SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

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

For the fiscal year ended December 31, 1999 Commission file number: 1-14323

ENTERPRISE PRODUCTS PARTNERS L.P.

(Exact name of registrant as specified in its charter)

DELAWARE	76-0568219
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

2727 NORTH LOOP WEST, HOUSTON, TEXAS 77008-1037
(Address of principal executive offices) (zip code)
Registrant's telephone number, including area code : (713) 880-6500

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of each class	Name of each exchange on which registered
Common Units	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
None

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Aggregate market value of the Common Units held by non-affiliates of the registrant, based on closing prices in the daily composite list for transactions on the New York Stock Exchange on February 25, 2000, was approximately $203.5 million. This figure assumes that the directors and executive officers of the General Partner, the Enterprise Products 1998 Unit Option Plan Trust, and the EPOLP 1999 Grantor Trust were affiliates of the Registrant.

The registrant had 45,552,915 Common Units outstanding as of March 1, 2000.

ENTERPRISE PRODUCTS PARTNERS L.P.
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PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES.

ENTERPRISE PRODUCTS PARTNERS L.P. ("Enterprise" or the "Company") is a leading integrated North American provider of processing and transportation services to domestic and foreign producers of natural gas liquids ("NGL" or "NGLs") and other liquid hydrocarbons and domestic and foreign consumers of NGLs and liquid hydrocarbon products. The Company manages a fully integrated and diversified portfolio of midstream energy assets and is engaged in NGL processing and transportation through direct and indirect ownership and operation of NGL fractionators. It also operates and or manages NGL processing facilities, storage facilities, pipelines, rail transportation facilities, a methyl tertiary butyl ether ("MTBE") facility, a propylene production complex and other transportation facilities in which it has a direct and indirect ownership. As a result of the acquisition of Tejas Natural Gas Liquids, LLC ("TNGL") from Tejas Energy, LLC ("Tejas Energy") now Coral Energy LLC, effective August 1, 1999, the Company is also engaged in natural gas processing. All references herein to "Shell", unless the context indicates otherwise, shall refer collectively to Shell Oil Company, its subsidiaries and affiliates.

The Company is a publicly traded master limited partnership (NYSE, symbol "EPD") that conducts substantially all of its business through ENTERPRISE PRODUCTS OPERATING L.P. (the "Operating Partnership"), the Operating Partnership's subsidiaries, and a number of joint ventures with industry partners. The Company was formed in April 1998 to acquire, own, and operate all of the NGL processing and distribution assets of Enterprise Products Company ("EPCO"). The general partner of the Company, Enterprise Products GP, LLC (the "General Partner"), a majority-owned subsidiary of EPCO, holds a 1.0% general partner interest in the Company and a 1.0101% general partner interest in the Operating Partnership.

The principal executive office of the Company is located at 2727 North Loop West, Houston, Texas, 77008-1038, and the telephone number of that office is 713-880-6500. References to, or descriptions of, assets and operations of the Company in this Annual Report include the assets and operations of the Operating Partnership and its subsidiaries as well as the predecessors of the Company.

Uncertainty of Forward-Looking Statements and Information. This Annual Report contains various forward-looking statements and information that are based on the belief of the Company and the General Partner, as well as assumptions made by and information currently available to the Company and the General Partner. When used in this document, words such as "anticipate," "estimate," "project," "expect," "plan," "forecast," "intend," "could," and "may," and similar expressions and statements regarding the Company's business strategy and plans and objectives of the Company for future operations, are intended to identify forward-looking statements. Although the Company and the General Partner believe that the expectations reflected in such forward-looking statements are reasonable, they can give no assurance that such expectations will prove to be correct. Such statements are subject to certain risks, uncertainties, and assumptions. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, projected, or expected. Among the key risk factors that may have a direct bearing on the Company's results of operations and financial condition are: (a) competitive practices in the industries in which the Company competes, (b) fluctuations in oil, natural gas, and NGL product prices and production, (c) operational and systems risks, (d) environmental liabilities that are not covered by indemnity or insurance, (e) the impact of current and future laws and governmental regulations (including environmental regulations) affecting the NGL industry in general, and the Company's operations in particular, (f) loss of a significant customer, and (g) failure to complete one or more new projects on time or within budget.

Joint Ventures and Subsidiaries. The Operating Partnership owns and operates gas processing, NGL fractionation, propylene production, isobutane production, MTBE production, storage, pipeline, and import/export assets. Among these assets are the following joint ventures and wholly-owned subsidiaries:

JOINT VENTURES

- Baton Rouge Fractionators LLC ("BRF") - an approximate 31.25% economic interest in a NGL fractionation facility located in southeastern Louisiana.

- Baton Rouge Propylene Concentrator, LLC ("BRPC") - a 30.0% economic interest in a propylene concentration unit located in southeastern Louisiana which is under construction and scheduled to become operational in the third quarter of 2000.

- Belle Rose NGL Pipeline LLC ("Belle Rose") - a 41.7% economic interest in a NGL pipeline system located in south Louisiana. The Company's interest in Belle Rose was acquired as a result of the TNGL acquisition.

- Belvieu Environmental Fuels ("BEF") - a 33.33% economic interest in a Methyl Tertiary Butyl Ether ("MTBE") production facility located in southeast Texas.

- Dixie Pipeline Company ("Dixie") - an 11.5% interest in a corporation owning a 1,301-mile propane pipeline and the associated facilities extending from Mont Belvieu, Texas to North Carolina.

- EPIK Terminalling L.P. and EPIK Gas Liquids, LLC (collectively, "EPIK") - a 50% aggregate economic interest in a refrigerated NGL marine terminal loading facility located in southeast Texas.

- K/D/S Promix LLC ("Promix") - a 33.33% economic interest in a NGL fractionation facility and related storage facilities located in south Louisiana. The Company's interest in Promix was acquired as a result of the TNGL acquisition.

- Tri-States NGL Pipeline LLC ("Tri-States") - an aggregate 33.33% economic interest in a NGL pipeline system located in Louisiana, Mississippi, and Alabama. As a result of the TNGL acquisition, the Company acquired an additional 16.67% interest bringing the total investment in Tri-States to the current 33.33%.

- Venice Energy Services Company, LLC ("VESCO") - a 13.1% economic interest in a LLC owning a natural gas processing plant, fractionation facilities, storage, and gas gathering pipelines in Louisiana.

- Wilprise Pipeline Company, LLC ("Wilprise") - a 33.33% economic interest in a NGL pipeline system located in southeastern Louisiana.

WHOLLY-OWNED SUBSIDIARIES

- Cajun Pipeline Company, LLC ("Cajun")- a limited liability company owning NGL pipelines located in the southeastern United States.

- Chunchula Pipeline Company, LLC ("Chunchula") - a limited liability company owning NGL pipelines located in the southeastern United States.

- Entell NGL Services, LLC ("Entell") - a limited liability company which markets certain NGLs produced by an Illinois refinery owned by a division of Equilon Enterprises LLC. From January 1, 1999 through October 31, 1999, Entell leased from a subsidiary of the Company a NGL transportation and distribution system capable of distributing products from key NGL sources in southern Louisiana directly to major NGL markets, including the lower Mississippi River corridor, Dixie pipeline, Lake Charles, Louisiana and Mont Belvieu, Texas. The Company's 100% ownership of Entell is due to the TNGL acquisition. For the period March 1, 1999 through July 31, 1999, Entell was a joint venture equally owned by the Operating Partnership and TNGL. The Operating Partnership's 50% economic interest in the income of the joint venture has been recorded as equity income in unconsolidated affiliates. The Operating Partnership owned 100% of Entell for the period January 1, 1999 through February 28, 1999.

- Enterprise Lou-Tex NGL Pipeline L.P. ("Lou-Tex NGL") - a limited partnership formed to construct and own a NGL pipeline system from Sorrento, Louisiana to Mont Belvieu, Texas. Management anticipates that construction of this line will begin by the end of the first quarter of 2000 with completion scheduled early in the fourth quarter of 2000.

- Enterprise Lou-Tex Propylene Pipeline L.P. ("Lou-Tex Propylene") - a limited partnership formed to acquire a 263-mile propylene pipeline from Concha Chemical Pipeline Company. The pipeline is currently dedicated to the transportation of chemical grade propylene from Sorrento, Louisiana to Mont Belvieu, Texas. The purchase of this pipeline was finalized on February 25, 2000.

- Enterprise NGL Pipelines, LLC ("ENGL Pipelines") - a limited liability company owning NGL pipelines primarily in Louisiana and Mississippi. ENGL Pipelines owns the 41.7% economic interest in Belle Rose and a 16.7% economic interest in Tri-States. When consolidated with the Operating Partnership's stand-alone 16.7% economic interest in Tri-States, the Company holds a 33.33% economic interest.

- Enterprise NGL Private Lines & Storage LLC ("ENGL Private")- a limited liability company whose primary activity is the transportation and storage of NGLs in Louisiana and Mississippi for Company accounts.

- Enterprise Gas Processing LLC ("EGP") - a limited liability company whose business activities include the processing of natural gas and extraction of NGLs from natural gas streams. In addition, EGP fractionates NGL raw make into distinct products through its investment in Promix.

- Enterprise Products Texas Operating L.P. ("EPTexas") - a limited partnership owning a 62.5% interest in a Mont Belvieu, Texas NGL fractionation facility.

- EPOLP 1999 Grantor Trust ("Trust")- a revocable grantor trust formed in January 1999 to purchase Common Units of the Company to fund future liabilities of the 1999 Long-Term Incentive Plan. The Company consolidates the Trust into its financial statements and discloses the Common Units held by the Trust in a manner similar to the purchase of treasury stock under the cost method of accounting.

- HSC Pipeline Partnership, L.P. ("HSC") - a limited partnership owning NGL pipeline assets in Mont Belvieu, Texas and the Houston ship channel area. The pipeline assets deliver NGLs to Mont Belvieu and NGL products to Houston area refineries and petrochemical companies.

- Propylene Pipeline Partnership, L.P. ("Propylene Pipeline") - a limited partnership owning interests in propylene pipelines located in Texas and Louisiana.

- Sorrento Pipeline Company, LLC ("Sorrento") - a limited liability company owning pipelines that distribute NGL products to refineries and petrochemical companies in Louisiana and the Dixie pipeline. The pipelines extend from near Baton Rouge, Louisiana to New Orleans, Louisiana.

The following chart shows the organizational structure and ownership of entities:

[ORGANIZATION CHART INSERTED HERE]

BUSINESS STRATEGY

The business strategy of the Company is to grow its core assets and maximize the returns to Unitholders. Management intends to pursue this strategy principally by:

Capitalizing on Expected Increases in NGL Production. The Company believes production of both oil and natural gas in the Gulf of Mexico will continue to increase over the next several years. The Company intends to capitalize on its existing infrastructure, market position, strategic relationships and financial flexibility in order to expand operations to meet the anticipated increased demand for NGL processing services. Of particular significance will be production associated with the development of natural gas fields in Mobile Bay and the Gulf of Mexico offshore Louisiana, which are expected to produce natural gas with significantly higher NGL content than typical domestic production. Management believes the Gulf Coast is the only major marketplace that has sufficient storage facilities, pipeline distribution systems and petrochemical and refining demand to absorb this new NGL production. In connection with the TNGL acquisition, Shell entered into a 20-year natural gas processing agreement with the Operating Partnership, covering substantially all its Gulf of Mexico natural gas production.

Expanding through Construction of Identified New Facilities. The Company is currently participating in the construction of

- a new cryogenic natural gas processing plant in St. Mary's Parish, Louisiana, known as the Neptune gas plant; and
- a new propylene concentrator adjacent to the Baton Rouge NGL fractionation facility.

The Company is also planning the construction of a 263-mile Lou-Tex NGL pipeline from Sorrento, Louisiana to Mont Belvieu, Texas to have a capacity of 50,000 barrels per day, in batch mode, for the transportation of mixed NGLs and NGL products. The pipeline is being designed to allow for efficient expansion to approximately 80,000 barrels per day. Construction of the Lou-Tex NGL pipeline is expected to be completed during the fourth quarter of 2000.

Investing with Strategic Partners. The Company will continue to pursue joint investments with oil and natural gas producers that can commit feedstock volumes to new facilities or with petrochemical companies that agree to purchase a significant portion of the production from new facilities. The Company believes commitments from producers to bring NGL volumes to new fractionation facilities and pipelines are central to establishing the viability of new investments in the NGL processing and transportation industry.

Expanding Through Acquisitions. The Company will continue to analyze potential acquisitions, joint ventures or similar transactions with businesses that operate in complementary markets and geographic regions. In recent years, major oil and natural gas companies have sold non-strategic assets including assets in the midstream natural gas industry such as those the Company acquired from Shell in the TNGL acquisition. Management believes this trend will continue, and the Company expects independent oil and natural gas companies to consider similar options.

Managing Commodity Price Exposure. In terms of volume and normalized gross margin, a substantial portion of the Company's operations are conducted pursuant to tolling and NGL transportation and storage agreements where it processes, transports, and stores a raw feedstock or product for a fee and does not take title to the product. In those situations where the Company does take title to NGL products, the following scenarios apply:

- In the Company's isomerization merchant activities and to a certain extent its propylene fractionation business, the Company generally attempts to match the timing and price of its feedstock purchases with those of the sales of end products so as to reduce exposure to fluctuations in commodity prices.

- In the Company's natural gas processing business, to the extent it takes title to the NGLs removed from the natural gas stream and reimburses the producer for the reduction in the Btu content and/or the natural gas used as fuel, the Company's margins are affected by the prices of NGLs and natural gas. Management from time to time uses financial instruments to reduce its exposure to the change in the prices of NGLs and natural gas.

For a general discussion of the Company's commodity risk management policies and exposures, see Item 7A "Quantitative and Qualitative Disclosures about Market Risk."

GENERAL

The Company is a leading integrated provider of processing and transportation services to producers of natural gas and NGLs and to consumers of NGL products. The Company:

- processes raw natural gas to extract a mixed NGL stream from commercial natural gas;

- fractionates mixed NGLs produced as by-products of oil and natural gas production into their component products of ethane, propane, isobutane, normal butane and natural gasoline;

- separates propane/propylene mix into high purity propylene;

- converts normal butane to isobutane through the process of isomerization;

- produces MTBE from isobutane and methanol;

- transports NGL products to end users by pipeline and railcar;

- provides underground storage for NGLs and propylene; and

- provides import and export services for NGLs.

The products that the Company processes generally are used as feedstocks in petrochemical manufacturing, in the production of motor gasoline and as fuel for residential and commercial heating.

The Company has expanded rapidly since its inception in 1968, primarily through internal growth, the formation of joint ventures and acquisitions. This growth reflects the increased demand for NGL processing due to increased domestic natural gas production and crude oil refining and increased demand for processed NGLs in the petrochemical industry. Over the last few years the Company has increased its NGL fractionation capacity by approximately 35%, built a third isomerization unit that increased its isobutane production capacity by approximately 60%, increased deisobutanizer capacity by approximately 54%, constructed a second propylene fractionation unit which approximately doubled production capacity and made its investments in the MTBE facility at Mont Belvieu. The Company's operations are centered on the Gulf Coast of the United States in Texas, Louisiana, and Mississippi. The Company's largest processing facility is located in Mont Belvieu, Texas.

Effective August 1, 1999, the Company acquired TNGL from Shell. TNGL engaged in natural gas processing and NGL fractionation, transportation, storage and marketing in Louisiana and Mississippi. TNGL's assets included the Shell Processing Agreement and varying interests in eleven natural gas processing plants (including one under construction) with a combined gross capacity of 11.0 billion cubic feet per day (Bcfd) and a net capacity of 3.1 Bcfd; four NGL fractionation facilities with a combined gross capacity of 281,000 barrels per day (BPD) and net capacity of 131,500 BPD; four NGL storage facilities with approximately 28.8 million barrels of gross capacity and 8.8 million barrels of net capacity; and approximately 1,500 miles of NGL pipelines (including an 11.5% interest in Dixie Pipeline).

Effective July 1, 1999, the Company purchased an additional 25% ownership interest in the 210,000 BPD fractionation facility located at the Company's Mont Belvieu complex. Specifically, the Company purchased the remaining 51% ownership interests in Mont Belvieu Associates ("MBA") which owned 50% of the Mont Belvieu fractionation facility. With this acquisition, the Company's direct and indirect ownership in this facility increased to 62.5%.

Overall, the Company believes the demand for its services will continue to increase, principally as a result of expected increases in natural gas production, particularly in the Gulf of Mexico, and generally increasing domestic and worldwide petrochemical production. Accordingly, the Company has initiated several new projects which are currently in construction.

The Company's operating margins are derived from services provided to tolling customers and from merchant activities. In the Company's toll processing operations, it does not take title to the product and is simply paid a fee based on volumes processed, transported, stored or handled. The Company's profitability from toll processing operations depends primarily on the volumes of natural gas, NGLs and refinery-sourced propane/propylene mix processed and transported and the level of associated fees charged to its customers. The profitability of the Company's toll processing operations is largely unaffected by short-term fluctuations in the prices for oil, natural gas or NGLs. In the Company's isomerization merchant activities and to a certain extent its propylene fractionation business, it takes title to feedstock products and sell processed end products. The Company's profitability from these merchant activities is dependent on the prices of feedstocks and end products, which typically vary on a seasonal basis. In the Company's propylene fractionation business and isomerization merchant business, the Company generally attempts to match the timing and price of its feedstock purchases with those of the sales of end products so as to reduce exposure to fluctuations in commodity prices. The Company's operating margins from its natural gas processing business are generally derived from the margins earned on the sale of purity NGL products extracted from natural gas streams. To the extent it takes title to the NGLs removed from the natural gas stream and reimburses the producer for the reduction in the Btu content and/or the natural gas used as fuel, the Company's margins are affected by the prices of NGLs and natural gas. Management from time to time uses financial instruments to reduce its exposure to the change in the prices of NGLs and natural gas.

Historically, the Company has had only one reportable business segment: NGL Operations. Due to the broadened scope of the Company's operations with the third quarter of 1999 acquisition of TNGL, effective for fiscal 1999, the Company's operations are being managed using five reportable business segments. The five new segments better reflect the earnings and activities in each of the Company's major lines of business and are:

- Fractionation
- Pipeline
- Octane Enhancement
- Processing
- Other

For a discussion of the financial results of these operating segments over the last three fiscal years, see "Management's Discussion and Analysis of Financial Condition and Results of Operation." For financial data on the operating segments, please refer to Note 15 of the Notes to Consolidated Financial Statements.

FRACTIONATION

This operating segment is primarily comprised of the following business areas:

- NGL Fractionation
- Isomerization
- Propylene Fractionation

This segment also includes the Company's equity method investments in BRF, BRPC, and Promix. In addition, this segment includes the support facilities for the NGL Fractionation, Isomerization, and Propylene Fractionation units and other miscellaneous minor plants. A description of the most significant business areas comprising this segment follows.

NGL FRACTIONATION

General. The three principal sources of NGLs fractionated in the United States are:

- domestic gas processing plants;
- domestic crude oil refineries; and,
- imports of butane and propane mixtures.

When produced at the wellhead, natural gas consists of a mixture of hydrocarbons that must be processed to remove NGLs and impurities. Gas processing plants are located near the production areas and separate pipeline quality natural gas (principally methane) from NGLs and other materials. After being extracted in the field, mixed NGLs, sometimes referred to as "y-grade" or "raw make," are typically transported to a centralized facility for fractionation. Crude oil and condensate production also contain varying amounts of NGLs, which are removed during the refining process and are either fractionated by refiners or delivered to NGL fractionation facilities. Domestic NGL production has increased in recent years, and the Company believes, based on published industry data, that this supply growth will continue over the next several years.

The mixed NGLs delivered from gas plants to centralized fractionation facilities are typically transported by NGL pipelines and, to a lesser extent, by rail car or truck. The following table lists the primary NGL pipelines and related assets which connect the Company's largest NGL fractionation facilities at Mont Belvieu, Texas to NGL supply sources:

SOURCE	PARTIES SERVED	AREA OF ORIGINATION
Black Lake Pipeline............	Enterprise/Dynegy	North Louisiana Central Louisiana East Texas
Chaparral Pipeline	Common Carrier	West Texas North Texas
Dean Pipeline	Enterprise*	South Texas
Enterprise Import/Export Facility	Enterprise*	Foreign imports
Enterprise Rail/Truck Terminal .	Common Carrier	United States
Houston Ship Channel Pipeline ..	Enterprise*	Foreign Imports Local Refineries
Panola Pipeline	Enterprise*	East Texas
Seminole Pipeline	Common Carrier	Rocky Mountains Mid-Continent West Texas
West Texas LPG Pipeline	Common Carrier	West Texas North Texas East Texas

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* NGLs from these sources are delivered exclusively to the Company's Mont Belvieu NGL fractionation facilities.

NGL fractionation facilities separate mixed NGL streams into discrete NGL products: ethane, propane, isobutane, normal butane and natural gasoline. Ethane is primarily used in the petrochemical industry as feedstock for ethylene, one of the basic building blocks for a wide range of plastics and other chemical products. Propane is used both as a petrochemical feedstock in the production of ethylene and propylene and as heating, engine and industrial fuel. Isobutane is fractionated from mixed butane (a stream of normal butane and isobutane in solution) or refined from normal butane through the process of isomerization, principally for use in refinery alkylation to enhance the octane content of motor gasoline and in the production of MTBE, an oxygenation additive used in cleaner burning motor gasoline, and in the production of propylene oxide. Normal butane is used as a petrochemical feedstock in the production of ethylene and butadiene (a key ingredient in synthetic rubber), as a blendstock for motor gasoline and to derive isobutane through isomerization. Natural gasoline, a mixture of pentanes and heavier hydrocarbons, is used primarily as motor gasoline blend stock or petrochemical feedstock.

The Company's NGL Fractionation facilities. The Company operates one of the largest NGL fractionation facilities in the United States with an average production capacity of 210,000 barrels per day at Mont Belvieu, approximately 25 miles east of Houston. Mont Belvieu is the hub of the domestic NGL industry because of its proximity to the largest concentration of refineries and petrochemical plants in the United States and its location on a large naturally-occurring salt dome that provides for the underground storage of significant quantities of NGLs. Excluding NGLs fractionated in facilities which are captive to certain refineries (non-commercial fractionation), approximately one-half of all NGLs fractionated in the United States are fractionated at Mont Belvieu, and the Company's fractionation facilities currently account for approximately 33% of total NGL fractionation capacity at Mont Belvieu.

The Company's Mont Belvieu NGL fractionation facilities include two fractionation trains. Each train is named after the point of origin of the NGL pipelines from which the facilities were originally fed. The West Texas Fractionator was constructed in 1980 with an average production capacity of 35,000 barrels per day and was expanded to 70,000 barrels per day capacity in 1988 and 115,000 barrels per day capacity in 1996. The Seminole Fractionator was constructed in 1982 with an average production capacity of 60,000 barrels per day and was expanded to 95,000 barrels per day capacity in 1985.

As a result of the MBA acquisition, the Company owns an effective 62.5% economic interest in the NGL fractionation facilities at the Mont Belvieu complex. The remaining interests are owned by Duke Energy (12.5%), Texaco (12.5%) and Burlington Resources (12.5%). Prior to the MBA acquisition, the earnings associated with the Company's 49% investment in MBA were recorded as equity income under this operating segment. The Company operates the facilities pursuant to an operating agreement that extends for their useful operating life.

The Company also owns and operates NGL fractionation facilities at Norco, Louisiana and Petal, Mississippi. The Norco facilities were acquired with the TNGL acquisition. This facility was built in the 1960s and has an average production capacity of 60,000 barrels per day. It receives raw make via pipeline from the Yscloskey, Toca, Paradis, and Crawfish gas processing plants. The Petal facility has an average production capacity of approximately 7,000 barrels per day. The Petal facility is connected to the Company's Chunchula pipeline system and serves NGL producers in Mississippi, Alabama and Florida.

The Company's NGL Fractionation Customers and Contracts. In most cases the Company processes NGLs for a toll processing fee. Fractionation contracts typically include a base processing fee per gallon subject to adjustment for changes in natural gas, electricity and labor costs, which are the principal variable costs in NGL fractionation. NGL producers generally retain title to, and the pricing risks associated with, the NGL products.

The Company has long-term fractionation agreements with Burlington Resources, Texaco and Duke Energy each of which is a significant producer of NGLs and a co-owner of the Mont Belvieu NGL fractionation facility. Burlington Resources and Texaco have agreed to deliver either a minimum of 39,000 barrels per day of mixed NGLs or all of their mixed NGLs brought within 50 miles of Mont Belvieu. Duke Energy has agreed to deliver 26,000 barrels per day of mixed NGLs as well as additional barrels that exceed its commitments to other facilities. The Company generally enters into contracts that cover most of the remaining capacity at the facilities for one to three-year terms with customers such as Lyondell, Aquila Energy, Enron, Exxon, Williams and Marathon/Ashland.

The Company, excluding its equity NGLs obtained as compensation for gas processing services, purchases a small quantity of mixed NGLs from oil and natural gas producers who prefer to sell at the gas processing plant or the fractionation facility. The Company resells the separated components of these NGLs in the spot market or uses them as feedstock for its other operations.

NGL Fractionation Volumes and Utilization Rates. During fiscal 1999, the Mont Belvieu fractionation facility operated at 75% of capacity. The 1999 utilization rate was lower than the previous year due to a decrease in mixed NGL volumes being delivered to the Company's facilities for processing. The lower volumes are the result of more intense competition in the Mont Belvieu processing area for fractionation services. The Norco fractionator operated at 80% of capacity since the Company acquired it effective August 1, 1999. The following table shows the volumes of mixed NGLs fractionated and the utilization at these facilities over this period:

	1995	1996	1997	1998	1999
Mont Belvieu NGL fractionation facilities:					
Average daily production volume (thousands of barrels)	158	166	189	191	157
Average capacity utilization (a)	95%	97%	92%	92%	75%
Tolling volume as a percentage of total volume	86%	90%	96%	96%	87%
Norco fractionation facilities: (b)					
Average daily production volume (thousands of barrels)					48
Average capacity utilization					80%

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(a) The Company completed an expansion of the facilities in November 1996, which increased capacity from 165,000 barrels per day to 210,000 barrels per day. This increased production capacity was not fully utilized until mid-1997. Capacity utilization is based on days the facilities are in operation and may vary from the stated capacity of the facilities.

(b) The Norco fractionator was acquired in August 1999 as part of the TNGL acquisition

The Company's equity investments in NGL Fractionation facilities. The Company has equity investments in two NGL fractionation facilities: BRF and Promix. The equity earnings from these investments are included in this segment.

BRF is a joint venture with Amoco, ExxonMobil and Williams that owns a 60,000 barrel per day NGL fractionation facility near Baton Rouge, Louisiana. The Company operates the facility and holds an approximate 31.25% ownership interest at December 31, 1999. The facility commenced operations in July 1999, and it is expected that Amoco, ExxonMobil, and Williams will provide an adequate supply of NGLs produced in Alabama, Mississippi and southern Louisiana including offshore areas to ensure the plant will operate at full capacity.

Promix is a NGL fractionation facility owned by K/D/S Promix L.L.C. with a capacity of 145,000 barrels per day. The facility was built during the mid-1960s and has been expanded twice in the last three years to its present capacity. The Company owns a 33.33% interest in Promix, which is operated by Koch. As part of its infrastructure, Promix owns a 315-mile raw make gathering system that is connected to nine gas processing plants. The Promix facilities also include five salt dome storage wells which handle raw make, propane, isobutane, normal butane and natural gasoline and a barge loading facility. The Company acquired its ownership interest in Promix as part of the TNGL acquisition.

ISOMERIZATION

General. Isomerization is the process of converting normal butane into mixed butane, which is subsequently fractionated into isobutane and normal butane. The demand for commercial isomerization services depends on requirements for isobutane in excess of naturally occurring isobutane that is produced from fractionation and refinery operations. The profitability of isomerization operations is largely dependent upon the volume of fee-based business.

Isobutane is principally supplied by NGL fractionation and commercial isomerization units, such as those the Company operates. The principal sources of demand for isobutane are refineries for alkylation, petrochemical companies for the production of propylene oxide and MTBE producers.

The Company's Isomerization facilities. The Company's Mont Belvieu facility includes three butane isomerization units and eight deisobutanizers ("DIBs") which comprise the largest butane isomerization complex in the United States. The Company's facilities have an average combined potential production capacity of 116,000 barrels of isobutane per day and account for more than 70% of the commercial isobutane production capacity in the United States. The Company built its first two isomerization units ("Isom I and II") in 1981, each with a capacity of 13,500 barrels per day. In 1991 and 1992, the capacity of each of these units was increased to 36,000 barrels per day. The third isomerization unit ("Isom III") was completed in 1992 with a capacity of 44,000 barrels per day. Isom II has been shut down since July 1999 due to lack of product demand with a resulting loss of 36,000 barrels per day of capacity. The Company has the operating flexibility to switch the process streams from its isomerization units among different DIB units in order to maximize overall plant efficiency. The Company is also able to process fluoridic, lower cost butanes from oil refineries, which the Company would otherwise be unable to process, by first passing those butanes through an associated defluorinator.

The Company's Isomerization Processing Customers and Contracts. The Company uses its isomerization facilities to convert normal butane to isobutane for its tolling customers and to meet isobutane sales contracts. The Company's most significant processing customers typically operate under long-term contracts. Lyondell accounted for approximately 36.4% of the Company's isomerization volumes in 1999. The Company's current contract with Lyondell has a ten-year term which expires in December 2009. Lyondell supplies the normal butane feedstock and pays the Company a processing fee based on the gallons of isobutane produced. Lyondell uses the isobutane processed by the Company to produce propylene oxide and MTBE.

The Company also has significant isomerization processing contracts with Huntsman, Sun and Mitchell pursuant to which the customers supply the Company with normal butane feedstock and pay the Company a processing fee based on the gallons of isobutane produced. Sun and Mitchell use the high purity isobutane processed for them to meet their feedstock obligations as partners in the BEF MTBE production facility. The Company can also meet its own obligation to provide high purity isobutane feedstock to the BEF MTBE facility with production from its isomerization unit.

Isomerization Volumes and Utilization Rates. The following table describes the volumes of isobutane produced and the utilization at the Company's Mont Belvieu facility during the past five years:

	1995	1996	1997	1998	1999
Average daily toll processing volume (a,b)	57	59	62	57	59
Average daily production volume (a,b)	67	71	67	67	74
Tolling volume as a percentage of total production	86%	84%	92%	86%	81%
Average capacity utilization (b)	58%	61%	57%	57%	71%
Average daily merchant volume (a,c)	44	52	53	41	43

(a) Thousands of barrels per day
(b) Isom II mothballed in July 1999 reducing operating capacity to 80,000 BPD; fourth quarter 1999 rate was 94% without Isom II
(c) Average daily merchant volume includes merchant processing volume and sales of isobutane purchased in the spot market. Beginning with the fourth quarter of 1999, merchant activities associated with the isomerization business are reflected in the Processing segment.

Mixed Butane Fractionation (DIBs). The Company also uses its DIB units to fractionate mixed butane produced from its NGL fractionation and isomerization facilities and from imports and other outside sources into isobutane and normal butane. The operating flexibility provided by its multiple DIBs enables the Company to take advantage of fluctuations in demand and prices for the different types of butane. The Company also has DIB capacity available for toll processing of mixed butane streams for third parties.

Imports are the Company's most significant outside source of mixed butane. The Company leases and operates a NGL import/export facility on the

Houston ship channel, one of only two commercial facilities on the Gulf Coast capable of receiving and unloading world-scale NGL tankers. This facility, which is connected to the Mont Belvieu facility via a pipeline which is part of the Company's Houston Ship Channel Distribution System, enables the Company to import large quantities of mixed butane for processing in its DIBs and to load fully refrigerated propane and butane on to ocean going ships for export. During 1999, imports from Algeria and Norway accounted for the Company's supply of mixed butanes from outside sources. The Company believes, because of new projects in Africa and South America and the lack of storage capacity in the Middle East, NGL import volumes will remain consistent over the near term.

PROPYLENE PRODUCTION

General. Polymer grade, or high purity, propylene is one of three grades of propylene sold in the United States and is used in the petrochemical industry for the production of plastics. High purity propylene is typically over 99.5% pure propylene and is derived by purifying either of the lower grade propylene feedstocks, refinery grade or chemical grade. Chemical grade propylene is 92-93% pure propylene and is produced as a by-product of olefin (ethylene) plants. The supply of chemical grade propylene is insufficient to meet the demand for high purity propylene; therefore, remaining demand is satisfied by the purification of refinery grade propylene. Refinery grade propylene, or propane/propylene mix, is 50-70% pure propylene, with the primary impurity being propane. Propane/propylene mix is produced in crude oil refinery fluid catalytic cracking plants and is fractionated to separate propane and other impurities from the high purity propylene. The fractionation process occurs either at the crude oil refinery or at a commercial propylene fractionation facility like those the Company operates.

In 1999, domestic high purity propylene production was approximately 130,000 barrels per day. The domestic high purity propylene production rate increased in 1999 over the 109,000 barrels per day seen in 1998 as a result of new facilities coming online. Based on industry data, management believes that this trend will continue in 2000 with domestic high purity propylene production forecasted at 150,000 barrels per day. This growth in high purity propylene production is being absorbed by the polypropylene market. Polypropylene production accounts for approximately one-half of the demand for high purity propylene. The volume of high purity propylene being consumed in the polypropylene market has increased by approximately 32,000 barrels per day since 1997 and is expected to increase an additional 6.1% or 13,800 barrels per day in 2000. Polypropylene has a variety of end uses, including fiber for carpets and upholstery, packaging film and molded plastic parts for appliance, automotive, houseware and medical products. Another use for propylene is to produce alkylate for blending into gasoline.

The Company's Propylene Facilities. In 1979, the Company, together with Montell (a Shell affiliate), constructed the Company's first propylene fractionation unit. The unit, which is also called a "splitter," had an initial average production capacity of 5,500 barrels per day. The facility has been expanded over the years to a current average propylene production capacity of 16,500 barrels per day. The Company owns a 54.6% interest in the splitter, and Montell owns the remaining 45.4% interest. The Company leases Montell's interest. In response to strong demand, the Company constructed a second propylene fractionation unit in March 1997. The new unit has an average production capacity of 13,500 barrels per day. The Company is the sole owner of the second splitter. Together, the splitters have an average production capacity of 30,000 barrels per day of high purity propylene.

The Company is able to unload barges carrying propane/propylene mix through its import/export facility on the Houston ship channel. The Company is also able to receive supplies of propane/propylene mix from its truck and rail loading facility and from refineries and other propane/propylene mix producers through its pipeline located along the Houston ship channel.

The Company's Propylene Customers and Contracts. The Company produces high purity propylene both as a toll processor and for sale pursuant to long-term agreements with market-based pricing or spot market transactions. The Company's most significant toll processing contracts are with Equistar and Huntsman. Pursuant to those contracts, the Company is guaranteed certain minimum volumes and paid a processing fee based on the pounds of high purity propylene processed. In addition, the Company has several long-term high purity propylene sales agreements, the most significant of which is with Montell. Pursuant to the Montell agreement, the Company agrees to sell Montell 800 million pounds, equal to approximately 11,000 barrels per day, of high purity propylene each year at market-based prices. The Company has supplied Montell with propylene since the first splitter facility was constructed in 1979. The contract is currently scheduled to expire on December 31, 2004. Montell has the option to renew the contract for another 12 years. To meet its sales obligations, the Company has entered into several long-term agreements to purchase propane/propylene mix. The Company's most significant feedstock contracts are with ExxonMobil and Shell.

Propylene Production Volumes and Utilization Rates. The following table shows the volumes of propylene produced and utilization at the Company's facilities over the past five years:

	1995	1996	1997	1998	1999
Average daily production volume (thousands of barrels	16	16	26	26	28
Average capacity utilization (a)	100%	100%	93%	86%	92%
Tolling volumes as a percentage of total volume	35%	33%	47%	47%	42%

(a) The Company began operating its second splitter in March 1997 resulting in an increase in capacity to 30,000 barrels per day. During the last six months of 1997, average daily production was 29,000 barrels per day.

The Company's equity investments in Propylene Production and Related facilities. In August 1999, the Company and ExxonMobil Chemical Company announced that they had formed a joint venture, Baton Rouge Propylene Concentrator LLC, that will own and operate a propylene fractionation unit currently under construction. The unit, located in Port Allen, Louisiana, across the Mississippi River from ExxonMobil's refinery and chemical plant, will upgrade refinery-grade propylene produced by ExxonMobil and others into chemical grade propylene. Chemical grade propylene is a basic building block petrochemical used in plastics, synthetic fibers, and foams. Upon completion of the project, the facility will have the capacity to produce 22,500 barrels per day of chemical grade propylene. Construction began in March 1999 with the forecasted cost to the Company being $19.3 million. Management anticipates that the facility will become operational in the third quarter of 2000.

PIPELINE

This operating segment is primarily comprised of the following business areas:

- Pipelines
- Houston Ship Channel Import/Export Facility
- Storage

This segment also includes the equity method investments in EPIK, Wilprise, Tri-States, and Belle Rose.

PIPELINES

General. The Company's facilities include a network of NGL, NGL product and propylene pipelines in the Gulf Coast area. The following table identifies the Company's primary pipeline assets as of December 31, 1999:

Pipeline System	Location	Miles	Function	Company Ownership Percentage	Operator
Houston Ship Channel Distribution System	Mont Belvieu to Port of Houston	175	Delivers NGLs to Mont Belvieu and NGL products to refineries and petrochemical companies	100%	Company
Louisiana Pipeline Distribution System	Louisiana	471	Delivers NGL products to refineries, petrochemical companies, gas processing facilities and the Dixie Pipeline	100% except for 52-mile line that is owned 33%	Equilon, Dynegy, and Company
Chunchula Pipeline System	Alabama/Florida border to Petal, Mississippi	117	Delivers NGLs to Petal NGL fractionation facility	100%	Company
Lake Charles/Bayport Propylene Pipeline System	Mont Belvieu to Lake Charles, Louisiana and Bayport, Texas	134	Delivers high purity propylene from Mont Belvieu to Montell's Lake Charles and Bayport propylene plants and to Aristech's La Porte facility and receives refinery grade propylene from ExxonMobil at Beaumont	50%	Company and ExxonMobil
Tri-States, Belle Rose, and Wilprise Systems	Pascagoula, Miss. to Mobile Bay and Louisiana	239	Delivers raw make from Pascagoula and Mobile Bay to Promix and Baton Rouge	33.33% Tri-States 41.7% Belle Rose 33.33% Promix	Williams (Wilprise & Tri-States) Company(Belle Rose)
Dixie Pipeline System (a)	Mont Belvieu to North Carolina	1,301	Delivers propane from Mont Belvieu and Louisiana to Alabama, Georgia, South Carolina and North Carolina	11.50%	Phillips Pipeline
TOTAL FOR ALL PIPELINES		2,437			

(a) The Dixie Pipeline System is a cost method investment. Under generally accepted accounting principles, income is recognized from this investment as cash dividends are received. The Company records these receipts under the caption, "Dividend income from unconsolidated affiliates" in the Statements of Consolidated Operations and are not included in the determination of segment profit or loss. The investment in Dixie Pipeline, however, is part of segment assets.

Houston Ship Channel Distribution System. The Houston ship channel distribution system is bi-directional for maximum operating flexibility, market responsiveness and transportation efficiency. These systems transport feedstocks to Company facilities for processing and deliver products to petrochemical plants and refineries. The Houston ship channel distribution system has an aggregate length of approximately 175 miles and extends west from Mont Belvieu, along the Houston ship channel to Pierce Junction south of Houston. The Houston ship channel system includes:

- a combination 6-inch and 8-inch propane/propylene mix pipeline;
- a combination 8-inch and 10-inch isobutane pipeline;
- an 8-inch methanol pipeline; and
- a combination 12-inch and 16-inch NGL import/export pipeline.

The Houston ship channel distribution system serves the refinery and petrochemical industry concentrated along the Houston ship channel and connects the Mont Belvieu facilities to a number of major customers and suppliers.

Louisiana Pipeline Distribution System. The Louisiana Pipeline System is a collection of eleven pipelines in Louisiana aggregating 471 miles in length. The primary asset of this group is the Sorrento system. As with the Houston Ship Channel Distribution System, the Sorrento system is bi-directional for maximum operating flexibility, market responsiveness and transportation efficiency. The Sorrento system comprises two pipeline subsystems aggregating 183 miles in length that originate from Sorrento, Louisiana and serve the major refineries and petrochemical companies on the Mississippi River from near Baton Rouge, Louisiana to near New Orleans, Louisiana. One subsystem is used for transporting propane, and one is used for transporting butane and natural gasoline. Propane received in the Sorrento system is delivered to petrochemical plants or into the Dixie Pipeline. Butane from Mont Belvieu is received from the Dixie Pipeline at the Company's Breaux Bridge storage facility, and transported through the Sorrento system to refineries. The Company is the operator of the Sorrento system.

In addition to the Sorrento system, the Louisiana Pipeline System is comprised of ten smaller pipelines that principally serve the Company's gas processing and other facilities. Eight of these lines were acquired in the TNGL acquisition. With the exception of the BRF raw make line operated by ExxonMobil, the Yscloskey/Toca pipeline operated by Dynegy, and the Cajun pipeline operated by the Company, these pipelines are operated by Equilon, an affiliate of Shell.

Chunchula Pipeline System. The Chunchula system originates at the Alabama-Florida border and extends west to the Company's NGL storage and fractionation facility in Petal, Mississippi. The Company owns and operates this 117-mile, 6-inch line consisting of the Chunchula Pipeline and the Jay Extension that gathers NGLs from the Chunchula, Jay and Hatters Pond Fields in Florida and Alabama for delivery to the Company's facility in Petal, Mississippi for processing or storage and further distribution.

Lake Charles/Bayport Propylene Pipeline System. The Company operates a 134-mile propylene pipeline system which is used to distribute high purity propylene from Mont Belvieu to Montell's polypropylene plants in Lake Charles, Louisiana and Bayport, Texas and Aristech's facility in LaPorte, Texas. A segment of the pipeline is jointly owned by the Company and Montell, and another segment of the pipeline is leased from Mobil.

The Company's equity investments in the Tri-States, Wilprise, and Belle Rose Systems. The Company is participating in pipeline joint ventures which support the BRF and Promix NGL fractionators. Tri-States, a joint venture with Amoco, Duke Energy, Koch and Williams, extends approximately 161 miles from Mobile Bay, Alabama to near Kenner, Louisiana. Wilprise, a joint venture with Williams and Amoco, extends approximately 30 miles from Kenner to Sorrento, Louisiana. The Company owns 33.33% of both Tri-States and Wilprise. In addition, the Company owns 41.7% of Belle Rose. Belle Rose is a joint venture with Gulf Coast NGL Pipeline and Koch. Belle Rose owns a 48-mile pipeline that extends from near Kenner, Louisiana to Promix.

The Company's cost method investment in the Dixie System. The Company owns an 11.5% economic interest in Dixie. The other owners of Dixie are Amoco, Arco, Chevron, Conoco, ExxonMobil, Phillips, and Texaco. Dixie owns 1,301 miles of propane product pipeline which move propane supplies from Mont Belvieu and Louisiana into market areas in Georgia and the Carolinas. Dixie's throughput has averaged over 35 million barrels per year over the last three years. The operator of the Dixie System is Phillips. The Company's investment in Dixie is counted as part of segment assets; however, since Dixie is a cost method investment, the cash dividends received are recorded as part of "Other Income and Expense" in the Statements of Consolidated Operations of the Company as dividend income from an unconsolidated affiliate. These cash payments are not included in the determination of segment operating margin.

Pipeline Acquisitions for fiscal 2000. On February 25, 2000, the Company announced the closing, effective March 1, 2000, of its acquisition of certain Louisiana and Texas pipeline assets from Concha Chemical Pipeline Company ("Concha"), an affiliate of Shell, for approximately $100 million in cash. The principal asset acquired was the Lou-Tex Propylene Pipeline which is 263 miles of 10" pipeline from Sorrento, Louisiana to Mont Belvieu, Texas. The Lou-Tex Propylene Pipeline is currently dedicated to the transportation of chemical grade propylene from Sorrento to the Mont Belvieu area. Also acquired in this transaction was 27.5 miles of 6" ethane pipeline between Sorrento and Norco, Louisiana, and a 0.5 million barrel storage cavern at Sorrento, Louisiana. The acquisition of the Lou-Tex Propylene Pipeline is the first step in the Company's development of an approximately $180 million, 160,000 barrel per day Louisiana-to-Texas gas liquids pipeline system. The second step involves the construction of the 263-mile Lou-Tex NGL Pipeline from Sorrento, Louisiana to Mont Belvieu, Texas, scheduled for completion in the third quarter of 2000. This larger system will link growing supplies of NGLs produced in Louisiana and Mississippi with the principal NGL markets on the United States Gulf Coast.

On February 23, 2000, the Company offered to buy the remaining 88.5% ownership interests in Dixie from the other seven owners for a total purchase price of approximately $204.4 million. The offer is subject to the acceptance by the holders of a minimum of 68.5% of the oustanding ownership interests. The offer will expire on March 8, 2000 if it is not accepted by such holders. If the offer is accepted, the purchase would be subject to, among other things, preparation and execution of a definitive purchase agreement and the obtaining of requisite regulatory approvals and consents.

Houston Ship Channel Import/Export Facility

General. The Company leases and operates a NGL import facility at the Oiltanking Houston marine terminal on the Houston ship channel. The Company owns a 50% interest in EPIK , a joint venture owning NGL export assets at the terminal. The import/export facility is connected to Mont Belvieu via the Company's 16-inch bi-directional import/export pipeline. This pipeline enables NGL tankers to be offloaded at their maximum (10,000 barrels per hour) unloading rate, thus minimizing laytime and increasing the number of vessels that can be offloaded. An 8-inch methanol pipeline which is part of the Houston ship channel distribution system also extends from the facility to Mont Belvieu and enables methanol to be delivered by ship and then transferred to the MTBE facility.

The Company's equity investment in the EPIK Export Facility. EPIK, a joint venture with Idemitsu, owns a NGL Product Chiller and related equipment used for loading refrigerated marine tankers at the import/export facility. The NGL Product Chiller speeds the loading of tankers at rates up to 5,000 barrels per hour of refrigerated propane and butane, one of the highest loading rates in the United States. The Company has a 50% economic interest in EPIK.

Storage

General. NGLs, NGL products, propane/propylene mix and other light hydrocarbons must be pressurized or refrigerated for storage or transportation in a liquid state. Above-ground storage of these materials in refrigerated or pressurized containers is uneconomical in the quantities required for efficient processing and industrial consumption. For this reason, such materials are typically stored in underground caverns, or wells, within salt domes or salt beds. These salt formations provide a medium which is impervious to the stored products and can contain large quantities of hydrocarbons in a safer manner and at a significantly lower per-unit cost than any above-ground alternative. Brine is used to displace the stored products and to maintain pressure in the well as product volumes fluctuate.

The Company's Primary Storage Facilities. The Company owns nine storage wells at Mont Belvieu with an aggregate capacity of approximately 20 million barrels. In addition, the Company owns NGL storage caverns in Breaux Bridge, Louisiana and Petal, Mississippi with additional capacity of 15 million barrels. Several of the wells at Mont Belvieu are used to store mixed NGLs and propane/propylene mix that have been delivered for processing. Such storage allows the Company to mix various batches of feedstock and maintain a sufficient supply and stable composition of feedstock to the processing facilities. The Company also uses these wells to store certain fractionated products for its customers when they are unable to take immediate delivery. These products include propane, isobutane, normal butane, mixed butane and high purity propylene. These storage wells, product handling facilities and pipeline systems enable the Company to unload feedstocks and load processed products on marine tankers at maximum rates. Some of the Company's processing contracts allow for a short period of free storage (typically 30 days or less) and impose fees based on volumes stored for longer periods.

In addition to the storage facilities noted above, this operating segment contains the following assets acquired in the TNGL acquisition:

- a wholly-owned underground propane storage facility at Sorrento, Louisiana, operated by Equilon, having a total storage capacity of 786,000 barrels; and
- a 50% interest in an underground propane storage facility at Hattiesburg, Mississippi, operated by Dynegy, having a storage capacity of five million barrels.

OCTANE ENHANCEMENT

This operating segment consists of the Company's equity interest in BEF which owns and operates a facility that produces motor gasoline additives to enhance octane. This facility currently produces MTBE.

General. MTBE is produced by reacting methanol with isobutylene, which is derived from isobutane. MTBE was originally used as an octane enhancer in motor gasoline, partly in response to the lead phase-down program begun in the mid-1970's. Following implementation of the Clean Air Act Amendments of 1990, MTBE became a widely-used oxygenate to enhance the clean burning properties of motor gasoline. Although oxygen requirements can be obtained by using various oxygenates such as ethanol, ethyl tertiary butyl ether (ETBE) and tertiary amyl methyl ether (TAME), MTBE has gained the broadest acceptance due to its ready availability and history of acceptance by refiners. Additionally, motor gasoline containing MTBE can be transported through pipelines, which is a significant competitive advantage over alcohol blends.

Substantially all of the MTBE produced in the United States is used in the production of oxygenated motor gasoline that is required to be used in carbon monoxide and ozone non-attainment areas designated pursuant to the Clean Air Act Amendments of 1990 and the California oxygenated motor gasoline program. Demand for MTBE is primarily affected by the demand for motor gasoline in these areas. Motor gasoline usage in turn is affected by many factors, including the price of motor gasoline (which is dependent upon crude oil prices) and general economic conditions. Historically, the spot price for MTBE has been at a modest premium to gasoline blend values. Future MTBE demand is highly dependent on environmental regulation, federal legislation and the actions of individual states.

The Company's equity investment in Octane Enhancement facilities. The Company owns a 33.33% interest in BEF, the joint venture that owns the MTBE production facility located within the Mont Belvieu complex. Both Sun and Mitchell own 33.33% interests in BEF. The BEF facility was completed in 1994 and has an average MTBE production capacity of 14,800 barrels per day. EPCO operates the facility under a long-term contract.

The Company's Octane Enhancement Customers and Contracts. Each of the owners of BEF is responsible for supplying one-third of the facility's isobutane feedstock through June 2004. Sun and Mitchell have each contracted to supply their respective portions of the feedstock from the Company's isomerization facilities. The methanol feedstock is purchased from third parties under long-term contracts and transported to Mont Belvieu by a dedicated pipeline which is part of the Houston Ship Channel Distribution System. Sun has entered into a contract with BEF under which Sun is required to take all of BEF's production of MTBE through May 2005. Under the terms of its agreement with BEF, Sun is required to pay through May 2000, the higher of a floor price (approximately $1.11 per gallon at December 31, 1999) or a market-based price for the first 193,450,000 gallons per contract year of production (equivalent to approximately 12,600 barrels per day) from the BEF facility, subject to quarterly adjustments on certain excess volumes. Sun is required to pay a market-based price for volumes produced in excess of 193,450,000 gallons per contract year. Since the contract year begins on June 1, if the facility produces at full capacity during the year, it reaches 193,450,000 gallons of production near the end of March, and sales thereafter through the end of May are at market-based prices. Generally, the price charged by BEF to Sun for MTBE has been above the spot market price for MTBE. The average Gulf Coast MTBE spot price was $.94 per gallon for December 1999 and $.72 per gallon for all of 1999. Beginning in June 2000, pricing on all volumes will convert to market-based rates.

Recent Regulatory Developments. In November 1998, U.S. Environmental Protection Agency ("EPA") Administrator Carol M. Browner appointed a Blue Ribbon Panel (the "Panel") to investigate the air quality benefits and water quality concerns associated with oxygenates in gasoline, and to provide independent advice and recommendations on ways to maintain air quality while protecting water quality. The Panel issued a report on their findings and recommendations in July 1999. The Panel urged the widespread reduction in the use of MTBE due to the growing threat to drinking water sources despite that fact that use of reformulated gasolines have contributed to significant air quality improvements. The Panel credited reformulated gasoline with "substantial reductions" in toxic emissions from vehicles and recommended that those reductions be maintained by the use of cleaner-burning fuels that rely on additives other than MTBE and improvements in refining processes. The Panel stated that the problems associated with MTBE can be characterized as a low-level, widespread problem that had not reached the state of being a public health threat. The Panel's recommendations are geared towards confronting the problems associated with MTBE now rather than letting the issue grow into a larger and worse problem. The Panel did not call for an outright ban on MTBE but stated that its use should be curtailed significantly. The Panel also encouraged a public educational campaign on the potential harm posed by gasoline when it leaks into ground water from storage tanks or while in use. Based on the Panel's recommendations, the EPA is expected to support a revision of the Clean Air Act of 1990 that maintains air quality gains and allows for the removal of the requirement for oxygenates in gasoline.

Several public advocacy and protest groups active in California and other states have asserted that MTBE contaminates water supplies, causes health problems and has not been as beneficial as originally contemplated in reducing air pollution. In California, state authorities negotiated an agreement with the EPA to implement a program requiring oxygenated motor gasoline at 2.0% for the whole state, rather than 2.7% only in selected areas. On March 25, 1999, the Governor of California ordered the phase-out of MTBE in that state by the end of 2002. The order also seeks to obtain a waiver of the oxygenate requirement from the EPA in order to facilitate the phase-out; however, due to increasing concerns about the viability of alternative fuels, the California legislature on October 10, 1999 passed the Sher Bill (SB 989) stating that MTBE should be banned as soon as feasible rather than by the end of 2002.

Legislation to amend the federal Clean Air Act of 1990 has been introduced in the U.S. House of Representatives; it would ban the use of MTBE as a fuel additive within three years. Legislation introduced in the U.S. Senate would eliminate the Clean Air Act's oxygenate requirement in order to assist the elimination of MTBE in fuel. No assurance can be given as to whether this or similar federal legislation ultimately will be adopted or whether Congress or the EPA might takes steps to override the MTBE ban in California.

Alternative Uses of the BEF facility. In light of these regulatory developments, the Company is formulating a contingency plan for use of the BEF facility if MTBE were banned or significantly curtailed. Management is exploring a possible conversion of the BEF facility from MTBE production to alkylate production. Alkylate is a high octane, low sulfur, low vapor pressure compound, produced by the reaction of isobutylene or normal butylene with isobutane, and used by refiners as a component in gasoline blending. At present the forecast cost of this conversion would be in the $20 million to $25 million range, with the Company's share being $6.7 million to $8.3 million. Management anticipates that if MTBE is banned alkylate demand will rise as producers use it to replace MTBE as an octane enhancer. Alkylate production would be expected to generate margins comparable to those of MTBE. Greater alkylate production would be expected to increase isobutane consumption nationwide and result in improved isomerization margins for the Company.

Octane Enhancement Volumes and Utilization Rates. The following table shows the production volumes and utilization at BEF's facility over the past five years:

	1995	1996	1997	1998	1999
Average MTBE daily production volume (thousands of barrels)	9.6	13.2	14.4	14.0	13.9
Average capacity utilization	65%	89%	97%	95%	94%

PROCESSING

General. This operating segment consists of the Company's natural gas processing business and related merchant activities. The Company entered into the natural gas processing business through the TNGL acquisition. In this transaction, the Company acquired the Shell Processing Agreement, whereby the Company has the right to process Shell's current and future production from the Gulf of Mexico within the state and federal waters off Texas, Louisiana, Mississippi, Alabama and Florida. This includes natural gas production from the developments currently referred to as deepwater. Shell is the largest oil and gas producer and holds one of the largest lease positions in the deepwater Gulf of Mexico. Based on industry projections, management believes that the Gulf of Mexico natural gas and associated NGL production will significantly increase in the coming years as a result of advances in three dimensional seismic and development systems and continued capital spending by major oil companies regardless of the commodity environment.

The natural gas processing plants acquired in the TNGL acquisition are primarily straddle plants which are situated on mainline natural gas pipelines. Straddle plants allow plant owners to extract NGLs from a natural gas stream when the market value of the NGLs is higher than the market value of the same unprocessed natural gas. After extraction, raw make is typically transported to a centralized facility for fractionation where it is separated into purity NGL products such as ethane, propane, normal butane, isobutane and natural gasoline. The purity NGL products can then be used by the Company in its merchant activities to meet contractual requirements or sold on the spot and forward markets.

The majority of the operating margins earned by the Company's natural gas processing operations are based on the relative economic value of the NGLs extracted by the gas plants compared to the fuel and shrinkage value of the natural gas consumed to produce the NGLs, less the operating costs of the natural gas processing plants. Processing contracts based on this type of arrangement are generally called keepwhole contracts. Specifically, a keepwhole contract is defined as a natural gas processing arrangement where the processor (i.e., the Company) generally takes title to the NGLs extracted from natural gas. The processor reimburses the producer (e.g., Shell or others) for the market value of the energy extracted from the natural gas stream in the form of fuel and NGLs based on the BTUs (a measure of heat value) consumed multiplied by the market value for natural gas. The processor derives a profit margin to the extent the market value of the NGLs extracted exceeds the market value of fuel and shrinkage and the operating costs of the natural gas plant.

Generally, in its isomerization merchant activities the Company takes title to feedstock products and sells processed end products. In the case of its gas processing facilities, the Company takes title to a portion of the raw make (such amount defined by contract) that it extracts from the natural gas stream. The purity NGL products extracted from the raw make are then sold by the Company in the normal course of business. The Company from time to time uses financial instruments to reduce its commodity price exposure. For a general discussion on the Company's commodity risk management policies and exposure, see Item 7A of this report, "Quantitative and Qualitative Disclosures about Market Risk."

The Company's Natural Gas Processing Plants. The Company owns interests in and operates the following natural gas processing plants:

- Toca, St. Bernard Parish, Louisiana: a plant constructed in the 1970s with a throughput capacity of 1.1 billion cubic feet per day. The plant has two independent trains, a lean oil train with a capacity of 850 million cubic feet per day and a cryogenic train with a capacity of 250 million cubic feet per day. The ownership of the plant is based on a combination of fixed gas units and variable NGL production. The Company's ownership is currently approximately 54%.

- North Terrebonne, Terrebonne Parish, Louisiana: a lean oil plant built during the mid 1960s with a throughput capacity of 1.3 billion cubic feet per day. The ownership of the plant is variable based primarily on the prior year's NGL production. The Company's ownership is currently 33%. Linked with this gas plant is the Tebone NGL fractionation facility located in Ascension Parish, Louisiana. The Tebone NGL fractionation facility was built in the 1960s as well and receives raw make from the North Terrebone gas processing plant. This fractionation facility has a current rated capacity of 30,000 barrels per day.

- Calumet, St. Mary Parish, Louisiana: a lean oil plant built during the early 1970s with a throughput capacity of 1.6 billion cubic feet per day. Ownership is based on a combination of fixed gas units and variable NGL production. The Company's ownership is currently approximately 37%.

- Neptune, St. Mary Parish, Louisiana (under construction): a new cryogenic plant under construction with a throughput capacity of 300 million cubic feet per day. Operations are scheduled to begin in March 2000. The Company's ownership will be fixed at 66% with Marathon Oil Company owning the remaining 34%.

The Company holds non-operating interests in the following six natural gas processing plants:

- Yscloskey, St. Bernard Parish, Louisiana: a lean oil plant built during the early 1960s with a throughput capacity 1.85 billion cubic feet per day. The ownership of the plant is variable and is based entirely on the prior year's NGL production. The Company's ownership is currently approximately 31%. Dynegy operates the plant.

- Burns Point, St. Mary Parish, Louisiana: a cryogenic plant built in 1982 with a throughput capacity of 160 million cubic feet per day. The Company's ownership is fixed at 50%. Marathon Oil Company, which operates the facility, owns the other 50%.

- Sea Robin, Vermillion Parish, Louisiana: a cryogenic plant built during the 1970s with a throughput capacity of 950 million cubic feet per day. Ownership is based on a combination of fixed gas and liquids units and variable NGL production. The Company's ownership is currently 6.3%. Texaco operates the plant.

- Blue Water, Acadia Parish, Louisiana: a cryogenic plant built during the late 1970s with a throughput capacity of 950 million cubic feet per day. The Company's ownership is fixed at 7.4%. The operator of the plant is ExxonMobil.

- Iowa, Jefferson Davis Parish, Louisiana: a cryogenic plant built during the mid 1970s with a throughput capacity of 500 million cubic feet per day. Ownership is based on a combination of fixed gas units and variable NGL production. The Company's ownership is currently approximately 2%. The operator of the plant is Texas Eastern Transmission Company.

- Pascagoula, Mississippi: a cryogenic plant with 1.0 billion cubic feet per day of capacity in two trains (500 million cubic feet per day each). The first train commenced operation in February 1999 and the second is came on line in the fourth quarter of 1999. The Company's ownership is fixed at 40%. Amoco, which operates the facility, owns the other 60%.

The Company's Natural Gas Processing and related merchant activity Contracts and Customers. The primary contracts that are an integral part of the gas processing business and related merchant activities are as follows:

- As result of the TNGL acquisition effective August 1, 1999, the Company obtained the Shell Processing Agreement which is a 20-year exclusive natural gas processing agreement with Shell for the rights to process its current and future natural gas production from the state and federal waters of the Gulf of Mexico on a keepwhole basis. The ability to process the NGL-rich deepwater developments of Shell in the Gulf of Mexico was one of the leading value drivers of the TNGL acquisition.

Generally, the Shell Processing Agreement grants the Company the following rights and obligations:

- the exclusive right to process any and all of Shell's Gulf of Mexico natural gas production from existing and future dedicated leases; plus
- the right to all title, interest, and ownership in the raw make extracted by the Company's gas processing facilities from Shell's natural gas production from such leases; with
- the obligation to deliver to Shell the natural gas stream after the raw make is extracted.

- The Company has also entered into contracts to sell isobutane to Global Octanes, Texas Petrochemicals, Equistar, Citgo, Crown Central and Texaco. The Company has long-standing business relationships with Global Octanes and Texas Petrochemicals. Both of these contracts were renegotiated in 1998 and provide for the delivery of isobutane on the Company's pipeline for a fee. The term of the Global Octanes contract extends to April 2002, and the Texas Petrochemicals contract extends to August 2003. Prices under these contracts generally are based on the spot market price for isobutane at Mont Belvieu. The Company can meet its sales obligations either by:

  - purchasing normal butane in the spot market or utilizing normal butane inventory from the gas plants and isomerizing it;
  - purchasing mixed butane on the spot market, including imports, and processing it through a DIB; or
  - purchasing isobutane in the spot markets or utilizing isobutane inventory from the gas.

When the price differential between normal butane and isobutane is not substantial enough to justify isomerization, the Company purchases isobutane (or uses its own inventory of isobutane from the fractionation facilities) and delivers it to sales customers who pay market-based prices. Accordingly, the percentage of isomerization volumes represented by processing customers increases when the spread between normal butane and isobutane prices is narrow.

Railway Transportation Assets. The Company utilizes a fleet of approximately 725 rail cars as part of its operations. These assets can be described as follows:

- a fleet of approximately 270 rail cars under short and long-term leases used to deliver feedstocks to Mont Belvieu and transport NGL products throughout the United States;
- a fleet of approximately 400 rail cars on average under short-term lease by the operations acquired as a result of the TNGL acquisition for servicing its related merchant activities (the Company assumed these leases as part of the acquisition); and,
- a fleet of 55 rail cars in propane service owned by the Company that were acquired in the TNGL acquisition. Each car has storage capacity of approximately 30,000 gallons of propane.

The Company also has rail loading/unloading facilities at Mont Belvieu, Texas, Breaux Bridge, Louisiana and Petal, Mississippi to service its and customers' rail shipments. The costs of maintaining the rail cars and associated assets are a cost of the NGL merchant business.

Natural Gas Processing Equity Production Volumes and Utilization Rates. The throughput capacities of the gas processing facilities are based on practical limitations. The Company's utilization of the gas processing assets depends upon general economic and operating conditions. The Company uses its equity production of NGLs from such facilities as a barometer of activity at the plants. Equity production is a function of throughput (i.e., higher throughput rates translate into higher equity volumes) and can be defined as the volume of NGLs extracted by the processing facilities to which the Company takes title under the terms of its processing agreements or as result of its plant ownership interests. For the period August 1, 1999 through December 31, 1999, the equity volumes produced by the gas processing facilities averaged 67 MBPD. For comparison purposes, the gas processing facilities averaged 57 MBPD for the full year of 1999. In 1998, the same assets produced an average of 41 MBPD. The increase in equity production from 1998 to 1999 is attributable to increased Gulf of Mexico deepwater production, the start-up of the Pascagoula facility in 1999, and improved pricing of NGLs which justified higher extraction rates.

The Company's cost method investment in VESCO. The Company's investment in VESCO consists of a 13.1% economic interest in a limited liability company owning a natural gas processing plant, fractionation facilities, storage, and gas gathering pipelines in Louisiana. The other owners of VESCO are Chevron, Koch, Venice Gathering, and Dynegy with Dynegy being the operator of the facilities. The Company's ownership interest in VESCO is the result of the TNGL acquisition. The primary assets of VESCO (all located in Plaquemines Parish, Louisiana) are:

- a lean oil plant with 1.0 billion cubic feet per day of capacity;
- a cryogenic plant with 300 million cubic feet per day of capacity;
- a NGL fractionation facility with a capacity of 36,000 barrels per day;
- eight salt storage dome caverns (one for brine and seven for NGLs) having a storage capacity of 12 million barrels of NGLs;
- a NGL barge loading and unloading facility and pumps for delivering ethane to a customer's pipeline;
- approximately 250 miles of regulated pipelines with a throughput capacity of 810 million cubic feet per day called the Venice Gathering System; and
- 30,000 horsepower of compression capacity and gas dehydration facilities.

OTHER

This operating segment is primarily comprised of fee-based marketing activities. The Company performs NGL marketing services for a small number of customers for which it charges a commission. The customers served are primarily located in California, Illinois, Florida, and Washington state. The Company utilizes the resources of its gas processing merchant business group to perform these services. Fees charged to customers are based on either a percent of the final sales price or a fixed-fee per gallon. The Company handles approximately 22,250 barrels per day of various NGL products through its fee-based services with the period of highest activity occurring during the winter months. This segment also includes other engineering services, construction equipment rentals and computer network services that support plant operations.

COMPETITION

The consumption of NGL products in the United States can be separated among four distinct markets. Petrochemical production provides the largest end-use market, followed by motor gasoline production, residential and commercial heating and agricultural uses. There are other hydrocarbon alternatives, primarily refined petroleum products, which can be substituted for NGL products in most end uses. In some uses, such as residential and commercial heating, a substitution of other hydrocarbon products for NGL products would require a significant expense or delay, but for other uses, such as the production of motor gasoline, ethylene, industrial fuels and petrochemical feedstocks, such a substitution can be readily made without significant delay or expense.

Because certain NGL products compete with other refined petroleum products in the fuel and petrochemical feedstock markets, NGL product prices are set by or in competition with refined petroleum products. Increased production and importation of NGLs and NGL products in the United States may decrease NGL product prices in relation to refined petroleum alternatives and thereby increase consumption of NGL products as NGL products are substituted for other more expensive refined petroleum products. Conversely, a decrease in the production and importation of NGLs and NGL products could increase NGL product prices in relation to refined petroleum product prices and thereby decrease consumption of NGLs. However, because of the relationship of crude oil and natural gas production to NGL production, the Company believes any imbalance in the prices of NGLs and NGL products and alternative products would be temporary.

Although competition for NGL product fractionation services is based primarily on the fractionation fee, the ability of a fractionator to obtain and distribute product is a function of the existence of the necessary pipelines and transportation facilities. A fractionator connected to an extensive transportation and distribution system has direct access to a larger market than its competitors. Overall, the Company believes it provides a broader range of services than any of its competitors at Mont Belvieu. In addition, the Company believes its joint venture relationships enable it to contract for the long-term utilization of a significant amount of its fractionation facilities with major producers and consumers of NGLs or NGL products.

The Company's Mont Belvieu fractionation facility competes for volumes of mixed NGLs with three other fractionators at Mont Belvieu: Cedar Bayou Fractionators, a joint venture between Dynegy and Amoco (205,000 barrels per day capacity); Gulf Coast Fractionators, a joint venture of Conoco, Mitchell and Dynegy (110,000 barrels per day capacity); and Diamond-Koch, a joint venture between Ultramar Diamond, Koch and Union Pacific Resources (reported to be less than 150,000 barrels per day capacity). ExxonMobil operates a fractionation facility (110,000 barrels per day capacity) in Hull, Texas that is connected to Mont Belvieu by pipeline and Phillips Petroleum operates a fractionation facility (100,000 barrels per day capacity) in Sweeny, Texas that is connected to Mont Belvieu by pipeline. ExxonMobil and Phillips use their facilities primarily to process their own NGL production but at certain times these facilities compete with the fractionators at Mont Belvieu. The Company's fractionation facilities also compete on a more limited basis with two fractionators in Conway, Kansas: Williams (107,000 barrels per day capacity) and Koch (200,000 barrels per day capacity) and with a number of decentralized, smaller fractionation facilities in Louisiana, the most significant of which are Promix at Napoleonville, in which the Company owns a one-third interest (145,000 barrels per day capacity), Texaco/Williams at Paradis (45,000 barrels per day capacity) and TransCanada at Eunice and Riverside (62,000 barrels per day combined capacity). In recent years, the Conway market has experienced excess capacity and prices for NGL products that are generally lower than prices at Mont Belvieu, although prices in Conway tend to strengthen along with demand for propane in winter months. Finally, a number of producers operate smaller-scale fractionators at individual field processing facilities.

In the isomerization market, the Company competes primarily with Koch at Conway, Kansas; Enron at Riverside, Louisiana; and Conoco at Wingate, New Mexico. Enron and Valero also produce isobutane, primarily for internal production of MTBE. Competitive factors affecting isomerization operations include the price differential between normal butane and isobutane as well as the fees charged for isomerization services, long-term contracts, the availability of merchant capacity, the ability to produce a higher purity isobutane product and storage and transportation support.

BEF competes with a number of MTBE producers, including a number of refiners who produce MTBE for internal consumption in the manufacture of reformulated motor gasoline. Competitive factors affecting MTBE production include production costs, long-term contracts, the availability of merchant capacity and federal and state environmental regulations relating to the content of motor gasoline.

The Company competes with numerous producers of high purity propylene, which include many of the major refiners on the Gulf Coast. The Company and Ultramar Diamond Shamrock are the primary domestic commercial producers of high purity propylene from refinery-sourced propane/propylene mix. High purity propylene is also produced as a by-product from steam crackers used in ethylene production.

Certain of the Company's competitors are major oil and natural gas companies and other large integrated pipeline or energy companies that have greater financial resources than the Company. The Company believes its independence from the major producers of NGLs and petrochemical companies is often an advantage in its dealings with its customers, but the Company's continued success will depend upon its ability to maintain strong relationships with the primary producers of NGLs and consumers of NGL products, particularly in the form of long-term contracts and joint venture relationships.

The United States Gulf Coast gas processing business is competitive. The Company encounters competition from fully integrated oil companies, pipeline companies and their non-regulated affiliates, and independent processors. Each of these companies have varying levels of financial and personnel resources. The principal areas of competition include obtaining the gas plant capacities required to meet the Company's processing needs, obtaining gas supplies where the Company has excess processing capacity and in the marketing of the final NGL products. With the TNGL acquisition, the Company has obtained the infrastructure and experience to effectively compete in this market.

In the Company's fee-based marketing services, the principal methods of competition revolves around price and quality of service.

MAJOR CUSTOMERS OF THE COMPANY

The Company's revenues are derived from a wide customer base. As such, no single customer accounted for more than 10% of consolidated revenues in fiscal 1999. For a more complete discussion of significant customers in the last three fiscal years, see Note 9 of the Notes to the Consolidated Financial Statements.

SIGNIFICANT AGREEMENT WITH EPCO

The Company has no employees. All management, administrative and operating functions are performed by employees of EPCO. Operating costs and expenses include charges for EPCO's employees who operate the Company's various facilities. Such charges are based upon EPCO's actual salary costs and related fringe benefits.

In connection with the Company's initial public offering ("IPO") on July 27, 1998, EPCO, the General Partner and the Company entered into the EPCO Agreement pursuant to which (i) EPCO agreed to manage the business and affairs of the Company and the Operating Partnership; (ii) EPCO agreed to employ the operating personnel involved in the Company's business for which EPCO is reimbursed by the Company at cost; (iii) the Company and the Operating Partnership agreed to participate as named insureds in EPCO's current insurance program, and costs are allocated among the parties on the basis of formulas set forth in the agreement; (iv) EPCO agreed to grant an irrevocable, non-exclusive worldwide license to all of the trademarks and trade names used in its business to the Company; (v) EPCO agreed to indemnify the Company against any losses resulting from certain lawsuits; and (vi) EPCO agreed to sublease all of the equipment which it holds pursuant to operating leases relating to an isomerization unit, a deisobutanizer tower, two cogeneration units and approximately 100 rail cars to the Company for $1 per year and assigned its purchase options under such leases to the Company (hereafter referred to as "Retained Leases"). Pursuant to the EPCO Agreement, EPCO is reimbursed at cost for all expenses that it incurs in connection with managing the business and affairs of the Company, except that EPCO is not entitled to be reimbursed for any selling, general and administrative expenses. In lieu of reimbursement for such selling, general and administrative expenses, EPCO is entitled to receive an annual administrative services fee that initially equals $12.0 million. The General Partner, with the approval and consent of the Audit and Conflicts Committee of the Company, has the right to agree to increases in such administrative services fee of up to 10% each year during the 10-year term of the EPCO Agreement and may agree to further increases in such fee in connection with expansions of the Company's operations through the construction of new facilities or the completion of acquisitions that require additional management personnel. On July 7, 1999, the Audit and Conflicts Committee of the General Partner authorized an increase in the administrative services fee to $1.1 million per month from the initial $1.0 million per month. The increased fees were effective August 1, 1999. Beginning in January 2000, the administrative services fee will increase to $1.55 million per month plus accrued employee incentive plan costs to compensate EPCO for the additional selling, general, and administrative charges related to the additional administrative employees acquired in the TNGL acquisition.

EMPLOYEES

At December 31, 1999, EPCO employed approximately 680 employees involved in the management and operation of assets owned and operated by the Company; none of them were members of a union. The Norco facilities are managed by the Company with the assets operated under contract by union employees of a Shell affiliate. Shell's relationship with its union employees at Norco can be characterized as good and the Company believes that this relationship will continue.

REGULATION

INTERSTATE COMMON CARRIER PIPELINE REGULATION

The Company's Chunchula and Lake Charles/Bayport pipelines are interstate common carrier oil pipelines subject to regulation by Federal Energy Regulatory Commission ("FERC") under the October 1, 1977 version of the Interstate Commerce Act ("ICA").

Standards for Terms of Service and Rates. As interstate common carriers, the Chunchula and Lake Charles/Bayport pipelines provide service to any shipper who requests transportation services, provided that the products tendered for transportation satisfy the conditions and specifications contained in the applicable tariff. The ICA requires the Company to maintain tariffs on file with the FERC that set forth the rates the Company charges for providing transportation services on the interstate common carrier pipelines as well as the rules and regulations governing these services.

The ICA gives the FERC authority to regulate the rates the Company charges for service on the interstate common carrier pipelines. The ICA requires, among other things, that such rates be "just and reasonable" and nondiscriminatory. The ICA permits interested persons to challenge proposed new or changed rates and authorizes the FERC to suspend the effectiveness of such rates for a period of up to seven months and to investigate such rates. If, upon completion of an investigation, the FERC finds that the new or changed rate is unlawful, it is authorized to require the carrier to refund the revenues in excess of the prior tariff collected during the pendency of the investigation. The FERC may also investigate, upon complaint or on its own motion, rates that are already in effect and may order a carrier to change its rates prospectively. Upon an appropriate showing, a shipper may obtain reparations for damages sustained for a period of up to two years prior to the filing of a complaint.

On October 24, 1992, Congress passed the Energy Policy Act of 1992 ("Energy Policy Act"). The Energy Policy Act deemed petroleum pipeline rates that were in effect for the 365-day period ending on the date of enactment or that were in effect on the 365th day preceding enactment and had not been subject to complaint, protest or investigation during the 365-day period to be just and reasonable under the ICA (i.e., "grandfathered"). The Energy Policy Act also limited the circumstances under which a complaint can be made against such grandfathered rates. In order to challenge grandfathered rates, a party would have to show that it was previously contractually barred from challenging the rates or that the economic circumstances or the nature of the service underlying the rate had substantially changed or that the rate was unduly discriminatory or preferential. These grandfathering provisions and the circumstances under which they may be challenged have received only limited attention from the FERC, causing a degree of uncertainty as to their application and scope.

The Energy Policy Act required the FERC to issue rules establishing a simplified and generally applicable ratemaking methodology for petroleum pipelines, and to streamline procedures in petroleum pipeline proceedings. The FERC responded to this mandate by issuing Order No. 561, which, among other things, adopted a new indexing rate methodology for petroleum pipelines. Under the new regulations, which became effective January 1, 1995, petroleum pipelines are able to change their rates within prescribed ceiling levels that are tied to an inflation index. Rate increases made within the ceiling levels will be subject to protest, but such protests must show that the portion of the rate increase resulting from application of the index is substantially in excess of the pipeline's increase in costs. If the indexing methodology results in a reduced ceiling level that is lower than a pipeline's filed rate, Order No. 561 requires the pipeline to reduce its rate to comply with the lower ceiling. Under Order No. 561, a pipeline must as a general rule utilize the indexing methodology to change its rates. The FERC, however, retained cost-of-service ratemaking, market-based rates, and settlement as alternatives to the indexing approach, which alternatives may be used in certain specified circumstances.

The Company believes the rates it charges for transportation service on its interstate pipelines have been grandfathered under the Energy Policy Act and are thus considered just and reasonable under the ICA. As discussed above, however, because of the uncertainty related to the application of the Energy Policy Act's grandfathering provisions to the Company's rates as well as the novelty and uncertainty related to the FERC's new indexing methodology, the Company is unable to predict what rates it will be allowed to charge in the future for service on its interstate common carrier pipelines. Furthermore, because rates charged for transportation must be competitive with those charged by other transporters, the rates set forth in the Company's tariffs will be determined based on competitive factors in addition to regulatory considerations.

Allowance for Income Taxes in Cost of Service. In a 1995 decision regarding Lakehead Pipe Line Company ("Lakehead"), FERC ruled that an interstate pipeline owned by a limited partnership could not include in its cost of service an allowance for income taxes with respect to income attributable to limited partnership interests held by individuals. On request in 1996, FERC clarified that, in order to avoid any effect of a "curative allocation" of income from individual partners to the corporate partner, an allowance for income taxes paid by corporate partners must be based on income as reflected on the pipeline's books for earning and distribution rather than as reported for income tax purposes. Subsequent appeals of these rulings were resolved by a 1997 settlement among the parties and were never adjudicated. The effect of this policy on the Company is uncertain. The Company's rates are set using the indexing method and have been grandfathered. It is possible that a party might challenge the Company's grandfathered rates on the basis that the creation of the Company constituted a substantial change in circumstances, potentially lifting the grandfathering protection. Alternatively, a party might contend that, in light of the Lakehead ruling and creation of the Company, the Company's rates are not just and reasonable. While it is not possible to predict the likelihood that such challenges would succeed at FERC, if such challenges were to be raised and succeed, application of the Lakehead ruling would reduce the Company's permissible income tax allowance in any cost of service, and rates, to the extent income is attributable to partnership interests held by individual partners rather than corporations.

INTRASTATE COMMON CARRIER REGULATION

The Sorrento NGL products pipeline, the Yscloskey and Toca-to-Norco petroleum products pipeline, the Norco-to-Sorrento and the Tebone-to-Vulcan, Sorrento, Norco, and Geismar ethane pipelines and the Norco-to-Sorrento propane pipeline are intrastate common carrier pipelines that are subject to various Louisiana state laws and regulations that affect the terms of service and rates for such services. The Company's Houston Ship Channel pipeline and the remainder of its Louisiana pipelines are intrastate private carriers not subject to rate regulation.

OTHER STATE AND LOCAL REGULATION

The Company's activities are subject to various state and local laws and regulations, as well as orders of regulatory bodies pursuant thereto, governing a wide variety of matters, including marketing, production, pricing, community right-to-know, protection of the environment, safety and other matters.

COGENERATION

The Company cogenerates electricity for internal consumption and heat for a process-related hot oil system at Mont Belvieu. If this electricity were sold to third parties, the Company's Mont Belvieu cogeneration facilities could be certified as qualifying facilities under the Public Utility Regulatory Policy Act of 1978 ("PURPA"). Subject to compliance with certain conditions under PURPA, this certification would exempt the Company from most of the regulations applicable to electric utilities under the Federal Power Act and the Public Utility Holding Company Act, as well as from most state laws and regulations concerning the rates, finances, or organization of electric utilities. However, since such electric power is consumed entirely by the Company's plant facilities, the Company's cogeneration activities are not subject to public utility regulation under federal or Texas law.

ENVIRONMENTAL MATTERS

General. The operations of the Company are subject to federal, state and local laws and regulations relating to release of pollutants into the environment or otherwise relating to protection of the environment. The Company believes its operations and facilities are in general compliance with applicable environmental regulations.

However, risks of process upsets, accidental releases or spills are associated with the Company's operations and there can be no assurance that significant costs and liabilities will not be incurred, including those relating to claims for damage to property and persons.

The clear trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment, such as emissions of pollutants, generation and disposal of wastes and use and handling of chemical substances. The usual remedy for failure to comply with these laws and regulations is the assessment of administrative, civil and, in some instances, criminal penalties or, in rare circumstances, injunctions. The Company believes the cost of compliance with environmental laws and regulations will not have a material adverse effect on the results of operations or financial position of the Company. However, it is possible that the costs of compliance with environmental laws and regulations will continue to increase, and thus there can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation, and actual future expenditures may be different from the amounts currently anticipated. In the event of future increases in costs, the Company may be unable to pass on those increases to its customers. The Company will attempt to anticipate future regulatory requirements that might be imposed and plan accordingly in order to remain in compliance with changing environmental laws and regulations and to minimize the costs of such compliance.

Solid Waste. The Company currently owns or leases, and has in the past owned or leased, properties that have been used over the years for NGL processing, treatment, transportation and storage and for oil and natural gas exploration and production activities. Solid waste disposal practices within the NGL industry and other oil and natural gas related industries have improved over the years with the passage and implementation of various environmental laws and regulations. Nevertheless, a possibility exists that hydrocarbons and other solid wastes may have been disposed of on or under various properties owned by or leased by the Company during the operating history of those facilities. In addition, a small number of these properties may have been operated by third parties over whom the Company had no control as to such entities' handling of hydrocarbons or other wastes and the manner in which such substances may have been disposed of or released. State and federal laws applicable to oil and natural gas wastes and properties have gradually become more strict and, pursuant to such laws and regulations, the Company could be required to remove or remediate previously disposed wastes or property contamination including groundwater contamination. The Company does not believe that there presently exists significant surface and subsurface contamination of the Company properties by hydrocarbons or other solid wastes.

The Company generates both hazardous and nonhazardous solid wastes which are subject to requirements of the federal Resource Conservation and Recovery Act ("RCRA") and comparable state statutes. From time to time, the Environmental Protection Agency ("EPA") has considered making changes in nonhazardous waste standards that would result in stricter disposal requirements for such wastes. Furthermore, it is possible that some wastes generated by the Company that are currently classified as nonhazardous may in the future be designated as "hazardous wastes," resulting in the wastes being subject to more rigorous and costly disposal requirements. Such changes in the regulations may result in additional capital expenditures or operating expenses by the Company.

Superfund. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the "Superfund" law, and similar state laws, impose liability without regard to fault or the legality of the original conduct, on certain classes of persons, including the owner or operator of a site and companies that disposed or arranged for the disposal of the hazardous substances found at the site. CERCLA also authorizes the EPA and, in some cases, third parties to take actions in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. Although "petroleum" is excluded from CERCLA's definition of a "hazardous substance," in the course of its ordinary operations the Company will generate wastes that may fall within the definition of a "hazardous substance." The Company may be responsible under CERCLA for all or part of the costs required to clean up sites at which such wastes have been disposed. The Company has not received any notification that it may be potentially responsible for cleanup costs under CERCLA.

Clean Air Act--General. The operations of the Company are subject to the Clean Air Act and comparable state statutes. Amendments to the Clean Air Act were adopted in 1990 and contain provisions that may result in the imposition of certain pollution control requirements with respect to air emissions from the operations of the pipelines and the processing and storage facilities. For example, the Mont Belvieu processing and storage facility is located in the Houston-Galveston ozone non-attainment area, which is categorized as a "severe" area and, therefore, is subject to more restrictive regulations for the issuance of air permits for new or modified facilities. The Houston-Galveston area is among nine areas in the country in this "severe" category. One of the other consequences of this non-attainment status is the potential imposition of lower limits on the emissions of certain pollutants, particularly oxides of nitrogen which are produced through combustion, as in the gas turbines at the Mont Belvieu processing facility. Regulations imposing these new requirements on existing facilities will not be promulgated until the end of 2000, and, therefore, it is not possible at this time to assess the impact these requirements may have on the Company's operations. Failure to comply with these air statutes or the implementing regulations may lead to the assessment of administrative, civil or criminal penalties, and/or result in the limitation or cessation of construction or operation of certain air emission sources. As part of the regular overall evaluation of its current operations, the Company is updating certain of its operating permits. The Company believes its operations, including its processing facilities, pipelines and storage facilities, are in substantial compliance with applicable air requirements.

Clean Air Act--Fuels. See discussion of Octane Enhancement - Recent Regulatory Developments.

Clean Water Act. The Federal Water Pollution Control Act, also known as the Clean Water Act, and similar state laws require containment of potential discharges of contaminants into federal and state waters. Regulations promulgated pursuant to these laws require that entities such as the Company that discharge into federal and state waters obtain National Pollutant Discharge Elimination System ("NPDES") and/or state permits authorizing these discharges. The Clean Water Act and analogous state laws provide penalties for releases of unauthorized contaminants into the water and impose substantial liability for the costs of removing spills from such waters. In addition, the Clean Water Act and analogous state laws require that individual permits or coverage under general permits be obtained by covered facilities for discharges of stormwater runoff. The Company believes it will be able to obtain, or be included under, these Clean Water Act permits and that compliance with the conditions of such permits will not have a material effect on the Company.

Underground Storage Requirements. The Company currently owns and operates underground storage caverns that have been created in naturally occurring salt domes in Texas, Louisiana and Mississippi. These storage caverns are used to store NGLs, NGL products, propane/propylene mix and propylene. Surface brine pits and brine disposal wells are used in the operation of the storage caverns. All of these facilities are subject to strict environmental regulation by state authorities under the Texas Natural Resources Code and similar statutes in Louisiana and Mississippi. Regulations implemented under such statutes address the operation, maintenance and/or abandonment of such underground storage facilities, pits and disposal wells, and require that permits be obtained. Failure to comply with the governing statutes or the implementing regulations may lead to the assessment of administrative, civil or criminal penalties. The Company believes its salt dome storage operations, including the caverns, brine pits and brine disposal wells, are in substantial compliance with applicable statutes.

SAFETY REGULATION

The Company's pipelines are subject to regulation by the U.S. Department of Transportation under the Hazardous Liquid Pipeline Safety Act, as amended ("HLPSA"), relating to the design, installation, testing, construction, operation, replacement and management of pipeline facilities. The HLPSA covers crude oil, carbon dioxide, NGL and petroleum products pipelines and requires any entity which owns or operates pipeline facilities to comply with the regulations under the HLPSA, to permit access to and allow copying of records and to make certain reports and provide information as required by the Secretary of Transportation. The Company believes its pipeline operations are in substantial compliance with applicable HLPSA requirements; however, due to the possibility of new or amended laws and regulations or reinterpretation of existing laws and regulations, there can be no assurance that future compliance with the HLPSA will not have a material adverse effect on the Company's results of operations or financial position.

The workplaces associated with the processing and storage facilities and the pipelines operated by the Company are also subject to the requirements of the federal Occupational Safety and Health Act ("OSHA") and comparable state statutes. The Company believes it has operated in substantial compliance with OSHA requirements, including general industry standards, record keeping requirements and monitoring of occupational exposure to regulated substances.

In general, the Company expects expenditures will increase in the future to comply with likely higher industry and regulatory safety standards such as those described above. Such expenditures cannot be accurately estimated at this time, although the Company does not expect that such expenditures will have a material adverse effect on the Company.

TITLE TO PROPERTIES

Real property held by the Company falls into two basic categories: (a) parcels that it owns in fee, such as the land at the Mont Belvieu complex and Petal fractionation and storage facility, and (b) parcels in which its interest derives from leases, easements, rights-of-way, permits or licenses from landowners or governmental authorities permitting the use of such land for Company operations. The fee sites upon which the major facilities are located have been owned by the Company or its predecessors in title for many years without any material challenge known to the Company relating to title to the land upon which the assets are located, and the Company believes it has satisfactory title to such fee sites. The Company has no knowledge of any challenge to the underlying fee title of any material lease, easement, right-of-way or license held by it or to its title to any material lease, easement, right-of-way, permit or lease, and the Company believes it has satisfactory title to all of its material leases, easements, rights-of-way and licenses.

ITEM 3. LEGAL PROCEEDINGS.

EPCO has indemnified the Company against any litigation pending as of the date of its formation. The Company is sometimes named as a defendant in litigation relating to its normal business operations. Although the Company insures itself against various business risks, to the extent management believes it is prudent, there is no assurance that the nature and amount of such insurance will be adequate, in every case, to indemnify the Company against liabilities arising from future legal proceedings as a result of its ordinary business activity. Management is aware of no significant litigation, pending or threatened, that would have a significant adverse effect on the Company's financial position or results of operations

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

There were no matters submitted to a vote of security holders during 1999.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED UNITHOLDER MATTERS

The following table sets forth the high and low sale prices per Common Unit (as reported under the symbol "EPD" on the New York Stock Exchange), the amount of cash distributions paid per Common Unit and Subordinated Unit and the record and payment dates related to such cash distributions. The Common Units began trading on July 28, 1998.

	Price Range		Cash Distributions			
	High	Low	Per Common Unit	Per Subordinated Unit	Record Date	Payment Date
1998						
Third Quarter	$ 22.063	$ 14.625				
Fourth Quarter	$ 18.375	$ 13.750	$ 0.32	$ 0.32	October 30,1998	November 12, 1998
1999						
First Quarter	$ 18.500	$ 14.938	$ 0.45	$ 0.45	January 29,1999	February 11, 1999
Second Quarter	$ 18.625	$ 15.063	$ 0.45	$ 0.07	April 30, 1999	May 12, 1999
Third Quarter	$ 20.688	$ 17.875	$ 0.45	$ 0.37	July 30, 1999	August 11, 1999
Fourth Quarter	$ 20.375	$ 17.000	$ 0.45	$ 0.45	October 29, 1999	November 10, 1999
2000						
First Quarter (through February 25, 2000)	$ 20.500	$ 18.250	$ 0.50	$ 0.50	January 31, 2000	February 10, 2000

The Company intends, to the extent there is sufficient available cash from Operating Surplus, as defined by the Partnership Agreement, to distribute to each holder of Common Units at least a minimum quarterly distribution of $0.45 per Common Unit. The minimum quarterly distribution is not guaranteed and is subject to adjustment as set forth in the Partnership Agreement. With respect to each quarter during the subordination period, which will generally not end before June 30, 2003, the Common Unitholders will generally have the right to receive the minimum quarterly distribution, plus any arrearages thereon, and the General Partner will have the right to receive the related distribution on its interest before any distributions of available cash from Operating Surplus are made to the Subordinated Unitholders.

From its inception through the fourth quarter 1999, the Company paid its minimum quarterly distribution of $.45 per Common Unit. The $.32 cash distribution made during the fourth quarter 1998 was based upon the minimum quarterly distribution of $0.45 per Unit adjusted to take into account the 65-day period of the third quarter during which the Company was a public entity. On January 17, 2000, the Company declared an increase in its quarterly cash distribution to $0.50 per Unit. This represents a $0.05 per unit, or an 11.1%, increase from its previous distribution rate of $0.45 per Unit. The distribution was paid on Feb. 10, 2000 to Common and Subordinated Unitholders of record at the close of business on Jan. 31, 2000. The increase is attributable to the growth in cash flow that the Company has achieved through the completion of new projects, improved operating results, and accretive acquisitions. Although the payment of such quarterly distributions are not guaranteed, the Company currently expects that it will continue to pay comparable cash distributions in the future.

As of February 4, 2000, there were approximately 198 Unitholders of record of the Company's Common Units.

Recent Sales of Unregistered Securities

On August 1, 1999, the Company acquired TNGL from Tejas Energy (now Coral Energy LLC) an affiliate of Shell, in exchange for 14.5 million non-distribution bearing, convertible special partner Units of the Company (the "Special Units") and cash payment of $166 million. Coral Energy also has the right to acquire up to 6.0 million additional Special Units if the volumes of natural gas processed by the Company for Shell reach certain agreed upon levels in 2000 and 2001. The 14.5 million Special Units will automatically convert into Common Units on a one-for-one basis as follows: 1.0 million on August 1, 2000 (or the day following the record date for distributions for the second quarter of 2000); 5.0 million units on August 1, 2001; and 8.5 million on August 1, 2002. If all of the 6.0 million contingent Units are issued, they would convert into Common Units on August 1, 2002 (1.0 million Units) and August 1, 2003 (5.0 million Units).

No underwriter was involved in the transaction, and the issuance of the convertible Special Units was not registered under the Securities Act of 1933 in reliance upon the exemption provided by Section 4(2) thereof. The Company is entitled to rely upon Section 4(2) in connection with this transaction because it was a privately negotiated transaction with a single accredited investor.

ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth for the periods and at the dates indicated, selected historical financial data for the Company. The selected historical financial data (except for EBITDA of unconsolidated affiliates) have been derived from the Company's audited financial statements for the periods indicated. The selected historical income statement data for each of the three years in the period ended December 31, 1999 and the selected balance sheet data as of December 31, 1999 and 1998 should be read in conjunction with the audited financial statements for such periods included elsewhere in this report. EBITDA of unconsolidated affiliates has been derived from the financial statements of such entities for the periods indicated. See also "Management's Discussion and Analysis of Financial Condition and Results of Operation." The dollar amounts in the table below, except per Unit data, are in thousands.

	For the Year Ended December 31,				
	1995	1996	1997	1998	1999 (6)
INCOME STATEMENT DATA:					
Revenues from consolidated operations	$ 790,080	$ 999,506	$ 1,020,281	$ 738,902	$ 1,332,979
Equity in income of unconsolidated affiliates	12,274	15,756	15,682	15,671	13,477
Total	802,354	1,015,262	1,035,963	754,573	1,346,456
Operating costs and expenses (1)	719,389	907,524	938,392	685,884	1,201,605
Operating margin	82,965	107,738	97,571	68,689	144,851
Selling, general and administrative expenses(1,2)	21,120	23,070	21,891	18,216	12,500
Operating income	61,845	84,668	75,680	50,473	132,351
Interest expense	(27,567)	(26,310)	(25,717)	(15,057)	(16,439)
Interest income	554	2,705	1,934	772	886
Interest income from unconsolidated affiliates				809	1,667
Dividend income from unconsolidated affiliates					3,435
Other income (expense), net	305	364	793	358	(379)
Income before extraordinary charge and minority interest	35,137	61,427	52,690	37,355	121,521
Extraordinary charge on early extinguishment of debt	-	-	-	(27,176)	-
Income before minority interest	35,137	61,427	52,690	10,179	121,521
Minority interest	(351)	(614)	(527)	(102)	(1,226)
Net income	$ 34,786	$ 60,813	$ 52,163	$ 10,077	$ 120,295
Basic Net income per Unit (3)	$0.63	$1.10	$0.94	$0.17	$ 1.79
Number of Units used for basic EPU (in 000s)	54,962.8	54,962.8	54,962.8	60,124.4	66,710.4
Diluted Net income per Unit (3)					$ 1.64
Number of Units used for diluted EPU (in 000s)					72,788.5
Dividends declared per Common Unit				$0.77	$ 1.85
BALANCE SHEET DATA (AT PERIOD END):					
Total assets	$ 610,931	$ 711,151	$ 697,713	$ 741,037	$ 1,494,952
Long-term debt	281,656	255,617	230,237	90,000	295,000
Combined equity/Partners' equity	198,815	266,021	311,885	562,536	789,465
OTHER FINANCIAL DATA:					
Cash flows from operating activities	$ 12,212	$ 91,431	$ 57,795	$ (20,294)	$ 168,810
Cash flows from investing activities	(9,233)	(57,725)	(30,982)	(50,695)	(265,221)
Cash flows from financing activities	11,995	(24,930)	(26,551)	61,238	77,538
EBITDA (4)	65,406	87,109	79,882	55,472	147,050
EBITDA of unconsolidated affiliates(5)	18,520	25,012	24,372	23,912	23,425

Notes to Selected Financial Data Table

(1) Certain 1995 through 1998 amounts have been reclassified to conform to the 1999 presentation.
(2) 1998 and 1999 expenses are lower than 1997 amounts due to the adoption of the EPCO agreement.
(3) Basic net income per Unit is computed by dividing the limited partners' 99% interest in Net income by the weighted average of the number of Common and Subordinated Units outstanding. Diluted net income per Unit is computed by dividing the limited partners' 99% interest in Net income by the weighted average of the number of Common, Subordinated, and Special Units outstanding.
(4) EBITDA is defined as net income plus depreciation and amortization and interest expense less equity in income of unconsolidated affiliates. Interest expense (excluding amortization of loan costs) was $14.7 million and $14.9 million in 1998 and 1999, respectively. EBITDA should not be considered as an alternative to net income, operating income, cash flow from operations or any other measure of financial performance presented in accordance with generally accepted accounting principals. EBITDA is not intended to represent cash flow and does not represent the measure of cash available for distribution, but provides additional information for evaluating the Company's ability to make the minimum quarterly distribution. Management uses EBITDA to assess the viability of projects and to determine overall rate of returns on alternative investment opportunities. Because EBITDA excludes some, but not all, items that affect net income and this measure may vary among companies, the EBITDA data presented above may not be comparable to similarly titled measures of other companies. EBITDA for 1998 excludes the extraordinary charge of $27,176 million related to the early extinguishment of debt.
(5) Represents the Company's pro rata share of net income plus depreciation and amortization and interest expense of the unconsolidated affiliates.
(6) 1999 amounts reflect the impact of the TNGL and MBA acquisitions. The TNGL acquisition was effective August 1, 1999 with the MBA acquisition effective July 1, 1999.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements and notes thereto of Enterprise Products Partners L.P. ("Enterprise" or the "Company") included elsewhere herein.

GENERAL

The Company (i) processes natural gas; (ii) fractionates for a processing fee mixed NGLs produced as by-products of oil and natural gas production into their component products: ethane, propane, isobutane, normal butane and natural gasoline; (iii) converts normal butane to isobutane through the process of isomerization; (iv) produces MTBE from isobutane and methanol; and (v) transports NGL products to end users by pipeline and railcar. The Company also separates high purity propylene from refinery-sourced propane/propylene mix and transports high purity propylene to plastics manufacturers by pipeline. Products processed by the Company generally are used as feedstocks in petrochemical manufacturing, in the production of motor gasoline and as fuel for residential and commercial heating.

The Company's NGL processing operations are concentrated in the Texas, Louisiana, and Mississippi Gulf Coast area. A large portion is concentrated in Mont Belvieu, Texas, which is the hub of the domestic NGL industry and is adjacent to the largest concentration of refineries and petrochemical plants in the United States. The facilities the Company operates at Mont Belvieu include: (i) one of the largest NGL fractionation facilities in the United States with an average production capacity of 210,000 barrels per day; (ii) the largest butane isomerization complex in the United States with an average isobutane production capacity of 80,000 barrels per day; (iii) one of the largest MTBE production facilities in the United States with an average production capacity of 14,800 barrels per day; and (iv) two propylene fractionation units with an average combined production capacity of 31,000 barrels per day. The Company owns all of the assets at its Mont Belvieu facility except for the NGL fractionation facility, in which it owns an effective 62.5% economic interest (see Recent Acquisitions below); one of the propylene fractionation units, in which it owns a 54.6% interest and controls the remaining interest through a long-term lease; the MTBE production facility, in which it owns a 33.33% interest; and one of its three isomerization units and one deisobutanizer which are held under long-term leases with purchase options. The Company also owns and operates approximately 28 million barrels of storage capacity at Mont Belvieu and 7 million barrels of storage capacity in Petal, Mississippi that are an integral part of its processing operations. In addition, the Company owns and operates a NGL fractionation facility in Petal, Mississippi with an average production capacity of 7,000 barrels per day. The Company also leases and operates one of only two commercial NGL import/export terminals on the Gulf Coast.

As a result of the Tejas Natural Gas Liquids, LLC ("TNGL") acquisition, the Company acquired, effective August 1, 1999:

- a 20-year natural gas processing agreement with Shell for the rights to process its current and future natural gas production from the state and federal waters of the Gulf of Mexico ("Shell Processing Agreement");
- varying interests in 11 natural gas processing plants (including one under construction) with a combined gross capacity of 11.0 billion cubic feet per day ("Bcfd") and net capacity of 3.1 Bcfd;
- four NGL fractionation facilities with a combined gross capacity of 281,000 BPD and net capacity of 131,500 BPD; and
- four NGL storage facilities with approximately 28.8 million barrels of gross capacity and 8.8 million barrels of net capacity.

Lastly, the Company has operating and non-operating ownership interests in over 2,400 miles of NGL pipelines along the Gulf Coast (including an 11.5% interest in the 1,301 mile Dixie Pipeline). All references herein to "Shell", unless the context indicates otherwise, shall refer collectively to Shell Oil Company, its subsidiaries and affiliates.

Recent Acquisitions

TNGL Acquisition. As noted above, effective August 1, 1999, the Company acquired TNGL from Tejas Energy, LLC ("Tejas Energy"), now Coral Energy LLC, an affiliate of Shell, in exchange for 14.5 million non-distribution bearing, convertible special partner units ("Special Units") of the Company and a cash payment of $166 million. The Company also agreed to issue up to 6.0 million non-distribution bearing, convertible special units ("Contingency Units") to Shell in the future if the volumes of natural gas that the Company processes for Shell reach certain agreed upon levels in 2000 and 2001. The businesses acquired from Shell include natural gas processing and NGL fractionation, transportation and storage in Louisiana and Mississippi and its NGL supply and merchant business. The assets acquired include varying interests in 11 natural gas processing plants, four NGL fractionation facilities, and four NGL storage facilities and operator and non-operator ownership interests in approximately 1,500 miles of NGL pipelines. The Company accounted for this acquisition using the purchase method.

The Company's major customer related to the TNGL assets is Shell. Under the terms of the Shell Processing Agreement, the Company has the right to process substantially all of Shell's current and future natural gas production from the Gulf of Mexico. This includes natural gas production from the developments currently referred to as deepwater. Generally, the Shell Processing Agreement grants the Company the following rights and obligations:

- the exclusive right to process any and all of Shell's Gulf of Mexico natural gas production from existing and future dedicated leases; plus

- the right to all title, interest, and ownership in the raw make extracted by the Company's gas processing facilities from Shell's natural gas production from such leases; with

- the obligation to deliver to Shell the natural gas stream after the raw make is extracted.

Natural gas processing plants are generally located near the production area. When produced at the wellhead, natural gas generally must be processed to separate the merchantable, pipeline quality natural gas (principally methane), from NGLs and other impurities. Wet or rich natural gas normally must be processed to render the natural gas acceptable for transport in the nation's gas pipeline distribution system and to meet specifications required by local natural gas distribution companies. After being extracted in the field, mixed NGLs, sometimes referred to as "y-grade" or "raw make" are typically transported to a central facility for fractionation and subsequent sale.

Mont Belvieu NGL Fractionation facility. Effective July 1, 1999, a subsidiary of the Operating Partnership acquired an additional 25% interest in the Mont Belvieu NGL fractionation facility from Kinder Morgan Operating LP "A" ("Kinder Morgan") for a purchase price of approximately $41.2 million in cash and the assumption of $4 million in debt. An additional 0.5% interest in the same facility was purchased from EPCO for a cash purchase price of $0.9 million. This acquisition (referred to as the "MBA acquisition") increased the Company's effective economic interest in the Mont Belvieu NGL fractionation facility from 37.0% to 62.5%. As a result of this acquisition, the results of operations after July 1, 1999 were consolidated rather than included in equity in earnings of unconsolidated affiliates.

INDUSTRY ENVIRONMENT

Because certain NGL products compete with other refined petroleum products in the fuel and petrochemical feedstock markets, NGL product prices are set by or in competition with refined petroleum products. Increased production and importation of NGLs and NGL products in the United States may decrease NGL product prices in relation to refined petroleum alternatives and thereby increase consumption of NGL products as NGL products are substituted for other more expensive refined petroleum products. Conversely, a decrease in the production and importation of NGLs and NGL products could increase NGL product prices in relation to refined petroleum product prices and thereby decrease consumption of NGLs. However, because of the relationship of crude oil and natural gas production to NGL production, the Company believes any imbalance in the prices of NGLs and NGL products and alternative products would be temporary.

When the price of crude oil nears a multiple of ten (or higher) to the price of natural gas (i.e., crude oil $20 per barrel and natural gas $2 per thousand cubic feet ("MCF")), NGL pricing has been strong due to increased use in manufacturing petrochemicals. In 1999, the industry experienced a multiple of approximately nine (i.e., crude oil averaged $19.29 per barrel (based on averages of published Cushing Oklahoma prices) and natural gas averaged $2.27 per MCF (based on averages of published Henry Hub prices)), which caused petrochemical manufacturing demand to change from a preference for crude oil derivatives to a reliance on NGLs. In 1998, when the multiple was approximately seven, petrochemical manufacturing demand relied on crude oil derivatives which depressed NGL prices. This change resulted in the increasing of both the production and pricing of NGLs. In the NGL industry, revenues and cost of goods sold can fluctuate significantly up or down based on current NGL prices. However, operating margins will generally remain constant except for the effect of inventory price adjustments or increased operating expenses.

RESULTS OF OPERATION OF THE COMPANY

Historically, the Company has had only one reportable business segment: NGL Operations. Due to the broadened scope of the Company's operations with the acquisition of TNGL in the third quarter of 1999, the Company's operations are being managed using the following five reportable business segments to better reflect the earnings and activities in each of the Company's major lines of business:

- Fractionation
- Pipeline
- Processing
- Octane Enhancement
- Other

Fractionation includes NGL fractionation, polymer grade propylene fractionation and butane isomerization (converting normal butane into high purity isobutane) services. Pipeline consists of pipeline, storage and import/export terminal services. Processing includes the natural gas processing business and its related NGL merchant activities. Octane Enhancement represents the Company's 33.33% ownership interest in a facility that produces motor gasoline additives to enhance octane (currently producing MTBE). The Other operating segment consists of fee-based marketing services and other plant support functions.

The management of the Company evaluates segment performance on the basis of gross operating margin. Gross operating margin reported for each segment represents earnings before depreciation, lease expense obligations retained by the Company's largest Unitholder, EPCO, and general and administrative expenses. In addition, segment gross operating margin is exclusive of interest expense, interest income (from unconsolidated affiliates or others), dividend income from unconsolidated affiliates, minority interest, extraordinary charges and other income and expense transactions. The Company's equity earnings from unconsolidated affiliates are included in segment gross operating margin. Segment gross operating margin is inclusive of intersegment revenues. Such revenues, which have been eliminated from the consolidated totals, are recorded at arms-length prices which are intended to approximate the prices charged to external customers. Segment assets consists of property, plant and equipment and the amount of investments in and advances to equity and cost method investees.

The Company's gross operating margins by segment (in thousands) along with a reconciliation to consolidated operating income over the past three years were as follows:

	Year Ended December 31,		
	1997	1998	1999
Gross Operating Margin by segment:			
Fractionation	$ 100,770	$ 66,627	$ 106,267
Pipeline	23,909	27,334	27,038
Processing	(3,778)	(652)	36,799
Octane enhancement	9,305	9,801	8,183
Other	(1,496)	(3,483)	908
Gross Operating margin total	128,710	99,627	179,195
Depreciation and amortization	17,684	18,579	23,664
Retained lease expense, net	13,300	12,635	10,557
Loss (gain) on sale of assets	155	(276)	123
Selling, general, and administrative expenses	21,891	18,216	12,500
Consolidated operating income	$ 75,680	$ 50,473	$ 132,351

The Company's significant plant production and other volumetric data (in thousands of barrels per day) over the past three years are follows:

	Year Ended December 31,		
	1997	1998	1999
Plant production data:			
Fractionation:			
Mont Belvieu NGL Fractionation	189	191	157
Mont Belvieu Isomerization	67	67	74
Mont Belvieu Propylene Production	26	26	28
Norco NGL Fractionation (a)	-	-	48
Processing			
Gas Processing Plants (equity production) (a)	-	-	67
Octane enhancement			
MTBE production	14	14	14
Other volumetric data:			
Pipeline:			
Houston Ship Channel Distribution System	92	107	99
Louisiana Pipeline Distribution System	37	40	104

(a) Assets acquired in TNGL acquisition effective August 1, 1999, rates shown are post-acquisition

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

Revenues, Costs and Expenses and Operating Income. The Company's revenues increased by 78.4% to $1,346.5 million in 1999 compared to $754.6 million in 1998. The Company's costs and expenses increased by 75.2% to $1,201.6 million in 1999 versus $685.9 million in 1998. Operating income before selling, general and administrative expenses ("SG&A") increased 110.9% to $144.9 million in 1999 from $68.7 million in 1998. The principal factor behind the $76.2 million increase in operating income before SG&A was the TNGL acquisition. Earnings attributable to these assets from the date of acquisition, August 1, 1999, through December 31, 1999 added approximately $48.4 million in gross operating margin to the Company's financial performance. The other primary source of the increase was an overall improvement in NGL product prices in 1999 over 1998 levels.

Fractionation. The Company's gross operating margin for the Fractionation segment increased to $106.3 million in 1999 from $66.6 million in 1998. The increase is associated with a number of factors including:

- an overall improvement in the isomerization business due to an increase in production volumes and higher pricing in the first half of 1999;
- the addition of the Norco NGL fractionation facility operating results (acquired in the TNGL acquisition);
- higher earnings in the propylene production business stemming from a rebound in propylene prices and an increase in propylene production; and
- the MBA acquisition on the financial results of the Mont Belvieu NGL fractionation business.

Of the $39.7 million increase in 1999 gross operating margin, $19.6 million is attributable to the improvement in the isomerization business. The primary reason for this improvement is an increase in production rates, which were accompanied by exceptional pricing conditions in the first half of 1999. The normal butane spread averaged 2.2 cents per gallon in the first of half 1999 and 0.7 cents per gallon for 1999 as a whole compared to 1.1 cents per gallon for 1998. The Company's gross operating margin on its propylene production facilities increased $11.2 million in 1999 generally due to increases in polymer grade propylene prices and higher production rates. Spot prices of polymer grade propylene averaged 13.9 cents per pound in 1999 compared to an average of 11.6 cents per pound for 1998. Also, the gross operating margin on the Company's Mont Belvieu NGL fractionation facilities increased $2.7 million. This increase is primarily attributable to the consolidation of an additional 25% of the operations of the Mont Belvieu NGL fractionation facility as a result of the MBA acquisition. Lastly, the Norco NGL fractionation facility contributed $11.3 million in gross operating margin since its acquisition effective August 1, 1999.

In addition to the major business areas mentioned above, this segment reflects equity earnings from MBA, BRF, Promix and BRPC. As noted previously, MBA was acquired effective July 1, 1999. Prior to this date, the Company recorded its share of earnings from MBA as equity income in an unconsolidated affiliate. For the period prior to the acquisition date, the Company recorded $1.3 million in equity income from MBA. The BRF facility commenced operations in July 1999. The Company recorded a loss of $0.3 million from BRF operations during 1999 primarily due to operating and other startup expenses incurred prior to the commencement of operations. Also, the Company recorded $0.6 million in equity income from Promix. Promix is engaged in the business of transporting, fractionating, storing and exchanging NGLs in southern Louisiana and was acquired in the TNGL acquisition. Pre-startup equity earnings from BRPC, a joint venture with ExxonMobil to build a propylene concentrator unit near Baton Rouge, Louisiana, were insignificant. The BRPC facility is scheduled to start operations in the third quarter of 2000.

Pipeline. The Company's gross operating margin for the Pipeline segment was $27.0 million in 1999 as compared to $27.3 million in 1998. Earnings generated from the Louisiana Pipeline Distribution System increased $3.2 million on an increase in pipeline volumes. Throughput volumes increased from 40 thousand barrels per day ("MBPD") in 1998 to 48 MBPD in 1999 on the pre-TNGL acquisition system. With the post-TNGL acquisition volumes added, the throughput (on a prorata basis from August 1, 1999) increased to 104 MBPD. The increase in earnings from the Louisiana System was offset by declines in the Company's Houston Ship Channel Distribution system of $0.5 million and at the Company's import terminal of $1.5 million. The decrease for both the Houston Ship Channel Distribution System on the Company's import terminal are generally attributable to lower butane import volumes.

The gross operating margin of this segment includes equity income from EPIK, Wilprise, Tri-States and Belle Rose. Equity income attributable to this segment increased from $0.8 million in 1998 to $3.7 million in 1999. Equity income from EPIK increased to $1.2 million in 1999 from $0.7 million in 1998. The increase is attributable to 1999's earnings being for a full fiscal year whereas the 1998 results were for July 1998 through December 1998. The Company recorded a combined $1.1 million in equity income from the Wilprise, Tri-States, and Belle Rose Systems. Individually, equity earnings from Wilprise, Tri-States, and Belle Rose were $0.2 million, $1.0 million, and a loss of $29 thousand, respectively. The Belle Rose system was acquired in the TNGL acquisition.

The remaining $1.4 million increase in equity income is attributable to Entell. The Operating Partnership formed Entell in March 1999 as a pipeline joint venture with TNGL with each member having a 50% ownership interest. As a result of the TNGL acquisition, the Company acquired the remaining 50% ownership interest of Entell and now consolidates the operations of Entell with those of the Operating Partnership. For the period March 1, 1999 through August 1, 1999, the Company recorded its earnings from Entell as equity income in an unconsolidated affiliate.

Processing. The Company's gross operating margin for Processing was $36.8 million in 1999 compared to a loss of $0.7 million in 1998. Of the increase, $36.4 million is due to the gas processing operations acquired in the TNGL acquisition effective August 1, 1999. The gas processing operations benefited from a favorable NGL pricing environment where the ratio of crude oil to natural gas prices averaged 10 to 1 during the fourth quarter of 1999.

Octane Enhancement. The Company's gross operating margin for Octane Enhancement decreased to $8.2 million in 1999 from $9.8 million in 1998. This segment consists entirely of the Company's equity earnings and investment in BEF, a joint venture facility that currently produces MTBE. The decrease in equity earnings from BEF can be attributed a $4.5 million non-cash write-off in January 1999 of the unamortized balance of deferred start-up costs. The Company's share of this non-cash charge was $1.5 million.

Other. The Company's gross operating margin for the Other segment was $0.9 million in 1999 compared to a loss of $3.5 million in 1998. Beginning in 1999, this segment includes fee-based marketing services. The Company acquired its fee-based marketing services business as part of the TNGL acquisition. For the period August 1, 1999 through December 31, 1999, this business earned $0.6 million. Apart from this portion of the segment's operations, the gross margin contribution of the other aspects of this segment were insignificant in both 1999 and 1998.

Selling, general and administrative expenses. SG&A expenses decreased to $12.5 million in 1999 from $18.2 million in 1998. SG&A expenses of the Company are covered by the administrative services fee found in EPCO agreement. On July 7, 1999, the Audit and Conflicts Committee of the General Partner authorized an increase in the administrative services fee to $1.1 million per month from the initial $1.0 million per month. The increased fees were effective August 1, 1999. Beginning in January 2000, the administrative services fee will increase to $1.55 million per month plus accrued employee incentive plan costs to compensate EPCO for the additional SG&A charges related to the additional administrative employees acquired in the TNGL acquisition.

Interest expense. The Company's interest expense increased to $16.4 million in 1999 compared to $15.1 million in 1998. While average debt levels remained generally consistent in 1999 compared to 1998, interest expense increased due to the amortization of loan origination costs. The Company's debt service costs will increase in the future as a result of additional borrowings for possible acquisitions and working capital needs. For a more complete discussion of the Company's debt management strategy, see "Bank Credit Facilities" and "December 1999 Universal Shelf Registration" under the Liquidity and Capital Resources section of this report.

Dividend income from unconsolidated affiliates. The Company's investment in Dixie and VESCO are recorded using the cost method as prescribed by generally accepted accounting principles. In accordance with these guidelines, the Company records as dividend income the cash distributions from these investments as opposed to showing equity earnings. Both the Dixie and VESCO investments were acquired as part of the TNGL acquisition. For 1999, the Company recorded dividend income from Dixie and VESCO in the amounts of $0.8 million and $2.6 million, respectively.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

Revenues, Costs and Expenses and Operating income. The Company's revenues decreased by 27.2% to $754.6 million in 1998 compared to $1,036.0 million in 1997. The Company's costs and expenses, excluding selling, general, and administrative charges, decreased as well to $685.9 million in 1998 from $938.4 million in 1997. Both revenues and costs of goods sold decreased dramatically from 1997 to 1998 due to sharp declines in average NGL prices during most of 1998. For example, isobutane prices decreased from an average of 46.9 cents per gallon in 1997 to 32.1 cents per gallon in 1998. Operating income before SG&A decreased 29.6% to $68.7 million in 1998 from $97.6 million in 1997. The reduced operating income in 1998 is mainly due to the effect of declining NGL prices on inventory values and merchant values during 1998.

Fractionation. The Company's gross operating margin for the Fractionation segment declined 33.9% to $66.6 million in 1998 from $100.8 million in 1997. The decrease can be attributed to a number of factors including:

- for the isomerization business, inventory write-downs, loss of marketing profits due to lower butane price spreads, and the decline of revenues on merchant activities;
- for the propylene production business, declines in the prices of high purity and refinery grade propylene, reduced production volumes, and write-downs on feedstock inventory; and
- for the Mont Belvieu NGL fractionation business, lower toll processing fees charged to customers.

The majority of the $34.2 million decline in Fractionation gross operating margin was caused by a $28.0 million decrease in the isomerization business for the reasons outlined above. From a pricing standpoint, the butane price spreads (i.e., the difference between the average prices of isobutane and normal butane) decreased from 3.3 cents per gallon in 1997 to 1.1 cents per gallon in 1998 as a result of the preference for crude-oil-derivative petrochemical feedstocks over NGLs. As a sign of further weakness in NGL prices, the Company's gross operating margin on its propylene production facilities dropped $7.4 million in 1998 from 1997 levels. As with other NGL products, the pricing of propylene fell during 1998. For example, spot prices of polymer grade propylene dropped from an average of 19.8 cents per pound in 1997 to 11.6 cents per pound in 1998.

The gross operating margin for the Mont Belvieu fractionation facilities declined to $3.2 million in 1998 from $3.5 million in 1997 (excluding the positive effect of $1.3 million in overhead expenses and support facility cost reimbursements from joint venture partners in 1998). If not for the partial offset of lowered operating expenses, the gross operating margin on the fractionation facilities would have dropped by $1.9 million in 1998 due to lower toll processing fees. On average, these fees were 2.3 cents per gallon in 1997 versus 2.1 cents per gallon in 1998. The lower NGL fractionation fees impacted equity income from MBA as well causing a decrease of $1.2 million from $6.4 million in 1997 to $5.2 million in 1998.

Pipeline. The Company's gross operating margin for the Pipeline segment increased 14.2% to $27.3 million in 1998 from $23.9 million in 1997. Of the $3.4 million increase, $1.5 million is attributable to higher throughput rates on the Houston Ship Channel Distribution System due to higher butane import volumes. Another $0.7 million of the increase is associated with a 8.1% increase in volumes on the Louisiana Pipeline Distribution System. Lastly, part of the 1998 increase stems from the Company's investment in EPIK, which began operations in June 1998. EPIK generated $0.7 million in equity income for the period June 1998 through December 1998.

Processing. The Company's gross operating margin for Processing improved from a loss of $3.8 million in 1997 to a loss of $0.7 million in 1998. The decrease is primarily attributable to lower operating expenses associated with the Company's rail car activity.

Octane Enhancement. The Company's gross operating margin for Octane Enhancement improved to $9.8 million in 1998 from $9.3 million in 1997. This segment consists entirely of the Company's equity earnings and investment in BEF, a joint venture owning a facility that currently produces MTBE. The improvement in equity earnings from BEF can be attributed to decreased debt service costs.

Selling, general and administrative expenses. SG&A expenses decreased to $18.2 million in 1998 from $21.9 million in 1997. This decrease was primarily due to the adoption of the EPCO Agreement in July 1998 in conjunction with the Company's IPO which fixed the reimbursable SG&A expenses at $1.0 million per month.

Interest expense. Interest expense was $15.1 million in 1998 and $25.7 million in 1997. The $10.6 million decline was primarily due to a decrease in the average debt outstanding during the first seven months of 1998 as compared to the same period of 1997, and the prepayment of debt in conjunction with the IPO in July 1998.

Prepayment Penalties on Extinguishment of Debt. The Company incurred a $27.2 million extraordinary loss during the third quarter of 1998 in connection with the early extinguishment of debt assumed from EPCO in connection with the

IPO. The extraordinary loss was equal to remaining unamortized debt origination costs associated with such debt and make-whole premiums payable in connection with the repayment of such debt.

PRO FORMA IMPACT OF TNGL AND MBA ACQUISITIONS

As noted above under Recent Acquisitions, the Company acquired TNGL and MBA in fiscal 1999. As a result of these acquisitions, revenues, operating costs and expenses, interest expense, and other amounts shown on the Statements of Consolidated Operations for 1999 have increased significantly over the amounts shown for 1998. The following table presents certain unaudited pro forma information for the years ended December 31, 1997, 1998 and 1999 as if the acquisition of TNGL and the Mont Belvieu fractionator facility from Kinder Morgan and EPCO been made as of the beginning of the periods presented:

	1997	1998	1999
Revenues	$ 1,867,200	$ 1,354,400	$ 1,714,222
Net income	$ 93,925	$ 14,728	$ 135,037
Allocation of net income to			
Limited partners	$ 92,986	$ 14,581	$ 133,687
General Partner	$ 939	$ 147	$ 1,350
Units used in earnings per Unit calculations			
Basic	54,963	60,124	66,710
Diluted	69,463	74,624	81,210
Income per Unit before extraordinary item and minority interest			
Basic	$ 1.71	$ 0.69	$ 2.02
Diluted	$ 1.35	$ 0.56	$ 1.66
Net income per Unit			
Basic	$ 1.69	$ 0.24	$ 2.00
Diluted	$ 1.34	$ 0.20	$ 1.65

LIQUIDITY AND CAPITAL RESOURCES

General. The Company's primary cash requirements, in addition to normal operating expenses, are debt service, maintenance capital expenditures, expansion capital expenditures, and quarterly distributions to the partners. The Company expects to fund future cash distributions and maintenance capital expenditures with cash flows from operating activities. Capital expenditures for future expansion activities and asset acquisitions are expected to be funded with cash flows from operating activities and borrowings under the revolving bank credit facilities.

Cash flows from operating activities were a $168.8 million inflow for 1999 compared to a $20.3 million outflow for the comparable period of 1998. Cash flows from operating activities primarily reflect the effects of net income, depreciation and amortization, extraordinary items, equity income of unconsolidated affiliates and changes in working capital. Net income increased significantly as a result of improved overall margins and the TNGL acquisition. Depreciation and amortization increased a combined $6.1 million in 1999 primarily as a result of additional capital expenditures and the TNGL and Mont Belvieu fractionator acquisitions (the "acquisitions") in the third quarter of 1999. Amortization expense increased by $2.5 million primarily due to the amortization of the intangible asset associated with the Shell Processing Agreement. The Shell Processing Agreement and the excess cost associated with the MBA acquisition will be amortized over a 20-year period at approximately $3.1 million per year. The net effect of changes in operating accounts from year to year is generally the result of timing of NGL sales and purchases near the end of the period.

Cash outflows used in investing activities were $265.2 million in 1999 and $50.7 million for the comparable period of 1998. Cash outflows included capital expenditures of $21.2 million for 1999 and $8.4 million for 1998. Included in the capital expenditures amounts are maintenance capital expenditures of $2.4 million for 1999 and $7.7 million for 1998. Investing cash outflows in 1999 also included $61.9 million in advances to and investments in unconsolidated affiliates versus $26.8 million for 1998. The $35.1 million increase stems primarily from contributions made to the Wilprise, Tri-States, BRF, and BRPC joint ventures located in Louisiana. Also, the Company received $20.0 million in payments on notes receivable from the BEF and MBA notes purchased during 1998 with the proceeds of the Company's IPO. In conjunction with the acquisition of the MBA interest in the Mont Belvieu fractionation facility, $5.8 million was received during the third quarter 1999 from MBA for the balance of the Company's note receivable. The $6.5 million outstanding balance of notes receivable from unconsolidated affiliates relates to the participation in the BEF note. This balance will be collected in equal installments of approximately $3.2 million each at the end of February 2000 and May 2000.

Cash outflows for investing activities also include the cash payments related to the acquisitions. Per the terms of the TNGL acquisition, $166.0 million was paid to Tejas Energy in September 1999. Likewise, $42.1 million was paid to Kinder Morgan and EPCO to purchase their collective 51% interest in MBA. As described in Note 16 of the Notes to the Consolidated Financial Statements, on February 25, 2000 the Company announced the acquisition of the Lou-Tex Propylene Pipeline and other assets effective March 1, 2000 from Concha Chemical Pipeline Company ("Concha"), an affiliate of Shell, for approximately $100 million in cash. The pipeline consists of 263 miles of 10" pipeline from Sorrento, Louisiana to Mont Belvieu, Texas. It is currently dedicated to the transportation of chemical grade propylene from Sorrento to the Mont Belvieu area. The acquisition of the Lou-Tex Propylene Pipeline is the first step in the Company's development of an approximately $180 million, 160,000 barrel per day Louisiana-to-Texas gas liquids pipeline system. The second step involves the construction of the 263-mile Lou-Tex NGL Pipeline from Sorrento, Louisiana to Mont Belvieu, Texas, scheduled for completion in the third quarter of 2000. This larger system will link growing supplies of NGLs produced in Louisiana and Mississippi with the principal NGL markets on the United States Gulf Coast.

On February 23, 2000, the Company offered to buy the remaining 88.5% ownership interests in Dixie from the other seven owners for a total purchase price of approximately $204.4 million. The offer is subject to the acceptance by the holders of a minimum of 68.5% of the oustanding ownership interests. The offer will expire on March 8, 2000 if it is not accepted by such holders. If the offer is accepted, the purchase would be subject to, among other things, preparation and execution of a definitive purchase agreement and the obtaining of requisite regulatory approvals and consents.

Cash flows from financing activities were a $77.5 million inflow in 1999 versus a $61.2 million inflow for 1998. Cash flows from financing activities are affected primarily by repayments of long-term debt, borrowings under the long-term debt agreements and distributions to the partners. The 1998 period reflects the transactions that occurred in the IPO in July 1998. The 1999 period includes $215 million in long-term debt borrowings associated with the TNGL and Mont Belvieu fractionation facility acquisition. Cash flows from financing activities for 1999 also reflected the net purchase of $4.7 million of Common Units by a consolidated trust.

The Operating Partnership is planning to borrow $54 million in March 2000 from the Mississippi Business Finance Corporation ("MBFC") to reimburse the Company's portion of construction costs of the Pascagoula gas processing plant. MBFC will issue $54 million in taxable industrial development bonds underwritten by First Union Securities, Inc. and Banc of America Securities, LLC. The Company will act as guarantor of the MBFC bonds with the Operating Partnership making payments of principal and interest to MBFC. Interest on the bonds will be paid semiannually with final maturity of the bonds in March 2010.

Future Capital Expenditures. The Company estimates that its share of capital expenditures in the projects of its unconsolidated affiliates will be approximately $8.9 million in fiscal 2000 (including $7.8 million for the BRPC propylene fractionator). In addition, the Company forecasts that $103.2 million will be spent in 2000 on capital projects that will be recorded as property, plant, and equipment (including $79.8 million for construction of the Lou-Tex NGL Pipeline and $14.3 million for the construction of processing facilities acquired from TNGL). The Company expects to finance these expenditures out of operating cash flows, borrowings under its bank credit facilities, and offerings of debt and/or equity securities. As of December 31, 1999, the Company had $9.5 million in outstanding purchase commitments attributable to its capital projects. Of this amount, $1.7 million is associated with capital projects which will be recorded as additional investments in unconsolidated affiliates for accounting purposes.

DISTRIBUTIONS AND DIVIDENDS FROM UNCONSOLIDATED AFFILIATES

Distributions from unconsolidated affiliates. The Company received $6.0 million in distributions from its equity method investees in 1999 compared to $9.1 million in 1998. Distributions to the Company from MBA were $1.9 million in 1999 and $5.7 million in 1998. The level of distributions from MBA is lower in 1999 versus 1998 due to a decrease in NGL fractionation margins and the acquisition of MBA by the Operating Partnership effective July 1, 1999. Distributions from BEF were $0.3 million in 1999 versus $2.4 million in 1998. Distributions from BEF are lower in 1999 due to downtime associated with maintenance activities. Distributions from EPIK were $2.1 million in 1999 versus $1.0 million for 1998. EPIK was formed in the second quarter of 1998 and had no distributions until the third quarter of 1998. The Company received $0.8 million collectively from its newly acquired equity investments in Promix and Belle Rose. The Promix and Belle Rose distributions to the Company were $0.7 million and $0.1 million, respectively. Lastly, prior to its consolidation in August 1999 the Company received $0.8 million from Entell.

Dividends received from unconsolidated affiliates. The Company received $3.4 million in cash dividend payments from its cost method investments in Dixie and VESCO. Specifically, dividends paid by Dixie and VESCO were $0.8 million and $2.6 million, respectively. As noted before, distributions received from these investments are recorded by the Company as "Dividend income from unconsolidated affiliates" in the Statements of Consolidated Operations.

BANK CREDIT FACILITIES

In December 1999, the Company and Operating Partnership filed an $800 million universal shelf registration statement (see discussion regarding the "December 1999 Universal Shelf Registration" below) covering the issuance of an unspecified amount of equity or debt securities or a combination thereof. The Company expects to issue public debt under the shelf registration statement during fiscal 2000. Management intends to use the proceeds from such debt offering to repay all outstanding bank credit facilities and for other general corporate purposes.

$200 Million Bank Credit Facility. In July 1998, the Operating Partnership entered into a $200 million bank credit facility that includes a $50 million working capital facility and a $150 million revolving term loan facility. The $150 million revolving term loan facility includes a sublimit of $30 million for letters of credit. As of December 31, 1999, the Company has borrowed $129 million under the bank credit facility which is due in July 2000.

The Company's obligations under this bank credit facility are unsecured general obligations and are non-recourse to the General Partner. Borrowings under this bank credit facility will bear interest at either the bank's prime rate or the Eurodollar rate plus the applicable margin as defined in the facility. This bank credit facility will expire in July 2000 and all amounts borrowed thereunder shall be due and payable at that time. There must be no amount outstanding under the working capital facility for at least 15 consecutive days during each fiscal year. The Company elects the basis for the interest rate at the time of each borrowing. Interest rates ranged from 5.94% to 8.75% during 1999, and the weighted-average interest rate at December 31, 1999 was 6.74%.

As amended on July 28, 1999, this credit agreement relating to the facility contains a prohibition on distributions on, or purchases or redemptions of, Units if any event of default is continuing. In addition, this bank credit facility contains various affirmative and negative covenants applicable to the ability of the Company to, among other things, (i) incur certain additional indebtedness, (ii) grant certain liens, (iii) sell assets in excess of certain limitations, (iv) make investments, (v) engage in transactions with affiliates and (vi) enter into a merger, consolidation or sale of assets. The bank credit facility requires that the Operating Partnership satisfy the following financial covenants at the end of each fiscal quarter: (i) maintain Consolidated Tangible Net Worth (as defined in the bank credit facility) of at least $250 million, (ii) maintain a ratio of EBITDA (as defined in the bank credit facility) to Consolidated Interest Expense (as defined in the bank credit facility) for the previous 12-month period of at least 3.5 to 1.0 and (iii) maintain a ratio of Total Indebtedness (as defined in the bank credit facility) to EBITDA of no more than 3.0 to 1.0. The Company was in compliance with these restrictive covenants at December 31, 1999.

A "Change of Control" constitutes an Event of Default under this bank credit facility. A Change of Control includes any of the following events: (i) Dan L. Duncan (and/or certain affiliates) cease to own (a) at least 51% (on a fully converted, fully diluted basis) of the economic interest in the capital stock of EPCO or (b) an aggregate number of shares of capital stock of EPCO sufficient to elect a majority of the board of directors of EPCO; (ii) EPCO ceases to own, through a wholly owned subsidiary, at least 65% of the outstanding membership interest in the General Partner and at least a majority of the outstanding Common Units; (iii) any person or group beneficially owns more than 20% of the outstanding Common Units (excluding certain affiliates of EPCO or Shell); (iv) the General Partner ceases to be the general partner of the Company or the Operating Partnership; or (v) the Company ceases to be the sole limited partner of the Operating Partnership.

$350 Million Bank Credit Facility. Also in July 1999, the Operating Partnership entered into a $350 million bank credit facility that includes a $50 million working capital facility and a $300 million revolving term loan facility. The $300 million revolving term loan facility includes a sublimit of $10 million for letters of credit. The initial proceeds of this loan were used to finance the acquisition of TNGL and the MBA ownership interests.

Borrowings under the bank credit facility will bear interest at either the bank's prime rate or the Eurodollar rate plus the applicable margin as defined in the facility. The bank credit facility will expire in July 2001 and all amounts borrowed thereunder shall be due and payable at that time. There must be no amount outstanding under the working capital facility for at least 15 consecutive days during each fiscal year. The Company elects the basis for the interest rate at the time of each borrowing. Interest rates ranged from 6.88% to 7.31% during 1999, and the weighted-average interest rate at December 31, 1999 was 7.10%.

Limitations on certain actions by the Company and financial covenant requirements of this bank credit facility are substantially consistent with those existing for the $200 Million Bank Credit Facility as described above. The Company was in compliance with the restrictive covenants at December 31, 1999.

Long-term debt consisted of the following:

(in thousands of dollars)	AT DECEMBER 31, 1998	1999
Borrowings under:		
$200 Million Bank Credit Facility	$ 90,000	$ 129,000
$350 Million Bank Credit Facility		166,000
Total	90,000	295,000
Less current maturities of long-term debt		129,000
Long-term debt	$ 90,000	$ 166,000

At December 31, 1999, the Company had $40 million of standby letters of credit available, and approximately $24.3 million of letters of credit were outstanding under letter of credit agreements with the banks.

December 1999 Universal Shelf Registration. On December 21, 1999, the Company announced that it had filed an $800.0 million "universal shelf" registration statement (the "Registration Statement") with the Securities and Exchange Commission for the proposed sale of debt and equity securities over the next two years. This registration statement pertains to debt securities of the Operating Partnership and Common Units of the Company. The purpose and timing of the Registration Statement is to give the Company flexibility to quickly respond to attractive financing opportunities in the capital markets and its need for capital as it pursues a growth strategy and manages debt obligations. The Company expects to manage its debt obligations for an appropriate mix of short-term and long-term indebtedness and fixed coupon versus floating rate debt. At the time the Company offers debt or equity securities for sale, it will provide a prospectus supplement that will contain specific information about the terms of any such offering.

The net proceeds from any sale of debt or equity securities would be used for funding future business acquisitions, investment in growth projects, refinancing existing debt or other Company purposes including, but not limited to, providing working capital or the repurchasing of Common Units. This Registration Statement may also apply to the issuance of Common Units to satisfy conversion of the 14.5 million convertible Special Units, which the Company issued in the acquisition of TNGL. During the next two years, 6.0 million of these units will convert into Common Units.

Fiscal 2000 offering of debt securities. In connection with the Registration Statement, the Operating Partnership is contemplating the issuance of up to $350 million in debt securities in fiscal 2000. The notes would be unsecured; rank equally with all of the Operating Partnership's existing and future senior debt; would be senior to any future subordinated debt; and would be effectively junior to the Operating Partnership's secured indebtedness and other liabilities. If the transaction occurs, the Operating Partnership would issue the notes under an indenture containing certain restrictive covenants restricting its ability, with certain exceptions, to incur debt secured by liens and engage in sale/leaseback transactions. The Company would be the guarantor of the notes. The Operating Partnership's debt securities would be an unsecured senior obligation of the Company. The Operating Partnership would use the net proceeds of the debt offering to retire all outstanding indebtedness under the Company's $200 Million and $350 Million Bank Credit Facilities and for other general corporate purposes.

For a more detailed description of the Registration Statement, the Company hereby incorporates by reference the Form S-3 filed by the Company on December 21, 1999 and all associated supplements and filings.

Debt Ratings. In January 2000, the Company received investment grade debt ratings from Standard & Poor's and Moody's Investor Services relating to the potential debt securities of the Operating Partnership covered under the Registration Statement and Bank Revolvers A and B. Standard & Poor's issued a "BBB" rating to the Company's two bank revolvers and a preliminary "BBB" senior unsecured debt rating to the $800 million universal shelf registration. Generally, a company given a Standard & Poor's rating of "BBB" or higher is regarded as having financial security characteristics that outweigh its vulnerabilities, and is highly likely to have the ability to meet financial commitments. The outlook for the Standard & Poor's ratings is stable. Moody's Investor Services issued a rating of "Baa3" to the Company's bank revolvers and a first-time senior unsecured debt rating of "Baa3" with a stable outlook to the $800 million universal shelf registration. A ranking of "Baa3" from Moody's Investor Services entails that a company offers adequate financial security; however, certain protective elements may be lacking or may be characteristically unreliable over any great length of time. A ranking of "Baa3" as opposed to "Baa" means that a company ranks on the lower end of its rating category. As a result of the acquisition of the favorable debt ratings, the Company was allowed to reduce its Eurodollar interest rates on the $200 Million and $350 Million Bank Credit Facilities by .125% in accordance with the terms of the revolvers.

1999 LONG-TERM INCENTIVE PLAN

Effective January 1, 2000, Enterprise Products GP, LLC, the general partner of the Company, adopted the 1999 Long-Term Incentive Plan (the "Plan"). Under the Plan, non-qualified incentive options to purchase a fixed number of Common Units may be granted to key employees of EPCO who perform management, administrative or operational functions for the Company under the EPCO Agreement. The exercise price per Unit, vesting and expiration terms, and rights to receive distributions on Units granted are determined by the Company for each grant agreement. Upon the exercise of an option, the Company may deliver the Units or pay an amount in cash equal to the excess of the fair market value of a Unit and the exercise price of the option. On January 1, 2000, 225,000 options were granted at a weighted average price of $17.50 per Unit of which none had been exercised at February 18, 2000. The Plan is primarily funded by the Units purchased by the Trust. Since the Common Units held by the Trust were previously unallocated, they were excluded from the earnings per Unit calculation. If the Plan would have been adopted at January 1, 1999, earnings per Unit would have been $1.81 basic and $1.66 diluted.

MTBE PRODUCTION

General. The Company owns a 33.33% economic interest in the BEF partnership that owns the MTBE production facility located within the Company's Mont Belvieu complex. The production of MTBE is driven by oxygenated fuels programs enacted under the federal Clean Air Act Amendments of 1990 and other legislation. Any changes to these programs that enable localities to opt out of these programs, lessen the requirements for oxygenates or favor the use of non-isobutane based oxygenated fuels reduce the demand for MTBE and could have an adverse effect on the Company's results of operations.

Recent Regulatory Developments. See discussion of Octane Enhancement - Recent Regulatory Developments above.

Alternative Uses of the BEF facility. In light of these regulatory developments, the Company is formulating a contingency plan for use of the BEF facility if MTBE were banned or significantly curtailed. Management is exploring a possible conversion of the BEF facility from MTBE production to alkylate production. At present the forecast cost of this conversion would be in the $20 million to $25 million range, with the Company's share being $6.7 million to $8.3 million. Management anticipates that if MTBE is banned alkylate demand will rise as producers use it to replace MTBE as an octane enhancer. Alkylate production would be expected to generate spot market margins comparable to those of MTBE. Greater alkylate production would be expected to increase isobutane consumption nationwide and result in improved isomerization margins for the Company.

RESULTS OF YEAR 2000 READINESS PROGRAM

Successful Outcome of Year 2000 Readiness Program. Management is pleased to announce that the Company's efforts at preparing its computer systems for the Year 2000 were successful and that no significant problems were encountered. The Year 2000 Readiness team reported that all systems functioned properly as the date changed from December 31, 1999 to January 1, 2000. The Company is also pleased to note that no problems were reported to it by its customers or vendors as a result of the Year 2000 issue. The Company continues to be vigilant in monitoring its systems for any potential Year 2000 problems that may arise in the short-term. There is no assurance that residual Year 2000 issues will not arise in the future which could have a material adverse effect on the operations of the Company.

History of Year 2000 Readiness Program and Costs. In 1997, EPCO began assessing the impact of Year 2000 compliance issues on the software and hardware used by the Company. A team was assembled to review and document the status of EPCO's and the Company's systems for Year 2000 compliance. The key information systems reviewed include the Company's pipeline Supervisory Control and Data Acquisition ("SCADA") system, plant, storage, and other pipeline operating systems. In connection with each of these areas, consideration was given to hardware, operating systems, applications, data base management, system interfaces, electronic transmission, and outside vendors. As of November 1, 1999 work was complete in all areas.

Pursuant to the EPCO Agreement, any selling, general and administrative costs related to Year 2000 compliance issues were covered by the annual administrative services fee paid by the Company to EPCO. Consequently, only those costs incurred in connection with Year 2000 compliance which relate to operational information systems and hardware were paid directly by the Company.

EPCO spent approximately $340,000 in connection with Year 2000 compliance. The Company incurred expenditures of approximately $1,026,000 in connection with finalizing its Year 2000 compliance project (principally the SCADA system). These cost estimates do not include the internal costs of EPCO's or the Company's previously existing resources and personnel that might have been partially used for Year 2000 compliance or cost of normal system upgrades which also included various Year 2000 compliance features or fixes. Such internal costs were determined to be insignificant to the total estimated cost of Year 2000 compliance for both entities.

ACCOUNTING STANDARDS

On June 6, 1999, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133-an amendment of FASB Statement No. 133" which effectively delays the application of SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" for one year, to fiscal years beginning after June 15, 2000. Management is currently studying SFAS No. 133 for possible impact on the consolidated financial statements when it is adopted in 2001.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is exposed to financial market risks, including changes in interest rates with respect to its debt obligations and changes in commodity prices. The Company may use derivative financial instruments (i.e., futures, forwards, swaps, options, and other financial instruments with similar characteristics) to mitigate these risks. The Company does not use derivative financial instruments for speculative (or trading) purposes.

Beginning with the fourth quarter of 1999, the Company adopted a commercial policy to manage exposures to the risks generated by the NGL businesses acquired in the TNGL acquisition. The objective of the policy is to assist the Company in achieving its profitability goals while maintaining a portfolio of conservative risk, defined as remaining with the position limits established by the Board of Directors of the General Partner. The Company will enter into risk management transactions to manage price risk, basis risk, physical risk or other risks related to energy commodities on both a short-term (less than 30 days) and long-term basis, not to exceed 18 months. The General Partner has established a Risk Committee (the "Committee") that will oversee overall strategies associated with physical and financial risks. The Committee will approve specific commercial policies of the Company subject to this policy, including authorized products, instruments and markets. The Committee is also charged with establishing specific guidelines and procedures for implementing the policy and ensuring compliance with the policy.

Interest rate risk. At December 31, 1999 and 1998, the Company had no derivative instruments in place to cover any potential interest rate risk on its variable rate debt obligations. Variable interest rate debt obligations do expose the Company to possible increases in interest expense and decreases in earnings if interest rates were to rise. All of the Company's long-term debt is at variable interest rates.

If the weighted average base interest rates selected on long-term debt in 1999 were to have been 10% higher than the weighted average of the actual base interest rates selected, assuming no changes in weighted average variable debt levels, interest expense would have increased by approximately $1.4 million with a corresponding decrease in earnings before minority interest. For 1998, if the weighted average base rates had been 10% higher than those actually selected, interest expense would have been $0.2 million higher with a corresponding decrease in earnings before minority interest.

At December 31, 1999 and 1998, the Company had $5.2 million and $24.1 million invested in cash and cash equivalents, respectively. All cash equivalent investments other than cash are highly liquid, have original maturities of less than three months, and are considered to have insignificant interest rate risk.

Commodity price risk. The Company is exposed to commodity price risk through its NGL businesses acquired in the TNGL acquisition effective August 1, 1999. In order to effectively manage this risk, the Company may enter into swaps, forwards, commodity futures, options and other derivative commodity instruments with similar characteristics that are permitted by contract or business custom to be settled in cash or with another financial instrument. The purpose of these risk management activities is to hedge exposure to price risks associated with natural gas, NGL inventories, commitments and certain anticipated transactions. The table below presents the hypothetical changes in fair values arising from immediate selected potential changes in the quoted market prices of derivative commodity instruments outstanding at December 31, 1999. Gain or loss on these derivative commodity instruments would be offset by a corresponding gain or loss on the hedged commodity positions, which are not included in the table. The fair value of the commodity futures at December 31, 1999 and February 25, 2000 was estimated at $0.5 million payable and $2.8 million payable, respectively, based on quoted market prices of comparable contracts and approximate the gain or loss that would have been realized if the contracts had been settled at the balance sheet date. The increase in fair value of the commodity futures payable is primarily due to an increase in volumes hedged, change in composition of commodities hedged and higher NGL product prices.

(Millions of Dollars)	No Change	10% Increase		10% Decrease	
Impact of changes in quoted Market prices on:	Fair Value	Fair Value	Increase (Decrease)	Fair Value	Increase (Decrease)
Commodity futures					
At December 31, 1999	$ (0.5)	$ 1.2	$ 1.7	$ (2.2)	$ (1.7)
At February 25, 2000	$ (2.8)	$ (3.1)	$ (0.3)	$ (2.4)	$ 0.4

For a further discussion of the risk management activities and accounting for derivative commodity and other financial instruments, please see Notes 12 and 14 to the Consolidated Financial Statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required hereunder is included in this report as set forth in the "Index to Financial Statements" page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

COMPANY MANAGEMENT

The General Partner manages and operates the activities of the Company. Notwithstanding any limitation on its obligations or duties, the General Partner is liable, as the general partner of the Company, for all debts of the Company (to the extent not paid by the Company), except to the extent that indebtedness or other obligations incurred by the Company are made specifically non-recourse to the General Partner. Whenever possible, the General Partner intends to make any such indebtedness or other obligations non-recourse to the General Partner.

At least two of the members of the Board of Directors of the General Partner who are neither officers, employees or security holders of the General Partner nor directors, officers, employees or security holders of any affiliate of the General Partner serve on the Audit and Conflicts Committee, which has the authority to review specific matters as to which the Board of Directors believes there may be a conflict of interests in order to determine if the resolution of such conflict proposed by the General Partner is fair and reasonable to the Company. Any matters approved by the Audit and Conflicts Committee are conclusively deemed to be fair and reasonable to the Company, approved by all partners of the Company and not a breach by the General Partner or its Board of Directors of any duties they may owe the Company or the Unitholders. In addition, the Audit and Conflicts Committee reviews the external financial reporting of the Company, recommends engagement of the Company's independent public accountants, reviews the Company's procedures for internal auditing and the adequacy of the Company's internal accounting controls and approves any increases in the administrative service fee payable under the EPCO Agreement.

As is commonly the case with publicly-traded limited partnerships, the Company does not directly employ any of the persons responsible for managing or operating the Company. In general, the management of EPCO, the majority-owner of the General Partner, manages and operates the Company's business pursuant to the EPCO Agreement.

DIRECTORS AND EXECUTIVE OFFICERS OF THE GENERAL PARTNER

Set forth below is the name, age, and position of each of the directors and executive officers of the General Partner. Each director and officer is elected for a one-year term.

Name	Age	Position with General Partner
Dan L. Duncan (1)	67	Director and Chairman of the Board
O.S. Andras (1)	64	Director, President, and Chief Executive Officer
Randa L. Duncan	38	Director and Group Executive Vice President
Gary L. Miller	51	Director, Executive Vice President, Chief Financial Officer, and Treasurer
Charles R. Crisp	52	Director
Dr. Ralph S. Cunningham (2)	59	Director
Curtis R. Frasier (1)	44	Director
Lee W. Marshall, Sr.(2)	67	Director
Stephen H. McVeigh (1)	49	Director
Richard H. Bachmann (1)	47	Executive Vice President, Chief Legal Officer and Secretary
Albert W. Bell	61	Executive Vice President and President & Chief Operating Officer of Petrochemical Division
William D. Ray	64	Executive Vice President
A.J. "Jim" Teague	54	Executive Vice President and President & Chief Operating Officer of NGL Division
Charles E. Crain	66	Senior Vice President
Michael Falco	63	Senior Vice President
Michael A. Creel	46	Senior Vice President

(1) Member of Executive Committee
(2) Member of Audit and Conflicts Committee

Dan L. Duncan was elected as Chairman of the Board and a Director of the General Partner in April 1998. Mr. Duncan joined EPCO in 1969 and has served as Chairman of the Board of EPCO since 1979. He served as President of EPCO from 1970 to 1979 and Chief Executive Officer from 1982 to 1985.

O. S. Andras was elected as President, Chief Executive Officer and a Director of the General Partner in April 1998. Mr. Andras has served as President and Chief Executive Officer of EPCO since 1996. Mr. Andras served as President and Chief Operating Officer of EPCO from 1982 to 1996 and Executive Vice President of EPCO from 1981 to 1982. Before joining EPCO, he was employed by The Dow Chemical Company in various capacities from 1960 to 1981, including Director of Hydrocarbons.

Randa L. Duncan was elected as Group Executive Vice President and a director of the General Partner in April 1998. Ms. Duncan has served as Group Executive Vice President of EPCO since 1994. Before joining EPCO, she was an attorney with the firms of Butler & Binion from 1988 to 1991 and Brown, Sims, Wise and White from 1991 until 1994. Ms. Duncan is the daughter of Dan L. Duncan.

Gary L. Miller was elected as Executive Vice President, Chief Financial Officer, Treasurer and Director of the General Partner in April 1998. Mr. Miller has served as Executive Vice President, Chief Financial Officer and Treasurer of EPCO since 1990. He served as Senior Vice President, Controller and Treasurer of EPCO from 1988 to 1990. From 1983 to 1988 he served as Vice President, Treasurer and Controller of EPCO. Before joining EPCO, he was employed by Wanda Petroleum, where he was Assistant Controller from 1977 to 1980.

Charles R. Crisp was elected as a Director of the General Partner in November, 1999. Mr. Crisp has served as President and Chief Executive Officer of Coral Energy, LLC, an affiliate of Shell since 1998. From 1996 to 1998 he was with Houston Industries, serving as President and Chief Operating Officer of its domestic power generation group. From 1988 to 1996 he was President and Chief Executive Officer of Tejas Gas Corporation. Prior to joining Tejas Gas, he held various engineering, operations and management positions with Conoco, Perry Gas and Enron's Houston Pipeline Company.

Dr. Ralph S. Cunningham was elected as a Director of the General Partner in April 1998. Dr. Cunningham retired in 1997 from Citgo Petroleum Corporation, where he had served as President and Chief Executive Officer since 1995. Dr. Cunningham served as Vice Chairman of Huntsman Corporation from 1994 until 1995 and as President of Texaco Chemical Company from 1990 through 1994. Prior to joining Texaco Chemical Company, Dr. Cunningham held various executive positions with Clark Oil & Refining and Tenneco. He started his career in Exxon's refinery operations. He holds Ph.D., M.S. and B.S. degrees in Chemical Engineering. Dr. Cunningham serves as a director of Huntsman Corporation, Tetra Technologies, Inc. and Agrium, Inc. and served as a director of EPCO from 1987 to 1997.

Curtis R. Frasier was elected as Director of the General Partner in November 1999. Mr. Frasier is Chief Operating, Administrative and Legal Officer of Coral Energy, LLC, a Shell affiliate. He has served in various capacities in the Shell organization since 1982 and previously served as President of Shell Midstream Enterprises. He also served as Shell's Manager of Supply Operations following assignments in the London office beginning in the Legal Department of Shell's corporate office.

Lee W. Marshall, Sr. was elected as a Director of the General Partner in April 1998. Mr. Marshall has been the Chief Executive Officer and principal stockholder of Bison International, Inc., and Bison Resources, LLC since 1991. Previously, Mr. Marshall was Executive Vice President and Chief Financial Officer of Wolverine Exploration Company and held senior management positions with Union Pacific Resources and Tenneco Oil.

Stephen H. McVeigh was elected as Director of the General Partner in November 1999. Mr. McVeigh is the Manager of Production and Surveillance for Shell Offshore Inc. operations in the Gulf of Mexico. From 1997 to 1999, he served as Chief Operating Officer from Altura Energy Ltd., the joint venture partnership between Shell and Amoco for the Permian Basin. His 26-year career at Shell has involved various engineering, planning and managerial assignments in Shell's domestic exploration and production business.

Richard H. Bachmann was elected as Executive Vice President and Chief Legal Officer of the General Partner in January, 1999. Before joining EPCO, he was a partner with the firms of Snell & Smith P.C. from 1993 to 1998 and Butler & Binion from 1988 to 1993.

Albert W. Bell was elected as Executive Vice President of the General Partner in April 1998 and serves as the President and Chief Operating Officer of the Petrochemical Division. Mr. Bell has served as Executive Vice President, Business Management of EPCO since 1994. Mr. Bell joined EPCO in 1980 as President of its Canadian subsidiary. Mr. Bell transferred to EPCO in Houston in 1988 as Vice President, Business Development and was promoted to Senior Vice President, Business Management in 1992. Prior to joining EPCO, he was employed by Continental Emsco Supply Company, Ltd. and Amoco Canada Petroleum Company, Ltd.

William D. Ray was elected as Executive Vice President, Marketing and Supply of the General Partner in April 1998. Mr. Ray has served as EPCO's Executive Vice President, Marketing and Supply since 1985. Mr. Ray served as Vice President, Supply and Distribution of EPCO from 1971 to 1973 and as EPCO's Senior Vice President, Supply, Marketing and Distribution from 1973 to 1979. Prior to joining EPCO in 1971, Mr. Ray was employed by Wanda Petroleum from 1958 to 1969 and Koch as Vice President, Marketing and Supply from 1969 to 1971.

A.J. ("Jim") Teague was elected as Executive Vice President of the General Partner in November, 1999 and serves as the President and Chief Operating Officer of the NGL Division of the Company. From 1998 to 1999 he served as President of Tejas Natural Gas Liquids, LLC, an affiliate of Shell. From 1997 to 1998 he was President of Marketing and Trading for Mapco, Inc. From 1972 to 1996, he held a variety of positions with The Dow Chemical Company, including Vice President, Feedstocks.

Charles E. Crain was elected as Senior Vice President, Operations of the General Partner in April 1998 and has served as Senior Vice President, Operations of EPCO since 1991. Mr. Crain joined EPCO in 1980 as Vice President, Process Operations. Prior to joining EPCO, Mr. Crain held positions with Shell, Air Products & Chemicals and Tenneco Chemicals.

Michael Falco was elected Senior Vice President of the General Partner in April 1998. Mr. Falco had served as EPCO's Senior Vice President in the business management area since 1992. Previously, Mr. Falco had a 21 year career with Tenneco Oil Company, holding a variety of positions in NGL supply and crude oil and refined products supply including 6 years as Vice President of Tenneco Oil.

Michael A. Creel was elected Senior Vice President of the General Partner in November 1999 with responsibilities in investor relations, information technology and corporate risk. From 1997 to 1999 he held a series of positions, including Senior Vice President, Chief Financial Officer and Treasurer, with Tejas Energy, LLC. From 1991 to 1997 he served as Vice President and Treasurer of NorAm Energy Corp., Treasurer of Enron Oil & Gas Company, and was employed by Enron Corp. in various capacities, including Assistant Treasurer. From 1973 to 1991 he held management positions in accounting and finance within the energy and financial industries.

ITEM 11. EXECUTIVE COMPENSATION.

The Company has no executive officers. The Company is managed by the General Partner, the executive officers of which are employees of, and the compensation of whom is paid by, EPCO. Pursuant to the EPCO Agreement, EPCO is reimbursed at cost for all expenses that it incurs managing the business and affairs of the Company, except that EPCO is not entitled to be reimbursed for any selling, general, and administrative expenses. In lieu of reimbursement for such selling, general, and administrative expenses, EPCO is entitled to receive an annual administrative services fee that currently equals $13.2 million. The Company paid EPCO $12.5 million in administrative services fees under the EPCO Agreement during 1999.

The General Partner, with the approval and consent of the Audit and Conflicts Committee, has the right to agree to increases in such administrative services fee of up to 10% each year during the 10-year term of the EPCO agreement and may agree to further increases in such fee in connection with expansions of the Company's operations through the construction of new facilities or the completion of acquisitions that require additional management personnel. In accordance with this policy, on July 7, 1999, the Audit and Conflicts Committee of the General Partner authorized an increase in the administrative services fee to $1.1 million per month in accordance with the EPCO Agreement from the initial rate of $1.0 million per month. The increased fees were effective August 1, 1999. Beginning in January 2000, the administrative services fee will increase to $1.55 million per month plus accrued employee incentive plan costs to compensate EPCO for the additional selling, general, and administrative charges related to the additional administrative employees acquired in the TNGL acquisition.

COMPENSATION OF DIRECTORS

No additional remuneration is paid to employees of EPCO or the General Partner who also serve as directors of the General Partner. Each independent director receives $24,000 annually, for which each agrees to participate in four regular meetings of the Board of Directors and four Audit and Conflicts Committee meetings. Each independent director also receives $500 for each additional meeting in which he participates. In addition, each independent director is reimbursed for his out-of-pocket expenses in connection with attending meetings of the Board of Directors or committees thereof. Each director is fully indemnified by the Company for his actions associated with being a director to the extent permitted under Delaware law.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth certain information as of February 14, 2000, regarding the beneficial ownership of (a) the Common Units, (b) the Subordinated Units and (c) the Special Units of the Company by all directors of the General Partner, each of the named executive officers, all directors and executive officers as a group and all persons known by the General Partner to own beneficially more than 5% of the Common Units.

	Common Units Beneficially Owned	Percentage of Common Units Beneficially Owned	Subordinated Units Beneficially Owned	Percentage of Subordinated Units Beneficially Owned	Special Units Beneficially Owned	Percentage of Special Units Beneficially Owned	Total Units Beneficially Owned	Percentage of Total Units Beneficially Owned
EPCO (1)	33,552,915	73.7%	21,409,870	100.0%	0.0%	0.0%	54,962,785	67.5%
Coral Energy LLC (2)	-	0.0%	-	0.0%	14,500,000	100.0%	14,500,000	17.8%
Dan Duncan (1)	33,552,915	73.7%	21,409,870	100.0%	-	0.0%	54,962,785	67.5%
O.S. Andras	140,600	0.3%	-	0.0%	-	0.0%	140,600	0.2%
Randa L. Duncan	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Gary L. Miller	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Charles R. Crisp	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Dr. Ralph S. Cunningham	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Curtis R.Frasier	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Lee W. Marshall, Sr.	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Stephen H. McVeigh	-	0.0%	-	0.0%	-	0.0%	-	0.0%
All directors and executive officers as a group (16 persons)	33,708,524	74.0%	21,409,870	100.0%	-	0.0%	55,118,394	67.7%

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(1) EPCO holds the Units through its wholly-owned subsidiary EPC Partners II, Inc. Mr. Duncan owns 57.1% of the voting stock of EPCO and, accordingly, exercises sole voting and dispositive power with respect to the Units held by EPCO. The remaining shares of EPCO capital stock are held primarily by trusts for the benefit of the members of Mr. Duncan's family, including Randa L. Duncan, a director and executive officer of the Company. The address of EPCO is 2727 North Loop West, Houston, Texas 77008.

(2) Special Units were issued to Coral Energy LLC (formerly Tejas Energy LLC) as part of the TNGL acquisition

(3) For a discussion of the Company's Partners' Equity and the Units in general, see Note 7 of the Notes to the Consolidated Financial

Statements. Subordinated Units and Special Units are non-voting.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under the federal securities laws, the General Partner, the General Partner's directors, executive (and certain other) officers, and any persons holding more than ten percent of the Common Units are required to report their ownership of Common Units and any changes in that ownership to the Company and the SEC. Specific due dates for these reports have been established by regulation and the Company is required to disclose in this report any failure to file by these dates in 1999. Due to clerical and record keeping errors, Form 4 reports with respect to November 1998 for EPCO (5 transactions) and Dan L. Duncan (5 transactions) were filed in January 1999, a Form 4 report (1 transaction) with respect to November 1999 for Richard H. Bachmann was filed in January 2000, and Form 4 reports with respect to December 1999 for EPCO (5 transactions) and Dan L. Duncan (5 transactions) were filed in February 2000.

The Company believes that all of these filings were satisfied by the General Partner, the General Partner's directors and officers, and ten percent holders. As of February 18, 2000, the Company believes that the General Partner, and all of the General Partner's directors and officers and any ten percent holders are current in their filings. In making these statements, the Company has relied on the written representations of the General Partner, the General Partner's directors and officers, and ten percent holders and copies of reports that they have filed with the SEC.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

OWNERSHIP INTERESTS OF EPCO AND ITS AFFILIATES IN THE COMPANY

At December 31, 1999, EPC Partners II, Inc., a wholly owned subsidiary of EPCO, owned 33,552,915 Common Units and 21,409,870 Subordinated Units, representing a 40.8% interest and a 26.0% interest, respectively, in the Company. In addition, the General Partner owned a combined 2% interest in the Company and the Operating Partnership. In addition, another affiliate of EPCO, Enterprise Products 1998 Unit Option Plan Trust (the "1998 Trust") owned 1,035,504 Common Units as of December 31, 1999. The 1998 Trust was formed for the purpose of granting options in the Company's securities to management and certain key employees. The 1998 Trust may purchase additional Units on the open market or through privately negotiated transactions.

OWNERSHIP INTERESTS OF OTHER AFFILIATES OF THE COMPANY

Another affiliate of the Company, EPOLP 1999 Grantor Trust (the "Trust"), was formed to fund liabilities of a long-term incentive employee benefit plan. As of December 31, 1999, the Trust had purchased 267,200 Common Units.

Related Party Transactions with Shell

As a result of the TNGL acquisition, Shell, through its subsidiary Coral Energy LLC (formerly Tejas Energy, LLC), acquired an ownership interest in the Company and its General Partner. At December 31, 1999, Shell owned approximately 17.6% of the Company and 30.0% of the General Partner.

The Company's major customer related to the TNGL assets is Shell. Under the terms of the Shell Processing Agreement, the Company has the right to process substantially all of Shell's current and future natural gas production from the Gulf of Mexico. This includes natural gas production from the developments currently referred to as deepwater. Generally, the Shell Processing Agreement grants the Company the following rights and obligations:

- the exclusive right to process any and all of Shell's Gulf of Mexico natural gas production from existing and future dedicated leases; plus
- the right to all title, interest, and ownership in the raw make extracted by the Company's gas processing facilities from Shell's natural gas production from such leases; with
- the obligation to deliver to Shell the natural gas stream after the raw make is extracted.

In addition to the Shell Processing Agreement, the Company acquired short-term leases on approximately 400 rail cars on average from Shell for servicing the gas processing business activities. Such lease costs totaled approximately $1.7 million in 1999.

RELATED PARTY TRANSACTIONS WITH EPCO AND UNCONSOLIDATED AFFILIATES

The Company, the Operating Partnership, the General Partner, EPCO and certain other parties have entered into various documents and agreements that generally govern the business of the Company and its affiliates. Such documents and agreements are not the result of arm's-length negotiations, and there can be no assurance that it, or that any of the transactions provided for therein, are effected on terms at least as favorable to the parties to such agreement as could have been obtained from unaffiliated third parties.

The Company has an extensive ongoing relationship with EPCO and its affiliates. These relationships include the following:

(i) All management, administrative and operating functions for the Company are performed by officers and employees of EPCO pursuant to the terms of the EPCO Agreement. Under the EPCO Agreement, EPCO employs the operating personnel involved in the Company's business and is reimbursed at cost.

(ii) EPCO is and will continue as operator of the plants and facilities owned by BEF and EPIK and in connection therewith will charge such entities for actual salary costs and related fringe benefits. As operator of such facilities, EPCO also is entitled to be reimbursed for the cost of providing certain management services to such entities, which costs totaled $0.8 million in the aggregate for the year ended December 31, 1999.

(iii) EPCO and the Company have entered into an agreement pursuant to which EPCO provides trucking services to the Company.

(iv) EPCO retains the Retained Leases and, pursuant to the terms of the EPCO Agreement, subleases all of the facilities covered by the Retained Leases to the Company for $1 per year and has assigned its purchase options under the Retained Leases to the Company. EPCO is liable for the lease payments under the Retained Leases.

(v) Pursuant to the EPCO Agreement, the Company and the Operating Partnership participate as named insureds in EPCO's current insurance program, and costs attributable thereto are allocated among the parties on the basis of formulas set forth in such agreement.

(vi) Pursuant to the EPCO Agreement, EPCO licenses certain trademarks and tradenames to the Company and indemnifies the Company for certain lawsuits and claims.

(vii) In the normal course of its business, the Company engages in transactions with BEF and other subsidiaries and divisions of EPCO involving the buying and selling of NGL products.

For a description of certain historical related party transactions between Shell, EPCO, the Company and their affiliates, see Note 10 of Notes to Consolidated Financial Statements.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(A)(1) AND (2) FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

See "Index to Financial Statements" set forth on page F-1.

(A)(3) EXHIBITS

*3.1 Form of Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P. (Exhibit 3.1 to Registration Statement on Form S-1, File No. 333-52537, filed on May 13, 1998).

*3.2 Form of Amended and Restated Agreement of Limited Partnership of Enterprise Products Operating L.P. (Exhibit 3.2 to Registration Statement on Form S-1/A, File No. 333-52537, filed on July 21, 1998).

*3.3 LLC Agreement of Enterprise Products GP (Exhibit 3.3 to Registration Statement on Form S-1/A, File No. 333-52537, filed on July 21, 1998).

*3.4 Second Amended and Restated Agreement of Limited Partnership of Enterprise Products Partners L.P. dated September 17, 1999. (The Company incorporates by reference the above document included in the Schedule 13D filed September 27, 1999 by Tejas Energy LLC ; filed as Exhibit 99.7 on Form 8-K dated October 4, 1999).

*3.5 First Amended and Restated Limited Liability Company Agreement of Enterprise Products GP, LLC dated September 17, 1999. (Exhibit 99.8 on Form 8-K/A-1 filed October 27, 1999).

*4.1 Form of Common Unit certificate (Exhibit 4.1 to Registration Statement on Form S-1/A, File No. 333-52537, filed on July 21, 1998).

*4.2 $200 million Credit Agreement among Enterprise Products Operating L.P., the Several Banks from Time to Time Parties Hereto, Den Norske Bank ASA, and Bank of Tokyo-Mitsubishi, Ltd., Houston Agency as Co-Arrangers, The Bank of Nova Scotia, as Co-Arranger and as Documentation Agent and The Chase Manhattan Bank as Co-Arranger and as Agent dated as of July 27, 1998 as Amended and Restated as of September 30, 1998. (Exhibit 4.2 on Form 10-K for year ended December 31, 1998, filed March 17, 1999).

*4.3 First Amendment to $200 million Credit Agreement dated July 28, 1999 among Enterprise Products Operating L.P. and the several banks thereto. (Exhibit 99.9 on Form 8-K/A-1 filed October 27, 1999).

*4.4 $350 million Credit Agreement among Enterprise Products Operating L.P., BankBoston, N.A., Societe Generale, Southwest Agency and First Union National Bank, as Co-Arrangers, The Chase Manhattan Bank, as Co-Arranger and as Administrative Agent, The First National Bank of Chicago, as Co-Arranger and as Documentation Agent, The Bank of Nova Scotia, as Co-Arranger and Syndication Agent, and the Several Banks from Time to Time parties hereto with First Union Capital Markets acting as Managing Agent and Chase Securities Inc. acting as Lead Arranger and Book Manager dated July 28, 1999 (Exhibit 99.10 on Form 8-K/A-1 filed October 27, 1999).

*4.5 Unitholder Rights Agreement among Tejas Energy LLC, Tejas Midstream Enterprises, LLC, Enterprise Products Partners L.P., Enterprise Products Operating L.P., Enterprise Products Company, Enterprise Products GP, LLC and EPC Partners II, Inc. dated September 17, 1999. (The Company incorporates by reference the above document included in the Schedule 13D filed September 27, 1999 by Tejas Energy LLC; filed as Exhibit 99.5 on Form 8-K dated October 4, 1999).

*10.1 Articles of Merger of Enterprise Products Company, HSC Pipeline Partnership, L.P., Chunchula Pipeline Company, LLC, Propylene Pipeline Partnership, L.P., Cajun Pipeline Company, LLC and Enterprise Products

Texas Operating L.P. dated June 1, 1998 (Exhibit 10.1 to Registration Statement on Form S-1/A, File No: 333-52537, filed on July 8, 1998).

*10.2 Form of EPCO Agreement between Enterprise Products Partners L.P., Enterprise Products Operating L.P., Enterprise Products GP, LLC and Enterprise Products Company (Exhibit 10.2 to Registration Statement on Form S-1/A, File No. 333-52537, filed on July 21, 1998).

*10.3 Transportation Contract between Enterprise Products Operating L.P. and Enterprise Transportation Company dated June 1, 1998 (Exhibit 10.3 to Registration Statement on Form S-1/A, File No. 333-52537, filed on July 8, 1998).

*10.4 Venture Participation Agreement between Sun Company, Inc. (R&M), Liquid Energy Corporation and Enterprise Products Company dated May 1, 1992 (Exhibit 10.4 to Registration Statement on Form S-1, File No. 333-52537, filed on May 13, 1998).

*10.5 Partnership Agreement between Sun BEF, Inc., Liquid Energy Fuels Corporation and Enterprise Products Company dated May 1, 1992 (Exhibit 10.5 to Registration Statement on Form S-1, File No. 333-52537, filed on May 13, 1998).

*10.6 Amended and Restated MTBE Off-Take Agreement between Belvieu Environmental Fuels and Sun Company, Inc. (R&M) dated August 16, 1995 (Exhibit 10.6 to Registration Statement on Form S-1, File No. 333-52537, filed on May 13, 1998).

*10.7 Articles of Partnership of Mont Belvieu Associates dated July 17, 1985 (Exhibit 10.7 to Registration Statement on Form S-1, File No. 333-52537, filed on May 13, 1998).

*10.8 First Amendment to Articles of Partnership of Mont Belvieu Associates dated July 15, 1996 (Exhibit 10.8 to Registration Statement on Form S-1, File No. 333-52537, filed on May 13, 1998).

*10.9 Propylene Facility and Pipeline Agreement between Enterprise Petrochemical Company and Hercules Incorporated dated December 13, 1978 (Exhibit 10.9 to Registration Statement on Form S-1, File No. 333-52537, dated May 13, 1998).

*10.10 Restated Operating Agreement for the Mont Belvieu Fractionation Facilities Chambers County, Texas between Enterprise Products Company, Texaco Producing Inc., El Paso Hydrocarbons Company and Champlin Petroleum Company dated July 17, 1985 (Exhibit 10.10 to Registration Statement on Form S-1/A, File No. 333-52537, filed on July 8, 1998).

*10.11 Ratification and Joinder Agreement relating to Mont Belvieu Associates Facilities between Enterprise Products Company, Texaco Producing Inc., El Paso Hydrocarbons Company, Champlin Petroleum Company and Mont Belvieu Associates dated July 17, 1985 (Exhibit 10.11 to Registration Statement on Form S-1/A, File No. 333-52537, filed on July 8, 1998).

*10.12 Amendment to Propylene Facility and Pipeline Sales Agreement between HIMONT U.S.A., Inc. and Enterprise Products Company dated January 1, 1993 (Exhibit 10.12 to Registration Statement on Form S-1/A, File No. 333-52537, filed on July 8, 1998).

*10.13 Amendment to Propylene Facility and Pipeline Agreement between HIMONT U.S.A., Inc. and Enterprise Products Company dated January 1, 1995 (Exhibit 10.13 to Registration Statement on Form S-1/A, File No. 333-52537, filed on July 8, 1998).

*10.14 Fourth Amendment to Conveyance of Gas Processing Rights between Tejas Natural Gas Liquids, LLC and Shell Oil Company, Shell Exploration & Production Company, Shell Offshore Inc., Shell Deepwater Development Inc., Shell Land & Energy Company and Shell Frontier Oil & Gas Inc. dated August 1, 1999. (Exhibit 10.14 to Form 10-Q filed on November 15, 1999).

*99.1 Contribution Agreement between Tejas Energy LLC, Tejas Midstream Enterprises, LLC, Enterprise Products Partners L.P., Enterprise Products Operating L.P., Enterprise Products Company, Enterprise Products GP, LLC and EPC Partners II, Inc. dated September 17, 1999. (The Company incorporates by reference the above document included in the Schedule 13D filed September 27, 1999 by Tejas Energy LLC; filed as Exhibit 99.4 on Form 8-K dated October 4, 1999).

*99.2 Registration Rights Agreement between Tejas Energy LLC and Enterprise Products Partners L.P. dated September 17, 1999. (The Company incorporates by reference the above document included in the Schedule 13D filed September 27, 1999 by Tejas Energy LLC ; filed as Exhibit 99.6 on Form 8-K dated October 4, 1999).

21.1 List of Subsidiaries of the Company

27.1 Financial Data Schedule

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* Asterisk indicates exhibits incorporated by reference as indicated; all other exhibits are filed herewith

(B) REPORTS ON FORM 8-K

The Company filed three Form 8-Ks during the quarter ending December 31, 1999.

On October 4, 1999, a Form 8-K was filed whereby the Company summarized the Unitholder Rights Agreement and other material agreements associated with the TNGL acquisition. This filing incorporated by reference certain material documents associated with the acquisition.

On October 27, 1999, a Form 8-K/A-1 was filed whereby the Company disclosed certain historical financial information of TNGL for the years ended 1996, 1997, and 1998. In addition, this filing contained other documentation relating to the TNGL acquisition.

On November 29, 1999, a Form 8-K/A-2 was filed whereby the Company disclosed preliminary unaudited pro forma condensed financial information regarding the TNGL acquisition for the period ending December 31, 1998 and for the nine months ending September 30, 1999.

INDEX TO FINANCIAL STATEMENTS

All schedules, except the one listed above, have been omitted because they are either not applicable, not required or the information called for therein appears in the consolidated financial statements or notes thereto.

INDEPENDENT AUDITORS' REPORT

Enterprise Products Partners L.P.:

We have audited the accompanying consolidated balance sheets of Enterprise Products Partners L.P. (the "Company") as of December 31, 1998 and 1999, and the related statements of consolidated operations, consolidated cash flows and consolidated partners' equity for each of the years in the three-year period ended December 31, 1999. Our audits also included the consolidated financial statement schedule of the Company listed in the Index to the Financial Statements. These consolidated financial statements and schedule are the responsibility of the management of the Company. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 1998 and 1999, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1999 in conformity with generally accepted accounting principles. Also, in our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Houston, Texas
February 25, 2000

ENTERPRISE PRODUCTS PARTNERS L.P.
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

	DECEMBER 31,	
ASSETS	1998	1999
CURRENT ASSETS		
Cash and cash equivalents	$ 24,103	$ 5,230
Accounts receivable - trade, net of allowance for doubtful accounts of $15,871 in 1999	57,288	262,348
Accounts receivable - affiliates	15,546	56,075
Inventories	17,574	39,907
Current maturities of participation in notes receivable from unconsolidated affiliates	14,737	6,519
Prepaid and other current assets	8,445	14,459
Total current assets	137,693	384,538
PROPERTY, PLANT AND EQUIPMENT, NET	499,793	767,069
INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES	91,121	280,606
PARTICIPATION IN NOTES RECEIVABLE FROM UNCONSOLIDATED AFFILIATES	11,760	
INTANGIBLE ASSETS, NET OF ACCUMULATED AMORTIZATION OF $1,343		61,619
OTHER ASSETS	670	1,120
TOTAL	$ 741,037	$ 1,494,952

LIABILITIES AND PARTNERS' EQUITY

	1998	1999
CURRENT LIABILITIES		
Current maturities of long-term debt		$ 129,000
Accounts payable - trade	$ 36,586	69,294
Accounts payable - affiliate		64,780
Accrued gas payables	27,183	216,348
Accrued expenses	7,540	33,522
Other current liabilities	11,462	18,176
Total current liabilities	82,771	531,120
LONG-TERM DEBT	90,000	166,000
OTHER LONG-TERM LIABILITIES		296
MINORITY INTEREST	5,730	8,071
COMMITMENTS AND CONTINGENCIES		
PARTNERS' EQUITY		
Common Units (45,552,915 Units outstanding at December 31, 1998 and 1999)	433,082	428,707
Subordinated Units (21,409,870 Units outstanding at December 31, 1998 and 1999)	123,829	131,688
Special Units (14,500,000 Units outstanding at December 31, 1999)		225,855
Treasury Units acquired by Trust, at cost (267,200 Units outstanding at December 31, 1999)		(4,727)
General Partner	5,625	7,942
Total Partners' Equity	562,536	789,465
TOTAL	$ 741,037	$ 1,494,952

See Notes to Consolidated Financial Statements

ENTERPRISE PRODUCTS PARTNERS L.P.
STATEMENTS OF CONSOLIDATED OPERATIONS
(Amounts in Thousands, Except per Unit Amounts)

	YEARS ENDED DECEMBER 31,		
	1997	1998	1999
REVENUES			
Revenues from consolidated operations	$ 1,020,281	$ 738,902	$ 1,332,979
Equity income in unconsolidated affiliates	15,682	15,671	13,477
Total	1,035,963	754,573	1,346,456
COST AND EXPENSES			
Operating costs and expenses	938,392	685,884	1,201,605
Selling, general and administrative	21,891	18,216	12,500
Total	960,283	704,100	1,214,105
OPERATING INCOME	75,680	50,473	132,351
OTHER INCOME (EXPENSE)			
Interest expense	(25,717)	(15,057)	(16,439)
Interest income from unconsolidated affiliates		809	1,667
Dividend income from unconsolidated affiliates			3,435
Interest income - other	1,934	772	886
Other, net	793	358	(379)
Other income (expense)	(22,990)	(13,118)	(10,830)
INCOME BEFORE EXTRAORDINARY ITEM AND MINORITY INTEREST	52,690	37,355	121,521
Extraordinary charge on early extinguishment of debt		(27,176)	
INCOME BEFORE MINORITY INTEREST	52,690	10,179	121,521
MINORITY INTEREST	(527)	(102)	(1,226)
NET INCOME	$ 52,163	$ 10,077	$ 120,295
ALLOCATION OF NET INCOME TO:			
Limited partners	$ 51,641	$ 9,976	$ 119,092
General partner	$ 522	$ 101	$ 1,203
BASIC EARNINGS PER COMMON UNIT			
Income before extraordinary item and minority interest per common unit	$ 0.95	$ 0.62	$ 1.80
Net income per common unit	$ 0.94	$ 0.17	$ 1.79
DILUTED EARNINGS PER COMMON UNIT			
Income before extraordinary item and minority interest per common unit	$ 0.95	$ 0.62	$ 1.65
Net income per common unit	$ 0.94	$ 0.17	$ 1.64

See Notes to Consolidated Financial Statements

ENTERPRISE PRODUCTS PARTNERS L.P.
STATEMENTS OF CONSOLIDATED CASH FLOWS
(Amounts in Thousands)

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
OPERATING ACTIVITIES			
Net income	$ 52,163	$ 10,077	$ 120,295
Adjustments to reconcile net income to cash flows provided by (used for) operating activities:			
Extraordinary item - early extinguishment of debt		27,176	
Depreciation and amortization	17,684	19,194	25,315
Equity in income of unconsolidated affiliates	(15,682)	(15,671)	(13,477)
Leases paid by EPCO		4,010	10,557
Minority interest	527	102	1,226
(Gain) loss on sale of assets	155	(276)	123
Net effect of changes in operating accounts	2,948	(64,906)	24,771
Operating activities cash flows	57,795	(20,294)	168,810
INVESTING ACTIVITIES			
Capital expenditures	(33,636)	(8,360)	(21,234)
Proceeds from sale of assets		1,887	8
Business acquisitions, net of cash acquired			(208,095)
Participation in notes receivable from unconsolidated affiliates:			
Purchase of notes receivable		(33,725)	
Collection of notes receivable		7,228	19,979
Unconsolidated affiliates:			
Investments in and advances to	(4,625)	(26,842)	(61,887)
Distributions received	7,279	9,117	6,008
Investing activities cash flows	(30,982)	(50,695)	(265,221)
FINANCING ACTIVITIES			
Net proceeds from sale of common units		243,296	
Long-term debt borrowings	598	90,000	350,000
Long-term debt repayments	(25,978)	(257,413)	(154,923)
Net decrease in restricted cash	(1,171)	4,522	
Cash dividends paid to partners		(21,645)	(111,758)
Cash dividends paid to minority interest by Operating Partnership			(1,140)
Units acquired by consolidated trust			(4,727)
Cash contributions from EPCO to minority interest		2,478	86
Financing activities cash flows	(26,551)	61,238	77,538
CASH CONTRIBUTIONS FROM (TO) EPCO	(6,299)	14,913	
NET CHANGE IN CASH AND CASH EQUIVALENTS	(6,037)	5,162	(18,873)
CASH AND CASH EQUIVALENTS, JANUARY 1	24,978	18,941	24,103
CASH AND CASH EQUIVALENTS , DECEMBER 31	$ 18,941	$ 24,103	$ 5,230

(Excluding restricted cash of $4,522 in 1997)

See Notes to Consolidated Financial Statements

ENTERPRISE PRODUCTS PARTNERS L.P.
STATEMENTS OF CONSOLIDATED PARTNERS' EQUITY
(Amounts in Thousands)

	LIMITED PARTNERS					
	COMMON UNITS	SUBORDINATED UNITS	SPECIAL UNITS	TREASURY UNITS	GENERAL PARTNER	TOTAL
Consolidated Partners' Equity, January 1, 1997	$ 160,783	$ 102,578			$ 2,660	$ 266,021
Net income	31,527	20,114			522	52,163
Cash distributions to EPCO	(3,807)	(2,429)			(63)	(6,299)
Consolidated Partners' Equity, December 31, 1997	188,503	120,263			3,119	311,885
Net income	5,641	4,335			101	10,077
Cash contributions from EPCO	7,519	4,813			2,581	14,913
Leases paid by EPCO after public offering	2,701	1,269			40	4,010
Proceeds from sale of Common Units	243,296					243,296
Cash distributions to Unitholders	(14,578)	(6,851)			(216)	(21,645)
Consolidated Partners' Equity, December 31, 1998	433,082	123,829			5,625	562,536
Net income	71,038	33,409	14,645		1,203	120,295
Leases paid by EPCO after public offering	6,580	3,097	774		106	10,557
Special Units issued to Tejas Energy, LLC in connection with TNGL acquisition			210,436		2,126	212,562
Cash distributions to Unitholders	(81,993)	(28,647)			(1,118)	(111,758)
Units acquired by consolidated trust				(4,727)		(4,727)
Consolidated Partners' Equity, December 31, 1999	$ 428,707	$ 131,688	$ 225,855	$ (4,727)	$ 7,942	$ 789,465

See Notes to Consolidated Financial Statements

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTERPRISE PRODUCTS PARTNERS L.P. (the "Company") was formed on April 9, 1998 as a Delaware limited partnership to own and operate the natural gas liquids ("NGL") business of Enterprise Products Company ("EPCO"). The Company is the limited partner and owns 98.9899% of Enterprise Products Operating L.P. (the "Operating Partnership"), which directly or indirectly owns or leases and operates NGL facilities. Enterprise Products GP, LLC (the "General Partner") is the general partner and owns 1.0101% of the Operating Partnership and 1% of the Company. Both the Company and the General Partner are subsidiaries of EPCO.

Prior to their consolidation, EPCO and its affiliated companies were controlled by members of a single family, who collectively owned at least 90% of each of the entities for all periods prior to the formation of the Company. As of April 30, 1998, the owners of all the affiliated companies exchanged their ownership interests for shares of EPCO. Accordingly, each of the affiliated companies became a wholly owned subsidiary of EPCO or was merged into EPCO as of April 30, 1998. In accordance with generally accepted accounting principles, the consolidation of the affiliated companies with EPCO was accounted for as a reorganization of entities under common control in a manner similar to a pooling of interests.

Under terms of a contract entered into on May 8, 1998 between EPCO and the Operating Partnership, EPCO contributed all of its NGL assets through the Company and the General Partner to the Operating Partnership and the Operating Partnership assumed certain of EPCO's debt. As a result, the Company became the successor to the NGL operations of EPCO.

Effective July 27, 1998, the Company filed a registration statement pursuant to an initial public offering of 12,000,000 Common Units. The Common Units sold for $22 per unit. The Company received approximately $243.3 million after underwriting commissions of $16.8 million and expenses of approximately $3.9 million.

The accompanying consolidated financial statements include the historical accounts and operations of the NGL business of EPCO, including NGL operations conducted by affiliated companies of EPCO prior to their consolidation with EPCO. Investments in which the Company owns 20% to 50% and exercises significant influence over operating and financial policies are accounted for using the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain reclassifications have been made to the prior years' financial statements to conform to the presentation of the current period financial statements.

INVENTORIES, consisting of NGLs and NGL products, are carried at the lower of average cost or market.

EXCHANGES are movements of NGL products between parties to satisfy timing and logistical needs of the parties. NGLs and NGL products borrowed from the Company under such agreements are included in inventories, and NGLs and NGL products loaned to the Company under such agreements are accrued as a liability in accrued gas payables.

PROPERTY, PLANT AND EQUIPMENT is recorded at cost and is depreciated using the straight-line method over the asset's estimated useful life. Maintenance, repairs and minor renewals are charged to operations as incurred. Additions, improvements and major renewals are capitalized. The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts, and any gain or loss on disposition is included in income.

INTANGIBLE ASSETS include the values assigned to a 20-year natural gas processing agreement and the excess cost of the purchase price over the fair market value of the assets acquired from Mont Belvieu Associates. The $54.0 million in intangibles related to the natural gas processing agreement is being amortized over the life of the agreement. For the year 1999, approximately

$1.1 million of such amortization was charged to expense. The $8.7 million excess cost of the purchase price over the fair market value of the assets acquired from Mont Belvieu Associates is being amortized over 20 years. For the year 1999, approximately $0.2 million of such amortization was charged to expense.

EXCESS COST OVER UNDERLYING EQUITY IN NET ASSETS denotes the excess of the Company's cost over the underlying equity in net assets of K/D/S Promix, LLC and is being amortized using the straight-line method over 20 years. Such amortization is reflected in the equity earnings from unconsolidated affiliates and aggregated $0.2 million in 1999 and none for prior periods. The unamortized excess was approximately $7.8 million at December 31, 1999 and is included in investments in and advances to unconsolidated affiliates.

EXCESS COST AND LONG-LIVED ASSETS held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company has not recognized any impairment losses for the periods presented.

REVENUE is recognized when products are shipped or services are rendered.

USE OF ESTIMATES AND ASSUMPTIONS by management that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period are required for the preparation of financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

FEDERAL INCOME TAXES are not provided because the Company and its predecessors either had elected under provisions of the Internal Revenue Code to be a Master Limited Partnership or Subchapter S Corporation or were organized as other types of pass-through entities for federal income tax purposes. As a result, for federal income taxes purposes, the owners are individually responsible for the taxes on their allocable share of the consolidated taxable income of the Company. State income taxes are not material.

ENVIRONMENTAL COSTS for remediation are accrued based on estimates of known remediation requirements. Such accruals are based on management's best estimate of the ultimate costs to remediate the site. Ongoing environmental compliance costs are charged to expense as incurred, and expenditures to mitigate or prevent future environmental contamination are capitalized. Environmental costs, accrued environmental liabilities and expenditures to mitigate or eliminate future environmental contamination for each of the years in the three-year period ended December 31, 1999 were not significant to the consolidated financial statements. The Company's estimated liability for environmental remediation is not discounted.

CASH FLOWS are computed using the indirect method. For cash flow purposes, the Company considers all highly liquid debt instruments with an original maturity of less than three months at the date of purchase to be cash equivalents. All cash presented as restricted cash in the Company's financial statements was due to requirements of the Company's debt agreements.

HEDGES, such as swaps, forwards and other contracts to manage the price risks associated with inventories, commitments and certain anticipated transactions are occasionally entered into by the Company. The Company defers the impact of changes in the market value of these contracts until such time as the hedged transaction is completed. At that time, the impact of the changes in the fair value of these contracts is recognized. To qualify as a hedge, the item to be hedged must expose the Company to commodity or interest rate risk and the hedging instrument reduce that exposure. Any contracts held or issued that did not meet the requirements of a hedge would be recorded at fair value in the balance sheet and any changes in that fair value recognized in income. If a contract designated as a hedge of commodity risk is terminated, the associated gain or loss is deferred and recognized in income in the same manner as the hedged item. Also, a contract designated as a hedge of an anticipated transaction that is no longer likely to occur would be recorded at fair value and the associated changes in fair value recognized in income.

DOLLAR AMOUNTS (except per Unit amounts) presented in the tabulations within the notes to the Company's financial statements are stated in thousands of dollars, unless otherwise indicated.

RECENT STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS include the following: On June 6, 1999, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133-an amendment of FASB Statement No. 133" which effectively delays the application of SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" for one year, to fiscal years beginning after June 15, 2000. Management is currently studying SFAS No. 133 for possible impact on the consolidated financial statements when it is adopted in 2001.

EARNINGS PER UNIT is based on the amount of income allocated to limited partners and the weighted-average number of Units outstanding during the period. Specifically, basic earnings per Unit is calculated by dividing the amount of income allocated to limited partners by the weighted-average number of Common Units and Subordinated Units outstanding during the period. Diluted earnings per Unit is based on the amount of income allocated to limited partners and the weighted-average number of Common Units, Subordinated Units, and Special Units outstanding during the period. The Special Units are excluded from the computation of basic earnings per Unit because, under the terms of the Special Units, they do not share in income nor are they entitled to unit distributions until they are converted to Common Units. At December 31, 1999, such tests have not been met.

2. ACQUISITIONS

ACQUISITION OF TEJAS NATURAL GAS LIQUIDS, LLC

Effective August 1, 1999, the Company acquired Tejas Natural Gas Liquids, LLC ("TNGL") from a subsidiary of Tejas Energy, LLC, an affiliate of Shell Oil Company . All references hereafter to "Shell", unless the context indicates otherwise, shall refer collectively to Shell Oil Company, its subsidiaries and affiliates. TNGL engages in natural gas processing and NGL fractionation, transportation, storage and marketing in Louisiana and Mississippi. TNGL's assets include a 20-year natural gas processing agreement with Shell for the rights to process Shell's current and future natural gas production from the state and federal waters of the Gulf of Mexico ("Shell Processing Agreement") and varying interests in eleven natural gas processing plants (including one under construction) with a combined gross capacity of 11.0 billion cubic feet per day (Bcfd) and a net capacity of 3.1 Bcfd; four NGL fractionation facilities with a combined gross capacity of 281,000 barrels per day (BPD) and net capacity of 131,500 BPD; four NGL storage facilities with approximately 28.8 million barrels of gross capacity and 8.8 million barrels of net capacity; and approximately 1,500 miles of NGL pipelines.

The TNGL acquisition was purchased with a combination of $166 million in cash and the issuance of 14.5 million non-distribution bearing, convertible Special Units. The $166 million cash portion of the purchase price was funded with borrowings under the Company's $350 million bank credit facility. The Special Units were valued within a range provided by an independent investment banker using both present value and Black Scholes Model methodologies. The consideration for the acquisition was determined by arms-length negotiation among the parties.

The acquisition was accounted for under the purchase method of accounting and, accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair value at August 1, 1999 as follows (in millions):

Current Assets	$ 124.3
Investments	128.6
Property	216.9
Intangible asset	54.0
Liabilities	(147.4)
Total purchase price	$ 376.4

The $54.0 million intangible asset is the value assigned to the Shell Processing Agreement and is being amortized over the life of the agreement. For the year ending December 31, 1999, approximately $1.1 million of such amortization was charged to expense. The assets, liabilities and results of operations of TNGL are included with those of the Company as of August 1, 1999. Historical information for periods prior to August 1, 1999 do not reflect any impact associated with the TNGL acquisition.

Shell has the opportunity to earn an additional 6.0 million non-distribution bearing, convertible special Contingency Units over the next two years upon the achievement of certain gas production thresholds under the Shell Processing Agreement. If such special Contingency Units are issued, the purchase price and the value of the natural gas processing agreement will be adjusted accordingly.

ACQUISITION OF KINDER MORGAN AND EPCO INTEREST IN MONT BELVIEU FRACTIONATION FACILITY

Effective July 1, 1999, the Company acquired Kinder Morgan Operating LP "A"'s 25% indirect ownership interest and EPCO's 0.5% indirect ownership interest in a 210,000 BPD NGL fractionation facility located in Mont Belvieu, Texas for approximately $42 million in cash and the assumption of approximately $ 4 million of debt. The $42 million in cash was funded with borrowings under the Company's $350 million bank credit facility.

The acquisition was accounted for under the purchase method of accounting and, accordingly, the purchase price has been allocated to the assets purchased and liabilities assumed based on their estimated fair value at July 1, 1999 as follows (in millions):

Property	$ 36.2
Intangible asset	8.7
Liabilities	(3.7)
Total purchase price	$ 41.2

The intangible asset represents the excess cost of purchase price over the fair market value of the assets acquired and is being amortized over 20 years. For the year ending December 31, 1999, approximately $0.2 million of such amortization was charged to expense.

PRO FORMA EFFECT OF ACQUISITIONS

The balances included in the consolidated balance sheets related to the current year acquisitions are based upon preliminary information and are subject to change as additional information is obtained. Material changes in the preliminary allocations are not anticipated by management.

The following table presents unaudited pro forma information for the years ended December 31, 1997, 1998 and 1999 as if the acquisition of TNGL and the Mont Belvieu fractionator facility from Kinder Morgan and EPCO been made as of the beginning of the periods presented:

	1997	1998	1999
Revenues	$ 1,867,200	$ 1,354,400	$ 1,714,222
Net income	$ 93,925	$ 14,728	$ 135,037
Allocation of net income to			
Limited partners	$ 92,986	$ 14,581	$ 133,687
General Partner	$ 939	$ 147	$ 1,350
Units used in earnings per Unit calculations			
Basic	54,963	60,124	66,710
Diluted	69,463	74,624	81,210
Income per Unit before extraordinary item and minority interest			
Basic	$ 1.71	$ 0.69	$ 2.02
Diluted	$ 1.35	$ 0.56	$ 1.66
Net income per Unit			
Basic	$ 1.69	$ 0.24	$ 2.00
Diluted	$ 1.34	$ 0.20	$ 1.65

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and accumulated depreciation are as follows:

	ESTIMATED USEFUL LIFE IN YEARS	1998	1999
Plants and pipelines	5-35	$ 613,264	$ 875,773
Underground and other storage facilities	5-35	89,064	103,578
Transportation equipment	3-35	1,773	2,117
Land		12,362	14,748
Construction in progress		3,879	32,810
Total		720,342	1,029,026
Less accumulated depreciation		220,549	261,957
Property, plant and equipment, net		$ 499,793	$ 767,069

Depreciation expense for the years ended December 31, 1997, 1998 and 1999 was $17.7 million, $18.6 million and $22.4 million, respectively.

4. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

At December 31, 1999, the Company's significant unconsolidated affiliates accounted for by the equity method included the following:

Belvieu Environmental Fuels ("BEF") - a 33.33% economic interest in a Methyl Tertiary Butyl Ether ("MTBE") production facility located in southeast Texas.

Baton Rouge Fractionators LLC ("BRF") - an approximate 31.25% economic interest in a natural gas liquid ("NGL") fractionation facility located in southeastern Louisiana.

Baton Rouge Propylene Concentrator, LLC ("BRPC") - a 30.0% economic interest in a propylene concentration unit located in southeastern Louisiana which is under construction and scheduled to become operational in the third quarter of 2000.

EPIK Terminalling L.P. and EPIK Gas Liquids, LLC (collectively, "EPIK") - a 50% aggregate economic interest in a refrigerated NGL marine terminal loading facility located in southeast Texas.

Wilprise Pipeline Company, LLC ("Wilprise") - a 33.33% economic interest in a NGL pipeline system located in southeastern Louisiana.

Tri-States NGL Pipeline LLC ("Tri-States") - an aggregate 33.33% economic interest in a NGL pipeline system located in Louisiana, Mississippi, and Alabama.

Belle Rose NGL Pipeline LLC ("Belle Rose") - a 41.7% economic interest in a NGL pipeline system located in south Louisiana.

K/D/S Promix LLC ("Promix") - a 33.33% economic interest in a NGL fractionation facility and related storage facilities located in south Louisiana.

The Company's investments in and advances to unconsolidated affiliates also includes Venice Energy Services Company, LLC ("VESCO") and Dixie Pipeline Company ("Dixie"). The VESCO investment consists of a 13.1% economic interest in a LLC owning a natural gas processing plant, fractionation facilities, storage, and gas gathering pipelines in Louisiana. The Dixie investment consists of an 11.5% interest in a corporation owning a 1,301-mile propane pipeline and the associated facilities extending from Mont Belvieu, Texas to North Carolina. These investments are accounted for using the cost method.

During 1999, the Company acquired the remaining interest in Mont Belvieu Associates , 51%, ("MBA") and Entell NGL Services, LLC, 50%, ("Entell"). Accordingly, after the acquisition of the remaining interest, the aforementioned entities became wholly owned subsidiaries of the Company and are included as a consolidated entity from that point forward.

Investments in and advances to unconsolidated affiliates at:

	AT DECEMBER 31,	
	1998	1999
Accounted for on equity basis:		
BEF	$ 50,079	$ 63,004
Promix		50,496
BRF	17,896	36,789
Tri-States	55	28,887
EPIK	5,667	15,258
Belle Rose		12,064
BRPC		11,825
Wilprise	4,873	9,283
MBA	12,551	
Accounted for on cost basis:		
VESCO		33,000
Dixie		20,000
Total	$ 91,121	$ 280,606

Equity in income (loss) of unconsolidated affiliates for the year ended December 31:

	1997	1998	1999
BEF	$ 9,305	$ 9,801	$ 8,183
MBA	6,377	5,213	1,256
BRF		(91)	(336)
BRPC			16
EPIK		748	1,173
Wilprise			160
Tri-States			1,035
Promix			630
Belle Rose			(29)
Other			1,389
Total	$ 15,682	$ 15,671	$ 13,477

At December 31, 1999, the Company's share of accumulated earnings of unconsolidated affiliates that had not been remitted to the Company was approximately $39.9 million.

Following is selected financial data for the most significant investments of the Company:

BEF

BEF is owned equally (33.33%) by Mitchell Gas Services, L.P. ("Mitchell"), Sunoco and the Company. Mitchell Energy & Development Corp. is Mitchell's ultimate parent company, and Sun Company, Inc. ("Sun") is Sunoco's ultimate parent company.

Following is condensed financial data for BEF:

	AT DECEMBER 31,	
	1998	1999
BALANCE SHEET DATA:		
Current assets	$ 34,268	$ 44,261
Property, plant, and equipment, net	172,281	161,390
Other assets	13,684	8,313
Total assets	$ 220,233	$ 213,964
Current liabilities	$ 54,326	$ 41,317
Long-term debt	19,556	
Other liabilities	1,798	4,323
Partners' equity	144,553	168,324
Total liabilities and partners' equity	$ 220,233	$ 213,964

	YEARS ENDED DECEMBER 31,		
	1997	1998	1999
INCOME STATEMENT DATA:			
Revenues	$ 233,218	$ 182,001	$ 193,219
Expenses	205,300	152,600	168,669
Net income	$ 27,918	$ 29,401	$ 24,550

BEF's owners are required under isobutane supply contracts to provide their pro rata share of BEF's monthly isobutane requirements. If the MTBE plant's isobutane requirements exceed 450,000 barrels for any given month, each of the owners retains the right, but not the obligation, to supply at least one-third of the additional isobutane needed. The purchase price for the isobutane (which generally approximates the established market price) is based on contracts between the owners.

BEF has a ten-year off-take agreement through May 2005 under which Sun is required to purchase all of the plant's MTBE production. Through May 31, 2000, Sun pays the higher of a contractual floor price or market price (as defined within the agreement) for floor production (193,450,000 gallons per year) and the market price for production in excess of 193,450,000 gallons per year, subject to quarterly adjustments on certain excess volumes. At floor production levels, the contractual floor price is a price sufficient to cover essentially all of BEF's operating costs plus principal and interest payments on its bank term loan. Market price is (a) toll fee price (cost of feedstock plus approximately $0.484 per gallon during the first two contract years ended May 31, 1997) and (b) at Sun's option, the toll fee price (cost of feedstock plus approximately $0.534 per gallon) or the U.S. Gulf Coast Posted Contract Price for the period from June 1, 1997 through May 31, 2000. For purposes of computing the toll fee price, the feedstock component is based on the Normal Butane Posted Price for the month plus the average purchase price paid by BEF to acquire methanol consumed by the facility during the month. In addition, the floor or market price determined above will be increased by $0.03 per gallon in the third and fourth contract years and by about $0.04 per gallon in the fifth contract year. Beginning June 1, 2000, through the remainder of the agreement, the price for all production will be based on a market-related negotiated price.

The contracted floor price paid by Sun for production in 1997, 1998 and 1999 exceeded the spot market price for MTBE. At December 31, 1999, the floor price paid for MTBE by Sun was $1.11 per gallon. The average Gulf Coast MTBE spot market price was $.94 per gallon for December 1999 and $.72 per gallon for all of 1999.

Substantially all revenues earned by BEF are from the production of MTBE which is sold to Sun. This concentration could impact BEF's exposure to credit risk; however, such risk is reduced since Sun has an equity interest in BEF. Management believes BEF is exposed to minimal credit risk. BEF does not require collateral for its receivables from Sun.

Long-term debt of BEF consists of a five-year, floating interest rate (London Interbank Offered Rate ["LIBOR"] plus .0875%) bank term note payable ($19.6 million in current maturities outstanding at December 31, 1999) which is due in equal quarterly installments of $9.8 million through May 31, 2000. The weighted-average interest rate on this debt for the year ended December 31, 1999 was 6.20%. The debt is non-recourse debt to the partners.

The bank term loan agreement contains restrictive covenants prohibiting or limiting certain actions of BEF, including partner distributions, and requiring certain actions by BEF, including the maintenance of specified levels of leverage, as defined, and approval by the banks of certain contracts. Distributions to partners in the amount of $0.8 million were made for the year ended December 31, 1999. In addition, the loan agreement requires BEF to restrict a certain portion of cash to pay for the plant's turnaround maintenance and long-term debt service. At December 31, 1998 and 1999, cash of $11.1 million and $6.7 million, respectively, was restricted under terms of the loan agreement. BEF was in compliance with the restrictive covenants at December 31, 1999. The long-term debt is collateralized by substantially all of BEF's assets.

RECENT REGULATORY DEVELOPMENTS

In November 1998, U.S. Environmental Protection Agency ("EPA") Administrator Carol M. Browner appointed a Blue Ribbon Panel (the "Panel") to investigate the air quality benefits and water quality concerns associated with oxygenates in gasoline, and to provide independent advice and recommendations on ways to maintain air quality while protecting water quality. The Panel issued a report on their findings and recommendations in July 1999. The Panel urged the widespread reduction in the use of MTBE due to the growing threat to drinking water sources despite that fact that use of reformulated gasolines have contributed to significant air quality improvements. The Panel credited reformulated gasoline with "substantial reductions" in toxic emissions from vehicles and recommended that those reductions be maintained by the use of cleaner-burning fuels that rely on additives other than MTBE and improvements in refining processes. The Panel stated that the problems associated with MTBE can be characterized as a low-level, widespread problem that had not reached the state of being a public health threat. The Panel's recommendations are geared towards confronting the problems associated with MTBE now rather than letting the issue grow into a larger and worse problem. The Panel did not call for an outright ban on MTBE but stated that its use should be curtailed significantly. The Panel also encouraged a public educational campaign on the potential harm posed by gasoline when it leaks into ground water from storage tanks or while in use. Based on the Panel's recommendations, the EPA is expected to support a revision of the Clean Air Act of 1990 that maintains air quality gains and allows for the removal of the requirement for oxygenates in gasoline.

Several public advocacy and protest groups active in California and other states have asserted that MTBE contaminates water supplies, causes health problems and has not been as beneficial as originally contemplated in reducing air pollution. In California, state authorities negotiated an agreement with the EPA to implement a program requiring oxygenated motor gasoline at 2.0% for the whole state, rather than 2.7% only in selected areas. On March 25, 1999, the Governor of California ordered the phase-out of MTBE in that state by the end of 2002. The order also seeks to obtain a waiver of the oxygenate requirement from the EPA in order to facilitate the phase-out; however, due to increasing concerns about the viability of alternative fuels, the California legislature on October 10, 1999 passed the Sher Bill (SB 989) stating that MTBE should be banned as soon as feasible rather than by the end of 2002.

Legislation to amend the federal Clean Air Act of 1990 has been introduced in the U.S. House of Representatives; it would ban the use of MTBE as a fuel additive within three years. Legislation introduced in the U.S. Senate would eliminate the Clean Air Act's oxygenate requirement in order to assist the elimination of MTBE in fuel. No assurance can be given as to whether this or similar federal legislation ultimately will be adopted or whether Congress or the EPA might takes steps to override the MTBE ban in California.

ALTERNATIVE USES OF THE BEF FACILITY

In light of these regulatory developments, the Company is formulating a contingency plan for use of the BEF facility if MTBE were banned or significantly curtailed. Management is exploring a possible conversion of the BEF facility from MTBE production to alkylate production. Alkylate is a high octane, low sulfur, low vapor pressure compound, produced by the reaction of isobutylene or normal butylene with isobutane, and used by refiners as a component in gasoline blending. At present the forecast cost of this conversion would be in the $20 million to $25 million range, with the Company's share being $6.7 million to $8.3 million. Management anticipates that if MTBE is banned alkylate demand will rise as producers use it to replace MTBE as an octane enhancer. Alkylate production would be expected to generate spot market margins comparable to those of MTBE. Greater alkylate production would be expected to increase isobutane consumption nationwide and result in improved isomerization margins for the Company.

PROMIX

Promix is a limited liability company whose owners are Koch Hydrocarbon Southeast ("KHSE"), a subsidiary of Koch Industries, Inc. ("KII"), Dow Hydrocarbons and Resources, Inc. ("DHRI"), a subsidiary of Dow Chemical Company, and the Company. Promix is engaged in the business of transporting, fractionating, storing and exchanging natural gas liquids in southern Louisiana. KHSE is the managing member responsible for the daily operations and management of Promix.

The following is condensed unaudited financial data for Promix for the year ended and as of December 31, 1999. The Company has included in equity income from unconsolidated affiliates that portion of earnings related to the period from August 1, 1999 through December 31, 1999 in proportion to its ownership interest.

BALANCE SHEET DATA:	
Current assets	$ 28,890
Property, plant, and equipment, net	117,885
Total assets	$ 146,775
Current liabilities	$ 18,121
Members' equity	128,654
Total liabilities and members' equity	$ 146,775
INCOME STATEMENT DATA:	
Revenues	$ 36,098
Expenses	26,975
Net income	$ 9,123

BRF

BRF is a joint venture among Amoco Louisiana Fractionator Company, Williams Mid-Stream Natural Gas Liquids, Inc., Exxon Chemical Louisiana LLC ("Exxon") and the Company. The ownership interests in BRF are based on amounts contributed by each member to fund certain capital expenditures. Exxon funded a small portion of the construction costs but has contributed other NGL assets. At December 31, 1999, the Company owned an approximate 31.25% economic interest in BRF.

BRF is a NGL fractionation facility near Baton Rouge, Louisiana, which has a 60,000 barrel per day capacity. The Company is the operator of the facility, which will service NGL production from the Mobile/Pascagoula and Louisiana areas. Operations commenced in July 1999. Operating losses prior to the commencement of operations are the result of certain start-up expenses incurred during the development stage.

Following is the condensed financial data for BRF:

	AT DECEMBER 31,	
	1998	1999
BALANCE SHEET DATA:		
Current assets	$ 2,386	$ 12,617
Property, plant, and equipment, net	58,618	89,035
Other assets	3	854
Total assets	$ 61,007	$ 102,506
Current liabilities	$ 8,222	$ 6,799
Members' equity	52,785	95,707
Total liabilities and members' equity	$ 61,007	$ 102,506

	YEAR ENDED DECEMBER 31,	
	1998	1999
INCOME STATEMENT DATA:		
Revenues		$ 6,746
Expenses	$ 330	7,820
Net income	$ (330)	$ (1,074)

TRI-STATES

Tri-States is a limited liability company owning a 80,000 barrel per day 161-mile common-carrier pipeline that will deliver natural gas liquids from three gas processing plants in Alabama and Mississippi to fractionators in Louisiana. The owners of Tri-States are Amoco Tri-States NGL Pipeline Company (16.67%), Koch Pipeline Southeast, Inc. (16.67%), Gulf Coast NGL Pipeline, L.L.C.(16.67%), WSF-NGL Pipeline Company, Inc. ("Williams")(16.67%) and the Company (33.33%). Williams is the operator of the Tri-States pipeline.

The following is condensed unaudited financial data for Tri-States:

	AT DECEMBER 31, 1998	AT DECEMBER 31, 1999
BALANCE SHEET DATA:		
Current assets	$ 63	$ 8,056
Property, plant, and equipment, net		84,854
Total assets	$ 63	$ 92,910
Current liabilities	$ 68	$ 1,430
Members' equity	(5)	91,480
Total liabilities and members' equity	$ 63	$ 92,910

	YEAR ENDED DECEMBER 31, 1999
INCOME STATEMENT DATA:	
Revenues	$ 8,101
Expenses	4,954
Net income	$ 3,147

The following table represents the aggregated unaudited condensed financial data for the Company's other equity investments in unconsolidated affiliates for the periods ending December 31, 1997, 1998 and 1999.

	1998	1999
BALANCE SHEET DATA:		
Current assets	$ 11,355	$ 12,937
Property, plant and equipment, net	69,281	116,030
Other assets	1,687	
Total assets	$ 82,323	$ 128,967
Current liabilities	$ 5,413	$ 6,525
Long-term debt	11,790	
Other liabilities	130	
Members' and partners' equity	64,990	122,442
Total liabilities and equity	$ 82,323	$ 128,967

	1997	1998	1999
INCOME STATEMENT DATA:			
Revenues	$ 33,646	$ 35,843	$ 27,897
Expenses	23,034	24,480	21,932
Net income	$ 10,612	$ 11,363	$ 5,965

5. NOTES RECEIVABLE FROM UNCONSOLIDATED AFFILIATES

At December 31, 1999, the Company holds a participation interest in the bank loan of BEF for $6.5 million. The BEF note receivable bears interest at a floating rate per annum at LIBOR plus 0.0875% and matures on May 31, 2000. The Company will receive quarterly principal payments of approximately $3.3 million plus interest from BEF during the term of the loan.

6. LONG-TERM DEBT

In December 1999, the Company and Operating Partnership filed a $800 million universal shelf registration (the "Registration Statement") covering the issuance of an unspecified amount of equity or debt securities or a combination thereof. The Company expects to issue public debt under the shelf registration statement during fiscal 2000. Management intends to use the proceeds from such debt offering to repay all outstanding bank credit facilities and for other general corporate purposes.

$200 MILLION BANK CREDIT FACILITY. In July 1998, the Operating Partnership entered into a $200 million bank credit facility that includes a $50 million working capital facility and a $150 million revolving term loan facility. The $150 million revolving term loan facility includes a sublimit of $30 million for letters of credit. As of December 31, 1999, the Company has borrowed $129 million under the bank credit facility which is due in July 2000.

The Company's obligations under this bank credit facility are unsecured general obligations and are non-recourse to the General Partner. Borrowings under this bank credit facility will bear interest at either the bank's prime rate or the Eurodollar rate plus the applicable margin as defined in the facility. This bank credit facility will expire in July 2000 and all amounts borrowed thereunder shall be due and payable at that time. There must be no amount outstanding under the working capital facility for at least 15 consecutive days during each fiscal year. The Company elects the basis for the interest rate at the time of each borrowing. Interest rates ranged from 5.94% to 8.75% during 1999, and the weighted-average interest rate at December 31, 1999 was 6.74%.

As amended on July 28, 1999, this credit agreement relating to the facility contains a prohibition on distributions on, or purchases or redemptions of, Units if any event of default is continuing. In addition, this bank credit facility contains various affirmative and negative covenants applicable to the ability of the Company to, among other things, (i) incur certain additional indebtedness, (ii) grant certain liens, (iii) sell assets in excess of certain limitations, (iv) make investments, (v) engage in transactions with affiliates and (vi) enter into a merger, consolidation or sale of assets. The bank credit facility requires that the Operating Partnership satisfy the following financial covenants at the end of each fiscal quarter: (i) maintain Consolidated Tangible Net Worth (as defined in the bank credit facility) of at least $250 million, (ii) maintain a ratio of EBITDA (as defined in the bank credit facility) to Consolidated Interest Expense (as defined in the bank credit facility) for the previous 12-month period of at least 3.5 to 1.0 and (iii) maintain a ratio of Total Indebtedness (as defined in the bank credit facility) to EBITDA of no more than 3.0 to 1.0. The Company was in compliance with these restrictive covenants at December 31, 1999.

A "Change of Control" constitutes an Event of Default under this bank credit facility. A Change of Control includes any of the following events: (i) Dan L. Duncan (and/or certain affiliates) cease to own (a) at least 51% (on a fully converted, fully diluted basis) of the economic interest in the capital stock of EPCO or (b) an aggregate number of shares of capital stock of EPCO sufficient to elect a majority of the board of directors of EPCO; (ii) EPCO ceases to own, through a wholly owned subsidiary, at least 65% of the outstanding membership interest in the General Partner and at least a majority of the outstanding Common Units; (iii) any person or group beneficially owns more than 20% of the outstanding Common Units (excluding certain affiliates of EPCO or Shell); (iv) the General Partner ceases to be the general partner of the Company or the Operating Partnership; or (v) the Company ceases to be the sole limited partner of the Operating Partnership.

$350 MILLION BANK CREDIT FACILITY. Also in July 1999, the Operating Partnership entered into a $350 million bank credit facility that includes a $50 million working capital facility and a $300 million revolving term loan facility. The $300 million revolving term loan facility includes a sublimit of $10 million for letters of credit. The initial proceeds of this loan were used to finance the acquisition of TNGL and the MBA ownership interests.

Borrowings under the bank credit facility will bear interest at either the bank's prime rate or the Eurodollar rate plus the applicable margin as defined in the facility. The bank credit facility will expire in July 2001 and all amounts borrowed thereunder shall be due and payable at that time. There must be no amount outstanding under the working capital facility for at least 15 consecutive days during each fiscal year. The Company elects the basis for the interest rate at the time of each borrowing. Interest rates ranged from 6.88% to 7.31% during 1999, and the weighted-average interest rate at December 31, 1999 was 7.10%.

Limitations on certain actions by the Company and financial covenant requirements of this bank credit facility are substantially consistent with those existing for the $200 Million Bank Credit Facility as described above. The Company was in compliance with the restrictive covenants at December 31, 1999.

Long-term debt consisted of the following:

	AT DECEMBER 31, 1998	1999
Borrowings under:		
$200 Million Bank Credit Facility	$ 90,000	$ 129,000
$350 Million Bank Credit Facility		166,000
Total	90,000	295,000
Less current maturities of long-term debt		129,000
Long-term debt	$ 90,000	$ 166,000

At December 31, 1999, the Company had $40 million of standby letters of credit available, and approximately $24.3 million of letters of credit were outstanding under letter of credit agreements with the banks.

Extraordinary Item - Early Extinguishment of Debt

On July 31, 1998, the Company used $243.3 million of proceeds from the sale of Common Units and $13.3 million of borrowings from the $200 million bank credit facility to retire $256.6 million of debt that was assumed from EPCO. In connection with the repayment of the debt, the Company was required to pay a "make-whole payment" of $26.3 million to the lenders. The $26.3 million (plus $0.9 million of unamortized debt costs) is included in the consolidated statement of operations for the year ended December 31, 1998 as "Extraordinary item--early extinguishment of debt."

7. CAPITAL STRUCTURE AND EARNINGS PER UNIT

SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF THE COMPANY. The Second Amended and Restated Agreement of Limited Partnership of the Company (the "Partnership Agreement") contains specific provisions for the allocation of net earnings and losses to the Common Units, Subordinated Units, Special Units and the General Partner. The Partnership Agreement also sets forth the calculation to be used to determine the amount and priority of cash distributions that the Common Unitholders, Subordinated Unitholders and the General Partner will receive.

The Partnership Agreement generally authorizes the Company to issue an unlimited number of additional limited partner interests and other equity securities of the Company for such consideration and on such terms and conditions as shall be established by the General Partner in its sole discretion without the approval of the Unitholders. During the Subordination Period, however, the Company may not issue equity securities ranking senior to the Common Units for an aggregate of more than 22,775,000 Common Units (except for Common Units upon conversion of Subordinated Units, pursuant to employee benefit plans, upon conversion of the general partner interest as a result of the withdrawal of the General Partner or in connection with acquisitions or capital improvements that are accretive on a per Unit basis) or an equivalent number of securities ranking on a parity with the Common Units, without the approval of the holders of at least a Unit Majority. A Unit Majority is defined as at least a majority of the outstanding Common Units (during the Subordination Period), excluding Common Units held by the General Partner and its affiliates, and at least a majority of the outstanding Common Units (after the Subordination Period).

SUBORDINATED UNITS. The Subordinated Units have no voting rights until converted into Common Units at the end of the Subordination Period (as defined below). The Subordination Period for the Subordinated Units will generally extend until the first day of any quarter beginning after June 30, 2003 when the Conversion Test has been satisfied. Generally, the Conversion Test will have been satisfied when the Company has paid from Operating Surplus and generated from Adjusted Operating Surplus the minimum quarterly distribution on all Units for the three preceding four-quarter periods. Upon expiration of the Subordination Period, all remaining Subordinated Units will convert into Common Units on a one-for-one basis and will thereafter participate pro rata with the other Common Units in distributions of Available Cash.

If the Conversion Test has been met for any quarter ending on or after June 30, 2001, 25% of the Subordinated Units will convert into Common Units. If the Conversion Test has been met for any quarter ending on or after June 30, 2002, an additional 25% of the Subordinated Units will convert into Common Units. The early conversion of the second 25% of Subordinated Units may not occur until at least one year following the early conversion of the first 25% of Subordinated Units.

SPECIAL UNITS. The 14.5 million Special Units issued do not accrue distributions and are not entitled to cash distributions until their conversion into Common Units, which occurs automatically with respect to 1.0 million Units on August 1, 2000 (or the day following the record date for determining units entitled to receive distributions in the second quarter of 2000), 5.0 million Units on August 1, 2001 and 8.5 million Units on August 1, 2002.

Shell has the opportunity to earn an additional 6 million non-distribution bearing, convertible Contingency Units over the next two years based on certain performance criteria. Shell will earn 3 million convertible Contingency Units if at any point during calendar year 2000 (or extensions thereto due to force majeure events), gas production by Shell from its offshore Gulf of Mexico producing properties and leases is 950 million cubic feet per day for 180 not-necessarily-consecutive days or 375 billion cubic feet on a cumulative basis. Shell will earn another 3 million convertible Contingency Units if at any point during calendar year 2001 (or extensions thereto due to force majuere events) such gas production is 900 million cubic feet per day for 180 not-necessarily-consecutive days or 350 billion cubic feet on a cumulative basis. If either or both of the preceding performance tests is not met but Shell's offshore Gulf of Mexico gas production reaches 725 billion cubic feet on a cumulative basis in calendar years 2000 and 2001 (or extensions thereto due to force majeure events), Shell would still earn 6 million non-distribution bearing, convertible Contingency Units. If all of the Contingency Units are earned, 1 million Contingency Units would convert into Common Units on August 1, 2002 and 5 million Contingency Units would convert into Common Units on August 1, 2003. The Contingency Units do not accrue distributions and are not entitled to cash distributions until conversion into Common Units.

Under the rules of the New York Stock Exchange, conversion of the Special Units into Common Units requires approval of the Company's Unitholders. The General Partner has agreed to call a special meeting of the Unitholders for the purpose of soliciting such approval. EPC Partners II, Inc. ("EPC II"), which owns in excess of 81% of the outstanding Common Units, has agreed to vote its Units in favor of such approval, which will satisfy the approval requirement.

UNITS ACQUIRED BY TRUST. During the first quarter of 1999, the Company established a revocable grantor trust (the "Trust") to fund future liabilities of a long-term incentive plan. At December 31, 1999, the Trust had purchased a total of 267,200 Common Units (the "Trust Units") which are accounted for in a manner similar to treasury stock under the cost method of accounting. The Trust Units are considered outstanding and will receive distributions; however, they are excluded from the calculation of net income per Unit.

EARNINGS PER UNIT. The Company has no dilutive securities that would require adjustment to net income for the computation of diluted earnings per Unit. The following is a reconciliation of the number of units used in the computation of basic and diluted earnings per Unit for all periods presented.

	1997	1998	1999
Weighted average number of Common and Subordinated Units outstanding	54,963	60,124	66,710
Weighted average number of Special Units to be converted to Common Units			6,078
Units used to compute diluted earnings per Unit	54,963	60,124	72,788

The contingent Special Units (described above) to be issued upon achieving certain performance criteria have been excluded from diluted earnings per Unit because such tests have not been met at December 31, 1999.

8. DISTRIBUTIONS

The Company intends, to the extent there is sufficient available cash from Operating Surplus, as defined by the Partnership Agreement, to distribute to each holder of Common Units at least a minimum quarterly distribution of $0.45 per Common Unit. The minimum quarterly distribution is not guaranteed and is subject to adjustment as set forth in the Partnership Agreement. With respect to each quarter during the subordination period, which will generally not end before June 30, 2003, the Common Unitholders will generally have the right to receive the minimum quarterly distribution, plus any arrearages thereon, and the General Partner will have the right to receive the related distribution on its interest before any distributions of available cash from Operating Surplus are made to the Subordinated Unitholders.

On January 17, 2000, the Company declared an increase in its quarterly cash distribution to $0.50 per Unit.

The following is a summary of cash distributions to partnership interests since the initial public offering of the Company's Units:

	Cash Distributions			
	Per Common Unit	Per Subordinated Unit	Record Date	Payment Date
1998				
Fourth Quarter	$0.32	$0.32	October 30,1998	November 12, 1998
1999				
First Quarter	$0.45	$0.45	January 29, 1999	February 11, 1999
Second Quarter	$0.45	$0.07	April 30, 1999	May 12, 1999
Third Quarter	$0.45	$0.37	July 30, 1999	August 11, 1999
Fourth Quarter	$0.45	$0.45	October 29, 1999	November 10, 1999
2000				
First Quarter (through February 25, 2000)	$0.50	$0.50	January 31, 2000	February 10, 2000

9. MAJOR CUSTOMERS

Montell owns a 45.4% undivided interest in a plant and the related pipeline system and it leases such undivided interest in these facilities to the Company. The agreement with Montell expires in 2004. There are two successive options to extend the term for 12 years each remaining under the original agreement. Revenues from sales to Montell were approximately $147.6 million and $102.2 million in 1997 and 1998, respectively. In addition, the Company had supply, transportation, and storage contracts with Texas Petrochemicals that generated $107.3 million in revenues in 1997. No single customer accounted for more than 10% of consolidated revenues during 1999.

10. RELATED PARTY TRANSACTIONS

The Company has no employees. All management, administrative and operating functions are performed by employees of EPCO. Operating costs and expenses include charges for EPCO's employees who operate the Company's various facilities. Such charges are based on EPCO's actual salary costs and related fringe benefits. Because the Company's operations constitute the most significant portion of EPCO's consolidated operations, selling, general and administrative expenses reported in the accompanying statements of consolidated operations for all periods before the public offering include all such expenses incurred by EPCO less amounts directly incurred by other subsidiaries or operating divisions of EPCO.

In connection with the initial public offering, EPCO, the General Partner and the Company entered into the EPCO Agreement pursuant to which (i) EPCO agreed to manage the business and affairs of the Company and the Operating Partnership; (ii) EPCO agreed to employ the operating personnel involved in the Company's business for which EPCO is reimbursed by the Company at cost; (iii) the Company and the Operating Partnership agreed to participate as named insureds in EPCO's current insurance program, and costs are allocated among the parties on the basis of formulas set forth in the agreement; (iv) EPCO agreed to grant an irrevocable, nonexclusive worldwide license to all of the trademarks and trade names used in its business to the Company; (v) EPCO agreed to indemnify the Company against any losses resulting from certain lawsuits; and (vi) EPCO agreed to sublease all of the equipment which it holds pursuant to operating leases relating to an isomerization unit, a deisobutanizer tower, two cogeneration units and approximately 100 rail cars to the Company for $1 per year and assigned its purchase options under such leases to the Company (hereafter referred to as "Retained Leases".)

Pursuant to the EPCO Agreement, EPCO is reimbursed at cost for all expenses that it incurs in connection with managing the business and affairs of the Company, except that EPCO is not entitled to be reimbursed for any selling, general and administrative expenses. In lieu of reimbursement for such selling, general and administrative expenses, EPCO receives an annual administrative services fee that initially equaled $12.0 million. The General Partner, with the approval and consent of the Audit and Conflicts Committee of the Company, can agree to increases in such administrative services fee of up to 10% each year during the ten-year term of the EPCO Agreement and may agree to further increases in such fee in connection with expansions of the Company's operations through the construction of new facilities or the completion of acquisitions that require additional management personnel. On July 7, 1999, the Audit and Conflicts Committee of the General Partner authorized an increase in the administrative services fee to $1.1 million per month from the initial $1.0 million per month. The increased fees were effective August 1, 1999. Beginning in January 2000, the administrative services fee will increase to $1.55 million per month plus accrued employee incentive plan costs to compensate EPCO for the additional selling, general, and administrative charges related to the additional administrative employees acquired in the TNGL acquisition.

EPCO also operates most of the plants owned by the unconsolidated affiliates and charges them for actual salary costs and related fringe benefits. In addition, EPCO charged the unconsolidated affiliates for management services provided; such charges aggregated $1.1 million for 1997, $1.7 million for 1998 and $0.8 million for 1999. Since EPCO pays the rental charges for the Retained Leases, such payments are considered a contribution by EPCO for the benefit of each partnership interest and are included as such in Partners' Equity, and a corresponding charge for the rental expense is included in the consolidated statements of operations. Rental expense, included in operating costs and expenses, for the Retained Leases was $13.3 million, $11.3 million (of which $4.0 million occurred after the public offering) and $10.6 million for 1997, 1998 and 1999, respectively.

The Company also has transactions in the normal course of business with the unconsolidated affiliates and other subsidiaries and divisions of EPCO. Such transactions include the buying and selling of NGL products, loading of NGL products and transportation of NGL products by truck.

As a result of the TNGL acquisition, Shell acquired an ownership interest in the Company and its General Partner. At December 31, 1999, Shell owned approximately 17.6% of the Company and 30.0% of the General Partner. The Company's major customer related to the TNGL assets is Shell. Under the terms of the Shell Processing Agreement, the Company has the right to process substantially all of Shell's current and future natural gas production from the Gulf of Mexico. This includes natural gas production from the developments currently referred to as deepwater. Generally, the Shell Processing Agreement grants the Company the exclusive right to process any and all of Shell's Gulf of Mexico natural gas production from existing and future dedicated leases; plus the right to all title, interest, and ownership in the raw make extracted by the Company's gas processing facilities from Shell's natural gas production from such leases; with the obligation to deliver to Shell the natural gas stream after the raw make is extracted. In addition to the Shell Processing Agreement, the Company acquired a short-term lease for 425 rail cars from Shell for servicing the gas processing business activities.

Following is a summary of significant transactions with related parties:

	FOR THE YEARS ENDED DECEMBER 31,		
	1997	1998	1999
Revenues from NGL products sold to:			
Unconsolidated affiliates	$44,392	$36,474	$40,439
Shell			56,301
EPCO and its subsidiaries	19,029	19,531	9,148
Cost of NGL products purchased from:			
Unconsolidated affiliates	8,453	9,270	14,212
Shell			188,570
EPCO and its subsidiaries	6,495	5,293	29,365
Operating expenses charged for trucking of NGL products	7,606	4,704	6,282
Administrative service fee charged by EPCO		5,129	12,500

11. COMMITMENTS AND CONTINGENCIES

STORAGE COMMITMENTS

The Company stores NGL products for EPCO and various third parties. Under the terms of the storage agreements, the Company is generally required to redeliver to the owner its NGL products upon demand. The Company is insured for any physical loss of such NGL products due to catastrophic events. At December 31, 1999, NGL products aggregating 230 million gallons were due to be redelivered to the owners under various storage agreements.

LEASE COMMITMENTS

The Company leases certain equipment and processing facilities under noncancelable operating leases. Minimum future rental payments on such leases with terms in excess of one year at December 31, 1999 are as follows:

2000	$ 5,629
2001	4,609
2002	4,606
2003	4,606
2004	4,607
Thereafter	4,607
Total minimum obligations	$ 28,664

Lease expense charged to operations (including Retained Leases) for the years ended December 31, 1997, 1998 and 1999 was approximately $29.6 million , $18.5 million and $20.2 million, respectively.

GAS PURCHASE COMMITMENTS

The Company has annual renewable gas purchase contracts with four suppliers. As of December 31, 1999, the Company is required to make daily purchases as follows: 8,000 million British Thermal Units ("MMBTU") per day through March 31, 2000, 5,000 MMBTU per day through July 31, 2000 and 5,000 MMBTU per day through October 31, 2000. The cost of these natural gas purchase commitments approximate market value at the time of delivery.

CAPITAL EXPENDITURE COMMITMENTS

As of December 31, 1999, the Company had capital expenditure commitments totaling approximately $9.5 million, of which $1.7 million relates to the construction of projects of unconsolidated affiliates.

LITIGATION

EPCO has indemnified the Company against any litigation pending as of the date of its formation. The Company is sometimes named as a defendant in litigation relating to its normal business operations. Although the Company insures itself against various business risks, to the extent management believes it is prudent, there is no assurance that the nature and amount of such insurance will be adequate, in every case, to indemnify the Company against liabilities arising from future legal proceedings as a result of its ordinary business activity. Management is aware of no significant litigation, pending or threatened, that would have a significantly adverse effect on the Company's financial position or results of operations.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of estimated fair value was determined by the Company, using available market information and appropriate valuation methodologies. Considerable judgment, however, is necessary to interpret market data and develop the related estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize upon disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The Company enters into swaps and other contracts to hedge the price risks associated with inventories, commitments and certain anticipated transactions. The Company does not currently hold or issue financial instruments for trading purposes. The swaps and other contracts are with established energy companies and major financial institutions. The Company believes its credit risk is minimal on these transactions, as the counterparties are required to meet stringent credit standards. There is continuous day-to-day involvement by senior management in the hedging decisions, operating under resolutions adopted by the board of directors.

At December 31, 1999, the Company had open positions covering 24.0 billion cubic feet of natural gas extending into December 2000 related to the swaps described above. The fair value of these swap contracts at December 31, 1999 was estimated at $0.5 million payable by the Company based on quoted market prices of comparable contracts and approximate the gain or loss that would have been realized if the contracts had been settled at the balance sheet date.

Cash and Cash Equivalents, Accounts Receivable, Participation in Notes Receivable from Unconsolidated Affiliates, Accounts Payable and Accrued Expenses are carried at amounts which reasonably approximate their fair value at year end due to their short-term nature.

Long-term debt is carried at an amount that reasonably approximates its fair value at year end due to its variable interest rates.

13. SUPPLEMENTAL CASH FLOWS DISCLOSURE

The net effect of changes in operating assets and liabilities is as follows:

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
(Increase) decrease in:			
Accounts receivable	$ 29,024	$ 3,699	$ (152,363)
Inventories	7,329	1,361	7,471
Prepaid and other current assets	917	(342)	(7,523)
Other assets	127	46	(1,971)
Increase (decrease) in:			
Accounts payable	(3,320)	(40,005)	(6,276)
Accrued gas payable	(26,955)	(18,485)	189,166
Accrued expenses	(5,526)	(1,098)	(10,776)
Other current liabilities	1,352	(10,082)	6,747
Other liabilities			296
Net effect of changes in operating accounts	$ 2,948	$ (64,906)	$ 24,771
Cash payments for interest, net of $2,005, $180 and $153 capitalized in 1997, 1998 and 1999, respectively	$ 28,352	$ 6,971	$ 15,780

During 1998, the Company contributed $1.9 million (at net book value) of plant equipment to an unconsolidated affiliate as part of its investment therein. On August 1, 1999, the Company issued 14.5 million non-distribution bearing, convertible Special Units and $166 million in cash in exchange for the equity interest in TNGL and assumed approximately $4 million of debt in connection with the acquisition of additional interest in MBA.

14. CONCENTRATION OF CREDIT RISK

A substantial portion of the Company's revenues are derived from natural gas processing and the fractionation, isomerization, propylene production, marketing, storage and transportation of NGLs to various companies in the NGL industry, located in the United States. Although this concentration could affect the Company's overall exposure to credit risk since these customers might be affected by similar economic or other conditions, management believes the Company is exposed to minimal credit risk, since the majority of its business is conducted with major companies within the industry and much of the business is conducted with companies with whom the Company has joint operations. The Company generally does not require collateral for its accounts receivable.

The Company is subject to a number of risks inherent in the industry in which it operates, primarily fluctuating gas and liquids prices and gas supply. The Company's financial condition and results of operations will depend significantly on the prices received for NGLs and the price paid for gas consumed in the NGL extraction process. These prices are subject to fluctuations in response to changes in supply, market uncertainty and a variety of additional factors that are beyond the control of the Company. In addition, the Company must continually connect new wells through third-party gathering systems which serve the gas plants in order to maintain or increase throughput levels to offset natural declines in dedicated volumes. The number of wells drilled by third parties will depend on, among other factors, the price of gas and oil, the energy policy of the federal government, and the availability of foreign oil and gas, none of which is in the Company's control.

15. SEGMENT INFORMATION

Historically, the Company has had only one reportable business segment: NGL Operations. Due to the broadened scope of the Company's operations with the third quarter of 1999 acquisition of TNGL, effective for fiscal 1999, the Company's operations are being managed using five reportable business segments. The five new segments are: Fractionation, Pipeline, Processing, Octane Enhancement, and Other.

Operating segments are components of a business about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments.

The management of the Company evaluates segment performance on the basis of gross operating margin. Gross operating margin reported for each segment represents earnings before depreciation and amortization, lease expense obligations retained by the Company's largest Unitholder, EPCO, and general and administrative expenses. In addition, segment gross operating margin is exclusive of interest expense, interest income (from unconsolidated affiliates or others), dividend income from unconsolidated affiliates, minority interest, extraordinary charges and other income and expense transactions. The Company's equity earnings from unconsolidated affiliates are included in segment gross operating margin. Segment assets consists of property, plant and equipment and the amount of investments in and advances to unconsolidated affiliates.

Segment gross operating margin is inclusive of intersegment revenues. Such revenues, which have been eliminated from the consolidated totals, are recorded at arms-length prices which are intended to approximate the prices charged to external customers.

The five new segments are Fractionation, Pipeline, Processing, Octane Enhancement and Other. Fractionation includes NGL fractionation, polymer grade propylene fractionation and butane isomerization (converting normal butane into high purity isobutane) services. Pipeline consists of pipeline, storage and import/export terminal services. Processing includes the natural gas processing business and its related NGL merchant activities. Octane Enhancement represents the Company's 33.33% ownership interest in a facility that produces motor gasoline additives to enhance octane (currently producing MTBE). The Other operating segment consists of fee-based marketing services and other plant support functions.

Information by operating segment, together with reconciliations to the consolidated totals, is presented in the following table:

	Operating Segments					Adjustments	
	Fractionation	Pipelines	Processing	Octane Enhancement	Other	and Eliminations	Consolidated Totals
Revenues from external customers							
1999	$275,646	$ 16,180	$1,081,487	$ 8,183	$ 731	$ (35,771)	$ 1,346,456
1998	273,781	19,344	506,630	9,801		(54,983)	754,573
1997	339,721	15,924	729,376	9,305		(58,363)	1,035,963
Intersegment revenues							
1999	118,103	43,688	216,720		444	(378,955)	-
1998	162,379	37,574	90		383	(200,426)	-
1997	129,230	40,202	164		360	(169,956)	-
Total revenues							
1999	393,749	59,868	1,298,207	8,183	1,175	(414,726)	1,346,456
1998	436,160	56,918	506,720	9,801	383	(255,409)	754,573
1997	468,951	56,126	729,540	9,305	360	(228,319)	1,035,963
Gross operating margin by segment							
1999	106,267	27,038	36,799	8,183	908		179,195
1998	66,627	27,334	(652)	9,801	(3,483)		99,627
1997	100,770	23,909	(3,778)	9,305	(1,496)		128,710
Segment assets							
1999	362,198	249,453	122,495		113	32,810	767,069
1998	288,159	207,432	181		142	3,879	499,793
Investments in and advances to Unconsolidated affiliates							
1999	99,110	85,492	33,000	63,004			280,606
1998	30,447	10,595		50,079			91,121

Two customers provided more than 10% of revenues in 1997. Only one customer provided more than 10% of revenues in 1998. No single customer provided more than 10% of revenues in 1999.

All consolidated revenues were earned in the United States.

A reconciliation of segment gross operating margin to consolidated income before extraordinary item and minority interest follows:

	1997	1998	1999
Total segment gross operating margin	$ 128,710	$ 99,627	$ 179,195
Depreciation and amortization	(17,684)	(18,579)	(23,664)
Retained lease expense, net	(13,300)	(12,635)	(10,557)
Gain (loss) on sale of assets	(155)	276	(123)
Selling, general and administrative	(21,891)	(18,216)	(12,500)
Consolidated operating income	75,680	50,473	132,351
Interest expense	(25,717)	(15,057)	(16,439)
Interest income from unconsolidated affiliates		809	1,667
Dividend income from unconsolidated affiliates			3,435
Interest income - other	1,934	772	886
Other, net	793	358	(379)
Consolidated income before extraordinary item and minority interest	$ 52,690	$ 37,355	$ 121,521

16. SUBSEQUENT EVENTS

Effective January 1, 2000, Enterprise Products GP, LLC, the general partner of the Company, adopted the 1999 Long-Term Incentive Plan (the "Plan"). Under the Plan, non-qualified incentive options to purchase a fixed number of Common Units may be granted to key employees of EPCO who perform management, administrative or operational functions for the Company under the EPCO Agreement. The exercise price per Unit, vesting and expiration terms, and rights to receive distributions on Units granted are determined by the Company for each grant agreement. Upon the exercise of an option, the Company may deliver the Units or pay an amount in cash equal to the excess of the fair market value of a Unit and the exercise price of the option. On January 1, 2000, 225,000 options were granted at a weighted average price of $17.50 per Unit of which none had been exercised at February 25, 2000. The Plan is primarily funded by the Units purchased by the Trust. Since the Common Units held by the Trust were previously unallocated, they were excluded from the earnings per Unit calculation. If the Plan would have been adopted at January 1, 1999, earnings per Unit would have been $1.78 basic and $1.63 diluted.

On February 25, 2000, the Company announced the closing, effective March 1, 2000, of its acquisition of certain Louisiana and Texas pipeline assets from Concha Chemical Pipeline Company ("Concha"), an affiliate of Shell, for approximately $100 million in cash. The principal asset acquired was the Lou-Tex Propylene Pipeline which is 263 miles of 10" pipeline from Sorrento, Louisiana to Mont Belvieu, Texas. The Lou-Tex Propylene Pipeline is currently dedicated to the transportation of chemical grade propylene from Sorrento to the Mont Belvieu area. Also acquired in this transaction was 27.5 miles of 6" ethane pipeline between Sorrento and Norco, Louisiana, and a 0.5 million barrel storage cavern at Sorrento, Louisiana. The acquisition of the Lou-Tex Propylene Pipeline is the first step in the Company's development of an approximately $180 million, 160,000 barrel per day Louisiana-to-Texas gas liquids pipeline system. The second step involves the construction of the 263-mile Lou-Tex NGL Pipeline from Sorrento, Louisiana to Mont Belvieu, Texas, scheduled for completion in the third quarter of 2000 at an estimated cost of $82.5 million. This larger system will link growing supplies of NGLs produced in Louisiana and Mississippi with the principal NGL markets on the United States Gulf Coast.

On February 23, 2000, the Company offered to buy the remaining 88.5% ownership interests in Dixie from the other seven owners for a total purchase price of approximately $204.4 million. The offer is subject to the acceptance by the holders of a minimum of 68.5% of the oustanding ownership interests. The offer will expire on March 8, 2000 if it is not accepted by such holders. If the offer is accepted, the purchase would be subject to, among other things, preparation and execution of a definitive purchase agreement and the obtaining of requisite regulatory approvals and consents.

17. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FOR THE YEAR ENDED DECEMBER 31, 1998:				
Revenues	$ 193,339	$ 211,397	$ 168,791	$ 181,046
Operating income	6,138	19,008	11,865	13,462
Income (loss) before extraordinary item and minority interest	(319)	15,399	9,802	12,473
Extraordinary item and minority interest	3	(154)	(27,002)	(125)
Net income (loss)	(316)	15,245	(17,200)	12,348
Net income Per Unit, basic				
Earnings (loss) before extraordinary item	$ (0.01)	$ 0.27	$ 0.15	$ 0.18
Extraordinary item			(0.42)	
Net income (loss)	$ (0.01)	$ 0.27	$ (0.27)	$ 0.18
Net income per Unit, diluted	$ (0.01)	$ 0.27	$ (0.27)	$ 0.18
FOR THE YEAR ENDED DECEMBER 31, 1999:				
Revenues	$ 148,877	$ 177,479	$ 445,027	$ 575,073
Operating income	12,068	21,069	40,002	59,212
Income before minority interest	10,561	19,350	36,716	54,894
Minority interest	(106)	(196)	(370)	(554)
Net income	10,455	19,154	36,346	54,340
Net income per Unit, basic	$ 0.16	$ 0.28	$ 0.54	$ 0.81
Net income per Unit, diluted	$ 0.16	$ 0.28	$ 0.47	$ 0.66

As a result of the TNGL acquisition and MBA acquisition, the Company's earnings increased significantly in the third quarter of 1999 over the second quarter of 1999. The TNGL acquisition was effective August 1, 1999 and the MBA acquisition was effective July 1, 1999.

Certain 1998 amounts have been restated to conform to the 1999 presentation.

18. CONDENSED FINANCIAL INFORMATION OF OPERATING PARTNERSHIP

The Operating Partnership and its subsidiaries and joint ventures conduct substantially all of the business of the Company. The Operating Partnership, along with the Company, was formed in April 1998 to acquire, own, and operate all of the NGL processing and distribution assets of EPCO. The General Partner holds a 1.0101% interest in the Operating Partnership and a 1.0% interest in the Company. The Company owns a 98.9899% interest in the Operating Partnership.

Following is the condensed financial information for the Operating Partnership:

BALANCE SHEET DATA:

	AS OF DECEMBER 31,	
	1998	1999
Current assets	$ 137,693	$ 382,298
Noncurrent assets	603,344	1,115,142
Total assets	$ 741,037	$ 1,497,440
Current liabilities	$ 82,771	$ 530,759
Noncurrent liabilities	90,000	166,296
Minority Interest	993	1,032
Partners' equity	567,273	799,353
Total liabilities and partners' equity	$ 741,037	$ 1,497,440

INCOME STATEMENT DATA:

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Revenues	$ 1,035,963	$ 754,573	$ 1,346,456
Operating Income	75,680	50,473	132,351
Income before extraordinary item and minority interest	52,690	37,355	121,840
Extraordinary item		(27,176)	
Income before minority interest	52,690	10,179	121,840
Minority interest	(78)	(122)	(110)
Net income of Operating Partnership	$ 52,612	$ 10,057	$ 121,730
Reconciliation of net income of Operating Partnership to net income of the Company:			
Trust dividend income eliminated in consolidation			(319)
Minority interest	(449)	20	(1,116)
Net income of the Company	$ 52,163	$ 10,077	$ 120,295

The number and dollar amount of reconciling items between the financial statements of the Company and the Operating Partnership are insignificant. The primary reconciling items between the balance sheet of the Operating Partnership and the Company are the Operating Partnership's investment in the Trust (which is eliminated in consolidation with the Company) and minority interest. The differences in net income are the dividends recognized by the Trust (which are eliminated in consolidation) and minority interest as shown above.

SCHEDULE II
ENTERPRISE PRODUCTS PARTNERS, L.P.
VALUATION AND QUALIFYING ACCOUNTS

(AMOUNTS IN MILLIONS OF DOLLARS)

Description	Balance at beginning of period	Additions: Charged to Costs and expenses	Additions: Charged to other accounts	Deductions	Balance at end of period
Year ended December 31, 1997:					
Reserve for inventory losses	$ 1.2	$ 5.0		$ (5.4)(a)	$ 0.8
Year ended December 31, 1998:					
Reserve for inventory losses	0.8	10.0		(10.1)(a)	0.8
Year ended December 31, 1999:					
Allowance for doubtful accounts receivable - trade		3.0	12.9 (b)		15.9
Reserve for inventory losses	0.8	7.3		(5.2)(a)	2.9

(a) Generally denotes net underground NGL storage well product losses
(b) As a result of the TNGL acquisition, the Company acquired a $12.9 million allowance for doubtful accounts from TNGL. Historically, the Company did not experience any significant losses from bad debts and therefore did not require an allowance account.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of Houston, State of Texas, on the 1st day of March, 2000.

ENTERPRISE PRODUCTS PARTNERS L.P.
(A Delaware Limited Partnership)

By: ENTERPRISE PRODUCTS GP, LLC,
as General Partner

By: /s/ O.S. Andras

Name: O.S. Andras
Title: President and Chief Executive Officer
of Enterprise Products GP, LLC

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated below on the 1st day of March, 2000.

Signature	Title
/s/ Dan L. Duncan Dan L. Duncan	Chairman of the Board and Director
/s/ O.S. Andras O.S. Andras	President, Chief Executive Officer and Director
/s/ Randa L. Duncan Randa L. Duncan	Group Executive Vice President and Director
/s/ Gary L. Miller Gary L. Miller	Executive Vice President, Chief Financial Officer, Treasurer and Director (Principal Financial and Accounting Officer)
/s/ Charles R. Crisp Charles R. Crisp	Director
/s/ Dr. Ralph S. Cunningham Dr. Ralph S. Cunningham	Director
/s/ Curtis R. Frasier Curtis R. Frasier	Director
/s/ Lee W. Marshall, Sr. Lee W. Marshall, Sr.	Director
/s/ Stephen H. McVeigh Stephen H. McVeigh	Director

EXHIBIT 21.1

ENTERPRISE PRODUCTS PARTNERS L.P.
LIST OF SUBSIDIARIES OF THE COMPANY

Enterprise Products Operating L.P., a Delaware limited partnership
Sorrento Pipeline Company, LLC, a Texas limited liability company
Chunchula Pipeline Company, LLC, a Texas limited liability company
Cajun Pipeline Company, LLC, a Texas limited liability company
HSC Pipeline Partnership, L.P., a Texas limited partnership
Propylene Pipeline Partnership, L.P., a Texas limited partnership
Enterprise Products Texas Operating, L.P., a Texas limited partnership
Entell NGL Services, LLC, a Delaware limited liability company
Enterprise Lou-Tex Propylene Pipeline L.P., a Texas limited partnership
Enterprise Lou-Tex NGL Pipeline L.P., a Texas limited partnership
Enterprise NGL Private Lines & Storage LLC, a Delaware limited liability company
Enterprise NGL Pipelines, LLC, a Delaware limited liability company
Enterprise Gas Processing LLC, a Delaware limited liability company
Enterprise Norco LLC, a Delaware limited liability company
Enterprise Fractionation LLC, a Delaware limited liability company
EPOLP 1999 Grantor Trust

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

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ENTERPRISE PRODUCTS PARTNERS L.P.
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YEAR	YEAR	YEAR
DEC-31-1997	DEC-31-1998	DEC-31-1999
JAN-01-1997	JAN-01-1998	JAN-01-1999
DEC-31-1997	DEC-31-1998	DEC-31-1999
23,463	24,103	5,230
0	0	0
76,533	72,834	334,294
0	0	15,871
18,935	17,574	39,907
127,034	137,693	384,538
716,594	720,342	1,029,026
202,867	220,549	261,957
697,713	741,037	1,494,952
167,344	82,771	531,120
215,334	90,000	166,000
0	0	0
0	0	0
0	0	0
311,885	562,536	789,465
697,713	741,037	1,494,952
1,020,281	738,902	1,332,979
1,035,963	754,573	1,346,456
938,392	685,884	1,201,605
938,392	685,884	1,201,605
21,891	18,216	12,500
0	0	0
25,717	15,057	16,439
49,963	35,416	115,912
0	0	0
52,163	37,253	120,295
0	0	0
0	27,176	0
0	0	0
52,163	10,077	120,295
0.94	0.17	1.79
0.94	0.17	1.64