SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

OR

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

FOR THE QUARTER ENDED MARCH 31, 1997

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 twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ---

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TEPPCO PARTNERS, L.P.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	MARCH 31, 1997 (UNAUDITED)	DECEMBER 31, 1996
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 22,803	$ 34,047
Short-term investments	16,070	24,085
Accounts receivable, trade	16,060	18,326
Inventories	17,611	18,914
Other	4,568	3,371
Total current assets	77,112	98,743
Property, plant and equipment, at cost (net of accumulated depreciation and amortization of $155,451 and $149,597)	562,422	561,068
Investments	6,936	6,936
Other assets	4,653	4,494
Total assets	$651,123	$671,241
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Current maturities, First Mortgage Notes	$ 17,000	$ 13,000
Accounts payable and accrued liabilities	6,455	8,300
Accounts payable, general partner	3,320	3,007
Accrued interest	2,304	10,930
Other accrued taxes	4,480	5,455
Other	4,870	6,861
Total current liabilities	38,429	47,553
First Mortgage Notes	309,512	326,512
Other liabilities and deferred credits	3,708	3,902
Minority interest	3,026	2,963
Partners' capital:		
General partner's interest	5,028	4,616
Limited partners' interests	291,420	285,695
Total partners' capital	296,448	290,311
Total liabilities and partners' capital	$651,123	$671,241

See Accompanying Notes To Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

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

	THREE MONTHS ENDED MARCH 31, 1997	THREE MONTHS ENDED MARCH 31, 1996
Operating Revenues:		
Transportation - Refined products	$ 21,704	$ 21,883
Transportation - LPGs	23,939	27,114
Gain on sale of inventory	1,497	1,543
Mont Belvieu operations	2,763	2,840
Other	5,522	5,469
Total operating revenues	55,425	58,849
Costs and Expenses:		
Operating, general and administrative ..	22,238	23,009
Depreciation and amortization	5,768	5,968
Taxes - other than income taxes	2,474	2,336
Total costs and expenses	30,480	31,313
Operating income	24,945	27,536
Interest expense, First Mortgage Notes	(8,604)	(8,867)
Interest costs capitalized	655	170
Other income - net	981	1,492
Income before minority interest ...	17,977	20,331
Minority interest	(182)	(205)
Net income	$ 17,795	$ 20,126
Net income per Unit	$ 1.14	$ 1.32

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

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

	THREE MONTHS ENDED MARCH 31, 1997	THREE MONTHS ENDED MARCH 31, 1996
Cash flows from operating activities:		
Net income	$ 17,795	$ 20,126
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	5,768	5,968
Decrease in accounts receivable, trade	2,266	6,144
Decrease in inventories	1,303	2,748
Increase in other current assets	(1,197)	(1,162)
Decrease in accounts payable and accrued expenses	(13,124)	(16,703)
Other	(155)	(101)
Net cash provided by operating activities	12,656	17,020
Cash flows from investing activities:		
Proceeds from investments	7,970	4,861
Investments	--	(5,786)
Insurance proceeds related to damaged asset	1,046	--
Restricted investments designated for property additions	--	(141)
Capital expenditures	(8,139)	(4,145)
Net cash provided by (used in) investing activities	877	(5,211)
Cash flows from financing activities:		
Principal payment, First Mortgage Notes	(13,000)	(10,000)
Distributions	(11,777)	(10,810)
Net cash used in financing activities	(24,777)	(20,810)
Net decrease in cash and cash equivalents	(11,244)	(9,001)
Cash and cash equivalents at beginning of period	34,047	39,663
Cash and cash equivalents at end of period	$ 22,803	$ 30,662
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:		
Interest paid during the period (net of capitalized interest)	$ 16,438	$ 17,403

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. is a Delaware limited partnership which operates through TE Products Pipeline Company, Limited Partnership, a Delaware limited partnership (collectively the "Partnership"), in which TEPPCO Partners, L.P. holds a 99% interest as the sole limited partner. Texas Eastern Products Pipeline Company and Subsidiary Companies (the "Company"), a wholly owned subsidiary of PanEnergy Corp (PanEnergy), is the general partner of the Partnership and has agreed not to voluntarily withdraw as the general partner of the Partnership, subject to certain limited exceptions, prior to January 1, 2000.

The accompanying unaudited consolidated financial statements reflect all adjustments, which are, in the opinion of management, of a normal and recurring nature and necessary for a fair statement of the financial position of the Partnership as of March 31, 1997, and the results of operations and cash flows for the periods presented. The results of operations for the three months ended March 31, 1997, are not necessarily indicative of results of operations for the full year 1997. The interim financial statements should be read in conjunction with the Partnership's 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, 1996.

Net income per Unit 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 14,500,000 Units as of March 31, 1997). The general partner's percentage interest in net income is based on its percentage of cash distributions from Available Cash for each period (see Note 5). The general partner was allocated 6.72% and 5.15% of net income for the three months ended March 31, 1997 and 1996, respectively.

NOTE 2. INVESTMENTS

SHORT-TERM INVESTMENTS

The Partnership routinely invests cash in liquid short-term investments as part of its cash management program. Investments with maturities at date of purchase of 90 days or less are considered cash equivalents. At March 31, 1997, short-term investments included $16.1 million of investment-grade corporate notes, which mature within one year. All short-term investments are classified as held-to-maturity securities and are stated at amortized cost. The aggregate fair value of such securities approximates amortized cost at March 31, 1997.

LONG-TERM INVESTMENTS

At March 31, 1997, the Partnership had $6.9 million invested in investment-grade corporate notes, which have varying maturities from 1998 through 2001. These securities are classified as held-to-maturity securities and are stated at amortized cost. The aggregate fair value of such securities approximates amortized cost at March 31, 1997.

NOTE 3. FIRST MORTGAGE NOTES

In connection with its formation, TE Products Pipeline Company, Limited Partnership issued 9.60% Series A First Mortgage Notes, due 2000, and 10.20% Series B First Mortgage Notes, due 2010 (collectively the "Notes"). The Notes, which are secured by a mortgage on substantially all property, plant and equipment of the Partnership, have mandatory annual prepayments at par through March 7, 2010. Interest is payable semiannually on each March 7 and September 7 until retirement of the Notes. On March 7, 1997, the Partnership paid $13.0 million for current maturities due on the Notes. At March 31, 1997, the current maturities of the Notes were $17.0 million, which are payable on March 6, 1998.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

The agreements relating to the Notes contain certain covenant restrictions, including limitations on cash distributions and on the amount of future indebtedness, none of which are expected to have a material adverse effect on the Partnership's operations.

NOTE 4. 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):

	MARCH 31, 1997	DECEMBER 31, 1996
Gasolines	$ 3,570	$ 3,232
Propane	5,613	6,550
Butanes	2,760	4,023
Fuel oils	71	--
Other products	2,222	2,021
Materials and supplies	3,375	3,088
Total	$ 17,611	$ 18,914

The costs of inventories were lower than market at March 31, 1997, and December 31, 1996.

NOTE 5. CASH DISTRIBUTIONS

The Partnership makes quarterly cash distributions of all of its Available Cash, generally defined as consolidated cash receipts less consolidated cash disbursements and cash reserves established by the general partner in its sole discretion or as required by the terms of the Notes.

On February 7, 1997, the Partnership paid a cash distribution of $0.75 per Unit for the fourth quarter of 1996. Additionally, on April 11, 1997, the Partnership declared a cash distribution of $0.75 per Unit for the quarter ended March 31, 1997. The distribution is payable on May 9, 1997, to Unitholders of record on April 30, 1997.

The Company receives incremental incentive distributions of 15%, 25% and 50% on quarterly distributions of Available Cash that exceed $0.55, $0.65 and $0.90 per Unit, respectively. During the three months ended March 31, 1997 and 1996, incentive distributions paid to the Company totaled $0.7 million and $0.5 million, respectively.

NOTE 6. COMMITMENTS AND CONTINGENCIES

The Partnership is involved in various claims and legal proceedings incidental to its business. In the opinion of management, these claims and legal proceedings will not have a material adverse effect on the Partnership's consolidated financial position or results of operations.

The operations of the Partnership are subject to federal, state and local laws and regulations relating to protection of the environment. Although the Partnership believes the operations of the pipeline system are in material compliance with applicable environmental regulations, risks of significant costs and liabilities are inherent in pipeline operations, and there can be no assurance 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

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

claims for damages to property or persons resulting from the operations of the pipeline system, could result in substantial costs and liabilities to the Partnership. The Partnership does not anticipate that changes in environmental laws and regulations will have a material adverse effect on its financial position, operations or cash flows in the near term.

As part of the Agreed Order entered into between the Partnership and the Indiana Department of Environmental Management (IDEM), the Partnership has completed the remedial investigation phase II sampling plan for groundwater contamination at the Seymour, Indiana, terminal. Additionally, as a part of the Agreed Order, the Partnership has presented a scope of work for the final remedial investigation report for the Seymour terminal. The Agreed Order entered into between the Partnership and IDEM will ultimately result in a remediation program for any on-site and off-site environmental problems attributable to the Partnership's operations at Seymour. In the opinion of the general partner, the completion of the remediation program to be proposed by the Partnership, if such program is approved by IDEM, will not have a material adverse impact on the Partnership.

Substantially all of the petroleum products transported and stored by the Partnership are owned by the Partnership's customers. At March 31, 1997, the Partnership had approximately 11.1 million barrels of products in its custody owned by customers. The Partnership is obligated for the transportation, storage and delivery of such products on behalf of its customers. The Partnership maintains insurance adequate to cover product losses through circumstances beyond its control.

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

The following information is provided to facilitate increased understanding of the 1997 and 1996 interim consolidated financial statements and accompanying notes presented in Item 1. 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. Discussion included in "Other Matters" addresses key trends, futures plans and contingencies. Throughout these discussions, management addresses items that are reasonably likely to materially affect future liquidity or earnings.

RESULTS OF OPERATIONS

The Partnership's operations consist of the transportation, storage and terminaling of refined petroleum products and liquefied petroleum gases (LPGs). Operations are somewhat seasonal with higher revenues generally realized during the first and fourth quarters of each year. 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 Midwest and Northeast for propane, a major fuel for residential heating, and higher demand for butane, an additive for gasoline blending.

Net income for the quarter ended March 31, 1997 was $17.8 million, compared with net income of $20.1 million for the 1996 first quarter. The $2.3 million decrease in net income resulted primarily from a $3.4 million decrease in operating revenues, which was partially offset by a $0.8 million decrease in operating, general and administrative expenses. See discussion below of factors affecting net income for the comparative periods.

See volume and average tariff information below:

	QUARTER ENDED MARCH 31, 1997	QUARTER ENDED MARCH 31, 1996	PERCENTAGE INCREASE (DECREASE)
VOLUMES DELIVERED			
(in thousands of barrels)			
Refined products	25,205	25,920	(3%)
LPGs	12,064	12,845	(6%)
Mont Belvieu operations	6,188	4,963	25%
Total	43,457	43,728	(1%)
AVERAGE TARIFF PER BARREL			
Refined products	$ 0.86	$ 0.84	2%
LPGs	1.98	2.11	(6%)
Mont Belvieu operations	0.16	0.18	(11%)
Average system tariff per barrel	$ 1.07	$ 1.14	(6%)

Refined products transportation revenues decreased $0.2 million for the quarter ended March 31, 1997, compared with the prior-year quarter, as a result of lower deliveries of motor fuel and distillate due primarily to increased refinery utilization in the Midwest market areas, coupled with lower refinery production along the upper Texas Gulf Coast. These decreases were partially offset by increased deliveries of jet fuel attributable to the pipeline connection at the Little Rock Air Force Base, which was completed in June 1996, and increased demand at commercial airports served by the pipeline system. Additionally, deliveries of gasoline blend stocks, primarily methyl tertiary butyl ether (MTBE) and toluene, were higher than the prior year due to increased barge deliveries at the Partnership's marine terminal near Beaumont, Texas, as well as higher demand in the Midwest.

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

RESULTS OF OPERATIONS - (CONTINUED)

LPGs transportation revenues decreased $3.2 million for the quarter ended March 31, 1997, compared with the first quarter of 1996, due primarily to a 12% decrease in propane deliveries in the Midwest and Northeast market areas attributable to warmer winter weather in 1997. Additionally, butane deliveries decreased 27% during the 1997 first quarter as a result of increased Canadian imports into the Midwest as well as lower Gulf Coast supply. These decreases were partially offset by higher petrochemical demand for propane along the upper Texas Gulf Coast. The decrease in long-haul propane deliveries to the Northeast, coupled with the increase in short-haul Gulf Coast deliveries, resulted in the 6% decrease in the LPGs average system tariff per barrel.

Revenues generated from Mont Belvieu operations decreased slightly during the first quarter of 1997, compared with the first quarter of 1996, due primarily to lower storage revenues attributable to lower shipper inventory levels, partially offset by a 25% increase in shuttle deliveries. The Mont Belvieu operations average tariff per barrel for shuttle deliveries decreased during 1997 as a result of higher contract deliveries, which generally carry lower tariffs.

Operating, general and administrative expenses decreased $0.8 million during the quarter ended March 31, 1997, compared with the prior-year quarter, due primarily to decreased product measurement losses, decreased expenses for legal services and lower insurance premiums. These decreases were partially offset by increased expenses for pensions and benefits costs.

Interest expense decreased $0.3 million during the first quarter of 1997, compared with 1996, due to principal payments on the First Mortgage Notes of $10.0 million and $13.0 million during March 1996 and March 1997, respectively. Capitalized interest increased $0.5 million over the prior year quarter as a result of increased capitalized spending during 1997. Lower interest expense was partially offset by a $0.5 million decrease in other income as a result of lower interest income earned on cash investments.

FINANCIAL CONDITION AND LIQUIDITY

Net cash from operations for the three months ended March 31, 1997 totaled $12.7 million, compared with $17.0 million for the corresponding period in 1996. The decrease resulted from a $2.5 million decrease in income before charges for depreciation and amortization, and a $1.8 million decrease in other working capital changes. The decrease in working capital sources of cash was due primarily to lower accounts receivable balances outstanding at the beginning of 1997, partially offset by lower cash payments for accrued expenses during the first quarter of 1997. Net cash from operations for the three months ended March 31, 1997 and 1996 reflect semi-annual interest payments related to the Notes of $17.1 million and $17.6 million, respectively.

Cash flows from investing activities during the first quarter of 1997 included proceeds from investments of $8.0 million and insurance proceeds of $1.0 million, offset by $8.1 million of capital expenditures. The insurance proceeds received during the first quarter of 1997 relate to the replacement value of a 20-inch diameter auxiliary pipeline at the Red River in central Louisiana, which was damaged in 1994 and subsequently removed from service. Cash flows from investing activities during the first quarter of 1996 included proceeds from investments of $4.9 million, offset by $5.8 million of additional investments and capital expenditures of $4.1 million. The increase in capital expenditures in 1997 reflects the continuation of construction projects which commenced during the later part of 1996. The Partnership revises capital spending periodically in response to changes in cash flows and operations.

The Partnership paid the fourth quarter 1996 cash distribution of $11.8 million ($0.75 per Unit) on February 7, 1997. Additionally, on April 11, 1997, the Partnership declared a cash distribution of $0.75 per Unit for the three months ended March 31, 1997. The distribution is payable on May 9, 1997 to Unitholders of record on April 30, 1997.

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

FINANCIAL CONDITION AND LIQUIDITY - (CONTINUED)

The Notes, which are secured by a mortgage on substantially all property, plant and equipment of the Partnership, require annual principal payments through March 2010. Interest is payable semi-annually on March 7 and September 7. Cash and cash equivalents were reduced by the $13.0 million principal payment related to the Notes on March 7, 1997. At March 31, 1997, the current maturities of the Notes were $17.0 million. The note agreement relating to the Notes limits the amount of cash distributions that can be made by TE Products Pipeline Company, Limited Partnership to TEPPCO Partners, L.P. Such restriction is not anticipated to preclude the Partnership from making quarterly distributions to Unitholders of at least $0.75 per Unit during 1997.

OTHER MATTERS

The operations of the Partnership are subject to federal, state and local laws and regulations relating to protection of the environment. Although the Partnership believes the operations of the pipeline system are in material compliance with applicable environmental regulations, risks of significant costs and liabilities are inherent in pipeline operations, and there can be no assurance 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 the operations of the pipeline system could result in substantial costs and liabilities to the Partnership.

As part of the Agreed Order entered into between the Partnership and the Indiana Department of Environmental Management (IDEM), the Partnership has completed the remedial investigation phase II sampling plan for groundwater contamination at the Seymour, Indiana, terminal. Additionally, as a part of the Agreed Order, the Partnership has presented a scope of work for the final remedial investigation report for the Seymour terminal. The Agreed Order entered into between the Partnership and IDEM will ultimately result in a remediation program for any on-site and off-site environmental problems attributable to the Partnership's operations at Seymour. In the opinion of the general partner, the completion of the remediation program to be proposed by the Partnership, if such program is approved by IDEM, will not have a material adverse impact on the Partnership.

During the first quarter of 1997, the Partnership completed its Midwest mainline expansion project, which added 50,000 barrels per day of capacity between El Dorado, Arkansas, and Seymour, Indiana. On March 31, 1997, the Partnership placed in service the expansion of the Ark-La-Tex system between Shreveport, Louisiana, and El Dorado. This project provides an additional 25,000 barrels per day of refined products transportation capacity. Additionally, on May 1, 1997, the Partnership placed in service the connection of the pipeline system to Colonial Pipeline Company's (Colonial) pipeline at Beaumont, Texas. The Partnership has entered into a 10-year capacity lease with Colonial, whereby the Partnership has guaranteed a minimum monthly throughput rate for the new connection. The Ark-La-Tex system expansion and the connection to the Colonial pipeline system relieve origin constraints of refined products to the Partnership's mainline system allowing additional capacity created by the Midwest expansion project to be utilized.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit Number	Description
10	Texas Eastern Products Pipeline Company 1997 Employee Incentive Compensation Plan executed on January 29, 1997.
27	Financial Data Schedule as of and for the three months ended March 31, 1997.

(b) Reports on Form 8-K: None

Items 1, 2, 3, 4 and 5 of Part II were not applicable and have been omitted.

SIGNATURE

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 DULY AUTHORIZED OFFICER AND PRINCIPAL FINANCIAL OFFICER.

TEPPCO Partners, L.P.
(Registrant)

By: Texas Eastern Products Pipeline Company,
General Partner

/s/ CHARLES H. LEONARD

Charles H. Leonard
Sr. Vice President, Chief Financial Officer
and Treasurer

Date: May 6, 1997

EXHIBIT 10.

TEXAS EASTERN PRODUCTS PIPELINE COMPANY
1997 EMPLOYEE INCENTIVE COMPENSATION PLAN

Texas Eastern Products Pipeline Company ("TEPPCO") hereby establishes, effective as of January 1, 1997, the Texas Eastern Products Pipeline Company 1997 Employee Incentive Compensation Plan providing as follows:

I. PURPOSE

The Plan is intended to provide a method whereby eligible employees of TEPPCO may be motivated through personal financial gain linked to the performance of TEPPCO Partners, L.P. (the "Partnership"), to strive to further enhance the Partnership's financial performance.

II. DEFINITIONS

Unless the meaning is clearly different when used in context, these terms shall have the meanings set forth below. Wherever applicable, the masculine pronoun as used herein shall be deemed to mean the feminine, the feminine pronoun the masculine, the singular the plural and the plural the singular.

A. "Attainable Earnings Level" shall mean the earnings level, expressed in terms of net income, that the Committee determines, for purposes of this Plan, that the Partnership might expect for its fiscal year coinciding with a particular Plan Year, assuming current business activity, expected new projects, and some growth or other improvement.

B. "Award Amount" shall have the meaning set forth in Article V.B. of this Plan.

C. "Board" shall mean the Board of Directors of TEPPCO.

D. "Eligible Employee" shall mean a person who is a regular, full-time employee of TEPPCO and performs services on a full-time basis for TEPPCO and/or the Partnership, but who is not eligible to participate in the TEPPCO MICP and who is not a member of the Committee identified in Article III.

E. "L.P. Unit" shall mean a single unit representing a limited partnership interest in TEPPCO Partners, L.P.

F. "Incentive Unit" shall mean an award unit attributable to a specified earnings level as set forth in Article V, but shall not represent or be construed in any way as being a L.P. Unit.

G. "Net Income" shall mean the Partnership's year end net income as set forth in the Partnership's publicly reported consolidated financial statements for the Partnership's fiscal year, except, that the Committee, in its sole discretion, may adjust net income to disregard any financial item that it determines to be inappropriate for Plan purposes and may utilize such adjusted net income as net income for all Plan purposes.

H. "PanEnergy" shall mean PanEnergy Corp. and its Subsidiaries.

I. "Plan" shall mean the Texas Eastern Products Pipeline Company 1997 Employee Incentive Compensation Plan.

J. "Plan Year" shall mean each 12-month period beginning on January 1 and ending on December 31, with the initial Plan Year beginning January 1, 1997.

K. "Stretch Earnings Level" shall mean the earnings level, expressed in terms of net income, that the Committee determines, for purposes of the Plan, that the Partnership might expect for its fiscal year coinciding with a particular Plan year, assuming better than anticipated operating conditions, growth or other earnings improvement.

L. "Subsidiary" shall mean any corporation in which

PanEnergy directly or indirectly owns more than 50% of the issued and outstanding voting stock.

M. "Sustainable Earnings Level" shall mean the earnings level, expressed in terms of net income, that the Committee determines, for purposes of this Plan, that the Partnership might expect for its fiscal year coinciding with a particular Plan Year, assuming continuation of base business and normal operating conditions.

N. "TEPPCO MICP" shall mean the Texas Eastern Products Pipeline Company Management Incentive Compensation Plan.

III. ADMINISTRATION AND INTERPRETATION

A. The Plan shall be administered by a committee of the Board consisting of not less than three members appointed by the Board and serving at the Board's pleasure (the "Committee"). Each member of the Committee shall be a member of the Board and no Committee member shall be eligible to participate in the Plan. Any vacancy occurring in the membership of the Committee shall be filled by appointment by the Board.

B. The Committee shall, in its discretion, have full authority to administer and interpret the Plan and to make all determinations under the Plan, and may prescribe, amend, and rescind rules and procedures and take such other action as it deems necessary or advisable for the administration of the Plan, except as otherwise expressly reserved to the Board in the Plan. Any interpretation, determination or other action made or taken by the Committee shall be final, binding and conclusive upon all parties.

C. The Committee may authorize persons other than its members to carry out its duties, including the authority to approve an individual's becoming a Participant, subject to the limitations and guidelines set by the Committee. Subject to the provisions of the Plan, any person to whom such authority is delegated may continue to be a Participant provided that any non-ministerial determination with respect to such person's participation in the Plan shall be made directly by the Committee and independent of such delegation.

IV. ELIGIBLE EMPLOYEES

A. Each individual who is an Eligible Employee on January 1, 1997, shall become a Participant for the 1997 Plan Year.

B. An individual who is an Eligible Employee on the first day of any subsequent Plan Year shall become a Participant for such Plan Year.

C. Except as otherwise provided in Section A above, in the case of an individual who is an Eligible Employee during a Plan Year, but not on the first day of such Plan year, the individual shall become a Participant for such Plan Year only with the approval of the Committee or its authorized representative.

V. AWARDS

A. During April of the 1997 Plan Year, and during January of each subsequent Plan Year, the Committee shall determine the sustainable Earnings Level, the Attainable Earnings Level and the Stretch Earnings Level, each with a corresponding number of Incentive Units, that shall apply to each Participant for such Plan Year, and shall cause such information to be communicated to such Participants. Following the end of a Plan Year and the public announcement of the Partnership's net income for the Partnership's fiscal year coinciding with the Plan Year, the Committee shall credit each Participant for the Plan Year who is an Eligible Employee as of the last day of such Plan Year with the appropriate number of Incentive Units, determined on the basis of which one, if any, of the Sustainable, Attainable or Stretch Earnings Levels has been achieved by such net income. For purposes of the preceding sentence, a Participant who ceases to be an Eligible Employee on account of death, disability or retirement under a retirement plan in which TEPPCO participates, nevertheless, shall be deemed to be an Eligible Employee as of the last day of such Plan Year.

B. The Committee shall credit each Participant for a Plan Year with an Award Amount for the Plan Year equal to the dollar amount produced by multiplying the total number of Incentive Units credited to such participant for such Plan Year times the total quarterly cash distributions paid by the Partnership on one (1) L.P. Unit with respect to the Partnership's fiscal quarters covered by such Plan Year. It is intended that the resulting monetary amount will be substantially equivalent to the total distributions that would have been paid by the Partnership to the Participant had the Participant been the owner during the respective period of a number of L.P. Units equal to the number of Incentive Units credited to the Participant for the Plan Year. Notwithstanding the foregoing, in the case of a Participant who is not an Eligible Employee for any portion of a Partnership fiscal quarter covered by a Plan Year (other than on account of termination after TEPPCO employment by reason of death, disability or retirement under a retirement plan in which TEPPCO participates), such Participant shall not receive credit for any distributions paid by the Partnership with respect to such fiscal quarter.

VI. PAYMENT OF AWARDED AMOUNT

A. A Participant's Award Amount for a Plan Year shall be paid in a cash lump sum, subject to withholding for taxes and other lawful purposes, as of February 15 following the close of the Plan Year (except that if February 15 is not a business day, the first succeeding business day).

B. If a Participant dies before payment of an unforfeited Award Amount, such unpaid Award Amount shall be paid to the Participant's surviving spouse, or if no surviving spouse exists, to the Participant's estate or legal representative.

VII. LIMITATIONS

A. No Participant or any other person shall have any interest in TEPPCO, the Partnership, TE Products Pipeline Company, Limited Partnership, or PanEnergy, any fund or in any specific asset or assets of TEPPCO, the Partnership, TE Products Pipeline Company, Limited Partnership, or PanEnergy by reason of participation in the Plan. No Participant shall have the right to assign, pledge or otherwise dispose of or otherwise encumber any Plan benefit, nor shall such Participant's contingent interest in such benefit be subject to garnishment, attachment, transfer by operation of law, or any legal process.

B. Participation in the Plan does not confer any right of continued TEPPCO employment or any right to receive any payment under the Plan.

C. Any unpaid Award Amount credited to a Participant shall be forfeited in the following circumstances (unless the Committee, in its sole discretion, determines otherwise):

1. The Participant engages in willful, deliberate or gross misconduct during TEPPCO employment; or

2. If the Participant engages in activities competitive with, or activities otherwise to the detriment of, TEPPCO, the Partnership or PanEnergy, following termination of TEPPCO employment.

VIII. NATURE OF PLAN

The obligation to make cash payments under the Plan shall be a general, unsecured obligation of TEPPCO payable solely from the general assets of TEPPCO, and no Participant shall have any interest in any assets of TEPPCO by virtue of this Plan. Nothing in this Article VIII shall be construed to prevent TEPPCO from implementing or setting aside funds in a grantor trust subject to the claims of TEPPCO's creditors. The establishment and operation of the Plan or the setting aside of any funds shall not be deemed to create a trust. Legal and equitable title to any funds set aside for the purposes of the Plan, other than any grantor trust subject to the claims of TEPPCO's creditors, shall remain in TEPPCO and shall remain subject to the general creditors of TEPPCO, present and future.

IX. AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN

The Board may at any time amend, suspend or terminate the

Plan, in whole or in part, except that no amendment, suspension or termination shall reduce any Award Amount credited to a Participant prior to the date of such amendment, suspension or termination. The Texas Eastern Products Pipeline Company 1995 Employee Incentive Compensation Plan shall terminate as of the 1997 Plan Year, except for any awards to be made thereunder.

X. SUCCESSORS AND ASSIGNS

The provisions of the Plan shall be binding upon TEPPCO and its successors and assigns and upon the Participant, his or her surviving spouse, estate (including heirs, legatees, executors and administrators) or other legal representative.

XI. GOVERNING LAW

The Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas applicable to transactions that take place entirely within the State of Texas, and, where applicable, the laws of the United States of America.

IN WITNESS WHEREOF, the undersigned have executed this Plan this 29th day of January, 1997.

TEXAS EASTERN PRODUCTS PIPELINE COMPANY

ATTEST:

John Merli By: W. L. Thacker

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JAN-01-1997
MAR-31-1997
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