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

FORM 10-Q/A
(Amendment No. 1)

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

For the quarterly period ended June 30, 2005

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

1100 Louisiana Street, 13th Floor
P.O. Box 2521
Houston, Texas 77252-2521
(Address of principal executive offices, including zip code)

(713) 381-3636
(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 August 1, 2005: 69,963,554

EXPLANATORY NOTE

This Amended Quarterly Report ("Report") on Form 10-Q includes restated financial statements as of and for the three months and six months ended June 30, 2005 and 2004. The restated financial statements include the effect of correcting the accounting for our excess investments in Centennial Pipeline LLC and Seaway Crude Pipeline Company from an intangible asset with an indefinite life and equity method goodwill, respectively, to intangible assets with determinable lives. The restatement caused a $1.3 million, or $0.02 per unit, and $1.1 million, or $0.02 per unit, reduction to net income and earnings per unit as previously reported for the three months ended June 30, 2005 and 2004, respectively. The restatement caused a $2.5 million, or $0.03 per unit, and $1.8 million, or $0.02 per unit, reduction to net income and earnings per unit as previously reported for the six months ended June 30, 2005 and 2004, respectively.

For further discussion of the effect of the restatement, see Note 14. Restatement of Consolidated Financial Statements in this Report and Note 20. Restatement of Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 ("2005 Annual Report").

In our 2005 Annual Report, we indicated in the introductory explanatory note that the restatement presented in this filing would be reported in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006. We also noted that we did not plan to file any other amendments to our previously filed Quarterly Reports on Form 10-Q since we had included restated financial data for the quarterly periods ended March 31, 2005 and 2004, June 30, 2005 and 2004, and September 30, 2005 and 2004 in our 2005 Annual Report. However, we are amending our Quarterly Report on Form 10-Q for the period ended June 30, 2005, in order to provide investors with a more convenient comparative presentation of the effects of the restatement for the quarterly periods ended June 30, 2005 and 2004.

As a result of the restatement described above, this Report amends the following sections of our Form 10-Q for the period ended June 30, 2005, which was filed with the Securities and Exchange Commission on August 2, 2005 (the "Initial Report"):

Part I—Item 1. Financial Statements

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

Except as specified with respect to certain aspects of the restatement, we have not updated the disclosures contained in this Report to reflect any events that occurred at a date subsequent to the filing of the Initial Report, and this Report continues to speak as of the date of the Initial Report. This Report does not affect the information originally set forth in the Initial Report that has not been amended as described above. However, we have included the remaining portions of the Initial Report that have not been amended herein for ease of reference.

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)

	June 30,	December 31,

	2005 (as restated) (Unaudited)	2004

ASSETS

	2005	2004
Current assets:		
Cash and cash equivalents	$ 1,494	$ 16,422
Accounts receivable, trade (net of allowance for doubtful accounts of $182 and $112)	686,677	553,628
Accounts receivable, related parties	3,402	11,845
Inventories	98,487	19,521
Other	57,504	42,138
Total current assets	847,564	643,554
Property, plant and equipment, at cost (net of accumulated depreciation and amortization of $442,282 and $407,670)	1,789,866	1,703,702
Equity investments	360,239	363,307
Intangible assets	393,271	407,358
Goodwill	16,944	16,944
Other assets	58,746	51,419
Total assets	$ 3,466,630	$ 3,186,284

LIABILITIES AND PARTNERS' CAPITAL

	2005	2004
Current liabilities:		
Accounts payable and accrued liabilities	$ 685,563	$ 564,464
Accounts payable, related parties	5,420	24,654
Accrued interest	32,506	32,292
Other accrued taxes	13,407	13,309
Other	48,641	46,593
Total current liabilities	785,537	681,312
Senior Notes	1,129,394	1,127,226
Other long-term debt	278,000	353,000
Other liabilities and deferred credits	12,729	13,643
Commitments and contingencies		
Partners' capital:		
General partner's interest	(43,868)	(35,881)
Limited partners' interests	1,304,838	1,046,984
Total partners' capital	1,260,970	1,011,103
Total liabilities and partners' capital	$ 3,466,630	$ 3,186,284

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 June 30,		Six Months Ended June 30,	
	2005 (as restated)	2004 (as restated)	2005 (as restated)	2004 (as restated)
Operating revenues:				
Sales of petroleum products	$ 1,963,617	$ 1,232,807	$ 3,350,826	$ 2,414,920
Transportation — Refined products	37,834	38,937	72,799	69,908
Transportation — LPGs	14,470	13,721	46,701	42,501
Transportation — Crude oil	9,042	9,213	18,214	18,876
Transportation — NGLs	11,387	10,578	21,606	20,592
Gathering — Natural gas	36,956	34,427	73,516	68,929
Other	17,074	14,881	33,323	36,899
Total operating revenues	2,090,380	1,354,564	3,616,985	2,672,625
Costs and expenses:				
Purchases of petroleum products	1,943,696	1,217,312	3,316,156	2,384,653
Operating, general and administrative	49,979	52,640	99,997	104,443
Operating fuel and power	11,546	11,035	22,616	22,995
Depreciation and amortization	26,292	26,411	52,055	54,231
Taxes — other than income taxes	4,272	4,831	9,708	10,125
Gains on sales of assets	(68)	(66)	(566)	(124)

Total costs and expenses	2,035,717	1,312,163	3,499,966	2,576,323
Operating income	54,663	42,401	117,019	96,302
Interest expense — net	(21,627)	(16,464)	(40,914)	(36,059)
Equity earnings	7,751	10,453	11,845	15,391
Other income — net	135	240	401	716
Net income	$ 40,922	$ 36,630	$ 88,351	$ 76,350
Net Income Allocation:				
Limited Partner Unitholders	$ 28,748	$ 26,063	$ 62,495	$ 54,325
General Partner	12,174	10,567	25,856	22,025
Total net income allocated	$ 40,922	$ 36,630	$ 88,351	$ 76,350
Basic and diluted net income per Limited Partner Unit	$ 0.43	$ 0.41	$ 0.96	$ 0.86
Weighted average Limited Partner Units outstanding	66,559	62,999	64,789	62,999

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

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

	Six Months Ended June 30,	
	2005 (as restated)	2004 (as restated)
Cash flows from operating activities:		
Net income	$ 88,351	$ 76,350
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	52,055	54,231
Earnings in equity investments, net of distributions	7,202	5,459
Gains on sales of assets	(566)	(124)
Non-cash portion of interest expense	810	(219)
Increase in accounts receivable, trade	(133,049)	(93,044)
Decrease (increase) in accounts receivable, related parties	8,443	(7,225)
Increase in inventories	(70,587)	(213)
(Increase) decrease in other current assets	(15,265)	3,244
Increase in accounts payable and accrued expenses	116,025	98,800
Decrease in accounts payable, related parties	(19,234)	(9,161)
Other	(9,585)	3,950
Net cash provided by operating activities	24,600	132,048
Cash flows from investing activities:		
Proceeds from the sales of assets	510	141
Purchase of assets	(42,482)	(2,962)
Investment in Centennial Pipeline LLC	—	(1,500)
Investment in Mont Belvieu Storage Partners, L.P.	(1,109)	(17,211)
Capital expenditures	(82,963)	(60,390)
Net cash used in investing activities	(126,044)	(81,922)
Cash flows from financing activities:		
Proceeds from revolving credit facility	299,307	149,800
Repayments on revolving credit facility	(374,307)	(99,800)
Issuance of Limited Partner Units, net	278,832	—
Distributions paid	(117,316)	(115,741)
Net cash provided by (used in) financing activities	86,516	(65,741)
Net decrease in cash and cash equivalents	(14,928)	(15,615)
Cash and cash equivalents at beginning of period	16,422	29,469

Cash and cash equivalents at end of period	$ 1,494	$ 13,854
Supplemental disclosure of cash flows:		
Cash paid for interest (net of amounts capitalized)	$ 41,067	$ 41,208

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	Total
Partners' capital at December 31, 2004	62,998,554	$ (35,881)	$ 1,046,984	$ 1,011,103
Issuance of Limited Partner Units, net	6,965,000	—	278,832	278,832
Net income allocation	—	25,856	62,495	88,351
Cash distributions	—	(33,843)	(83,473)	(117,316)
Partners' capital at June 30, 2005 (as restated)	69,963,554	$ (43,868)	$ 1,304,838	$ 1,260,970

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." TEPPCO GP, Inc. ("TEPPCO GP"), our wholly owned subsidiary, is the general partner of our Operating Partnerships. We hold a 99.999% limited partner interest in the Operating Partnerships, and TEPPCO GP holds a 0.001% general partner interest. 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. Through February 23, 2005, the General Partner was an indirect wholly owned subsidiary of Duke Energy Field Services, LLC ("DEFS"), a joint venture between Duke Energy Corporation ("Duke Energy") and ConocoPhillips. Through February 23, 2005, Duke Energy held an interest of approximately 70% in DEFS, and ConocoPhillips held the remaining interest of approximately 30%. On February 24, 2005, the General Partner was acquired by DFI GP Holdings L.P. (formerly Enterprise GP Holdings L.P.) ("DFI"), an affiliate of EPCO, Inc. ("EPCO"), a privately held company controlled by Dan L. Duncan, for approximately $1.1 billion. As a result of the transaction, DFI owns and controls the 2% general partner interest in us and has the right to receive the incentive distribution rights associated with the general partner interest.

EPCO performs all management and operating functions required for us, except for some administrative services for certain of the TEPPCO Midstream assets that are currently performed by DEFS on our behalf. We reimburse EPCO for all reasonable direct and indirect expenses that have been incurred in managing us. Under a transition services agreement entered into as part of the sale of the General Partner, DEFS will continue to provide some administrative services for certain of the TEPPCO Midstream assets for us for a period of time until we assume these services on our own. In connection with us assuming the operations of these TEPPCO Midstream assets from DEFS, certain DEFS employees became employees of EPCO effective June 1, 2005. As part of the transition services agreement, Duke Energy will continue to provide some administrative support services to us until we or EPCO assume those activities.

In connection with our formation in 1990, the Company received 2,500,000 Deferred Participation Interests ("DPIs"). Effective April 1, 1994, the DPIs began participating in distributions of cash and allocations of profit and loss in a manner identical to Limited Partner Units and are treated as Limited Partner Units for purposes of this Report. These Limited Partner Units were assigned to Duke Energy when ownership of the Company was transferred from Duke Energy to DEFS in 2000. On February 24, 2005, DFI entered into an LP Unit Purchase and Sale Agreement with Duke Energy and purchased these 2,500,000 DPIs for approximately $100.0 million.

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

The accompanying unaudited consolidated financial statements reflect all adjustments that are, in the opinion of our management, of a normal and recurring nature and necessary for a fair statement of our financial position as of June 30, 2005, and the results of our operations and cash flows for the periods presented. The results of operations for the three months and six months ended June 30, 2005, are not necessarily indicative of results of our operations for the full year 2005. You should read these 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, 2004. We have reclassified certain amounts from prior periods to conform to 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."

We restated our consolidated financial statements and related financial information for the three months and six months ended June 30, 2005 and 2004, for an accounting correction. See Note 14. Restatement of Consolidated Financial Statements for a discussion of the restatement adjustment and the impact on previously issued financial statements.

Net Income Per Unit

Basic net income per Limited Partner Unit ("Unit" or "Units") is computed by dividing our net income, after deduction of the General Partner's interest, by the weighted average number of Units outstanding (a total of 66.6 million and 64.8 million Units for the three months and six months ended June 30, 2005, respectively, and 63.0 million Units for the three months and six months ended June 30, 2004). 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 8. Partners' Capital and Distributions). The General Partner was allocated $12.2 million (representing 29.75%) and $10.6 million (representing 28.85%) of our net income for the three months ended June 30, 2005 and 2004, respectively, and $25.9 million (representing 29.27%) and $22.0 million (representing 28.85%) of our net income for the six months ended June 30, 2005 and 2004, respectively. The General Partner's percentage interest in our net income increases as cash distributions paid per Unit increase, in accordance with our limited partnership agreement.

Diluted net income per Unit equaled basic net income per Unit for each of the three-month and six-month periods ended June 30, 2005 and 2004, as there were no dilutive instruments outstanding.

New Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123(R), *Share-Based Payment*. SFAS 123(R) requires compensation costs related to share-based payment transactions to be recognized in the financial statements. With limited exceptions, the amount of the compensation cost is to be measured based on the grant-date fair value of the equity or liability instruments issued. In addition, liability awards are to be re-measured each reporting period. Compensation cost will be recognized over the period that an employee provides service in exchange for the award. SFAS 123(R) is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure* and supersedes Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*. SFAS 123(R) is effective for public companies as of the first interim or annual reporting period of the first fiscal year beginning on or after June 15, 2005. As such, we will adopt SFAS 123(R) in the first quarter of 2006. Companies are permitted to adopt SFAS 123(R) prior to the extended date. All public companies that adopted the fair-value-based method of accounting must use the modified prospective transition method and may elect to use the modified retrospective transition method. We do not believe that the adoption of SFAS 123(R) will have a material effect on our financial position, results of operations or cash flows.

In November 2004, the Emerging Issues Task Force ("EITF") reached consensus in EITF 03-13, *Applying the Conditions in Paragraph 42 of FASB Statement No. 144, Accounting for Impairment or Disposal of Long-Lived Assets, in Determining Whether to Report Discontinued Operations*, to clarify whether a component of an enterprise that is either disposed of or classified as held for sale qualifies for income statement presentation as discontinued operations. The FASB ratified the consensus on November 30, 2004. The consensus is to be applied prospectively with regard to a component of an enterprise that is either disposed of or classified as held for sale in reporting periods beginning after December 15, 2004. The consensus may be applied retrospectively for previously reported operating results related to disposal transactions initiated within an enterprise's reporting period that included the date that this consensus was ratified. The adoption of EITF 03-13 did not have an effect on our financial position, results of operations or cash flows.

In March 2005, the FASB issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143* ("FIN 47"). FIN 47 clarifies that the term, conditional asset retirement obligation as used in SFAS No. 143, *Accounting for Asset Retirement Obligations*, refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional upon a future event that may or may not be within the control of the entity. Even though uncertainty about the timing and/or method of settlement exists and may be conditional upon a future event, the obligation to perform the asset retirement activity is unconditional. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred generally upon acquisition, construction, or development or through the normal operation of the asset. SFAS 143 acknowledges that in some cases, sufficient information may not be

available to reasonably estimate the fair value of an asset retirement obligation. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of reporting periods ending after December 15, 2005. As such, we will adopt FIN 47 in the fourth quarter of 2005. Retrospective application for interim financial information is permitted but is not required. Early adoption of FIN 47 is encouraged. We do not believe that the adoption of FIN 47 will have a material effect on our financial position, results of operations or cash flows.

In June 2005, the EITF reached consensus in EITF 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*, to provide guidance on how general partners in a limited partnership should determine whether they control a limited partnership and therefore should consolidate it. The EITF agreed that the presumption of general partner control would be overcome only when the limited partners have either of two types of rights. The first type, referred to as kick-out rights, is the right to dissolve or liquidate the partnership or otherwise remove the general partner without cause. The second type, referred to as participating rights, is the right to effectively participate in significant decisions made in the ordinary course of the partnership’s business. The kick-out rights and the participating rights must be substantive in order to overcome the presumption of general partner control. The consensus is effective for general partners of all new limited partnerships formed and for existing limited partnerships for which the partnership agreements are modified subsequent to the date of FASB ratification (June 29, 2005). The guidance in this EITF is effective for existing partnerships no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005. We are currently evaluating what impact this EITF will have on our financial statements, but at this time, we do not believe that the adoption of this EITF will have a material effect on our financial position, results of operations or cash flows.

NOTE 2. 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, but instead requires testing for impairment at least annually. We test goodwill for impairment annually at December 31.

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, 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. There have been no goodwill impairment losses recorded since the adoption of SFAS 142.

The following table presents the carrying amount of goodwill at both June 30, 2005 and December 31, 2004, by business segment (in thousands):

	Downstream Segment	Midstream Segment	Upstream Segment	Segments Total
Goodwill	$ —	$ 2,777	$ 14,167	$ 16,944

Other Intangible Assets

The following table reflects the components of intangible assets, including excess investments, being amortized at June 30, 2005, and December 31, 2004 (in thousands):

	June 30, 2005		December 31, 2004	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible assets:				
Gathering and transportation agreements	$ 464,337	$ (103,856)	$ 464,337	$ (91,262)
Fractionation agreement	38,000	(13,775)	38,000	(12,825)
Other	11,520	(2,955)	12,262	(3,154)
Subtotal	513,857	(120,586)	514,599	(107,241)
Excess investments:				
Centennial Pipeline LLC	33,400	(10,992)	33,400	(8,875)
Seaway Crude Pipeline Company	27,100	(3,418)	27,100	(3,072)
Subtotal	60,500	(14,410)	60,500	(11,947)
Total intangible assets	$ 574,357	$ (134,996)	$ 575,099	$ (119,188)

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.

Amortization expense on intangible assets was $7.0 million and $8.3 million for the three months ended June 30, 2005 and 2004, respectively, and $14.1 million and $16.5 million for the six months ended June 30, 2005 and 2004, respectively. Amortization expense on excess investments included in equity earnings was $1.3 million and $1.1 million for the three months ended June 30, 2005 and 2004, respectively, and $2.5 million and $1.8 million for the six months ended June 30, 2005 and 2004, 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. We update throughput estimates and evaluate the remaining expected useful lives of the contract assets on a quarterly basis based on the best available information. During the fourth quarter of 2004 and the first and second quarters of 2005, certain limited production forecasts were obtained from some of the producers on the Jonah Gas Gathering Company ("Jonah") system related to future expansions of the system, and as a result, we increased our best estimate of future throughput on the Jonah system. Revisions to these estimates may occur as additional production information is made available to us.

The amortization of the contracts related to the Val Verde Gas Gathering Company ("Val Verde") assets is also amortized on a unit-of-production basis. During the fourth quarter of 2004, certain limited production forecasts were obtained from some of the producers on the Val Verde system, and as a result, we increased our best estimate of future throughput on the Val Verde system. Revisions to these estimates may occur as additional production information is made available to us.

The values assigned to our fractionation agreement and other intangible assets are generally amortized on a straight-line basis. Our fractionation agreement with DEFS is being amortized over its contract period of 20 years. The amortization periods for our other intangible assets, which include non-compete and other agreements, range from 3 years to 15 years. The values assigned to our crude supply and transportation intangible customer contracts are being amortized on a unit-of-production basis.

The value assigned to our excess investment in Centennial Pipeline LLC was created upon its formation. Approximately $30.0 million is related to a contract and is being amortized on a unit-of-production basis based upon the volumes transported under the contract compared to the guaranteed total throughput of the contract over a 10-year life. The remaining $3.4 million is related to a pipeline and is being amortized on a straight-line basis over the life of the pipeline, which is 35 years. The value assigned to our excess investment in Seaway Crude Pipeline Company was created upon acquisition of our 50% ownership interest in 2000. We are amortizing the $27.1 million excess investment on a straight-line basis over a 39-year life related primarily to the life of the pipeline.

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

	Intangible Assets	Excess Investments
2005	$ 28,417	$ 4,763
2006	31,327	4,691
2007	33,066	5,113
2008	33,148	5,438
2009	31,115	6,878

NOTE 3. INTEREST RATE SWAPS

In July 2000, we 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 matured in April 2004. We designated this swap agreement, which hedged exposure to variability in expected future cash flows attributed to changes in interest rates, as a cash flow hedge. The swap agreement was based on a notional amount of $250.0 million. Under the swap agreement, we paid a fixed rate of interest of 6.955% and received a floating rate based on a three-month U.S. Dollar LIBOR rate. Because this swap was designated as a cash flow hedge, the changes in fair value, to the extent the swap was effective, were recognized in other comprehensive income until the hedged interest costs were recognized in earnings. From January 2004 through April 2004, we recognized an increase in interest expense of $2.9 million related to the difference between the fixed rate and the floating rate of interest on the interest rate swap.

In October 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 six months ended June 30, 2005 and 2004, we recognized reductions in interest expense of $3.3 million and $5.1 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 June 30, 2005, 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 $7.4 million and $3.4 million at June 30, 2005, and December 31, 2004, respectively.

During 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%. These swap agreements were later terminated in 2002 resulting in gains of $44.9 million. The gains realized from the 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 June 30, 2005, the unamortized balance of the deferred gains was $34.6 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.

During May 2005, we executed a treasury rate lock agreement with a notional amount of $200.0 million to hedge our exposure to increases in the treasury rate that was to be used to establish the fixed interest rate for a debt offering that was proposed to occur in the second quarter of 2005. During June 2005, the proposed debt offering was cancelled, and the treasury lock was terminated with a realized loss of $2.0 million. The realized loss was recorded as a component of interest expense in the consolidated statements of income in June 2005.

NOTE 4. ACQUISITIONS

Mexia Pipeline

On March 31, 2005, we purchased crude oil pipeline assets for $7.1 million from BP Pipelines (North America) Inc. ("BP"). The assets include approximately 158 miles of pipeline which extend from Mexia, Texas, to

the Houston, Texas, area and two stations in south Houston with connections to a BP pipeline that originates in south Houston. We funded the purchase through borrowings under our revolving credit facility. We allocated the purchase price to property, plant and equipment, and we accounted for the acquisition of these assets under the purchase method of accounting. We will integrate these assets into our South Texas pipeline system, included in our Upstream Segment, which will allow us to realize synergies within our existing asset base and will provide future growth opportunities.

Storage and Terminaling Assets

On April 1, 2005, we purchased crude oil storage and terminaling assets in Cushing, Oklahoma, from Koch Supply & Trading, L.P. for $35.4 million. The assets consist of eight storage tanks with 945,000 barrels of storage capacity, receipt and delivery manifolds, interconnections to several pipelines, crude oil inventory and approximately 70 acres of land. We funded the purchase through borrowings under our revolving credit facility. We allocated the purchase price to property, plant and equipment and inventory, and we accounted for the acquisition of these assets under the purchase method of accounting. The storage and terminaling assets will complement our existing infrastructure in Cushing and strengthen our gathering and marketing business in our Upstream Segment.

NOTE 5. INVENTORIES

Inventories are valued at the lower of cost (based on weighted average cost method) or market. The costs of inventories did not exceed market values at June 30, 2005, and December 31, 2004. The major components of inventories were as follows (in thousands):

	June 30, 2005	December 31, 2004
Crude oil (1)	$ 80,971	$ 3,690
Refined products	1,440	5,665
LPGs	5,048	—
Lubrication oils and specialty chemicals	4,603	4,002
Materials and supplies	6,237	6,135
Other	188	29
Total	$ 98,487	$ 19,521

(1) At June 30, 2005, substantially all of our crude oil inventory was subject to forward sales contracts.

NOTE 6. 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, Texas, areas. The Seaway Crude Pipeline Company Partnership Agreement provides for varying participation ratios throughout the life of the Seaway partnership. From June 2002 through May 2006, we receive 60% of revenue and expense of Seaway. Thereafter, we will receive 40% of revenue and expense of Seaway. During the six months ended June 30, 2005 and 2004, we received distributions from Seaway of $11.7 million and $15.9 million, respectively.

TE Products owns a 50% ownership interest in Centennial Pipeline Company LLC ("Centennial"), and Marathon Ashland Petroleum LLC ("Marathon") owns the remaining 50% interest. Centennial owns an interstate refined petroleum products pipeline extending from the upper Texas Gulf Coast to central Illinois. During the six months ended June 30, 2005, TE Products has not invested any additional funds in Centennial. During the six months ended June 30, 2004, TE Products invested an additional $1.5 million in Centennial, which is included in the equity investment balance at June 30, 2005. TE Products has not received any distributions from Centennial since its formation.

On January 1, 2003, TE Products and Louis Dreyfus Energy Services L.P. ("Louis Dreyfus") formed Mont Belvieu Storage Partners, L.P. ("MB Storage"). TE Products and Louis Dreyfus each own a 50% ownership interest in MB Storage. MB Storage owns storage capacity at the Mont Belvieu fractionation and storage complex and a short haul transportation shuttle system that ties Mont Belvieu, Texas, to the upper Texas Gulf Coast energy marketplace. MB Storage is a service-oriented, fee-based venture serving the fractionation, refining and petrochemical industries with transportation, terminaling and storage. MB Storage has no commodity trading activity. TE Products operates the facilities for MB Storage.

For the year ended December 31, 2005, TE Products will receive the first $1.7 million per quarter (or $6.78 million on an annual basis) of MB Storage's income before depreciation expense, as defined in the operating agreement. For the year ended December 31, 2004, TE Products received the first $1.8 million per quarter (or $7.15 million on an annual basis) of MB Storage's income before depreciation expense. TE Products' share of MB Storage's earnings is adjusted annually by the partners of MB Storage. Any amount of MB Storage's annual income before depreciation expense in excess of $6.78 million for 2005 and $7.15 million for 2004 is allocated evenly between TE Products and Louis Dreyfus. Depreciation expense on assets each party originally contributed to MB Storage is allocated between TE Products and Louis Dreyfus based on the net book value of the assets contributed. Depreciation expense on assets constructed or acquired by MB Storage subsequent to formation is allocated evenly between TE Products and Louis Dreyfus. For the six months ended June 30, 2005 and 2004, TE Products' sharing ratio in the earnings of MB Storage was approximately 62.6% and 70.2%, respectively. During the six months ended June 30, 2005, TE Products received distributions of $7.3 million from MB Storage and contributed $1.1 million to MB Storage. During the six months ended June 30, 2004, TE Products received distributions of $5.0 million from MB Storage and contributed $17.2 million to MB Storage, of which $16.5 million was used to acquire storage assets in April 2004.

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 six months ended June 30, 2005 and 2004, is presented below (in thousands):

	Six Months Ended June 30,	
	2005	2004
Revenues	$ 81,046	$ 79,890
Net income	28,191	33,524

Summarized combined balance sheet information for Seaway, Centennial and MB Storage as of June 30, 2005, and December 31, 2004, is presented below (in thousands):

	June 30, 2005	December 31, 2004
Current assets	$ 68,180	$ 59,314
Noncurrent assets	625,532	633,222
Current liabilities	40,483	41,209
Long-term debt	140,000	140,000
Noncurrent liabilities	22,330	20,440
Partners' capital	490,899	490,887

NOTE 7. 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 pari passu 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 June 30, 2005, 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. 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 June 30, 2005, 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. 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 June 30, 2005, we were in compliance with the covenants of these Senior Notes.

The following table summarizes the estimated fair values of the Senior Notes as of June 30, 2005, and December 31, 2004 (in millions):

	Face Value	June 30, 2005	December 31, 2004
6.45% TE Products Senior Notes, due January 2008	$ 180.0	$ 188.5	$ 187.1
7.625% Senior Notes, due February 2012	500.0	570.4	569.6
6.125% Senior Notes, due February 2013	200.0	212.0	210.2
7.51% TE Products Senior Notes, due January 2028	210.0	224.1	225.6

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 3. Interest Rate Swaps).

Other Long Term Debt and Credit Facilities

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. On October 21, 2004, we amended our Revolving Credit Facility to (i) increase the facility size to $600.0 million, (ii) extend the term to October 21, 2009, (iii) remove certain restrictive covenants, (iv) increase the available amount for the issuance of letters of credit up to $100.0 million and (v) decrease the LIBOR rate spread charged at the time of each borrowing. On February 23, 2005, we again amended our Revolving Credit Facility to remove the requirement that DEFS must at all times own, directly or indirectly, 100% of our General Partner, to allow for its acquisition by DFI (see Note 1. Organization and Basis of Presentation). During the second quarter of 2005, we used a portion of the proceeds from equity offerings in May 2005 and June 2005 to repay a portion of the Revolving Credit Facility (see Note 8. Partners' Capital and Distributions). At June 30, 2005, $278.0 million was outstanding under the Revolving Credit Facility at a weighted average interest rate of 4.3%. At June 30, 2005, we were in compliance with the covenants of this credit agreement.

The following table summarizes the principal amounts outstanding under all of our credit facilities as of June 30, 2005, and December 31, 2004 (in thousands):

	June 30, 2005	December 31, 2004
Credit Facilities:		
Revolving Credit Facility, due October 2009	$ 278,000	$ 353,000
6.45% TE Products Senior Notes, due January 2008	179,922	179,906
7.625% Senior Notes, due February 2012	498,548	498,438
6.125% Senior Notes, due February 2013	198,916	198,845
7.51% TE Products Senior Notes, due January 2028	210,000	210,000
Total borrowings	1,365,386	1,440,189
Adjustment to carrying value associated with hedges of fair valueswaps	42,008	40,037
Total Credit Facilities	$ 1,407,394	$ 1,480,226

NOTE 8. PARTNERS' CAPITAL AND DISTRIBUTIONS

Equity Offering

On May 5, 2005, we sold in an underwritten public offering 6.1 million Units at $41.75 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $244.5 million. On June 8, 2005, 865,000 Units were sold upon exercise of the underwriters' over-allotment option granted in connection with the offering on May 5, 2005. Proceeds from the over-allotment sale, net of underwriting discount, totaled $34.7 million. The proceeds were used to reduce indebtedness under our Revolving Credit Facility, to fund revenue generating and system upgrade capital expenditures and for general partnership purposes.

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 six months ended June 30, 2005 and 2004 (in thousands, except per Unit amounts):

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Limited Partner Units	$ 83,473	$ 82,686
General Partner Ownership Interest	1,703	1,687
General Partner Incentive	32,140	31,368
Total Cash Distributions Paid	$ 117,316	$ 115,741
Total Cash Distributions Paid Per Unit	$ 1.325	$ 1.3125

On August 5, 2005, we will pay a cash distribution of $0.675 per Unit for the quarter ended June 30, 2005. The second quarter 2005 cash distribution will total $66.9 million.

General Partner's Interest

As of June 30, 2005, and December 31, 2004, we had deficit balances of $43.9 million and $35.9 million, respectively, in our General Partner's equity account. These negative balances do not represent assets to us and do not represent obligations of the General Partner to contribute cash or other property to us. The General Partner's equity account generally consists of its cumulative share of our net income less cash distributions made to it plus capital contributions that it has made to us (see our Consolidated Statement of Partners' Capital for a detail of the

General Partner's equity account). For the six months ended June 30, 2005, the General Partner was allocated $25.9 million (representing 29.27%) of our net income and received $33.8 million in cash distributions.

Capital Accounts, as defined under our Partnership Agreement, are maintained for our General Partner and our limited partners. The Capital Account provisions of our Partnership Agreement incorporate principles established for U.S. federal income tax purposes and are not comparable to the equity accounts reflected under accounting principles generally accepted in the United States in our financial statements. Under our Partnership Agreement, the General Partner is required to make additional capital contributions to us upon the issuance of any additional Units if necessary to maintain a Capital Account balance equal to 1.999999% of the total Capital Accounts of all partners. At June 30, 2005, and December 31, 2004, the General Partner's Capital Account balance substantially exceeded this requirement.

Net income is allocated between the General Partner and the limited partners in the same proportion as aggregate cash distributions made to the General Partner and the limited partners during the period. This is generally consistent with the manner of allocating net income under our Partnership Agreement. Net income determined under our Partnership Agreement, however, incorporates principles established for U.S. federal income tax purposes and is not comparable to net income reflected under accounting principles generally accepted in the United States in our financial statements.

Cash distributions that we make during a period may exceed our net income for the period. 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. Cash distributions in excess of net income allocations and capital contributions during the year ended December 31, 2004, and the six months ended June 30, 2005, resulted in deficits in the General Partner's equity account at December 31, 2004, and June 30, 2005. Future cash distributions that exceed net income will result in an increase in the deficit balance in the General Partner's equity account.

According to the Partnership Agreement, in the event of our dissolution, after satisfying our liabilities, our remaining assets would be divided among our limited partners and the General Partner generally in the same proportion as Available Cash but calculated on a cumulative basis over the life of the Partnership. If a deficit balance still remains in the General Partner's equity account after all allocations are made between the partners, the General Partner would not be required to make whole any such deficit.

NOTE 9. EMPLOYEE BENEFIT PLANS

Retirement Plans

The TEPPCO Retirement Cash Balance Plan ("TEPPCO RCBP") is a non-contributory, trustee-administered pension plan. In addition, the TEPPCO Supplemental Benefit Plan ("TEPPCO SBP") is a non-contributory, nonqualified, defined benefit retirement plan, in which certain executive officers participate. The TEPPCO SBP was established to restore benefit reductions caused by the maximum benefit limitations that apply to qualified plans. The benefit formula for all eligible employees is a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit based upon pay credits and current interest credits. The pay credits are based on a participant's salary, age and service. We use a December 31 measurement date for these plans.

On May 27, 2005, the TEPPCO RCBP and the TEPPCO SBP were amended. Effective May 31, 2005, participation in the TEPPCO RCBP was frozen and no new participants were eligible to be covered by the plan after

that date. Effective December 31, 2005, all plan benefits accrued will be frozen and participants will not receive additional pay credits after that date. In addition, all plan participants will be 100% vested regardless of their years of service. Effective January 1, 2006, the TEPPCO RCBP plan will be terminated and plan participants will receive lump sum benefit payments in 2006. Participants in the TEPPCO SBP will receive pay credits through November 30, 2005, and will receive lump sum benefit payments in December 2005. Both lump sum benefit payments are discussed below.

In June 2005, we recorded a curtailment charge of $0.1 million in accordance with SFAS No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, as a result of the TEPPCO RCBP and TEPPCO SBP amendments. As of May 31, 2005, the following assumptions were changed for purposes of determining the net periodic benefit costs for the remainder of 2005: the discount rate, the long-term rate of return on plan assets, and the assumed mortality table. The discount rate was decreased from 5.75% to 5.00% to reflect rates of returns on bonds currently available to settle the liability. The expected long-term rate of return on plan assets was changed from 8% to 2% due to the movement of plan funds from equity investments into short-term money market funds. The mortality table was changed to reflect overall improvements in mortality experienced by the general population. The curtailment charge arose due to the accelerated recognition of the unrecognized prior service costs. We expect to record additional settlement charges of approximately $0.2 million in the fourth quarter of 2005 relating to the TEPPCO SBP and approximately $3.2 million in 2006 relating to the TEPPCO RCBP for any existing unrecognized losses upon the plan termination and final distribution of the assets to the plan participants.

The components of net pension benefits costs for the TEPPCO RCBP and the TEPPCO SBP for the three months and six months ended June 30, 2005 and 2004, were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Service cost benefit earned during the period	$ 1,069	$ 913	$ 2,099	$ 1,826
Interest cost on projected benefit obligation	234	180	468	360
Expected return on plan assets	(223)	(220)	(520)	(440)
Amortization of prior service cost	1	2	3	4
Recognized net actuarial loss	30	14	56	28

SFAS 88 curtailment charge	50	—	50	—
Net pension benefits costs	$ 1,161	$ 889	$ 2,156	$ 1,778

Other Postretirement Benefits

We provide certain health care and life insurance benefits for retired employees on a contributory and non-contributory basis ("TEPPCO OPB"). Employees become eligible for these benefits if they meet certain age and service requirements at retirement, as defined in the plans. We provide a fixed dollar contribution, which does not increase from year to year, towards retired employee medical costs. The retiree pays all health care cost increases due to medical inflation. We use a December 31 measurement date for this plan.

In May 2005, benefits provided to employees under the TEPPCO OPB were changed. Employees eligible for these benefits will receive them through December 31, 2005, however, effective January 1, 2006, these benefits will be terminated. In June 2005, as a result of this change in benefits and in accordance with SFAS 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, we recorded a curtailment credit of approximately $2.6 million in our accumulated postretirement obligation, partially offset by a curtailment charge of approximately $1.0 million related to the accelerated recognition of the unrecognized prior service costs. The net

effect of these curtailment adjustments was to reduce our accumulated postretirement obligation to the total of the expected remaining 2005 payments under the TEPPCO OPB.

The components of net postretirement benefits cost for the TEPPCO OPB for the three and six months ended June 30, 2005 and 2004, were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Service cost benefit earned during the period	$ 32	$ 41	$ 81	$ 82
Interest cost on accumulated postretirement benefit obligation	28	38	69	76
Amortization of prior service cost	21	32	53	64
Recognized net actuarial loss	2	—	4	—
SFAS 106 curtailment credit	(1,676)	—	(1,676)	—
Net postretirement benefits costs	$ (1,593)	$ 111	$ (1,469)	$ 222

Effective June 1, 2005, the payroll functions performed by DEFS for our General Partner were transferred from DEFS to EPCO. For those employees who were receiving certain other postretirement benefits at the time of the acquisition of our General Partner by DFI, DEFS will continue to provide these benefits to those employees. Effective June 1, 2005, EPCO began providing certain other postretirement benefits to those employees who became eligible for the benefits after June 1, 2005, and will charge those benefit related costs to us. As a result of these changes, we recorded a $1.2 million reduction in our other postretirement obligation in June 2005.

Estimated Future Benefit Contributions

We expect to contribute approximately $1.1 million to our retirement plans and other postretirement benefit plans in 2005.

NOTE 10. SEGMENT INFORMATION

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, which transports refinery grade propylene from Mont Belvieu to Point Comfort, Texas. Our Downstream Segment also includes our equity investments in Centennial and MB Storage (see Note 6. 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, New Mexico 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 our equity investment in Seaway (see Note 6. Equity Investments). 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 coal bed methane ("CBM") and conventional natural gas in the San Juan Basin in New Mexico and Colorado, through Val Verde.

The table below includes financial information by reporting segment for the three months and six months ended June 30, 2005 and 2004 (in thousands):

	Three Months Ended June 30, 2005					
	Downstream Segment (as restated)	Upstream Segment (as restated)	Midstream Segment	Segments Total (as restated)	Partnership and Other	Consolidated (as restated)
Sales of petroleum products	$ —	$ 1,961,302	$ 2,315	$ 1,963,617	$ —	$ 1,963,617
Operating revenues	63,438	11,698	52,336	127,472	(709)	126,763
Purchases of petroleum products	—	1,942,599	1,806	1,944,405	(709)	1,943,696
Operating expenses, including power	38,680	15,214	11,903	65,797	—	65,797
Depreciation and amortization expense	9,801	3,651	12,840	26,292	—	26,292
Gains on sales of assets	(15)	(53)	—	(68)	—	(68)
Operating income	14,972	11,589	28,102	54,663	—	54,663
Equity earnings (losses)	(246)	7,997	—	7,751	—	7,751
Other income, net	121	(46)	60	135	—	135
Earnings before interest	$ 14,847	$ 19,540	$ 28,162	$ 62,549	$ —	$ 62,549

	Three Months Ended June 30, 2004					
	Downstream Segment (as restated)	Upstream Segment (as restated)	Midstream Segment	Segments Total (as restated)	Partnership and Other	Consolidated (as restated)
Sales of petroleum products	$ —	$ 1,231,019	$ 1,788	$ 1,232,807	$ —	$ 1,232,807
Operating revenues	62,364	11,841	48,216	122,421	(664)	121,757
Purchases of petroleum products	—	1,216,307	1,669	1,217,976	(664)	1,217,312
Operating expenses, including power	38,551	15,050	14,905	68,506	—	68,506
Depreciation and amortization expense	9,211	3,045	14,155	26,411	—	26,411
Gains on sales of assets	(17)	(49)	—	(66)	—	(66)
Operating income	14,619	8,507	19,275	42,401	—	42,401
Equity earnings (losses)	(1,465)	11,918	—	10,453	—	10,453
Other income, net	173	51	16	240	—	240
Earnings before interest	$ 13,327	$ 20,476	$ 19,291	$ 53,094	$ —	$ 53,094

	Six Months Ended June 30, 2005					
	Downstream Segment (as restated)	Upstream Segment (as restated)	Midstream Segment	Segments Total (as restated)	Partnership and Other	Consolidated (as restated)
Sales of petroleum products	$ —	$ 3,346,369	$ 4,457	$ 3,350,826	$ —	$ 3,350,826
Operating revenues	141,605	23,411	103,192	268,208	(2,049)	266,159
Purchases of petroleum products	—	3,315,029	3,176	3,318,205	(2,049)	3,316,156
Operating expenses, including power	75,866	30,659	25,796	132,321	—	132,321
Depreciation and amortization expense	19,362	7,152	25,541	52,055	—	52,055
Gains on sales of assets	(107)	(52)	(407)	(566)	—	(566)
Operating income	46,484	16,992	53,543	117,019	—	117,019
Equity earnings (losses)	(2,067)	13,912	—	11,845	—	11,845
Other income, net	270	29	102	401	—	401
Earnings before interest	$ 44,687	$ 30,933	$ 53,645	$ 129,265	$ —	$ 129,265

	Six Months Ended June 30, 2004					
	Downstream Segment (as restated)	Upstream Segment (as restated)	Midstream Segment	Segments Total (as restated)	Partnership and Other	Consolidated (as restated)
Sales of petroleum products	$ —	$ 2,411,786	$ 3,134	$ 2,414,920	$ —	$ 2,414,920

Operating revenues	137,173	25,564	97,033	259,770	(2,065)	257,705
Purchases of petroleum products	—	2,383,732	2,986	2,386,718	(2,065)	2,384,653
Operating expenses, including power	78,601	29,076	29,886	137,563	—	137,563
Depreciation and amortization expense	18,288	6,113	29,830	54,231	—	54,231
Gains on sales of assets	(17)	(107)	—	(124)	—	(124)
Operating income	40,301	18,536	37,465	96,302	—	96,302
Equity earnings (losses)	(3,243)	18,634	—	15,391	—	15,391
Other income, net	445	197	74	716	—	716
Earnings before interest	$ 37,503	$ 37,367	$ 37,539	$ 112,409	$ —	$ 112,409

The following table shows total assets and capital expenditures for each segment as of and for the periods ended June 30, 2005, and December 31, 2004 (in thousands):

	Downstream Segment	Upstream Segment	Midstream Segment	Segments Total	Partnership and Other	Consolidated
June 30, 2005 (as restated):						
Total assets	$ 959,950	$ 1,319,202	$ 1,213,233	$ 3,492,385	$ (25,755)	$ 3,466,630
Capital expenditures	27,322	19,746	35,383	82,451	512	82,963
December 31, 2004:						
Total assets	$ 959,042	$ 1,069,007	$ 1,184,184	$ 3,212,233	$ (25,949)	$ 3,186,284
Capital expenditures	80,930	37,448	45,075	163,453	694	164,147

The following table reconciles the segments' total earnings before interest to consolidated net income for the three months and six months ended June 30, 2005 and 2004 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005 (as restated)	2004 (as restated)	2005 (as restated)	2004 (as restated)
Earnings before interest	$ 62,549	$ 53,094	$ 129,265	$ 112,409
Interest expense — net	(21,627)	(16,464)	(40,914)	(36,059)
Net income	$ 40,922	$ 36,630	$ 88,351	$ 76,350

NOTE 11. 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. On January 27, 2005, we entered into Release and Settlement Agreements with the McCleery plaintiffs and the Richards plaintiffs dismissing all of these plaintiffs' claims. The settlement terms included a $2.0 million payment to the plaintiffs, which was accrued at December 31, 2004.

Although we did not settle with all plaintiffs and we therefore remain named parties in the *Ryan E. McCleery and Marcia S. McCleery, et al. v. Texas Eastern Corporation, et al.* action, a co-defendant has agreed to indemnify us for all remaining claims asserted against us. Consequently, we do not believe that the outcome of these remaining claims will have a material adverse effect on our financial position, results of operations or cash flows.

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 their property and, consequently caused damages to them. We have filed an answer to the plaintiffs' petition denying the allegations, and we are defending ourselves vigorously against the lawsuit. The plaintiffs have not stipulated the amount of damages they are seeking in the suit; however, this case is covered by insurance. 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.

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 a 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. The General Partner has been unable to confirm involvement by the General Partner or its predecessors with the alleged location, and it is uncertain at this time 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, allergies, 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. Marathon has been handling this matter for Centennial under its operating agreement with Centennial. TE Products has a 50% ownership interest in Centennial. On November 30, 2004, the court approved a class settlement, which included an $80,000 payment by Centennial. The time period for parties to appeal this settlement expired in March 2005, and the class settlement became final.

The terms of the settlement did not have a material adverse effect on our financial position, results of operations or cash flows.

On February 4, 2005, we received a letter notifying us of a claim for approximately $1.45 million in damages allegedly due to a shipper being delivered off-specification gasoline during November 2004. We are contesting liability for this matter, and to the extent there may be liability, we would seek reimbursement from the third party refiner who supplied the gasoline into our pipeline system. We do not believe that the outcome of this matter will have a future material adverse effect on our financial position, results of operations or cash flows.

On February 7, 2005, we received a letter from BP Amoco's counsel placing us on notice of a lawsuit filed by ConocoPhillips against BP Amoco Seaway Products Pipeline Company. Pursuant to provisions of the Amended and Restated Purchase Agreement dated May 10, 2000, between us and ARCO Pipe Line Company (BP Amoco), BP Amoco requested indemnity should BP Amoco have any liability to ConocoPhillips. The litigation arises out of an income tax liability alleged by ConocoPhillips due to a partnership merger. The plaintiff estimates the income tax liability to be $3,964,788. We have requested information from BP Amoco that will allow us to assess liability, if any, that we may have in this matter. We do not believe that the outcome of this lawsuit will have a future 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 future 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.

On March 26, 2004, an initial decision in *ARCO Products Co., et al. v. SFPP*, Docket OR96-2-000, et al. was issued by the FERC, which made several significant determinations with respect to finding "changed circumstances" under the Energy Policy Act of 1992 ("EP Act"). The decision largely clarifies, but does not fully quantify, the standard required for a complainant to demonstrate that an oil pipeline's rates are no longer subject to the rate protection of the EP Act by demonstrating that a substantial change in circumstances has occurred since 1992 with respect to the basis of the rates being challenged. In the decision, the FERC found that a limited number of rate elements will significantly affect the economic basis for a pipeline company's rates. The elements identified in the decision are volume changes, allowed total return and total cost-of-service (including major cost elements such as rate base, tax rates and tax allowances, among others). The FERC did reject, however, the use of changes in tax rates and income tax allowances as standalone factors. Judicial review of that decision, which has been sought by a number of parties to the case, is currently pending before the U.S. Court of Appeals for the District of Columbia Circuit. We have not yet determined the impact, if any, that the decision, if it is ultimately upheld, would have on our rates if they were reviewed under the criteria of this decision.

On July 20, 2004, the District of Columbia Circuit issued an opinion in *BP West Coast Products LLC v. FERC*. In reviewing a series of orders involving SFPP, L.P., the court held among other things that the FERC had not adequately justified its policy of providing an oil pipeline limited partnership with an income tax allowance equal to the proportion of its income attributable to partnership interests owned by corporate partners. Under the FERC's initial ruling, SFPP, L.P. was permitted an income tax allowance on its cost-of-service filing for the percentage of its net operating (pre-tax) income attributable to partnership units held by corporations, and was denied an income tax allowance equal to the percentage attributable to partnership units held by non-corporate partners. The court remanded the case back to the FERC for further review. As a result of the court's remand, on December 2, 2004, the FERC issued a Request for Comments seeking comments on whether the court's ruling applies only to the specific facts of the SFPP, L.P. proceeding or also extends to other capital structures involving partnerships and other forms of ownership. On May 4, 2005, the FERC issued its Policy Statement on Income Tax Allowances, which permits regulated partnerships, limited liability companies and other pass-through entities an income tax allowance on their income attributable to any owner that has an actual or potential income tax liability on that income, regardless whether the owner is an individual or corporation. If there is more than one level of pass-through entities, the regulated company income must be traced to where the ultimate tax liability lies. The Policy Statement is to be applied in individual cases, and the regulated entity bears the burden of proof to establish the tax status of its owners. On June 1, 2005, the FERC issued an Order on Remand in the SFPP, L.P. proceedings holding the Policy Statement would apply in that case and requesting briefs on whether additional evidence was necessary to apply it. Briefs have been filed but the FERC has not yet acted on them. The ultimate outcome of the FERC's inquiry on income tax allowance should not affect our current rates and rate structure because our rates are not based on cost-of-service methodology. However, the outcome of the income tax allowance would become relevant to us should we (i) elect in the future to use cost-of-service to support our rates, or (ii) be required to use such methodology to defend our indexed rates.

In 1994, the Louisiana Department of Environmental Quality ("LDEQ") issued a compliance order for environmental contamination at our Arcadia, Louisiana facility. In 1999, our Arcadia facility and adjacent terminals were directed by the Remediation Services Division of the LDEQ to pursue remediation of this contamination. At June 30, 2005, we have an accrued liability of $0.2 million for remediation costs at our Arcadia facility. Effective March 2004, we executed an access agreement with an adjacent industrial landowner who is located upgradient of the Arcadia facility. This agreement enables the landowner to proceed with remediation activities at our Arcadia facility for which it has accepted shared responsibility. We do not expect that the completion of the remediation program proposed to the LDEQ 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 storage tank at our Blue Island terminal located in Cook County, Illinois. As a result of the release, we have entered into an Agreed Order with the State of Illinois, which required us to conduct an environmental investigation. At this time, we have complied with the terms of the Agreed Order, and the results of the environmental investigation indicated there were no soil or groundwater impacts from the release. We are in the process of negotiating a final settlement with the State of Illinois, and we do not expect that compliance with the settlement will have a future material adverse effect on our financial position, results of operations or cash flows.

On July 22, 2004, we experienced a release of approximately 12 barrels of jet fuel from a sump at our Lebanon, Ohio, terminal. The released jet fuel was contained within a storm water retention pond located on the terminal property. Six migratory waterfowl were affected by the jet fuel and were subsequently euthanized by or at the request of the United States Fish and Wildlife Service ("USFWS"). On October 1, 2004, the USFWS served us with a Notice of Violation, alleging that we violated 16 USC 703 of the Migratory Bird Treaty Act for the "take[ing] of migratory birds by illegal methods." On February 7, 2005, we entered into a Memorandum of Understanding ("MOU") with the USFWS, and on June 23, 2005, we notified the USFWS that we had completed all requirements

under the MOU, thus terminating the agreement and settling all aspects of this matter. The terms of this settlement did not have a material effect on our financial position, results of operations or cash flows.

On July 27, 2004, we received notice from the United States Department of Justice ("DOJ") of its intent to seek a civil penalty against us related to our November 21, 2001, release of approximately 2,575 barrels of jet fuel from our 14-inch diameter pipeline located in Orange County, Texas. The DOJ, at the request of the Environmental Protection Agency, is seeking a civil penalty against us for alleged violations of the Clean Water Act ("CWA") arising out of this release. The maximum statutory penalty calculated for this alleged violation of the CWA is $2.8 million. We are in discussions with the DOJ regarding this matter and have responded to its request for additional information. We do not expect a civil penalty, if any, to have a material adverse effect on our financial position, results of operations or cash flows.

At June 30, 2005, we have an accrued liability of $4.1 million related to various TCTM and TE Products sites requiring environmental remediation activities. We do not expect that the completion of remediation programs associated with TCTM and TE Products 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 June 30, 2005, $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.

On February 24, 2005, the General Partner was acquired from DEFS by DFI. The General Partner owns a 2% general partner interest in us and is the general partner of the Partnership. On March 11, 2005, the Bureau of Competition of the Federal Trade Commission ("FTC") delivered written notice to DFI's legal advisor that it was conducting a non-public investigation to determine whether DFI's acquisition of the General Partner may substantially lessen competition. The FTC has contacted the General Partner requesting data. The General Partner intends to cooperate fully with any such investigations and inquiries requested by the FTC or any other regulatory authorities.

NOTE 12. 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 six months ended June 30, 2004, the components of comprehensive income were due to the interest rate swap related to our variable rate revolving credit facility, which was designated as a cash flow hedge. The interest rate swap matured in April 2004. While the interest rate swap was in effect, changes in the fair value of the cash flow hedge, to the extent the hedge was effective, were recognized in other comprehensive income until the hedge interest costs were recognized in net income. All other comprehensive income was recognized in net income during the six months ended June 30, 2004.

The table below reconciles reported net income to total comprehensive income for the three months and six months ended June 30, 2005 and 2004 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005 (as restated)	2004 (as restated)	2005 (as restated)	2004 (as restated)
Net income	$ 40,922	$ 36,630	$ 88,351	$ 76,350
Net income on cash flow hedge	—	220	—	2,902
Total comprehensive income	$ 40,922	$ 36,850	$ 88,351	$ 79,252

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

Balance at December 31, 2003	$ (2,902)
Transferred to earnings	2,939
Change in fair value of cash flow hedge	(37)
Balance at December 31, 2004	$ —

NOTE 13. SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Our significant operating subsidiaries, 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., have 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 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.

	June 30, 2005 (as restated)				
	TEPPCO Partners, L .P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Assets					
Current assets	$ 36,236	$ 69,805	$ 794,408	$ (52,885)	$ 847,564
Property, plant and equipment — net	—	1,250,727	539,139	—	1,789,866
Equity investments	1,260,998	465,943	204,823	(1,571,525)	360,239
Intercompany notes receivable	1,007,646	—	—	(1,007,646)	—
Intangible assets	—	360,049	33,222	—	393,271
Other assets	5,487	25,561	44,642	—	75,690
Total assets	$ 2,310,367	$ 2,172,085	$ 1,616,234	$ (2,632,056)	$ 3,466,630
Liabilities and partners' capital					
Current liabilities	$ 37,913	$ 117,631	$ 682,878	$ (52,885)	$ 785,537
Long-term debt	1,010,024	397,370	—	—	1,407,394
Intercompany notes payable	—	496,282	511,365	(1,007,647)	—
Other long term liabilities	1,460	9,759	1,510	—	12,729
Total partners' capital	1,260,970	1,151,043	420,481	(1,571,524)	1,260,970
Total liabilities and partners' capital	$ 2,310,367	$ 2,172,085	$ 1,616,234	$ (2,632,056)	$ 3,466,630

	December 31, 2004				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
			(in thousands)		
Assets					
Current assets	$ 44,125	$ 85,992	$ 576,365	$ (62,928)	$ 643,554
Property, plant and equipment — net	—	1,211,312	492,390	—	1,703,702
Equity investments	1,011,131	420,343	202,326	(1,270,493)	363,307
Intercompany notes receivable	1,084,034	—	—	(1,084,034)	—
Intangible assets	—	372,621	34,737	—	407,358
Other assets	5,980	22,183	40,200	—	68,363
Total assets	$ 2,145,270	$ 2,112,451	$ 1,346,018	$ (2,417,455)	$ 3,186,284
Liabilities and partners' capital					
Current liabilities	$ 45,255	$ 142,513	$ 556,474	$ (62,930)	$ 681,312
Long-term debt	1,086,909	393,317	—	—	1,480,226
Intercompany notes payable	—	676,993	407,040	(1,084,033)	—
Other long term liabilities	2,003	9,980	1,660	—	13,643
Total partners' capital	1,011,103	889,648	380,844	(1,270,492)	1,011,103
Total liabilities and partners' capital	$ 2,145,270	$ 2,112,451	$ 1,346,018	$ (2,417,455)	$ 3,186,284

	Three Months Ended June 30, 2005 (as restated)				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated

			(in thousands)		
Operating revenues	$ —	$ 103,657	$ 1,987,432	$ (709)	$ 2,090,380
Costs and expenses	—	69,269	1,967,225	(709)	2,035,785
Gains on sales of assets	—	(15)	(53)	—	(68)
Operating income	—	34,403	20,260	—	54,663
Interest expense — net	—	(14,257)	(7,370)	—	(21,627)
Equity earnings	40,922	20,614	7,997	(61,782)	7,751
Other income — net	—	162	(27)	—	135
Net income	$ 40,922	$ 40,922	$ 20,860	$ (61,782)	$ 40,922

	Three Months Ended June 30, 2004 (as restated)				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (in thousands)	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
Operating revenues	$ —	$ 98,813	$ 1,256,415	$ (664)	$ 1,354,564
Costs and expenses	—	71,431	1,241,462	(664)	1,312,229
Gains on sales of assets	—	(17)	(49)	—	(66)
Operating income	—	27,399	15,002	—	42,401
Interest expense — net	—	(11,219)	(5,245)	—	(16,464)
Equity earnings	36,630	20,264	11,918	(58,359)	10,453
Other income — net	—	186	54	—	240
Net income	$ 36,630	$ 36,630	$ 21,729	$ (58,359)	$ 36,630

	Six Months Ended June 30, 2005 (as restated)				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (in thousands)	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
Operating revenues	$ —	$ 221,582	$ 3,397,452	$ (2,049)	$ 3,616,985
Costs and expenses	—	137,048	3,365,533	(2,049)	3,500,532
Gains on sales of assets	—	(514)	(52)	—	(566)
Operating income	—	85,048	31,971	—	117,019
Interest expense — net	—	(27,275)	(13,639)	—	(40,914)
Equity earnings	88,351	30,233	13,912	(120,651)	11,845
Other income — net	—	345	56	—	401
Net income	$ 88,351	$ 88,351	$ 32,300	$ (120,651)	$ 88,351

	Six Months Ended June 30, 2004 (as restated)				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (in thousands)	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
Operating revenues	$ —	$ 210,701	$ 2,463,989	$ (2,065)	$ 2,672,625
Costs and expenses	—	144,847	2,433,665	(2,065)	2,576,447
Gain on sale of assets	—	(17)	(107)	—	(124)
Operating income	—	65,871	30,431	—	96,302
Interest expense — net	—	(24,011)	(12,048)	—	(36,059)
Equity earnings	76,350	33,998	18,634	(113,591)	15,391
Other income — net	—	492	224	—	716
Net income	$ 76,350	$ 76,350	$ 37,241	$ (113,591)	$ 76,350

	Six Months Ended June 30, 2005 (as restated)				
	TEPPCO Partners, L.P.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (in thousands)	Consolidating Adjustments	TEPPCO Partners, L.P. Consolidated
Cash flows from operating activities					
Net income	$ 88,351	$ 88,351	$ 32,300	$ (120,651)	$ 88,351
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	39,820	12,235	—	52,055
Earnings (losses) in equity investments, net of distributions	28,965	731	(2,165)	(20,329)	7,202
Gains on sales of assets	—	(514)	(52)	—	(566)
Changes in assets and liabilities and other	74,856	(30,004)	(91,052)	(76,242)	(122,442)
Net cash provided by (used in) operating activities	192,172	98,384	(48,734)	(217,222)	24,600

Cash flows from investing activities	(278,832)	(2,606)	(62,094)	217,488	(126,044)
Cash flows from financing activities	86,516	(108,122)	108,244	(122)	86,516
Net decrease in cash and cash equivalents	(144)	(12,344)	(2,584)	144	(14,928)
Cash and cash equivalents at beginning of period	4,116	13,596	2,826	(4,116)	16,422
Cash and cash equivalents at end of period	$ 3,972	$ 1,252	$ 242	$ (3,972)	$ 1,494

	Six Months Ended June 30, 2004 (as restated)				
	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	$ 76,350	$ 76,350	$ 37,241	$ (113,591)	$ 76,350
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	43,066	11,165	—	54,231
Earnings (losses) in equity investments, net of distributions	(19,267)	(5,701)	(2,734)	33,161	5,459
Gains on sales of assets	—	(17)	(107)	—	(124)
Changes in assets and liabilities and other	(67,886)	(1,978)	2,389	63,607	(3,868)
Net cash provided by (used in) operating activities	(10,803)	111,720	47,954	(16,823)	132,048
Cash flows from investing activities	98	(3,690)	(21,069)	(57,261)	(81,922)
Cash flows from financing activities	(7,083)	(116,019)	(31,612)	88,973	(65,741)
Net decrease in cash and cash equivalents	(17,788)	(7,989)	(4,727)	14,889	(15,615)
Cash and cash equivalents at beginning of period	19,744	19,243	5,670	(15,188)	29,469
Cash and cash equivalents at end of period	$ 1,956	$ 11,254	$ 943	$ (299)	$ 13,854

NOTE 14. RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

We are restating our previously reported consolidated financial statements for the quarterly periods ended June 30, 2004 and 2005. In the fourth quarter of 2005, we determined that our method of accounting for the $33.4 million excess investment in Centennial, previously described as an intangible asset with an indefinite life, and the $27.1 million excess investment in Seaway, previously described as equity method goodwill, was incorrect. Through our accounting for these excess investments in Centennial and Seaway as intangible assets with indefinite lives and equity method goodwill, respectively, we have been testing the amounts for impairment on an annual basis as opposed to amortizing them over a determinable life. We determined that it would be more appropriate to account for these excess investments as intangible assets with determinable lives. As a result, we made non-cash adjustments that reduced the net value of the excess investments in Centennial and Seaway, and increased amortization expense allocated to our equity earnings. The restatement caused a $1.3 million and $1.1 million reduction to net income as previously reported for the three months ended June 30, 2005 and 2004, respectively, and a $2.5 million and $1.8 million reduction to net income as previously reported for the six months ended June 30, 2005 and 2004, respectively. We restated previously reported consolidated financial statements for the fiscal years ended December 31, 2003 and 2004 in our Annual Report on Form 10-K for the year ended December 31, 2005.

While we believe the impacts of these non-cash adjustments are not material to any previously issued financial statements, we determined that the cumulative adjustment for these non-cash items was too material to record in the fourth quarter of 2005, and therefore it was most appropriate to restate prior periods' results. These non-cash adjustments had no effect on our operating income, compensation expense, debt balances or ability to meet all requirements related to our debt facilities. The restatement had no impact on total cash flows from operating activities, investing activities or financing activities. All amounts in the accompanying consolidated financial statements have been adjusted for this restatement.

We will continue to amortize the $30.0 million excess investment in Centennial related to a contract using units-of-production methodology over a 10-year life. The remaining $3.4 million related to a pipeline will continue to be amortized on a straight-line basis over 35 years. We will continue to amortize the $27.1 million excess investment in Seaway on a straight-line basis over a 39-year life related primarily to a pipeline.

The following tables summarize the impact of the restatement adjustment on previously reported balance sheet amounts and partners' capital amounts for June 30, 2005, and income statement amounts and cash flow amounts for the periods ended June 30, 2005 and 2004 (in thousands):

Balance Sheet Amounts:

	June 30, 2005		
	As Previously Reported	Adjustment	As Restated
Equity investments	$ 373,047	$ (12,808)	$ 360,239
Total assets	$ 3,479,438	$ (12,808)	$ 3,466,630
Partners' capital:			
General partner's interest	$ (40,272)	$ (3,596)	$ (43,868)
Limited partners' interest	1,314,050	(9,212)	1,304,838
Total partners' capital	1,273,778	(12,808)	1,260,970
Total liabilities and partners' capital	$ 3,479,438	$ (12,808)	$ 3,466,630

Income Statement Amounts:

	Three Months Ended June 30, 2005		
	As Previously Reported	Adjustment	As Restated
Equity earnings	$ 9,062	$ (1,311)	$ 7,751
Net income	42,233	(1,311)	40,922
Net Income Allocation:			
Limited Partner Unitholders	$ 29,671	$ (923)	$ 28,748
General Partner	12,562	(388)	12,174
Total net income allocated	$ 42,233	$ (1,311)	$ 40,922
Basic and diluted net income per Limited Partner Unit	$ 0.45	$ (0.02)	$ 0.43

	Three Months Ended June 30, 2004		
	As Previously Reported	Adjustment	As Restated
Equity earnings	$ 11,582	$ (1,129)	$ 10,453
Net income	37,759	(1,129)	36,630
Net Income Allocation:			
Limited Partner Unitholders	$ 26,867	$ (804)	$ 26,063
General Partner	10,892	(325)	10,567
Total net income allocated	$ 37,759	$ (1,129)	$ 36,630
Basic and diluted net income per Limited Partner Unit	$ 0.43	$ (0.02)	$ 0.41

	Six Months Ended June 30, 2005		
	As Previously Reported	Adjustment	As Restated
Equity earnings	$ 14,308	$ (2,463)	$ 11,845
Net income	90,814	(2,463)	88,351
Net Income Allocation:			
Limited Partner Unitholders	$ 64,237	$ (1,742)	$ 62,495
General Partner	26,577	(721)	25,856
Total net income allocated	$ 90,814	$ (2,463)	$ 88,351
Basic and diluted net income per Limited Partner Unit	$ 0.99	$ (0.03)	$ 0.96

	Six Months Ended June 30, 2004		
	As Previously Reported	Adjustment	As Restated
Equity earnings	$ 17,233	$ (1,842)	$ 15,391
Net income	78,192	(1,842)	76,350
Net Income Allocation:			
Limited Partner Unitholders	$ 55,636	$ (1,311)	$ 54,325
General Partner	22,556	(531)	22,025
Total net income allocated	$ 78,192	$ (1,842)	$ 76,350
Basic and diluted net income per Limited Partner Unit	$ 0.88	$ (0.02)	$ 0.86

Cash Flow Amounts:

	Six Months Ended June 30, 2005		
	As Previously Reported	Adjustment	As Restated
Cash flows from operating activities:			
Net income	$ 90,814	$ (2,463)	$ 88,351
Earnings in equity investments, net of distributions	4,739	2,463	7,202

	Six Months Ended June 30, 2004		
	As Previously Reported	Adjustment	As Restated
Cash flows from operating activities:			

Net income	$	78,192	$ (1,842)	$	76,350
Earnings in equity investments, net of distributions		3,617	1,842		5,459

Partners' Capital Amounts:

	Outstanding Limited Partner Units	General Partner's Interest	Limited Partners' Interests	Total
Partners' capital at June 30, 2005 as previously reported	69,963,554	$ (40,272)	$ 1,314,050	$ 1,273,778
Restatement adjustment	—	(3,596)	(9,212)	(12,808)
Partners' capital at June 30, 2005 as restated	69,963,554	$ (43,868)	$ 1,304,838	$ 1,260,970

NOTE 15. SUBSEQUENT EVENTS

On July 12, 2005, we purchased a refined products terminal and truck rack in North Little Rock, Arkansas for $6.8 million from Exxon Mobil Corporation. The assets include three storage tanks and a two-bay truck loading

rack. We funded the purchase through borrowings under our revolving credit facility. The terminal serves the central Arkansas refined products market and complements our existing Downstream Segment infrastructure in North Little Rock, Arkansas.

We have initiated an expansion of our refined products origin capabilities in the Houston, Texas, and Texas City, Texas areas. As part of that project, on July 15, 2005, we acquired from Texas Genco LLC ("Genco") all of its interests in certain companies that own a 90-mile pipeline system and 5.5 million barrels of storage capacity for $70.6 million (including $8.6 million for the estimated value of inventory). According to the terms of the purchase and sale agreement with Genco, we will sell the acquired inventory (anticipated to occur in the third quarter of 2005) and use the proceeds from the sale to offset the purchase price of the inventory, including costs incurred to consummate the sale. To the extent the proceeds from the inventory sale, including costs incurred to consummate the sale, are greater than or less than the estimated amount previously paid to Genco, a final settlement payment will occur between Genco and us, resulting in no gain or loss being recognized by us on the sale of the inventory. We funded the purchase through borrowings under our revolving credit facility. The assets of the purchased companies will be integrated into our Downstream Segment origin infrastructure in Texas City and Baytown, Texas. The integration and other system enhancements should be in service by the fourth quarter of 2006, at an estimated cost of $45.0 million. The strategic location of these assets, with refined products interconnections to major exchange terminals in the Houston area, will provide significant long-term value to our customers and the Texas Gulf Coast refining and logistics system.

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 our Consolidated Financial Statements and the notes thereto. Material period-to-period variances in the consolidated statements of income are discussed under "Results of Operations." The adjustments resulting from the restatement of our financial statements are discussed under "Restatement of Consolidated Financial Statements." The "Financial Condition and Liquidity" section analyzes our cash flows and financial position. "Other Considerations" addresses trends, future plans and contingencies that are reasonably likely to materially affect our 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, 2004.

Restatement of Consolidated Financial Statements

We are restating our previously reported consolidated financial statements for the quarterly periods ended June 30, 2004 and 2005. In the fourth quarter of 2005, we determined that our method of accounting for the $33.4 million excess investment in Centennial, previously described as an intangible asset with an indefinite life, and the $27.1 million excess investment in Seaway, previously described as equity method goodwill, was incorrect. Through our accounting for these excess investments in Centennial and Seaway as intangible assets with indefinite lives and equity method goodwill, respectively, we have been testing the amounts for impairment on an annual basis as opposed to amortizing them over a determinable life. We determined that it would be more appropriate to account for these excess investments as intangible assets with determinable lives. As a result, we made non-cash adjustments that reduced the net value of the excess investments in Centennial and Seaway, and increased amortization expense allocated to our equity earnings. The restatement caused a $1.3 million, or $0.02 per Unit, and $1.1 million, or $0.02 per Unit, reduction to net income and earnings per unit as previously reported for the three months ended June 30, 2005 and 2004, respectively, and a $2.5 million, or $0.03 per Unit, and $1.8 million, or $0.02 per Unit, reduction to net income and earnings per unit as previously reported for the six months ended June 30, 2005 and 2004, respectively. We restated previously reported consolidated financial statements for the fiscal years ended December 31, 2003 and 2004 in our Annual Report on Form 10-K for the year ended December 31, 2005.

While we believe the impacts of these non-cash adjustments are not material to any previously issued financial statements, we determined that the cumulative adjustment for these non-cash items was too material to record in the fourth quarter of 2005, and therefore it was most appropriate to restate prior periods' results. These non-cash adjustments had no effect on our operating income, compensation expense, debt balances or ability to meet all requirements

related to our debt facilities. The restatement had no impact on total cash flows from operating activities, investing activities or financing activities. All amounts in the accompanying consolidated financial statements have been adjusted for this restatement.

We will continue to amortize the $30.0 million excess investment in Centennial related to a contract using units-of-production methodology over a 10-year life. The remaining $3.4 million related to a pipeline will continue to be amortized on a straight-line basis over 35 years. We will continue to amortize the $27.1 million excess investment in Seaway on a straight-line basis over a 39-year life related primarily to a pipeline.

Critical Accounting Policies and Estimates

A summary of the significant accounting policies we have adopted and followed in the preparation of our consolidated financial statements is detailed in our consolidated financial statements for the year ended December 31, 2004, included in our Annual Report on Form 10-K. Certain of these accounting policies require the use of estimates. The following estimates, in our opinion, are subjective in nature, require the exercise of judgment and involve complex analysis: revenue and expense accruals, including accruals for power costs, property taxes and

crude oil margins; environmental costs; asset impairment analysis related to property, plant and equipment; and amortization expense and asset impairment analysis related to goodwill and other intangible assets. These estimates are based on our knowledge and understanding of current conditions and actions we may take in the future. Changes in these estimates will occur as a result of the passage of time and the occurrence of future events. Subsequent changes in these estimates may have a significant impact on our financial condition and results of operations.

Management Overview of the Three Months and Six Months Ended June 30, 2005

We reported net income of $40.9 million, or $0.43 per Limited Partner Unit ("Unit" or "Units"), for the three months ended June 30, 2005, compared with net income of $36.6 million, or $0.41 per Unit, for the three months ended June 30, 2004. Net income was $88.4 million, or $0.96 per Unit, for the six months ended June 30, 2005, compared with net income of $76.4 million, or $0.86 per Unit, for the six months ended June 30, 2004. The weighted average number of Units outstanding was 66.6 million and 63.0 million for the three months ended June 30, 2005 and 2004, respectively, and 64.8 million and 63.0 million for the six months ended June 30, 2005 and 2004, respectively.

Our Downstream Segment results for the three months ended June 30, 2005, were impacted by increased LPG transportation revenues and long-haul volumes delivered, increased refined products tender deduction revenues and increased revenues from product location exchanges. These increases were partially offset by decreased refined products transportation revenues, increased power costs, increased pipeline operating expenses and increased rental expense from our Centennial Pipeline LLC ("Centennial") capacity lease agreement. The results for the six months ended June 30, 2005, were impacted by increased refined products and LPG transportation revenues and volumes, partially offset by lower propane inventory fee revenues, increased pipeline operating expenses, increased rental expense from our Centennial capacity lease agreement and increased environmental assessment and remediation expenses. Additionally, pipeline integrity expenses decreased $1.4 million and $5.7 million for the three months and six months ended June 30, 2005, respectively, compared with the prior year periods. We anticipate that our pipeline integrity expenses for our Downstream Segment for 2005 will be approximately $15.2 million lower than our 2004 expenses primarily due to the completion of projects.

Our Upstream Segment results for the three months and six months ended June 30, 2005, were impacted by increased marketing volumes, gains related to marking crude oil grade and location swap contracts to market and increased transportation revenues. Increased pipeline operating costs were partially offset by decreased environmental assessment and remediation expenses. Equity earnings from Seaway Crude Pipeline Company ("Seaway") decreased compared with the prior year period primarily due to lower transportation volumes, higher operating, general and administrative expenses and a gain recognized on an inventory settlement in 2004. Pipeline integrity expenses decreased $0.3 million and $0.2 million for the three months and six months ended June 30, 2005, respectively, compared with the prior year periods. We anticipate that our 2005 pipeline integrity expenses for our Upstream Segment will be approximately $1.9 million higher than our 2004 expenses as we continue to perform pipeline inspections and repairs under our integrity management program.

Our Midstream Segment benefited from increased revenues and volumes on Jonah Gas Gathering Company ("Jonah"), resulting from our 2003 Phase III expansion and the installation of additional capacity during the fourth quarter of 2004. Revenues on Val Verde Gas Gathering Company ("Val Verde") increased due to new connections made to the system in May and December 2004, partially offsetting the impact of reduced revenues related to the natural decline of coal bed methane ("CBM") production from existing wells. Additionally, our operating and gas settlement expenses decreased compared with the prior year period. Pipeline integrity expenses decreased $0.6 million and $0.6 million for the three months and six months ended June 30, 2005, respectively, compared with the prior year periods. These increases to operating income were partially offset by lower gathering rates on the new connections at Val Verde, on which the gathering rates are lower than existing average rates on the system.

We are subject to economic and other factors that affect our industry. The demand for refined products is dependent upon the price, prevailing economic conditions and demographic changes in the markets served, trucking and railroad freight, agricultural usage and military usage; the demand for propane is sensitive to the weather and

prevailing economic conditions; the demand for petrochemicals is dependent upon prices for products produced from petrochemicals; the demand for crude oil and petroleum products is dependent upon the price of crude oil and the products produced from the refining of crude oil; and the demand for natural gas

is dependent upon the price of natural gas and the locations in which natural gas is drilled. We are also subject to regulatory factors such as the amounts we are allowed to charge our customers for the services we provide on our regulated pipeline systems.

Certain factors are inherent in our business segments as discussed in this Report. These include the safe, reliable and efficient operation of the pipelines and facilities that we own or operate while meeting increased regulations that govern the operation of our assets and the costs associated with such regulations. We are also focused on our continued growth through expansion of the assets that we own and through the acquisition of assets that complement our current operations.

We remain confident that our current strategy and focus will provide continued growth in earnings and cash distributions. These growth opportunities include:

- Continued solid performance in our Upstream Segment, as we build on our existing asset base and concentrate on acquisitions in our core operating areas;

- Continued development of the Jonah system which serves the Jonah and Pinedale fields;

- Gathering of volumes from infill drilling of CBM by producers and new connections of conventional gas in the San Juan Basin, where our Val Verde system is located; and

- Growth in our Downstream Segment, resulting from our recent capacity expansion, grass roots facility investments, acquisitions and growing demand for Gulf Coast sourced products.

On March 31, 2005, we purchased crude oil pipeline assets for $7.1 million from BP Pipelines (North America) Inc. (“BP”). The assets include approximately 158 miles of pipeline which extend from Mexia, Texas, to the Houston, Texas, area and two stations in south Houston with connections to a BP pipeline that originates in south Houston. We will integrate these assets into our South Texas pipeline system, included in our Upstream Segment, which will allow us to realize synergies within our existing asset base and will provide future growth opportunities.

On April 1, 2005, we purchased crude oil storage and terminaling assets in Cushing, Oklahoma, from Koch Supply & Trading, L.P. for $35.4 million. The assets consist of eight storage tanks with 945,000 barrels of storage capacity, receipt and delivery manifolds, interconnections to several pipelines, crude oil inventory and approximately 70 acres of land. The storage and terminaling assets will complement our existing infrastructure in Cushing and strengthen our gathering and marketing business in our Upstream Segment.

On July 12, 2005, we purchased a refined products terminal and truck rack in North Little Rock, Arkansas for $6.8 million from Exxon Mobil Corporation. The assets include three storage tanks and a two-bay truck loading rack. The terminal serves the central Arkansas refined products market and complements our existing Downstream Segment infrastructure in North Little Rock, Arkansas.

We have initiated an expansion of our refined products origin capabilities in the Houston, Texas, and Texas City, Texas areas. As part of that project, on July 15, 2005, we acquired from Texas Genco LLC (“Genco”) all of its interests in certain companies that own a 90-mile pipeline system and 5.5 million barrels of storage capacity for $70.6 million (including $8.6 million for the estimated value of inventory). According to the terms of the purchase and sale agreement with Genco, we will sell the acquired inventory (anticipated to occur in the third quarter of 2005) and use the proceeds from the sale to offset the purchase price of the inventory, including costs incurred to consummate the sale. To the extent the proceeds from the inventory sale, including costs incurred to consummate the sale, are greater than or less than the estimated amount previously paid to Genco, a final settlement payment will occur between Genco and us, resulting in no gain or loss being recognized by us on the sale of the inventory. The assets of the purchased companies will be integrated into our Downstream Segment origin infrastructure in Texas City and Baytown, Texas. The integration and other system enhancements should be in service by the fourth quarter of 2006, at an estimated cost of $45.0 million. The strategic location of these assets, with refined products

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interconnections to major exchange terminals in the Houston area, will provide significant long-term value to our customers and the Texas Gulf Coast refining and logistics system.

Consistent with our business strategy, we continuously evaluate possible acquisitions of assets that would complement our current operations. Such acquisition efforts involve participation by us in processes that have been made public and involve a number of potential buyers, as well as situations in which we believe we are the only party or one of a very limited number of potential buyers in negotiations with the potential seller. These acquisition efforts often involve assets which, if acquired, would have a material effect on our financial position, results of operations or cash flows.

Our Business

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.” TEPPCO GP, Inc. (“TEPPCO GP”), our wholly owned subsidiary, is the general partner of our Operating Partnerships. We hold a 99.999% limited partner interest in the Operating Partnerships, and TEPPCO GP holds a 0.001% general partner interest. 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. Through February 23, 2005, the General Partner was an indirect wholly owned subsidiary of Duke Energy Field Services, LLC (“DEFS”), a joint venture between Duke Energy Corporation (“Duke Energy”) and ConocoPhillips. Through February 23, 2005, Duke Energy held an interest of approximately 70% in DEFS, and ConocoPhillips held the remaining interest of approximately 30%. On February 24, 2005, the General Partner was acquired by DFI GP Holdings L.P. (formerly Enterprise GP Holdings L.P.) (“DFI”), an affiliate of EPCO, Inc. (“EPCO”), a privately held company controlled by Dan L. Duncan, for approximately $1.1 billion. As a result of the transaction, DFI owns and controls the 2% general partner interest in us and has the right to receive the incentive distribution rights associated with the general partner interest.

EPCO performs all management and operating functions required for us, except for some administrative services for certain of the TEPPCO Midstream assets that are currently performed by DEFS on our behalf. We reimburse EPCO for all reasonable direct and indirect expenses that have been incurred in managing us. Under a transition services agreement entered into as part of the sale of the General Partner, DEFS will continue to provide some administrative services for certain of the TEPPCO Midstream assets for us for a period of time until we assume these services on our own. In connection with us assuming the operations of these TEPPCO Midstream assets from DEFS, certain DEFS employees became employees of EPCO effective June 1, 2005. As part of the transition services agreement, Duke Energy will continue to provide some administrative support services to us until we or EPCO assume those activities.

In connection with our formation in 1990, the Company received 2,500,000 Deferred Participation Interests ("DPIs"). Effective April 1, 1994, the DPIs began participating in distributions of cash and allocations of profit and loss in a manner identical to Limited Partner Units and are treated as Limited Partner Units for purposes of this Report. These Limited Partner Units were assigned to Duke Energy when ownership of the Company was transferred from Duke Energy to DEFS in 2000. On February 24, 2005, DFI entered into an LP Unit Purchase and Sale Agreement with Duke Energy and purchased these 2,500,000 DPIs for approximately $100.0 million.

We operate and report in three business segments:

- Downstream Segment — transportation and storage of refined products, liquefied petroleum gases ("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, transportation of natural gas liquids ("NGLs") and fractionation of NGLs.

Our reportable segments offer different products and services and are managed separately because each requires different business strategies. TEPPCO GP, 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, which transports refinery grade propylene from Mont Belvieu to Point Comfort, Texas. Our Downstream Segment also includes our equity investments in Centennial and Mont Belvieu Storage Partners, L.P. ("MB Storage") (see Note 6. 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, New Mexico 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 our equity investment in Seaway (see Note 6. Equity Investments). 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 and conventional natural gas in the San Juan Basin in New Mexico and Colorado, through Val Verde.

Results of Operations

The following table summarizes financial information by business segment for the three months and six months ended June 30, 2005 and 2004 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005 (as restated)	2004 (as restated)	2005 (as restated)	2004 (as restated)
Operating revenues:				
Downstream Segment	$ 63,438	$ 62,364	$ 141,605	$ 137,173
Upstream Segment	1,973,000	1,242,860	3,369,780	2,437,350
Midstream Segment	54,651	50,004	107,649	100,167
Intersegment eliminations	(709)	(664)	(2,049)	(2,065)
Total operating revenues	2,090,380	1,354,564	3,616,985	2,672,625

Operating income:				
Downstream Segment	14,972	14,619	46,484	40,301
Upstream Segment	11,589	8,507	16,992	18,536
Midstream Segment	28,102	19,275	53,543	37,465
Total operating income	54,663	42,401	117,019	96,302
Earnings before interest:				
Downstream Segment	14,847	13,327	44,687	37,503
Upstream Segment	19,540	20,476	30,933	37,367
Midstream Segment	28,162	19,291	53,645	37,539
Total earnings before interest	62,549	53,094	129,265	112,409
Interest expense	(22,780)	(18,048)	(43,169)	(38,507)
Interest capitalized	1,153	1,584	2,255	2,448
Net income	$ 40,922	$ 36,630	$ 88,351	$ 76,350

The following 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 provides financial information for the Downstream Segment for the three months and six months ended June 30, 2005 and 2004 (in thousands):

	Three Months Ended June 30,		Increase (Decrease)	Six Months Ended June 30,		Increase (Decrease)
	2005 (as restated)	2004 (as restated)		2005 (as restated)	2004 (as restated)	
Transportation — Refined products	$ 37,834	$ 38,937	$ (1,103)	$ 72,799	$ 69,908	$ 2,891
Transportation — LPGs	14,470	13,721	749	46,701	42,501	4,200
Other	11,134	9,706	1,428	22,105	24,764	(2,659)
Total operating revenues	63,438	62,364	1,074	141,605	137,173	4,432
Operating, general and administrative	28,281	28,864	(583)	54,896	58,019	(3,123)
Operating fuel and power	7,957	7,193	764	15,617	15,243	374
Depreciation and amortization	9,801	9,211	590	19,362	18,288	1,074
Taxes — other than income taxes	2,442	2,494	(52)	5,353	5,339	14
Gains on sales of assets	(15)	(17)	2	(107)	(17)	(90)
Total costs and expenses	48,466	47,745	721	95,121	96,872	(1,751)
Operating income	14,972	14,619	353	46,484	40,301	6,183
Equity earnings (losses)	(246)	(1,465)	1,219	(2,067)	(3,243)	1,176
Other income — net	121	173	(52)	270	445	(175)
Earnings before interest	$ 14,847	$ 13,327	$ 1,520	$ 44,687	$ 37,503	$ 7,184

The following table presents volumes delivered in barrels and average tariff per barrel for the three months and six months ended June 30, 2005 and 2004 (in thousands, except tariff information):

	Three Months Ended June 30,		Percentage Increase (Decrease)	Six Months Ended June 30,		Percentage Increase (Decrease)
	2005	2004		2005	2004	
Volumes Delivered:						
Refined products	42,097	41,936	1%	80,692	74,458	8%
LPGs	7,855	8,794	(11)%	22,657	22,002	3%
Total	49,952	50,730	(2)%	103,349	96,460	7%
Average Tariff per Barrel:						
Refined products	$ 0.90	$ 0.93	(3)%	$ 0.90	$ 0.94	(4)%
LPGs	1.84	1.56	18%	2.06	1.93	7%
Average system tariff per barrel	$ 1.05	$ 1.04	1%	$ 1.16	$ 1.17	(1)%

Three Months Ended June 30, 2005 Compared with Three Months Ended June 30, 2004

Revenues from refined products transportation decreased $1.1 million for the three months ended June 30, 2005, compared with the three months ended June 30, 2004, primarily due to a decrease in distillate volumes transported and a decrease in the refined products average rate per barrel, partially

offset by an overall increase in the refined products volume delivered. The decrease in distillate volumes was a result of low distillate price differentials. The decrease in the refined products average rate per barrel from the prior year period was primarily due to the impact of greater growth in the volume of products delivered under a Centennial tariff compared with the growth in deliveries under a TEPPCO tariff, which resulted in an increased proportion of lower tariff barrels transported on our system. Prior to the construction of Centennial, deliveries on our pipeline system were limited by our pipeline capacity, and transportation services for our customers were allocated in accordance with a proration policy. With this incremental pipeline capacity, our previously constrained system has expanded deliveries in

markets both south and north of Creal Springs, Illinois. In February 2003, we entered into a lease agreement with Centennial that increased our flexibility to deliver refined products to our market areas. Centennial has provided our system with additional pipeline capacity for movement of products originating in the U.S. Gulf Coast area. The overall increase in refined products volume was primarily due to increased demand and market share for products supplied from the U.S. Gulf Coast into Midwest markets.

Revenues from LPGs transportation increased $0.7 million for the three months ended June 30, 2005, compared with the three months ended June 30, 2004, due to higher deliveries of propane in the upper Midwest and Northeast market areas. The LPGs average rate per barrel increased from the prior period primarily as a result of decreased short-haul deliveries during the three months ended June 30, 2005.

Other operating revenues increased $1.4 million for the three months ended June 30, 2005, compared with the three months ended June 30, 2004, primarily due to higher refined products additive and tender deduction revenue and increased margins on product inventory sales.

Costs and expenses increased $0.7 million for the three months ended June 30, 2005, compared with the three months ended June 30, 2004, due to increased operating fuel and power and increased depreciation and amortization expense, partially offset by decreased operating, general and administrative expenses and decreased taxes — other than income. Operating fuel and power increased $0.8 million primarily due to increased mainline throughput and adjustments to power accruals. Depreciation expense increased $0.6 million primarily due to assets placed into service in 2005. Operating, general and administrative expenses decreased $0.6 million primarily due to a $1.4 million decrease in pipeline inspection and repair costs associated with our integrity management program and a $0.4 million decrease in consulting services and supplies primarily related to acquisition activities in 2004. These decreases were partially offset by a $0.7 million increase in pipeline operating and maintenance expenses, a $0.3 million increase in rental expense from the Centennial pipeline capacity lease agreement and a $0.2 million increase in insurance expense. Increased labor and benefits expenses associated with vesting provisions in certain of our compensation plans as a result of changes in control of our General Partner and higher incentive compensation expenses compared to the prior year period were offset by a $1.6 million decrease in postretirement benefit accruals related to plan amendments (see Note 9. Employee Benefit Plans).

Net earnings from equity investments increased for the three months ended June 30, 2005, compared with the three months ended June 30, 2004, as shown below (in thousands):

	Three Months Ended June 30,		**Increase (Decrease)**
	2005 (as restated)	**2004 (as restated)**	
Centennial	$ (1,634)	$ (3,242)	$ 1,608
MB Storage	1,365	1,785	(420)
Other	23	(8)	31
Total equity earnings (losses)	$ (246)	$ (1,465)	$ 1,219

Equity losses in Centennial decreased $1.6 million for the three months ended June 30, 2005, compared with the three months ended June 30, 2004, primarily due to higher transportation revenues and volumes, partially offset by higher transmix related product replacement costs and product measurement losses during the 2005 period. Equity earnings in MB Storage decreased $0.4 million for the three months ended June 30, 2005, compared with the three months ended June 30, 2004, primarily due to higher pipeline rehabilitation expenses on the MB Storage system.

Six Months Ended June 30, 2005 Compared with Six Months Ended June 30, 2004

Revenues from refined products transportation increased $2.9 million for the six months ended June 30, 2005, compared with the six months ended June 30, 2004, due to an overall increase in the refined products volumes

delivered. This increase was primarily due to deliveries of products moved on Centennial. 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 from the prior year period primarily due to the impact of greater growth in the volume of products delivered under a Centennial tariff compared with the growth in deliveries under a TEPPCO tariff, which resulted in an increased proportion of lower tariff barrels transported on our system.

Revenues from LPGs transportation increased $4.2 million for the six months ended June 30, 2005, compared with the six months ended June 30, 2004, due to higher deliveries of propane in the upper Midwest and Northeast market areas primarily resulting from cold weather in March 2005. Prior year LPG transportation revenues were negatively impacted by a price spike in the Mont Belvieu propane price in late February 2004, which resulted in TEPPCO sourced propane being less competitive than propane from other source points.

Other operating revenues decreased $2.7 million for the six months ended June 30, 2005, compared with the six months ended June 30, 2004, primarily due to lower propane inventory fees in 2005 and lower volume of product inventory sales, partially offset by higher refined products tender

deduction and loading revenues.

Costs and expenses decreased $1.8 million for the six months ended June 30, 2005, compared with the six months ended June 30, 2004, due to decreased operating, general and administrative expenses, partially offset by increased depreciation and amortization expense and increased operating fuel and power. Operating, general and administrative expenses decreased $3.1 million primarily due to a $5.7 million decrease in pipeline inspection and repair costs associated with our integrity management program, a $1.6 million decrease in postretirement benefit accruals related to plan amendments (see Note 9. Employee Benefit Plans) and a $0.3 million decrease in consulting services and supplies primarily related to acquisition related activities in 2004. These decreases were partially offset by a $2.4 million increase in labor and benefits expenses associated with vesting provisions in certain of our compensation plans as a result of changes in control of our General Partner and higher incentive compensation expenses compared to the prior year period, a $1.0 million increase in rental expense from the Centennial pipeline capacity lease agreement, a $0.6 million increase in environmental remediation and assessment costs and a $0.6 million increase in pipeline operating and maintenance expense. Depreciation expense increased $1.1 million primarily due to assets placed into service and assets retired to depreciation expense in 2005. Operating fuel and power increased $0.4 million primarily due to increased mainline throughput and adjustments to power accruals.

Net earnings from equity investments increased for the six months ended June 30, 2005, compared with the six months ended June 30, 2004, as shown below (in thousands):

	Six Months Ended June 30,		Increase (Decrease)
	2005 (as restated)	2004 (as restated)	
Centennial	$ (6,084)	$ (7,639)	$ 1,555
MB Storage	3,998	4,414	(416)
Other	19	(18)	37
Total equity earnings (losses)	$ (2,067)	$ (3,243)	$ 1,176

Equity losses in Centennial decreased $1.6 million for the six months ended June 30, 2005, compared with the six months ended June 30, 2004, primarily due to higher transportation revenues and volumes, partially offset by higher transmix related product replacement costs and product measurement losses during the 2005 period. Equity earnings in MB Storage decreased $0.4 million for the six months ended June 30, 2005, compared with the six months ended June 30, 2004, primarily due to increased depreciation and amortization expense, higher pipeline rehabilitation expenses and higher general and administrative expenses, partially offset by higher revenues and volumes. In April 2004, MB Storage acquired storage and pipeline assets and contracts for approximately $34.0 million, of which TE Products contributed $16.5 million. Increases in storage revenue, shuttle revenue, rental

revenue and depreciation and amortization expense for the six months ended June 30, 2005, compared with the six months ended June 30, 2004, are primarily related to the acquired storage assets and contracts.

Other income — net decreased $0.2 million for the six months ended June 30, 2005, compared with the six months ended June 30, 2004, due to lower interest income earned on cash investments and other investing activities.

Upstream Segment

The following table provides financial information for the Upstream Segment for the three months and six months ended June 30, 2005 and 2004 (in thousands):

	Three Months Ended June 30,		Increase (Decrease)	Six Months Ended June 30,		Increase (Decrease)
	2005 (as restated)	2004 (as restated)		2005 (as restated)	2004 (as restated)	
Sales of petroleum products	$ 1,961,302	$ 1,231,019	$ 730,283	$ 3,346,369	$ 2,411,786	$ 934,583
Transportation — Crude oil	9,042	9,213	(171)	18,214	18,876	(662)
Other	2,656	2,628	28	5,197	6,688	(1,491)
Total operating revenues	1,973,000	1,242,860	730,140	3,369,780	2,437,350	932,430
Purchases of petroleum products	1,942,599	1,216,307	726,292	3,315,029	2,383,732	931,297
Operating, general and administrative	12,912	12,682	230	25,728	23,867	1,861
Operating fuel and power	1,234	1,393	(159)	2,462	3,133	(671)
Depreciation and amortization	3,651	3,045	606	7,152	6,113	1,039
Taxes — other than income taxes.	1,068	975	93	2,469	2,076	393
Gains on sales of assets	(53)	(49)	(4)	(52)	(107)	55
Total costs and expenses	1,961,411	1,234,353	727,058	3,352,788	2,418,814	933,974
Operating income	11,589	8,507	3,082	16,992	18,536	(1,544)
Equity earnings	7,997	11,918	(3,921)	13,912	18,634	(4,722)
Other income — net	(46)	51	(97)	29	197	(168)
Earnings before interest	$ 19,540	$ 20,476	$ (936)	$ 30,933	$ 37,367	$ (6,434)

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 sales and purchases of crude oil and lubrication oil due to the significant fluctuations in sales and purchases caused by variations in the level of volumes marketed and prices for products marketed. Additionally, we use margin internally to evaluate the financial performance of the Upstream Segment as we believe margin is a better indicator of performance than operating income as operating, general and administrative expenses, operating fuel and power and depreciation expense are not directly related to the margin activities. Margin and volume information for the three months and six months ended June 30, 2005 and 2004 is presented below (in thousands, except per barrel and per gallon amounts):

	Three Months Ended June 30,		Percentage Increase (Decrease)	Six Months Ended June 30,		Percentage Increase (Decrease)
	2005	**2004**		**2005**	**2004**	
Margins: (1)						
Crude oil transportation	$ 15,165	$ 13,279	14%	$ 29,356	$ 26,375	11%
Crude oil marketing	9,056	6,901	31%	12,532	12,593	—
Crude oil terminaling	1,848	2,241	(18%)	4,233	4,966	(15%)
Lubrication oil sales	1,676	1,504	11%	3,433	2,996	15%
Total margin	$ 27,745	$ 23,925	16%	$ 49,554	$ 46,930	6%
Total barrels:						
Crude oil transportation	23,768	24,686	(4%)	47,522	50,848	(7%)
Crude oil marketing	48,864	42,270	16%	93,158	87,924	6%
Crude oil terminaling	21,287	27,800	(23%)	48,406	60,888	(20%)
Lubrication oil volume (total gallons)	3,153	2,949	7%	7,325	6,419	14%
Margin per barrel:						
Crude oil transportation	$ 0.638	$ 0.538	19%	$ 0.618	$ 0.519	19%
Crude oil marketing	0.185	0.163	14%	0.135	0.143	(6%)
Crude oil terminaling	0.087	0.081	8%	0.087	0.082	7%
	0.					
Lubrication oil margin (per gallon)	0.532	0.510	4%	0.469	0.467	—

(1) Margins in this table are presented prior to the elimination of intercompany sales, revenues and purchases between TEPPCO Crude Oil, L.P. and TEPPCO Crude Pipeline, L.P.

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 10. Segment Information (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	**2004**	**2005**	**2004**
Sales of petroleum products	$ 1,961,302	$ 1,231,019	$ 3,346,369	$ 2,411,786
Transportation — Crude oil	9,042	9,213	18,214	18,876
Less: Purchases of petroleum products	(1,942,599)	(1,216,307)	(3,315,029)	(2,383,732)
Total margin	27,745	23,925	49,554	46,930
Other operating revenues	2,656	2,628	5,197	6,688
Net operating revenues	30,401	26,553	54,751	53,618
Operating, general and administrative	12,912	12,682	25,728	23,867
Operating fuel and power	1,234	1,393	2,462	3,133
Depreciation and amortization	3,651	3,045	7,152	6,113
Taxes — other than income taxes	1,068	975	2,469	2,076
Gains on sales of assets	(53)	(49)	(52)	(107)
Operating income	$ 11,589	$ 8,507	$ 16,992	$ 18,536

Three Months Ended June 30, 2005 Compared with Three Months Ended June 30, 2004

Our margin increased $3.8 million for the three months ended June 30, 2005, compared with the three months ended June 30, 2004. Crude oil marketing margin increased $2.1 million primarily due to an increase in volumes marketed and unrealized gains of $1.8 million related to marking crude oil grade and location swap contracts to current market value, partially offset by increased transportation costs. Crude oil transportation margin

increased $1.9 million primarily due to increased transportation volumes and revenues on our South Texas system and higher revenues on our Basin system related to movements on higher tariff segments, partially offset by decreases in transportation volumes on our Red River system and on lower tariff segments of our Basin system. Lubrication oil sales margin increased $0.2 million due to increased sales of chemical volumes and the acquisition of a lubrication oil distributor in Casper, Wyoming, in August 2004. Crude oil terminaling margin decreased $0.4 million as a result of a decrease in pumpover volumes at Midland, Texas and Cushing, Oklahoma.

Costs and expenses, excluding expenses associated with purchases of crude oil and lubrication oil, increased $0.7 million for the three months ended June 30, 2005, compared with the three months ended June 30, 2004, primarily due to increased depreciation and amortization expense, increased operating, general and administrative expenses and increased taxes — other than income taxes, partially offset by decreased operating fuel and power. Depreciation and amortization expense increased $0.6 million as a result of assets placed in service in 2004 and due to assets retired to depreciation expense during the period. Operating, general and administrative expenses increased $0.2 million from the prior year period primarily due to a $1.8 increase in labor and benefits expense related to vesting provisions in certain of our compensation plans as a result of changes in control of our General Partner, an increase in the number of employees and higher incentive compensation expenses between periods, a $0.9 million increase in supplies and pipeline operating and maintenance expense and a $0.4 million increase in insurance expense, partially offset by a $1.2 million decrease in postretirement benefit accruals related to plan amendments (see Note 9. Employee Benefit Plans), a $1.1 million decrease in expense as a result of measurement gains on the systems and higher crude oil prices and a $0.7 million decrease in environmental assessment and remediation costs. Operating fuel and power decreased $0.2 million primarily as a result of lower transportation volumes in 2005.

Equity earnings from our investment in Seaway decreased $3.9 million for the three months ended June 30, 2005, compared with the three months ended June 30, 2004, primarily due to decreased transportation volumes attributable to reduced operating pressures as a result of a pipeline release in May 2005, decreased gains on inventory sales, higher operating, general and administrative expenses and higher depreciation expense in the second quarter of 2005.

After Seaway's pipeline release in May 2005, the maximum operating pressure on the pipeline system was reduced by 20% as is standard procedure until the cause of the failure is determined and any required corrective measures implemented. A study of the failed pipe was performed by independent, metallurgical experts who determined that the pipe failed due to damage that occurred during rail shipment associated with its installation thirty years ago. The corrective actions include running a very sophisticated, high definition inspection tool through the pipe to determine if there are any other sections of pipe that have similar damage. This approach is consistent with directives from the United States Department of Transportation's Office of Pipeline Safety in past failures of this type. We are in the initial stages of evaluating 300 miles of Seaway's pipeline that have similar vintage pipe. Because of the complexity of the inspection tool being used, we expect that it will take several months to complete the analysis of the data, as well as complete any additional repairs that are identified from the analysis. Based on these projections, we expect Seaway to be operating at reduced maximum pressures through the first quarter of 2006. At this time, we do not believe this will have a material adverse effect on our financial position, results of operations or cash flows.

Six Months Ended June 30, 2005 Compared with Six Months Ended June 30, 2004

Our margin increased $2.6 million for the six months ended June 30, 2005, compared with the six months ended June 30, 2004. Crude oil transportation margin increased $3.0 million primarily due to increased transportation volumes and revenues on our South Texas system and other gathering systems and higher revenues on our Basin and West Texas systems related to movements on higher tariff segments, partially offset by decreases in transportation volumes on our Red River system and on lower tariff segments of our Basin system. Lubrication oil sales margin increased $0.4 million due to increased sales of chemical volumes and the acquisition of a lubrication oil distributor in Casper, Wyoming, in August 2004. Crude oil terminaling margin decreased $0.7 million as a result of a decrease in pumpover volumes at Midland, Texas and Cushing, Oklahoma. Crude oil marketing margin

decreased $0.1 million, primarily due to increased transportation expenses, partially offset by an increase in volumes marketed and unrealized gains of $0.8 million related to marking crude oil grade and location swap contracts to current market value.

Other operating revenues decreased $1.5 million for the six months ended June 30, 2005, compared with the six months ended June 30, 2004, primarily due to a $1.4 million favorable settlement of inventory imbalances in the first quarter of 2004 and lower revenues from documentation and other services to support customers' trading activity at Midland and Cushing in the first six months of 2005.

Costs and expenses, excluding expenses associated with purchases of crude oil and lubrication oil, increased $2.7 million for the six months ended June 30, 2005, compared with the six months ended June 30, 2004, due to increased operating, general and administrative expenses, increased depreciation and amortization expense and increased taxes — other than income taxes, partially offset by decreased operating fuel and power. Operating, general and administrative expenses increased $1.9 million from the prior year period. This increase was primarily due to a $2.7 million increase in labor and benefits expense related to vesting provisions in certain of our compensation plans as a result of changes in control of our General Partner and an increase in the number of employees between periods, a $2.3 million increase in supplies and pipeline operating and maintenance expense, and a $0.4 million increase in insurance expense, partially offset by a $1.2 million decrease in postretirement benefit accruals related to plan amendments (see Note 9. Employee Benefit Plans), a $1.2 million decrease in environmental assessment and remediation costs and a $1.1 million decrease in expense as a result of measurement gains on the systems and higher crude oil prices. Depreciation and amortization expense increased $1.0 million as a result of assets placed in service in 2004, and due to assets retired to depreciation expense during the period. Taxes — other than income taxes increased $0.4 million due to increases in property tax accruals and a higher asset base in 2005. Operating fuel and power decreased $0.7 million primarily as a result of lower transportation volumes in 2005.

Equity earnings from our investment in Seaway decreased $4.7 million for the six months ended June 30, 2005, compared with the six months ended June 30, 2004, primarily due to decreased transportation volumes attributable to reduced operating pressures as a result of a pipeline release in May 2005, decreased gains on inventory sales, higher operating, general and administrative expenses, higher depreciation expense and a favorable settlement in the first quarter of 2004 with a former owner of Seaway's crude oil assets regarding inventory imbalances that were not acquired by us.

Midstream Segment

The following table provides financial information for the Midstream Segment for the three months and six months ended June 30, 2005 and 2004 (in thousands):

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Increase (Decrease)	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004	Increase (Decrease)
Sales of petroleum products	$ 2,315	$ 1,788	$ 527	$ 4,457	$ 3,134	$ 1,323
Gathering — Natural Gas	36,956	34,427	2,529	73,516	68,929	4,587
Transportation — NGLs	11,387	10,578	809	21,606	20,592	1,014
Other	3,993	3,211	782	8,070	7,512	558
Total operating revenues	54,651	50,004	4,647	107,649	100,167	7,482
Purchases of petroleum products	1,806	1,669	137	3,176	2,986	190
Operating, general and administrative	8,786	11,094	(2,308)	19,373	22,557	(3,184)
Operating fuel and power	2,355	2,449	(94)	4,537	4,619	(82)
Depreciation and amortization	12,840	14,155	(1,315)	25,541	29,830	(4,289)
Taxes — other than income taxes	762	1,362	(600)	1,886	2,710	(824)
Gains on sales of assets	—	—	—	(407)	—	(407)
Total costs and expenses	26,549	30,729	(4,180)	54,106	62,702	(8,596)
Operating income	28,102	19,275	8,827	53,543	37,465	16,078
Other income — net	60	16	44	102	74	28
Earnings before interest	$ 28,162	$ 19,291	$ 8,871	$ 53,645	$ 37,539	$ 16,106

The following table presents volume and average rate information for the three months and six months ended June 30, 2005 and 2004:

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Percentage Increase (Decrease)	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004	Percentage Increase (Decrease)
Gathering — Natural Gas — Jonah:						
Million cubic feet (“MMcf”)	99,045	83,469	19%	196,395	167,397	17%
Billion British thermal units (“MMmbtu”)	109,516	92,430	18%	216,817	185,327	17%
Average fee per Million British thermal unit (“MMBtu”)	$ 0.189	$ 0.197	(4%)	$ 0.189	$ 0.198	(4%)
Gathering — Natural Gas — Val Verde:						
MMcf	44,565	35,989	24%	87,874	71,480	23%
MMmbtu	39,457	30,361	30%	77,529	60,165	29%
Average fee per MMBtu	$ 0.411	$ 0.533	(23%)	$ 0.420	$ 0.537	(22%)
Transportation — NGLs:						
Thousand barrels	15,540	15,465	—	29,376	30,145	(3%)
Average rate per barrel	$ 0.733	$ 0.684	7%	$ 0.735	$ 0.683	8%
Fractionation — NGLs:						
Thousand barrels	1,087	956	12%	2,226	2,070	7%
Average rate per barrel	$ 1.820	$ 1.867	(3%)	$ 1.732	$ 1.771	(2%)
Sales — Condensate:						
Thousand barrels	13.3	17.9	(25%)	41.2	59.7	(31%)
Average rate per barrel	$ 53.24	$ 37.17	43%	$ 49.77	$ 34.61	44%

The following table reconciles the Midstream Segment margin to operating income in the consolidated statements of income using the information presented in the tables above, in the consolidated statements of income and in the statements of income in Note 10. Segment Information (in thousands):

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Sales of petroleum products	$ 2,315	$ 1,788	$ 4,457	$ 3,134
Less: Purchases of petroleum products	(1,806)	(1,669)	(3,176)	(2,986)
Total margin	509	119	1,281	148
Gathering — Natural Gas	36,956	34,427	73,516	68,929
Transportation — NGLs	11,387	10,578	21,606	20,592
Other operating revenues	3,993	3,211	8,070	7,512

Net operating revenues	52,845	48,335	104,473	97,181
Operating, general and administrative	8,786	11,094	19,373	22,557
Operating fuel and power	2,355	2,449	4,537	4,619
Depreciation and amortization	12,840	14,155	25,541	29,830
Taxes — other than income taxes	762	1,362	1,886	2,710
Gains on sales of assets	—	—	(407)	—
Operating income	$ 28,102	$ 19,275	$ 53,543	$ 37,465

Three Months Ended June 30, 2005 Compared with Three Months Ended June 30, 2004

Revenues from the gathering of natural gas increased $2.5 million for the three months ended June 30, 2005, compared with the three months ended June 30, 2004. Natural gas gathering revenues from the Jonah system increased $2.5 million and volumes gathered increased 15.6 billion cubic feet ("Bcf") for the three months ended June 30, 2005, primarily due to the expansion of the Jonah system in 2004. Installation of additional capacity of 100 million cubic feet per day was completed during the fourth quarter of 2004. Jonah's average natural gas gathering rate per MMcf decreased due to higher system wellhead pressures. Natural gas gathering revenues from the Val Verde system remained constant and volumes gathered increased 8.6 Bcf for the three months ended June 30, 2005, primarily due to increased volumes from two new connections made to the Val Verde system in May and December 2004, partially offset by the natural decline of CBM production and slower than anticipated completion and connection of infill wells. Val Verde's average natural gas gathering rate per MMcf decreased due to contracts entered into relating to the new connections, which have lower rates than the existing Val Verde system's average rates.

Margin (sales of petroleum products less purchases of petroleum products) resulting from the processing arrangements at the Jonah Pioneer plant increased $0.4 million for the three months ended June 30, 2005, compared with the three months ended June 30, 2004, primarily due to increased volumes and higher NGL prices. Jonah's Pioneer gas processing plant was completed during the first quarter of 2004, as a part of the Phase III expansion to increase the processing capacity in southwestern Wyoming. Pioneer's processing agreements allow the producers to elect annually whether to be charged under a fee-based arrangement or a fee plus keep-whole arrangement. Under the fee-based election, Jonah receives a fee for its processing services. Under the fee plus keep-whole election, Jonah receives a lower fee for its processing services, retains and sells the NGLs extracted during the process and delivers to producers the residue gas equivalent in energy to the natural gas received from the producers. Jonah sells the NGLs it retains and purchases gas to replace the equivalent energy removed in the liquids. For the 2004 and 2005 periods, the producers have elected the fee plus keep-whole arrangement.

Revenues from the transportation of NGLs increased $0.8 million for the three months ended June 30, 2005, compared with the three months ended June 30, 2004, primarily due to increases in volumes transported on the Panola Pipeline, partially offset by decreases in volumes transported on the Chaparral, Dean and Wilcox Pipelines.

The increase in the NGL transportation average rate per barrel resulted from higher average rates per barrel on volumes transported on the Panola Pipeline.

Other operating revenues increased $0.8 million for the three months ended June 30, 2005, compared with the three months ended June 30, 2004. Val Verde's other operating revenues increased $0.5 million due to revenues generated as a result of contractual producer minimum fuel levels exceeding actual operating fuel usage during the three months ended June 30, 2005. Val Verde retains a portion of its producers' gas to compensate for fuel used in operations. The actual usage of gas can differ from the amount contractually retained from producers. Value retained from producers or sales generated as a result of efficient fuel usage is recognized as other operating revenues. NGL fractionation revenues increased $0.2 million as a result of higher volumes.

Costs and expenses (excluding purchases of petroleum products) decreased $4.3 million for the three months ended June 30, 2005, compared with the three months ended June 30, 2004, due to decreases in operating, general and administrative expenses, depreciation and amortization expense, taxes — other than income taxes and operating fuel and power. Operating, general and administrative expenses decreased $2.3 million primarily due to a $1.7 million decrease in gas settlement expenses and a $1.6 million decrease in pipeline operating and maintenance expenditures primarily on Val Verde, partially offset by a $1.0 million increase in labor and benefits expense primarily associated with vesting provisions in certain of our compensation plans as a result of changes in control of our General Partner and certain DEFS employees becoming employees of EPCO. Amortization expense on the Jonah system decreased $0.9 million primarily due to revisions to the estimated life of intangible assets under the units-of-production method, partially offset by a $0.3 million increase as a result of higher volumes in the 2005 period. During the fourth quarter of 2004 and the first and second quarters of 2005, updated production forecasts were obtained from some of the producers on the Jonah system related to future expansions of the system, and as a result, we increased our best estimate of future throughput on the Jonah system. This increase in the estimate of future throughput extended the amortization period of Jonah's natural gas gathering contracts (see Note 2. Goodwill and Other Intangible Assets). Amortization expense on the Val Verde system decreased $0.2 million primarily due to lower volumes in the 2005 period on contracts included in the intangible assets, resulting from the natural decline in CBM production. Depreciation expense decreased $0.2 million primarily due to a $1.0 million decrease on Jonah as a result of increases to the estimated lives of Jonah's assets, partially offset by a $0.6 million increase on Val Verde as a result of assets placed into service in 2004 and an increase on Panola due to assets retired to depreciation expense. Taxes — other than income taxes decreased $0.6 million due to actual property taxes being lower than previously estimated.

Six Months Ended June 30, 2005 Compared with Six Months Ended June 30, 2004

Revenues from the gathering of natural gas increased $4.6 million for the six months ended June 30, 2005, compared with the six months ended June 30, 2004. Natural gas gathering revenues from the Jonah system increased $4.4 million and volumes gathered increased 29.0 Bcf for the six months ended June 30, 2005, primarily due to the expansion of the Jonah system in 2004. Installation of additional capacity of 100 million cubic feet per day was completed during the fourth quarter of 2004. Jonah's average natural gas gathering rate per MMcf decreased due to higher system wellhead pressures. Natural gas gathering revenues from the Val Verde system increased $0.2 million and volumes gathered increased 16.4 Bcf for the six months ended June 30, 2005, primarily due to increased volumes from two new connections made to the Val Verde system in May and December 2004, partially offset by the natural decline of CBM production and slower than anticipated completion and connection of infill wells. Val Verde's average natural gas gathering rate per MMcf decreased due to contracts entered into relating to the new connections, which have lower rates than the existing Val Verde system's average rates.

Margin (sales of petroleum products less purchases of petroleum products) resulting from the processing arrangements at the Jonah Pioneer plant increased $1.1 million for the six months ended June 30, 2005, compared with the six months ended June 30, 2004, primarily due to increased volumes and higher NGL prices.

Revenues from the transportation of NGLs increased $1.0 million for the six months ended June 30, 2005, compared with the six months ended June 30, 2004, primarily due to increases in volumes transported on the Panola

Pipeline, partially offset by decreases in volumes transported on the Chaparral, Dean and Wilcox Pipelines. The increase in the NGL transportation average rate per barrel resulted from higher average rates per barrel on volumes transported on the Panola Pipeline.

Other operating revenues increased $0.6 million for the six months ended June 30, 2005, compared with the six months ended June 30, 2004. Val Verde's other operating revenues increased $0.6 million due to revenues generated as a result of contractual producer minimum fuel levels exceeding actual operating fuel usage during the six months ended June 30, 2005. NGL fractionation revenues increased $0.2 million as a result of higher volumes. Jonah's other operating revenues decreased $0.2 million primarily due to lower condensate sales.

Costs and expenses (excluding purchases of petroleum products) decreased $8.8 million for the six months ended June 30, 2005, compared with the six months ended June 30, 2004, due to decreases in depreciation and amortization expense, operating, general and administrative expenses, taxes — other than income taxes and operating fuel and power, partially offset by a net gain recorded on the sale of an asset. Amortization expense on the Jonah system decreased $1.7 million primarily due to revisions to the estimated life of intangible assets under the units-of-production method, partially offset by a $0.6 million increase as a result of higher volumes in the 2005 period. Amortization expense on the Val Verde system decreased $0.5 million primarily due to lower volumes in the 2005 period on contracts included in the intangible assets, resulting from the natural decline in CBM production. Depreciation expense decreased $2.1 million primarily due to a $3.4 million decrease on Jonah as a result of increases to the estimated lives of Jonah's assets, partially offset by a $1.2 million increase on Val Verde as a result of assets placed into service in 2004. Operating, general and administrative expenses decreased $3.2 million primarily due to a $3.5 million decrease in gas settlement expenses and a $1.1 million decrease in pipeline operating and maintenance expenditures primarily on Val Verde, partially offset by a $1.2 million increase in labor and benefits expense primarily associated with vesting provisions in certain of our compensation plans as a result of changes in control of our General Partner and certain DEFS employees becoming employees of EPCO. Taxes — other than income taxes decreased $0.8 million due to actual property taxes being lower than previously estimated. A net gain of $0.4 million was recognized on the sale of equipment in the current period.

Interest Expense and Capitalized Interest

Three Months Ended June 30, 2005 Compared with Three Months Ended June 30, 2004

Interest expense increased $4.7 million for the three months ended June 30, 2005, compared with the three months ended June 30, 2004, primarily due to higher short term floating interest rates on our revolving credit facility, $2.0 million of expense related to the termination of a treasury lock (see Note 3. Interest Rate Swaps) and higher outstanding debt balances.

Capitalized interest decreased $0.4 million for the three months ended June 30, 2005, compared with the three months ended June 30, 2004, due to lower construction work-in-progress balances in the 2005 period.

Six Months Ended June 30, 2005 Compared with Six Months Ended June 30, 2004

Interest expense increased $4.7 million for the six months ended June 30, 2005, compared with the six months ended June 30, 2004, primarily due to higher short term floating interest rates on our revolving credit facility, $2.0 million of expense related to the termination of a treasury lock (see Note 3. Interest Rate Swaps) and higher outstanding debt balances. These increases were partially offset by an increased percentage of variable interest rate debt during the six months ended June 30, 2005, that carried a lower rate of interest as compared with fixed interest rate debt. The higher percentage of variable interest rate debt resulted from the expiration of an interest rate swap in April 2004 (see Note 3. Interest Rate Swaps).

Capitalized interest decreased $0.2 million for the six months ended June 30, 2005, compared with the six months ended June 30, 2004, due to lower construction work-in-progress balances in the 2005 period.

Financial Condition and Liquidity

Cash generated from operations, credit facilities and debt and equity offerings are our primary sources of liquidity. At June 30, 2005, we had a working capital surplus of $62.0 million, while at December 31, 2004, we had a working capital deficit of $37.8 million. At June 30, 2005, we had approximately $278.6 million in available borrowing capacity under our revolving credit facility to cover any working capital needs. Cash flows for the six months ended June 30, 2005 and 2004 were as follows (in millions):

	Six Months Ended June 30,	
	2005 (as restated)	2004 (as restated)
Cash provided by (used in):		
Operating activities	$24.6	$132.0
Investing activities	(126.0)	(81.9)

Financing activities	86.5	(65.7)

Operating Activities

Net cash from operating activities for the six months ended June 30, 2005 and 2004, was comprised of the following (in millions):

	Six Months Ended June 30,	
	2005 (as restated)	2004 (as restated)
Net income	$88.4	$76.4
Depreciation and amortization	52.1	54.2
Earnings in equity investments	(11.9)	(15.4)
Distributions from equity investments	19.0	20.8
Gains on sales of assets	(0.6)	(0.1)
Non-cash portion of interest expense	0.8	(0.2)
Cash used in working capital and other	(123.2)	(3.7)
Net cash from operating activities	$24.6	$132.0

For a discussion of changes in earnings before interest, depreciation and amortization, equity earnings, gain on sales of assets by segment and consolidated interest expense — net, see Results of Operations for the Downstream Segment, Upstream Segment and Midstream Segment in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. Cash provided by operating activities decreased $107.4 million for the six months ended June 30, 2005, compared with the six months ended June 30, 2004, primarily due to the timing of cash disbursements and cash receipts for crude oil inventory and other working capital components and a decrease in distributions received from our equity investments during the six months ended June 30, 2005, partially offset by higher net income and lower depreciation and amortization expense in the 2005 period.

During the second quarter of 2005, we purchased crude oil and simultaneously entered into offsetting sales contracts for physical delivery during the third quarter of 2005. The purpose of these contracts was to lock in a margin on the crude oil while it is stored in our facilities. These purchases had a negative impact on cash flows from operating activities when the invoices for the crude oil were paid during the second quarter of 2005. We utilized borrowings under our revolving credit facility to fund a large portion of the crude oil purchases. These borrowings on our revolving credit facility are shown as financing activities in the statement of cash flows. As such, until we deliver the crude oil and receive payment from our customers, operating activities in the statement of cash flows will be negatively impacted by this activity.

We believe that we will continue to have adequate liquidity to fund future recurring operating and investing activities. Our primary cash requirements consist of normal operating expenses, capital expenditures to sustain existing operations and revenue generating expenditures, interest payments on our Senior Notes and revolving credit facility, distributions to our General Partner and unitholders and acquisitions of new assets or businesses. Short-term cash requirements, such as operating expenses, capital expenditures to sustain existing operations and quarterly distributions to our General Partner and unitholders, are expected to be funded through operating cash flows. Long-term cash requirements for expansion projects and acquisitions are expected to be funded by several sources, including cash flows from operating activities, borrowings under credit facilities, and the issuance of additional equity and debt securities. Our ability to complete future debt and equity offerings and the timing of any such offerings will depend on various factors, including prevailing market conditions, interest rates, our financial condition and our credit rating at the time.

Net cash from operating activities for the six months ended June 30, 2005 and 2004, included interest payments, net of amounts capitalized, of $41.1 million and $41.2 million, respectively. Excluding the effects of hedging activities and interest capitalized during the year ended December 31, 2005, we expect interest payments on our fixed rate Senior Notes to be approximately $77.8 million. We expect to pay our interest payments with cash flows from operating activities.

Investing Activities

Cash flows used in investing activities totaled $126.0 million for the six months ended June 30, 2005, and were comprised of $82.9 million of capital expenditures, $42.5 million for the acquisition of crude oil assets and $1.1 million of cash contributions for TE Products' ownership interest in MB Storage, partially offset by $0.5 million in net cash proceeds from an asset sale in our Midstream Segment. Cash flows used in investing activities totaled $81.9 million for the six months ended June 30, 2004, and were comprised of $60.3 million of capital expenditures, $1.5 million of cash contributions for TE Products' ownership interest in Centennial, $17.2 million of cash contributions for TE Products' ownership interest in MB Storage and $3.0 million for the acquisition of assets, partially offset by $0.1 million in net cash proceeds from asset sales in our Upstream and Downstream Segments.

Financing Activities

Cash flows provided by financing activities totaled $86.5 million for the six months ended June 30, 2005, and were comprised of $278.8 million from the issuance of 7.0 million Units in May and June 2005, partially offset by $117.3 million of distributions paid to unitholders and $75.0 million in repayments, net of borrowings, on our revolving credit facility. Cash flows used in financing activities totaled $65.7 million for the six months ended June 30, 2004, and were comprised of $115.7 million of distributions paid to unitholders, partially offset by $50.0 million in borrowings, net of repayments, from our revolving credit facility.

Centennial entered into credit facilities totaling $150.0 million and, as of June 30, 2005, $150.0 million was outstanding under those credit facilities. The proceeds were used to fund construction and conversion costs of Centennial's pipeline system. TE Products and Marathon Ashland Petroleum LLC ("Marathon") have each guaranteed one-half of Centennial's debt, up to a maximum of $75.0 million each.

Universal Shelf

We have filed with the Securities and Exchange Commission a universal shelf registration statement that, subject to agreement on terms at the time of use and appropriate supplementation, allows us to issue, in one or more offerings, up to an aggregate of $2.0 billion of equity securities, debt securities or a combination thereof. During the three months ended June 30, 2005, we issued $279.2 million of equity securities. At June 30, 2005, we had $1.7 billion remaining under this shelf registration, subject to customary marketing terms and conditions.

Credit Facilities and Interest Rate Swap Agreements

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. On October 21, 2004, we amended our Revolving Credit Facility to (i) increase the facility size to $600.0 million, (ii) extend the term to October 21, 2009, (iii) remove certain restrictive covenants, (iv) increase the available amount for the issuance of letters of credit up to $100.0 million and (v) decrease the LIBOR rate spread charged at the time of each borrowing. On February 23, 2005, we again amended our Revolving Credit Facility to remove the requirement that DEFS must at all times own, directly or indirectly, 100% of our General Partner, to allow for its acquisition by DFI. During the second quarter of 2005, we used a portion of the proceeds from equity offerings in May 2005 and June 2005 to repay a portion of the Revolving Credit Facility (see Note 8. Partners' Capital and Distributions). At June 30, 2005, $278.0 million was outstanding under the Revolving Credit Facility at a weighted average interest rate of 4.3%. At June 30, 2005, we were in compliance with the covenants of this credit agreement.

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 June 30, 2005 (in millions):

	As of June 30, 2005		
Description:	**Outstanding Principal**	**Available Borrowing Capacity**	**Maturity Date**
Revolving Credit Facility (1)	$ 278.0	$ 322.0	October 2009
6.45% Senior Notes (2)	180.0	—	January 2008
7.625% Senior Notes (2)	500.0	—	February 2012
6.125% Senior Notes (2)	200.0	—	February 2013
7.51% Senior Notes (2)	210.0	—	January 2028
Total	$ 1,368.0	$ 322.0	

(1) Our Revolving Credit Facility contains restrictive covenants that require us to maintain certain financial ratios. Under the most restrictive financial covenant, approximately $278.6 million was available to be borrowed for working capital needs at June 30, 2005. Certain of these restrictive covenants are adjusted in the event of an acquisition by us, which would permit additional borrowings under the facility.

(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 June 30, 2005, the 7.51% Senior Notes include an adjustment to increase the fair value of the debt by $7.4 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 June 30, 2005, the 7.625% Senior Notes include a deferred gain, net of amortization, from previous interest rate swap terminations of $34.6 million. At June 30, 2005, our 6.45% Senior Notes, our 7.625% Senior Notes and our 6.125% Senior Notes include $2.6 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 $117.3 million ($1.325 per Unit) and $115.7 million ($1.3125 per Unit) during the six months ended June 30, 2005 and 2004, respectively. Additionally, we declared a cash distribution of

$0.675 per Unit for the quarter ended June 30, 2005. We will pay the distribution of $66.9 million on August 5, 2005, to unitholders of record on July 29, 2005.

On May 5, 2005, we sold in an underwritten public offering 6.1 million Units at $41.75 per Unit. The proceeds from the offering, net of underwriting discount, totaled approximately $244.5 million. On June 8, 2005, 865,000 Units were sold upon exercise of the underwriters' over-allotment option granted in connection with the offering on May 5, 2005. Proceeds from the over-allotment sale, net of underwriting discount, totaled $34.7 million. The proceeds were used to reduce indebtedness under our Revolving Credit Facility, to fund revenue generating and system upgrade capital expenditures and for general partnership purposes.

General Partner Interest

As of June 30, 2005, and December 31, 2004, we had deficit balances of $43.9 million and $35.9 million, respectively, in our General Partner's equity account. These negative balances do not represent assets to us and do not represent obligations of the General Partner to contribute cash or other property to us. The General Partner's equity account generally consists of its cumulative share of our net income less cash distributions made to it plus capital

contributions that it has made to us (see our Consolidated Statement of Partners' Capital for a detail of the General Partner's equity account). For the six months ended June 30, 2005, the General Partner was allocated $25.9 million (representing 29.27%) of our net income and received $33.8 million in cash distributions.

Capital Accounts, as defined under our Partnership Agreement, are maintained for our General Partner and our limited partners. The Capital Account provisions of our Partnership Agreement incorporate principles established for U.S. federal income tax purposes and are not comparable to the equity accounts reflected under accounting principles generally accepted in the United States in our financial statements. Under our Partnership Agreement, the General Partner is required to make additional capital contributions to us upon the issuance of any additional Units if necessary to maintain a Capital Account balance equal to 1.999999% of the total Capital Accounts of all partners. At June 30, 2005, and December 31, 2004, the General Partner's Capital Account balance substantially exceeded this requirement.

Net income is allocated between the General Partner and the limited partners in the same proportion as aggregate cash distributions made to the General Partner and the limited partners during the period. This is generally consistent with the manner of allocating net income under our Partnership Agreement. Net income determined under our Partnership Agreement, however, incorporates principles established for U.S. federal income tax purposes and is not comparable to net income reflected under accounting principles generally accepted in the United States in our financial statements.

Cash distributions that we make during a period may exceed our net income for the period. 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. Cash distributions in excess of net income allocations and capital contributions during the year ended December 31, 2004, and the six months ended June 30, 2005, resulted in deficits in the General Partner's equity account at December 31, 2004, and June 30, 2005. Future cash distributions that exceed net income will result in an increase in the deficit balance in the General Partner's equity account.

According to the Partnership Agreement, in the event of our dissolution, after satisfying our liabilities, our remaining assets would be divided among our limited partners and the General Partner generally in the same proportion as Available Cash but calculated on a cumulative basis over the life of the Partnership. If a deficit balance still remains in the General Partner's equity account after all allocations are made between the partners, the General Partner would not be required to make whole any such deficit.

Future Capital Needs and Commitments

We estimate that capital expenditures, excluding acquisitions, for 2005 will be approximately $283.0 million (which includes $7.0 million of capitalized interest). We expect to spend approximately $209.8 million for revenue generating projects and facility improvements. Capital spending on revenue generating projects and facility improvements will include approximately $43.8 million for the expansion of our Downstream Segment facilities. We expect to spend $25.7 million to expand our Upstream Segment pipelines and facilities in West Texas and Oklahoma and approximately $140.3 million to expand our Midstream Segment assets, with further expansions on our Jonah system. We expect to spend approximately $41.0 million to sustain existing operations, including life-cycle replacements for equipment at various facilities and pipeline and tank replacements among all of our business segments. We expect to spend approximately $25.2 million to improve operational efficiencies and reduce costs among all of our business segments. We continually review and evaluate potential capital improvements and expansions that would be complementary to our present business operations. 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) the TE Products $180.0 million 6.45% Senior Notes due January 15, 2008, (ii) outstanding principal amounts under the Revolving Credit Facility due in October 2009 ($278.0 million outstanding at June 30, 2005), (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 throughput requirement. For the year ended December 31, 2004, TE Products exceeded the minimum throughput requirements on the lease agreement.

During the six months ended June 30, 2005, TE Products contributed $1.1 million to MB Storage. No amounts were contributed to Centennial during the six months ended June 30, 2005. During the six months ended June 30, 2004, TE Products contributed $1.5 million to Centennial to cover operating needs and capital expenditures and $17.2 million to MB Storage, of which $16.5 million was used to acquire storage assets in April 2004. During the remainder of 2005, TE Products may be required to contribute cash to Centennial to cover capital expenditures, acquisitions or other operating needs and to MB Storage to cover significant capital expenditures or additional acquisitions.

Off-Balance Sheet Arrangements

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.

Contractual Obligations

The following table summarizes our debt repayment obligations and material contractual commitments as of June 30, 2005 (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	$ 278.0	$ —	$ 278.0	$ —	$ —
6.45% Senior Notes due 2008 (1) (2)	180.0	—	—	180.0	—
7.625% Senior Notes due 2012 (2)	210.0	—	—	—	210.0
6.125% Senior Notes due 2013 (2)	500.0	—	—	—	500.0
7.51% Senior Notes due 2028 (1) (2)	200.0	—	—	—	200.0
Debt subtotal	1,368.0	—	278.0	180.0	910.0
Operating leases	78.1	19.0	30.0	12.8	16.3
Capital expenditure obligations (3)	17.2	17.2	—	—	—
Other liabilities and deferred credits (4)	3.6	—	2.9	0.7	—
Total	$ 1,466.9	$ 36.2	$ 310.9	$ 193.5	$ 926.3

(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 June 30, 2005, the 7.51% Senior Notes include an adjustment to increase the fair value of the debt by $7.4 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 June 30, 2005, the 7.625% Senior Notes include a deferred gain, net of amortization, from previous interest rate swap terminations of $34.6 million. At June 30, 2005, our 6.45% Senior Notes, our 7.625% Senior Notes and our 6.125% Senior Notes include $2.6 million of unamortized debt discounts. The fair value adjustments, the deferred gain adjustment and the unamortized debt discounts are excluded from this table.

(3) Includes accruals for costs incurred but not yet paid relating to capital projects.

(4) Excludes approximately $9.1 million of long-term deferred revenue payments, which are being transferred to income over the term of the respective revenue contracts. The amount of commitment by year is our best estimate of projected payments of these long-term liabilities.

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, with proceeds from dispositions of assets, cash flow from operations or any combination of the above items.

In addition to the items in the table above, we have entered into various operational commitments and agreements related to pipeline operations and to the marketing, transportation, terminaling and storage of crude oil. The majority of contractual commitments for the purchase of crude oil that are made range in term from a thirty-day evergreen to three years. A substantial portion of the contracts for the purchase of crude oil that extend beyond thirty days include cancellation provisions that allow us to cancel the contract with thirty days written notice. During the six months ended June 30, 2005, crude oil purchases averaged approximately $552.5 million per month.

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 June 30, 2005, we had $278.6 million in available borrowing capacity under the Revolving Credit Facility, subject to compliance with prescribed financial covenants. 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 will require funding through borrowings under our Revolving Credit Facility or proceeds from the sale of additional debt or equity offerings, or any combination thereof.

Our senior unsecured debt is rated BBB- by Standard and Poors (“S&P”) and Baa3 by Moody’s Investors Service (“Moody’s”). S&P assigned this rating on June 14, 2005, following its review of the ownership structure, corporate governance issues, and proposed funding after the acquisition of the General Partner by DFI. Both ratings are with a stable outlook. 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. The senior unsecured debt of our subsidiary, TE Products, is also rated BBB- by S&P and Baa3 by Moody’s. Both ratings are with a stable outlook.

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. In 1999, our Arcadia facility and adjacent terminals were directed by the Remediation Services Division of the LDEQ to pursue remediation of this contamination. At June 30, 2005, we have an accrued liability of $0.2 million for remediation costs at our Arcadia facility. Effective in March 2004, we executed an access agreement with an adjacent industrial landowner who is located upgradient of the Arcadia facility. This agreement enables the landowner to proceed with remediation activities at our Arcadia facility for which it has accepted shared responsibility. We do not expect that the completion of the remediation program proposed to the LDEQ 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 storage tank at our Blue Island terminal located in Cook County, Illinois. As a result of the release, we have entered into an Agreed Order with the State of Illinois, which required us to conduct an environmental investigation. At this time, we have complied with the terms of the Agreed Order, and the results of the environmental investigation indicated there were no soil or groundwater impacts from the release. We are in the process of negotiating a final settlement with the State of Illinois, and we do not expect that compliance with the settlement will have a future material adverse effect on our financial position, results of operations or cash flows.

On July 22, 2004, we experienced a release of approximately 12 barrels of jet fuel from a sump at our Lebanon, Ohio, terminal. The released jet fuel was contained within a storm water retention pond located on the terminal property. Six migratory waterfowl were affected by the jet fuel and were subsequently euthanized by or at the request of the United States Fish and Wildlife Service (“USFWS”). On October 1, 2004, the USFWS served us with a Notice of Violation, alleging that we violated 16 USC 703 of the Migratory Bird Treaty Act for the “take[ing] of migratory birds by illegal methods.” On February 7, 2005, we entered into a Memorandum of Understanding (“MOU”) with the USFWS, and on June 23, 2005, we notified the USFWS that we had completed all requirements under the MOU, thus terminating the agreement and settling all aspects of this matter. The terms of this settlement did not have a material effect on our financial position, results of operations or cash flows.

On July 27, 2004, we received notice from the United States Department of Justice (“DOJ”) of its intent to seek a civil penalty against us related to our November 21, 2001, release of approximately 2,575 barrels of jet fuel from our 14-inch diameter pipeline located in Orange County, Texas. The DOJ, at the request of the Environmental Protection Agency, is seeking a civil penalty against us for alleged violations of the Clean Water Act (“CWA”) arising out of this release. The maximum statutory penalty calculated for this alleged violation of the CWA is $2.8 million. We are in discussions with the DOJ regarding this matter and have responded to its request for additional information. We do not expect a civil penalty, if any, to have a material adverse effect on our financial position, results of operations or cash flows.

At June 30, 2005, we have an accrued liability of $4.1 million related to various TCTM and TE Products sites requiring environmental remediation activities. We do not expect that the completion of remediation programs associated with TCTM and TE Products activities will have a future material adverse effect on our financial position, results of operations or cash flows.

On February 24, 2005, the General Partner was acquired from DEFS by DFI. The General Partner owns a 2% general partner interest in us and is the general partner of the Partnership. On March 11, 2005, the Bureau of Competition of the Federal Trade Commission (“FTC”) delivered written notice to DFI’s legal advisor that it was conducting a non-public investigation to determine whether DFI’s acquisition of the General Partner may substantially lessen competition. The FTC has contacted the General Partner requesting data. The General Partner intends to cooperate fully with any such investigations and inquiries requested by the FTC or any other regulatory authorities.

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.

Corporate Governance Guidelines

Effective March 22, 2005, the General Partner’s LLC Agreement was amended to delete a provision requiring that members of our General Partner’s board of directors must retire at the first meeting of the board of directors following attainment of the age of 70 years. The agreement was amended to allow for the election of the new members of the board of directors, one of whom is over the age of 70. As a result of the amendment, there is now no retirement age for the members of the General Partner’s board of directors. Our Corporate Governance Guidelines, which were also amended to reflect this change, are available on our website at www.teppco.com.

On March 22, 2005, the members of the board of directors of the General Partner, Jim W. Mogg, Mark A. Borer, Michael J. Bradley, Milton Carroll, Derrill Cody, John P. DesBarres, William H. Easter III and Paul F. Ferguson, Jr., each of whom had been elected to the board of the General Partner by DEFS, resigned and new directors were elected. The newly elected directors are Ralph S. Cunningham, Lee W. Marshall, Sr., Murray H. Hutchison and Michael B. Bracy. Barry R. Pearl will continue to serve the General Partner as chief executive

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officer, president and a director. The newly elected board is comprised of a majority of outside directors who are independent under the criteria of the New York Stock Exchange and the U.S. Securities and Exchange Commission.

Retirement and Election of Officers

On July 12, 2005, we announced that Charles H. Leonard elected to retire effective July 8, 2005, as Senior Vice President and Chief Financial Officer of our General Partner. Tracy E. Ohmart, Controller of the General Partner, became the acting Chief Financial Officer.

Mr. Ohmart, age 37, has served as Controller of our General Partner since May 2002. Mr. Ohmart joined our General Partner in January 2001 and has held various positions within the Company until he became Assistant Controller in May 2001. Prior to his employment with our General Partner, Mr. Ohmart spent 12 years in various positions at ARCO Pipe Line Company, most recently serving as supervisor of general accounting and policy.

Mr. William Ordemann was elected Senior Vice President of our General Partner effective July 25, 2005. Mr. Ordemann will be responsible for leading commercial development activities for Jonah. Mr. Ordemann also serves as Senior Vice President of Enterprise Products GP, LLC ("Enterprise GP"), the general partner of Enterprise Products Partners L.P. Prior to joining Enterprise GP, Mr. Ordemann served as vice president of Tejas Natural Gas Liquids, LLC from February 1998 to September 1999, and vice president of Shell Midstream Enterprises, LLC from January 1997 to February 1998.

Mr. Stephen O. McNair was elected Vice President of our General Partner effective July 25, 2005. Mr. McNair will have leadership responsibility for our Natural Gas Services organization, including Jonah operations and Val Verde activities. Mr. McNair joined our General Partner in June 2005. He was previously Rockies Region vice president for DEFS. He joined DEFS as general manager of Operations, West Permian Region in 2000. Prior to his employment with DEFS, Mr. McNair held various engineering, commercial and operations management positions with Conoco Inc. and GPM Gas Corporation.

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, 2004, 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 crude oil 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.

We seek to maintain a position that is substantially balanced between crude oil purchases and sales and future delivery obligations. On the majority of our crude oil derivative contracts, we take the normal purchase and normal sale exclusion in accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133*. At June 30, 2005, we have $75.8 million of crude oil inventory for which we have entered into forward crude sales contracts to mitigate the risk of price volatility.

Occasionally, customers require pricing terms which do not allow us to balance our position. Additionally, certain pricing terms may expose us to movements in margin. On a small portion of our crude oil marketing business, we enter into derivative contracts such as swaps and other business hedging devices for which we cannot take the normal purchase and normal sale exclusion and for which we do not elect hedge accounting. The terms of these contracts are less than one year. The purpose is to balance our position or lock in a margin and, as such, do not expose us to any additional significant market risk. We mark these transactions to market and the changes in the fair value are recognized in current earnings. This results in some financial statement variability during quarterly periods; however, any unrealized gains and losses reflected in the financial statements related to marking these transactions to market are offset by realized gains and losses in different quarterly periods when the transactions are settled.

At June 30, 2005, we had $278.0 million outstanding under our variable interest rate 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 and is adjusted monthly, bimonthly, quarterly or semiannually. Utilizing the balances of our variable interest rate debt outstanding at June 30, 2005, and assuming market interest rates increase 100 basis points, the potential annual increase in interest expense would be $2.8 million.

At June 30, 2005, 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 June 30, 2005, the estimated fair value of the TE Products Senior Notes was approximately $412.6 million. At June 30, 2005, 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 June 30, 2005, the estimated fair value of the $500.0 million 7.625% Senior Notes and the $200.0 million 6.125% Senior Notes was approximately $570.4 million and $212.0 million, respectively.

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. Interest rate swaps that manage our cash flow risk reduce our exposure to increases in the benchmark interest rates underlying variable rate debt. Interest rate swaps that manage our fair value risks are intended to reduce our exposure to changes in the fair value of the fixed rate debt. 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.

In October 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

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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 six months ended June 30, 2005, and 2004, we recognized reductions in interest expense of $3.3 million and $5.1 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 June 30, 2005, 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 $7.4 million and $3.4 million at June 30, 2005, and December 31, 2004, respectively. Utilizing the balance of the 7.51% TE Products Senior Notes outstanding at June 30, 2005 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.

In July 2000, we 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 matured in April 2004. We designated this swap agreement, which hedged exposure to variability in expected future cash flows attributed to changes in interest rates, as a cash flow hedge. The swap agreement was based on a notional amount of $250.0 million. Under the swap agreement, we paid a fixed rate of interest of 6.955% and received a floating rate based on a three-month U.S. Dollar LIBOR rate. Because this swap was designated as a cash flow hedge, the changes in fair value, to the extent the swap was effective, were recognized in other comprehensive income until the hedged interest costs were recognized in earnings. From January 2004 through April 2004, we recognized an increase in interest expense of $2.9 million related to the difference between the fixed rate and the floating rate of interest on the interest rate swap.

During 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%. These swap agreements were later terminated in 2002 resulting in gains of $44.9 million. The gains realized from the 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 June 30, 2005, the unamortized balance of the deferred gains was $34.6 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.

During May 2005, we executed a treasury rate lock agreement with a notional amount of $200.0 million to hedge our exposure to increases in the treasury rate that was to be used to establish the fixed interest rate for a debt offering that was proposed to occur in the second quarter of 2005. During June 2005, the proposed debt offering was cancelled, and the treasury lock was terminated with a realized loss of $2.0 million. The realized loss was recorded as a component of interest expense in the consolidated statements of income.

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 June 30, 2005, 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.

Changes in Internal Control over Financial Reporting

Through February 23, 2005, our General Partner was an indirect subsidiary of Duke Energy, and Duke Energy's Audit Services Department provided our internal audit functions. On February 24, 2005, the General Partner was acquired by DFI, an affiliate of EPCO. EPCO, using its own personnel and third party providers, will provide us with internal audit services. EPCO expects the transition of internal audit functions to be completed in

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the third quarter of 2005. This change is not expected to adversely affect our internal audit process or our internal control over financial reporting.

There has been no significant change in our internal control over financial reporting during the second quarter of 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. 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 11. Commitments and Contingencies in the accompanying consolidated financial statements.

Item 6. 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).
3.3*	Limited Liability Company Agreement of Texas Eastern Products Pipeline Company, LLC, dated March 31, 2000.
3.4*	Amendment to Limited Liability Company Agreement of Texas Eastern Products Pipeline Company, LLC, dated March 22, 2005.
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).
10.1+*	Amendments to the TEPPCO Retirement Cash Balance Plan and the TEPPCO Supplemental Benefit Plan dated as of May 27, 2005.
10.2+	Agreement and Release between Charles H. Leonard and Texas Eastern Products Pipeline Company, LLC as of July 11, 2005 (Filed as Exhibit 10.2 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2005 and incorporated herein by reference).
10.3+*	Form of Supplemental Agreement No. 2 to Employment Agreements between EPCO, Inc. and Barry R. Pearl, J. Michael Cockrell, John N. Goodpasture, Stephen W. Russell, C. Bruce Shaffer, Barbara A. Carroll, Thomas R. Harper, Charles H. Leonard, James C. Ruth and Leonard W. Mallett dated as of May 24, 2005.
10.4+*	Texas Eastern Products Pipeline Company, LLC 2005 Phantom Unit Plan, effective January 1, 2005.
10.5+*	Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan Award Agreement.
10.6+*	Texas Eastern Products Pipeline Company, LLC 2005 Phantom Unit Plan Award Agreement.
12.1	Statement of Computation of Ratio of Earnings to Fixed Charges (Filed as Exhibit 12.1 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2005 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.

** Furnished herewith pursuant to Item 601(b)-(32) of Regulation S-K.

\+ A management contract or compensation plan or arrangement.

SIGNATURES

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

TEPPCO Partners, L.P.

Date: June 16, 2006	By:	/s/ JERRY E. THOMPSON Jerry E. Thompson, President and Chief Executive Officer of Texas Eastern Products Pipeline Company, LLC, General Partner
Date: June 16, 2006	By:	/s/ WILLIAM G. MANIAS William G. Manias, Vice President and Chief Financial Officer of Texas Eastern Products Pipeline Company, LLC, General Partner

LIMITED LIABILITY COMPANY AGREEMENT
OF
TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC

This Limited Liability Company Agreement (this "Agreement") of Texas Eastern Products Pipeline Company, LLC, is entered into by PanEnergy Corp., a Delaware corporation, to hereby form a Delaware limited liability company pursuant to and in accordance with the Delaware Limited Liability Company Act (the "Act"). Accordingly PanEnergy Corp. hereby agrees as follows:

1. Name. The name of the limited liability company formed hereby is Texas Eastern Products Pipeline Company, LLC (the "Company").

2. Purpose. The purpose for which the Company is organized is to transact any and all lawful business for which limited liability companies may be organized under the Act.

3. Registered Office. The registered office of the Company in the State of Delaware is c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801.

4. Registered Agent. The name and address of the registered agent of the Company for service of process on the Company in the State of Delaware is The Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801.

5. Principal Office. The principal office of the Company (at which the books and records of the Company shall be maintained) shall be in Houston, Texas.

6. Member.

(a) The name and the mailing address of the initial Member is as follows:

PanEnergy Corp.
5400 Westheimer Court
Houston, Texas 77056

(b) The member shall not cease to be a member of the Company upon the occurrence of any event described in Section 18-304 of the Act.

7. Term. The term of the Company shall commence on the effective date of the filing of a Certificate of Formation in the Office of the Secretary of State of the State of Delaware and shall be perpetual, unless it is dissolved sooner as a result of: (a) the written election of the member, or (b) the entry of a decree of judicial dissolution under Section 18-802 of the Act. No other event shall cause dissolution of the Company.

8. Management. As provided in this Agreement, all management powers over the business and affairs of the Company shall be exclusively vested in a Board of Directors (the

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"*Board of Directors*") and, subject to the direction of the Board of Directors, the Officers, who shall collectively (Officers and Directors) constitute "*managers*" of the Company within the meaning of the Act. No Member, by virtue of having the status of a member, shall have any management power over the business and affairs of the Company or actual or apparent authority to enter into contracts on behalf of, or to otherwise bind, the Company. Except as otherwise specifically provided in this Agreement, the authority and functions of the Board of Directors on the one hand and of the Officers on the other shall be identical to the authority and functions of the board of directors and officers, respectively, of a corporation organized under the Delaware General Corporation Law. Thus, except as otherwise specifically provided in this Agreement, the business and affairs of the Company shall be managed under the direction of the Board of Directors, and the day-to-day activities of the Company shall be conducted on the Company's behalf by the Officers, who shall be agents of the Company. In addition to the powers that now or hereafter can be granted to managers under the Act and to all other powers granted under any other provision of this Agreement, the Board of Directors (subject to Section 9) and the Officers (subject to Section11 and the direction of the Board of Directors) shall have full power and authority to do all things on such terms as they, in their sole discretion, may deem necessary or appropriate to conduct, or cause to be conducted, the business and affairs of the Company.

9. Board of Directors.

(a) Number and Term. The number of Directors shall be nine and may be changed from time to time by the Board of Directors, but shall not be less than three. Except as otherwise provided in Section 9(d), each Director shall be elected at the annual meeting of the Members. Directors need not be Members. No decrease in the number of Directors shall have the effect of shortening the term of office of any incumbent Director.

(b) Chairman and Vice Chairman.

(i) The Board of Directors shall elect from their number, a Chairman and a Vice Chairman.

(ii) The Chairman shall preside at all meetings of the Members, Directors and the Executive Committee of the Board. The Vice Chairman shall perform all the duties of the Chairman in the absence or disability of the Chairman. The Chairman and Vice Chairman shall have such other powers and perform such other duties as may be prescribed from time to time by the Board of Directors.

(c) Quorum and Manner of Action. At all meetings of the Board of Directors, a majority of the total number of Directors shall constitute a quorum for the transaction of business; and the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as otherwise provided by law or this Agreement. If at any meeting of the Board of Directors there shall be less than a quorum

present, a majority of those present may adjourn the meeting from time to time until a quorum is obtained, and no further notice thereof need be given other than by announcement at such adjourned meeting. Attendance by a director at a meeting shall constitute a waiver of notice of

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such meeting except where a director attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting is not lawfully called or convened.

(d) Vacancies. Except as otherwise provided by law or this Agreement, in the case of any increase in the authorized number of directors or of any vacancy in the Board of directors, however created, the additional Director or Directors may be elected or, as the case may be, the vacancy or vacancies may be filled by majority vote of the Directors remaining on the whole Board of Directors although less than a quorum, or by a sole remaining Director. Any director elected or chosen as provided herein shall serve until the first to occur of (i) the expiration of the term of the directorship to which a Director is elected or appointed, (ii) the election and qualification of the director's successor, or (iii) the Director's resignation or removal.

(e) Resignations. A Director may resign at any time upon written notice of resignation to the Company. Any resignation shall be effective immediately unless a certain effective date is specified therein, in which event it will be effective upon such date and acceptance of any resignation shall not be necessary to make it effective.

(f) Removals. Any Director or the entire Board of Directors may be removed, with or without cause, and another person or persons may be elected to serve for the remainder of his or their term by the Member. In case any vacancy so created shall not be filled by the member, such vacancy may be filled by the remaining Directors as provided in Section 9(d).

(g) Retirements.

(i) An "inside director," one who is an employee of the Company or an affiliate of the Company shall retire from membership on the Board of Directors at the first meeting of the Board following retirement, resignation or termination as an active employee of the Company or such affiliate.

(ii) An "outside director," one who is not an employee of the Company or an affiliate of the Company, shall retire from active membership on the Board of directors at the first meeting of the Board following attainment of the age of 70 years.

(h) Annual Meetings. The annual meeting of the Board of Directors shall be held, if a quorum be present, for the purpose of organization and transaction of any other business that might be transacted at a regular meeting thereof, and no notice of such meeting shall be necessary. If a quorum is not present, such annual meeting may be held at any other time or place that may be specified in a notice given in the manner provided in Section 9(j) for special meetings of the Board of Directors or in a waiver of notice thereof.

(i) Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such places and times as shall be determined from time to time by

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resolution of the Board of Directors. Except as otherwise provided by law, any business may be transacted at any regular meeting of the Board of Directors.

(j) Special Meetings. Special meetings of the Board of Directors may be called by the Chief Executive Officer, or by the Secretary on the written request of one-third of the members of the whole Board of Directors stating the purpose or purposes of such meeting. Notices of special meetings shall be given to each Director not later than three days before the day the meeting is to be held. No notice of any meeting need be given to any director who files a written waiver of notice thereof with the Secretary either before or after the meeting. Neither the business to be transacted at, nor the purpose of, any special meeting need be specified in any notice or written waiver of notice, unless so required by this Agreement. Except as otherwise provided by law or this Agreement, any and all business may be transacted at a special meeting.

(k) Organization of Meetings. At any meeting of the Board of Directors, business shall be transacted in such order and manner as such the Chairman of the Board may from time to time determine.

(l) Place of Meetings. The Board of Directors may hold their meetings outside the State of Delaware, at any office or offices of the Company, or at any other place as they may from time to time by resolution determine.

(m) Compensation of Directors.

(i) Each director shall, in consideration of his serving as a Director, be paid by the Company such reasonable compensation as shall be fixed from time to time by resolution of the Board of Directors, together with reimbursement for traveling, food, lodging and other expenses incurred in attending meetings in accordance with policies approved from time to time by the Board of Directors; provided that a Director who is also an employee of the Company or an employee of an affiliate of the Company shall not be entitled to receive any compensation for his or her services as a Director.

(ii) Members of committees of the Board of Directors may received such reasonable compensation for their services as may be fixed from time to time by resolution of the Board of Directors, together with reimbursement for traveling, food, lodging and other expenses incurred in attending meetings in accordance with policies approved from time to time by the Board of Directors; provided that a Director who is also an employee of the Company or an employee of an affiliate of the Company shall not be entitled to receive any compensation for his or her services as a Director.

(n) Action by Written Consent. Unless otherwise restricted by law of this Agreement, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if the required number of such directors consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the Board of Directors or the committee.

(o) Participation in Meetings by Telephone. Members of the Board of Directors or of any committee thereof may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting in such manner shall constitute presence in person at such meeting.

(p) Initial Directors. The initial directors, appointed as of the date of this Agreement, are as follows:

Milton Carroll
Carl D. Clay
Derrill Cody
John P. DesBarres
Fred J. Fowler
Jim W. Mogg
Richard J. Osborne
Ruth G. Shaw
William L. Thacker

10. Committees.

(a) General.

(i) The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of three or more directors. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Except as otherwise provided by law, any such committee shall have and may exercise such powers of the Board of Directors as are provided in the resolution of the Board or set forth in this Agreement.

(ii) Resignations of members of a committee must be in writing and shall be effective upon the date of receipt thereof by the Secretary or upon the effective date specified therein, whichever date is later, unless approval by the Board of Directors is made a condition of the resignation, in which event it shall be effective upon such approval. The Board shall have the power at any time to fill vacancies, the change the membership of, and to dissolve any committee.

(iii) Regular meetings of a committee may be held without notice at such time and place as shall from time to time be determined by the committee. Special meetings of a committee shall be called by the Secretary at the request of the Chief Executive Officer of any two members of the committee. Notice of each special meeting of a committee shall be given by the Secretary to each member of the committee. No such notice of any meeting need be given to any

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member of a committee who attends the meeting or who files a written waiver of notice thereof with the Secretary, either before or after the meeting.

(iv) Unless the Board of Directors otherwise provides, each committee designated by the Board may adopt, amend and repeal rules for the conduct of its businesses. In the absence of a provision by the Board, a provision in the rules of such committee or a provision in this Agreement to the contrary, a majority of the entire number of members of such committee shall constitute a quorum for the transaction of business, and the vote of a majority of the members present at a meeting at the time of such vote if a quorum is then present shall be the act of such committee. If the Board has not designated alternate members of the committee present at any meeting and no disqualified from voting, whether or not he or they constitute a quorum, may in the absence or disqualification of any member of the committee unanimously appoint another member of the Board of Directors to act at the meeting in the place of such absent or disqualified member.

(v) Each committee may designate a chairman of such committee by majority vote of the committee’s full membership, unless designation of a chairman is otherwise specified in this Agreement or provided by resolution of the Board of Directors.

(b) Executive Committee.

(i) The Board of Directors may designate an Executive Committee. During the intervals between meetings of the Board, the Committee shall advise with and aid the officers of the Company in all matters concerning its interests and the management of its business, and

generally perform such duties as may be directed by the Board of Directors from time to time. The Committee shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Company while the Board is not in session; but the Committee shall not have power or authority in reference to amending this Agreement, adopting an agreement of merger or consolidation, recommending to the Member the sale, lease or exchange of all or substantially all the Company's property and assets, recommending to the Member a dissolution of the Company or a revocation of a dissolution, filling newly created directorships and vacancies on the Board or the committee, or (unless expressly authorized by resolution of the Board) declaring a dividend, distribution or authorizing the issuance of membership interests or interests in partnerships of which the Company is a general partner.

(ii) A quorum for the transaction of business a meetings of the Executive Committee shall consist of three members of the Committee then in office.

(iii) The Executive Committee shall keep regular minutes of proceedings, copies of which shall be sent to each member of the Board of Directors.

11. Officers.

(a) General.

(i) The officers of the Company shall be chosen by the Board of Directors. The principal officers shall be a Chief Executive Officer, a President, one or more Vice Presidents (one or more of whom may be designated Executive Vice President, and one or more of whom may be designated Senior Vice President), a Secretary, a Treasurer, a Chief Financial Officer, and a General Counsel. The principal officers shall be elected each year at the first meeting of the Board of Directors. Two or more offices may be held by the same person. The Chief Executive Officer shall be chosen by the Directors from their own number. The salaries of the principal officers of the Company shall be fixed by the Board.

(iii) Unless he resigns, dies or is removed prior thereto, each officer of the Company shall hold office until his successor has been chosen and has qualified. Any person elected or appointed by the Board of directors may be removed at any time, with our without cause, and all vacancies (however arising) may be filled at any time, by the affirmative vote of a majority of the Directors then in office. Any other employee of the Company may be removed at any time, with or without cause, by the Chief Executive Officer or by any superior of such employee to whom the power of removal has been delegated by the Chief Executive Officer.

(b) Chief Executive Officer.

(i) The Board of Directors shall designate the Chief Executive Officer of the Company.

(ii) All other officers of the Company shall be subordinate to the Chief Executive Officer and shall from time to time report to him as he may direct. He shall have general supervision and direction of the business of the Company and shall see that all orders and resolutions of the Board are carried into effect.

(iii) The Chief Executive Officer shall have all the general powers and duties usually vested in the chief executive officer of a corporation, and in addition shall have such other powers and perform such other duties as may be prescribed from time to time by the Board of Directors.

(c) President.

(i) The President shall have such powers and perform such duties as may be prescribed from time to time by the Board of Directors.

(ii) If not also designated Chief Executive Officer, the President shall be vested with the powers and authorized to perform all the duties of the Chief Executive Officer in the absence or disability of the Chief Executive Officer.

(d) Executive Vice President. If the Board designates one or more Executive Vice Presidents, such officer or officers shall have such powers and perform such duties as may be prescribed from time to time by the Board of Directors, Chief Executive Officer or the President. Each Executive Vice President shall have all the powers and duties granted and delegated to each Senior Vice President and Vice President by this Agreement.

(e) Senior Vice President. If the Board designates one or more Senior Vice Presidents, such officer or officers shall have such powers and perform such duties as may be prescribed from time to time by the Board of Directors, Chief Executive Officer or the President.

(f) Vice President. Each Vice President shall have such powers and perform such duties as may be prescribed from time to time by the Board of Directors, Chief Executive Officer or the President.

(g) Chief Financial Officer. The Chief Financial Officer shall be the principal financial and accounting officer of the Company. He shall have general direction of ad supervision over the financial and accounting affairs of the Company. He shall render to the Chief Executive Officer and the Board of Directors, at regular meetings of the Board, or whenever they may require it, an account of the financial condition of the Company. He shall have such other powers and perform such other duties as may be prescribed from time to time by the Board of Directors, the Chief Executive Officer or the President.

(h) General Counsel. The General Counsel shall be the principal legal officer of the Company. He shall have general direction of and supervision over the legal affairs of the Company and shall advise the Board of Directors and officers of the Company on all legal matters. He shall have such other powers and perform such other duties as may be prescribed from time to time by the Board of directors, the Chief Executive Officer or the President.

(i) Secretary. The Secretary shall attend all sessions of the Board and all meetings of the members and record all votes and the minutes of all proceedings in a book to be kept for that purpose. He shall perform like duties for committees of the Board when required. He shall give, or cause to be given, notice of all meetings of the members and of the Board of directors, when notice is required by this Agreement. He shall have such other powers and perform such other duties as may be prescribed from time to time by the Board of Directors, the chief Executive Officer or the President.

(j) Assistant Secretary. If the Board appoints one or more Assistant Secretaries, each Assistant Secretary shall be vested with all the powers and authorized to perform all the duties of the Secretary in his absence or disability. The performance of any act or

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the execution of any instrument by an Assistant Secretary in any instance in which such performance or execution would customarily have been accomplished by the Secretary shall constitute conclusive evidence of the absence or disability of the Secretary. Each Assistant Secretary shall perform such other duties as may be prescribed from time to time by the Board of Directors, the Chief Executive Officer or the President.

(k) Treasurer.

(i) The Treasurer shall have custody of the corporate funds and securities, and he shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company and shall deposit all monies and other valuable effects in the name and to the credit of the Company, in such depositories as may be designated by the Board of directors. He shall disburse the funds of the Company as ordered by the Board taking proper vouchers for such disbursements.

(ii) If required by the Board of Directors, he shall give the Company a bond in a sum and with one or more sureties satisfactory to the Board, for the faithful performance of the duties of his office, and for the restoration to the Company, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Company.

(iii) He shall have such other powers and perform such other duties as may be prescribed from time to time by the Board of Directors. The Chief Executive Officer or the President.

(l) Assistant Treasurer. If the Board appoints one or more Assistant Treasurers, each Assistant Treasurer shall be vested with all the powers and authorized to perform all the duties of the Treasurer in his absence or disability. The performance of any act or the execution of any instrument by an Assistant Treasurer in any instance which such performance or execution would customarily have been accomplished by the Treasurer shall constitute conclusive evidence of the absence or disability of the Treasurer. Each Assistant Treasurer shall perform such other duties as may be prescribed from time to time by the Board of Directors, the Chief Executive Officer or the President.

(m) Duties of Officers may be Delegated. In case of the absence of any officer of the Company, or for any other reason that the Board may deem sufficient, the Board may delegate, for the time being, the powers of duties, or any of them, of such officer to any other officer, or to any Director, provided a majority of the Directors then in office concur therein.

12. Powers of Execution.

(a) Checks and Notes. All checks and other demands for money and notes and other instrument for the payment of money shall be signed on behalf of the Company by such officer or officers or by such other person or persons as the Board of Directors may from

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time to time designate. The signature of any such officer or other person may be a facsimile if so authorized by the Board of Directors.

(b) Contracts and Deeds. All contracts, deeds and instruments shall be signed on behalf of the Company by the Chief Executive Officer, by the President, by any Vice President, or by such other person or persons as the Board of Directors or the Chief Executive Officer may from time to time designate.

(c) Interests in Other Entities. All shares of stock, partnership interests, membership interests or other interests owned by the Company in other corporations, partnerships or other entities (other than interests in TEPPCO Partners, L.P., TE Products Pipeline Company, Limited partnership, or TCTM, L.P.) shall be voted or represented, as the case may be, on behalf of the Company by such persons and in such manner as shall be prescribed by the Chief Executive Officer.

14. Indemnification of Directors and Officers.

(a) The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that such person is or was, at any time prior to or during which this Section 14 is in effect, a Director or Officer of the Company, or is or was, at any time prior to or during which this Section 14 is in effect, serving at the request of the Company as a director or officer of another corporation, partnership, limited liability company, joint venture, trust, other

enterprise or employee benefit plan against reasonable expenses (including attorneys' fees), judgments, fines, penalties, amounts paid in settlement and other liabilities actually and reasonably incurred by such person in connection with such action, suit or proceeding to the full extent permitted by the Act.

(b) Expenses incurred by a person who is or was a Director or Officer of the Company in appearing at, participating in or defending any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, shall be paid by the Company at reasonable intervals in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the Director or Officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Company as authorized by this Section 14. The indemnification and advancement of expenses provided by this Section 14 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be or become entitled under any law, this Agreement, the decision of the Member, or disinterested Directors or otherwise, or under any policy or policies of insurance purchased and maintained by the Company on behalf of any such person, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Director or Officer and shall inure to the benefit of the heirs, executors and administrators of such person.

(c) The rights provided by this Section 14 are for the benefit of the persons referred to herein and their respective heirs, executors and administrators and shall be legally enforceable against the Company by such persons (who shall be presumed to have relied on such

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rights in undertaking or continuing any of the positions referred to herein) or by their respective heirs, executors and administrators. No amendment to or restatement of this Section 14, or merger, consolidation or reorganization of the Company, shall impair the rights of indemnification provided by this Section 14 with respect to any action or failure to act, or alleged action or failure to act, occurring or alleged to have occurred prior to such amendment, restatement, merger or consolidation.

(d) NEITHER THE DIRECTORS, THE MEMBER, NOR ANY OWNER, OFFICER, DIRECTOR OR EMPLOYEE OF THE COMPANY OR OF THE MEMBER, SHALL BE LIABLE, RESPONSIBLE OR ACCOUNTABLE IN DAMAGES OR OTHERWISE TO THE COMPANY OR THE MEMBER FOR ANY ACTION TAKEN OR FAILURE TO ACT **(EVEN IF SUCH ACTION OR FAILURE TO ACT CONSTITUTED THE NEGLIGENCE OF A PERSON, INCLUDING THE PERSON FOR WHOM EXCULPATION IS SOUGHT HEREUNDER)** ON BEHALF OF THE COMPANY WITHIN THE SCOPE OF THE AUTHORITY CONFERRED ON THE PERSON DESCRIBED IN THIS AGREEMENT OR BY LAWUNLESS 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 BOARD OF DIRECTORS, THE MEMBER, OR ANY OWNER, OFFICER, DIRECTOR OR EMPLOYEE OF THE COMPANY OR OF THE MEMBER HAVE DUTIES (INCLUDING FIDUCIARY DUTIES) AND LIABILITIES RELATING TO THE COMPANY, THE BOARD OF DIRECTORS, THE MEMBER OF ANY OWNER, OFFICER, DIRECTOR OR EMPLOYEE OF THE COMPANY OR THE MEMBER OTHERWISE EXISTING AT LAW OR IN EQUITY, ARE AGREED BY THE MEMBER TO REPLACE SUCH OTHER DUTIES AND LIABILITEIS OF THE DIRECTORS, THE MEMBER OR ANY OWNER, OFFICER, DIRECTOR OR EMPLOYEE OF THE COMPANY OR OF THE MEMBER.

15. Governing Law. This Agreement shall be governed by, and construed under, the laws of the State of Delaware, all rights and remedies being governed by said laws.

16. Member Obligations. (a) Neither the Member nor any Affiliate of, or any director appointed by, the member shall have any obligation or owe any duty, fiduciary or otherwise, to the Company or to any of the Company's Affiliates, including any obligation (i) to offer business opportunities to the Company, (ii) to refrain from pursuing business opportunities that may have a competitive impact upon the Company or (iii) to refrain from taking any other action that will or may be detrimental to the Company, and neither the member nor any of its Affiliates shall, by virtue of the relationship established pursuant to this Agreement, have any other obligations to take or refrain from taking any other action that may impact the Company. The provisions of this Section 16 constitute an agreement to modify or eliminate fiduciary duties pursuant to the provisions of Section 18-1101 of the Act.

(b) As used in this Section 16, the following definitions shall apply:

(i) "Affiliate" shall mean, with respect to any Person, a Person directly or indirectly Controlling, Controlled by or under common Control with such Person.

(ii) "Control" shall mean the possession, directly or indirectly, through one or more intermediaries, by any Person or group (within the meaning of Section 13(d)(3) under the Securities Exchange Act of 1934, as amended) of both

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of the following: (A)(1) in the case of a corporation, more than 25% of the direct or indirect economic interest in the outstanding equity securities thereof; 92) in the case of a limited liability company, partnership, limited partnership or venture, the right to more than 25% of the direct or indirect economic interest in the outstanding equity securities thereof; (2) in the case of a limited liability company, partnership, limited partnership or venture, the right to more than 25% of the distributions therefrom (including liquidating distributions); (3) in the case of a trust or estate, including a business trust, more than 25% of the beneficial interest therein; and (4) in the case of any other entity, more than 25% of the economic or beneficial interest therein; and (B) in the case of any entity, the power or authority, through ownership of voting securities, by contract or otherwise, to control or direct the management and policies of the entity.

(iii) "Person" shall mean any individual, partnership, limited liability company, firm, corporation, association, joint venture, trust or other entity or any federal, state, political subdivision or other governmental agency or instrumentality, foreign or domestic.

IN WITNESS WHEREOF, the undersigned, intending to be bound hereby, has duly executed this limited Liability Company Agreement this 31st day of March, 2000.

PANENERGY CORP.

By: /s/ FRED A. FOWLER
Name: Fred A. Fowler
Title: Group Vice President

Exhibit 3.4

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC

Consent of Sole Member

March 22, 2005

The undersigned, EPE Holdings, LLC, a Delaware limited liability company (the "Company"), constituting the general partner of Enterprise GP Holdings L.P., a Delaware limited partnership ("Enterprise Holdings"), does hereby approve of the following recitals and resolutions in its capacity as general partner of Enterprise Holdings:

WHEREAS, pursuant to Section 9(g)(ii) of the TEPPCO GP LLC Agreement, any member of the TEPPCO Board who is not an employee or affiliate of TEPPCO GP shall retire at the first meeting of the TEPPCO Board following attainment of the age of 70 years; and

WHEREAS, the Company, in its capacity as general partner of Enterprise Holdings, has determined that it is advisable and in the best interest of TEPPCO GP and TEPPCO LP to amend the TEPPCO GP LLC Agreement to delete Section 9(g)(ii) in its entirety.

Amendment to TEPPCO GP LLC Agreement

RESOLVED, that the TEPPCO GP LLC Agreement is hereby amended by deleting Section 9(g)(ii) in its entirety;

Miscellaneous

RESOLVED, that all lawful actions heretofore taken by the Company, in its capacity as general partner of Enterprise Holdings, related to or in connection with the transactions contemplated by these resolutions, including, without limitation, the execution and delivery of any agreements, instruments or other documents as the Company deemed necessary, proper or advisable, are hereby adopted, ratified, confirmed and approved in all respects; and

RESOLVED, that the Company, in its capacity as general partner of Enterprise Holdings, be and is, authorized and directed to take any and all such further action, to prepare, amend, execute and deliver all such further agreements, instruments and documents, for and in the name and on behalf of the Company, in its capacity as general partner of Enterprise Holdings, and to pay all such expenses as in its discretion may be necessary, proper or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

IN WITNESS WHEREOF, the undersigned has executed this written consent effective as of the date first above written.

ENTERPRISE GP HOLDINGS L.P.
(Sole Member of Texas Eastern Products Pipeline Company, LLC)

By: EPE Holdings, LLC, its general partner

By: /s/ RICHARD H. BACHMANN
Richard H. Bachmann
Executive Vice President

Attachment C
Amendments to TEPPCO Employee Benefit Plans

1. Texas Eastern Products Pipeline Company, LLC Management Incentive Compensation Plan

   (a) Article III E. — “Committee” shall mean the Board.

   (b) A Participant’s employment with EPCO, Inc. or an affiliate of EPCO, Inc. shall be deemed to be employment with TEPPCO.

2.

3. Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan

   (a) A Participant’s employment with EPCO, Inc. or an affiliate of EPCO, Inc. shall be deemed to be employment with TEPPCO.

4. TEPPCO Retirement Cash Balance Plan

   (a) Effective May 31, 2005 participation is “frozen,” i.e., no employee who is not a participant on May 31, 2005 shall be eligible to become covered by (become a participant in) the plan after that date.

   (b) Effective December 31, 2005 (i) all benefits accrued as of that date shall be “frozen,” i.e., no employer contribution credits shall be credited for any period after that date, and (ii) all participants shall be 100% vested regardless of their years of service.

   (c) The Plan is terminated effective as of January 1, 2006.

5. TEPPCO Supplemental Benefit Plan

   (a) A Participant’s employment with EPCO, Inc. or an affiliate of EPCO, Inc. shall be deemed to be employment with TEPPCO.

   (b) The Plan shall be terminated on or before December 31, 2005.

   (c) Upon termination of the Plan, all benefits shall be paid in a lump sum in 2005.

6.

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8. TEPPCO 1994 Long Term Incentive Plan

   (a) A Participant’s employment with EPCO, Inc. or an affiliate of EPCO, Inc. shall be deemed to be employment with TEPPCO.

9.

Exhibit 10.3

SUPPLEMENTAL AGREEMENT No. 2
to
EMPLOYMENT AGREEMENT

This Supplemental Agreement No. 2 supplements and amends that certain Employment Agreement, entered into the th day of , by and between Texas Eastern Products Pipeline Company, LLC ("TEPPCO") and ("Executive") and amended February 23, 2005 (the "Agreement").

WHEREAS, TEPPCO has become an affiliate of EPCO, Inc. ("EPCO") and Executive is being transferred to EPCO on June 1, 2005; and

WHEREAS, TEPPCO, EPCO and Executive desire to acknowledge the transfer of Executive's employment to EPCO and EPCO's assumption of TEPPCO's obligations under the Agreement;

NOW, THEREFORE, the Agreement is amended as follows, effective as of June 1, 2005:

1. All references in the Agreement to TEPPCO shall be changed to EPCO, Inc., unless the context clearly requires otherwise.

2. Notwithstanding anything in the Agreement to the contrary, employment with an affiliate of EPCO shall be deemed to be employment with EPCO for purposes of this Agreement and any transfer of Executive's employment to or from EPCO or an affiliate of EPCO or between affiliates of EPCO shall not constitute a termination of Executive's employment for purposes of this Agreement.

3. Executive agrees and acknowledges that the transfer of his employment from TEPPCO to EPCO on June 1, 2005 will not constitute a termination of his employment by TEPPCO for purposes of the Agreement.

4. Except as amended by this Supplemental Agreement No. 2, the Agreement is hereby ratified, affirmed and assumed by EPCO and continued in all respects.

IN WITHESS WHEREOF, the parties hereto have executed this Supplemental Agreement No. 2 this May , 2005.

EPCO, INC.

By: ____________________
Title: ____________________

EXECUTIVE

____
Name: ____________________

Exhibit 10.4

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC

2005 PHANTOM UNIT PLAN

Effective January 1, 2005

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC
2005 PHANTOM UNIT PLAN

WHEREAS, Texas Eastern Products Pipeline Company, LLC, a Delaware limited liability company ("*TEPPCO*"), desires to establish the Texas Eastern Products Pipeline Company, LLC 2005 Phantom Unit Plan (the "Plan") for certain key employees so as to offer them a further incentive to increase the earnings of TEPPCO Partners, L.P.;

WHEREAS, it is intended that the Plan shall constitute a bonus program within the meaning of Department of Labor Regulation section 2510.3-2(c) that is exempt from coverage under the Employee Retirement Income Security Act of 1974, as amended;

NOW, THEREFORE, TEPPCO adopts the Plan as follows:

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC
2005 PHANTOM UNIT PLAN

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ARTICLE I

PLAN PURPOSE AND TERM

1.1 ***Purpose.*** The Plan is intended to provide those persons who have substantial responsibility for the growth of TEPPCO with additional incentives to increase the earnings of TEPPCO Partners, L.P.

2.0 ***Effective Date of Plan.*** The Plan is effective January 1, 2005.

ARTICLE II

DEFINITIONS

The words and phrases defined in this Article shall have the meaning set out in these definitions throughout the Plan, unless the context in which any such word or phrase appears reasonably requires a broader, narrower, or different meaning.

2.1 ***"Account"*** means a bookkeeping ledger maintained by the Committee that reflects the number of Phantom Units awarded to the Grantee which have not been redeemed or forfeited.

2.2 ***"Affiliate"*** means an entity that is treated as a single employer together with TEPPCO for certain employee benefit purposes under section 414 of the Code.

2.3 ***"Award"*** means a bonus opportunity granted under the Plan.

2.4 ***"Award Agreement"*** means the written agreement between TEPPCO and a Grantee that sets forth the terms of an Award.

2.5 ***"Board"*** means the Board of Directors of TEPPCO.

2.6 ***"Cause"*** means (a) the willful and continued failure by the Grantee to substantially perform his duties for TEPPCO or its Affiliate(s) (other than such failure resulting from his incapacity due to physical or mental illness) after demand for substantial performance has been delivered to him by TEPPCO that specifically identifies the manner in which TEPPCO believes the Grantee has not substantially performed his duties; (b) the willful engaging by the Grantee in gross misconduct materially and demonstrably injurious to the property or business of TEPPCO or any of its Affiliates; or (c) the willful material violation of any TEPPCO or Partnership policies regarding the protection of confidential information and/or proprietary information or the material violation of any non-compete agreement between the Grantee TEPPCO. For purposes of this definition, no act or failure to act on the Grantee's part will be considered willful unless done, or omitted to be done, by him not in good faith and without reasonable belief that his act or omission was in the best interests of TEPPCO or its Affiliates or not opposed to the interests or TEPPCO or its Affiliates.

2.7 ***"Change in Control"*** means

(i) any person becomes the beneficial owner, directly or in- directly, of securities of the Partnership representing 66 percent or more of the Partnership's then outstanding Units; or

(ii) any person becomes the beneficial owner, directly or indirectly, of 50 percent or more of the Units and TEPPCO delivers notice of withdrawal or is otherwise removed as the general partner of the Partnership; or

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(iii) the merger or consolidation of the Partnership with one or more corporations, business trusts, common law trusts or unincorporated businesses, including, without limitation, a general partnership, a limited partnership or a limited liability company, pursuant to a written agreement of merger or consolidation in accordance with Article 16 of the Second Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., dated November 30, 1998, as it may be amended from time to time, and TEPPCO delivers notice of withdrawal or is otherwise removed as the general partner of the Partnership; or

(iv) any person is or becomes the beneficial owner, directly or indirectly, of securities of TEPPCO representing more than 50 percent of the combined voting power of TEPPCO's then outstanding voting securities; or

(v) all or substantially all of the assets and business of TEPPCO, the Partnership, TE Products Pipeline Company, Limited Partnership or TCTM, L.P. are sold, transferred or assigned to, or otherwise acquired by, any person or persons; or

(vi) the dissolution or liquidation of the Partnership, TCTM, L.P. or TEPPCO; or

(vii) the adoption by the Board of a resolution to the effect that any person has acquired effective control of the business and affairs of TEPPCO, the Partnership or TE Products Pipeline Company, Limited Partnership or TCTM, L.P

For purposes of this definition, the term "beneficial owner" shall have the meaning set forth in Section 13(d) of the Securities Exchange Act of 1934, as amended, and in the regulations promulgated thereunder. The term "person" shall mean an individual, corporation, partnership, trust, unincorporated

organization, association or other entity provided that the term "person" shall not include (a) Duke Energy Corporation ("*Duke*"), (b) any affiliate of Duke, or (c) any employee benefit plan maintained by Duke or any affiliate of Duke. For purposes of this definition, the term "affiliate" or "affiliates" shall mean when used with respect to a specified person or entity, any other person or entity directly or indirectly controlled by, controlling, or under direct or indirect common control with the specified person or entity. For the purpose of this definition, "control" or "controlled" when used with respect to any specified person or entity means the power to direct the management and policies of that person or entity whether through the ownership of voting securities, membership interest or by contract.

2.8 ***"Code"*** means the Internal Revenue Code of 1986, as amended.

2.9 ***"Committee"*** means members of the Compensation Committee of the Board.

2.10 ***"EBITDA"*** means the the Partnership's earnings before minority interest, interest expense-net, other income-net, income taxes, depreciation and amortization as presented in the Partnership's financial statements prepared in accordance with GAAP plus TEPPCO's proportional share of the EBITDA of its equity investments, except that for purposes of the Plan, in its discretion the Committee may exclude gains or losses from extraordinary, unusual or non-recurring items.

2.11 ***"Disability"*** means the Separation From Service of the Grantee due to a medically determinable mental or physical impairment which shall prevent the Grantee from engaging in any substantial gainful activity and which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months and which (a) was not contracted, suffered or incurred while the Grantee was engaged in, and did not result from the Grantee having engaged in, a felonious criminal enterprise; (b) did not result from addiction to narcotics; (c) did not result from an injury incurred while a member of the Armed Forces of the United States for which the Grantee receives a military pension; and (d) did not result from an intentionally self-inflicted injury.

2.12 ***"Employee"*** means a person who is employed by TEPPCO as a common law employee.

2.13 ***"Fair Market Value"*** means the closing price of a Unit as reported on the New York Stock Exchange, Inc. Composite Transactions Reporting System on the applicable date, or if there have been no reported sales on such date, on the last preceding date on which reported sales were effected.

2.14 ***"GAAP"*** means United States of America generally accepted accounting principles, consistently applied, or, when none apply, other sound accounting methodology as determined by the Committee.

2.15 ***"Grantee"*** means an Employee who has been granted an Award under the Plan.

2.16 ***"Partnership"*** means TEPPCO Partners, L.P., a Delaware limited partnership.

2.17 ***"Performance Period"*** means the period of time specified by the Committee in a Grantee's Award Agreement.

2.18 ***"Phantom Units"*** means a conditional promise by TEPPCO to make payment to a Grantee in cash, determined by reference to Units and in accordance with the terms of the Plan and the applicable Award Agreement.

2.19 ***"Plan"*** means the Texas Eastern Products Pipeline Company, LLC 2005 Phantom Unit Plan, as set forth in this document and as it may be amended from time to time.

2.20 ***"Separation From Service"*** means the termination of the employment relationship between the Grantee and TEPPCO and all Affiliates.

2.21 ***"TEPPCO"*** means Texas Eastern Products Pipeline Company, LLC, a Delaware limited liability company.

2.22 ***"Unit"*** means a limited partnership unit in the Partnership.

2.23 ***"Vested Percentage"*** means a Grantee's nonforfeitable interest in his Award determined in accordance with Article VI.

ARTICLE III

AWARDS

3.1 ***Granting of Awards.*** The Committee may grant to those high performing middle management employees of TEPPCO as it shall determine Awards under the terms and conditions of the Plan.

3.2 ***Terms of Awards***. The terms of each Award shall be specified in an Award Agreement. An Award Agreement shall specify (a) the number of Phantom Units subject to the Award, (b) the date on which the Award is granted, (c) the Performance Goals applicable to the Award, (d) the manner in which the Grantee's Vested Percentage is to be determined, and (e) any other provisions that the Committee deems appropriate that are not inconsistent with the terms of the Plan; *provided*, *however*, that the Committee may include in a Grantee's Award Agreement provisions relating to the effect of a Change in Control on the Grantee's Award that override specified provisions of the Plan.

3.3 ***Special Ledger.*** The Committee shall establish or cause to be established an appropriate record that will reflect the name of each Grantee and all other information necessary to properly reflect each Grantee's Awards made by the Committee.

3.4 ***Adjustments Due to Changes in the Partnership's Capital Structure.*** If the Partnership shall effect a subdivision or consolidation of Units or other capital readjustment, or other increase or reduction of the number of Units outstanding, without receiving compensation for it in money, services or property, then the number of Phantom Units subject to outstanding Awards under the Plan shall be appropriately adjusted by the Committee in such a manner as to entitle a Grantee to receive the equivalent compensation he would have received under the Award had there been no event requiring the adjustment.

ARTICLE IV

PHANTOM UNIT REDEMPTION PAYMENTS

4.1 ***Determination of Whether Performance Goals Achieved.*** As soon as administratively practicable after the end of the Performance Period, the Committee shall determine the extent to which the Performance Goals specified in a Grantee's Award Agreement have been satisfied. A Grantee shall have no legally binding right to receive a redemption payment under his Award pursuant to Section 4.2 until the date on which the Committee officially determines the extent to which the Performance Goals specified in his Award Agreement have been achieved (the "*Determination Date*").

4.2 ***Redemption Payments.*** As soon as administratively practicable after the Determination Date (and in no event later than March 15 following the calendar year in which such determination has been made), TEPPCO shall pay the Grantee in a single sum in cash an amount equal to the product of (A), (B) and (C) where (A) is the average of the Fair Market Values of a Unit over the ten consecutive trading days immediately preceding the Determination Date, (B) is the number of Phantom Units granted under the Grantee's Award Agreement, and (C) is the Grantee's Vested Percentage. Upon such redemption of the Phantom Unit the Phantom Unit shall no longer be credited to the Grantee's Account.

4.3 ***No Interest on Award.*** No interest shall be credited with respect to any Award or any payment under an Award.

4.4 ***Redemption Payment on Death of Grantee.*** In the event of the death of a Grantee before the Grantee has received a redemption payment under his Award pursuant to Section 4.2, TEPPCO shall pay the Grantee's Spouse if the Spouse survives the Grantee, or the Grantee's estate if the Grantee's Spouse does not survive the Grantee, in a single sum in cash an amount equal to the amount of redemption payment the Grantee would have received under Section 5.1 had he not died multiplied by a fraction, the numerator of which is the number of days the Grantee was employed by TEPPCO or any of its Affiliates during the applicable Performance Period and the denominator of which is the number of days during the Performance Period. Any payment under this Section 4.5 shall be made at the same time the payment would have been made to the Grantee pursuant to Section 4.2 had he not died.

4.5 ***Redemption Payment on Disability of Grantee***. In the event of the Disability of a Grantee before the Grantee has received a redemption payment under his Award pursuant to Section 4.2, TEPPCO shall pay the Grantee (or his legal guardian on his behalf in the event he has been judicially determined to be incapacitated) an amount equal to the amount of redemption payment the Grantee would have received under Section 4.2 had he not incurred a Disability multiplied by a fraction, the numerator of which is the number of days the Grantee was employed by TEPPCO or any of its Affiliates during the applicable Performance Period and the denominator of which is the number of days during the Performance Period. Any payment under this Section 4.5 shall be made at the same time the payment would have been made to the Grantee pursuant to Section 4.2 had he not incurred a Disability.

ARTICLE V

UNIT DISTRIBUTION EQUIVALENT PAYMENTS

5.1 ***Quarterly Unit Distribution Equivalent Payments.*** Each time quarterly cash distributions are paid to Unit owners, as soon as administratively practicable thereafter TEPPCO shall pay to each Grantee in cash an amount equal to the product of the number of Phantom Units then credited to the Grantee's Account and the amount of the cash distribution paid per Unit by the Partnership. A Grantee shall have no legally binding right to receive any payment pursuant to this Section 5.1 until the date on which the applicable quarterly cash distributions to Unit holders are paid to Unit holders.

5.2 ***Quarterly Unit Distribution Equivalent Payments on Death of Grantee.*** In the event of the death of a Grantee before the Grantee has received a redemption payment under his Award pursuant to Section 4.2, TEPPCO shall pay the Grantee's Spouse if the Spouse survives the Grantee, or the Grantee's estate if the Grantee's Spouse does not survive the Grantee, the quarterly Unit distribution equivalent payments the Grantee would have received under Section 5.1 had he not died. Any payment under this Section 5.2 shall be made at the same time the payment would have been made to the Grantee pursuant to Section 5.1 had he not died.

5.3 ***Quarterly Unit Distribution Equivalent Payments on Disability of Grantee.*** In the event of the Disability of a Grantee before the Grantee has received a redemption payment under his Award pursuant to Section 4.2, TEPPCO shall pay the Grantee (or his legal guardian on his behalf in the event he has been judicially determined to be incapacitated) any quarterly Unit distribution equivalent payments the Grantee would have received under Section 5.1 had he not incurred a Disability. Any payment under this Section 5.3 shall be made at the same time the payment would have been made to the Grantee pursuant to Section 5.1 had he not incurred a Disability.

ARTICLE VI

VESTING OF AWARDS

6.1 ***Determination of Vested Percentage.*** On the Determination Date the Committee shall determine the Grantee's Vested Percentage, which shall be based upon the achievement of Performance Goals specified in the Grantee's Award Agreement.

6.2 ***Forfeiture Upon Separation From Service.*** If a Grantee incurs a Separation From Service during the Performance Period other than as a result of death or Disability, his Award shall be immediately forfeited.

6.3 ***Complete Forfeiture for Cause.*** Notwithstanding Section 5.1 of the Plan, if prior to the date that is 120 days prior to the occurrence of a Change of Control the Committee finds by a majority vote after full consideration of the facts that a Grantee was discharged from the employ of TEPPCO or an Affiliate for Cause, the Grantee shall immediately forfeit his Award to the extent he has not yet been paid benefits pursuant to the Award. The decision of the Committee as to the cause of the Grantee's discharge shall be final. No decision of the Committee shall affect the finality of the discharge of the Grantee. No Plan benefits shall be forfeited pursuant to this Section 6.3 after the date that is 120 days prior to the occurrence of a Change of Control.

6.4 ***Treatment of Forfeited Interests in Awards.*** If a Grantee's interest in an Award is fully or partially forfeited for any reason, his forfeited interest in the Award shall not be applied to increase the amounts payable under the Plan for any other Grantee.

ARTICLE VII

ADMINISTRATION

7.1 ***General***. The Plan shall be administered by the Committee. All questions of interpretation and application of the Plan and Awards shall be subject to the determination of the Committee. A majority of the members of the Committee shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination reduced to writing and signed by a majority of the members shall be as effective as if it had been made by a majority vote at a meeting properly called and held.

7.2 ***Powers of Committee.*** The Committee shall have the exclusive responsibility for the general administration of the Plan according to the terms and provisions of the Plan and will have all the powers necessary to accomplish those purposes, including but not by way of limitation the right, power and authority:

(a) to make rules, regulations and administrative guidelines for the administration of the Plan;

(b) to construe all terms, provisions, conditions and limitations of the Plan;

(c) to correct any defect, supply any omission or reconcile any inconsistency that may appear in the Plan in the manner and to the extent it deems expedient to carry the Plan into effect for the greatest benefit of all parties at interest;

(d) to determine all controversies relating to the administration of the Plan, including but not limited to:

(1) differences of opinion arising between TEPPCO and a Grantee; and

(2) any question it deems advisable to determine in order to promote the uniform administration of the Plan for the benefit of all parties at interest;

(e) to determine the Employees who shall participate in the Plan from time to time;

(f) to determine the number of Phantom Units to be awarded to each Grantee; and

(g) to determine the terms and conditions, if any, not inconsistent with the terms of the Plan that are to be placed upon the Award or Awards given to a particular Grantee.

7.3 ***Committee Discretion***. The Committee in exercising any power or authority granted under the Plan or in making any determination under the Plan shall perform or refrain

from performing those acts in its sole discretion and judgment. Any decision made by the Committee or any refraining to act or any act taken by the Committee in good faith shall be final and binding on all parties. The Committee's decisions shall never be subject to de novo review, but instead shall only be overturned if found to be arbitrary or capricious by an arbitrator or a court of law.

7.4 ***Disqualification of Committee Member.*** A member of the Committee shall not vote or act on any Plan matter relating solely to himself.

ARTICLE VIII

AMENDMENT OR TERMINATION OF PLAN

The Board may amend, terminate or suspend the Plan at any time, in its sole and absolute discretion. However, no amendment or termination of the Plan may, without the consent of a Grantee, reduce the Grantee's right to a payment under the Plan that he is entitled to receive under the terms of the Plan in effect prior to the amendment or termination.

ARTICLE IX

FUNDING

9.1 ***Payments Under the Plan Are the Obligation of TEPPCO.*** Benefits due under the Plan will be paid by TEPPCO.

9.2 ***Grantees Must Rely Solely on the General Credit of TEPPCO.*** The Plan is only a general corporate commitment of TEPPCO and each Grantee must rely solely upon the general credit of TEPPCO for the fulfillment of its obligations hereunder. Under all circumstances the rights of the Grantee to any asset held by TEPPCO will be no greater than the rights expressed in the Plan. Nothing contained in the Plan or an Award will constitute a guarantee by TEPPCO that the assets of TEPPCO will be sufficient to pay any benefits under the Plan or would place the Grantee in a secured position ahead of general creditors of TEPPCO; the Grantees are only unsecured creditors of TEPPCO with respect to their Plan benefits and the Plan constitutes a mere promise by TEPPCO to make benefit payments in the future. No specific assets of TEPPCO have been or will be set aside, or will be pledged in any way for the performance of TEPPCO's obligations under the Plan which would remove such assets from being subject to the general creditors of TEPPCO.

9.3 ***Unfunded Arrangement.*** It is intended that the Plan shall be unfunded for tax purposes and for purposes of Title of the Employee Retirement Income Security Act of 1974, as amended.

ARTICLE X

MISCELLANEOUS

10.1 ***No Employment Obligation.*** The granting of any Award shall not constitute an employment contract, express or implied, nor impose upon TEPPCO or any Affiliate any obligation to employ or continue to employ the Grantee. The right of TEPPCO or any Affiliate to terminate the employment of any person shall not be diminished or affected by reason of the fact that an Award has been granted to him.

10.2 ***Tax Withholding.*** TEPPCO shall be entitled to deduct from payments made under an Award or other compensation payable to each Grantee any sums required by federal, state, or local tax law to be withheld with respect to payments under the Award.

10.3 ***Indemnification of the Committee.*** TEPPCO shall indemnify each present and future member of the Committee against, and each member of the Committee shall be entitled without further act on his part to indemnity from TEPPCO for, all expenses (including attorney's fees, the amount of judgments and the amount of approved settlements made with a view to the curtailment of costs of litigation, other than amounts paid to TEPPCO itself) reasonably incurred by him in connection with or arising out of any action, suit, or proceeding in which he may be involved by reason of his being or having been a member of the Committee, whether or not he continues to be a member of the Committee at the time of incurring the expenses — including, without limitation, matters as to which he shall be finally adjudged in any action, suit or proceeding to have been found to have been negligent in the performance of his or her duty as a member of the Committee. However, this indemnity shall not include any expenses incurred by any member of the Committee in respect of matters as to which he shall be finally adjudged in any action, suit or proceeding to have been guilty of gross negligence or willful misconduct in the performance of his duty as a member of the Committee. In addition, no right of indemnification under the Plan shall be available to or enforceable by any member of the Committee unless, within 60 days after institution of any action, suit or proceeding, he shall have offered TEPPCO, in writing, the opportunity to handle and defend same at its own expense. This right of indemnification shall inure to the benefit of the heirs, executors or administrators of each member of the Committee and shall be in addition to all other rights to which a member of the Committee may be entitled as a matter of law, contract, or otherwise.

10.4 ***Gender and Number***. If the context requires, words of one gender when used in the Plan shall include the other and words used in the singular or plural shall include the other.

10.5 ***Headings***. Headings of Articles and Sections are included for convenience of reference only and do not constitute part of the Plan and shall not be used in construing the terms of the Plan.

10.6 ***Other Compensation Plans***. The adoption and maintenance of the Plan shall not affect any other stock option, incentive or other compensation or benefit plans in effect for

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TEPPCO or any Affiliate or preclude TEPPCO from establishing any other forms of incentive or other compensation for employees of TEPPCO or any Affiliate.

10.7 ***Rights of Company and Affiliates.*** The existence of Phantom Units shall not affect in any way the right or power of TEPPCO or an Affiliate to (a) make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in TEPPCO's or an Affiliate's structure or business, (b) approve and consummate any merger or consolidation of TEPPCO or an Affiliate with or into any entity, (c) issue any bonds, debentures or Company or Affiliate interests of any nature whatsoever to any person, (d) approve and consummate the dissolution or liquidation of TEPPCO or an Affiliate or any sale or transfer of all or any part of TEPPCO's or an Affiliate's assets or business or (e) approve and consummate any other act or proceeding whether of a similar character or otherwise.

10.8 ***Nonalienation of Benefits.*** No benefit provided under the Plan shall be transferable by the Grantee except pursuant to a state domestic relations order. No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge. Any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge any right or benefit under the Plan shall be void. No right or benefit under the Plan shall, in any manner, be liable for or subject to any debts, contracts, liabilities or torts of the person entitled to the right or benefit. If any Grantee becomes bankrupt or attempts to anticipate, alienate, assign, pledge, sell, encumber or charge any right or benefit under the Plan then the right or benefit shall, in the discretion of the Committee, cease. In that event, TEPPCO and/or one or more Affiliates may hold or apply the right or benefit or any part of the right or benefit for the benefit of the Grantee, his spouse, children or other dependents or any of them in the manner and in the proportion that the Committee shall deem proper, in its sole discretion, but is not required to do so. The restrictions in this Section 9.8 shall not apply to state domestic relations orders.

10.9 ***No Rights as an Owner.*** No Grantee shall have any rights as a Unit owner as a result of his Award. No Award will permit any Grantee to exercise any managerial rights or powers with respect to TEPPCO, the Partnership or any Affiliate.

10.10 ***Governing Law***. The validity, interpretation, construction and enforceability of the Plan shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, TEPPCO has caused this Agreement to be executed by its authorized officer on this 23rd day of February, 2005, effective as of January 1, 2005.

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC

By: /s/ BARRY R. PEARL

Title: President and Chief Executive Officer

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC
2000 LONG TERM INCENTIVE PLAN
AWARD AGREEMENT

THIS AWARD AGREEMENT (this "*Agreement*") is made between Texas Eastern Products Pipeline Company, LLC, a Delaware limited liability company ("*TEPPCO*"),and (INSERT GRANTEE'S NAME) (the "Grantee") effective as of , (the "*Effective Date*"). TEPPCO considers that its interests will be served by granting the Grantee long term incentive units under the Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan (the "*Plan*"). The award of long term incentive units granted hereby (the "*Award*") is subject to the terms of the Plan, a copy of which is attached hereto and incorporated by reference herein. Terms that are not specifically defined in this Agreement shall have the meanings ascribed to them in the Plan.

IT IS AGREED:.

1. ***General Terms.*** Subject to the terms of the Plan and this Agreement, effective as of the Effective Date, TEPPCO hereby grants to the Grantee Long Term Incentive Units.

2. ***Vested Interest.*** The Grantee's Vested Interest applicable to the Award is the result of (A) minus (B) multiplied by (C), where (A) is Economic Value Added for the Performance Period, (B) is the Benchmark, and (C) is .00000405%. The Benchmark is $73,028,000 (which represents the Economic Value Added for the three-year period that commences on January 1, 2002 and ends on December 31, 2004). Subject to Section 3 of this Agreement, the Performance Period applicable to the Award is the three-year period that commences on January 1, 2005 and ends on December 31, 2007.

3. ***Change in Control Described in any of Paragraphs (i), (iv) or (vii) of Section 2.8 of the Plan.*** Notwithstanding any other provision of the Plan or this Agreement, if a Change in Control described in any of paragraphs (i),(iv), or (vii) of Section 2.8 of the Plan occurs during the three-year period that begins on January 1, 2005 and ends on December 31, 2007, and the Grantee incurs a Separation From Service in connection with such Change in Control, in lieu of any other benefit payable under the Plan with respect to this Award, within ten days after the later of the date of the Grantee's Separation From Service or the date of the Change in Control TEPPCO (or its successor) will pay the Grantee an amount equal to product of (A) and (B) where (A) is the number of the Grantee's long term incentive units granted under this Award and (B) is the average of the closing prices of a Unit as reported on the New York Stock Exchange, Inc. Composite Transactions Reporting System over the ten consecutive trading days immediately preceding the date of the Change in Control. For purposes of this Agreement, a Grantee will be deemed to have incurred a Separation From Service "*in connection with a Change in Control*" if (A) a Change in Control occurs during the Performance Period, (B) the Grantee incurs a Separation From Service during the Performance Period and (C) (1) the Grantee's employment with TEPPCO or its successor is terminated by TEPPCO or its successor during the Performance Period and following the Change in Control, (2) the Grantee resigns from the employ of TEPPCO or its successor for "Good Reason" before or after the Change in Control, or (3) the Grantee's Separation From Service occurs on or prior to the date of the

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Change in Control and the Separation From Service is at the request or direction of a person who has entered into an agreement the consummation of which would constitute a Change in Control. For purposes of this Agreement, "*Good Reason*" for a Grantee's resignation means the occurrence of any of the following during the Performance Period: (1) TEPPCO or its successor assigns to the Grantee any duties inconsistent with the Grantee's position (including offices, titles and reporting requirements), authority, duties or responsibilities with TEPPCO immediately prior to the execution of an agreement the consummation of which would constitute a Change in Control, (2) TEPPCO or its successor takes any other action that results in a material diminution in the Grantee's position, authorities, duties or responsibilities, (3) TEPPCO or its successor reduces the Grantee's annual base salary as in effect immediately prior to the execution of an agreement the consummation of which would constitute a Change in Control, or (4) TEPPCO or its successor relocates the Grantee's principal place of employment to a place that outside of the 30-mile radius of the Grantee's principal place of employment immediately prior to the Change in Control.

4. ***Change in Control Described in Paragraph (ii), (iii), (v), or (vi) of Section 2.8 of the Plan.*** Notwithstanding any other provision of the Plan or this Agreement, if a Change in Control described in any of paragraphs (ii),(iii),(v) or (vi) of Section 2.8 of the Plan occurs during the three-year period that begins on January 1, 2005 and ends on December 31, 2007, in lieu of any other benefit payable under the Plan with respect to this Award, within ten days after the date of the Change in Control TEPPCO (or its successor) will pay the Grantee an amount equal to product of (A) and (B) where (A) is the number of the Grantee's long term incentive units granted under this Award and (B) is the average of the closing prices of a Unit as reported on the New York Stock Exchange, Inc. Composite Transactions Reporting System over the ten consecutive trading days immediately preceding the date of the Change in Control.

5. ***Negotiation and Mediation.*** TEPPCO and the Grantee (the "parties") will attempt in good faith to resolve any controversy or dispute arising out of or relating to this Agreement promptly by negotiations between or among the parties. The negotiation process may be started by notice by either party to the other party, and the parties agree to negotiate in good faith, and select an independent mediator to facilitate the negotiations and conduct up to eight consecutive hours of mediated negotiations in Houston, Texas within thirty days after the notice is first sent. If, within ten days after the initial notice the parties are not able to agree upon a mediator, the party originally giving the notice shall promptly notify American Arbitration Association ("AAA"), 140 West 51st Street, New York, New York 10020-1203, AAA will designate a mediator who is independent and impartial, and AAA's decision about the identity of the mediator will be final and binding. It shall not be necessary to comply with the foregoing negotiation or mediation provisions in order to seek injunctive relief pursuant to the exception at the end of Section 6.

6. ***No Litigation.*** No arbitration may be commenced by any party unless and until a negotiation complying with Section 5 has been completed, and no litigation or other proceeding may ever be instituted at any time in any court for the purpose of adjudicating, interpreting or enforcing any of the rights or obligations of the parties hereto or any rights or obligations relating to the subject matter hereof, whether or not covered by the express terms of this Agreement, or for the purpose of adjudicating a breach or determination of the validity of this Agreement, or for the purpose of appealing any decision of an arbitrator, except a proceeding instituted for the sole

purpose of having the award or judgment of an arbitrator entered and enforced or to seek an injunction or restraining order (but not damages in connection therewith) in circumstances where such relief is available.

7. ***Binding Arbitration.*** If a controversy or dispute is not resolved after completion of the negotiation process described in Section 5, then, upon notice by either party to the other party (an "Arbitration Notice") and to AAA, the controversy or dispute shall be submitted to a sole arbitrator who is independent and impartial, for binding arbitration in Houston, Texas, in accordance with AAA's Commercial Arbitration Rules (the "Rules"). The parties agree that they will faithfully observe this Agreement and the Rules and that they will abide by and perform any award rendered by the arbitrator. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. Section 1-16 (or by the same principles enunciated by such Act in the event it may not be technically applicable). The award or judgment of the arbitrator shall be final and binding on all parties and judgment upon the award or judgment of the arbitrator may be entered and enforced by any court having jurisdiction. If any party becomes the subject of a bankruptcy, receivership or other similar proceeding under the laws of the United States of America, any state or commonwealth or any other nation or political subdivision thereof, then, to the extent permitted or not prohibited by applicable law, any factual or substantive legal issues arising in or during the pendency of any such proceeding shall be subject to all of the foregoing mandatory mediation and arbitration provisions and shall be resolved in accordance therewith. The agreements contained in Sections 5, 6 and 7 have been given for valuable consideration, are coupled with an interest and are not intended to be executory contracts. The fees and expenses of the arbitrator will be shared by all parties engaged in the dispute or controversy on a basis determined to be fair and equitable by the arbitrator, taking into account the relative fault of each party, the relative credibility and merit of all claims and defenses made by each party and the cooperation, speed and efficiency of each party in conducting the arbitration proceedings and complying with the Rules and with orders and requests of the arbitrator.

8. ***Selection of Arbitrator***. Promptly after the Arbitration Notice is given, AAA will select three possible arbitrators, to whom AAA will give the identities of the parties and the general nature of the controversy. If any of those arbitrators disqualifies himself or declines to serve, AAA shall continue to designate potential arbitrators until the parties have three to select from. After the panel of three potential arbitrators has been completed, a two-page summary of the background of each of the potential arbitrators will be given to both of the parties, and the parties will have a period of ten days after receiving the summaries in which to attempt to agree upon the arbitrator to conduct the arbitration. If the parties are unable to agree upon an arbitrator, then one of the parties shall notify AAA, and AAA shall select the arbitrator from one of the three, or less, if one or more has been found to be disqualified or removes himself from consideration (if all three are disqualified or remove themselves, then AAA shall start the arbitration-selection process over again). The decision of AAA with respect to the selection of the arbitrator will be final and binding in such case.

9. ***Arbitration Hearing***. Within ten days after the selection of the arbitrator, the parties and their counsel will appear before the arbitrator at a place and time designated by the arbitrator for the purpose of each party making a one hour or less presentation and summary of the case. Thereafter, the arbitrator will set dates and times for additional hearings until the proceeding is concluded. The desire and goal of the parties is, and the arbitrator will be advised

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that his goal should be, to conduct and conclude the arbitration proceeding as expeditiously as possible. If any party or his counsel fails to appear at any hearing, the arbitrator shall be entitled to reach a decision based on the evidence which has been presented to him by the parties who did appear.

10. ***Waiver of Jury Trial***. While it is the intention that all disputes be resolved pursuant to arbitration, nonetheless, in the event any matter related to this Agreement ever becomes the subject of judicial proceedings, by entering into this Agreement the Grantee agrees to and waives his right to a jury trial of any claim or cause of action based upon or arising out of this Agreement. This waiver is irrevocable, meaning that it may not be modified either orally or in writing, and this waiver shall apply to any subsequent amendments, renewals, supplements or modifications to this Agreement. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

11. ***Confidentiality of Settlement Proceedings.*** All aspects of any settlement proceedings, including, without limitation, discovery, testimony and other evidence, negotiations and communications pursuant to Sections 5 and 6, briefs and the award shall be held confidential by each party and the arbitrators, and shall be treated as compromise and settlement negotiations for the purposes of the Federal and State Rules of Evidence.

12. ***Notices***. Notices required or permitted to be given by either party pursuant to this Agreement shall be in writing and shall be deemed to have been given when delivered personally to the other party or when deposited with the United States Postal Service as certified or registered mail with postage prepaid and addressed.

13. ***Withholding Taxes***. TEPPCO may withhold from all payments to be paid to the Grantee pursuant to this Agreement all taxes that, by applicable federal, state, local or other law of any applicable jurisdiction, TEPPCO is required to so withhold.

14. ***Amendment and Waiver***. No provision of this Agreement may be amended, modified or waived (whether by act or course of conduct or omission or otherwise) unless that amendment, modification or waiver is by written instrument signed by the parties hereto. No waiver by either party of any breach of this Agreement shall be deemed a waiver of any other or subsequent breach.

15. ***Executive Acknowledgment.*** The Executive acknowledges that he has read and understands this Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by TEPPCO other than those contained in writing herein, and has entered into this Agreement freely based on his own judgment.

16. ***Assignment by TEPPCO.*** TEPPCO may assign this Agreement to any successor (whether by merger, consolidation, conversion, or other business combination, purchase of TEPPCO's stock, sale, exchange or other transfer of all or a majority of TEPPCO's assets, or otherwise) to all or a controlling interest in TEPPCO's business, in which case this Agreement shall be binding upon and inure to the benefit of such successors and assigns.

17. ***Negotiated Transaction.*** The parties hereto (i) agree that the provisions of this Agreement were negotiated by the parties hereto, that each of the parties hereto has had the

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opportunity to be represented by counsel during the negotiation and execution of this Agreement, and that this Agreement shall be deemed to have been drafted by all of the parties hereto and, therefore, (ii) waive the application of any law, regulation, holding or rule of construction providing that ambiguities in

an agreement or other document will be construed against the party drafting such agreement or document.

18. ***Governing Law***. The validity, interpretation, construction and enforceability of this Agreement shall be governed by the laws of the State of Texas without giving effect to a choice or conflict of law provision or rule of such state.

19. ***Counterparts***. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute the same instrument.

20. ***Headings; Gender and Number***. The section headings have been inserted for purposes of convenience only and shall not be used for interpretive purposes. If the context requires it, words of one gender when used in this Agreement shall include the other genders, and words used in the singular or plural shall include the other.

21. ***Entire Agreement***. This Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and supersedes all previous written or oral representations, agreements, commitments and understandings between the parties, whether expressed or implied. The terms of this Agreement do not amend or affect in any way any other agreements or understandings between TEPPCO and the Grantee.

22. ***Severability***. If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the validity or unenforceability of this provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

23. ***Spousal Acknowledgement and Consent***. The Spouse of the Grantee is fully aware of, understands and fully consents and agrees to the provisions of this Agreement and its binding effect upon any community property or other interest such Spouse may now or hereafter own. The Spouse of the Grantee agrees that the termination of such Spouse's marital relationship with the Executive for any reason shall not have the effect of removing any such interest from the coverage of this Agreement and that such Spouse's awareness, understanding, consent and agreement to all of the provisions hereof is evidenced by such Spouse's execution and delivery of this Agreement.

IN WITNESS WHEREOF, TEPPCO, the Grantee and the Spouse of the Grantee have executed this Agreement effective as of the Effective Date.

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC

By: ______________________
Name: ______________________
Title: ______________________

GRANTEE:

Name: ______________________

SPOUSE:

Name: ______________________

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC
2005 PHANTOM UNIT PLAN
AWARD AGREEMENT

THIS AWARD AGREEMENT (this "*Agreement*") is made between Texas Eastern Products Pipeline Company, LLC, a Delaware limited liability company ("*TEPPCO*"), and (the "*Grantee*") effective as of , (the "*Effective Date*"). TEPPCO considers that its interests will be served by granting the Grantee phantom units under the Texas Eastern Products Pipeline Company, LLC 2005 Phantom Unit Plan (the "*Plan*") as an inducement for the Grantee to . The award of phantom units granted hereby (the *"Award"*) is subject to the terms of the Plan, a copy of which is attached hereto and incorporated by reference herein. Terms that are not specifically defined in this Agreement shall have the meanings ascribed to them in the Plan.

IT IS AGREED:.

1. ***General Terms***. Subject to the terms of the Plan and this Agreement, effective as of the Effective Date, TEPPCO hereby grants to the Grantee Phantom Units with respect to the performance period that begins on January 1, 2005, and ends on December 31, 2007 (the *"Performance Period"*).

2. ***Performance Goal.*** The Performance Goal applicable to this Award shall be the achievement of a cumulative EBITDA for the Performance Period of an amount equal to the sum of the EBITDA targets for Target Awards established by the Committee for each of the calendar years during the Performance Period for purposes of the Texas Eastern Products Pipeline Company, LLC Management Incentive Compensation Plan and the Texas Eastern Products Pipeline, LLC Employee Incentive Compensation Plan (the "*Target Level of Performance*").

3. ***Vested Percentage.*** The Committee shall determine a Grantee's Vested Percentage after the Committee determines the extent to which the Performance Goal applicable to this Award has been achieved. A Grantee's Vested Percentage applicable to this Award will be equal to the percentage of the Target Level of Performance (not less than 50 percent and not greater than 150 percent) that is achieved during the Performance Period. For example, if the Committee determines that precisely 100 percent of Target Level of Performance was achieved during the Performance Period, the Grantee's Vested Percentage applicable to this Award will be 100 percent. If the Committeee determines that precisely 150 percent of the Target Level of Performance was achieved during the Performance Period the Grantee's Vested Percentage applicable to this Award will be 150 percent. If the Committee determines that precisely 50 percent of the Target Level of Performance was achieved during the Performance Period (the "*Base Level of Performance*") the Grantee's Vested Percentage applicable to this Award will be 50 percent. If the Committee determines that the Base Level of Performance was not achieved during the Performance Period the Grantee's Vested Percentage applicable to this Award will be zero percent. Notwithstanding any other provision of this Section 3, the Committee has the discretion to reduce the Grantee's Vested Percentage as it deems appropriate if the Committee determines, in its sole discretion, that the Grantee's Vested Percentage should be reduced due to reductions in distributions paid to Unit holders or due to any other factor(s) the Committee deems relevant.

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4. ***Change in Control Described in any of Paragraphs (i),(iv), or (vii) of Section 2.7 of the Plan.*** Notwithstanding any other provision of the Plan or this Agreement, if a Change in Control described in any of paragraphs (i),(iv), or (vii) of Section 2.7 of the Plan occurs during the three-year period that begins on January 1, 2005 and ends on December 31, 2007, and the Grantee incurs a Separation From Service in connection with such Change in Control, in lieu of any other benefit payable under the Plan with respect to this Award, within ten days after the later of the date of the Grantee's Separation From Service or the date of the Change in Control TEPPCO (or its successor) will pay the Grantee an amount equal to product of (A) and (B) where (A) is the number of the Grantee's Phantom Units granted under this Award and (B) is the average of the closing prices of a Unit as reported on the New York Stock Exchange, Inc. Composite Transactions Reporting System over the ten consecutive trading days immediately preceding the date of the Change in Control. For purposes of this Agreement, a Grantee will be deemed to have incurred a Separation From Service "in connection with a Change in Control" if (A) a Change in Control occurs during the Performance Period, (B) the Grantee incurs a Separation From Service during the Performance Period and (C) (1) the Grantee's employment with TEPPCO or its successor is terminated by TEPPCO or its successor during the Performance Period and following the Change in Control, (2) the Grantee resigns from the employ of TEPPCO or its successor for "Good Reason" before or after the Change in Control, or (3) the Grantee's Separation From Service occurs on or prior to the date of the Change in Control and the Separation From Service is at the request or direction of a person who has entered into an agreement the consummation of which would constitute a Change in Control. For purposes of this Agreement, "Good Reason" for a Grantee's resignation means the occurrence of any of the following during the Performance Period: (1) TEPPCO or its successor assigns to the Grantee any duties inconsistent with the Grantee's position (including offices, titles and reporting requirements), authority, duties or responsibilities with TEPPCO immediately prior to the execution of an agreement the consummation of which would constitute a Change in Control, (2) TEPPCO or its successor takes any other action that results in a material diminution in the Grantee's position, authorities, duties or responsibilities, (3) TEPPCO or its successor reduces the Grantee's annual base salary as in effect immediately prior to the execution of an agreement the consummation of which would constitute a Change in Control, or (4) TEPPCO or its successor relocates the Grantee's principal place of employment to a place that outside of the 30-mile radius of the Grantee's principal place of employment immediately prior to the Change in Control.

5. ***Change in Control Described in Paragraph (ii), (iii), (v), or (vi) of Section 2.7 of the Plan.*** Notwithstanding any other provision of the Plan or this Agreement, if a Change in Control described in any of paragraphs (ii),(iii),(v) or (vi) of Section 2.7 of the Plan occurs during the three-year period that begins on January 1, 2005 and ends on December 31, 2007, in lieu of any other benefit payable under the Plan with respect to this Award, within ten days after the date of the Change in Control TEPPCO (or its successor) will pay the Grantee an amount equal to product of (A) and (B) where (A) is the number of the Grantee's Phantom Units granted under this Award and (B) is the average of the closing prices of a Unit as reported on the New York Stock Exchange, Inc. Composite Transactions Reporting System over the ten consecutive trading days immediately preceding the date of the Change in Control.

6. ***Negotiation and Mediation.*** TEPPCO and the Grantee (the "parties") will attempt in good faith to resolve any controversy or dispute arising out of or relating to this

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Agreement promptly by negotiations between or among the parties. The negotiation process may be started by notice by either party to the other party, and the parties agree to negotiate in good faith, and select an independent mediator to facilitate the negotiations and conduct up to eight consecutive hours of mediated negotiations in Houston, Texas within thirty days after the notice is first sent. If, within ten days after the initial notice the parties are not able to agree upon a mediator, the party originally giving the notice shall promptly notify American Arbitration Association ("AAA"), 140 West 51st Street, New York, New York 10020-1203, AAA will designate a mediator who is independent and impartial, and AAA's decision about the identity of the mediator will be final and binding. It shall not be necessary to comply with the foregoing negotiation or mediation provisions in order to seek injunctive relief pursuant to the exception at the end of Section 7.

7. ***No Litigation.*** No arbitration may be commenced by any party unless and until a negotiation complying with Section 6 has been completed, and no litigation or other proceeding may ever be instituted at any time in any court for the purpose of adjudicating, interpreting or enforcing any of the rights or obligations of the parties hereto or any rights or obligations relating to the subject matter hereof, whether or not covered by the express terms of this Agreement, or for the purpose of adjudicating a breach or determination of the validity of this Agreement, or for the purpose of appealing any decision of an arbitrator, except a proceeding instituted for the sole purpose of having the award or judgment of an arbitrator entered and enforced or to seek an injunction or restraining order (but not damages in connection therewith) in circumstances where such relief is available.

8. ***Binding Arbitration.*** If a controversy or dispute is not resolved after completion of the negotiation process described in Section 6, then, upon notice by either party to the other party (an "Arbitration Notice") and to AAA, the controversy or dispute shall be submitted to a sole arbitrator who is independent and impartial, for binding arbitration in Houston, Texas, in accordance with AAA's Commercial Arbitration Rules (the "Rules"). The parties agree that they will faithfully observe this Agreement and the Rules and that they will abide by and perform any award rendered by the arbitrator. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. Section 1-16 (or by the same principles enunciated by such Act in the event it may not be technically applicable). The award or judgment of the arbitrator shall be final and binding on all parties and judgment upon the award or judgment of the arbitrator may be entered and enforced by any court having jurisdiction. If any party becomes the subject of a bankruptcy, receivership or other similar proceeding under the laws of the United States of America, any state or commonwealth or any other nation or political subdivision thereof, then, to the extent permitted or not prohibited by applicable law, any factual or substantive legal issues arising in or during the pendency of any such proceeding shall be subject to all of the foregoing mandatory mediation and arbitration provisions and shall be resolved in accordance therewith. The agreements contained in Sections 6, 7 and 8 have been given for valuable consideration, are coupled with an interest and are not intended to be executory contracts. The fees and expenses of the arbitrator will be shared by all parties engaged in the dispute or controversy on a basis determined to be fair and equitable by the arbitrator, taking into account the relative fault of each party, the relative credibility and merit of all claims and defenses made by each party and the cooperation, speed and efficiency of each party in conducting the arbitration proceedings and complying with the Rules and with orders and requests of the arbitrator.

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9. ***Selection of Arbitrator.*** Promptly after the Arbitration Notice is given, AAA will select three possible arbitrators, to whom AAA will give the identities of the parties and the general nature of the controversy. If any of those arbitrators disqualifies himself or declines to serve, AAA shall continue to designate potential arbitrators until the parties have three to select from. After the panel of three potential arbitrators has been completed, a two-page summary of the background of each of the potential arbitrators will be given to both of the parties, and the parties will have a period of ten days after receiving the summaries in which to attempt to agree upon the arbitrator to conduct the arbitration. If the parties are unable to agree upon an arbitrator, then one of the parties shall notify AAA, and AAA shall select the arbitrator from one of the three, or less, if one or more has been found to be disqualified or removes himself from consideration (if all three are disqualified or remove themselves, then AAA shall start the arbitration-selection process over again). The decision of AAA with respect to the selection of the arbitrator will be final and binding in such case.

10. ***Arbitration Hearing.*** Within ten days after the selection of the arbitrator, the parties and their counsel will appear before the arbitrator at a place and time designated by the arbitrator for the purpose of each party making a one hour or less presentation and summary of the case. Thereafter, the arbitrator will set dates and times for additional hearings until the proceeding is concluded. The desire and goal of the parties is, and the arbitrator will be advised that his goal should be, to conduct and conclude the arbitration proceeding as expeditiously as possible. If any party or his counsel fails to appear at any hearing, the arbitrator shall be entitled to reach a decision based on the evidence which has been presented to him by the parties who did appear.

11. ***Waiver of Jury Trial.*** While it is the intention that all disputes be resolved pursuant to arbitration, nonetheless, in the event any matter related to this Agreement ever becomes the subject of judicial proceedings, by entering into this Agreement the Grantee agrees to and waives his right to a jury trial of any claim or cause of action based upon or arising out of this Agreement. This waiver is irrevocable, meaning that it may not be modified either orally or in writing, and this waiver shall apply to any subsequent amendments, renewals, supplements or modifications to this Agreement. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

12. ***Confidentiality of Settlement Proceedings.*** All aspects of any settlement proceedings, including, without limitation, discovery, testimony and other evidence, negotiations and communications pursuant to Sections 6 and 7, briefs and the award shall be held confidential by each party and the arbitrators, and shall be treated as compromise and settlement negotiations for the purposes of the Federal and State Rules of Evidence.

13. ***Notices.*** Notices required or permitted to be given by either party pursuant to this Agreement shall be in writing and shall be deemed to have been given when delivered personally to the other party or when deposited with the United States Postal Service as certified or registered mail with postage prepaid and addressed.

14. ***Withholding Taxes***. TEPPCO may withhold from all payments to be paid to the Grantee pursuant to this Agreement all taxes that, by applicable federal, state, local or other law of any applicable jurisdiction, TEPPCO is required to so withhold.

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15. ***Amendment and Waiver.*** No provision of this Agreement may be amended, modified or waived (whether by act or course of conduct or omission or otherwise) unless that amendment, modification or waiver is by written instrument signed by the parties hereto. No waiver by either party of any

breach of this Agreement shall be deemed a waiver of any other or subsequent breach.

16. ***Grantee Acknowledgment.*** The Grantee acknowledges that he has read and understands this Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by TEPPCO other than those contained in writing herein, and has entered into this Agreement freely based on his own judgment.

17. ***Assignment by TEPPCO.*** TEPPCO may assign this Agreement to any successor (whether by merger, consolidation, conversion, or other business combination, purchase of TEPPCO's stock, sale, exchange or other transfer of all or a majority of TEPPCO's assets, or otherwise) to all or a controlling interest in TEPPCO's business, in which case this Agreement shall be binding upon and inure to the benefit of such successors and assigns.

18. ***Negotiated Transaction.*** The parties hereto (i) agree that the provisions of this Agreement were negotiated by the parties hereto, that each of the parties hereto has had the opportunity to be represented by counsel during the negotiation and execution of this Agreement, and that this Agreement shall be deemed to have been drafted by all of the parties hereto and, therefore, (ii) waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

19. ***Governing Law.*** The validity, interpretation, construction and enforceability of this Agreement shall be governed by the laws of the State of Texas without giving effect to a choice or conflict of law provision or rule of such state.

20. ***Counterparts.*** This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute the same instrument.

21. ***Headings; Gender and Number.*** The section headings have been inserted for purposes of convenience only and shall not be used for interpretive purposes. If the context requires it, words of one gender when used in this Agreement shall include the other genders, and words used in the singular or plural shall include the other.

22. ***Entire Agreement.*** This Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and supersedes all previous written or oral representations, agreements, commitments and understandings between the parties, whether expressed or implied. The terms of this Agreement do not amend or affect in any way any other agreements or understandings between TEPPCO and the Grantee.

23. ***Severability.*** If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the validity or unenforceability of this provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

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24. ***Spousal Acknowledgement and Consent.*** The Spouse of the Grantee is fully aware of, understands and fully consents and agrees to the provisions of this Agreement and its binding effect upon any community property or other interest such Spouse may now or hereafter own. The Spouse of the Grantee agrees that the termination of such Spouse's marital relationship with the Grantee for any reason shall not have the effect of removing any such interest from the coverage of this Agreement and that such Spouse's awareness, understanding, consent and agreement to all of the provisions hereof is evidenced by such Spouse's execution and delivery of this Agreement.

IN WITNESS WHEREOF, TEPPCO, the Grantee and the Spouse of the Grantee have executed this Agreement effective as of the Effective Date.

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC

By: ____________________________

Name: ____________________________

Title: ____________________________

GRANTEE:

Name: ____________________________

SPOUSE:

Name: ____________________________

Exhibit 31.1

Certification of Chief Executive Officer pursuant to Rule 13a-14(a) / Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended

I, Jerry E. Thompson, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of TEPPCO Partners, L.P.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   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 report based on such evaluation; and

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

June 16, 2006

/s/ JERRY E. THOMPSON
Jerry E. Thompson
President and Chief Executive Officer
Texas Eastern Products Pipeline Company, LLC,
as General Partner

Exhibit 31.2

Certification of Chief Financial Officer pursuant to Rule 13a-14(a) / Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended

I, William G. Manias, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of TEPPCO Partners, L.P.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   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 report based on such evaluation; and

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

June 16, 2006

/s/ WILLIAM G. MANIAS
William G. Manias
Vice President and Chief Financial Officer
Texas Eastern Products Pipeline Company, LLC,
as General Partner

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of TEPPCO Partners, L.P. (the “Company”) on Form 10-Q/A for the quarter ended June 30, 2005 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, I, Jerry E. Thompson, President and Chief Executive Officer of Texas Eastern Products Pipeline Company, LLC, the general partner of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JERRY E. THOMPSON
Jerry E. Thompson
President and Chief Executive Officer
Texas Eastern Products Pipeline Company, LLC, General Partner

June 16, 2006

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.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of TEPPCO Partners, L.P. (the “Company”) on Form 10-Q/A for the quarter ended June 30, 2005 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, I, William G. Manias, Vice President and Chief Financial Officer of Texas Eastern Products Pipeline Company, LLC, the general partner of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ WILLIAM G. MANIAS
William G. Manias
Vice President and Chief Financial Officer
Texas Eastern Products Pipeline Company, LLC, General Partner

June 16, 2006

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.