties.

ARTICLE VIII

CAPITAL CONTRIBUTIONS

Section 8.1 Capital Contributions.

(a) Each Limited Partner shall make the initial Capital Contributions provided in the Joint Development Agreement and the General Partner shall contribute $500,000 in cash to the Partnership. The Agreed Value of any property included in such Capital Contributions shall be its net book value reduced by liabilities assumed by the Partnership as reflected on the books of the contributor at the date of contribution computed in accordance with GAAP.

(b) Without creating any rights in favor of any third party, (i) each Partner shall contribute to the Partnership, in cash, on or before the date specified as described in this Section 8.1(b), that Partner's Sharing Ratio of Discretionary Capital Expenditures shown in the current capital expenditure budget adopted for the Partnership by the General Partner as being funded by Capital Contributions, (ii) the TE Partner shall contribute to the Partnership each quarter an amount equal to the actual Mandatory Capital Expenditure for such quarter (excluding Mandatory Capital Expenditures attributable to prior Discretionary Capital Expenditures), in cash, on the earlier of (x) the date needed by the Partnership to pay such expenses or (y) the date of the quarterly distribution under Section 9.1(b) for such quarter, and (iii) the TE Partner shall contribute to the Partnership, in cash, within three days of such balance being known, an amount equal to any Loss of the Partnership, except that in the event the TE Partner's Unrecovered Loss Balance is equal to or greater than the Maximum Loss, then Section 8.1(c) shall apply. Unless otherwise stated herein, the General Partner shall notify each Partner of the need for such Capital Contributions pursuant to this Section 8.1(b), which notice must include a date (which date may be no earlier than the second Business Day following each Partner's receipt of its notice) before which the Capital Contributions must be made. All Capital Contributions under Section 8.1(b)(i) shall be kept in a segregated account, shall not be commingled with other funds of the Partnership, shall be used only for Discretionary Capital Expenditures and shall not be included in Distributable Cash.

(c)

(i) If the TE Partner's Unrecovered Loss Balance is, or with the then current Loss added, will be, equal to or greater than the Maximum Loss then the TE Partner shall have the option to (x) contribute, in cash, to the Partnership an amount equal to the current Loss, or (y) cease to contribute any cash, in which case the LD Partner shall have the option to contribute, in cash, to the Partnership an amount equal to the current Loss.

(ii) If, at any time the TE Partner's Unrecovered Loss Balance is equal to or greater than the Maximum Loss and neither Partner chooses to contribute, in cash, to the Partnership an amount equal to the current Loss then the provisions of Section 16.6 shall apply.

(d) If a Partner does not contribute by the time required all or any portion of a Capital Contribution that Partner is required to make as provided in this Agreement, the Partnership may exercise, on notice to that Partner (the **"Delinquent Partner"**), one or more of the following remedies:

(i) taking such action (including court proceedings) as the other Partners may deem appropriate to obtain payment by the Delinquent Partner of the portion of the Delinquent Partner's Capital Contribution that is in default, together with interest on that amount at the Default Interest Rate from the date that the Capital Contribution was due until the date that it is made, all at the cost and expense of the Delinquent Partner;

(ii) permitting one or more other Partners (the **"Lending Partner"**), to advance the portion of the Delinquent Partner's Capital Contribution that is in default, with the following results:

1. the sum advanced shall constitute a loan from the Lending Partner to the Delinquent Partner and a Capital Contribution of that sum to the Partnership by the Delinquent Partner under the applicable provisions of this Agreement,

2. the principal balance of the loan and all accrued unpaid interest is due and payable on the tenth day after written demand by the Lending Partner to the Delinquent Partner,

3. the amount loaned shall bear interest at the Default Interest Rate from the date that the advance is deemed made until the date that the loan, together with all interest accrued on it, is repaid to the Lending Partner,

4. all distributions from the Partnership that otherwise would be made to the Delinquent Partner (whether before or after dissolution of the Partnership) instead shall be paid to the Lending Partner until the loan and all interest accrued on it have been paid in full to the Lending Partner (with payments being applied first to accrued and unpaid interest and then to principal), but all such payments to the Lending Partner shall be treated for all purposes of this Agreement as a distribution by the Partnership to the Delinquent Partner and a payment by the Delinquent Partner to the Lending Partner,

5. the payment of the loan and interest accrued on it is secured by a security interest in the Delinquent Partner's Partnership Interest, as more fully set forth in Section 8.1(e), and

6. the Lending Partner has the right, in addition to the other rights and remedies granted to it under this Agreement or at law or in equity, to take any action (including court proceedings) that the Lending Partner may deem appropriate to obtain payment by the Delinquent Partner of the loan and all accrued and unpaid interest on it, at the cost and expense of the Delinquent Partner;

(iii) exercising the rights of a secured party under the Uniform Commercial Code of the State of Delaware, as more fully set forth in Section 8.1(e); or

(iv) exercising any other rights and remedies available at law or in equity.

(e) Each Partner grants to the Partnership, and to each Lending Partner with respect to any loans made by the Lending Partner to that Partner as a Delinquent Partner as described in Section 8.1(d), as security, equally and ratably, for the payment of all Capital Contributions that Partner has agreed to make and the payment of all loans and interest accrued on them made by Lending Partners to that Partner as a Delinquent Partner as described in Section 8.1(d), a security interest in and a general lien on its Partnership Interest and the proceeds of that Partnership Interest, all under the Uniform Commercial Code of the State of Delaware. On any default in the payment of a Capital Contribution or in the payment of such a loan or interest accrued on it, the Partnership or the Lending Partner, as applicable, is entitled to all the rights and remedies of a secured party under the Uniform Commercial Code of the State of Delaware with respect to the security interest granted in this Section 8.1(d). Each Partner shall execute and deliver to the Partnership and the other Partners all financing statements and other instruments that the other Partners or the Lending Partner, as applicable, may request to effectuate and carry out the preceding provisions of this Section 8.1(e). At the option of a Lending Partner, this Agreement or a photographic or other copy of this Agreement may serve as a financing statement.

Section 8.2 Additional Contributions.

(a) The liability of each Limited Partner to the Partnership shall be limited to the amount of its Capital Contributions to be made pursuant to Section 8.1 and no Limited Partner shall have any further personal liability to contribute money to, or in respect of, the liabilities or the obligations of the Partnership unless it agrees in writing to make additional capital contributions to the Partnership, nor shall any Limited Partner be personally liable for any obligations of the Partnership, except as may be provided in the Partnership Act.

(b) Notwithstanding the foregoing provisions of Section 8.2(a), in the event the MB Assets contributed to the Partnership by the TE Partner are Encumbered as collateral for indebtedness that is not assumed by the Partnership, the TE Partner shall (i) continue to assume responsibility for (A) the payment of such indebtedness, and (B) upon payment of such indebtedness, the removal of all Encumbrances, and (ii) shall indemnify

and hold harmless the Partnership for any cost, loss or expense incurred by the Partnership as a result of such Encumbrance.

(c) No Partner shall be entitled to the return of any part of its Capital Contribution or to be paid interest in respect of either its Capital Account or any Capital Contribution made by such Partner. No unrepaid Capital Contribution shall be deemed or considered to be a liability of the Partnership or any Partner. No Partner shall be required to contribute or lend any cash or property to the Partnership to enable the Partnership to return any Partner's Capital Contributions to the Partner.

Section 8.3 Capital Accounts. A capital account (**"Capital Account"**) shall be established for each Partner and shall be maintained in such a manner as to correspond with the requirements of Treasury Regulations promulgated from time to time under section 704(b) of the Code.

Section 8.4 Adjustment of Capital Accounts. If any additional Partnership Interests are to be issued in consideration for a contribution of property or cash or if any Partnership property is to be distributed in liquidation of the Partnership or a Partnership Interest, the Capital Accounts of the Partners (and the amounts at which all Partnership properties are carried on its books and records utilized to maintain the Capital Accounts) shall, immediately prior to such issuance or distribution, as the case may be, be adjusted (consistent with the provisions of section 704(b) of the Code and the Treasury Regulations promulgated thereunder) upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to all Partnership properties (as if such Unrealized Gain or Unrealized Loss had been recognized upon actual sale of such properties upon a liquidation of the Partnership immediately prior to such issuance). If the Agreed Value of any property of the Partnership is properly reflected on the books of the Partnership at a value that differs from the adjusted tax basis of such property, this Section 8.4 shall be applied with reference to such value.

ARTICLE IX

DISTRIBUTIONS

Section 9.1 Frequency. Except as otherwise provided herein, Distributable Cash attributable to each fiscal year shall be distributed as follows:

(a) First, quarterly all amounts to the Limited Partner or Partners who funded Losses under Sections 8.1(b)(iii) or (c) pro rata in proportion to their respective Unrecovered Loss Balances until such time that such Partners' Unrecovered Loss Balances, if any, are reduced to zero.

(b) Second, quarterly to the TE Partner in an amount up to the result of (i) $1.7875 million, minus (ii) Mandatory Capital Expenditures for such quarter, minus (iii) any amounts payable in such quarter to a third party operator of the Partnership's assets if the General Partner, acting by and through its Managing Member, ceases to operate such assets, plus (iv) any Capital Contributions made by the TE Partner under Section 8.1(b)(ii) in such quarter.

(c) Third, for the full fiscal year, to the TE Partner in an amount equal to the positive difference, if any, of the result of (i) $7.15 million, minus (ii) Mandatory Capital Expenditures for such fiscal year, minus (iii) any amounts payable in such fiscal year to a third party operator of the Partnership's assets if the General Partner, acting by and through its Managing Member, ceases to operate such assets, minus (iv) all distributions to the TE Partner pursuant to Section 9.1(b) for quarters included in such fiscal year plus (v) any Capital Contributions made by the TE Partner under Sections 8.1(b)(ii) in such fiscal year.

(d) Fourth, for the full fiscal year, the balance, if any, among the Partners pro rata in accordance with their Sharing Ratios.

Section 9.2 Failure to Withdraw. If any Partner does not withdraw the whole or any part of his share of any cash distribution made pursuant to Section 9.1, such Partner shall not be entitled to receive any interest thereon without the express written consent of the other Partner.

Section 9.3 Transferor/Transferee Allocations. Unless otherwise agreed in writing by a transferor and transferee of a Partnership Interest herein, Distributable Cash distributable with respect to any Partnership Interest which may have been transferred during any year shall be distributed to the holder of such Partnership Interest who was recognized as the owner on the date of such distribution, without regard to the results of Partnership operations during the year.

Section 9.4 Partner Advances. Notwithstanding the foregoing, if any Partner advances any funds or makes any other payment to or on behalf of the Partnership, not required pursuant to the provisions hereof, to cover operating or capital expenses of the Partnership which cannot be paid out of the Partnership's operating revenues, such advance or payment shall be deemed a loan to the Partnership by such Partner, bearing interest from the date such advance or payment was made until such loan is repaid at a floating rate per annum equal to the lesser of (i) two percent (2%) over the interest rate publicly quoted by The Wall Street Journal from time to time as the prime rate, with adjustments in such varying rate to be made on the same date as any change in the aforesaid rate (herein called **"Prime Rate"**) or (ii) the maximum rate permitted under applicable law. Notwithstanding Section 9.1 above, all distributions of Distributable Cash shall first be distributed to the Partners making such loans until all such loans have been repaid to such Partners, together with interest thereon as above provided, and, thereafter, the balance of such distributions, if any, shall be made in accordance with the terms of Section 9.1 above. If distributions are insufficient to repay and return all such loans as provided above, the funds available from time to time shall first be applied to repay and retire the oldest loan first and, if any funds thereafter remain available, such funds shall be applied in a similar manner to remaining loans in accordance with the order of the dates on which they were made; however, as to loans made on the same date, each such loan shall be repaid pro rata in the proportion that such loan bears to the total loans made on said date.

ARTICLE X

ALLOCATIONS OF INCOME, GAIN, LOSS, DEDUCTION AND CREDIT

Section 10.1 General.

(a) Except as otherwise provided herein or unless another allocation is required by Treasury Regulations issued under section 704(b) of the Code (including, but not limited to, provisions pertaining to qualified income offsets and minimum gain chargebacks), for purposes of maintaining the Capital Accounts, all items of Partnership income, gain, loss, deduction and credit shall be allocated among the Partners pro rata in accordance with their Sharing Ratios in effect for the period during which such items accrue. For purposes of computing the amount of each item of income, gain, deduction or loss to be charged or credited to the Capital Accounts, the determination, recognition and classification of such item shall be the same as its determination, recognition and classification for federal income tax purposes, provided that:

(i) Any deductions for depreciation, cost recovery, or amortization attributable to any Partnership property shall be determined as if the adjusted basis of such property were equal to the Carrying Value of such property. Upon an adjustment to the Carrying Value of any Partnership property subject to depreciation, cost recovery, or amortization pursuant to Section 8.4, any further deductions for such depreciation, cost recovery, or amortization attributable to such property shall be determined as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment.

(ii) Any income, gain or loss attributable to the taxable disposition of any Partnership property shall be determined by the Partnership as if the adjusted basis of such property as of such date of disposition were equal in amount to the Carrying Value of such property as of such date.

(iii) All fees and other expenses incurred by the Partnership to promote the sale of a Partnership Interest that can neither be deducted nor amortized under section 709 of the Code shall be treated as an item of deduction.

(iv) Computation of all items of income, gain, loss and deduction shall be made without regard to any election under section 754 of the Code which may be made by the Partnership and, as to those items described in the section 705(a)(1)(B) or section 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalizable for federal income tax purposes.

(b) Notwithstanding the foregoing, (i) each Limited Partner shall be allocated Partnership gross income each fiscal year in an amount equal to the distribution made to it pursuant to Section 9.1(a), 9.1(b) and 9.1(c) with respect to such fiscal year and (ii) each Partner shall be allocated (x) the depreciation and/or amortization deductions

attributable to the property, if any, contributed by such Partner to the Partnership pursuant to Section 8.1(a) of this Agreement and (y) an amount of deductions equal to the Capital Contributions made by such Partner to fund Losses pursuant to Sections 8.1(b)(iii) and 8.1(c).

Section 10.2 Allocations for Tax Purposes.

(a) The Partnership shall, except to the extent such item is subject to allocation pursuant to subsection (b) below, allocate each item of income, gain, loss, deduction and credit, as determined for federal and other income tax purposes, in the same manner as such item was allocated for Capital Account purposes; and

(b) The Partnership, for federal and other income tax purposes shall, in the case of Contributed Properties, allocate items of income, gain, loss, depreciation and cost recovery deductions attributable to those properties with a Built-In Gain or Built-In Loss pursuant to section 704(c) of the Code and the Treasury Regulations thereunder. Similar allocations shall be made in the event that the Carrying Value of Partnership properties subject to depreciation, cost recovery or amortization are adjusted pursuant to Section 8.4 upon the issuance of Partnership Interests for cash. If an existing Partner acquires additional Partnership Interests, such allocations shall apply only to the extent of his or its additional Interests. No allocation under section 704(c) of the Code shall be charged or credited to a Partner's Capital Account.

Section 10.3 Transferor/Transferee Allocations. Unless another method permitted by the Code is agreed to by the General Partner, the transferor and the transferee, income, gain, loss, deduction or credit attributable to any Partnership Interest which has been transferred shall be allocated between the transferor and the transferee allocated equally among the days of the Partnership's fiscal year without regard to Partnership operations during such days.

Section 10.4 Reliance on Advisors. The General Partner may rely upon, and shall have no liability to the Limited Partner or the Partnership if it does rely upon, the written opinion of tax counsel or accountants retained by the Partnership from time to time with respect to all matters (including disputes with respect thereto) relating to computations and determinations required to be made under this Article X or other provisions of this Agreement.

Section 10.5 Tax Matters Partner.

(a) The General Partner is designated tax matters partner (**"TMP"**) as defined in section 6231(a)(7) of the Code. The TMP and the Limited Partners shall use their best efforts to comply with responsibilities outlined in this Section 10.5 and in sections 6222 through 6232 of the Code (including any Treasury regulations promulgated thereunder) and in doing so shall incur no liability to any other Partner.

(b) If a Limited Partner intends to file a notice of inconsistent treatment under section 6222(b) of the Code, such Partner shall, prior to the filing of such notice, notify the TMP of such intent and the manner in which the Limited Partner's intended treatment of a Partnership item is (or may be) inconsistent with the treatment of that item by the Partnership.

(c) No Partner other than the TMP shall file a request pursuant to section 6227 of the Code for an administrative adjustment of partnership items for any Partnership taxable year.

(d) No Partner other than the TMP shall file a petition under Code sections 6226, 6228 or other Code sections with respect to any Partnership item, or other tax matters involving the Partnership. In the case where the TMP files such petition, it shall determine the forum in which such petition will be filed.

ARTICLE XI

BOOKS OF ACCOUNT, RECORDS AND TAX INFORMATION

Section 11.1 Maintenance of Books and Records. Proper and complete records and books of account (including those required by the Partnership Act) shall be kept by the Partnership in which shall be entered all transactions and other matters relative to the Partnership's business as are usually entered into records and books of account maintained by persons engaged in businesses of like character. The Partnership books and records necessary for purposes of maintaining the Capital Accounts and giving effect to the allocations provided in Articles VIII and X shall be maintained in accordance with the accounting principles described therein, and shall be kept on the accrual basis and the other books and records shall be kept on the accrual basis in accordance with GAAP for financial reporting purposes and for purposes of making all other calculations contemplated herein. The books and records shall at all times be made available at the principal office of the Partnership and shall be open to the reasonable inspection and examination of the Partners or their duly authorized representatives during the business hours of the General Partner for any purpose reasonably related to the interest of such Partner as a partner in the Partnership.

Section 11.2 Reports.

(a) The Partnership shall

(i) appoint a firm of certified public accountants to report on the Partnership's financial statements (the "Accountants"), and

(ii) direct the Accountants to render an audit opinion on the Partnership's financial statements within 90 days after the end of each fiscal year.

(b) As soon as reasonably practicable after the end of each fiscal year and after the Accountants have rendered an opinion on the Partnership's financial statements, the Partnership shall send each person who was a holder of a Partnership Interest at any time during the fiscal year then ended:

(i) All Partnership tax information as shall be necessary for the preparation by such holder of its federal and any applicable state and local income tax returns; and

(ii) A copy of the Partnership's audited financial statements which shall include an income statement, a balance sheet, statement of cash flow and required notes to the financial statements.

(c) As soon as practicable after the end of each calendar quarter, the Partnership shall send to each Partner:

(i) An unaudited income statement and a statement of cash flows for such quarter; and

(ii) An unaudited balance sheet as of the end of such quarter and a profit and loss statement and statement of cash flows for the portion of the fiscal year then ended.

ARTICLE XII

FISCAL YEAR

The fiscal year of the Partnership shall end on the thirty-first (31st) day of December in each year.

ARTICLE XIII

PARTNERSHIP FUNDS

The funds of the Partnership shall be deposited in such bank account or accounts, or invested in such interest-bearing or non-interest-bearing accounts, as shall be designated by the General Partner. All withdrawals from any such bank accounts shall be made by the General Partner or other agent or agents duly authorized by the General Partner. Partnership funds shall not be commingled with those of any other person (including the General Partner or any of its Affiliates).

ARTICLE XIV

STATUS OF LIMITED PARTNERS

Section 14.1 No Personal Liability. No Limited Partner shall have any personal liability whatever, whether to the Partnership, to any of the Partners or to the creditors of the Partnership, for the debts of the Partnership or any of its losses beyond the amount agreed to be contributed by him to the capital of the Partnership as set forth in Section 8.1 except to the extent required by the Partnership Act. No Limited Partner shall be obligated to restore any deficit in its Capital Account upon the liquidation of the Partnership or its Partnership Interest.

Section 14.2 Dissolution or Bankruptcy of Limited Partner. The dissolution or bankruptcy of a Limited Partner shall not cause a dissolution of the Partnership, but the rights of such Limited Partner to share in the profits and losses of the Partnership, and to receive distributions of Partnership funds, shall on the happening of such an event, devolve upon such Limited Partner's legal representatives or successors in interest, as the case may be, subject to

the terms and conditions of this Agreement, and the Partnership shall continue as a limited partnership. Each Limited Partner's successor in interest shall be liable for all the obligations of such Limited Partner. In no event, however, shall such estate, legal representative or other successor in interest become a substituted Limited Partner, except in accordance with Article XVI hereof.

ARTICLE XV

MANAGEMENT AND OPERATION OF BUSINESS

Section 15.1 Management by General Partner.

(a) Except as otherwise expressly provided in Section 15.3 of this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partner, and the Limited Partners shall not have any right of control or management power over the business and affairs of the Partnership. The General Partner may, from time to time, designate one or more individuals as Partnership officers to carry out the day-to-day operations of the Partnership's activities. Such Partnership officers may include a president, vice-presidents, a secretary, a treasurer and such other officers as the General Partner shall designate.

(b) Whenever in this Agreement (including the Operating Procedures) the General Partner is permitted or required to make a decision (i) in its "discretion" or under a similar grant of authority or latitude, the General Partner shall be entitled to consider such interests and factors as it desires and may consider its own interests or (ii) in its "good faith" or under another express standard, the General Partner shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement or by law. The Limited Partners hereby agrees that any standard of care or duty imposed in this Agreement or under the Partnership Act or any other applicable law, rule or regulation shall be modified, waived or limited in each case as required to permit the General Partner to act under this Agreement and to make any decision pursuant to the authority prescribed in this Agreement so long as such action or decision was not performed or omitted with the intent to defraud or deliberately cause injury to the Limited Partners.

Section 15.2 No Limited Partner Participation. No Limited Partner shall participate in the management or operations of or have any control over the Partnership's business nor shall any Limited Partner have the power to represent, act for, sign for or bind the General Partner or the Partnership. The Limited Partners hereby consent to the exercise by the General Partner of the powers conferred on it by this Agreement.

Section 15.3 Actions Requiring Limited Partner Consent. Notwithstanding any other provision of this Agreement to the contrary, without the consent of the Limited Partners, the General Partner shall not have the authority to:

(a) Admit a person as a General Partner, except as provided in this Agreement;

(b) Admit a person as a Limited Partner, except as provided in this Agreement;

(c) Knowingly perform any act that would subject the Limited Partners to any liability as a general partner; or

(d) Sell or dispose of all or substantially all of the assets of the Partnership.

Section 15.4 Third Party Reliance. Notwithstanding any other provision of this Agreement to the contrary, no lender, lessor, lessee, purchaser or any other person dealing with the Partnership, shall be required to verify any representation by the General Partner as to the extent of the interest in the assets of the Partnership that the General Partner is entitled to encumber, sell, lease or otherwise use or Partnership action that the General Partner is empowered to authorize and conduct and such person shall be entitled to rely exclusively on the representations of the General Partner as to its authority to enter into such arrangements and shall be entitled to deal with the General Partner as if it were the sole party in interest therein, both legally and beneficially. Each Limited Partner and each assignee or successor hereby waives any and all defenses or other remedies that may be available against such lender, purchaser or other person to contest, negate or disaffirm any such action of the General Partner. In no event shall any person dealing with the General Partner or its representative with respect to any business or property of the Partnership be obligated to ascertain that the terms of this Agreement have been complied with, or to inquire into the necessity or expediency of any act of the General Partner or its representative; and every contract, agreement, deed, assignment, lease, mortgage, security agreement, promissory note or other instrument or document executed by the General Partner or its representative with respect to any business or property of the Partnership shall be conclusive evidence in favor of any and every person relying thereon or claiming thereunder that (i) at the time of the execution and delivery thereof this Agreement was in full force and effect, (ii) such instrument or document was duly executed in accordance with the terms and provisions of this Agreement and is binding upon the Partnership, and (iii) the General Partner or its representative was duly authorized and empowered to execute and deliver any and every such instrument or document for and on behalf of the Partnership.

Section 15.5 Compensation and Reimbursement. The General Partner shall receive no compensation for its services hereunder but shall be reimbursed for any costs, expenses, fees or other disbursements paid or incurred by it for or on behalf of the Partnership. As more fully provided in the Operating Procedures, the General Partner may pay with funds of the Partnership or incur for and on behalf of the Partnership, costs, expenses, fees and other disbursements as it in its sole discretion deems necessary for the ongoing operations of the Partnership’s business, activities and affairs.

Section 15.6 Exculpation. Neither the General Partner, its Affiliates, nor any owner, member, manager, officer, director, partner, employee or agent of the General Partner or its Affiliates, shall be liable, responsible or accountable in damages or otherwise to the Partnership or any Partner for any action taken or failure to act (EVEN IF SUCH ACTION OR FAILURE TO ACT CONSTITUTED THE NEGLIGENCE OF SUCH PERSON) on behalf of the Partnership within the scope of the authority conferred on the person described in this Agreement and the LLC Agreement or by law unless such act or omission was performed or omitted

fraudulently or constituted gross negligence or willful misconduct. To the extent that, at law or in equity, the General Partner, its Affiliates, or any owner, manager, officer, director, partner, employee or agent thereof have duties (including fiduciary duties) and liabilities relating to the Partnership or to another Partner, the General Partner, its Affiliates, or any owner, manager, officer, director, partner, employee or agent thereof acting under the Agreement shall not be liable to the Partnership or to any such other Partner for their reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they expand or restrict the duties and liabilities of the General Partner, its Affiliates, or any owner, manager, officer, director, partner, employee or agent thereof otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of the General Partner, its Affiliates, or any owner, officer, director, partner, employee or agent thereof.

Section 15.7 Indemnification.

(a) TO THE FULLEST EXTENT PERMITTED BY LAW, THE GENERAL PARTNER, ITS AFFILIATES, THEIR RESPECTIVE OFFICERS, MANAGERS, DIRECTORS, PARTNERS, MEMBERS, EMPLOYEES AND AGENTS OR ANY PERSON PERFORMING A SIMILAR FUNCTION (INDIVIDUALLY, AN **"INDEMNITEE"**) SHALL BE INDEMNIFIED AND HELD HARMLESS BY THE PARTNERSHIP FROM AND AGAINST ANY AND ALL LOSSES, CLAIMS, DAMAGES, JUDGMENTS, LIABILITIES, OBLIGATIONS, PENALTIES, SETTLEMENTS AND REASONABLE EXPENSES (INCLUDING LEGAL FEES) ARISING FROM ANY AND ALL CLAIMS, DEMANDS, ACTIONS, SUITS OR PROCEEDINGS, CIVIL, CRIMINAL, ADMINISTRATIVE OR INVESTIGATIVE, IN WHICH THE INDEMNITEE MAY BE INVOLVED, OR THREATENED TO BE INVOLVED, AS A PARTY OR OTHERWISE, BY REASON OF ITS STATUS AS (X) THE GENERAL PARTNER OR AN AFFILIATE THEREOF, OR (Y) AN OFFICER, MANAGER, DIRECTOR, PARTNER, EMPLOYEE OR AGENT OF THE GENERAL PARTNER OR AN AFFILIATE THEREOF, REGARDLESS OF WHETHER THE INDEMNITEE CONTINUES TO BE THE GENERAL PARTNER OR AN AFFILIATE OR AN OFFICER, MANAGER, DIRECTOR, EMPLOYEE OR AGENT OF THE GENERAL PARTNER OR AN AFFILIATE THEREOF AT THE TIME ANY SUCH LIABILITY OR EXPENSE IS PAID OR INCURRED, UNLESS THE ACT OR FAILURE TO ACT GIVING RISE TO INDEMNITY HEREUNDER CONSTITUTED FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

(b) The Partnership through the General Partner may purchase and maintain insurance on behalf of the General Partner and such other persons as the General Partner shall determine against any liability that may be asserted against or expense that may be incurred by such person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such person against such liability under the provisions of this Partnership Agreement.

(c) Expenses incurred by any Indemnitee in defending any claim with respect to which such Indemnitee may be entitled to indemnification by the Partnership hereunder (including without limitation reasonable attorneys' fees and disbursements) shall, to the maximum extent permitted by law, be advanced by the Partnership prior to

the final disposition of such claim, upon receipt of a written undertaking by or on behalf of such Indemnitee to repay the advanced amount of such expenses unless it is determined ultimately that the Indemnitee is entitled to indemnification by the Partnership under Section 15.7(a).

(d) The indemnification provided in this Section 15.7 is for the benefit of the Indemnitees and shall not be deemed to create any right to indemnification for any other persons.

Section 15.8 Other Activities; Noncompetition.

(a) Each Limited Partner agrees that, for a period beginning on the date of this Agreement and ending on the earlier to occur of (i) the termination of this Agreement for whatever reason, or (ii) the disposition, directly or indirectly, by such Limited Partner, respectively (or, to the extent such interest has been transferred to an Affiliate of such Partner as permitted hereby, by such Affiliate), of its interest in the Partnership to a person that is not a wholly owned, direct or indirect, subsidiary of such Limited Partner's Parent, no such Limited Partner or any of its Restricted Affiliates will engage or participate in, or carry on, directly or indirectly, either as proprietor, partner, member, director, stockholder, agent, consultant, advisor, trustee, Affiliate, or otherwise, whether or not for compensation, any business that competes with the Partnership Business in Chambers and Harris Counties, Texas (the **"Territory"**). Each Limited Partner acknowledges and agrees that the foregoing noncompetition agreement is given in partial consideration for the other party's entering into this Agreement.

(b) Each of the Limited Partners or its Affiliates have, pursuant to Storage Agreements, leased or obtained the right to use storage capacity of the Partnership. Without limiting the generality of the provisions of Section 15.8(a) and in furtherance thereof, each of the Limited Partners agrees that it and its Affiliates will use such storage capacity solely for its own internal business operations and will not lease or sublease such storage capacity to third parties, and will direct to the Partnership any such third party seeking access to the Partnership's storage facility so that such additional business shall be for the benefit of the Partnership. The foregoing shall not be interpreted to prohibit or restrict the current practices of the TE Partner with respect to such storage capacity. Additionally, except as otherwise herein specifically provided, the Limited Partners agree to act in good faith with respect to each other and the Partnership Business to maximize the returns from such business throughout the term of the Partnership.

(c) In the event either Limited Partner (the **"First Party"**) or any of its Restricted Affiliates desires to pursue a business opportunity that will compete with the Partnership Business in the Territory as prohibited by Section 15.8(a) **("Competing Business Transaction"),** such Limited Partner shall be obligated to promptly bring such Competing Business Transaction to the attention of the other Limited Partner (the **"Second Party"**), to fully disclose all details regarding the proposed opportunity (subject to the execution of appropriate confidentiality undertakings), and to offer such business opportunity to become part of the Partnership Business. The Limited Partners shall negotiate in good faith for a period of 45 days (unless the business opportunity dictates a

shorter period of time, in which event, for such shorter time period as will avoid the loss of such opportunity) to bring such Competing Business Transaction into the Partnership Business, either by contribution or purchase. Should the Limited Partners be unable to agree within such 45 day period on the terms and provisions for incorporating the Competing Business Transaction into the Partnership Business and the First Party or its Restricted Affiliate, as may be the case, wishes to pursue the Competing Business Transaction rather than continue with the Partnership Business and the transactions contemplated by this Agreement, subject to the provisions of Section 15.8(e) below, either Limited Partner may invoke the special buy-out provisions of Section 23.7 without first complying with Section 23.1. The First Party agrees to give written notice within one Business Day of the consummation of such transaction.

(d) In the event the First Party or any of its Restricted Affiliates desires to pursue a Competing Business Transaction which cannot become a part of the Partnership Business for any reason other than the failure of the Second Party to consent to such transaction, and the First Party or its Restricted Affiliate, as may be the case, elects to pursue such Competing Business Transaction rather than continue with the Partnership Business, the First Party shall give written notice of such election to the Second Party and either Party may invoke the special buy-out provisions of Section 23.7 without first complying with Section 23.1. The First Party agrees to give written notice within one Business Day of the consummation of such transaction.

(e) Notwithstanding any other provision of this Agreement, the Second Party may waive the non-competition provision of this Section 15.8 as it applies to any Competing Business Transaction offered by the First Party under Section 15.8(c). In such event, (i) the First Party may participate in such Competing Business Transaction without being in violation of this Agreement; (ii) the Second Party thereby waives any right to participate in, or to benefit from, such transaction; and (iii) neither Limited Partner shall be entitled to invoke the special buy-out provisions of Section 23.7 as a result of such transaction. Any such waiver shall apply only to the specific Competing Business Transaction being presented and shall not be construed as applicable to any other Competing Business Transaction.

(f) Notwithstanding the foregoing or any other provision of this Agreement:

(i) Neither Limited Partner nor any of its Affiliates shall be prohibited from conducting business activities or operations outside the Territory of a similar nature as are conducted by such Limited Partner or Affiliate as of the date hereof; or

(ii) Neither Limited Partner nor any of its Affiliates shall be prohibited from constructing and operating other pipelines to and from or through the Territory so long as they do not compete with the pipelines that comprise a part of the Partnership's assets as of the date hereof,

(iii) Neither Limited Partner nor any of its Affiliates shall be prohibited from operating pipelines to, from or through the Territory which are currently

operated by such persons, including the servicing of persons who are customers of the Partnership, or from expanding, improving or otherwise modifying such pipelines, or

(iv) Neither Limited Partner, nor any of its Affiliates, has any obligation or duty to first offer to the Partnership new business ideas that are outside the scope of the Partnership Business.

(g) Each Limited Partner acknowledges that the covenant provided in this Section 15.8 is manifestly reasonable on its face and is no more restrictive than is required for the protection of the Partnership, including the interest of the other Limited Partner and the Partnership. In the event that the provisions of this Section 15.8 should ever be deemed to exceed the time and geographic limitations permitted by applicable law, then such provisions shall be reformed to the maximum time or geographic limitations permitted by applicable law.

(h) It is specifically understood and agreed that any breach of the provisions of this Section 15.8 hereof is likely to result in irreparable harm to the Partnership and that an action at law for damages alone will be an inadequate remedy for such breach, and that the Partnership would suffer irreparable harm in the event either Limited Partner or its Restricted Affiliates fail to comply with its obligations hereunder. Therefore, in addition to any other remedy that may be available to it, the other Limited Partner or the Partnership shall be entitled to enforce the specific performance of Section 15.8 on the breaching Limited Partner and its Restricted Affiliates and to seek both temporary and permanent injunctive relief (to the extent permitted by law) without the necessity of proving actual damages, and such other relief as the court may allow.

ARTICLE XVI

TRANSFER OF INTERESTS BY PARTNERS

Section 16.1 Restrictions on Transfer. No Partner shall have the right to Dispose of its interest in the Partnership, or any portion thereof without (a) complying with the provisions of this Article XVI, (b) Disposing of its entire Partnership Interest to a single purchaser or transferee, and (c) simultaneously Disposing of its and any Affiliate’s entire membership interest in the General Partner. Any attempted transfer or assignment of any interest in the Partnership in violation of the provisions of this Article XVI shall be void and of no force and effect.

Section 16.2 Transfers to Affiliates. A Limited Partner may Dispose of all of its Partnership Interest to an Affiliate of such Limited Partner provided that such purchaser or transferee, prior to such Disposition, becomes a party to this Agreement and agrees to be bound by all applicable terms and conditions including this Article XVI.

Section 16.3 Right of First Refusal. If a Limited Partner **(“Offeror”)** desires to Dispose of its Partnership Interest (other than a sale or other transfer of its Partnership Interest to an Affiliate or a Change of Partner Control), such Disposition may be made only by a sale of all

of its entire Partnership Interest and its and any Affiliate's entire membership interest in the General Partner (collectively, the **"Interest"**) for cash (or cash equivalent) and only if the Offeror receives with respect thereto a bona fide binding written proposal for the acquisition of such Interest (an **"Acquisition Proposal"**), and then only in compliance with the following procedures:

(a) Upon receipt of an Acquisition Proposal, the Offeror shall offer, by written notice (the **"Offer"**) to the other Limited Partner (the **"Offeree"**), to sell the Interest to the Offeree or Affiliates thereof on the terms (including price) specified in the Acquisition Proposal pursuant to the terms of this Section 16.3. Such Offer shall contain a description of and a copy of the Acquisition Proposal subject to appropriate confidentiality provisions. In addition, the Offeror shall provide to the Offeree all other information with respect to the Acquisition Proposal and the proposed transferee reasonably requested by the Offeree in order for it to evaluate the Acquisition Proposal, to verify the bona fide nature thereof and to evaluate the effect of having the person making such Acquisition Proposal as a Partner in the Partnership.

(b) The Offeree shall have the right, to be exercised by notice (the **"Acceptance"**) from the Offeree to the Offeror on or before the 30th day following receipt of the Offer (the **"Offer Period"**), to elect to purchase all (but not less than all) of the Interest pursuant to the terms of the Offer.

(c) If the Offeree accepts the Offer, the closing of the acquisition of the Interest shall be consummated on or before the 60th day after the Offeror receives the Acceptance but effective at the end of the calendar month occurring on or immediately prior to such closing. The acquisition shall be consummated at a closing held at the principal offices of the Partnership (unless otherwise agreed by the purchaser of the Partnership Interest and the Offeror), at which time the purchaser shall deliver to the Offeror the purchase price (in the form of immediately available funds), and the Offeror shall deliver to the purchaser such transfer documentation reasonably acceptable to the purchaser as shall be required to evidence the transfer of such Interest free and clear of all liens and encumbrances, except those created under this Agreement.

(d) If the Offeree does not accept the Offer, the Offeror shall be permitted for a period of 180 days after expiration of the Offer Period to sell all (but not less than all) of the Interest on terms not more favorable to such transferee than the terms specified in the Acquisition Proposal and at a price that is not less than the price specified in the Acquisition Proposal.

Section 16.4 Change of Partner Control. If a Limited Partner or an Affiliate desires to Dispose of its Partnership Interest by a Change of Partner Control or undergoes an involuntary change of Partner Control, the other Limited Partner (**"Option Partner"**) or its designated Affiliate shall have an option to acquire the Partnership Interest of the other Limited Partner and it or its Affiliate's membership interest in the General Partner (collectively, the **"Option Interest"**) in accordance with the following procedures:

(a) If the Partner undergoing the Change of Partner Control is the TE Partner, the terms and provisions of Section 16.3 shall apply.

(b) If the Partner undergoing the Change of Partner Control is the LD Partner, the option price payable shall be the greater of (i) 50% of the Net EBITDA for the 12-month period preceding the Notice Month (as hereinafter defined) times ten (10.0) and (ii) the LD Partner's capital account in the Partnership and in the General Partner (or, if applicable, the capital account of its Affiliate in the General Partner), in both cases according to GAAP (collectively, the **"LD Combined Capital Account Balance"**). "Notice Month" means the month during which the LD Change of Partner Control occurs.

(c) The provisions of Sections 16.3(a), (b) and (c), with respect to notice, the offer period for the Option Interests, acceptance of the offer by the Option Partner and the closing of the acquisition shall apply.

Section 16.5 Procedures. Any Partner who desires to transfer its Partnership Interest shall arrange for any permitted transferee to be bound by the provisions of this Agreement, as it may then be amended, by having such transferee execute two counterparts of an instrument of assignment satisfactory in form and substance to the General Partner and by delivering the same to the General Partner together with any such other information that may be required by counsel to the Partnership to determine whether the proposed transfer violates applicable federal or state securities or other laws or regulations. If and when the consent of the other Partners to such assignment and the substitution of such transferee hereof is secured and the other requirements of this Article XVI are satisfied, the transferee shall become a substituted Partner as to the Partnership Interest thus transferred effective as of the first day of the calendar month during which the General Partner actually receives the aforesaid instrument of assignment executed by both the transferor and transferee. The transferee shall be required to pay any and all reasonable filing and recording fees, legal fees, accounting fees, and other charges and fees incurred by the Partnership and its counsel as a result of such transfer.

Section 16.6 Purchase and Sale in the Event of Maximum Loss Being Exceeded.

(a) In the event that the Maximum Loss is exceeded and the provisions of Section 8.1(c)(ii) apply, then the TE Partner shall acquire the Partnership Interest of the LD Partner and the membership interest held by the LD Partner or its Affiliate in the General Partner for an amount equal to the LD Combined Capital Account Balance, less the product of (i) the sum of the LD Partner's Unrecovered Loss Balance and TE Partner's Unrecovered Loss Balance, times (ii) the LD Combined Capital Account Balance divided by the total of all GAAP capital account balances in the Partnership and the General Partner.

(b) The closing of the purchase and sale contemplated hereunder shall be consummated within 60 days after the provisions of Section 8.1(c)(ii) first become applicable at the principal office of the Partnership (unless otherwise mutually agreed by the Limited Partners), at which time the purchase price (in the form of immediately available funds) shall be delivered to the sellers and the sellers shall deliver to the buyer

or its designee such transfer documentation reasonably acceptable to the buyer and the sellers as shall be required to evidence the transfer of such Partnership Interest and membership interest in the General Partner, free and clear of all liens and encumbrances, except those created under this Agreement.

Section 16.7 Compliance with Securities Laws. All Partners acknowledge that the Partnership interests have not been registered under (i) the Securities Act of 1933, as amended (the **"1933 Act"**), in reliance on the exemptions afforded by Section 4(2) of the 1933 Act, or (ii) applicable state securities laws in reliance on exemptions under such laws. Therefore, to preserve said exemptions and notwithstanding anything contained herein to the contrary, the Partners hereby agree that interests of the Partners shall be nontransferable and nonassignable, except in compliance with the registration provisions of the 1933 Act and the Partnership Act, or an exemption or exemptions therefrom, and any attempted or purported transfer or assignment in violation of the foregoing shall be void and of no effect. Accordingly, as an additional condition precedent to any assignment or other transfer of any interest in the Partnership, the General Partner may require an opinion of counsel satisfactory to the General Partner that such assignment or transfer will be made in compliance with the registration provisions of the 1933 Act and applicable state securities laws or exemption(s) therefrom, and such transferor or assignor shall be responsible for paying said counsel's fee for the opinion.

ARTICLE XVII

DISSOLUTION OF THE PARTNERSHIP

The happening of any one of the following events shall work an immediate dissolution of the Partnership:

(a) An event of withdrawal of the General Partner as defined in § 17-402 of the Partnership Act except that an event described in Subsections (a)(4) and (a)(5) of § 17-402 shall not be an event of withdrawal unless within 90 days of such event of withdrawal, the remaining Partners agree in writing to continue the business of the Partnership and appoint, effective as of the date of withdrawal, a successor General Partner of the Partnership who acquires, or enters into an agreement to acquire, the Partnership Interest of the prior General Partner during such 90-day period;

(b) The receipt by the Partnership of the final payment due on the sales price of all or substantially all the assets of the Partnership or the Partnership's business following the Partnership's sale thereof;

(c) The agreement by all of the Partners to dissolve;

(d) At the time there are no Limited Partners; and

(e) Entry of a decree of judicial dissolution under § 17-802 of the Partnership Act.

Any withdrawal of the General Partner under § 17-602 of the Partnership Act shall be effective on the date specified in a written notice of withdrawal given by the General Partner to the

Limited Partners; provided, however, that the effective date shall be not less than 60 days following the date of delivery of such notice.

ARTICLE XVIII

WINDING UP AND TERMINATION OF THE PARTNERSHIP

Section 18.1 Liquidator. If the Partnership is dissolved for any reason, a liquidator (the **"Liquidator"**) shall commence to wind up the affairs of the Partnership and to liquidate and sell its assets. The General Partner shall serve as the Liquidator unless the dissolution occurred as a result of an event of withdrawal of the General Partner, in which case the person designated by the Limited Partners shall serve as the Liquidator. The Liquidator shall have full right and discretion to determine the time, manner and terms of sale or sales of Partnership property pursuant to such liquidation having due regard to the activity and condition of the relevant market and general financial and economic conditions. The Liquidator appointed in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto or their legal representatives or successors in interest, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time, not to exceed two (2) years after the date of dissolution of the Partnership, as shall be reasonably required in the good faith judgment of the Liquidator to complete the liquidation and dissolution of the Partnership as provided for herein, including, without limitation, the following specific powers:

(a) The power to continue to manage and operate any business of the Partnership during the period of such liquidation or dissolution proceedings, excluding, however, the power to make and enter into contracts which may extend beyond the period of liquidation.

(b) The power to make sales and incident thereto to make deeds, bills of sale, assignments and transfers of assets and properties of the Partnership; provided, that the Liquidator may not impose personal liability upon any of the Partners under any such instrument.

(c) The power to borrow funds as may, in the good faith judgment of the Liquidator, be reasonably required to pay debts and obligations of the Partnership or operating expenses, and to execute and/or grant deeds of trust, mortgages, security agreements, pledges and collateral assignments upon and encumbering any of the Partnership properties as security for repayment of such loans or as security for payment of any other indebtedness of the Partnership; provided, that the Liquidator shall not have the power to create any personal obligation on any of the Partners to repay such loans or indebtedness other than out of available proceeds of foreclosure or sale of the properties or assets as to which a lien or liens are granted as security for payment thereof.

(d) The power to settle, release, compromise or adjust any claims asserted to be owing by or to the Partnership, and the right to file, prosecute or defend lawsuits and legal proceedings in connection with any such matters.

Section 18.2 Reserves. After making payment or provision for payment of all debts and liabilities of the Partnership and all expenses of liquidation, the Liquidator may set up, for a period not to exceed the aforesaid two (2) years, such cash reserves as the Liquidator may deem reasonably necessary for any contingent liabilities or obligations of the Partnership. Upon the satisfaction or other discharge of such contingency, the amount of the reserves not retired, if any, will be distributed in accordance with this Article XVIII.

Section 18.3 Sale of Assets; Distribution of Proceeds. Upon the winding up and termination of the business and affairs of the Partnership, its assets (other than cash) shall be sold, its liabilities and obligations to creditors and all expenses incurred in its liquidation shall be paid (either by payment or the making of reasonable provision for payment). All items of Partnership income, gain, loss or deduction shall be credited or charged to the Capital Accounts of the Partners pro rata in accordance with their Sharing Ratios. Thereafter, the net proceeds from such sales (after deducting all selling costs and expenses in connection therewith), together with (at the expiration of the two (2) year period referred to therein) the balance and reserve account referred to in Section 18.2 above, shall be distributed among the Partners in accordance with their respective positive balances in their Capital Accounts.

Section 18.4 Final Accounting. Within a reasonable time following the completion of the liquidation of the Partnership's properties, the Liquidator shall supply to each of the Partners a statement prepared by the Partnership's accountants which shall set forth the assets and the liabilities of the Partnership as of the date of complete liquidation, each Partner's pro rata portion of distributions pursuant to Section 18.3, and the amount retained as reserves by the Liquidator pursuant to Section 18.2.

Section 18.5 Recourse Limited to Assets of the Partnership. Each holder of an interest in the Partnership shall look solely to the assets of the Partnership for all distributions with respect to the Partnership and its Capital Contribution thereto (including the return thereof) and share of profits or losses thereof, and shall have no recourse therefor (upon dissolution or otherwise) against the Partnership, the General Partner or the Liquidator. No holder of an interest in the Partnership shall have any right to demand or receive property other than cash upon dissolution and termination of the Partnership.

Section 18.6 Termination. Upon the completion of the liquidation of the Partnership and the distribution of all Partnership funds, the Partnership shall terminate and the Liquidator shall (and is hereby given the power and authority to) execute, acknowledge, swear to and record all documents required to effectuate the dissolution and termination of the Partnership. No Partner shall be required to restore any deficit balance existing in its Capital Account upon the liquidation and termination of the Partnership.

ARTICLE XIX

NOTICES

To be effective, all notices and demands under this Agreement must be in writing and must be given (i) by depositing same in the United States mail, postage prepaid, certified or registered, return receipt requested, (ii) by telecopy with receipt confirmed by return telecopy or (iii) by delivering same in person and receiving a signed receipt therefor. For purposes of notice, the addresses of the Partners or their respective assigns shall be as set forth on the signature pages hereof. Notices mailed in accordance with the foregoing shall be deemed to have been given and made upon receipt. Any Partner or his assignee may designate a different address to which notices or demands shall thereafter be directed by written notice given in the manner hereinabove required and directed to the Partnership at its principal office as hereinabove set forth.

ARTICLE XX

AMENDMENT OF LIMITED PARTNERSHIP AGREEMENT

This Agreement may be modified or amended from time to time by the written agreement of the General Partner and each of the Limited Partners.

ARTICLE XXI

POWER OF ATTORNEY

Each Limited Partner and any permitted assignee or transferee of its interest hereunder, does hereby irrevocably constitute and appoint the General Partner, its true and lawful attorney in fact and agent, to execute, acknowledge, verify, swear to, deliver, record and file, in such Limited Partner’s or assignee’s name, place and stead, all instruments, documents and certificates which may from time to time be required to effectuate and implement the terms and provisions of this Agreement including, without limitation, the power and authority to execute, verify, swear to, acknowledge, deliver, record and file (i) all certificates and other instruments which the General Partner deems appropriate to form, qualify or continue the Partnership as a limited partnership in the State of Delaware and in such other states as the General Partner deems appropriate, (ii) all instruments which the General Partner deems appropriate to reflect any amendment to this Agreement, or modification of the Partnership, made in accordance with the terms of this Agreement, (iii) all conveyances and other instruments which the General Partner deems appropriate to reflect the dissolution and termination of the Partnership pursuant to the terms of this Agreement, including any writing required by the Partnership Act, (iv) all instruments relating to the admission of any additional or substituted Limited Partner, (v) a certificate of assumed name and such other certificates and instruments as may be necessary under any fictitious or assumed name statutes from time to time in effect in jurisdictions in which the Partnership conducts or plans to conduct business and (vi) all other instruments that may be required or permitted by law to be filed on behalf of the Partnership and that are not inconsistent with this Agreement. The power of attorney granted herein shall be deemed to be coupled with an interest, shall be irrevocable, shall survive and not be affected by the subsequent death,

dissolution, bankruptcy, incompetency or legal disability of a Limited Partner and shall extend to such Limited Partner's successors and assigns; and may be exercised by executing such instrument acting as attorney in fact for the Limited Partner or in such other manner as said agent and attorney in fact may deem appropriate. Each Limited Partner hereby agrees to be bound by any action taken by the General Partner acting pursuant to such power of attorney, and each Limited Partner and assigns hereby waives any and all defenses which may be available to contest, negate or disaffirm any action of the General Partner taken under such power of attorney.

ARTICLE XXII

REPRESENTATIONS, WARRANTIES AND COVENANTS

The General Partner and each Limited Partner each hereby respectively represent and warrant to the others that (i) it is duly organized, validly existing and in good standing under the jurisdiction of its organization, with full power and authority to enter into and perform its obligations under this Agreement; (ii) it has validly executed this Agreement, and upon delivery, this Agreement shall be a binding obligation of such party, enforceable against such party in accordance with its terms; and (iii) its entry into this Agreement and the performance of its obligations hereunder will not require the approval of any governmental body or regulatory authority and will not violate, conflict with or cause a default under, any of its organizational documents, any contractual covenant or restriction by which such party is bound, or any applicable law, regulation, rule, ordinance, order, judgment or decree.

ARTICLE XXIII

DISPUTES

Section 23.1 Negotiation. Except for the injunctive remedies provided by Section 15.8, in the event of any claims, counterclaims, demands, causes of action, disputes, controversies, and other matters in question arising out of or relating to this Agreement, any provision hereof, the alleged breach thereof, or in any way relating to the subject matter of this Agreement or the relationship between the Partners created by this Agreement, involving the Limited Partners and/or their respective representatives and/or Affiliates (all of which are referred to herein as **"Disputes"**), the Limited Partners shall promptly seek to resolve any such Dispute by negotiations between senior executives of the Limited Partners who have authority to settle the Dispute. When a Limited Partner believes there is a Dispute under this Agreement, that Limited Partner will give the other written notice of the Dispute. Within thirty (30) days after receipt of such notice, the receiving Limited Partner shall submit to the other a written response. Both the notice and response shall include (i) a statement of each Limited Partner's position and a summary of the evidence and arguments supporting its position, and (ii) the name, title, fax number, and telephone number of the executive who will represent that Limited Partner. In the event the Dispute involves a claim arising out of the actions of any person or entity not a signatory to this Agreement, the receiving Limited Partner shall have such additional time as necessary, not to exceed an additional thirty (30) days, to investigate the Dispute before submitting a written response. The executives shall meet at a mutually acceptable time and place within fifteen (15) days after the date of the response and thereafter as often as they

reasonably deem necessary to exchange relevant information and to attempt to resolve the Dispute. If one of the executives is an attorney or intends to be accompanied at a meeting by an attorney, the other executive shall be given at least five (5) days' notice of such intention and may also be accompanied by an attorney. All negotiations and communications pursuant to this Article XXIII shall be treated and maintained by the Limited Partners as confidential information and shall be treated as compromise and settlement negotiations for the purposes of federal and state rules of evidence.

Section 23.2 Failure to Resolve. If the Dispute has not been resolved within sixty (60) days after the date of the response given pursuant to Section 23.1 above, or such additional time, if any, that the Limited Partners mutually agree to in writing, or if the Limited Partner receiving such notice denies the applicability of the provisions of Section 23.1 or otherwise refuses to participate under the provisions of Section 23.1, either Limited Partner may initiate arbitration pursuant to the provisions of Section 23.3 below; provided, however, that either Partner may reject arbitration and trigger the special Buy-Out Option of Section 23.7, all as provided below.

Section 23.3 Arbitration. Any Disputes not settled pursuant to the foregoing provisions shall be resolved as follows:

(a) Any Limited Partner desiring to initiate arbitration in connection with any Dispute shall send, via certified mail, written notice of demand of arbitration to the other Limited Partner and the name of the arbitrator appointed by the Limited Partner demanding arbitration together with a statement of the matter in controversy.

(b) Within fifteen (15) days after receipt of such demand, the receiving Limited Partner shall either (i) agree to submit the Dispute to arbitration and name its arbitrator or (ii) refuse to submit the Dispute to arbitration, in which case the provisions of this Section 23.3 shall not be applicable to such Dispute. If the receiving Limited Partner fails or refuses to name its arbitrator within such 15-day period, it shall be deemed to have agreed to submit the Dispute to arbitration and the second arbitrator shall be appointed, upon request of the party demanding arbitration, by the Chief U.S. District Court Judge for the Southern District of Texas or such other person designated by such judge. The two arbitrators so selected shall within fifteen (15) days after their designation select a third arbitrator; provided, however, that if the two arbitrators are not able to agree on a third arbitrator within such 15-day period, either Limited Partner may request the Chief U.S. District Court Judge for the Southern District of Texas or such other person designated by such judge to select the third arbitrator as soon as possible. In the event the Judge declines to appoint an arbitrator, appointment shall be made, upon application of either Limited Partner, pursuant to the Commercial Arbitration Rules of the American Arbitration Association. If any arbitrator refuses or fails to fulfill his or her duties hereunder, such arbitrator shall be replaced by the Limited Partner which selected such arbitrator (or if such arbitrator was selected by another person, through the procedure which such arbitrator was selected) pursuant to the foregoing provisions.

(c) Each arbitrator selected by the Limited Partners shall be a certified public accountant or licensed attorney with at least fifteen (15) years of oil and gas experience as a certified public accountant and/or practicing attorney. The arbitrators selected by

the Limited Partners are not required to be neutral, but the third arbitrator shall be neutral and shall be a retired judge.

(d) The Limited Partners hereto hereby request and consent to the three (3) arbitrators conducting a hearing in Houston, Texas no later than sixty (60) days following their selection or thirty (30) days after all prehearing discovery has been completed, whichever is later, at which the Limited Partners shall present such evidence and witnesses as they may choose, with or without counsel.

(e) Arbitration shall be conducted in accordance with the Commercial Arbitration Rules and procedures of the American Arbitration Association.

(f) The Federal Rules of Civil Procedure, as modified or supplemented by the local rules of civil procedure for the U.S. District Court for the Southern District of Texas, shall apply in the arbitration. The Limited Partners shall make their witnesses available in a timely manner for discovery pursuant to such rules. If a Limited Partner fails to comply with this discovery agreement within the time established by the arbitrators, after resolving any discovery disputes, the arbitrators may take such failure to comply into consideration in reaching their decision. All discovery disputes shall be resolved by the arbitrators pursuant to the procedures set forth in the Federal Rules of Civil Procedure.

(g) Adherence to formal rules of evidence shall not be required. The arbitrators shall consider any evidence and testimony that they determine to be relevant.

(h) The Limited Partners hereto hereby request that the arbitrators render their decision within thirty (30) calendar days following conclusion of the hearing.

(i) Any decision by a majority of the arbitration panel shall be final, binding and non-appealable. Any such decision may be filed in any court of competent jurisdiction and may be enforced by either Limited Partner as a final judgment in such court. There shall be no grounds for appeal of any arbitration award hereunder.

(j) The defenses of statute of limitations and laches shall be tolled from and after the date a Party gives the other Limited Partner written notice of a Dispute as provided in Section 23.1 above until such time as the Dispute has been resolved pursuant to Section 23.1, or an arbitration award has been entered pursuant to this Section 23.3.

(k) The Partners hereby waive any claim to, and the arbitrators are especially divested of any power to award, special, consequential, punitive, exemplary, incidental, indirect costs, expenses, damages or claims or statutory damages in excess of compensatory damages, or any form of damages in excess of compensatory damages.

Section 23.4 Recovery of Costs and Attorneys' Fees. In the event arbitration (or, despite the Limited Partners' agreement to resolve the Disputes through binding arbitration, litigation) arising out of this Agreement is initiated by either Limited Partner, the prevailing Limited Partner, after the entry of a final non-appealable order, shall be entitled to recover from

the other party, as a part of said order, all court costs, fees and expenses of such arbitration (or litigation), including, without limitation, reasonable attorneys' fees.

Section 23.5 Choice of Forum. If, despite the Limited Partners' agreement to submit any Disputes to binding arbitration, there are any court proceedings arising out of or relating to this Agreement or the transactions contemplated hereby, such proceedings shall be brought and tried in the federal or state courts situated in the City of Houston, Texas.

Section 23.6 Jury Waivers. THE LIMITED PARTNERS HEREBY WAIVE ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY.

Section 23.7 Special Buy-Out Options.

(a) Upon the failure of the Limited Partners to resolve or submit a Dispute to binding arbitration within seventy-five (75) days after the date of the response given pursuant to Section 23.1, either Limited Partner shall have the right (the **"Put/Call Right"**) for a period of 30 days following the expiration of such 75-day period (the **"Exercise Period"**), to be exercised by written notice to the other Limited Partner within such applicable period, to cause a purchase and sale to the TE Partner of the Interest of the LD Partner and its Affiliate. Such purchase and sale shall be for cash at a purchase price equal to the greater of (i) 50% of the Net EBITDA for the Pricing Period ending with the month immediately preceding the month in which the written notice is given exercising the Put/Call Right times the Valuation Multiple and (ii) the LD Combined Capital Account Balance.

(b) If either Limited Partner timely exercises such Put/Call Right, the Limited Partners shall consult for the purpose of determining the Valuation Multiple and, on or before the 10th day after exercise of the Put/Call Right, the non-exercising Limited Partner shall select one of four entities proposed by the exercising Limited Partner, each of which such entities shall have at least ten years experience in valuing similar assets or businesses (the **"Valuation Expert"**) if required as contemplated below. If on or before the 30th day after exercise of the Put/Call Right, such Limited Partners have not reached agreement on the Valuation Multiple, each Limited Partner shall submit a proposed Valuation Multiple to the Valuation Expert, together with any supporting documentation such Limited Partners deems appropriate, on or before the 60th day after the exercise of the Put/Call Right. The Valuation Expert shall determine the Valuation Multiple by selection of one of the proposed Valuation Multiples submitted by the Limited Partners (and shall have no authority beyond selection of one of such proposals) as promptly as possible (and in any event on or before the 30th day after submittal of the competing proposals). The cost of such Valuation Expert shall be paid in equal portions by the Limited Partners.

(c) The purchase price shall be the amount calculated under Section 23.7(a) unless the Put/Call Right has been triggered by either Partner pursuant to Section 15.8(c) or (d), in which case the purchase price to be paid by the TE Partner shall be the amount computed as follows:

(i) If the TE Partner is the First Party, the purchase price shall be 115% of the amount calculated under Section 23.7(a); and

(ii) if the LD Partner is the First Party, the purchase price shall be 85% of the amount calculated under Section 23.7(a).

(d) The closing of the acquisition of the Interests contemplated hereunder shall be consummated on or before the 60th day after the determination of the Valuation Multiple but effective at the end of the calendar month occurring on or immediately prior to such closing. The acquisition shall be consummated at a closing held at the principal offices of the Partnership (unless otherwise mutually agreed by the Limited Partners), at which time the purchase price (in the form of immediately available funds) shall be delivered to the sellers and the sellers shall deliver to the buyer such transfer documentation reasonably acceptable to the buyer and the seller as shall be required to evidence the transfer of such Partnership Interest and membership interest in the General Partner, free and clear of all liens and encumbrances, except those created under this Agreement.

Section 23.8 Dispute Under Both this Agreement and LLC Agreement. Notwithstanding anything herein to the contrary, it is the intention of the Partners that any Dispute hereunder that is also subject to the terms and provisions of the LLC Agreement shall be handled under one unified proceeding under and pursuant to the terms and provisions of this Agreement and that no Partner shall be entitled to seek a second resolution of the same Dispute under the Terms and Provisions of this Article XXIII.

ARTICLE XXIV

MISCELLANEOUS

Section 24.1 No Right of Partition. The Partners agree that the Partnership properties are not and will not be suitable for partition. Accordingly, each of the Partners hereby irrevocably waives any and all rights that he may have to maintain any action for partition of any of the Partnership property.

Section 24.2 Entire Agreement; Supersedure. This Agreement and the additional documents and agreements referred to herein or contemplated hereunder constitute the entire agreement among the parties. It supersedes any prior agreement or understandings among them, and it may not be modified or amended in any manner other than as set forth herein.

Section 24.3 Governing Law. This Agreement and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware.

Section 24.4 Binding Effect. Except as herein otherwise specifically provided, this Agreement shall be binding upon and inure to the benefit of the parties and their legal representatives, heirs, administrators, executors, successors and assigns.

Section 24.5 Construction of Agreement. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the

plural, and pronouns stated in the masculine, the feminine or the neuter gender shall include the masculine, feminine and neuter. The term “person” means any individual, corporation, partnership, trust or other entity.

Section 24.6 Captions. Captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit or extend the scope or intent of this Agreement or any provision hereof.

Section 24.7 Effect of Invalid Provision. If any provision of this Agreement, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

Section 24.8 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument. It shall not be necessary for all Partners to execute the same counterpart hereof.

Section 24.9 Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and in the year first above written.

GENERAL PARTNER:

Address:

2929 Allen Parkway, Suite 3200
Houston, TX 77019
Telecopy: 713/759-3645

Mont Belvieu Venture, LLC

By: TE Products Pipeline Company, Limited Partnership, its managing member

By: TEPPCO GP, Inc., its general partner

By: /s/ JOHN N. GOODPASTURE

Name: John N. Goodpasture
Title: Vice President, Corporate Development

LIMITED PARTNERS:

2929 Allen Parkway, Suite 3200
Houston, Texas 77019
Telecopy: 713/759-3645

TE Products Pipeline Company, Limited Partnership

By: TEPPCO GP, Inc., its general partner

By: /s/ JOHN N. GOODPASTURE

Name: John N. Goodpasture
Title: Vice President, Corporate Development

20 Westport Road
Wilton, Connecticut 06897
Telecopy: 203/761-8119

Louis Dreyfus Energy Services L.P.

By: Louis Dreyfus ES GP LLC, its general partner

By: /s/ WILLIAM C. RIPPE

Name: William C. Rippe
Title: Executive Vice President

EXHIBIT A

DREYFUS STORAGE AGREEMENT

EXHIBIT B

MB ASSETS

The MB Assets consist of the Subject Property, as such term is defined in that certain General Conveyance and Assumption Agreement dated effective as of January 21, 2003, from TE Products Pipeline Company, Limited Partnership, as “Grantor,” to Mont Belvieu Storage Partners, L.P., as “Grantee”.

EXHIBIT C

OPERATING PROCEDURES

EXHIBIT D

TE STORAGE AGREEMENT

Exhibit 10.54

October 25, 2003

Mont Belvieu Venture, LLC
2929 Allen Parkway, Suite 3200
Houston, TX 77019
Telecopy: 713/759-3645

Mont Belvieu Storage Partners, L.P.
2929 Allen Parkway, Suite 3200
Houston, TX 77019
Telecopy: 713/759-3645

Louis Dreyfus Energy Services L.P.
20 Westport Road
Wilton, Connecticut 06897
Telecopy: 203/761-8119

Re: Letter Of Agreement Clarifying Rights & Obligations of the Parties Under the Mont Belvieu Storage Partners, L.P., Partnership Agreement and the Mont Belvieu Venture, LLC, LLC Agreement

Dear Sirs:

This Letter Agreement, upon its acceptance, as hereinafter provided, sets forth the understanding and agreement between TE Products Pipeline Company, Limited Partnership (“TEPPCO”), Mont Belvieu Venture, LLC (“MB Venture”), Mont Belvieu Storage Partners, L.P. (MB Partners”) and Louis Dreyfus Energy Services L.P. (“ Louis Dreyfus”) (jointly the “Parties”) regarding the clarification of the effective date of (i) the Limited Liability Company Agreement of Mont Belvieu Venture, LLC (the “LLC Agreement”) and (ii) the Agreement of Limited Partnership of Mont Belvieu Storage Partners, L.P (the “Partnership Agreement”).

On or about August 13, 2003, TEPPCO and Louis Dreyfus entered into the LLC Agreement and the Partnership Agreement. The effective date of both the LLC Agreement and the Partnership Agreement (jointly the “Agreements”) was January 21, 2003. TEPPCO and Louis Dreyfus established January 21, 2003 as the effective date of the Agreements for the sole reason that January 21, 2003 was the date that the Certificate of Limited Partnership for MB Partners and the Certificate of Formation for MB Venture were filed with the Secretary of State of the State of Delaware. It was always, and remains, the intention of the Parties that the rights

and obligations of the Parties set forth in the LLC Agreement and the Partnership Agreement would be effective and binding on the Parties as of January 1, 2003 as if Mont Belvieu Venture, LLC and Mont Belvieu Storage Partners, L.P. had been in existence on that date.

The Parties now, therefore, agree that the Agreements, including all rights and obligations set forth therein, will be binding on and enforceable against each of the Parties effective as of January 1, 2003.

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

If the above is acceptable to Mont Belvieu Venture, LLC, Mont Belvieu Storage Partners, L.P. and Louis Dreyfus Energy Services L.P., please sign the enclosed duplicate of this letter in the space indicated below and return it to us for our files.

Sincerely,

TE PRODUCTS PIPELINE COMPANY,
LIMITED PARTNERSHIP by TEPPCO GP, Inc. its
general partner

By: /s/ JOHN N. GOODPASTURE

Title: Vice President, Corporate Development

ACCEPTED AND AGREED TO:

Mont Belvieu Venture, LLC by
Its managing member, TE Products Pipeline Company,
Limited Partnership, by TEPPCO GP, Inc.,
its general partner

By: /s/ JOHN N. GOODPASTURE

Title: Vice President, Corporate Development
Date: September 24, 2003

Mont Belvieu Storage Partners, L.P.
by its general partner
Mont Belvieu Venture, LLC by
its managing member, TE Products Pipeline Company,
Limited Partnership, by TEPPCO GP, Inc.,
its general partner

By: /s/ JOHN N. GOODPASTURE

Title: Vice President, Corporate Development
Date: September 24, 2003

Louis Dreyfus Energy Services L.P.,
by its general partner
Louis Dreyfus ES GP LLC

By: /s/ TIMOTHY J. STUART

Title: President
Date: September 29, 2003

Exhibit 12.1
Statement of Computation of Ratio of Earnings to Fixed Charges

	Years Ended December 31,					Nine Months Ended Sept. 30, 2003
	1998	1999	2000	2001	2002	
	(in thousands)					
Earnings						
Income From Continuing Operations *	53,885	72,856	65,951	92,533	105,882	80,632
Fixed Charges	30,915	34,305	55,621	72,217	77,726	74,053
Distributed Income of Equity Investment	—	—	—	40,800	30,938	10,470
Capitalized Interest	(795)	(2,133)	(4,559)	(4,000)	(4,345)	(3,374)
Total Earnings	84,005	105,028	117,013	201,550	210,201	161,781
Fixed Charges						
Interest Expense	29,784	31,563	48,982	66,057	70,537	67,772
Capitalized Interest	795	2,133	4,559	4,000	4,345	3,374
Rental Interest Factor	336	609	2,080	2,160	2,844	2,907
Total Fixed Charges	30,915	34,305	55,621	72,217	77,726	74,053
Ratio: Earnings / Fixed Charges	2.72	3.06	2.10	2.79	2.70	2.18

* Excludes minority interest, extraordinary loss, gain on sale of assets and undistributed equity earnings.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Barry R. Pearl, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TEPPCO 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 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 quarterly report is being prepared;

   b) [intentionally omitted pursuant to SEC Release No. 34-47986];

   c) 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 quarterly report based on such evaluation; and

   d) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 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.

October 29, 2003

/s/ BARRY R. PEARL

Barry R. Pearl
President and Chief Executive Officer
Texas Eastern Products Pipeline Company, LLC,
as General Partner

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Charles H. Leonard, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TEPPCO 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 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 quarterly report is being prepared;

    b) [intentionally omitted pursuant to SEC Release No. 34-47986];

    c) 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 quarterly report based on such evaluation; and

    d) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 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.

October 29, 2003

/s/ CHARLES H. LEONARD

Charles H. Leonard
Senior Vice President and Chief Financial Officer
Texas Eastern Products Pipeline Company, LLC,
as General Partner

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, being the Chief Executive Officer of Texas Eastern Products Pipeline Company, LLC, the sole general partner of TEPPCO Partners, L.P. (the "Company"), hereby certifies that, to his knowledge, the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003, filed with the United States Securities and Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to such Form 10-Q. A signed original of this written statement required by Section 906 has been provided to TEPPCO Partners, L.P. and will be retained by TEPPCO Partners, L.P. and furnished to the Securities and Exchange Commission or its staff upon request.

October 29, 2003
Date

/s/ BARRY R. PEARL

Barry R. Pearl
President and Chief Executive Officer
Texas Eastern Products Pipeline Company, LLC, General Partner

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, being the Chief Financial Officer of Texas Eastern Products Pipeline Company, LLC, the sole general partner of TEPPCO Partners, L.P. (the "Company"), hereby certifies that, to his knowledge, the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003, filed with the United States Securities and Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to such Form 10-Q. A signed original of this written statement required by Section 906 has been provided to TEPPCO Partners, L.P. and will be retained by TEPPCO Partners, L.P. and furnished to the Securities and Exchange Commission or its staff upon request.

October 29, 2003
Date

/s/ CHARLES H. LEONARD

Charles H. Leonard
Senior Vice President and Chief Financial Officer
Texas Eastern Products Pipeline Company, LLC, General Partner