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

FORM 8-K

CURRENT REPORT

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED) : JUNE 30, 2002

COMMISSION FILE NO. 1-10403

TEPPCO PARTNERS, L.P.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OF INCORPORATION
OR ORGANIZATION)

76-0291058
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

2929 ALLEN PARKWAY
P.O. BOX 2521
HOUSTON, TEXAS 77252-2521
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE)

(713) 759-3636
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On June 30, 2002, TEPPCO Partners, L.P. (the "Partnership") purchased the Val Verde Gathering System from Burlington Resources Gathering Inc., a subsidiary of Burlington Resources Inc., for \$443.6 million. The purchase was primarily financed by a \$72 million draw under the Partnership's 364-day revolving credit facility ("Short-term Revolver"), a \$168 million draw under the Partnership's \$500 million revolving credit facility ("Three Year Facility") and a \$200 million six-month term loan from SunTrust Bank ("Six-Month Term Loan"). The remaining purchase price was funded through working capital sources of cash.

The Val Verde Gathering System is located in San Juan and Rio Arriba counties, New Mexico, and gathers coal seam gas from the Fruitland Coal Formation of the San Juan Basin, a long-term source of natural gas supply in North America. The basin consists of both conventional gas reserves and prolific coal seam gas reserves. The system is one of the largest coal seam gas gathering and treating facilities in the United States. The Partnership acquired 360 miles of pipeline ranging in size from 4 inches to 36 inches in diameter, 14 compressor stations operating over 93,000 horsepower of compression and a large amine treating facility for the removal of carbon dioxide. The system's capacity is approximately one billion cubic feet per day, as for the three months ended March 31, 2002, the system's throughput was an average of 553 million cubic feet per day. The system gathers coal seam gas from more than 544 separate wells throughout New Mexico and provides gathering and treating services pursuant to 60 long-term contracts with approximately 40 different natural gas producers in the San Juan Basin. Gas transported on the Val Verde System is delivered to several interstate pipeline systems serving the western United States, as well as local New Mexico markets. The assets will be operated and commercially managed by our affiliate Duke Energy Field Services under agreements with the Partnership.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) FINANCIAL STATEMENTS OF BUSINESS ACQUIRED:

Val Verde System (as defined in the Purchase and Sale Agreement between Burlington Resources Gathering Inc. as Seller and TEPPCO Partners, L.P., as Buyer):

Burlington Resources Gathering Inc., Val Verde Gathering and Processing System Combined Financial Statements as of and For the Year Ended December 31, 2001 and as of and For the Three Months Ended March 31, 2002:

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(c) EXHIBITS:

- 23.1 Consent of PricewaterhouseCoopers LLP
- 99.1 Purchase and Sale Agreement between Burlington Resources Gathering Inc. as Seller and TEPPCO Partners, L.P., as Buyer, dated May 24, 2002
- 99.2 Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent and Certain Lenders, as Lenders dated as of June 27, 2002 (\$200,000,000 Term Facility)
- 99.3 Amendment, dated as of June 27, 2002 to the Amended and Restated Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent, and Certain Lenders, dated as of March 28, 2002 (\$500,000,000 Revolving Credit Facility)
- 99.4 Amendment 1, dated as of June 27, 2002 to the Credit Agreement among TEPPCO Partners, L.P., as Borrower, SunTrust Bank, as Administrative Agent and Certain Lenders, dated as of March 28, 2002 (\$200,000,000 Revolving Credit Facility)

SIGNATURE

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

TEPPCO Partners, L.P.
(Registrant)

By: Texas Eastern Products Pipeline Company, LLC
General Partner

/s/ CHARLES H. LEONARD

Charles H. Leonard
Senior Vice President and
Chief Financial Officer

Date: July 2, 2002

EXHIBIT INDEX

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholder of
Burlington Resources Gathering Inc. and TEPPCO Partners, L.P.

In our opinion, the accompanying combined balance sheet and the related combined statement of operations and owner's net investment and of cash flows present fairly, in all material respects, the financial position of Burlington Resources Gathering Inc. Val Verde Gathering and Processing System (the Val Verde System) at December 31, 2001, the results of its operations and its cash flows for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Burlington Resources Gathering Inc. management and management of the Val Verde System; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 3 to the combined financial statements, the Val Verde System has significant transactions and relationships with affiliated entities. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

/s/ PricewaterhouseCoopers LLP

June 28, 2002
Houston, Texas

BURLINGTON RESOURCES GATHERING INC.
 VAL VERDE GATHERING AND PROCESSING SYSTEM
 COMBINED BALANCE SHEET

(in thousands)

MARCH 31,
 DECEMBER 31,
 2002 2001
 (UNAUDITED)

ASSETS
 Current
 assets:
 Accounts
 receivable -
 trade \$
 6,384 \$
 6,026
 Accounts
 receivable -
 trade
 affiliated
 3,364 3,013

 Total
 current
 assets 9,748
 9,039 -----

 - Property,
 plant and
 equipment
 286,767
 287,500
 Accumulated
 depreciation
 (154,270)
 (150,108) --

 132,497
 137,392 -----

 --- Total
 assets \$
 142,245 \$
 146,431
 =====

LIABILITIES
 AND OWNER'S
 NET

INVESTMENT
 Current
 liabilities:
 Accounts
 payable \$
 2,887 \$
 2,209 Income
 taxes
 payable
 4,182 3,265
 Taxes other
 than income
 taxes 985
 685 -----

Total
 current
 liabilities
 8,054 6,159
 Deferred
 income taxes
 19,522
 20,004

Commitments
 and
 contingencies
 (Note 7)
 Owner's net
 investment
 (Note 3)
 114,669
 120,268 -----

 --- Total
 liabilities
 and owner's
 net
 investment \$
 142,245 \$
 146,431

=====
=====

The accompanying notes are an integral part of
these combined financial statements.

BURLINGTON RESOURCES GATHERING INC.
 VAL VERDE GATHERING AND PROCESSING SYSTEM
 COMBINED STATEMENT OF OPERATIONS AND OWNER'S NET INVESTMENT

(in thousands)

THREE MONTHS
 ENDED YEAR
 ENDED MARCH
 31, 2002 2001
 (UNAUDITED)
 Revenues \$
 18,104 \$
 79,812 -----

 Expenses:
 Operation and
 maintenance
 4,180 18,693
 Depreciation
 4,891 16,759
 Taxes other
 than income
 taxes 650
 2,409 General
 and
 administrative
 760 2,593 ---

 --- Total
 expenses
 10,481 40,454

 ----- Income
 from
 operations
 7,623 39,358
 Other
 (income)
 expense:
 Interest
 income-
 affiliated
 (2,002)
 (11,954) Loss
 on disposal
 of assets 362
 1,881 -----

 Other income,
 net (1,640)
 (10,073) ----

 -- Net income
 before income
 taxes 9,263
 49,431 -----

 Income tax
 expense
 (benefit):
 Current 4,182
 20,059
 Deferred
 (482) (316) -

 ----- 3,700
 19,743 -----

 Net income \$
 5,563 \$
 29,688
 =====
 =====
 Owner's net
 investment -
 beginning of
 period \$
 120,268 \$
 135,449 Net
 income 5,563
 29,688 Net
 cash
 distributions
 to owner
 (11,162)
 (44,869) ----

 -- Owner's
 net
 investment -
 end of period

\$ 114,669 \$
120,268
=====
=====

The accompanying notes are an integral part of
these combined financial statements.

BURLINGTON RESOURCES GATHERING INC.
 VAL VERDE GATHERING AND PROCESSING SYSTEM
 COMBINED STATEMENT OF CASH FLOWS

(in thousands)

THREE MONTHS
 ENDED YEAR
 ENDED MARCH
 31, DECEMBER
 31, 2002
 2001

(UNAUDITED)

Cash flows
 from
 operating
 activities:
 Net income \$
 5,563 \$
 29,688
 Adjustments
 to reconcile
 net income
 to net cash
 provided by
 operating
 activities:
 Depreciation
 4,891 16,759
 Deferred
 income taxes
 (482) (316)
 Loss on
 disposition
 of assets
 362 1,881
 Changes in
 net assets
 and
 liabilities:
 Accounts
 receivable -
 trade (358)
 4,071
 Accounts
 receivable -
 trade
 affiliated
 (351) 824
 Accounts
 payable 501
 (3,347)
 Income taxes
 payable 917
 (2,676)
 Taxes other
 than income
 taxes 300
 (36) -----

 Net cash
 provided by
 operating
 activities
 11,343
 46,848 -----

 Cash flows
 used in
 investing
 activities:
 Capital
 expenditures
 (209)
 (2,303)
 Proceeds
 from
 disposition
 of assets 28
 324 -----
 ----- Net
 cash used in
 investing
 activities
 (181)
 (1,979) -----

 - Cash flows
 used in
 financing
 activities:
 Distributions
 to parent

(11,162)
 (44,869) ---

 -- Net cash
 used in
 financing
 activities
 (11,162)
 (44,869) ---

 -- Net
 change in
 cash and
 cash
 equivalents
 -- -- Cash
 and cash
 equivalents
 at beginning
 of year
 =====
 =====
 Cash and
 cash
 equivalents
 at end of
 year \$ -- \$
 -- =====
 =====
 Supplemental
 disclosure
 information:-
 Cash paid
 during the
 period for:
 Income taxes
 \$ 3,265 \$
 22,735
 =====
 =====

The accompanying notes are an integral part of these combined financial statements.

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

DESCRIPTION OF BUSINESS

The Burlington Resources Gathering Inc. Val Verde Gathering and Processing System (the Val Verde System) is located in San Juan and Rio Arriba counties, New Mexico and consists of a gathering system (the Gathering System) and an amine treating plant (the Val Verde Plant). The Gathering system gathers coal bed methane gas produced in the San Juan Basin located in New Mexico and southern Colorado for delivery to the Val Verde Plant. The Val Verde Plant is an amine treating plant designed to dehydrate and remove excess carbon dioxide from the natural gas delivered to the plant. The Val Verde Plant consists of eight trains and can process and treat up to 800 million cubic feet of natural gas per day.

BASIS OF PRESENTATION

The accompanying combined financial statements present, in conformity with accounting principles generally accepted in the United States of America, the assets, liabilities, revenues and expenses related to the historical operations of the Val Verde System of Burlington Resources Gathering Inc. (BRGI).

The accompanying combined financial statements have been prepared from BRGI's historical accounting records and are presented on a carve-out basis to include the historical operations applicable to the Val Verde System. All assets and liabilities specifically identified with the Val Verde System have been included in the balance sheet except those specifically excluded pursuant to the Purchase and Sale Agreement (PSA) between BRGI and TEPPCO Partners, L.P. (TEPPCO). The owner's net investment in the Val Verde System has been presented in lieu of stockholder's equity in the combined financial statements. The combined financial information included herein includes certain allocations based on historical activity levels to reflect the combined financial statements in accordance with accounting principles generally accepted in the United States of America and may not necessarily reflect the financial position, results of operations and cash flows of the Val Verde System in the future or as if it had existed as a separate, stand-alone business during the periods presented. The allocations consist of general and administrative expenses (employee payroll and related benefit costs among other items) incurred on behalf of the Val Verde System by BRGI or its affiliates. This allocation has been made on a reasonable basis.

The combined financial statements for the three months ended March 31, 2002 presented herein are unaudited and do not contain all information required by generally accepted accounting principles to be included in a full set of financial statements. In the opinion of management, all material adjustments necessary to present fairly the results of operations have been included. All such adjustments are of a normal, recurring nature. The results of operations for any interim period are not necessarily indicative of the results of operations for the entire year.

2. SIGNIFICANT ACCOUNTING POLICIES

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of plants, pipelines and related equipment and is recorded at historical cost. Depreciation is computed on a straight-line basis over the estimated useful life of the respective assets. Repair and maintenance costs are charged to expense as incurred while renewals and betterments are capitalized as additions to the related assets in the period incurred. Gains or losses from the disposal of property, plant and equipment are recorded in the period incurred. The carrying values of long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The asset is written down to its realizable value if estimated future undiscounted cash flows attributable to the asset is less than the recorded value of that asset. The impairment recorded is based on a comparison of discounted estimated future net cash flows to the net carrying value of the related asset.

IMBALANCES

Gathering imbalances occur when customers take more or less natural gas gathering volumes from the gathering system than they are entitled. If the customers take more natural gas gathering volumes than they are entitled, the Val Verde System records a receivable reflecting the amount due from customers but also records an accounts payable for the same amount reflecting the amounts due to connecting pipeline transporters. The result is reversed, and a payable is recorded, if the customers take less natural gas gathering volumes than they are entitled. At December 31, 2001 and March 31, 2002, gathering imbalances totaling approximately \$549 thousand and \$735 thousand, respectively, were recorded in accounts payable with a corresponding amount recorded in accounts receivable.

ENVIRONMENTAL COSTS

Environmental expenditures are expensed or capitalized, as appropriate, depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations, and do not have future economic benefit, are expensed. Liabilities related to future costs are recorded on an undiscounted basis when environmental assessments and/or remediation activities are probable and the costs can be reasonably estimated.

REVENUE RECOGNITION

Gathering and treating revenues are recognized in the period the services are provided.

INCOME TAXES

Deferred income taxes are provided to reflect the tax consequences in future years of differences between the financial statement and tax basis of assets and liabilities using the liability method in accordance with the provisions set forth in Statement of Financial Accounting Standards (SFAS) No. 109. Income taxes are provided based on earnings reported for tax return purposes in addition to a provision for deferred income taxes.

Income taxes have been calculated as if the Val Verde System had filed a separate return for the year ended December 31, 2001.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Val Verde System to concentrations of credit risk consist principally of accounts receivables that are primarily from companies in the oil and gas industry. The industry concentration has the potential to impact the Val Verde System's overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic, industry, market, commodity prices, or other conditions. The Val Verde System manages its exposure to credit risk through credit analysis, credit approvals, credit limits and monitoring procedures, and for certain transactions may utilize letters of credit, prepayments and guarantees.

During the year ended December 31, 2001 and the three months ended March 31, 2002, the Val Verde System provided gathering and processing services to a variety of customers. Two customers accounted for approximately 48% and 18%, respectively, of the Val Verde System's revenues for the year ended December 31, 2001. These two customers also accounted for approximately 51% and 15%, respectively, of the Val Verde System's revenues for the three months ended March 31, 2002.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of accounts receivable, accounts payable and other current liabilities approximates their fair values due to the short-term maturity of these instruments.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions 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. Actual results could differ from estimates.

3. RELATED PARTY TRANSACTIONS

The Val Verde System provides gathering and processing services for an affiliate of BRGI. Revenues from these related party transactions totaled approximately \$39 million and \$9 million for the year ended December 31, 2001 and the three months ended March 31, 2002, respectively.

During the year ended December 31, 2001 and three months ended March 31, 2002, the Val Verde System recorded interest income of approximately \$12 million and \$2 million, respectively, related to cash advances made to its owner under an inter-corporate cash management arrangement. Interest is accrued on the average monthly balance using a short-term Applicable Federal Rate (4.2% and 2.6% during the year ended December 31, 2001 and three months ended March 31, 2002; respectively). There is no intention by the owner to repay the advances nor the accrued interest, which at December 31, 2001 and March 31, 2002 totaled approximately \$311 million and \$322 million, respectively. Accordingly, the receivable is presented as a reduction of owner's net investment in the combined balance sheet.

Management and other services are provided to the Val Verde System by BRGI or its affiliates. As a result, general and administrative costs related to these services of approximately \$2.6 million and \$760 thousand have been allocated to the Val Verde System for the year ended December 31, 2001 and three months ended March 31, 2002, respectively.

4. PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at December 31, 2001.

(in thousands)

ESTIMATED USEFUL LIVES 2001	
Plants and pipelines	10-20 \$ 286,857
Building 40	561
Furniture and office equipment	5-7 82 ---- ----- 287,500
Less - accumulated depreciation	(150,108) - ----- \$ 137,392 =====

5. INCOME TAXES

Deferred income taxes are provided for the temporary differences between the book and tax basis of the Val Verde System's assets and liabilities. Significant components of deferred tax assets and liabilities as of December 31, 2001 are as follow:

(in thousands)

Deferred income tax liabilities:	
Property, plant and equipment	\$ 17,530
Other	3,806

	21,336
Deferred income tax assets:	
Financial accruals and other	(1,332)

	\$ 20,004 =====

The reconciliation of the differences between the Val Verde System's tax expense for income taxes and taxes at the statutory rate is as follows.

(in thousands)

Income tax expense based on the U.S. statutory rate (35%)	\$ 17,301
Adjustments:	
Nondeductible items	2,442

Total income tax expense	\$ 19,743
	=====

6. RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board issued SFAS No. 143, Accounting for Asset Retirement Obligations in June 2001 and SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets in August 2001.

SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost should be allocated to expense using a systematic and rational method. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002.

SFAS No. 144 addresses financial accounting and reporting for the impairment of long-lived assets to be disposed of. It supersedes, with exceptions, SFAS No. 121, Accounting for the Impairment of Long-Lived Assets to Be Disposed Of. The Val Verde System adopted SFAS No. 144 on January 1, 2002. Upon adoption, SFAS No. 144 had no impact on the Val Verde System's combined financial position, results of operations or cash flows.

The Val Verde System is currently assessing the impact of SFAS No. 143 and therefore, at this time, cannot reasonably estimate the effect of this statement on its combined financial position, results of operations or cash flows.

7. COMMITMENTS AND CONTINGENCIES

GAS GATHERING AND TREATING AGREEMENT

Burlington Resources Oil & Gas Company LP and Burlington Resources Trading Inc., (collectively, Burlington) affiliates of the Val Verde System, commencing with the closing of the Val Verde System PSA with TEPPCO executed a gas gathering and treating agreement (the Gathering and Treating Agreement) with TEPPCO to gather and treat natural gas beginning July 1, 2002. Pursuant to the terms of the Gathering and Treating Agreement, TEPPCO will be paid a service fee and Burlington will provide plant and field fuel. In addition, TEPPCO, at its sole option, may enter into agreements with other third parties for whom it shall perform similar gathering and treating services. Such services are and will be performed on a first-come, first-serve basis under dedicated agreements.

TRANSITION SERVICES AGREEMENT

TEPPCO, commencing with the closing of the PSA with the Val Verde System, executed a transition services agreement (the Transition Services Agreement) with BRGI to provide certain transition services, on an as requested basis, beginning July 1, 2002 through September 30, 2002 or such other period as the parties may mutually agree. BRGI and TEPPCO shall act as independent contractors under terms of the Transition Services Agreement that encompasses certain support functions at applicable market hourly rates.

ENVIRONMENTAL INDEMNITY

The Val Verde System is subject to various environmental laws and regulations. The Val Verde System may be obligated to take remedial action as a result of the enactment of laws or the issuance of new regulations. Pursuant to the terms of the PSA between BRGI and TEPPCO, TEPPCO is entitled to identification of certain environmental matters, as defined, in excess of \$5 million in the aggregate up to a maximum of \$35 million and limited to \$50 million in the aggregate for environmental and other matters. BRGI and TEPPCO plan to enter into an environmental insurance policy to cover potential environmental issues regarding the Val Verde System and Plant.

LEASES

Rental expense under operating leases was \$325 thousand and \$60 thousand for the year ended December 31, 2001 and the three months ended March 31, 2002, respectively. The Val Verde System leases equipment under various noncancelable operating lease agreements with month-to-month terms.

TEPPCO PARTNERS, L.P.
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following tables set forth summary unaudited pro forma condensed combined financial statements which are presented to give effect to the purchase of all of the partnership interests of Jonah Gas Gathering Company ("Jonah"), which was completed on September 30, 2001 (please see the Registrant's current report on Form 8-K/A filed with the Securities and Exchange Commission on November 9, 2001), and the purchase of the assets of the Val Verde Gathering System ("Val Verde"), which was completed on June 30, 2002. The information was prepared based on the following assumptions:

- o The purchases were accounted for pursuant to the purchase method of accounting in accordance with accounting principles generally accepted in the United States of America.
- o The statements of income assume that the purchases were consummated on January 1, 2001. The balance sheet assumes that the Val Verde purchase was consummated on March 31, 2002.
- o The expected cost savings through improved operating efficiencies and revenue growth are excluded from the pro forma combined financial statements.
- o Jonah was acquired on September 30, 2001, therefore, pro forma information is included for the year ended December 31, 2001 to present a full year of operations.
- o See Item 2 at page 2 of this report. The Partnership financed the Val Verde acquisition by drawing down \$168 million under the Three Year Facility and \$72 million under its Short-term Revolver. An additional \$200 million of the purchase price was funded with a \$200 million Six-Month Term Loan arranged by SunTrust Bank. The remaining purchase price was funded through working capital sources of cash.

The unaudited pro forma condensed combined financial statements are presented for illustration purposes only and are not necessarily indicative of the results of operations which would have occurred had the purchases been consummated on the dates indicated above, nor are they necessarily indicative of future results of operations. The unaudited pro forma condensed combined financial statements should be read in conjunction with the historical consolidated financial statements of the Partnership, as on file with the Securities and Exchange Commission, and the historical combined financial statements of Val Verde included in this report.

TEPPCO PARTNERS, L.P.
Unaudited Pro Forma Condensed Combined Balance Sheet
As of March 31, 2002
(in thousands)

	Historical			Pro Forma	
	TEPPCO Partners, L.P.	Val Verde	Combined	Adjustments	Combined
ASSETS					
Current assets	\$ 282,370	\$ 9,748	\$ 292,118	\$ (9,748) (a)	\$ 276,845
Property, plant and equipment, net	1,331,965	132,497	1,464,462	(2,575) (b)	1,516,965
Equity investments	292,155	-	292,155	(2,950) (c)	292,155
Intangible assets	246,891	-	246,891	52,503 (e)	506,686
Goodwill	16,939	-	16,939	-	16,939
Other assets	41,859	-	41,859	2,575 (b)	44,434
Total assets	\$ 2,212,179	\$ 142,245	\$ 2,354,424	\$ 299,600	\$ 2,654,024
LIABILITIES & PARTNERS' CAPITAL					
Notes payable, current	\$ -	\$ -	\$ -	\$ 272,000 (f)	\$ 272,000
Other current liabilities	274,204	8,054	282,258	1,200 (g)	276,049
Senior Notes	887,651	-	887,651	(8,054) (a)	887,651
Other long-term debt	332,000	-	332,000	645 (d)	500,000
Deferred income taxes	-	19,522	19,522	168,000 (f)	500,000
Other liabilities and deferred credits	14,946	-	14,946	(19,522) (a)	-
Redeemable Class B Units held by related party	105,171	-	105,171	-	14,946
Commitments and contingencies	-	-	-	-	105,171
Owner's net investment	-	114,669	114,669	-	-
Partners' capital	598,207	-	598,207	(114,669) (h)	598,207
Total liabilities and partners' capital	\$ 2,212,179	\$ 142,245	\$ 2,354,424	\$ 299,600	\$ 2,654,024

See accompanying notes to unaudited pro forma condensed
combined financial statements.

TEPPCO PARTNERS, L.P.
Unaudited Pro Forma Condensed Combined Statement of Income
Three months ended March 31, 2002
(in thousands, except per Unit amounts)

	Historical			Pro Forma	
	TEPPCO Partners, L.P.	Val Verde	Combined	Adjustments	Combined
Operating revenues:					
Sales of crude oil and petroleum products	\$ 545,208	\$ -	\$ 545,208	\$ -	\$ 545,208
Transportation - Refined products	25,144	-	25,144		25,144
Transportation - LPGs	23,360	-	23,360		23,360
Transportation - Crude oil and NGLs	12,434	-	12,434		12,434
Gathering - Natural gas	9,520	18,104	27,624		27,624
Mont Belvieu operations	4,506	-	4,506		4,506
Other	10,965	-	10,965		10,965
	-----	-----	-----	-----	-----
Total operating revenues	631,137	18,104	649,241	-	649,241
	-----	-----	-----	-----	-----
Costs and expenses:					
Purchase of crude oil and petroleum products	533,209	-	533,209		533,209
Operating, general and administrative	31,445	4,940	36,385		36,385
Operating fuel and power	8,589	-	8,589		8,589
Depreciation and amortization	16,041	4,891	20,932	(4,891)(i)	27,420
				1,850 (j)	
				9,529 (j)	
	-----	-----	-----	-----	-----
Taxes - other than income taxes	4,505	650	5,155		5,155
	-----	-----	-----	-----	-----
Total costs and expenses	593,789	10,481	604,270	6,488	610,758
	-----	-----	-----	-----	-----
Operating income	37,348	7,623	44,971	(6,488)	38,483
Interest expense	(16,787)		(16,787)	(3,332)(k)	(20,330)
				(211)(k)	
Interest capitalized	2,109	-	2,109		2,109
Equity earnings	3,572	-	3,572		3,572
Other income - net	566	1,640	2,206	(2,002)(l)	204
	-----	-----	-----	-----	-----
Income before income tax provision	26,808	9,263	36,071	(12,033)	24,038
Income tax provision	-	3,700	3,700	(3,700)(m)	-
	-----	-----	-----	-----	-----
Net income	\$ 26,808	\$ 5,563	\$ 32,371	\$ (8,333)	\$ 24,038
	=====	=====	=====	=====	=====
Net Income Allocation:					
Limited Partner Unitholders	18,594				16,672
Class B Unitholder	1,793				1,608
General Partner	6,421				5,758
	-----				-----
Total net income allocated	\$ 26,808				\$ 24,038
	=====				=====
Basic and diluted net income per Limited Partner and Class B Unit	\$ 0.46				\$ 0.41
	=====				=====
Weighted Average Limited Partner and Class B Units	44,559				44,559
	=====				=====

See accompanying notes to unaudited pro forma condensed
combined financial statements.

TEPPCO PARTNERS, L.P.
 Unaudited Pro Forma Condensed Combined Statement of Income
 Year ended December 31, 2001
 (in thousands, except per Unit amounts)

	Historical				Pro Forma		
	TEPPCO Partners, L.P.	Jonah	Val Verde	Combined	Jonah Adjustments	Val Verde Adjustments	Combined
Operating revenues:							
Sales of crude oil and petroleum products	\$ 3,219,816	\$ -	\$ -	\$ 3,219,816	\$ -	\$ -	\$3,219,816
Transportation - Refined products	139,315	-	-	139,315			139,315
Transportation - LPGs	77,823	-	-	77,823			77,823
Transportation - Crude oil and NGLs	44,925	-	-	44,925			44,925
Gathering - Natural gas	8,824	22,383	79,812	111,019			111,019
Mont Belvieu operations	14,116	-	-	14,116			14,116
Other	51,594	888	-	52,482			52,482
Total operating revenues	3,556,413	23,271	79,812	3,659,496	-	-	3,659,496
Costs and expenses:							
Purchase of crude oil and petroleum products	3,173,607	-	-	3,173,607			3,173,607
Operating, general and administrative	135,253	6,386	21,286	162,925			162,925
Operating fuel and power	36,575	-	-	36,575			36,575
Depreciation and amortization	45,899	7,165	16,759	69,823	(7,165) (o)	(16,759) (i)	105,316
					9,645 (n)	38,117 (j)	
					4,255 (n)	7,400 (j)	
Taxes - other than income taxes	14,090	-	2,409	16,499			16,499
Loss / (Gain) on sale of property and equipment	-	(1,155)	-	(1,155)	1,155 (q)		-
Total costs and expenses	3,405,424	12,396	40,454	3,458,274	7,890	28,758	3,494,922
Operating income	150,989	10,875	39,358	201,222	(7,890)	(28,758)	164,574
Interest expense	(66,057)	-	-	(66,057)	(9,801) (p)	(13,328) (k)	(91,881)
					(1,025) (p)	(1,670) (k)	
Interest capitalized	4,000	-	-	4,000			4,000
Equity earnings	17,398	-	-	17,398			17,398
Other income - net	3,601	50	10,073	13,724	1,155 (q)	(11,954) (l)	2,925
Income before minority interest and income tax provision	109,931	10,925	49,431	170,287	(17,561)	(55,710)	97,016
Minority interest	(800)	-	-	(800)	39 (r)	37 (r)	(724)
Income tax provision	-	-	19,743	19,743		(19,743) (m)	-
Net income	\$ 109,131	\$ 10,925	\$ 29,688	\$ 149,744	\$ (17,522)	\$ (35,930)	\$ 96,292
Net Income Allocation:							
Limited Partner Unitholders	76,986						67,929
Class B Unitholder	8,642						7,625
General Partner	23,503						20,738
Total net income allocated	\$ 109,131						\$ 96,292
Basic and diluted net income per Limited Partner and Class B Unit	\$ 2.18						\$ 1.92
Weighted Average Limited Partner and Class B Units	39,258						39,258

See accompanying notes to unaudited pro forma condensed combined financial statements.

The Val Verde acquisition was accounted for using the purchase method of accounting. Under this method of accounting, the Partnership recorded the assets and liabilities of the acquired entities at the estimated fair market value as of the date of closing. The acquisition of Jonah is reflected in the historical TEPPCO Partners, L.P. balance sheet.

The following notes set forth the explanations and assumptions used in the preparation of the unaudited pro forma condensed combined financial statements. The pro forma adjustments are based on the best estimate of the Partnership using information currently available. The Partnership is in the process of completing the final purchase price allocation of Val Verde. An independent appraiser has been engaged to assist the Partnership in the allocation of purchase price paid for the Val Verde acquisition. Consequently, it is likely that the final purchase price allocation will be different from the pro forma purchase price allocation included herein. However, the Partnership does not currently anticipate that the difference will be material to the pro forma financial position or results of operations included herein.

The preliminary pro forma allocation of the purchase price paid for Val Verde and the financing of the acquisition are summarized as follows (in thousands):

Purchase price paid:

Proceeds from draw down under the Partnership's credit facilities.....	\$ 240,000
Proceeds from Six-Month Term Loan from SunTrust Bank.....	200,000
Cash and cash equivalents.....	2,950
Estimated acquisition costs.....	1,200

	444,150
Property, plant and equipment, net.....	185,000
Intangible assets.....	259,795
Accrued property taxes.....	(645)

Total allocation.....	\$ 444,150
	=====

The following adjustments were made to the unaudited pro forma condensed combined balance sheet pursuant to the purchase method of accounting:

- (a) To eliminate the historical Val Verde accounts receivable, accounts payable, income tax payable and deferred income taxes since the Partnership is not assuming these assets and liabilities.
- (b) To record approximately \$2.6 million of related estimated debt issuance costs on the amendments to the existing Three Year Facility and Short-term Revolver and on the additional \$200 million Six-Month Term Loan from SunTrust Bank entered into to fund a portion of the purchase price. The interest rate on the Six-Month Term Loan is 3.325%. The weighted average interest rate on the Short-term Revolver and Three Year Facility is estimated to be 2.8%. The debt issuance costs are amortized over the terms of the three credit facilities.
- (c) To record the cash portion of the purchase price, \$3.0 million from cash and cash equivalents.
- (d) To record accrued property taxes on the Val Verde assets that were assumed by the Partnership as part of the acquisition.

TEPPCO PARTNERS, L.P.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(CONTINUED)

- (e) To record the Val Verde intangible production contracts and property, plant and equipment at fair value in accordance with the purchase method of accounting.
- (f) To reflect the draw down under the Partnership's credit facilities, \$168 million under the Three Year Facility and \$72 million under the Short-term Revolver. An additional \$200 million was funded under a Six-Month Term Loan from SunTrust Bank to finance a portion of the purchase price.
- (g) To record the liabilities associated with the acquisition costs, consisting primarily of financial advisory, accounting and legal fees.
- (h) To eliminate the historical Val Verde net investment account.

The following adjustments were made to the unaudited pro forma condensed combined statements of income pursuant to the purchase method of accounting:

- (i) To reverse the historical depreciation expense of Val Verde.
- (j) To record pro forma depreciation expense and amortization expense on the Val Verde purchase price allocation to depreciable and amortizable assets. Intangibles for production contracts are to be amortized over the expected lives of the contracts (approximately 10 years) and property, plant, and equipment over an estimated remaining life of 25 years. Amortization for contracts is recorded over the expected lives of the contracts in proportion to the timing of expected contractual volumes, while depreciation of property, plant and equipment is recorded on a straight line basis.
- (k) To reflect the increase in interest expense resulting from borrowings under the Partnership's Three Year Facility, Short-term Revolver and Six-Month Term Loan to finance the purchase price of Val Verde and the related estimated debt issue costs on the three facilities. The interest rate under the Six-Month Term Loan is 3.325%. The weighted average interest rate on the Three Year Facility and the Short-term Revolver is estimated to be 2.8%. Debt issue costs related to the three credit facilities of approximately \$2.6 million are being amortized over the terms of the related facilities. For purposes of the pro forma financial information, the debt incurred to acquire Val Verde is assumed to remain outstanding for the periods presented. However, if the debt incurred to acquire Val Verde remains outstanding for the periods presented, the Partnership could potentially violate debt covenants and would need to obtain waivers of those covenants. Assuming market interest rates change by 1/8 percent, the potential annual change in interest expense is approximately \$0.5 million.
- (l) To reverse interest income from affiliates as the Partnership is not assuming this amount.
- (m) To eliminate Val Verde's income tax provision as the Partnership is not a taxable entity.
- (n) To record pro forma depreciation and amortization expense on the Jonah purchase price allocation to depreciable and amortizable assets. Intangibles for production contracts are to be amortized over the expected lives of the contracts (approximately 16 years) and property, plant, and equipment over an estimated remaining life of 25 years. Amortization for contracts is recorded over the expected lives of the contracts in proportion to the timing of expected contractual volumes, while depreciation of property, plant and equipment is recorded on a straight line basis. In accordance with Statement of Financial Accounting Standards No. 141, Business Combinations, goodwill associated with the Jonah acquisition is not being amortized.
- (o) To reverse the historical depreciation expense and amortization expense of Jonah.

TEPPCO PARTNERS, L.P.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(CONTINUED)

- (p) To reflect the increase in interest expense resulting from borrowings under the credit agreement for the purchase of Jonah and the related estimated debt issuance costs. The interest rate on the credit agreement is 3.63%. Debt issue costs of approximately \$1.0 million are being amortized over the anticipated life of the credit agreement, which is nine months. For purposes of the pro forma financial information the debt incurred to acquire Jonah is assumed to remain outstanding for the year ended December 31, 2001. Assuming market interest rates change by 1/8 percent, the potential annual change in interest expense is approximately \$0.5 million. This credit agreement was terminated by the Partnership in February 2002.
- (q) To reclassify loss/(gain) on sale of property, plant and equipment to other income - net.
- (r) To record the effect of the pro forma statement of income adjustments on minority interest expense.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File Nos. 33-81976 and 333-86650) and Form S-8 (File No. 333-82892) of TEPPCO Partners, L.P. of our report dated June 28, 2002 relating to the combined financial statements of the Burlington Resources Gathering Inc. Val Verde Gathering and Processing System for the year ended December 31, 2001, which appears in the Current Report on Form 8-K of TEPPCO Partners, L.P. filed July 2, 2002.

/s/ PricewaterhouseCoopers LLP

Houston, Texas
July 2, 2002

PURCHASE AND SALE AGREEMENT

BETWEEN

BURLINGTON RESOURCES GATHERING INC.
AS SELLER

AND

TEPPCO PARTNERS, L.P.
AS BUYER

DATED

MAY 24, 2002

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Exhibits

Exhibit A	Joint Use and Occupancy Agreement
Exhibit B	Gas Gathering and Treating Agreement
Exhibit C	Legal Opinion - Buyer's Counsel
Exhibit D-1	Legal Opinion - Seller's Counsel
Exhibit D-2	Legal Opinion - Guarantor's Counsel
Exhibit E	Special Warranty Deed - Plant Site
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Exhibit G	Assignment of Rights-of-Way
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Exhibit J	BROG Guaranty
Exhibit K	Memorandum of Gas Gathering and Treating Agreement
Exhibit L	Memorandum of Joint Use and Occupancy Agreement
Exhibit M	Transition Services Agreement
Exhibit N	Water Disposal Agreement
Exhibit O	Site Assessment Plan
Exhibit P	Cathodic Protection Agreement
Exhibit Q	Memorandum of Right of First Refusal
Exhibit R	Volume Deficiency Agreement
Exhibit S	Put Agreement

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT dated this 24th day of May, 2002, is between BURLINGTON RESOURCES GATHERING INC., a Delaware corporation ("Seller"), with offices at 5051 Westheimer, Suite 1400, Houston, Texas 77056-2124, and TEPPCO PARTNERS, L.P., a Delaware limited partnership ("Buyer"), with offices at 2929 Allen Parkway, Suite 3200, Houston, Texas 77019. Buyer and Seller are sometimes referred to individually as a "Party" and collectively as "Parties".

WHEREAS, Seller desires to sell, and Buyer desires to purchase, upon and subject to the terms and conditions hereinafter set forth, all of Seller's right, title, and interest in and to that portion of the natural gas gathering and treating system generally known as the Val Verde System located in San Juan and Rio Arriba Counties, New Mexico (the "Val Verde System") and described in Section 1 below and generally shown on the System Map, a copy of which is included in Schedule 1(a) of the Seller Disclosure Schedule attached to this Agreement and made a part hereof (the "Seller Disclosure Schedule").

NOW, THEREFORE, in consideration of the above recitals and of the covenants and agreements herein contained, Seller and Buyer agree as follows:

1. The Interests.

- (a) The Interests shall include all of the assets and properties owned or used or held for use by Seller in the operation of the Val Verde System, including the following assets and properties but excluding the "Excluded Assets":
 - (i) the Val Verde plant, including eight individual treating trains, power supply system, glycol recovery pipeline, distribution lines, residue piping, vacuum amine reclaimer, warehouse, office, control building and other associated plant facility assets described on Schedule 1(a)(i) of the Seller Disclosure Schedule (collectively the "Plant Facility");
 - (ii) the real property (excluding all oil, gas and other minerals) described on Schedule 1(a)(ii) of the Seller Disclosure Schedule (the "Real Property") and all fixtures and appurtenances to such real property;
 - (iii) gathering pipelines, including gas well tie lines, lateral lines and main trunk lines described on Schedule 1(a)(iii) of the Seller Disclosure Schedule;
 - (iv) central point deliveries, meter tube banks and associated equipment described on Schedule 1(a)(iv) of the Seller Disclosure Schedule;
 - (v) custody transfer facilities relating to the wells described on Schedule 1(a)(v) of the Seller Disclosure Schedule;

- (vi) compressor stations and compressor packages and associated equipment, and dehydration facilities described on Schedule 1(a)(vi) of the Seller Disclosure Schedule (the "Stations");
- (vii) equipment, fixtures, tools, instruments, spare parts, machinery, supplies and materials located at the Plant Facility, the Stations or the Gathering System or on the Plant Site or appurtenant thereto, including those items described on Schedule 1(a)(vii) of the Seller Disclosure Schedule but excluding the assets of third parties located at such locations;
- (viii) computer equipment and telecommunications equipment on Schedule 1(a)(viii) of the Seller Disclosure Schedule;
- (ix) agreements, leases, rights-of-way, easements, property use agreements, permits (including right-of-way permits from railroads and road crossing permits or other right-of-way permits from governmental entities), and other contracts and agreements of a similar nature used primarily in connection with the Val Verde System described on Schedule 1(a)(ix) of the Seller Disclosure Schedule subject to the reservation of rights described below in paragraph 1(b) of this Agreement (collectively the "ROW Agreements");
- (x) equipment leases and rental contracts described on Schedule 1(a)(x) of the Seller Disclosure Schedule;
- (xi) gathering and treating agreements, interconnect agreements and other agreements of a similar nature described on Schedule 1(a)(xi) of the Seller Disclosure Schedule;
- (xii) compression service agreements and other service agreements described on Schedule 1(a)(xii) of the Seller Disclosure Schedule;
- (xiii) electricity purchase and sale contracts and agreements described on Schedule 1(a)(xiii) of the Seller Disclosure Schedule;
- (xiv) the Records;
- (xv) all Imbalances existing at the Effective Time in favor of Seller;
- (xvi) intellectual property rights and computer software described on Schedule 1(a)(xvi) of the Seller Disclosure Schedule;
- (xvii) line fill which is located in the Gathering System and is owned by Seller; and

- (xviii) permits, licenses, authorizations, registrations and approvals granted by any Government Entity described on Schedule 1(a)(xviii) of the Seller Disclosure Schedule (to the extent assignable).

The foregoing assets (whether or not specifically described on Seller Disclosure Schedule) are herein collectively referred to as the "Interests"; provided, however, the Interests shall not include (1) those certain assets owned by third parties, which may be located at the Plant Facility, the Stations, the Plant Site or on other of the Interests, which assets are described in Schedule 1(a)(xix) of the Seller Disclosure Schedule ("Third Party Assets"), (2) the property and assets set forth on Schedule 1(a)(xx) of the Seller Disclosure Schedule (the "Excluded Assets") and (3) the easements, rights-of-way, pipeline assets and other foregoing assets to the extent on or attributable to the portion of the Val Verde System located on the Southern Ute Indian Tribe Reservation in the State of Colorado (the "Colorado Segment Assets"). The pipelines, central delivery points, meter tubes, custody transfer facilities, Stations and associated equipment and facilities which are included in the Val Verde System, but do not constitute part of the Plant Facility, are referred to herein as the "Gathering System."

- (b) With respect to the ROW Agreements in which both Buyer and Burlington Resources Oil & Gas Company LP ("BROG") or Affiliates of BROG will have pipeline assets from and after the Closing (the "Joint Use ROW Agreements"), such ROW Agreements being those listed on Schedule 1(b) of the Seller Disclosure Schedule and such other ROW Agreements as may be specified by Seller to Buyer prior to the Effective Time, at the Closing (1) BROG shall, for itself and its Affiliates, receive an interest in and right to use the leases, licenses, rights-of-way, easements, permits and assets and rights covered by the Joint Use ROW Agreements to the extent such interest and right to use are permitted under the Joint Use ROW Agreements and will not impair or terminate the rights of Buyer in, to and under the Joint Use ROW Agreements or the leases, licenses, rights-of-way, easements, permits and assets and rights covered by the Joint Use ROW Agreements, and (2) Buyer and BROG shall execute and deliver a Joint Use and Occupancy Agreement in the form attached hereto as Exhibit "A" (the "Joint Use and Occupancy Agreement") to evidence such interest in favor of BROG.

2. Purchase and Sale; Consideration.

- (a) Subject to and upon the terms and conditions herein set forth, Seller shall sell, transfer, assign, convey, and deliver the Interests to Buyer, and Buyer shall purchase, receive, pay for, and accept the Interests from Seller, effective as of 11:59 p.m., New Mexico Time, on June 30, 2002 (the "Effective Time").
- (b) As consideration for the conveyance and delivery from Seller to Buyer of the Interests, the purchase price for the Interests shall be Four Hundred Forty-Four Million Dollars (\$444,000,000) (the "Base Purchase Price"), subject to any applicable purchase price adjustment as provided for herein.

3. Purchase Price Allocation. Seller and Buyer hereby agree that they will report the federal, state, and other Tax consequences of the transactions contemplated by this Agreement in a manner consistent with the purchase price allocation set forth on Schedule 3 of the Seller Disclosure Schedule. The Parties acknowledge that the purchase price allocation pursuant to Schedule 3 of the Seller Disclosure Schedule is solely for income tax purposes.

4. Title Defects.

(a) The provisions of this Section 4 are the exclusive provisions of this Agreement relating to title matters affecting the Interests. As used in this Agreement, the following terms shall have the meanings prescribed below:

(i) "Defensible Title" shall mean, as to the Interests, (x) such title to the Interests that vests Seller (and upon Closing will vest Buyer) with good and indefeasible title in and to the Interests that, subject to and except for Permitted Encumbrances, is free and clear of any and all Liens, and (y) that the Interests on which the Gathering System (other than pump stations, leased compressor stations, storage sites or work sites adjacent to or near the Gathering System) is located are contiguous, subject to and except for Permitted Encumbrances.

(ii) "Permitted Encumbrances" shall mean:

- (A) Preferential purchase rights and Required Consents with respect to which (i) waivers or consents have been obtained from the appropriate parties, or (ii) required notices have been given to the holders of such rights and the appropriate time period for asserting such rights has expired without an exercise of such rights;
- (B) Liens for Taxes or assessments not due or not delinquent on the Closing Date, or that are being contested in good faith with any action to foreclose on or attach any Interests on account thereof properly stayed; provided that, Seller shall be responsible for and promptly pay when due, all amounts finally determined to be owed that are the subject of such contest and are attributable to the period prior to the Effective Time and any interest accruing on such amounts before or after the Effective Time;
- (C) All rights to consent by, required notices to, filings with, or other actions by Governmental Entities in connection with the sale or conveyance of the Interests, if the same are customarily obtained subsequent to the sale or conveyance of assets of such nature;
- (D) Easements, rights-of-way, servitudes, permits, surface leases, and other rights in respect of surface operations on or over any Interest which individually or in the aggregate do not materially interfere

- with or adversely affect current or reasonably anticipated future operation, use or ownership of such Interest or the Business or materially impair the value of such Interest or the Business;
- (E) All federal, state or local laws, rules of law or laws or regulations that govern or apply to the operation of such property;
 - (F) Materialmen's, mechanic's, repairmen's, employee's, contractor's, and other similar Liens or charges arising in the ordinary course of business for obligations that are not delinquent and that will be paid and discharged in the ordinary course of business or, if delinquent, that are being contested in good faith with any action to foreclose on or attach any Interests on account thereof properly stayed; provided, that, Seller shall be responsible for and promptly pay when due all amounts finally determined to be owed that are the subject of such contest and are attributable to the period prior to the Effective Time and any interest accruing on such amounts before or after the Effective Time;
 - (G) Rights reserved for or vested in any Governmental Entity to control or restrict any of the real property interest constituting a part of the Interests;
 - (H) Liens created by Buyer or its successors or assigns;
 - (I) Imperfections or defects of title (including failures to have contiguous easements or properties) which individually or in the aggregate do not materially interfere with or adversely affect current or anticipated future operation, use or ownership of such Interest or the Business or materially impair the value of such Interest or the Business;
 - (J) Any Title Defects waived by Buyer pursuant to the terms of this Agreement;
 - (K) Defects of title (including failure to have contiguous easements or properties) which are of an immaterial nature and, in light of the circumstances, are of a nature that would be reasonably acceptable to a prudent pipeline operator; and
 - (L) Any other Liens listed on Schedule 4(a)(ii)(L) of the Seller Disclosure Schedule.

- (b) The Interests shall be deemed to have a "Title Defect" if Seller has less than Defensible Title to the Interests.
- (c) Purchase Price adjustments or claims for Title Defects shall be made in accordance with the following procedures:
 - (i) All Title Defect notices by Buyer must be delivered to Seller, in writing, on or before 150 days following the Closing. Buyer may, by timely delivery of one or more written notices to Seller of the existence of alleged Title Defects, request reduction of the Base Purchase Price by, or seek indemnification for, an amount equal to the lesser of the cost to cure such Title Defect (if the same can be cured) or the reduction in value of the Val Verde System resulting from the existence of such Title Defect. To the extent reasonably necessary for Seller to become apprised of and evaluate the asserted Title Defect, each Title Defect notice shall clearly indicate the nature of the Title Defect, the Interest to which it relates, an explanation of the Title Defect including the supporting legal theories, and the amount by which Buyer, in good faith, believes the Base Purchase Price should be reduced or a payment made to Buyer because of the Title Defect, with the computation and information upon which Buyer's belief is based. In determining whether a portion of an Interest contains a Title Defect, it is the intent of the Parties to include, when possible, only that portion of such Interest materially and adversely affected.
 - (ii) Seller shall have the right, but not the obligation, to attempt to cure any alleged Title Defect. In this connection Seller may, in its discretion, extend the Closing Date for up to 45 days to effect such cure with respect to Title Defect claims made prior to Closing. In the event Seller is unable or unwilling to cure an alleged Title Defect, Buyer and Seller shall meet and endeavor to agree on the validity of the Title Defect claim and the amount of any required purchase price adjustment. In evaluating the significance of a fact, circumstance or condition for purposes of determining an alleged Title Defect, due consideration shall be given to the length of time that the particular Interest has been in existence with the defect in place and whether such fact, circumstance or condition would be reasonably acceptable to prudent persons engaged in the business of the ownership, development, and operation of gathering pipelines and treating plants with knowledge of all of the facts and appreciation of their legal significance.
 - (iii) In the event the Parties cannot mutually agree on a purchase price adjustment for Title Defects which are timely and properly noticed by Buyer pursuant to this Section 4, then either Buyer or Seller may, subject to subsections (iv) and (v) below, submit the disputed Title Defect to dispute resolution pursuant to the procedures in Schedule 4(c)(iii) of the Seller Disclosure Schedule.

(iv) There shall be no purchase price adjustment or indemnification claim made by Buyer under this Agreement for any individual Title Defect unless such individual Title Defect involves an amount payable by or liability of Seller which is in excess of \$25,000 ("Qualified Title Defect Claims") and there shall be no purchase price adjustment or indemnification made for Title Defects until all Qualified Title Defect Claims exceed \$500,000 in the aggregate. A series of related Title Defects arising out of substantially the same facts and circumstances may be considered an individual Title Defect for purposes of meeting the foregoing \$25,000 threshold amount.

(v) After the \$500,000 threshold in subsection (iv) has been reached, there shall be no purchase price adjustment or indemnification claim made for Qualified Title Defect Claims unless all Qualified Title Defect Claims exceed \$350,000 in the aggregate and then only to the extent in excess of such \$350,000 deductible.

5. Conditions of Closing by Seller. The obligation of Seller to close is subject to the satisfaction of the following conditions:

- (a) The representations of Buyer contained in Section 8 hereof are true, in all material respects, on and as of the Closing Date;
- (b) Buyer shall have performed in all material respects the obligations, covenants and agreements of Buyer contained herein;
- (c) Buyer shall have delivered to Seller a certificate of a corporate officer or other authorized person dated the Closing Date certifying on behalf of Buyer that the conditions in Sections 5(a) and (b) have been fulfilled;
- (d) Buyer shall have delivered to Seller a legal opinion rendered by Buyer's corporate counsel in substantially the form attached as Exhibit "C";
- (e) No suit in law or in equity, administrative action or other proceeding by a third party or a Governmental Entity shall be pending or threatened which would have a material adverse affect on the Interests or seeks to restrain, enjoin or otherwise prohibit the consummation of the transactions contemplated by this Agreement; and
- (f) All consents, approvals and waivers listed on Schedule 7(e) to the Seller Disclosure Schedule from third parties shall have been obtained except for consents, approvals or waivers which constitute Permitted Encumbrances or where the failure to obtain such consent would not otherwise have a material adverse effect on the Interests.

6. Conditions of Closing by Buyer. The obligation of Buyer to close is subject to the satisfaction of the following conditions:

- (a) The representations of Seller contained in Section 7 shall be true, in all material respects, on and as of the Closing Date;
- (b) Seller shall have performed, in all material respects, the obligations, covenants and agreements of Seller contained herein;
- (c) Seller shall have delivered to Buyer a certificate of a corporate officer or other authorized person dated the Closing Date, certifying on behalf of Seller that the conditions in Sections 6(a) and (b) have been fulfilled.
- (d) Seller shall have delivered to Buyer legal opinions rendered by Seller's and BROG's respective corporate counsel in substantially the forms attached as Exhibits "D-1" and "D-2";
- (e) No suit in law or in equity, administrative action or other proceeding by a third party or a Governmental Entity shall be pending or threatened which would have a material adverse effect on the Interests or seeks to restrain, enjoin or otherwise prohibit, the consummation of the transactions contemplated by this Agreement; and
- (f) All consents, approvals and waivers listed on Schedule 7(e) to the Seller Disclosure Schedule from third parties shall have been obtained except for consents, approvals, or waiver which constitute Permitted Encumbrances or where the failure to obtain such consent would not otherwise have a material adverse effect on the Interests or Business.

7. Representations and Warranties of Seller. Seller represents and warrants to Buyer that:

- (a) Existence and Good Standing: Seller is a corporation validly existing and in good standing under the laws of the State of Delaware and is duly qualified and has all requisite corporate power and authority to own its properties and assets and to carry on its business, including the Business, as now being conducted;
- (b) Requisite Authority: Seller has the requisite corporate power and authority to execute, deliver, and perform this Agreement and the Transaction Agreements required to be executed by Seller hereunder and to consummate the transactions contemplated hereby or thereby. The execution and delivery by Seller of this Agreement and the Transaction Agreements required to be executed by Seller hereunder and the consummation by Seller of the transactions contemplated hereby or thereby have been duly authorized;
- (c) Execution and Enforceability: This Agreement has been, and the Transaction Agreements required to be executed by Seller hereunder upon their execution will be, duly executed and delivered by Seller and constitute the valid and binding obligations of Seller, enforceable against it in accordance with their respective terms, subject to the effects of bankruptcy, insolvency, reorganization, moratorium, and similar laws affecting creditors' rights. No other corporate act,

approval or proceeding on the part of Seller is required to authorize the execution and delivery by Seller of this Agreement and the Transaction Agreements required to be executed by Seller hereunder or the consummation by Seller of the transactions contemplated hereby or thereby;

- (d) No Conflicts: This Agreement and the Transaction Agreements required to be executed by Seller hereunder, and the execution and delivery thereof by Seller, do not and the consummation by Seller of the transactions contemplated hereby or thereby will not (i) conflict with or result in a breach of the charter or bylaws of Seller or any other governing documents of Seller, (ii) violate, or conflict with, or constitute a default under, or result in the creation or imposition of any Lien upon any property or assets of Seller or the loss of any material right under any mortgage, indenture or agreement to which it is a party or by which the Interests are bound, which violation, conflict or default might adversely affect the ability of Seller to perform its obligations under this Agreement or the Transaction Agreements required to be executed by Seller hereunder, or (iii) violate any statute or law or any judgment, decree, order, writ, injunction, regulation, permit or rule of any court or Governmental Entity, which violation might adversely affect the ability of Seller to perform its obligations under this Agreement or the Transaction Agreements required to be executed by Seller hereunder;
- (e) Consents: Except as set forth in Schedule 7(e) of the Seller Disclosure Schedule, the execution and delivery by Seller of this Agreement and the Transaction Agreements required to be executed by Seller hereunder, the performance of Seller's respective obligations hereunder and thereunder, or the consummation on the part of Seller or its Affiliates of the transactions contemplated hereby or thereby will not require any consent, approval, or authorization of or filing with or notice to any third party (including any Governmental Entity) except for consents, approvals, waivers or authorizations which if not obtained would not individually or in the aggregate have a material adverse effect on the Interests or the Business or which otherwise constitutes a Permitted Encumbrance under Sections 4(a)(ii)(A) and 4(a)(ii)(C).
- (f) No Brokers: Seller has incurred no liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement or the Transaction Agreements for which Buyer shall have any responsibility whatsoever;
- (g) No Judgments, Lawsuits or Claims: There are no claims, actions, suits or proceedings (including condemnation or similar proceedings) filed or, to the knowledge of Seller, threatened against the Interests or any material portion thereof or against Seller or its Affiliates with respect to the Business or the Interests or any material portion thereof;
- (h) No Foreign Person: Seller is not a "foreign person" as defined in Section 1445 of the Code and in any regulations promulgated thereunder;

- (i) Laws, Permits, Licenses and Authorizations:
- (i) Seller has not violated any laws, statutes, rules, regulations or orders applicable to the Business or the Interests or the operation thereof (other than laws, statutes, regulations or orders applicable to environmental matters which are exclusively addressed by Sections 7(w), 13 and 14 of this Agreement) which violation (i) would have a material adverse effect on the Business or the Interests or, (ii) have not been remedied;
 - (ii) Except as set forth on Schedule 7(i) to the Seller Disclosure Schedule, (i) neither Seller nor any of its Affiliates has received any written communication from any Governmental Entity or any third party that alleges that the Business may not be in compliance in any material respect with, or may be subject to any material liability under, any law, statute, rule, regulation, order, permit, license or authorization, (ii) to Seller's knowledge, there are no investigations or reviews pending or threatened by any Governmental Entity relating to any alleged violation arising out of the Business, and (iii) there is no outstanding writ, judgment, stipulation, injunction, decree, determination, award or other order of any Governmental Entity specifically against Seller or any of its Affiliates that relates to the Business that has had, or is reasonably expected to have, individually or in the aggregate, a material adverse effect on the Business.
 - (iii) Schedule 1(a)(xviii) to the Seller Disclosure Schedule sets forth a true and complete list, as of the date of this Agreement, of all licenses, permits and authorizations (other than environmental permits which are exclusively addressed by Section 13 and licenses or permits for the use of land) issued or granted to Seller (or any of its Affiliates with respect to the Business) by any Governmental Entity that are used by Seller in the conduct of the Business, except for such licenses, permits and authorizations, the failure of which to have, could not individually or in the aggregate reasonably be expected to have a material adverse effect on the Business. Except as set forth on Schedule 1(a)(xviii) to the Seller Disclosure Schedule, all such licenses, permits and authorizations are validly held by Seller, except for such failures that, individually or in the aggregate, could not reasonably be expected to have a material adverse effect on the Business. To the knowledge of Seller, the licenses, permits and authorizations listed on Schedule 1(a)(xviii) are all of the licenses, permits and authorizations necessary or required for Seller to conduct the Business.
- (j) Changes to Business: Except as disclosed in Schedule 7(j) to the Seller Disclosure Schedule, since January 1, 2002:
- (i) there has not been any material adverse change in the makeup, condition or composition of the Interests or the Business, whether taken as a whole or as to any material part thereof, other than changes resulting from

developments generally affecting the natural gas products pipeline industry;

- (ii) there has not been any damage, destruction or loss, whether covered by insurance or not, to the Interests that has had or is reasonably likely to have, a material adverse effect on the Business or the Interests;
 - (iii) there has not been any waiver by Seller of any rights that, individually or in the aggregate, has had, or is reasonably likely to have, a material adverse effect on the Business or the Interests; and
 - (iv) except to the extent the failure to do so has not had, and is not reasonably likely to have, a material adverse effect on the Business or the Interests, Seller has operated the Business and the Interests in the ordinary course of business consistent with past practices;
- (k) Real Property: Except as set forth on Schedule 7(k) to the Seller Disclosure Schedule, there is not pending or, to the knowledge of Seller, threatened any condemnation or eminent domain proceedings affecting the real property included in the Interests, nor has Seller received written notification that any such proceeding or assessment is contemplated;
- (l) Public Utility Holding Company Act, etc.: Seller is exempt from, or is otherwise not subject to regulation as, (i) a "public utility company," as such term is defined in the Public Utility Holding Company Act of 1935, as amended, and the rules and regulations thereunder, (ii) an investment company or a company controlled by an investment company within the meaning of the Investment Company Act of 1940, as amended, or (iii) a "public utility" within the meaning of the Federal Power Act, as amended, and the rules and regulations thereunder;
- (m) Labor Matters: Except as set forth on Schedule 7(m) to the Seller Disclosure Schedule, there are no agreements with labor unions or associations representing employees of Seller involved in the Business. Except as set forth on Schedule 7(m) to the Seller Disclosure Schedule, Seller is not involved in or, to Seller's knowledge, threatened with any labor dispute, arbitration, lawsuit or administrative proceeding relating to labor matters involving the employees of Seller who are involved in the Business (excluding routine workers' compensation claims) other than disputes, arbitrations, lawsuits and proceedings which, individually or in the aggregate, would not individually or in the aggregate be material to the ownership or use of the Interests.
- (n) Compliance with Contracts: Except as set forth in Schedule 7(n) to the Seller Disclosure Schedule, (A) all Material Contracts are legal, valid, binding, enforceable, and in full force and effect; and (B) Seller is not in material breach or default, and is not aware of any Person claiming there is a material breach or default under the Material Contracts.

- (o) Authorized Expenditures: Except as set forth on Schedule 7(o) to the Seller Disclosure Schedule, there are no outstanding authorizations for capital expenditures respecting the Interests for which Buyer will be liable other than ordinary trade payables pursuant to which such expenditures are or may be required to be made.
- (p) Material Contracts: Schedule 7(p) to the Seller Disclosure Schedule sets forth a list of the following contracts, agreements or commitments (the "Material Contracts") which are included in the Interests:
- (i) any contract or agreement with Seller or any of its Affiliates relating to the provision of goods or services to or by Seller or any of its Affiliates which will survive the Closing;
 - (ii) any contract, agreement or commitment that commits Seller to aggregate expenditures or that gives rise to anticipated receipts with respect to the Business of more than \$50,000 in any calendar year;
 - (iii) any gathering, treating or interconnect agreements or commitments;
 - (iv) any indenture, trust agreement, loan agreement or note relating to indebtedness for borrowed money or the guarantee of the obligations of any other Person for borrowed money;
 - (v) any agreement of surety, guarantee or indemnification other than in the ordinary course of the Business;
 - (vi) any covenant not to compete in any area or in any business which will be binding on Buyer following the Closing;
 - (vii) any joint venture, partnership or similar organizational contract involving a sharing of profits or losses relating to all or any portion of the Business;
 - (viii) any royalty agreement that commits Seller to anticipated aggregate royalties of more than \$25,000 in any calendar year; and
 - (ix) any management service, consulting or other similar type contract or agreement that commits Seller to aggregate fees or other compensation of more than \$100,000 in the aggregate during its term.
- (q) Personal Property: To the knowledge of Seller, there are no defects in the physical condition of any personal property which is included in the Gathering System or Plant Facility, which would materially and adversely impair Seller's ability to maintain normal operations in a manner consistent with Seller's recent practices.

- (r) Sufficiency of Assets: The Interests, the Third Party Assets and the Excluded Assets include all of the assets used by Seller in the conduct of the Business, as such Business is conducted on the date of this Agreement. To the knowledge of Seller, the Interests are all of the assets required or necessary for Seller to conduct the Business in the manner in which it is currently being conducted, except for the Third Party Assets and the Excluded Assets.
- (s) Imbalances: The Imbalances as reflected on the books and records of Seller, at Closing, will accurately reflect all of the Imbalances affecting the Business and existing as of the Closing Date and will represent a net imbalance which is not in excess of 15,000 MCF.
- (t) Taxes: All Tax returns required to be filed by Seller, or Seller's Affiliates, have been timely filed, and all Taxes reflected on such Tax returns have been paid. All such returns are accurate and complete. There are no Tax liens or other encumbrances relating to Taxes on any of the Assets other than Taxes the payment of which is not delinquent. No assessments or other claims for Taxes related to the Business or the Interests has been made by any taxing authority or, to the best knowledge of Seller, threatened by any taxing authority.
- (u) No Preferential Rights: None of the Interests is subject to any preferential right of purchase which would have a material adverse effect on the Business or the value thereof.
- (v) Employee Benefits: No pension benefit plan as defined in Section 3(2) of ERISA that is maintained or contributed to by Seller or any ERISA Affiliate or with respect to which Seller or an ERISA Affiliate may have any liability had an accumulated funding deficiency as defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, as of the last day of the most recent fiscal year of the plan ending on or prior to the Closing Date. Neither Seller nor any entity that was at any time during the six-year period ending on the Closing Date an ERISA Affiliate has ever maintained, contributed to, had an obligation to contribute to, or incurred any liability with respect to a plan that is both a pension benefit plan (as defined in Section 3(2) of ERISA) and a multiemployer plan (as defined in Section 3(37) of ERISA).
- (w) Environmental Matters. Except as set forth in Schedule 7(w) to the Seller Disclosure Schedule of the Seller Disclosure Schedule:
 - (i) To Seller's knowledge as existed as of the date of execution of this Agreement ("Seller's Current Knowledge") and except as would not have an Environmental Material Adverse Effect, the Interests and the Business are in compliance with all applicable limitations, restrictions, conditions, standards, prohibitions, requirements and obligations of Environmental Laws;

- (ii) To Seller's Current Knowledge and except as would not have an Environmental Material Adverse Effect, there are no Environmental Liabilities pending or threatened by or before any Governmental Entity directed against Seller relating to the Business that pertain or relate to (A) any remedial obligations presently required under any applicable Environmental Law, (B) violations by Seller of any Environmental Law, (C) personal injury or property damage claims relating to a release of Hazardous Materials, or (iv) response, removal, or remedial costs under CERCLA, RCRA or any similar state laws;
- (iii) To Seller's Current Knowledge and except as would not have an Environmental Material Adverse Effect, all environmental permits required under Environmental Laws that are necessary to the operation of the Interests by Seller have been obtained and are in full force and effect and there is no basis for revocation or suspension of any such environmental permits;
- (iv) No portion of any of the Interests is listed on the National Priorities List or the Comprehensive Environmental Response, Compensation, and Liability Information System list under CERCLA, or any similar ranking or listing under any state law;
- (v) To Seller's Current Knowledge and except as would not have an Environmental Material Adverse Effect, there has been no disposal or release of any Hazardous Materials on, at, or under any properties included in the Interests;
- (vi) All off-site facilities to which Seller has sent Hazardous Materials (other than products) for storage or disposal in connection with the operation of the Business before Closing are scheduled listed in Schedule 7(w)(vi) hereto ("Scheduled Disposal Sites"); and
- (vii) To Seller's Current Knowledge, and except as heretofore furnished to Buyer, there are no written notices of violation, non-compliance, or similar notifications relating to Environmental Liabilities currently pending or, to Seller's knowledge, threatened, relating or pertaining to the Interests that would reasonably be expected to have an Environmental Material Adverse Effect.

For the purpose of this subsection 7(w), the term "Environmental Material Adverse Effect" shall mean any Environmental Liabilities that are reasonably expected to exceed \$100,000 per occurrence or series of related occurrences.

As used in this Agreement, including any Schedules hereto, "Seller's knowledge" or "known to Seller" shall mean the actual knowledge of Seller's or any of its Affiliate's

personnel at or above the supervisory level (including field supervisors), without any investigation.

8. Representations and Warranties of Buyer. Buyer represents and warrants to Seller that:
- (a) Existence and Good Standing: Buyer is a Delaware limited partnership validly existing and in good standing under the laws of the State of Delaware and is duly qualified and has all partnership power and authority to own its properties and assets and to carry on its business as now being conducted;
 - (b) Requisite Authority: Buyer has the requisite partnership power and authority to execute, deliver, and perform this Agreement and the Transaction Agreements required to be executed by Buyer hereunder and to consummate the transactions contemplated hereby or thereby. The execution and delivery by Buyer of this Agreement and the Transaction Agreements required to be executed by Buyer hereunder and the consummation by Buyer of the transactions contemplated hereby or thereby have been duly authorized;
 - (c) Execution and Enforceability: This Agreement has been, and the Transaction Agreements required to be executed by Buyer hereunder upon their execution will be, duly executed and delivered by Buyer and constitute the valid and binding obligations of Buyer, enforceable against it in accordance with their respective terms, subject to the effects of bankruptcy, insolvency, reorganization, moratorium, and similar laws affecting creditors' rights. No other partnership act, approval or proceeding on the part of Buyer is required to authorize the execution and delivery by Buyer of this Agreement and the Transaction Agreements required to be executed by Buyer hereunder or the consummation by Buyer of the transactions contemplated hereby or thereby;
 - (d) No Conflicts: This Agreement and the Transaction Agreements required to be executed by Buyer hereunder, and the execution and delivery hereof or thereof by Buyer, do not and the consummation by Buyer of the transactions contemplated hereby or thereby will not (i) conflict with or result in a breach of the charter or bylaws of Buyer or any other governing documents of Buyer, (ii) except for required consents or waivers under the "Multi-Year Amended and Restated Credit Agreement, Dated as of March 28, 2002" (also known as the \$500,000,000 Revolving Facility) and the "364-Day Credit Agreement, Dated March 28, 2002" (also known as the \$200,000,000 Revolving Facility) which Buyer represents it will obtain at or prior to Closing, violate, or constitute a default under any mortgage, indenture or agreement to which Buyer is a party or which it is bound, which violation, conflict or default might adversely affect the ability of Seller to perform its obligations under this Agreement, or (iii) violate any statute or law or any judgment, decree, order, writ, injunction, regulation, permit or rule of any court or Governmental Entity, which violation might adversely affect the ability of Buyer to perform its obligations under this Agreement or the Transaction Agreements required to be executed by Buyer hereunder;

- (e) Required Bonds and Licenses: Buyer possesses (or will possess as soon as practical after Closing) all required governmental licenses, permits, bonds, certificates, orders, and authorizations necessary to own or operate the Interests;
- (f) Available Funds: Buyer will have on the Closing Date, sufficient cash to enable it to make payment in immediately available funds of the purchase price when due and any other amounts to be paid by it hereunder;
- (g) Buyer's Reliance: Buyer is experienced and knowledgeable in the transactions of the type contemplated by this Agreement and has undertaken such investigation, and has been provided with and has evaluated such documents and information, as Buyer and its advisors have deemed necessary to enable it to make an informed and intelligent decision with respect to the execution, delivery and performance of this Agreement. Buyer acknowledges that Buyer is acquiring the Interests without any representation or warranty, express or implied, by Seller or any of its Affiliates except as expressly set forth herein and not in limitation thereof, Buyer acknowledges that neither Seller nor any of its Affiliates or representatives has made any representation or warranty (express or implied) with respect to, and Buyer is not relying upon, any financial projection or forecast delivered to Buyer with respect to the revenues, profitability, cash flow, capital expenditures or other financial or operating aspects that may arise from the Interests either before or after the Closing Date. With respect to any projection or forecast delivered by or on behalf of Seller or its Affiliates to Buyer, Buyer acknowledges that (i) there are uncertainties inherent in attempting to make such projections and forecasts, (ii) Buyer is familiar with such uncertainties, (iii) Buyer is taking full responsibility for making its own evaluation of the adequacy and accuracy of all such projections and forecasts furnished to Buyer and (iv) Buyer will not have a claim against Seller or any of its advisors or Affiliates with respect to such projections or forecasts or with respect to any related matter;
- (h) No Brokers: Buyer has incurred no liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement or the Transaction Agreements for which Seller shall have any responsibility whatsoever.
- (i) Environmental Defects: To Buyer's knowledge, there are no Environmental Defects other than as will be disclosed by Buyer in writing to Seller prior to Closing.

As used in this Agreement, including any Schedules hereto, "Buyer's knowledge" or "known to Buyer" shall mean the actual knowledge of Buyer's or any of its Affiliate's personnel at or above the supervisory level (including field supervisors), without any investigation.

9. Imbalances.

- (a) For purpose of this Section 9, the term "Imbalance" shall mean all contractual natural gas imbalances relating to the Interests existing as of the Effective Time between Seller, on the one hand, and gas shippers and interconnect receipt or delivery points, on the other hand.
- (b) At Closing, Buyer shall be conveyed all rights to the Imbalances and shall assume and be responsible for all obligations with respect to the Imbalances attributable, in each case, to the period up to and including the Effective Time.

10. Indemnities of Seller.

- (a) Seller shall, to the fullest extent permitted by law and subject to the limitations provided in this Agreement, protect, defend, indemnify, and hold Buyer and its Affiliates, including its directors, officers, members, partners, and representatives of each of them (the "Buyer Parties"), harmless from and against any and all Claims attributable to or arising out of (i) the breach by Seller of the representations or warranties contained in Section 7 hereof, (ii) the breach by Seller of any of its agreements or covenants contained in this Agreement, (iii) any Claim by any of Seller's or its Affiliate's officers, directors, employees or shareholders, made in such capacity, against Seller or any of its Affiliates relating to the Interests or the Business attributable to the period prior to the Closing (excluding Claims relating to environmental matters) and any Claims relating to the Employee Benefit Plans (excluding any matters which have been expressly assumed by Buyer in the Employee Matters Agreement), (iv) any Taxes of Seller relating to the conduct of the Business prior to the Closing, including Seller's proportionate amount of those Taxes described in Section 24, (v) the fuel and losses allocation to shipper under the December 17, 1990 Gathering and Treating Contract between Seller and Vastar Resources that relates to the time period prior to the Effective Time, (vi) Punitive Damages Claims, (vii) Personal Injury and Property Damage Claims, (viii) Unscheduled Offsite Disposal Site Claims, (ix) Criminal Fines and Penalties and (x) the Excluded Assets; provided, however, that Seller shall, except as otherwise provided herein, not be obligated under this Agreement to protect, defend, indemnify or hold Buyer Parties harmless from and against any Claims attributable to or arising out of any of the Transaction Agreements, recourse with respect to any matters under or in connection a Transaction Agreement being under the terms of such Transaction Agreement.
- (b) After Closing, any assertion by Buyer that Seller is liable under the terms of the indemnities provided under Section 10(a) must be made by Buyer in writing and (1), in the case of a Claim based on a breach of a representation and warranty in Section 7 of this Agreement, must be given to Seller on or prior to one year after Closing (except with respect to the representations and warranties in Sections 7(a), (b), (c), (f), (n), (p), (q), (r), (s), (u) and (w)); (2) in the case of a Claim based on a breach of the representations and warranties contained in

Sections 7(n), (p), (q), (r) and (s) of this Agreement must be given to Seller on or prior to six months after Closing); (3) in the case of a Claim based upon a breach of the representative and warranty in Section 7(u) or based upon Sections 10(a)(v) or 10(a)(vii), must be given to Seller on or prior to two years after Closing; (4) in the case of a Claim under Section 10(a)(vi) or 10(a)(viii) must be given to Seller on or before 3 years following Closing, (5) in the case of a Claim based upon a breach of the representations and warranties in Sections 7(a), (b), (c) or (f) or based upon Sections 10(a)(iii), 10(a)(iv), 10(a)(ix) and 10(a)(x) shall not be limited as to time as between Buyer Parties and Seller Parties and (6) in the case of a claim based upon Section 10(a)(ii) shall not be limited as to time between Buyer Parties and Seller Parties unless otherwise specifically provided in the Agreement. Any notice to Seller shall state the facts known to Buyer that give rise to such notice in sufficient detail to allow Seller to evaluate the assertion. If such notice is timely given, all Claims attributable to or arising out of the event, breach, occurrence or other circumstance of which notice is given in such notice shall not be barred by the time limitations in this subsection.

- (c) Solely for purposes of indemnification in this Section 10, the representations and warranties of Seller made in this Section 7 of Agreement (other than Seller's representation set forth in Section 7(w)) shall be deemed to have been made without regard to any materiality qualifications, provided that none of the Buyer Indemnitees shall be entitled to assert any right to indemnification under Section 10(a) of this Agreement unless the individual claim or series of related claims which arise out of substantially the same facts and circumstances exceeds \$50,000; provided that any claim for a breach of the representations and warranties in Sections 7(a), (b), (c) (f) and (s) and any claim for indemnification under Sections 10(a)(ii), 10(a)(iii), 10(a)(iv), 10(a)(v), 10(a)(ix) and 10(a)(x) shall not be subject to such \$50,000 threshold.
- (d) Buyer shall not be entitled to assert any right to indemnification with respect to any Claims under Section 10(a) hereof, Schedule 14(e) or otherwise under this Agreement (other than Sections 1(b), 3 and 4) unless such claims exceed \$5.0 million in the aggregate, and then only to the extent that all such Claims exceed such amount; provided that such deductible basket shall not be applicable to Seller's indemnification obligations (1) under Sections 10(a)(ii), 10(a)(iii), 10(a)(iv), 10(a)(v), 10(a)(ix) or 10(a)(x) and (2) under Section 10(a)(i) to the extent arising out of any breach or violation of the representations and warranties contained in Sections 7(a), (b), (c), (f) or (s) of this Agreement.
- (e) In no event shall Seller ever be required to indemnify Buyer under this Section 10 or to pay other amounts in connection with or with respect to the transactions contemplated by this Agreement in an amount exceeding in the aggregate \$50,000,000 provided that Seller's obligations in Sections 10(a)(ix) or 10(a)(x) will not be subject to the \$50,000,000 ceiling.

- (f) If a claim arises for which Buyer intends to seek indemnity under this Section 10, Buyer shall promptly notify Seller of such claim. Seller shall have thirty (30) days after receipt of such notice to undertake, conduct and control, through counsel of its own choosing and at its own expense, the settlement or defense thereof, and Buyer shall cooperate with Seller in connection therewith. Buyer shall have the right to pay or settle any such claim, provided that in such event it shall waive any right to indemnity by Seller for such claim; and provided further, that Buyer shall not enter into any settlement agreement (or settle or compromise any such claim in a manner) which provides for or results in any payment by or liability of any of the Seller Parties of or for any damages or other amount, any lien, charge or encumbrance on any property of any of the Seller Parties, any finding of responsibility or liability on the part of any of the Seller Parties or any sanction or restriction upon the conduct of any business by any of the Seller Parties without such Seller Party's express written consent, which consent shall not be unreasonably withheld. If Seller does not notify Buyer within thirty (30) days after the receipt of Buyer's notice of a claim of indemnity hereunder that it elects to undertake the defense thereof, then Buyer shall have the right to contest, settle or compromise the claim, but shall not thereby waive any right to indemnity therefor pursuant to this Section 10.
- (g) The amount of any Claim for which Buyer claims indemnity shall be reduced by (a) any net insurance proceeds actually received by Buyer from a non-Affiliated third party with respect to a Claim, after deducting all costs incurred by Buyer or its Affiliates in recovering such proceeds and the present value of reasonably expected increases in Buyer's or any of its Affiliate's insurance premiums resulting from such Claims, and (b) indemnity payments which Buyer receives from any Person (other than Seller or any Affiliate, successor or assign of Buyer).
- (h) THE INDEMNIFICATION AND ASSUMPTION PROVISIONS PROVIDED FOR IN THIS AGREEMENT (EXCLUDING, HOWEVER, ANY TRANSACTION AGREEMENT, EACH OF WHICH SHALL BE GOVERNED BY ITS RESPECTIVE TERMS AND CONDITIONS) SHALL BE APPLICABLE WHETHER OR NOT THE LOSSES, COSTS, EXPENSES AND DAMAGES IN QUESTION AROSE SOLELY OR IN PART FROM THE ACTIVE, PASSIVE, COMPARATIVE, OR CONCURRENT NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OF BUYER PARTIES, BUT ONLY TO THE EXTENT NOT ATTRIBUTABLE TO FUTURE ACTS OR OMISSIONS OF BUYER PARTIES.

11. Indemnities of Buyer; Assumption of Obligations.

- (a) As of the Effective Time, except for liabilities and obligations for which Seller has provided any of the Buyer Parties an express indemnity pursuant to Section 10 or elsewhere in this Agreement (including Schedule 14(e) if same becomes effective or in a Transaction Agreement), Buyer agrees to assume and perform any and all of the liabilities and obligations or alleged or threatened liabilities and

obligations attributable to, affecting or otherwise relating to the Interests or the Business arising out of or resulting from Seller's or its Affiliates ownership, operation or use of the Interests and conduct of the Business prior to the Effective Time, including, but not limited to, (i) any and all liabilities and obligations necessary to comply with all laws and governmental regulations with respect to the Interests or the Business, including, but not limited to, any request of a Governmental Entity or other requirement to abandon any pipeline or facility or take any clean-up, remedial or other action with respect to the Interests or the Business, regardless of when the events occurred that caused such condition to exist or the obligation to arise, (ii) any and all liabilities and obligations relating to the Imbalances and (iii) any obligations or liabilities arising, from and after the Closing, under or in connection with the contracts and agreements included in the Interests; provided however, that Buyer does not agree to assume or perform any liabilities or obligations of Seller (1) to Seller's or its Affiliate's respective directors, officers, employees or shareholders acting in such capacities (including liabilities or obligations under any Employee Benefit Plan except as otherwise provided in the Employee Matters Agreement) or (2) for any indebtedness relating to borrowed money, and provided further that Buyer does not agree to assume any liabilities relating to (i) Seller's or Seller's Affiliates' storage or disposal of Hazardous Materials at offsite disposal sites, which storage or disposal is not related to the Interests or (ii) Seller's and its Affiliates' businesses or operations that are separate from the Business (including the saltwater disposal lines which will be owned by Seller's Affiliates following the Closing and are covered by the Joint Use and Occupancy Agreement).

- (b) Buyer shall, to the fullest extent permitted by law, protect, defend, indemnify, and hold Seller and its Affiliates, including the directors, officers, members, partners, and representatives of each of them (the "Seller Parties"), harmless from and against any and all Claims attributable to or arising out of (i) a Third Party Claim to the extent arising out of or attributable to Buyer's ownership or operation of the Interests or conduct of the Business subsequent to the Effective Time unless caused by an act or omission of a Seller Party after the Closing, (ii) Buyer's assumption of any obligation or liability contained in this Section 11 (but only to the extent Seller has not expressly agreed to provide Buyer with indemnity with respect to such obligation or liability pursuant to Section 10 hereof, other sections of this Agreement (including Schedule 14(e) if same becomes effective) or in the Transaction Agreements, (iii) the breach by Buyer of the representations contained in Section 8 hereof; and (iv) the breach by Buyer of any of its agreements and covenants contained in this Agreement; provided, however, that Buyer shall not, except as otherwise provided herein, be obligated under this Agreement to protect, defend, indemnify or hold Seller Parties harmless from and against any Claims attributable to or arising out of any of the Transaction Agreements, recourse with respect to any matters under or in connection with a Transaction Agreement being under the terms of such Transaction Agreement.

- (c) If a claim arises for which Seller intends to seek indemnity with respect thereto under this Section 11, Seller shall promptly notify Buyer of such claim. Buyer shall have thirty (30) days after receipt of such notice to undertake, conduct and control, through counsel of its own choosing and at its own expense, the settlement or defense thereof, and Seller shall cooperate with Buyer in connection therewith. Seller shall have the right to pay or settle any such claim, provided that in such event it shall waive any right to indemnity by Buyer for such claim; and provided further, that Seller shall not enter into any settlement agreement (or settle or compromise any such claim in a manner) which provides for or results in any payment by or liability of any of the Buyer Parties of or for any damages or other amount, any lien, charge or encumbrance on any property of any of the Buyer Parties, any finding of responsibility or liability on the part of any of the Buyer Parties or any sanction or restriction upon the conduct of any business by any of the Buyer Parties without such Buyer Party's express written consent, which consent shall not be unreasonably withheld. If Buyer does not notify Seller within thirty (30) days after the receipt of Seller's notice of a claim of indemnity hereunder that it elects to undertake the defense thereof, then Seller shall have the right to contest, settle or compromise the claim, but shall not thereby waive any right to indemnity therefor pursuant to this Section 11.
- (d) After Closing, any assertion by Seller that Buyer is liable under the terms of the indemnities provided under Section 11(b) must be made by Seller in writing. Any notice to Buyer shall state the facts known to Seller that give rise to such notice in sufficient detail to allow Buyer to evaluate the assertion.
- (e) The amount of any Claim for which Seller claims indemnity shall be reduced by (a) any net insurance proceeds actually received by Seller from a non-Affiliated third party with respect to a Claim, after deducting all costs incurred by Seller or its Affiliates in recovering such proceeds and the present value of reasonably expected increases in Seller's or any of its Affiliate's insurance premiums resulting from such Claims, and (b) indemnity payments which Seller receives from any Person (other than Buyer or any of its Affiliates).
- (f) THE INDEMNIFICATION AND ASSUMPTION PROVISIONS PROVIDED FOR IN THIS AGREEMENT (EXCLUDING, HOWEVER, ANY TRANSACTION AGREEMENT, EACH OF WHICH SHALL BE GOVERNED BY ITS RESPECTIVE TERMS AND CONDITIONS) SHALL BE APPLICABLE WHETHER OR NOT THE LOSSES, COSTS, EXPENSES AND DAMAGES IN QUESTION AROSE SOLELY OR IN PART FROM THE ACTIVE, PASSIVE, COMPARATIVE, OR CONCURRENT NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OF SELLER PARTIES, BUT ONLY TO THE EXTENT NOT ATTRIBUTABLE TO FUTURE ACTS OR OMISSIONS OF SELLER PARTIES.

12. Due Diligence Review.

- (a) Prior to Closing, Seller, in Seller's offices, will make available to Buyer and Buyer's authorized representatives for examination as Buyer may reasonably request, all physical land files, regulatory files, abstracts, title opinions, engineering data, reports, maps, drawings, surveys, books, accounting records, and agreements contained in Seller's files relating to the Interests (collectively the "Records"); provided, however, the Records shall not include (i) any proprietary data which relates to another business of Seller and is not needed in connection with the continued operation of the Business, (ii) any information subject to third party confidentiality agreements for which a consent or waiver cannot be secured by Seller after reasonable efforts, or (iii) any information which, if disclosed, would violate an attorney-client privilege.
- (b) Subject to subsection (a) above, Seller shall permit Buyer and Buyer's authorized representatives to consult with Seller's employees during reasonable business hours (including 7:00 a.m. to 6:00 p.m. (New Mexico time) Monday through Friday) and to conduct, at Buyer's sole risk and expense, inspections and inventories of the Interests and to examine all Records at the Plant Facility. Seller shall also coordinate, in advance, with Buyer to allow site visits and inspections at the field sites on Saturdays unless operational conditions would reasonably prohibit such access. During such inspections, Buyer shall have the right to review the Interests to determine the environmental and other condition of the Interests. To the extent Buyer desires access to Seller's Interests located on other's property or to any Records located at such location, Seller shall assist Buyer in obtaining such access; provided, however, Buyer shall not contact the owner of the property directly.
- (c) Buyer agrees to protect, defend, indemnify and hold Seller Parties harmless from and against any and all Claims occurring on or to the Interests caused by the acts or omissions of Buyer, Buyer's Affiliates or any Person acting on Buyer's or its Affiliate's behalf in connection with any due diligence conducted pursuant to or in connection with this Agreement, including any site visits and environmental sampling. Buyer agrees to comply fully with all rules, regulations and instructions issued by Seller (to the extent reasonable notice thereof has been given to Buyer) regarding Buyer's actions while upon, entering or leaving any property included in the Interests, including any insurance requirements that Seller may impose on contractors authorized to perform work on any property owned or operated by Seller.
- (d) Buyer shall not be entitled to perform any environmental diligence beyond a Phase I environmental analysis nor any subsurface investigation or invasive or destructive sampling without the prior written consent of Seller, which consent will not be unreasonably withheld. Prior to the date hereof, Buyer and Seller have agreed upon and approved the site assessment plan attached hereto as "Exhibit O." Buyer and Seller agree to cooperate with respect to the prompt

implementation and completion of the activities described in Exhibit O. Buyer and Seller acknowledge that additional Pre-Closing investigation and site assessment may be conducted if reasonably required by the selected insurance carrier to secure the Environmental Insurance described in Section 14 or if Buyer is not reasonably certain that it will be able to obtain the Environmental Insurance. In each such case, the scope of any subsequent environmental investigation and site assessment shall be subject to the prior written approval of Seller, which will not be unreasonably withheld. Seller agrees to cooperate, in good faith, with Buyer and with any representatives of the selected insurer to determine the scope of additional environmental investigation (including sampling) which may be required in connection with the application for Environmental Insurance or Buyer's due diligence efforts if the Environmental Insurance is not obtainable. Buyer shall furnish Seller copies of all environmental and other reports obtained by, or prepared by or for Buyer or its Affiliates and their respective agents in connection with any of the foregoing inspections. All such environmental reports shall be deemed to be "Evaluation Material" under the Confidentiality Agreement and will be held in confidence in accordance with the terms thereof and, if the transactions contemplated herein are not consummated, will be delivered to Seller in accordance with the terms of the Confidentiality Agreement.

13. Pre-Closing Environmental Defects.

- (a) As used in this Agreement, the following terms shall have the meanings prescribed below:
- (i) "Environmental Defect" shall mean a claim or condition attributable to or arising out of (1) a violation of any Environmental Law applicable to the Interests occurring prior to the Closing Date or (2) any Existing Environmental Condition.
 - (ii) "Environmental Law" shall mean any and all laws, statutes, ordinances, rules, regulations, or orders of any Governmental Entity pertaining to the protection of the environment or natural resources or to Hazardous Materials in any and all jurisdictions in which the party in question owns property or conducts business, including the Clean Air Act, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), the Federal Water Pollution Control Act, the Occupational Safety and Health Act of 1970, the Resource Conservation and Recovery Act of 1976 ("RCRA"), the Safe Drinking Water Act, the Toxic Substances Control Act, the Hazardous & Solid Waste Amendments Act of 1984, the Superfund Amendments and Reauthorization Act of 1986, the Hazardous Materials Transportation Act, the Oil Pollution Act of 1990, any state or local laws implementing or substantially equivalent to the foregoing federal laws, and any state or local laws pertaining to the handling of oil and gas exploration, production, gathering, and processing wastes or the use, maintenance, and closure of pits and impoundments,

and all other environmental conservation or protection laws all as amended from time to time from enactment or adoption through the date of this Agreement.

(iii) "Existing Environmental Condition" shall mean (1) any environmental pollution, contamination, degradation, damage or injury caused by, related to, arising from, or in connection with the generation, handling, use, treatment, storage, transportation, disposal, discharge, release or emission of any Hazardous Materials occurring on or prior to the Closing Date and for which prompt remedial action is presently required (or if known, would be presently required) under Environmental Laws in effect on the Closing Date or (2) any third party claim which is brought against Seller and based on the release or migration of Hazardous Materials prior to the Closing Date from any of the Interests to such third party's property as a result of or in connection with Seller's conduct of the Business.

(iv) "Hazardous Materials" shall mean: (1) any chemicals, materials or substances defined or included in the definition of "hazardous substances," "hazardous materials," "toxic substances," "solid wastes," "pollutants," "contaminants," or words of similar import, under any Environmental Law; (2) radioactive materials (other than naturally occurring radioactive materials), friable asbestos, and polychlorinated biphenyls; (c) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any Governmental Entity; or (d) regulated constituents or substances in concentrations or levels that exceed numeric or risk-based standards established pursuant to Environmental Laws.

(b) Any Environmental Defect notice by Buyer under this Section 13 must be delivered to Seller on or before June 20, 2002. Buyer may, by timely delivery of written notice under this Section 13 to Seller of the existence of an alleged Environmental Defect, request reduction of the purchase price. The Environmental Defect notice shall clearly indicate the nature of and include a detailed description of the Environmental Defect, the Interest to which it relates, and the net present value of the cost of curing or remediating the Environmental Defect using the Cost Effective Remedy. The Environmental Defect notice shall include a complete copy of all written information furnished to or in the possession of Buyer or its Affiliates relating to the alleged Environmental Defect (excluding such information as was contained in Seller's data room or otherwise in the possession of Seller or its Affiliates) and all environmental reports, data, valuations, damage assessments and conclusions associated with the Environmental Defect. The Environmental Defect notice shall also provide documentation and calculations reasonably substantiating the existence of the Environmental Defect and supporting the estimate of the net present value of the Cost Effective Remedy. In the event any such notice is not timely delivered, all Environmental Defects known to Buyer as of such date shall be deemed waived and Buyer shall thereafter have no right to or seek a purchase price adjustment or,

otherwise seek indemnification for such Environmental Defects. Seller shall have the right, but not the obligation, to attempt to cure any alleged Environmental Defect prior to Closing at Seller's sole cost and expense. In this connection, Seller may, in its discretion, extend the Closing Date for up to 45 days to effect such cure. In the event Seller is unable or unwilling to cure an alleged Environmental Defect, Buyer and Seller shall meet and endeavor to agree on the validity of the claimed Environmental Defect and the amount of any required purchase price adjustment. In considering the significance of a fact, circumstance or condition for purposes of determining an alleged Environmental Defect, due consideration shall be given to whether such fact, circumstance or condition would be acceptable to reasonable and prudent persons engaged in the business of ownership, development and operation of gathering pipelines and treating plants. To the extent that Buyer receives a Purchase Price reduction for a Pre-Closing Environmental Defect, then such Purchase Price reduction shall result in a waiver with respect to such Pre-Closing Environmental Defect notwithstanding that the actual remediation costs subsequently incurred by Buyer exceeded the Purchase Price reduction.

- (c) Seller may elect, at its option, (i) to cure the Environmental Defect at its cost prior to Closing, but only if the Environmental Defect following such curative actions meets the requirements of applicable Environmental Laws or (ii) reduce the Base Purchase Price by the agreed upon value of the Environmental Defect, in which event Buyer will assume all curative, investigative, remedial or corrective action requirements ("Environmental Corrective Costs") with respect to such Environmental Defects. In the event the Parties cannot mutually agree on a purchase price adjustment for Environmental Defects alleged by Buyer pursuant to this Section 13, then Buyer and Seller shall, subject to subsection (d) below, proceed with Closing and the disputed Environmental Defect shall be submitted to dispute resolution pursuant to the procedure in Schedule 13(c) of the Seller Disclosure Schedule.
- (d) To the extent necessary to be able to comply with its indemnification obligations hereunder, (A) Seller shall have the right, from time to time, to review all environmental reports and records related to the Interests to the extent related to any Pre-Closing environmental issues, and to have access to the Real Property from time to time and (B) Seller shall have the right to participate in and comment on (1) any remedial action, including determining the scope, extent, duration and cost of such remedial action, and (2) all discussions, negotiations and proceedings with Governmental Entities and third parties in connection therewith.
- (e) Buyer shall not be entitled to assert any Environmental Defect under this Section 13 unless the claim is timely made in accordance with the provisions of this Section 13 and the net present value of the Cost Effective Remedy exceeds \$35,000 (a "Qualified Environmental Claim") and then only when the sum of all such Qualified Environmental Claims exceeds \$500,000 in the aggregate (the "Environmental Threshold").

- (f) After the Environmental Threshold has been reached, Buyer shall be entitled to a purchase price adjustment for Qualified Environmental Claims only to the extent of the amount in excess of \$350,000 (the "Environmental Deductible").
- (g) After the Environmental Threshold has been reached, Buyer shall be entitled to a purchase price adjustment for Qualified Environmental Claims exceeding the Environmental Deductible referenced in subsection (f) above up to an aggregate of \$1,150,000. Buyer shall not be entitled to any purchase price adjustment for the next \$1,000,000 in Qualified Environmental Claims, but shall be entitled to claim an additional reduction in the purchase price to the extent that Qualified Environmental Claims in excess of the Environmental Deductible exceed \$2,150,000 in the aggregate.
- (h) Buyer agrees that it will have responsibility for and will indemnify and hold harmless Seller Parties from and against Pre-Closing Environmental Defects that form the basis for any purchase price adjustment claimed by Buyer, including any Qualified Environmental Claims that are counted toward the Environmental Deductible.
- (i) Notwithstanding any provision herein to the contrary, in the event that the Pre-Closing Environmental Defects and Title Defects asserted by Buyer prior to the Closing exceed \$10,000,000 in the aggregate, then Seller may at its option, terminate this Agreement by providing written notice of termination to Buyer.

14. Environmental Insurance.

- (a) Buyer and Seller intend to obtain environmental insurance to address environmental matters arising out of the Interests or the Business, other than those environmental matters for which indemnification is specifically provided by Seller to Buyer in the Agreement, and the Transaction Agreements. Buyer agrees that it will use reasonable commercial efforts to initially obtain and will coordinate with Seller in an effort to obtain a quotation for a policy having \$35 million of coverage, a \$1 million aggregate deductible and a 10 year term (the "Baseline Policy"). The parties shall cooperate in a collective effort to obtain policy terms which would result in Seller's indemnity referenced in Schedule 14(e) hereto not being required. Furthermore, Buyer agrees that it will use reasonable commercial efforts to eliminate exclusions from the policy, where possible, and to coordinate with Seller in such efforts to eliminate policy exclusions. Buyer and Seller agree that once the quote for the Baseline Policy has been obtained, the Parties will, collectively, attempt on a commercially reasonable basis to acquire endorsements to eliminate policy exclusions for Third Party Claims, Civil Fines and Penalties and Scheduled Offsite Disposal Sites up to the limitations imposed by the \$1,500,000 premium limit. This effort to eliminate policy exclusions will be made prior to Buyer attempting to reduce the policy deductible or increase policy limits as provided in subsection (d) below.

- (b) In this connection Buyer agrees to use reasonable best efforts to obtain, within two weeks from the date hereof, a commitment from an insurer to provide environmental insurance (the "Environmental Insurance") at the Closing under the following parameters: (1) the insurance is under written by an insurer reasonably acceptable to Buyer and Seller provided that AIG, Chubb, XL and Kemper and other similarly positioned insurance companies shall be deemed to be acceptable insurers; (2) the insurance policy shall provide for \$35 million of coverage, a minimum 10 year term (unless Buyer agrees to a lesser term), and a maximum aggregate deductible of \$1,000,000 (unless Buyer agrees to a higher maximum aggregate deductible); (3) Seller and its Affiliates will be named as an additional insured and Duke Energy Field Services, LP will be an additional named insured and (4) the policy will be in a form and scope reasonably acceptable to Buyer and Seller (e.g., coverage for historical matters other than Criminal Fines and Penalties and Punitive Damages) and have exclusions which are customary and of a nature which should be reasonably acceptable to a prudent pipeline operator similarly situated. Buyer further agrees to promptly provide Seller with copies of all correspondence between potential carriers and Buyer with respect to the efforts to obtain such insurance including copies of all requests for information and proposals and requests to conduct environmental assessments. Seller shall, furthermore, be entitled to participate in all conferences, meetings and site visits with representatives of the potential insurers.
- (c) The premium for the Environmental Insurance shall be borne one-half by Seller and one-half by Buyer provided that neither Buyer nor Seller will be required to contribute in excess of \$750,000 toward payment of such premium.
- (d) Buyer has the right to reduce the aggregate maximum policy deductible below \$1.0 million or increase the policy limits above \$35 million provided that Buyer shall pay any policy premiums in excess of \$1.0 million to the extent that such excess is attributable to such items.
- (e) In the event that a commitment for Environmental Insurance is not obtained by Buyer on or prior to June 5, 2002 (or such later date as may be agreed by Seller), then Seller, at its option, may: (i) pay any additional premium required to obtain the Environmental Insurance, (ii) terminate this Agreement or (iii) provide the environmental indemnity contained in Schedule 14(e) hereto which indemnity shall survive the Closing in accordance with the provisions set forth in Schedule 14(e); provided that in the event Environmental Insurance is obtained then Schedule 14(e) shall not become effective, except as otherwise provided in such Schedule.
- (f) In the event that Seller elects to proceed with the Closing and to provide the environmental indemnity in subsection 14(e)(iii) above, then Buyer and Seller agree for a period of 90 days following the Closing to cooperate with each other and to continue to use reasonable best efforts to complete any environmental inspections required by the potential insurers and to obtain the Environmental Insurance. In the event that Buyer fails to obtain the Environmental Insurance, Seller, within nine months, following Closing may obtain the Environmental

Insurance and at such time as the policy is effective the environmental indemnity provided by Seller pursuant to subsection 14(e)(iii) above shall terminate except with respect to claims made under such indemnity prior to the effective date of the Policy.

- (g) If Buyer, in its sole discretion, elects to exclude from coverage under the Baseline Policy the gathering lines that comprise a portion of the Gathering System (other than the Stations, the Plant Facility and other above ground facilities adjacent thereto and that portion of the gathering pipeline thereunder), such gathering lines, excluding such other facilities, being referred to as the "Pipeline," Seller will have no indemnification obligations under Schedule 14(e) arising out of or attributable to the Pipeline.

15. Confidentiality. All Records and all other confidential data provided to Buyer, whether before or after the date of this Agreement, and all non-public title matters and environmental reports prepared by Buyer or Buyer's representatives relating to the Interests, shall be treated by Buyer as strictly confidential, and shall not be disclosed to any Person, without the prior written consent of Seller unless required by law or regulation. All notices of Environmental Defects, environmental assessments and other environmental information prepared by Buyer or Buyer's representatives relating to the Interests shall be treated by Seller as strictly confidential, and shall not be disclosed to any Person, without the prior written consent of Buyer unless required by law or regulation. In the event this purchase and sale does not close, this covenant shall survive termination of this Agreement for a period of two years; and in the event this purchase and sale closes, Buyer's covenant shall terminate at Closing, but Seller's covenants relating to Environmental Defects, environmental assessments and other environmental information shall continue for two years. In the event this purchase and sale closes, all Records and all other confidential data relating to the Interests or the Business, and all non-public title matters relating to the Interests, shall be treated by Seller as strictly confidential, and shall not be disclosed to any Person for a period of two years after Closing, without the prior written consent of Seller unless required by law or regulation.

16. DISCLAIMERS. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, THE INTERESTS ARE BEING CONVEYED AND ASSIGNED TO AND ACCEPTED BY BUYER IN THEIR "AS IS, WHERE IS" CONDITION AND STATE OF REPAIR, AND WITH ALL FAULTS AND DEFECTS, WITHOUT ANY REPRESENTATION, WARRANTY OR COVENANT OF ANY KIND OR NATURE, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MARKETABILITY, QUALITY, CONDITION, CONFORMITY TO SAMPLES, MERCHANTABILITY, AND/OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE EXPRESSLY DISCLAIMED BY SELLER AND WAIVED BY BUYER. THE INTERESTS HAVE BEEN USED FOR GAS PIPELINE, TRANSPORTATION, TREATING, STORAGE AND RELATED OPERATIONS. PHYSICAL CHANGES IN THE INTERESTS AND IN THE LANDS BURDENED THEREBY MAY HAVE OCCURRED AS A RESULT OF SUCH USES. THE INTERESTS MAY ALSO INCLUDE BURIED PIPELINES AND

OTHER EQUIPMENT, THE LOCATIONS OF WHICH MAY NOT BE KNOWN BY SELLER OR READILY APPARENT BY A PHYSICAL INSPECTION OF THE INTERESTS. IT IS UNDERSTOOD AND AGREED THAT BUYER SHALL HAVE INSPECTED PRIOR TO CLOSING (OR SHALL BE DEEMED TO HAVE WAIVED ITS RIGHT TO INSPECT) THE INTERESTS AND THE ASSOCIATED PREMISES, AND SATISFIED ITSELF AS TO THEIR PHYSICAL AND ENVIRONMENTAL CONDITION, AND THAT BUYER SHALL ACCEPT ALL OF THE SAME IN THEIR "AS IS, WHERE IS" CONDITION AND STATE OF REPAIR, AND WITH ALL FAULTS AND DEFECTS, INCLUDING, BUT NOT LIMITED TO, THE PRESENCE OF MAN-MADE MATERIAL FIBERS (MMMF) AND THE PRESENCE, RELEASE OR DISPOSAL OF HAZARDOUS SUBSTANCES. IN ADDITION, SELLER MAKES NO REPRESENTATION, COVENANT OR WARRANTY, EXPRESS, IMPLIED OR STATUTORY, AS TO THE ACCURACY OR COMPLETENESS OF ANY DATA OR RECORDS DELIVERED TO BUYER WITH RESPECT TO THE INTERESTS, INCLUDING, WITHOUT LIMITATION, ANY DESCRIPTION OF THE INTERESTS, PRICING ASSUMPTIONS OR QUALITY OR QUANTITY OF THE INTERESTS. ANY RELIANCE ON OR USE OF SUCH INFORMATION SHALL BE AT BUYER'S SOLE RISK. THIS SECTION SHALL NOT OPERATE TO WAIVE OR RELEASE, AND IS EXPRESSLY SUBJECT TO, ALL REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS OF SELLER CONTAINED IN THIS AGREEMENT. THIS SECTION SHALL NOT OPERATE TO WAIVE OR RELEASE ANY REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS OF SELLER CONTAINED IN THE TRANSACTION AGREEMENTS.

17. DTPA Waiver. TO THE EXTENT APPLICABLE TO THE INTERESTS OR ANY PORTION THEREOF, BUYER HEREBY WAIVES ITS RIGHTS UNDER THE PROVISIONS OF THE TEXAS DECEPTIVE TRADE PRACTICES ACT, CHAPTER 17, SUBCHAPTER E, SECTIONS 17.41 THROUGH 17.63, INCLUSIVE (OTHER THAN SECTION 17.555, WHICH IS NOT WAIVED), OF THE TEXAS BUSINESS & COMMERCIAL CODE (A LAW THAT GIVES CONSUMERS SPECIAL RIGHTS AND PROTECTIONS). AFTER CONSULTATION WITH AN ATTORNEY OF ITS CHOICE, BUYER VOLUNTARILY CONSENTS TO THIS WAIVER.
18. Covenants of Seller. Seller covenants and agrees that from and after the execution of this Agreement and until the Closing Date:
- (a) Seller will not sell, transfer, assign, convey or otherwise dispose of any Interests other than personal property and equipment which is of a nature which is disposed of, from time to time, in the ordinary course of business which is replaced with property and equipment of comparable or better value and utility in the ordinary and routine maintenance and operation of the Interests;
 - (b) Seller will not create or knowingly permit the creation of any Lien on any Interest other than a Permitted Encumbrance reflected in Sections 4(a)(ii)(B), 4(a)(ii)(D) (other than Liens granted to or created in favor of Seller or any of its Affiliates), 4(a)(ii)(E), 4(a)(ii)(F), or 4(a)(ii)(G) hereof;

- (c) If Seller becomes aware of (i) any major event or development which reasonably may materially and adversely affect any of the Interests or the Business or impede the transaction contemplated by this Agreement, or (ii) any suit, action or other proceeding before any court or governmental agency which relates to the Interests or which might result in impairment or loss of Seller's title to any of the Interests or the value thereof, or which might hinder or impede the operation of the Interests, it will give prompt written notice to Buyer; and
- (d) Seller agrees to:
- (i) cause the Interests to be maintained and operated in the ordinary course of business in accordance with the past operating and maintenance practices of Seller, including regular scheduled maintenance plans and capital expenditures, and pay or cause to be paid all costs and expenses in connection therewith;
 - (ii) carry on its business with respect to the Interests in substantially the same manner as it has heretofore, not introducing any new method of management, operation or accounting with respect to the Interests; and
 - (iii) use reasonable efforts to preserve the business involving the Interests intact, to keep available the services of the employees involved in the conduct of business involving the Interests and to preserve the goodwill of customers having business relations with Seller relating to the Interests, in all material respects.
- (e) Seller will not, without the consent of Buyer which will not be unreasonably withheld, attempt to renegotiate any amounts paid by or payable to Seller under any of the Material Contracts.
- (f) As soon as possible after execution of this Agreement, Seller will promptly cooperate with Pricewaterhouse Coopers ("PWC") to enable PWC to provide to Buyer the following financial information for the Business: (1) a balance sheet as of December 31, 2001 and income and cash flow statements for the twelve month period then ended, audited at Buyer's expense by PWC with an unqualified opinion from PWC on such audited statements (collectively, the "Audited Statements"); (2) unaudited income statements for each of the three month periods ended March 31, June 30 and September 30, 2001 and March 31, 2002 (collectively, the "Unaudited Statements"). Seller agrees to use reasonable efforts to facilitate the preparation of such financial statements prior to Closing which fairly present the results of operations of the Business for the referenced periods. In addition to the above audit fees, Buyer would pay to Seller an amount not to exceed \$50,000 for the reimbursement of incremental costs (e.g., overtime and consulting fees) incurred by Seller in connection with the preparation of the Audited Statements and the Unaudited Statements to the extent all of such statements are delivered to Buyer no later than June 14, 2002.

19. Casualty Loss.

- (a) As used herein, the term "Casualty Loss" shall mean, with respect to all or any portion of the Interests, any destruction by fire, storm or other casualty, or any condemnation or taking or threatened condemnation or taking, of all or any portion of the Interests from and after the date of the execution of this Agreement and until the Closing Date. Seller shall promptly notify Buyer of any Casualty Loss of which Seller becomes aware. If a Casualty Loss occurs that would reasonably be expected to have a material adverse effect on the Business, Seller will have the right to attempt to cure such Casualty Loss prior to Closing and to extend the Closing Date for up to 45 days for such purpose. If Seller refuses or is unable to cure such Casualty Loss prior to the Closing or to reduce the Purchase Price by the amount as agreed to by Buyer and Seller, Buyer may terminate this Agreement by providing to Seller 15 days written notice.
- (b) Except as provided in subsection (a) above, if any Casualty Loss occurs prior to Closing to any of the Interests and such Casualty Loss may be repaired prior to Closing and, when repaired, the value of such Interests shall not be materially diminished, then Seller may repair such Casualty Loss prior to Closing at Seller's cost and shall immediately notify Buyer of such election. If a Casualty Loss occurs prior to Closing, Buyer does not elect to terminate this Agreement pursuant to subsection (a) above and the Purchase Price is not reduced under subsection (a) above, and such repair is not completed by Seller prior to Closing, then Buyer may elect to (i) reduce the Base Purchase Price by an amount estimated by Seller and agreed to by Buyer to be equal to the repair costs of the Casualty Loss; provided that, if the Parties cannot agree, then either Party may submit the determination of the repair costs of the Casualty Loss to arbitration pursuant to the Commercial Arbitration Rules of the American Arbitration Association, and the repair costs as determined pursuant to such arbitration shall be the repair costs of the Casualty Loss for purposes of this clause (i), or (ii) accept the Interests with the Casualty Loss with no adjustment to the Base Purchase Price, but with Buyer being entitled to receive as Buyer's sole property all insurance proceeds, condemnation or taking proceeds, and other proceeds or recoveries on account of such Casualty Loss. Notwithstanding the foregoing, if the Casualty Loss is in excess of \$5,000,000 then Seller may elect to terminate this Agreement upon 15 days written notice to Buyer.

20. Post-Closing Consents and Required Consents.

- (a) "Post-Closing Consents" means any consent, approval or permit of, or filing with or notice to, any third party that is customarily obtained or made after closing in connection with transactions similar in nature to the transactions contemplated hereby.
- (b) "Required Consent" shall mean any rights to consent to an assignment or transfer of an Interest (other than Post-Closing Consents) where the failure to receive such

consent could materially and adversely affect, prevent or interfere with the ownership, operation, value or use of any Interest and the Business or cause Buyer to suffer or incur any material loss or damage, due consideration being given to whether same is usual and customarily acceptable to reasonable and prudent persons engaged in the business of ownership and operation of gathering systems with knowledge of all of the facts and appreciation of their legal significance. Seller shall promptly give notices to all third parties holding any Required Consents known to Seller or identified to Seller by Buyer prior to Closing. Seller shall use all reasonable efforts, but without obligation to incur any unreasonable cost or expense, to obtain such Required Consents. Unless waived in writing by Buyer, if a Required Consent with respect to an Interest is not obtained prior to Closing unless Seller (without infringing upon the legal rights of any third party or outside party or violating any law, rule, regulation or permit) shall provide to Buyer an alternative arrangement which provides to Buyer the equivalent benefits of such nonassigned Interest (at no additional cost to Buyer other than the assumption with respect to such period of any related liability and the performance and compliance by Buyer with the terms of such Interest), then (x) the purchase price shall be reduced prior to the Closing by the mutually agreed reduction in the value of the Val Verde System resulting from the loss of the affected Interest, and such Interest shall be excluded from the purchase and sale under this Agreement, or (y) Buyer may terminate this Agreement if the Parties are unable to agree to a mutually acceptable purchase price reduction pursuant (x) and the failure to obtain such Required Consent would have an Adverse Title Effect. Any Required Consent waived in writing by Buyer shall be deemed a Permitted Encumbrance.

- (c) "Adverse Title Effect" with respect to an Interest shall mean that the failure to obtain a Required Consent with respect to such Interest will materially and adversely affect, prevent or interfere with the operation, value or use of the Business or cause Buyer to suffer or incur a material loss or damage.
- (d) If any Required Consent exists with respect to any of the Interests, then until such Required Consent is obtained and such Interest is assigned by Seller to Buyer:
 - (i) Seller agrees to use its commercially reasonable efforts (without infringing upon the legal rights of any third party or outside party or violating any law, rule, regulation or permit) to provide Buyer with the equivalent assets or benefits of such retained Interest by subcontract or otherwise, at no additional cost to Buyer (other than the assumption with respect to such period of any related liability and the performance and compliance by Buyer with the terms of such permit, license, easement, contract or other property) effective as of the Closing Date; and
 - (ii) Buyer agrees (without infringing upon the legal rights of such third party or outside party or violating any law, rule, regulation or permit) to bear with respect to such period the economic burden of any related liability

and of the performance and compliance with the terms of the permit, license, easement, contract or other property subject to the Required Consent, at no additional cost to Seller, effective as of the Closing Date to the same extent as Buyer would have borne such liability and other obligations if such Required Consent had been obtained and such retained Interest had been assigned by Seller to Buyer effective as of the Closing Date.

Seller agrees (without infringing upon the legal rights of such third party or outside party or violating any law, rule, regulation or permit) to exercise its rights with respect to such retained Interest at the direction and/or for the benefit of Buyer. Notwithstanding the foregoing, nothing in this subsection (d) or subsection (e) below shall require or obligate Seller or Buyer to purchase or pay consideration to acquire any new or additional permit, license, easement, contract or other property right or interest.

- (e) Any failure of Seller to obtain a Required Consent shall be handled exclusively under this Section 20 and will not be treated as a Title Defect under Article 4 or a breach of any other sections of this Agreement.
- (f) Without waiving any of the Parties' rights hereunder, this Agreement shall not operate as an assignment by Seller to Buyer of any contract, permit, franchise, claim or asset included in the Interests that is by its valid and enforceable terms or by law nonassignable, without the consent of any other party or parties to such Interest or a Governmental Entity, unless such consent or approval shall have been given

21. Closing. Subject to the terms and conditions of this Agreement, the Closing shall occur effective at 11:59 p.m. (New Mexico Time) on June 30, 2002 at the offices of Seller at 5051 Westheimer, Suite 1400, Houston, Texas, or at such other time and place as Seller and Buyer may mutually agree in writing (the "Closing" or the "Closing Date"). If all conditions to Closing have been satisfied or waived, a pre-closing will occur on June 28, 2002 at which time all Transaction Agreements and other closing documents will be executed and deposited into escrow with Vinson & Elkins L.L.P. ("Vinson & Elkins") and the Purchase Price, reduced by 3 days of interest at 4% per annum if the Purchase Price is wired by Buyer to Seller prior to 12:00 p.m. (Houston, Texas Time) on June 28, 2002 (and 2 days of interest if the Purchase Price is wired by Buyer to Seller after 12:00 p.m. Eastern time on June 28, 2002 unless the delay results from the activities of Seller), will be paid to Seller. The closing documents will be released by Vinson & Elkins to Buyer and Seller, respectively, on July 1, 2002 provided that no "termination event" as defined in the escrow agreement among Vinson & Elkins, Buyer and Seller has occurred. If a "termination event" as defined in the escrow agreement among Vinson & Elkins, Buyer and Seller has occurred, then Vinson & Elkins will promptly destroy the closing documents and within one Business Day thereafter Seller will wire back to Buyer in immediately available funds the amount wired by Buyer in connection with the Pre-Closing.

22. Transactions at Closing.

- (a) Buyer, BROG and Burlington Resources Trading Inc. shall enter into a Gas Gathering and Treating Agreement dated as of the Closing Date (the "Gas Gathering and Treating Agreement"), in substantially the form attached as Exhibit "B";
- (b) Buyer and Seller shall execute and deliver a Transition Services Agreement in substantially the form attached as Exhibit "M";
- (c) Seller shall execute, acknowledge, and deliver to Buyer instruments of conveyance in the form as set forth on the Special Warranty Deed with respect to the Plant Site in substantially the form attached as Exhibit "E", the Special Warranty Deed with respect to the other real property tract(s) in substantially the form attached as Exhibit "F", an Assignment of Rights-of-Way in substantially the form attached as Exhibit "G", the Assignment and Bill of Sale with respect to personalty included in the Interests in substantially the form attached as Exhibit "H", and such other instruments of conveyance as may be reasonably required to convey the Interests to Buyer;
- (d) Seller shall deliver to Buyer the Records within ten days after the Closing Date but Seller shall be authorized to keep a copy of the Records;
- (e) Seller shall deliver to Buyer the certificate referenced in Section 6(c) hereof;
- (f) Seller shall deliver to Buyer the legal opinions referenced in Section 6(d) hereof;
- (g) Buyer shall deliver to Seller the certificate referenced in Section 5(c) hereof;
- (h) Buyer shall deliver to Seller the legal opinion referenced in Section 5(d) hereof;
- (i) Seller and Buyer (or Buyer's Affiliate) shall execute and deliver the Employee Matters Agreement in substantially the form attached as Exhibit "I";
- (j) Buyer and BROG shall enter into a Joint Use and Occupancy Agreement dated as of the Closing Date, in substantially the form attached as Exhibit "A";
- (k) BROG shall execute and deliver to Buyer the BROG Guaranty in substantially the form attached as Exhibit "J";
- (l) Buyer and Seller shall enter into a Memorandum of Gas Gathering and Treating Agreement dated as of the Closing Date, in substantially the form attached as Exhibit "K";
- (m) Buyer and BROG shall enter into a Memorandum of Joint Use and Occupancy Agreement dated as of the Closing Date, in substantially the form attached as Exhibit "L";

- (n) Buyer and BROG shall have entered into a Water Disposal Agreement in substantially the form attached as Exhibit "N";
- (o) Buyer shall deliver to Seller cash by wire transfer in the amount of the Base Purchase Price (less any agreed adjustments and any amount required to be paid by Seller to Buyer in the Employee Matters Agreement) to the following account:

Bank:	Mellon Bank, Pittsburgh, PA.
ABA/Routing Number:	043-000-261
Account:	104-9050
For Credit To:	Burlington Resources Services Inc.
- (p) Buyer and BROG shall enter into a Cathodic Protection Agreement in substantially the form attached as Exhibit "P"; and
- (q) Buyer and Seller, if requested by Seller, shall enter into a Memorandum of Right of First Refusal in substantially the form attached as Exhibit "Q".
- (r) Buyer and Seller shall enter into a Volume Deficiency Agreement in substantially the form attached as Exhibit "R".
- (s) Buyer and Seller shall enter into a Put Agreement in substantially the form attached as Exhibit "S".

23. Further Assurances. Seller and Buyer shall execute, acknowledge, and deliver as appropriate (i) separate transfer documents for individual assets as may be reasonably required given the nature of an individual asset and (ii) separate transfer documents of assets on approved forms as may be necessary to satisfy applicable statutory and regulatory requirements. All such separate transfer documents, if any, shall be subject to the provisions of this Agreement. Incidental and subsequent to Closing, each of the Parties shall execute, acknowledge, and deliver to the other such further instruments, and take such other actions as may be reasonably necessary to carry out the provisions of this Agreement.

24. Proration of Taxes. All ad valorem Taxes, real property Taxes, and similar obligations attributable to the Interests with respect to the tax period in which the Effective Time occurs (the "current tax period") shall be apportioned between Seller and Buyer as of the Effective Time with Seller being obligated to pay a proportionate share of the actual amount of such Taxes for the current tax period determined by multiplying such actual Taxes by a fraction, the numerator of which is the number of days in the current tax period prior to the Effective Time and the denominator of which is the total number of days in the current tax period. An estimate of Seller's share of such actual Taxes for the current tax period shall be based on the immediately preceding tax period assessment, and the Base Purchase Price paid at Closing shall be reduced by the amount of such estimated Taxes owed by Seller for that portion of the current tax period prior to the Effective Time. When the actual amount of any such Taxes for the current tax period is

known, Buyer shall promptly advise Seller of the proportionate share of such actual Taxes for which Seller is obligated. If the estimate of Seller's share of such actual Taxes made pursuant to this Section was less than Seller's share of such actual Taxes, Seller shall pay Buyer such deficiency within 10 days of receipt of such notice, and if such estimate was more than Seller's share of such actual Taxes, Buyer will refund such excess to Seller at the time such notice is given. Except for the ad valorem Taxes, real property Taxes, and similar obligations for the current tax period which are prorated between Buyer and Seller pursuant to this Section, (i) Seller shall be obligated for, and shall indemnify Buyer and its Affiliates from and against, all other Taxes relating to the ownership of the Interests or conduct of the Business which are attributable to the period prior to the Effective Time, all Claims with respect to such other Taxes, and all Claims with respect to Seller's share of Taxes for the current tax period and (ii) Buyer shall be obligated for, and shall indemnify Seller and its Affiliates from and against, all other Taxes relating to the ownership of the Interests or conduct of the Business which are attributable to the period forward after the Effective Time, all Claims with respect to such other Taxes and all Claims with respect to Buyer's share of Taxes for the current tax period. Except as specifically provided in this Section 24 or in Section 27, Buyer is not assuming responsibility for any Taxes for which Seller or any of its Affiliates are liable and, subject to that exception, (i) Seller shall defend, indemnify and hold harmless Buyer from and against all Taxes for which Seller is liable and (ii) Buyer shall defend, indemnify and hold harmless Seller from and against all Taxes for which Buyer is liable.

25. Credits and Receipts. Subject to the terms hereof (including the indemnification provisions hereof), all monies, proceeds, receipts, credits and income attributable to the Interests (as determined in accordance with GAAP) (i) for all periods of time from and after the Effective Time, shall be the sole property and entitlement of Buyer, and, to the extent received by Seller or one of its Affiliates, shall be promptly accounted for and transmitted to Buyer and (ii) for all periods of time prior to the Effective Time, shall be the sole property and entitlement of Seller and, to the extent received by Buyer, shall be promptly accounted for and transmitted to Seller. After Closing, regardless of when and by whom the actual invoice or demand for payment is received, (a) Seller shall pay and be responsible for all accounts payable or overhead or administrative costs incurred in the ordinary course of business with respect to the Interests or the Business and attributable to any period of time before the Effective Time and (b) Buyer shall pay and be responsible for all accounts payable or overhead or administrative costs incurred in the ordinary course of business with respect to the Interests or the Business and attributable to any period of time after the Effective Time. Seller shall pay and be responsible for the amounts for which Seller is responsible under Sections 4(a)(ii)(B) and 4(a)(ii)(F).

26. Notices. All notices hereunder shall be sufficiently given for all purposes hereunder if in writing and delivered personally, or to the extent receipt is confirmed by the Party charged with notice, sent by documented overnight delivery service, by United States mail, telecopy, telefax or other electronic transmission service to the appropriate address or number as set forth below. Notices to Seller or Buyer shall be addressed to:

SELLER
BUYER ----

Burlington
Resources
Gathering
Inc.

TEPPCO
Partners,
L.P. 5051
Westheimer
2929 Allen
Parkway
Suite 1400
Houston,
Texas
77019

Houston,
Texas
77056-2124
Attn:
President
Attn:

Scott Kirk
Phone:
713-759-
3600 Fax:
713-624-
9627 Fax:
713-759-
3957

Burlington
Resources
Oil & Gas
Company LP

With copy
to: 5051
Westheimer
Suite 1400
TEPPCO

Partners,
L.P.
Houston,
Texas

77056-2124
2925 Allen
Parkway
Attn:

Sally
McDonald
Houston,
Texas

77019 Fax:
713-624-
9640 Attn:
General
Counsel

Phone:
713-759-
3968 Fax:
713-759-
3645

27. Transfer Taxes. Seller and Buyer believe that this purchase and sale of the Interests constitutes an isolated or occasional sale and is not subject to sales Tax; provided, however, if any sales, transfers, use Taxes or other similar Taxes are due or should hereafter become due (including penalty and interest thereon) by reason of this transaction, Buyer shall timely pay and solely bear all such Taxes.
28. Recording Documents. Buyer shall pay all documentary, filing, and recording fees incurred in connection with the filing and recording of the instruments of conveyance. As soon as practicable after Closing, Buyer shall provide Seller with recorded copies of all documents conveying the Interests to Buyer.
29. Announcements. Seller and Buyer shall consult with each other prior to the release of any press releases and other announcements concerning this Agreement or the transactions contemplated hereby. Nothing herein shall prohibit a Party from making a press release or other announcement if required by applicable law or the rules or regulations of a stock exchange; however, the Party required to make the announcement agrees to use reasonable efforts to consult with the other Party in connection with such release or filing. Any press release or other announcement shall be at a time and in a form reasonably acceptable to Seller and Buyer.
30. Survival of Representations, Warranties and Covenants. Except as otherwise provided herein, all covenants of the Parties to the extent not fully performed or waived prior to Closing shall survive the Closing; except to the extent their survival is expressly limited by another provision of this Agreement, including Section 10(b) above. All

representations and warranties of the Parties (except for the representation and warranty of Seller in Section 7(w)) shall survive the Closing subject to the limitations set forth in Section 10(b) and except that Section 8 (other than subsection (b), (c) and (h) thereof) shall survive Closing until two years after Closing. The representation and warranty of Seller in Section 7(w) shall not survive the Closing and shall have no force and effect following the Closing; provided, that in the event that breaches of Section

7(w) at Closing represent Environmental Liabilities in excess of \$5,000,000, in the aggregate, then Buyer can terminate this Agreement by written notice to Seller.

31. Reliance. Prior to executing and closing this Agreement, Buyer has been afforded an opportunity to (i) examine the Interests and such materials as it has requested to be provided to it by Seller, (ii) to discuss with representatives of Seller such materials and the nature and operation of the Interests and (iii) to investigate the condition of the Interests. In entering into and closing this Agreement, Buyer has relied solely on the express representations and covenants of Seller in this Agreement and the instruments of conveyance, its independent investigation of, and judgment with respect to, the Interests, and the advice of its own legal, tax, economic, environmental, engineering, pipeline and treating plant advisors, and not on any comments or statements of Seller or any representatives or agents of, or consultants or advisors engaged by, Seller.
32. Dispute Resolution. The Parties shall attempt to promptly resolve any controversy or claim between the Parties hereto arising out of or relating to this Agreement or any related agreements, transactions, or instruments. If any controversy or claim should arise, the Parties shall meet and attempt to resolve the matter by negotiation. Such negotiation shall be held between officers of both Parties, each having the authority to settle the controversy or claim. If any such controversy or claim is not resolved by negotiation, the Parties will attempt to negotiate an agreement for alternate method resolution (such as mediation) before initiating an action for judicial relief.
33. Failure to Close. Subject to the other provisions of this Section, if all of the conditions to Closing set forth in Sections 5, 6 and 35 hereof have not been satisfied or waived by the respective Parties on or before August 31, 2002 (or such later date as this Agreement may be extended by Buyer or Seller pursuant to the express terms hereof, or as hereafter may be mutually agreed upon by the Parties in writing), this Agreement shall terminate automatically, and no Party hereto shall have any further obligations or any liability to the other Party pursuant to this Agreement; provided, however, that nothing herein shall relieve any Party from liability for the willful failure to satisfy any conditions to Closing required to be satisfied by it. Upon any termination of this Agreement, Seller shall be free immediately to enjoy all rights of ownership of the Interests and to sell, transfer, encumber or otherwise dispose of the Interests to any Person without any restriction under this Agreement.
34. Use of Seller Names. Buyer agrees that, as soon as practicable after Closing (and in any event within 120 days), it will remove or cause to be removed the names and marks Burlington Resources, Meridian Oil, El Paso Production, or Southland Royalty where and if they exist, and all variations and derivatives thereof and logos relating thereto from the Interests and will not thereafter make any use whatsoever of such names, marks, and logos.
35. Regulatory Filings; Hart-Scott-Rodino Filing.
 - (a) Buyer and Seller will take all commercially reasonable actions necessary or desirable, and proceed diligently and in good faith and use all commercially reasonable efforts, as promptly as practicable to obtain all consents, approvals or

actions of, to make all filings with, and to give all notices to, Governmental Entities required to accomplish the transactions contemplated by this Agreement.

- (b) This Agreement is subject in all respects to and conditioned upon compliance by the Parties with the HSR Act, to the extent that the HSR Act is applicable to the transactions contemplated by this Agreement. The Parties shall make such filings on or prior to May 24, 2002 and provide such information to the Federal Trade Commission ("FTC") and their attorneys as is required in connection with the HSR Act as soon as practicable after a request therefor. In no event will Buyer or any Affiliate of Buyer be obligated to divest any assets in connection with obtaining any waiver or approval under the HSR Act.
- (c) Notwithstanding any provision herein to the contrary, each of the Parties will (i) use reasonable efforts to comply as expeditiously as possible with all lawful requests of government entities for additional information and documents pursuant to the HSR Act, (ii) not (A) extend any waiting period under the HSR Act or (B) enter into any voluntary agreement with any Governmental Entity not to consummate the transactions contemplated by this Agreement, except with the prior consent of the other Party, and (iii) cooperate with each other and use reasonable efforts to obtain the requisite approval of the FTC and Justice Department, including without limitation (A) the execution, delivery and performance by the appropriate entity of such divestiture agreements or other actions, as the case may be, as may be reasonably necessary to secure the expiration or termination of the applicable waiting periods under the HSR Act, (B) the removal, dissolution, stay or dismissal of any temporary restraining order, preliminary injunction or other judicial or administrative order which prevents the consummation of the transactions contemplated hereby or requires as a condition thereto that all or any part of the Business be held separate or (C) the pursuit of necessary litigation or administrative proceedings (including, if necessary, participation in proceedings through the trial court level).
- (d) Each Party will be responsible for paying its respective filing fees required with respect to any filing under the HSR Act.

36. Preservation of Records. For a period of seven (7) years after the Closing Date, the Party in possession of the originals of the Records will retain such Records and will make such Records available to the other Party upon reasonable notice for inspection and/or copying, at the expense of the requesting Party, at the headquarters of the Party in possession (or at such other location in the United States as the Party in possession may designate in writing to the other Party) at reasonable times and during regular office hours. Neither Party shall have any liability to the other Party for the inadvertent destruction by mistake or oversight of any Records required to be preserved pursuant to this Section. If Buyer, at any time, proposes to transfer the Interests directly or indirectly, to a third party, then Buyer will provide notice of such proposal to Seller and permit Seller a reasonable opportunity to make copies of the Records.

37. Right of First Refusal. Buyer shall not sell, transfer, assign, exchange, voluntarily surrender or otherwise dispose of the Val Verde System or any part thereof to any Person, other than a Permitted Transferee, except after strict compliance with the terms hereof (any such disposition being herein referred to as a "Subject Transfer"). For the purposes hereof, a Subject Transfer shall (i) include any sale or transfer to any Person, whether by merger, business combination, transfer of securities or otherwise or any sale or transfer of any entity all or substantially all of whose assets consist of the Val Verde System; and (ii) exclude any sale, transfer, assignment, exchange, abandonment, surrender or other disposition in the ordinary course of business of any real property, personal property, contracts, well ties, equipment, materials and supplies not constituting a material part of the Val Verde System. Any assignee of the Interests or any part thereof (except for the exclusions specified above or as may otherwise be agreed by Seller in writing) shall receive the Interests subject to this continuing right of first refusal and shall be required to enter into and deliver to Seller a letter acknowledging the agreement of such assignee that the Interests will remain subject to this right of first refusal following such assignment. In the event that Buyer plans to pursue a Subject Transfer it will provide written notice to Seller of such intentions at least 30 days prior to accepting any Subject Transfer proposal. Furthermore, at least 10 days prior to consummating a Subject Transfer, Buyer shall deliver to Seller a notice (a "Transfer Notice") containing full information concerning the Subject Transfer that it proposes to make, including the purchase price and all other material terms on which Buyer proposes to make the Subject Transfer. Seller shall have a period of ten days after receipt of the Transfer Notice from Buyer to exercise its option to purchase on the same terms and conditions. If Seller does not timely elect to exercise its option to purchase on the terms and conditions set forth in said Transfer Notice in accordance with the foregoing, then, Buyer may make a Subject Transfer for the same or a higher purchase price and, in all material respects, on the same or clearly better terms than were specified in such Transfer Notice at any time within three months (as may be extended by any delay in obtaining regulatory approvals but not beyond an additional three months) after the expiration of Seller's 10-day option period, but any later sale or any sale for a different purchase price or on different terms than permitted above must again be offered to Seller in accordance with the above terms of this Section. Copies of all agreements and other documentation evidencing any Subject Transfer to any Person other than Seller must be furnished to Seller no later than 15 Business Days after the date such Subject Transfer is completed. A Permitted Transferee shall be Duke Energy Field Services, LLC or its direct or indirect subsidiaries, Texas Eastern Products Pipeline Company, LLC or its direct or indirect subsidiaries, and TEPPCO Partners, L.P. or its direct or indirect subsidiaries.

38. Supplements to Disclosure Schedules. If, to Seller's knowledge, after the date hereof and prior to Closing any event occurs or condition changes that causes any of their representations or warranties in this Agreement to be inaccurate, Seller will promptly notify Buyer thereof in writing. Such supplement and disclosure shall not be deemed to be a part of Seller's Disclosure Schedule for purposes of determining if the conditions to Closing have been satisfied but shall be deemed to be included in Seller Disclosure Schedule if Closing shall occur; provided, however, that such supplement and disclosure shall not be deemed to be a part of Seller's Disclosure Schedule if such event or change (i) arises from a breach by Seller of any of its covenants under this Agreement, (ii) has a material adverse effect on the Business or the Interests, or (iii)

constitutes a matter which a reasonable and prudent similarly situated pipeline operator would not have accepted had it known about the same at the time of execution of this Agreement.

39. Buyer's Post-Closing Covenant. Buyer agrees that it shall not, and shall not permit any of its Affiliates to conduct any invasive environmental site assessments (other than for those areas or conditions identified in Schedule O) for two years following the Closing, the effect of which would reasonably be expected to impose any additional material obligation on Seller under Schedule 14(e) to the Seller Disclosure Schedule, unless conducting such site assessment would be in the ordinary course of business of Buyer or its Affiliates pursuant to Buyer's adopted operating policies applicable generally to the Val Verde System and to other similar assets owned by Buyer or its Affiliates as opposed to a policy directed primarily at the Val Verde System or any part thereof or consistent with good industry practice.

40. Miscellaneous

- (a) Capitalized terms as used in this Agreement shall have the meanings prescribed in Annex A attached hereto and incorporated by reference.
- (b) This Agreement may be executed by Buyer and Seller in any number of counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute one and the same instrument.
- (c) Time is of the essence in this Agreement.
- (d) Any of the terms, provisions, covenants, representations, warranties or conditions hereof may be waived only by a written instrument executed by the Party waiving compliance. The failure of any Party at any time or times to require performance of any provisions hereof shall in no manner affect such Party's right to enforce the same. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.
- (e) This instrument states the entire agreement and supersedes all prior agreements (except the Confidentiality Agreement) between the Parties concerning the subject matter hereof. This Agreement may be supplemented, altered, amended, modified or revoked by writing only, signed by both Parties.
- (f) This Agreement and the rights and obligations of the Parties hereto shall be governed, construed, and enforced in accordance with the laws of the State of Texas, except as the laws of any other jurisdiction mandatorily apply. The Parties agree that any litigation relating directly or indirectly to this Agreement must be brought before and determined by a court of competent jurisdiction within Harris County, Texas.
- (g) This Agreement is not intended to confer upon any person not a Party hereto any rights or remedies hereunder, and no person, other than the Parties hereto, is

entitled to rely on any representation, covenant, or agreement contained herein. The Seller Parties and the Buyer Parties are not third party beneficiaries of this Agreement. Any claim on behalf of a Seller Party for indemnification under this Agreement can only be made and administered by Seller and any claim on behalf of a Buyer Party for indemnification under this Agreement can only be made and administered by Buyer.

- (h) If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any adverse manner to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.
- (i) All the terms, provisions, covenants, representations, and conditions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the Parties hereto and their respective successors; provided, however, this Agreement or any portion thereof and the rights and obligations hereunder shall not be assignable or delegable by any Party, without the express prior written consent of the non-assigning or non-delegating Party; provided, however, Buyer may, without consent, make any such assignment or delegation to any Permitted Transferee. All assignments permitted or consented to hereunder (i) shall be, and by their terms shall expressly provide that they are, subject to the rights of the other Party under this Agreement, (ii) shall require that the assignee agree to be bound by and perform all obligations of the assigning Party hereunder with respect to the interest so assigned, and (iii) shall not release the assigning Party or its predecessor Parties in interest under this Agreement from their obligations under this Agreement.
- (j) Should either Party default in the performance of this Agreement, the other Party shall be entitled to enforce specific performance of this Agreement, or exercise any other right or remedy it may have at law or in equity by reason of such default.
- (k) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. If the date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notices required to be given or any action taken expires on a date which is not a Business Day), then the date for giving such notice or taking such action (and the expiration date for such

period during which notice is required to be given or action taken) shall be the next day which is a Business Day.

- (l) Unless the context requires otherwise: (i) the gender (or lack of gender) of all words used in this Agreement includes the masculine and feminine; (ii) references to Articles and Sections refer to Articles and Sections of this Agreement; (iii) references to Attachments, Schedules or Exhibits refer to the Attachments, Schedules and Exhibits attached to this Agreement, each of which is made a part hereof for all purposes; (iv) the word "including" and any derivatives thereof means "including, without limitation," and (v) the word "day" means any calendar day.
- (m) IN NO EVENT SHALL ANY PARTY HERETO BE LIABLE TO ANY OTHER PARTY HERETO FOR ANY SPECIAL, PUNITIVE, CONSEQUENTIAL, INCIDENTAL OR EXEMPLARY DAMAGES (IN TORT, CONTRACT OR OTHERWISE) OF SUCH PARTY UNDER OR IN RESPECT OF THIS AGREEMENT OR FOR ANY FAILURE OF PERFORMANCE RELATED HERETO HOWSOEVER CAUSED, WHETHER OR NOT ARISING FROM SUCH PARTY'S SOLE, JOINT OR CONCURRENT NEGLIGENCE, GROSS NEGLIGENCE, WILLFUL MISCONDUCT, OR BAD FAITH. This Section shall not prevent a Party's indemnification obligations under this Agreement from including consequential, special, incidental, exemplary or punitive damages to the extent (i) the injuries or losses resulting or giving rise to such damages are incurred or suffered by a third party who is not an Affiliate of a Party and (ii) such damages are recovered by a third party who is not an Affiliate of a Party against a Person indemnified under this Agreement.
- (n) Each Party shall bear its respective costs and expenses incurred in connection with the preparation, negotiation and execution of this Agreement and the consummation of the transactions contemplated herewith.
- (o) The indemnification provisions of this Agreement shall be the sole and exclusive remedy of each Party (including Seller Parties and Buyer Parties) after the Closing (i) for any breach of a Party's representations and warranties contained in this Agreement or (ii) otherwise with respect to this Agreement and the transactions contemplated hereby, excluding the Transaction Agreements and the transactions contemplated thereby.
- (p) If, at any time following the Closing, Buyer determines that any Person who might have entered into a confidentiality agreement with Seller in connection with the sale of the Val Verde System may be releasing or utilizing in the conduct of its or its Affiliate's business confidential and proprietary information pertaining to the Business in violation of such confidentiality agreement, Buyer may notify Seller and Seller will either assign the applicable confidentiality agreement to Buyer or enforce Seller's right to require such Person to maintain the confidentiality of such information under such confidentiality agreement.

(q)

Unless otherwise herein stated or provided in a Transaction Agreement, each Transaction Agreement shall be an independent and separate obligation of the parties thereto and the rights and obligations of such parties under the Transaction Agreements will not be subject to the provisions of this Agreement, including the limitations in Sections 10 and 11 hereof.

EXECUTED as of the date first above mentioned.

SELLER

BURLINGTON RESOURCES GATHERING INC.

By: /s/ FREDERICK J. PLAEGER, II

Name: Frederick J. Plaeger, II

Title: Vice President

BUYER

TEPPCO PARTNERS, L.P.
By: Texas Eastern Products Pipeline
Company, LLC, its general partner

By: /s/ JOHN N. GOODPASTURE

Name: John N. Goodpasture

Title: Vice President

ANNEX A

DEFINITIONS AND TERMS

Capitalized terms used in the Agreement shall have the meanings prescribed below or the meanings as prescribed in other parts of this Agreement where such capitalized terms are defined:

"Adverse Title Effect" has the meaning specified in Section 20(c).

"Affiliate" means, with respect to any Person, any Person directly or indirectly controlling, controlled by or under common control with, such Person. For the purposes of this definition, "control" (including, with correlative meaning, the terms "controlling," "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of such Person, by contract or otherwise.

"Agreement" means this Purchase and Sale Agreement, as the same may be amended or supplemented from time to time.

"Baseline Policy" has the meaning specified in Section 14(a).

"Base Purchase Price" has the meaning specified in Section 2(b).

"Business" means the business of owning, operating and using, the Val Verde System and the Interests.

"Business Day" means any day other than a Saturday, a Sunday or a legal holiday on which banks in Houston, Texas are authorized or obligated by law to close.

"Buyer" has the meaning specified in the introductory paragraph of this Agreement.

"Buyer Indemnitees" has the meaning specified in Section 10(c).

"Buyer Parties" has the meaning specified in Section 10(a).

"Buyer's knowledge" and "known to Buyer" have the meaning specified in Section 8.

"Casualty Loss" has the meaning specified in Section 19(a).

"Cathodic Protection Agreement" has the meaning specified in Section 22(q).

"Civil Fines and Penalties" means civil fines and penalties asserted or imposed against Seller Parties or Buyer Parties by any Governmental Entity which relate to or are attributable to any Environmental Defect.

"Claims" shall mean any and all claims, losses, damages, costs, expenses, fines, suits, causes of action or judgments of any kind or character or requirements, obligations or directives

embodied in any Environmental Laws that mandate and require prompt remedial action at the present time, with respect to any and all liabilities and obligations or alleged or threatened liabilities and obligations, including, but not limited to, any interest, penalty, and any attorneys' fees and other costs and expenses incurred in connection with investigating or defending any claims or actions, whether or not resulting in any liability.

"Closing" means the closing of the transactions provided for in this Agreement.

"Closing Date" means the date on which the Closing occurs.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Colorado Segment Assets" has the meaning specified in Section 1(a).

"Confidentiality Agreement" means the Confidentiality Agreement, dated March 1, 2002, between Seller and Duke Energy Field Services, LLC.

"Cost Effective Remedy" means the most cost effective remedy available that meets the requirements of applicable Environmental Law and is consistent with reasonable operating practices of a prudent pipeline operator similarly situated.

"Criminal Fines and Penalties" means criminal fines and penalties asserted and imposed against Seller Parties or Buyer Parties by any Governmental Entity which relate to or are attributable to any Environmental Defect.

"current tax period" has the meaning specified in Section 24.

"Defensible Title" has the meaning specified in Section 4(a)(i).

"Effective Time" has the meaning specified in Section 2(a).

"Employee Benefit Plan" shall mean (1) any employee welfare benefit plan or employee pension benefit plan as defined in sections 3(1) and 3(2) of ERISA, including, but not limited to, a plan that provides retirement income or results in deferrals of income by employees for periods extending to their terminations of employment or beyond, and a plan that provides medical, surgical or hospital care benefits or benefits in the event of sickness, accident, disability, death or unemployment and (2) any other material employee benefit agreement or arrangement that is not an ERISA plan, including without limitation, any deferred compensation plan, incentive plan, bonus plan or arrangement, stock option plan, stock purchase plan, stock award plan, golden parachute agreement, severance pay plan, dependent care plan, cafeteria plan, employee assistance program, scholarship program, retention incentive agreement, vacation policy, or other similar plan or agreement or arrangement that is maintained by Seller for the benefit of its current or former employees or directors or their beneficiaries, or with respect to which Seller may have any liability.

"Employee Matters Agreement" has the meaning specified in Section 22(i).

"Environmental Corrective Costs" has the meaning specified in Section 13(c).

"Environmental Deductible" has the meaning specified in Section 13(f).

"Environmental Defect" has the meaning specified in Section 13(a)(i).

"Environmental Insurance" has the meaning specified in Section 14(b).

"Environmental Law" has the meaning specified in Section 13(a)(ii).

"Environmental Liabilities" shall mean any and all liabilities, responsibilities, claims, suits, losses, costs (including remedial, removal, response, abatement, clean-up, investigative, or monitoring costs and any other related costs and expenses), other causes of action, damages, settlements, expenses, charges, assessments, liens, penalties, fines, pre-judgment and post-judgment interest, attorneys' fees and other legal fees (a) pursuant to any agreement, order, notice, or responsibility, directive (including directives embodied in Environmental Laws) that mandate and require prompt remedial action at the present time, injunction, judgment, or similar documents (including settlements), arising out of or in connection with any Environmental Laws, or (b) pursuant to any claim by a Governmental Entity or other person for personal injury or property damage to the extent arising out of any release of Hazardous Materials, damage to natural resources, remediation, or payment or reimbursement of response costs incurred or expended by the Governmental Entity or person pursuant to common law or statute.

"Environmental Material Adverse Effect" has the meaning specified in Section 7(w).

"Environmental Threshold" has the meaning specified in Section 13(e).

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" shall mean an entity that is required to be treated as a single employer together with Seller for certain employee benefit plan purposes under section 414 of the Code.

"Existing Environmental Condition" has the meaning specified in Section 13(a)(iii).

"Excluded Assets" has the meaning specified in Section 1.

"FTC" has the meaning specified in Section 35(b).

"GAAP" means the United States generally accepted accounting principles.

"Gas Gathering and Treating Agreement" has the meaning specified in Section 22(a).

"Gathering System" has the meaning specified in Section 1(a).

"Governmental Entity" shall mean any federal, state or local governmental entity, agency or authority.

"Hazardous Materials" has the meaning specified in Section 13(a)(iv).

"HSR Act" means the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Imbalance" has the meaning specified in Section 9.

"Interests" has the meaning specified in Section 1.

"Joint Use and Occupancy Agreement" has the meaning specified in Section 1(b).

"Joint Use ROW Agreements" has the meaning specified in Section 1(b).

"Lien" means mortgages, deeds of trust, liens, pledges, security interests, leases, claims, options, charges, liabilities, obligations, agreements, privileges, liberties, restrictions and other encumbrances of any kind.

"Material Contracts" has the meaning specified in Section 7(p).

"Party" or "Parties" has the meaning specified in the introductory paragraph of this Agreement.

"Permitted Encumbrances" has the meaning specified in Section 4(a)(ii).

"Permitted Transferee" has the meaning specified in Section 37.

"Person" means an individual, a corporation, a limited liability company, a partnership, an association, a trust or other entity or organization, including a Governmental Entity.

"Personal Injury and Property Damage Claims" means Claims incurred or imposed as a result of a Third Party Claim or a claim by a Seller Party for (a) any personal injury, death or damage to person or property of a Third Party or a Seller Party (not including claims arising out of environmental matters including releases, discharges or migration of Hazardous Materials which are addressed exclusively in Sections 10, 13 and 14 of this Agreement) occurring prior to the Closing to the extent arising out of or attributable to the operation or use of the Interests or conduct of the Business by Seller or any of its Affiliates prior to the Closing, it being agreed that such injuries and damages, which are of a continuous or ongoing nature and extend over the Closing shall be apportioned on the basis of the respective portions of the injury or damage suffered before or after the Closing, with Pre-Closing Liabilities including only that portion of the injury or damage suffered or the liability accrued before the Closing; provided, however, that Pre-Closing Liabilities shall not in any event include (i) any Claim for any injury, death or damage to person or property of any Person, presently or hereafter employed in the operation of the Interests which arises out of and is attributable to such person's employment in the operation of the Interests after the Closing, (ii) any loss or lack of, or defect in, or encumbrance against title to any Interest, (iii) any Claim resulting from Buyer's access to and inspection of the Interests prior to the Closing and (iv) any other Claim to the extent it arises from the actions of Buyer or its Affiliates.

"Pipeline" has the meaning specified in Section 14(g).

"Plant Facility" has the meaning specified in Section 1(a)(i).

"Plant Site" means the 79 acre tract included in the Real Property and on which the Plant Facility is located.

"Post-Closing Consents" has the meaning specified in Section 20(a).

"Pre-Closing Environmental Defect" means an Environmental Defect for which Buyer provides timely and proper notice to Seller prior to the Closing pursuant to Article 13.

"Punitive Damage Claims" means Claims by a Third Party or a Seller Party for punitive, exemplary or multiplied damages arising out of or resulting from any Seller Party's operation or use of the Interests or conduct of the Business prior to the Effective Time.

"Qualified Environmental Claim" has the meaning specified in Section 13(e).

"Qualified Title Defect Claims" has the meaning specified in Section 4(c)(iv).

"Real Property" has the meaning specified in Section 1(a)(ii).

"Records" has the meaning specified in Section 12(a).

"Required Consent" has the meaning specified in Section 20(b).

"ROW Agreements" has the meaning specified in Section 1(a)(ix).

"ROW Property" has the meaning specified in Section 1(b)(i).

"Scheduled Disposal Sites" has the meaning specified in Section 7(w)(vi).

"Seller" has the meaning specified in the introductory paragraph of this Agreement.

"Seller Disclosure Memorandum" means the disclosure memorandum delivered by Seller to Purchaser upon execution of this Agreement containing the disclosures contemplated by this Agreement, as the same may be amended pursuant to the terms of this Agreement.

"Seller Disclosure Schedule" has the meaning specified in the preamble of this Agreement.

"Seller Parties" has the meaning specified in Section 11(b).

"Seller's Current Knowledge" has the meaning specified in Section 7(w).

"Seller's knowledge" and "known to Seller" have the meaning specified in Section 7.

"Stations" has the meaning specified in Section 1(a)(vi).

"Subject Transfer" has the meaning specified in Section 37.

"Tax" (and, with correlative meaning, "Taxes" and "Taxable") means any and all taxes, including without limitation, any income, profits, alternative or add-on minimum tax, gross receipts, sales, use, value-added, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, excise, severance, stamp, occupation, net worth, premium, property, environmental or windfall profit tax, custom, duty or other tax, governmental fee or assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax or additional amount imposed by any Governmental Entity responsible for the imposition of any such tax (domestic or foreign).

"Title Defect" has the meaning specified in Section 4(b).

"Third Party" means a Person which is not (i) Seller or an Affiliate of Seller, (ii) Buyer or an Affiliate of Buyer, or (iii) a Person that, after the Closing, becomes a successor entity of Seller, Buyer, or any of their respective Affiliates. An employee of Seller or Buyer shall not be deemed an Affiliate thereof.

"Third-Party Claim" means (i) any written claim asserted against any Seller Parties or Buyer Parties by a Third Party, (ii) any written assertion by a Third Party of any right of a Third Party against any Seller Parties or Buyer Parties, or (iii) any written allegation, claim or assertion by a Third Party of claims of, or amounts payable by any Seller Parties or Buyer Parties to, a Third Party arising out of clauses (i) or (ii).

"Transaction Agreements" means the Gas Gathering and Treating Agreement, the Transition Services Agreement, the assignments and conveyances, the Joint Use and Occupancy Agreement, the Guaranty of Burlington Resources Oil & Gas Company LP, the Employee Matters Agreement, the Water Disposal Agreement, the Volume Deficiency Agreement, the Put Agreement, the Cathodic Protection Agreement and any other agreements executed and delivered by either Party (or their respective Affiliates) to the other pursuant to this Agreement.

"Transfer Notice" has the meaning specified in Section 37.

"United States" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia.

"Unscheduled Offsite Disposal Site Claims" means any claim against Seller or Buyer Parties arising out of any Pre-Closing storage or disposal by Seller or its Affiliates of Hazardous Materials arising out of the Business at offsite disposal sites other than those listed on Schedule 7(w)(vi) to the Seller Disclosure Schedule.

"Val Verde System" has the meaning specified in the preamble of this Agreement.

"Water Disposal Agreement" has the meaning specified in Section 22(o).

CREDIT AGREEMENT

AMONG

TEPPCO PARTNERS, L.P.,
AS BORROWER,

SUNTRUST BANK,
AS ADMINISTRATIVE AGENT

AND

CERTAIN LENDERS,
AS LENDERS

DATED AS OF JUNE 27, 2002

\$200,000,000 TERM FACILITY

SUNTRUST ROBINSON HUMPHREY CAPITAL MARKETS,
A DIVISION OF SUNTRUST CAPITAL MARKETS, INC.,
SOLE LEAD ARRANGER

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "AGREEMENT") is entered into as of June 27, 2002, among TEPPCO PARTNERS, L.P., a Delaware limited partnership (the "BORROWER"), the lenders listed in Schedule 2 (together with their successors and assigns, the "LENDERS") and SUNTRUST BANK ("SUNTRUST"), as the administrative agent for the Lenders (in such capacity and together with its successors, the "ADMINISTRATIVE AGENT").

WHEREAS

The Borrower has requested that the Lenders extend to the Borrower a \$200,000,000 term loan (the "TERM LOAN") to be funded by the Lenders on the Closing Date and to be used by the Borrower as provided in Section 6.1. The Lenders are willing to make the Term Loan on the terms and conditions of this Agreement.

ACCORDINGLY, for adequate and sufficient consideration, the Borrower, the Lenders and the Administrative Agent agree as follows:

ARTICLE I
DEFINITIONS AND TERMS

SECTION 1.1. DEFINITIONS.

As used in the Credit Documents:

"ACQUISITION" by any Person means any transaction or series of transactions on or after the date hereof pursuant to which that Person directly or indirectly, whether in the form of a capital expenditure, an Investment, a merger, a consolidation or otherwise and whether through a solicitation of tender of Equity Interests, one or more negotiated block, market, private or other transactions, or any combination of the foregoing, purchases (a) all or substantially all of the business or assets of any other Person or operating division or business unit of any other Person, or (b) more than 25% of the Equity Interests in any other Person.

"ADDITIONAL DEBT" means Funded Debt issued or incurred by any Company after the date hereof, other than Funded Debt under this Agreement and Funded Debt (a) that is Permitted Non-Recourse Debt of any Person used for the purposes described in clause (i) of the definition of "Permitted Non-Recourse Debt" or (b) the proceeds of which are used to refinance the Senior Notes, provided that the principal amount of the refinancing shall not exceed the sum of (i) the principal amount of, and accrued interest on, the Senior Notes so refinanced and (ii) reasonable fees and expenses and the premium, if any, incurred in connection with any such refinancing.

"ADMINISTRATIVE AGENT" is defined in the preamble to this Agreement.

"ADVANCE" means an advance made pursuant to Section 2.2, whether bearing interest with reference to the Base Rate or the LIBOR Rate.

"BASE RATE BORROWING" means a Borrowing consisting of Advances bearing interest at the sum of the Base Rate plus the Applicable Margin.

"BORROWER" is defined in the preamble to this Agreement.

"BORROWING" means a group of Advances of a single Type disbursed on the same date to or on behalf of the Borrower by the Lenders under Section 2.1 pursuant to the procedures specified in Section 2.2, either as an original disbursement of funds, a renewal, extension, conversion or continuation of an amount outstanding.

"BORROWING DATE" is defined in Section 2.2(a).

"BORROWING REQUEST" means the request pursuant to Section 2.2(a), substantially in the form of Exhibit C-1.

"BURLINGTON RESOURCES" mean Burlington Resources Gathering Inc., a Delaware corporation.

"BUSINESS DAY" means (a) for purposes of any LIBOR Rate Borrowing, a day on which commercial banks are open for international business in London, England, and (b) for all other purposes, any day other than Saturday, Sunday, and any other day on which commercial banks are authorized by Legal Requirement to be closed in Georgia or New York.

"CAPITAL LEASE" means any capital lease or sublease that is required by GAAP to be capitalized on a balance sheet.

"CENTENNIAL GUARANTY" means the guaranty by TE Products of certain Debt of Centennial Pipeline LLC relating to the Centennial Pipeline Project in a principal amount not to exceed, at any one time outstanding, \$75,000,000.

"CENTENNIAL PIPELINE PROJECT" means a refined petroleum products pipeline extending from the Upper Texas Gulf Coast to Illinois, of which TE Products will own a one-third interest.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Sections 9601 et seq.

"CLOSING DATE" means the date, which must be a Business Day occurring no later than June 27, 2002, upon which all of the conditions precedent set forth in Article IV to the effectiveness of this Agreement have been satisfied.

"COMMITMENT" means, as the context may require and at any time and for any Lender, either (a) the amount stated beside that Lender's name under the column captioned "Commitment" on the most recently amended Schedule 2 (which amount is subject to reduction and cancellation as provided in this Agreement), or (b) the commitment of such Lender to make and convert Advances under this Agreement.

"COMMITMENT PERCENTAGE" means, for any Lender and at any time, the proportion (stated as a percentage) that the amount stated beside that Lender's name under the column captioned "Commitment" on the most recently amended Schedule 2 (which amount is subject to reduction and cancellation as provided in this Agreement) bears to the aggregate amount stated beside each of the Lenders' names under the column captioned "Commitment" on such Schedule 2.

"COMPANIES" means, at any time, the Borrower and each of its Subsidiaries.

"COMPLETION DATE" means, in respect of the FINA/BASF Project, the date on which all of the "Completion Standards" set forth in Exhibit 2.1 to the Services Agreement have been satisfied.

"COMPLIANCE CERTIFICATE" means a certificate substantially in the form of Exhibit C-3 and signed by a Responsible Officer on behalf of the Borrower.

"CONSOLIDATED EBITDA" means EBITDA of the Borrower and its consolidated Subsidiaries.

"CONSOLIDATED FUNDED DEBT" means Funded Debt of the Borrower and its consolidated Subsidiaries, other than Permitted Non-Recourse Debt of such Subsidiaries.

"CONSOLIDATED NET WORTH" means, as at any date, total partners' capital of the Borrower and its consolidated Subsidiaries as at such date, excluding the effects of any write-ups of assets after December 31, 2001, determined in accordance with GAAP. The effect of any increase or decrease in net worth in any period as a result of (i) items of income or loss not reflected in the determination of net income but reflected in the determination of comprehensive income, to the extent required by United States Financial Accounting Standards Board Statement 130 or (ii) items of assets, liabilities, income or loss reflected in the determination of the statement of financial position, to the extent required by United States Financial Accounting Standards Board Statement 133, each as in effect from time to time, shall be excluded in determining Consolidated Net Worth.

"CONSTITUENT DOCUMENTS" means, for any Person, the documents for its formation and organization, which, for example, (a) for a corporation are its corporate charter and bylaws, (b) for a partnership is its partnership agreement, (c) for a limited liability company are its certificate of organization and regulations, and (d) for a trust is the trust agreement or indenture under which it is created.

"CONVERSION NOTICE" means a request pursuant to Section 3.10, substantially in the form of Exhibit C-2.

"CREDIT DOCUMENTS" means (a) this Agreement, all certificates and reports delivered by or on behalf of any Company or the General Partner under this Agreement and all exhibits and schedules to this Agreement, (b) all agreements, documents and instruments in favor of the Administrative Agent or the Lenders (or the Administrative Agent on behalf of the Lenders) delivered by or on behalf of any Company or the General Partner in connection with or under this Agreement or otherwise delivered by or on behalf of any Company or the General Partner in connection with all or any part of the Obligations, and (c) all renewals, extensions and restatements of, and amendments and supplements to, any of the foregoing.

"CURRENT FINANCIALS" means, unless otherwise specified, either (a) the Borrower's consolidated Financials for the year ended December 31, 2001 or (b) at any time after annual Financials are first delivered under Section 7.1, the Borrower's annual Financials then most recently delivered to the Lenders under Section 7.1(a), together with the Borrower's quarterly Financials then most recently delivered to the Lenders under Section 7.1(b).

"DEBT" means, for any Person, at any time and without duplication, the sum of the following obligations of such Person and its consolidated Subsidiaries: (a) all Funded

Debt, (b) all obligations arising under acceptance facilities or facilities for the discount or sale of accounts receivable, (c) all direct or contingent obligations in respect of letters of credit and (d) all guaranties, endorsements and other contingent obligations in respect of obligations of other Persons or entities of the nature described in clauses (a) through (c) above.

"DEBT EVENT" means the issuance or incurrence by the Borrower or any Significant Subsidiary of any Debt other than under this Agreement or under the Other Credit Agreements.

"DEBTOR LAWS" means the Bankruptcy Code of the United States of America and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, re-organization, suspension of payments or similar Legal Requirements affecting creditors' Rights.

"DEFAULT RATE" means, for any day, an annual interest rate equal from day to day to the lesser of (a) the sum of the rate of interest applicable to a Base Rate Borrowing plus 2%, and (b) the Maximum Rate.

"DILUTED VALUE" means, with respect to any assets of the Borrower, the Fair Market Value of such assets, and, with respect to any assets of any other Person, the Fair Market Value of such assets multiplied by the percentage of the Equity Interests held directly or indirectly by the Borrower in such Person.

"DISTRIBUTION" means, with respect to any Equity Interests issued by a Person (a) the retirement, redemption, purchase or other acquisition for value of those Equity Interests, (b) the declaration or payment of any dividend on or with respect to those Equity Interests, (c) any Investment by that Person in the holder of any of those Equity Interests, and (d) any other payment by that Person with respect to those Equity Interests.

"EBITDA" means, for any Person and its consolidated Subsidiaries and for any period, the sum of, without duplication, (i) Net Income of such Person and its consolidated Subsidiaries (other than any Excluded Subsidiary of such Person) for such period plus (ii) to the extent actually deducted in determining Net Income of such Person and its consolidated Subsidiaries for such period, Interest Expense, Tax Expense, depreciation and amortization, in each case, of such Person and its consolidated Subsidiaries (other than any Excluded Subsidiary of such Person) for such period.

"EMPLOYEE PLAN" means any employee pension benefit plan covered by Title IV of ERISA and established or maintained by any Company or any ERISA Affiliate (other than a Multiemployer Plan).

"ENVIRONMENTAL LAW" means any applicable Legal Requirement that relates to protection of the environment or to the regulation of any Hazardous Substances, including CERCLA, the Hazardous Materials Transportation Act (49 U.S.C. Section 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.), the Clean Water Act (33 U.S.C. Section 1251 et seq.), the Clean Air Act (42 U.S.C. Section 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), the Federal Insecticide,

Fungicide, and Rodenticide Act (7 U.S.C. Section 136 et seq.), the Emergency Planning and Community Right-to-Know Act (42 U.S.C. Section 11001 et seq.), the Safe Drinking Water Act (42 U.S.C. Section 201 and Section 300f et seq.), the Rivers and Harbors Act (33 U.S.C. Section 401 et seq.), the Oil Pollution Act (33 U.S.C. Section 2701 et seq.), analogous state and local Legal Requirements, and any analogous future enacted or adopted Legal Requirement.

"ENVIRONMENTAL LIABILITY" means any liability, loss, fine, penalty, charge, lien, damage, cost or expense of any kind to the extent that it results (a) from the violation of any Environmental Law, (b) from the Release or threatened Release of any Hazardous Substance, or (c) from actual or threatened damages to natural resources.

"ENVIRONMENTAL PERMIT" means any permit or license from any Person defined in clause (a) of the definition of Governmental Authority that is required under any Environmental Law for the lawful conduct of any business, process or other activity.

"EQUITY EVENT" means (a) the contribution in cash of capital (x) to the Borrower by any Person or (y) to any Significant Subsidiary (other than an Excluded Subsidiary) by any Person other than the Borrower or a Wholly-Owned Subsidiary of the Borrower, or (b) any issuance of Equity Interests (x) by the Borrower to any Person or (y) by any Significant Subsidiary (other than an Excluded Subsidiary) to any Person other than the Borrower or a Wholly-Owned Subsidiary of the Borrower.

"EQUITY INTERESTS" means, (a) with respect to a corporation, shares of capital stock of such corporation or any other interest convertible or exchangeable into any such interest, (b) with respect to a limited liability company, a membership interest in such company, (c) with respect to a partnership, a partnership interest in such partnership, and (d) with respect to any other Person, an interest in such Person analogous to interests described in clauses (a) through (c).

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA AFFILIATE" means any Person that, for purposes of Title IV of ERISA, is a member of any Company's controlled group or is under common control with any Company within the meaning of Section 414 of the IRC.

"EVENT OF DEFAULT" is defined in Article X.

"EXCLUDED SUBSIDIARY" means, for any Company (the "FIRST PERSON"), any other Company (the "SECOND PERSON") in which the first Person owns Equity Interests and where the second Person (a) has no Funded Debt other than Permitted Non-Recourse Debt and (b) the sole purpose of which is to engage in the acquisition, construction, development and/or operation activities financed or refinanced with such Permitted Non-Recourse Debt.

"FAIR MARKET VALUE" means, with respect to any Equity Interest or other property or asset, the price obtainable for such Equity Interest or other property or asset in an arm's-length sale between an informed and willing purchaser under no compulsion to purchase and an informed and willing seller under no compulsion to sell.

"FED FUNDS RATE" means, for any day, the annual rate (rounded upwards, if necessary, to the nearest 0.01%) determined (which determination is conclusive and binding, absent manifest error) by the Administrative Agent to be equal to (a) the weighted average of the rates on overnight federal funds transactions with member banks of the Federal Reserve System arranged by federal funds brokers on that day (or, if such day is not a Business Day, then on the immediately preceding Business Day), as published by the Federal Reserve Bank of New York on the next Business Day, or (b) if those rates are not published for any such day, the average of the quotations at approximately 10:00 a.m. received by the Administrative Agent from three federal funds brokers of recognized standing selected by the Administrative Agent in its sole discretion.

"FINA/BASF CONTRACTS" means, in each case as amended and in effect from time to time, collectively: (a) the Service Agreement; (b) the Call Option Agreement, dated February 9, 1999, among TE Products, BASF Fina Petrochemicals Limited Partnership, BASF Corporation and FINA Oil and Chemical Company; (c) the Agreement between Owner and Contractor, dated February 4, 1999, between TE Products and Eagleton Engineering Company; and (d) the Parent Company Guaranty, dated February 4, 1999, between Babcock International Group PLC and TE Products.

"FINA/BASF PROJECT" means the construction of pipelines by TE Products from Mont Belvieu, Texas to Port Arthur, Texas.

"FINANCIALS" of a Person means balance sheets, profit and loss statements, reconciliations of capital and surplus and statements of cash flow of such Person prepared (a) according to GAAP (subject to year-end audit adjustments with respect to interim Financials) and (b) except as stated in Section 1.4, in comparative form to prior year-end figures or corresponding periods of the preceding fiscal year or other relevant period, as applicable.

"FUNDED DEBT" means, for any Person at any time, and without duplication, the sum of the following for such Person and its consolidated Subsidiaries: (a) the unpaid principal amount or component of all obligations for borrowed money, (b) the unpaid principal amount or component of all obligations evidenced by bonds, debentures, notes or similar instruments, (c) the unpaid principal amount or component of all obligations to pay the deferred purchase price of property or services except trade accounts payable arising in the ordinary course of business, (d) in respect of all obligations that are secured (or for which the holder of any such obligation has an existing Right, contingent or otherwise, to be so secured) by any Lien on property owned or acquired by that Person, the lesser of (x) the unpaid amount of all of those obligations from time to time outstanding and (y) the Fair Market Value of the property securing all of those obligations, liabilities secured (or for which the holder of such obligations has an existing Right, contingent or otherwise, to be so secured) by any Lien existing on property owned or acquired by that Person, (e) all Capital Lease obligations, (f) the unpaid principal amount or component of all obligations under synthetic leases and (g) the unpaid principal amount or component of all guaranties, endorsements, and other contingent

obligations in respect of obligations of other Persons or entities of the nature described in clauses (a) through (f) above.

"FUNDING LOSS" means any loss, expense or reduction in yield (but not any Applicable Margin) that any Lender reasonably incurs because (i) the Borrower fails or refuses (for any reason whatsoever other than a default by the Administrative Agent or the Lender claiming that loss, expense or reduction in yield) to make the initial Borrowing or convert a Borrowing that it has requested, or given notice for, under this Agreement, or (ii) the Borrower voluntarily or involuntarily prepays or pays any LIBOR Rate Borrowing or converts any LIBOR Rate Borrowing to a Borrowing of another Type, in each case, other than on the last day of the applicable Interest Period. The amount of any Funding Loss shall be determined by the relevant Lender to be the excess, if any, of (A) the amount of interest that would have accrued on the principal amount of such Borrowing had such event not occurred, at the LIBOR Rate, for the period from the date of such event to the last day of the then current Interest Period (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for that Borrowing), over (B) the amount of interest that would accrue on such principal amount for such period at the interest rate that such Lender would bid (were it to bid), at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the London interbank market.

"GAAP" means generally accepted accounting principles of the Accounting Principles Board of the American Institute of Certified Public Accountants and the Financial Accounting Standards Board that are applicable from time to time.

"GENERAL PARTNER" means Texas Eastern or any other Person that serves as the general partner of the Borrower without causing the occurrence of a Potential Default or an Event of Default under Section 10.7(b).

"GOVERNMENTAL AUTHORITY" means any (a) local, state, territorial, federal or foreign judicial, executive, regulatory, administrative, legislative or governmental agency, board, bureau, commission, department or other instrumentality, (b) private arbitration board or panel or (c) central bank.

"GUARANTOR" means each Person delivering a Guaranty as required by Article V.

"GUARANTY" means a guaranty substantially in the form of Exhibit B.

"HAZARDOUS SUBSTANCE" means any substance that is designated, defined, classified or regulated as a hazardous waste, hazardous material, pollutant, contaminant, explosive, corrosive, flammable, infectious, carcinogenic, mutagenic, radioactive or toxic or hazardous substance under any Environmental Law, including, without limitation, any hazardous substance within the meaning of Section 101(14) of CERCLA.

"HEDGING AGREEMENT" means any swap, cap or collar arrangement or any other derivative product customarily offered by banks or other institutions to their customers in order to manage the exposure of such customers to interest rate fluctuations or commodity price fluctuations.

"INTEREST EXPENSE" means, for any Person and its consolidated Subsidiaries and for any period, all interest expense (including all amortization of debt discount and expenses and reported interest) on all Funded Debt of such Person and its consolidated Subsidiaries during such period.

"INTEREST PERIOD" is defined in Section 3.9.

"INVESTMENT" means, in respect of any Person, any loan, advance, extension of credit or capital contribution to that Person, any other investment in that Person, or any purchase or commitment to purchase any Equity Interest or Debt issued by that Person or substantially all of the assets or a division or other business unit of that Person. The term "Investment", however, does not include any extension of trade debt in the ordinary course of business or, as a result of collection efforts, the receipt of any equity in or property of a Person.

"IRC" means the Internal Revenue Code of 1986.

"JONAH GAS" means Jonah Gas Gathering Company, a Wyoming general partnership.

"LEGAL REQUIREMENTS" means all applicable statutes, laws, treaties, ordinances, rules, regulations, orders, writs, injunctions, decrees, judgments, opinions and interpretations of any Governmental Authority.

"LENDERS" is defined in the preamble to this Agreement.

"LIBOR RATE" means, for a LIBOR Rate Borrowing and its Interest Period, the quotient of (a) the annual interest rate for deposits in United States dollars of amounts equal or comparable to the principal amount of that LIBOR Rate Borrowing offered for a term comparable to that Interest Period, which rate appears on the Telerate Page 3750 as of 11:00 a.m. (London, England time) two Business Days before the beginning of that Interest Period or, if no such offered rates appear on such page, then the rate used for that Interest Period shall be the arithmetic average (rounded upwards, if necessary, to the next higher 0.001%) of the rates offered to the Administrative Agent by not less than two major banks in New York, New York at approximately 10:00 a.m. (Atlanta, Georgia time) two Business Days before the beginning of that Interest Period for deposits in United States dollars in the London interbank market of the principal amount of that LIBOR Rate Borrowing offered for a term comparable to that Interest Period, divided by (b) a number equal to 1.00 minus the LIBOR Reserve Percentage. The rate so determined in accordance herewith shall be rounded upwards to the nearest multiple of 0.001%, and the term "Telerate Page 3750" means the display designated as "Page 3750" on the Dow Jones Markets Service, Inc. (or such other page as may replace Page 3750 on that service or another service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for United States dollars).

"LIBOR RATE BORROWING" means a Borrowing consisting of Advances bearing interest at the sum of the LIBOR Rate plus the Applicable Margin.

"LIBOR RESERVE PERCENTAGE" means, for any Interest Period with respect to a LIBOR Rate Borrowing, the reserve percentage applicable to that Interest Period (or, if more than one such percentage shall be so applicable, then the daily average of such percentages for those days in that Interest Period during which any such percentage shall be applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) for the Lenders with respect to liabilities or assets consisting of or including "eurocurrency liabilities" (as defined in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time) having a term equal to that Interest Period.

"LIEN" means any lien, mortgage, security interest, tax lien, financing statement, hypothecation, preference, priority, conditional sale, pledge, assignment, charge, title retention agreement or encumbrance of any kind and any other arrangement for a creditor's claim to be satisfied from assets or proceeds prior to the claims of other creditors or the owners (other than title of the lessor under an operating lease), whether arising by contract, operation of law or otherwise.

"LITIGATION" means any action by or before any Governmental Authority.

"MAINTENANCE CAPITAL EXPENDITURES" means, for any Person and its consolidated Subsidiaries and for any period, all expenditures of such Person and its consolidated Subsidiaries during such period for the maintenance or repair of capital assets, determined in accordance with GAAP.

"MARGIN REGULATIONS" means Regulations T, U and X of the Board of Governors of the Federal Reserve System, as amended.

"MATERIAL ADVERSE EVENT" means any circumstance or event that, individually or collectively, is, or is reasonably expected to result in, any (a) material impairment of (i) the ability of the Borrower or any other Company to perform any of their respective payment or other material obligations under any Credit Document, or (ii) the ability of the Administrative Agent, the LC Issuing Bank or any Lender to enforce any of those obligations or any of their respective Rights under the Credit Documents (other than as a result of its own act or omission), (b) material and adverse effect on the financial condition of the Borrower and its Subsidiaries, taken as a whole, as represented to the Lenders in the Current Financials most recently delivered before the date of this Agreement, or (c) Event of Default or Potential Default.

"MAXIMUM AMOUNT" and "MAXIMUM RATE" respectively mean, for any Lender, the maximum non-usurious amount and the maximum non-usurious rate of interest that, under applicable Legal Requirement, such Lender is permitted to contract for, charge, take, reserve or receive on the Obligations.

"MIDSTREAM" means TEPPCO Midstream Companies, L.P., a Delaware limited partnership.

"MOODY'S" means Moody's Investors Service, Inc. or any successor thereto.

"MULTIEMPLOYER PLAN" means a multiemployer plan as defined in Sections 3(37) or 4001(a)(3) of ERISA or Section 414(f) of the IRC to which any Company or any ERISA Affiliate is making, or has made, or is accruing, or has accrued, an obligation to make contributions.

"NET CASH PROCEEDS" means, with respect to any Debt Event or Equity Event (each, for purposes of this definition, a "TRANSACTION"), the aggregate amount of cash received, as the case may be, by (x) the Borrower or (y) any Significant Subsidiary and legally available to be distributed to the Borrower in the form of dividends or distributions in connection with such transaction after, in each case, deducting therefrom (i) payments made in respect of any Funded Debt to the extent that such payments are required to be made (other than under the Other Credit Agreements or the Credit Documents but subject to Section 8.2(b)(ii)) as a result of or in connection with such transaction by applicable law or the terms of any contractual agreement relating to such Funded Debt, that are paid or reserved for payment (A) to a Person that is not an Affiliate of the Borrower or (B) to the Borrower or an Affiliate of the Borrower to reimburse such Person for payments made by such Person to another Person that is not the Borrower or an Affiliate of the Borrower in respect of such transaction costs, and (iii) the amount of taxes paid or reserved for payment by the Borrower or such Significant Subsidiary in connection with or as a result of such transaction.

"NET INCOME" means, for any Person and its consolidated Subsidiaries and for any period, the profit or loss of such Person and its consolidated Subsidiaries for such period after deducting all operating expenses, provision for Taxes and reserves (including reserves for deferred income Taxes), and all other deductions calculated, in each case, in accordance with GAAP, but excluding (a) extraordinary items, and (b) the profit or loss of any Subsidiary accrued before the date that (i) it becomes a Subsidiary of such Person, (ii) it is merged with such Person or any of its Subsidiaries, or (iii) its assets are acquired by such Person or any of its Subsidiaries.

"NON-RECOURSE" means, with respect to any Person as applied to any Funded Debt (or portion thereof), (a) that such Person is not directly or indirectly liable to make any payments with respect to such Funded Debt (or portion thereof), other than payments deemed made by or on behalf of such Person as a result of any realization on assets that were pledged to secure such Funded Debt and that consist of such Person's Equity Interests in the Person primarily incurring such Funded Debt (or any shareholder, partner, member or participant of such Person), (b) that such Funded Debt (or portion thereof) does not constitute Funded Debt of such Person other than to the extent of recourse to such Person's Equity Interests in the Person primarily incurring such Debt (or any shareholder, partner, member or participant of such Person) and (c) that such Funded Debt (or portion thereof) is not secured by a Lien on any asset of such Person other than such Person's Equity Interests in the Person primarily incurring such Funded Debt or any shareholder, partner, member, participant or other owner, directly or indirectly, of such Person or the Person the obligations of which were guaranteed.

"NOTE" means one of the promissory notes substantially in the form of Exhibit A.

"OBLIGATIONS" means all present and future (a) Debts, liabilities and obligations of the Borrower to the Administrative Agent or any Lender that arise under any Credit Document, whether for principal, interest, fees, costs, attorneys' fees or otherwise and (b) renewals, extensions and modifications of any of the foregoing.

"OSHA" means the Occupational Safety and Health Act of 1970, 29 U.S.C. Section 651 et seq.

"OTHER CREDIT AGREEMENTS" means (a) the Amended and Restated Credit Agreement, dated as of March 28, 2002, and (b) the 364-Day Credit Agreement, dated as of March 28, 2002, each among the Borrower, certain lenders party thereto and SunTrust, as administrative agent.

"PARTICIPANT" is defined in Section 13.10(c).

"PBGC" means the Pension Benefit Guaranty Corporation.

"PERMITTED DEBT" is defined in Section 8.1.

"PERMITTED LIENS" is defined in Section 8.3.

"PERMITTED NON-RECOURSE DEBT" means Funded Debt of any Person (other than the Borrower) that is Non-Recourse to any Company other than such Person and is used by such Person (i) to acquire, construct, develop and/or operate assets not owned by any Company as of the date hereof or (ii) to finance the acquisition of the Service Agreement.

"PERSON" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a Governmental Authority or political subdivision or agency thereof.

"POTENTIAL DEFAULT" means any event, occurrence or circumstance, the existence of which upon any required notice, time lapse, or both, would become an Event of Default.

"PREDECESSOR" means any Person for whose obligations and liabilities any Company is reasonably expected to be liable as the result of any merger, de facto merger, stock purchase, asset purchase or divestiture, combination, joint venture, investment, reclassification or other similar business transaction.

"PRO FORMA EBITDA" means, for any fiscal period of the Borrower, the sum of Consolidated EBITDA for such period plus, to the extent not already reflected in Consolidated EBITDA for such period, EBITDA for such period of any other Person or all or substantially all of the business or assets of any other Person or operating division or business unit of any other Person acquired in an Acquisition during such period.

"REAL PROPERTY" means any land, buildings, fixtures and other improvements to land now or in the future directly or indirectly owned by any Company, leased to or otherwise operated by any Company or subleased by any Company to any other Person.

"REFERENCE RATING" means (i) the ratings assigned by S&P and Moody's to the senior unsecured non-credit enhanced long-term debt of the Borrower or (ii) if S&P and Moody's have not assigned ratings to the senior unsecured non-credit enhanced long-term debt of the Borrower, the ratings that are one level below the ratings assigned by S&P and Moody's to the senior unsecured non-credit enhanced long-term debt of TE Products. For purposes of the foregoing, (x) if the ratings assigned by S&P and Moody's are not comparable (i.e., a "split rating"), the higher of such two ratings shall control, unless either rating is below BBB- (in the case of S&P) or Baa3 (in the case of Moody's), in which case the lower of the two ratings shall control, and (y) for purposes of illustration, an S&P rating of BBB will be considered to be "one level below" an S&P rating, of BBB+.

"RELEASE" means any "release" as defined under any Environmental Law.

"REPRESENTATIVES" means officers, directors, employees, accountants, attorneys and agents.

"REQUIRED LENDERS" means any combination of the Lenders holding (directly or indirectly) more than (i) 50% of the total Commitments, if there are no Advances outstanding, or (ii) 50% of the aggregate principal amount of the Advances outstanding, if any Advances are outstanding.

"RESPONSIBLE OFFICER" means the chairman, president, vice president, chief executive officer, chief financial officer, treasurer, corporate secretary, member or manager of the General Partner or Person of comparable authority.

"RIGHTS" means rights, remedies, powers, privileges and benefits.

"S&P" means Standard & Poor's Ratings Services, a division of McGraw-Hill Companies, Inc., or any successor thereto.

"SENIOR NOTES" means (i) the 6.45% Senior Notes Due 2008 in the original aggregate principal amount of \$180,000,000 and the 7.51% Senior Notes Due 2028 in the original aggregate principal amount of \$210,000,000, in each case issued by TE Products under the Indenture dated as of January 27, 1998, between TE Products and The Bank of New York, Trustee, and (ii) the 7.625% Senior Notes Due 2012 in the original aggregate principal amount of \$500,000,000 issued by the Borrower under the Indenture dated as of February 20, 2002, between the Borrower and First Union National Bank, Trustee.

"SERVICE AGREEMENT" means the Service and Transportation Agreement, dated February 9, 1999, among TE Products, BASF Fina Petrochemicals Limited Partnership, BASF Corporation and FINA Oil and Chemical Company, as amended and in effect from time to time.

"SIGNIFICANT SUBSIDIARY" means each Subsidiary of the Borrower (a) in which the Borrower's direct and indirect Equity Interests in such Subsidiary and the Borrower's and its Subsidiaries' advances to such Subsidiary constitute more than 10% of the total assets of the Borrower and its consolidated Subsidiaries, (b) in which the Borrower's and its Subsidiaries' share of the total assets (after intercompany eliminations) of such Subsidiary exceed 10% of the total assets of the Borrower and its consolidated Subsidiaries, or (c) in which the equity of the Borrower and its Subsidiaries in the income from continuing operations of such Subsidiary before income taxes, extraordinary items and cumulative effects of changes in accounting principles exceed 10% of such income of the Borrower and its consolidated Subsidiaries.

"SOLE LEAD ARRANGER" means SunTrust Robinson Humphrey Capital Markets, Inc., a division of SunTrust Capital Markets, Inc.

"SOLVENT" means, as to any Person, that (a) the aggregate fair market value of its assets exceeds its liabilities, (b) it is able to pay its debts as they mature and (iii) it does not have unreasonably small capital to conduct its businesses.

"STATED TERMINATION DATE" means December 27, 2002.

"SUBSIDIARY" of any Person means any corporation, limited liability company, general or limited partnership or other entity of which more than 50% (in number of votes) of the Equity Interests is owned of record or beneficially, directly or indirectly, by that Person.

"SUNTRUST" is defined in the preamble to this Agreement.

"TAXES" means, for any Person, taxes, assessments or other governmental charges or levies imposed upon it, its income or any of its properties, franchises or assets.

"TAX EXPENSE" means, for any Person and its consolidated Subsidiaries and for any period, the taxes on income of that Person and its consolidated Subsidiaries accrued during that period.

"TCTM" means TCTM, L.P., a Delaware limited partnership.

"TE PRODUCTS" means TE Products Pipeline Company, Limited Partnership, a Delaware limited partnership.

"TEPPCO CRUDE" means TEPPCO Crude Oil, L.P., a Delaware limited partnership.

"TEPPCO CRUDE PIPELINE" means TEPPCO Crude Pipeline, L.P., a Delaware limited partnership.

"TEPPCO GP" means TEPPCO GP, Inc., a Delaware corporation.

"TEPPCO NGL" means TEPPCO NGL Pipelines, LLC, a Delaware limited liability company.

"TERM LOAN" is defined in the preamble to this Agreement.

"TERMINATION DATE" means the earlier of (a) the Stated Termination Date and (b) the effective date on which the Commitments are fully canceled or terminated.

"TEXAS EASTERN" means Texas Eastern Products Pipeline Company, LLC, a Delaware limited liability company.

"TYPE" means any type of Advance or Borrowing determined with respect to the applicable interest option.

"VAL VERDE" means Val Verde Gas Gathering Company, L.P., a Delaware limited partnership.

"WHOLLY-OWNED SUBSIDIARY" means any Subsidiary of a Person, all of the issued and outstanding Equity Interests of which are directly or indirectly owned by such Person, excluding (a) any general partner interests owned by the General Partner in any such Subsidiary that is a partnership and (b) any directors' qualifying shares or similar type of Equity Interests, as applicable.

SECTION 1.2. TIME REFERENCES.

Unless otherwise specified, in the Credit Documents: (a) time references (e.g., 10:00 a.m.) are to time in Atlanta, Georgia, on the applicable date, and (b) in calculating a period from one date to another, the word "from" means "from and including" and the word "to" or "until" means "to but excluding".

SECTION 1.3. OTHER REFERENCES.

Unless otherwise specified, in the Credit Documents: (a) where appropriate, the singular includes the plural and vice versa, and words of any gender include each other gender, (b) where appropriate, words include their respective cognate expressions, (c) heading and caption references may not be construed in interpreting provisions, (d) monetary references are to currency of the United States of America, (e) section, paragraph, annex, schedule, exhibit and similar references are to the particular Credit Document in which they are used, (f) references to "teletype", "facsimile", "fax" or similar terms are to facsimile or teletype transmissions, (g) references to "including" (in its various forms) mean including without limiting the generality of any description preceding that word, (h) the rule of construction that references to general items that follow references to specific items are limited to the same type or character of those specific items is not applicable in the Credit Documents, (i) references to "writing" include printing, typing, lithography and other means of reproducing words in a tangible, visible form, (j) references to any Person include that Person's heirs, personal representatives, successors, trustees, receivers and permitted assigns, (k) references to any Legal Requirement include every amendment or supplement to it, rule and regulation adopted under it and successor or replacement for it, (l) references to any Governmental Authority include any Person succeeding

to its relevant function, (m) references to any Credit Document or other document include (to the extent not prohibited by the terms of the Credit Documents) every renewal and extension of it, amendment and supplement to it and replacement or substitution for it, and (n) the terms "assets" or "property" in relation to any Person includes all asset, property and Equity Interests owned, used or acquired, or to be owned, used or acquired, by such Person, as the context may require.

SECTION 1.4. ACCOUNTING PRINCIPLES.

Unless otherwise specified, in the Credit Documents: (a) GAAP determines all accounting and financial terms and compliance with financial covenants, (b) GAAP in effect on the date of this Agreement determines compliance with financial covenants, (c) otherwise, all accounting principles applied in a current period must be comparable in all material respects to those applied during the preceding comparable period and (d) all financial terms and compliance with reporting and financial covenants must be on a consolidated basis, as applicable.

ARTICLE II THE COMMITMENTS

Each Lender severally but not jointly agrees to make Advances to the Borrower in accordance with the following provisions and subject to the other terms and conditions of the Credit Documents.

SECTION 2.1. TERM LOAN.

The Term Loan is subject to all of the provisions in the Credit Documents, including the following: (i) the Term Loan must be made in one Borrowing that may occur on only the Closing Date, and (ii) the aggregate principal amount of the Advances made on the Closing Date may not exceed the total Commitments on the Closing Date.

SECTION 2.2. BORROWING PROCEDURE.

The following procedures apply to the Initial Borrowing:

(a) **BORROWING REQUEST.** The Borrower may request the initial Borrowing by delivering the Borrowing Request to the Administrative Agent, which is irrevocable and binding on the Borrower, stating the Type, amount, and Interest Period for such Borrowing. The Borrowing Request must be received by the Administrative Agent no later than (i) 10:00 a.m. on the third Business Day before the date on which funds are requested (the "BORROWING DATE") for a LIBOR Rate Borrowing or (ii) 11:00 a.m. on the Borrowing Date for a Base Rate Borrowing. The Administrative Agent shall promptly, on the day the Borrowing Request is received, notify each Lender of the Borrowing Request.

(b) **FUNDING.** Each Lender shall remit its Advance to be made in connection with the Borrowing pursuant to subsection (a) above, in an amount equal to its Commitment Percentage of the requested Borrowing, to the Administrative Agent's principal office in Atlanta, Georgia, in funds that are available for immediate use by the Administrative Agent by 2:00 p.m. on the Borrowing Date. Subject to receipt of those funds, the Administrative Agent shall (unless to its

actual knowledge any of the applicable conditions precedent have not been satisfied by the Borrower or waived by the requisite Lenders) make those funds available to the Borrower by wiring the funds to or for the account of the Borrower.

(c) FUNDING ASSUMED. Absent contrary written notice from a Lender, the Administrative Agent may assume that each Lender has made its Advance available to the Administrative Agent on the Borrowing Date, and the Administrative Agent may, in reliance upon such assumption (but shall not be required to), make available to the Borrower a corresponding amount. If a Lender fails to make its Advance available to the Administrative Agent on the Borrowing Date, the Administrative Agent may recover the applicable amount on demand (i) from that Lender together with interest, commencing on the Borrowing Date and ending on (but excluding) the date the Administrative Agent recovers the amount from that Lender, at an annual interest rate equal to the Fed Funds Rate, or (ii) if that Lender fails to pay its amount upon demand, then from the Borrower, together with interest at the rate applicable to such Advance. No Lender is responsible for the failure of any other Lender to make its Advance as required by Section 2.2(b); however, failure of any Lender to make its Advance does not excuse any other Lender from making its Advance.

SECTION 2.3. EFFECT OF REQUESTS.

The Borrowing Request constitutes a representation and warranty by the Borrower that, as of the Closing Date, all of the applicable conditions precedent in Article IV have been satisfied.

SECTION 2.4. TERMINATION OF THE COMMITMENTS.

(a) MANDATORY. On the date of any prepayment of the Term Loan pursuant to Section 3.2(c)(ii), the Commitments shall automatically reduce by an amount equal to such prepayment. In addition, on the Closing Date, following the making of the initial Borrowing, the Commitments shall automatically reduce to an amount equal to the principal amount of the Advances outstanding on such date.

(b) MISCELLANEOUS. At the time of any termination of the Commitments under this Section 2.4, the Borrower shall pay to the Administrative Agent, for the account of each Lender, as applicable, all accrued and unpaid fees under this Agreement, the interest attributable to the amount of that reduction, and any related Funding Loss. Any part of the Commitments that is terminated may not be reinstated.

ARTICLE III PAYMENT TERMS

SECTION 3.1. NOTES AND PAYMENTS.

The Term Loan is evidenced by the Notes, one payable to each Lender in the amount of its Commitment. The Borrower must make each payment and prepayment on the Obligations to the Administrative Agent's principal office in Atlanta, Georgia, in immediately available funds by 1:00 p.m. on the day due; otherwise, but subject to Section 3.6, that portion of the Obligations

in respect of which such payment or prepayment was made shall continue to accrue interest until the Business Day upon which such payment shall be received by the Administrative Agent at the time and in the manner specified above. The Administrative Agent shall promptly pay to each Lender the part of any payment or prepayment to which that Lender is entitled under this Agreement on the same day the Administrative Agent receives the funds from the Borrower. Unless the Administrative Agent has received notice from the Borrower before the date on which any payment is due under this Agreement that the Borrower will not make that payment in full, then on the date that payment is due the Administrative Agent may assume that the Borrower has made the full payment due and the Administrative Agent may, in reliance upon that assumption, cause to be distributed to each Lender on that date the amount then due to each Lender. If and to the extent the Borrower does not make the full payment due to the Administrative Agent, each Lender shall repay to the Administrative Agent on demand the amount distributed to such Lender by the Administrative Agent together with interest for each day from the date such Lender received payment from the Administrative Agent until the date such Lender repays the Administrative Agent (unless such repayment is made on the same day as such distribution), at an interest rate equal to the Fed Funds Rate.

SECTION 3.2. INTEREST AND PRINCIPAL PAYMENTS.

(a) INTEREST. Accrued interest on each LIBOR Rate Borrowing shall be due and payable on the last day of its Interest Period. If any Interest Period for a LIBOR Rate Borrowing is greater than three months, then accrued interest shall also be due and payable on the date three months after the commencement of the Interest Period. Accrued interest on the unpaid principal amount of each Base Rate Borrowing shall be due and payable in arrears on the last day of each March, June, September and December, commencing on the first such date that follows the Closing Date, and on the date such Borrowing becomes due and payable or is otherwise paid in full.

(b) PRINCIPAL. The principal amount of the Borrowings shall be due and payable on the Termination Date.

(c) PREPAYMENTS.

(i) The Borrower may, from time to time, by giving notice to the Administrative Agent no later than three Business Days before the date of the prepayment, prepay, without premium or penalty and in whole or part, the principal amount of the Borrowings so long as:

(A) the notice by the Borrower specifies the amount to be prepaid,

(B) each voluntary partial prepayment must be in a principal amount of not less than \$1,000,000 or a greater integral multiple of \$1,000,000, plus accrued interest on the amount prepaid to the date of such prepayment, and

(C) the Borrower shall pay the Funding Loss, if any, within 5 Business Days following an affected Lender's demand and delivery to the Borrower of the certificate as provided in Section 3.18. Conversions on the last day of Interest Period pursuant to Section 3.10 are not prepayments.

(ii) The Borrower shall promptly notify the Administrative Agent upon the receipt of any Net Cash Proceeds of any Debt Event or Equity Event and, at any time that any such Net Cash Proceeds received and not previously applied to any prepayment pursuant to this Section 3.2(c)(ii) shall equal or exceed \$10,000,000, the Borrower shall prepay Borrowings, together with payment of any Funding Losses, as applicable, in an aggregate amount equal to 100% of the Net Cash Proceeds of such Debt Event or Equity Event.

(iii) If, at any time, the sum of the aggregate principal amount of Borrowings outstanding shall exceed the total Commitments, the Borrower shall forthwith prepay Borrowings, in a principal amount equal to such excess, together with accrued interest to the date of such prepayment on the principal amount of Borrowings prepaid and any Funding Losses owing in connection therewith.

SECTION 3.3. INTEREST OPTIONS.

Except as otherwise provided in this Agreement, Borrowings shall bear interest at an annual rate equal to the lesser of (i) the Base Rate or the LIBOR Rate plus the Applicable Margin, in each case as designated or deemed designated by the Borrower, and (ii) the Maximum Rate; provided that the LIBOR Rate may not be selected when an Event of Default or Potential Default has occurred and is continuing.

SECTION 3.4. QUOTATION OF RATES.

The Borrower may contact the Administrative Agent prior to delivering the Borrowing Request to receive an indication of the interest rates then in effect, but the indicated rates do not bind the Administrative Agent or the Lenders or affect the interest rate that is actually in effect when the Borrower makes the Borrowing Request or on the Borrowing Date.

SECTION 3.5. DEFAULT RATE.

To the extent lawful, any amount payable under any Credit Document that is not paid when due (including interest on any such unpaid amount) shall bear interest from the date due (stated or by acceleration) at the Default Rate until paid, regardless whether payment is made before or after entry of a judgment, payable on demand.

SECTION 3.6. INTEREST RECAPTURE.

If the designated interest rate applicable to any amount exceeds the Maximum Rate, the interest rate on that amount is limited to the Maximum Rate, but any subsequent reductions in the designated rate shall not reduce the interest rate thereon below the Maximum Rate until the total amount of accrued interest equals the amount of interest that would have accrued if that designated rate had always been in effect. If, at maturity (stated or by acceleration), or at final payment of the Notes, the total interest paid or accrued is less than the interest that would have accrued if the designated rates had always been in effect, then, at that time and to the extent lawful, the Borrower shall pay an amount equal to the difference between (a) the lesser of the amount of interest that would have accrued if the designated rates had always been in effect and

the amount of interest that would have accrued if the Maximum Rate had always been in effect and (b) the amount of interest actually paid or accrued on the Notes.

SECTION 3.7. INTEREST CALCULATIONS.

All computations of interest based on the prime lending rate of the Administrative Agent shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be. All computations of interest based on the LIBOR Rate or the Fed Funds Rate shall be made by the Administrative Agent on the basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable. Each determination by the Administrative Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

SECTION 3.8. MAXIMUM RATE.

Regardless of any provision contained in any Credit Document, no Lender is entitled to contract for, charge, take, reserve, receive or apply, as interest on all or any part of the Obligations, any amount in excess of the Maximum Rate, and, if any Lender ever does so, then any excess shall be treated as a partial prepayment of principal (without regard to Section 3.9) and any remaining excess shall be refunded to the Borrower. In determining if the interest paid or payable exceeds the Maximum Rate, the Borrower and the Lenders shall, to the maximum extent lawful, (a) characterize any nonprincipal payment as an expense, fee or premium rather than as interest, (b) exclude voluntary prepayments and their effects, and (c) amortize, prorate, allocate and spread the total amount of interest throughout the entire contemplated term of the Term Loan. However, if the Obligations are paid in full before the end of their full contemplated term, and if the interest received for the period that the Obligations were outstanding exceeds the Maximum Amount, then the Lenders shall refund any excess (and the Lenders may not, to the extent lawful, be subject to any penalties provided by any Legal Requirements for contracting for, charging, taking, reserving or receiving interest in excess of the Maximum Amount). If the Legal Requirements of the State of Texas are applicable for purposes of determining the "Maximum Rate" or the "Maximum Amount", then those terms mean the "indicated rate ceiling" from time to time in effect under Chapter 303 of the Texas Finance Code. The Borrower agrees that Chapter 346 of the Texas Finance Code (which regulates certain revolving credit loan accounts and revolving tri-party accounts) does not apply to the Borrowings.

SECTION 3.9. INTEREST PERIODS.

If a Borrowing is a LIBOR Rate Borrowing, the Borrower may elect the applicable interest period (each an "INTEREST PERIOD"), which may be, at the Borrower's option, one, two or three months, subject to Section 13.1 and the following conditions with respect to a LIBOR Rate Borrowing: (i) the initial Interest Period commences on the Borrowing Date or conversion date, and each subsequent Interest Period applicable to such Borrowing commences on the day when the next preceding applicable Interest Period expires, (ii) if the Interest Period begins on a day for which no numerically corresponding Business Day in the calendar month at the end of the Interest Period exists, then the Interest Period ends on the last Business Day of that calendar month and (iii) if the Borrower is required to pay any portion of a Borrowing before the end of

its Interest Period in order to comply with the payment provisions of the Credit Documents, the Borrower shall also pay any related Funding Loss.

SECTION 3.10. CONVERSIONS.

The Borrower may in accordance with the procedures set forth below, (a) convert a LIBOR Rate Borrowing on the last day of the applicable Interest Period to a Base Rate Borrowing, (b) convert a Base Rate Borrowing at any time to a LIBOR Rate Borrowing, and (c) elect a new Interest Period for a LIBOR Rate Borrowing, to commence upon expiration of the then-current Interest Period; provided that the Borrower may not convert to or select a new Interest Period for a LIBOR Rate Borrowing at any time when an Event of Default or Potential Default has occurred and is continuing. Any such conversion or election may be made by telephonic request to the Administrative Agent no later than 10:00 a.m. on the third Business Day before the conversion date or the last day of the Interest Period, as the case may be (for conversion to a LIBOR Rate Borrowing or election of a new Interest Period), and no later than 11:00 a.m. on the last day of the Interest Period (for conversion to a Base Rate Borrowing). The Borrower shall provide a Conversion Notice to the Administrative Agent no later than two days after the date of the conversion or election. Absent the Borrower's telephonic request for conversion or election of a new Interest Period or if an Event of Default or Potential Default has occurred and is continuing, then, a LIBOR Rate Borrowing shall be deemed converted to a Base Rate Borrowing effective when the applicable Interest Period expires.

SECTION 3.11. ORDER OF APPLICATION.

Each payment (including proceeds from the exercise of any Rights) of the Obligations shall be applied either (a) if no Event of Default or Potential Default has occurred and is continuing, then in the order and manner specified elsewhere herein, and if not so specified, then in the order and manner as the Borrower directs, or (b) if an Event of Default or Potential Default has occurred and is continuing or if the Borrower fails to give any direction required under clause (a) above, then in the following order: (i) to all fees, expenses, and indemnified amounts for which the Administrative Agent has not been paid or reimbursed in accordance with the Credit Documents and, except while an Event of Default under Section 10.1 has occurred and is continuing, as to which the Borrower has been invoiced and has failed to pay within ten Business Days of that invoice; (ii) to all fees, expenses and indemnified amounts for which any Lender has not been paid or reimbursed in accordance with the Credit Documents (and if any payment is less than all unpaid or unreimbursed fees and expenses, then that payment shall be applied against unpaid and unreimbursed fees and expenses in the order of incurrence or due date) and, except while an Event of Default under Section 10.1 has occurred and is continuing, as to which the Borrower has been invoiced and has failed to pay within ten Business Days of that invoice; (iii) to accrued interest on the principal amount of the Borrowings outstanding, (D) to the principal amount of the Borrowings outstanding in such order as the Required Lenders may elect (but the Lenders agree to apply proceeds in an order that will minimize any Funding Loss); and (iv) to the remaining Obligations in the order and manner the Required Lenders deem appropriate.

SECTION 3.12. SHARING OF PAYMENTS, ETC.

Except as otherwise specifically provided, (a) principal and interest payments on the Borrowings shall be shared by the Lenders in accordance with their respective Commitment Percentages and (b) each other payment on the Obligations shall be shared by the Lenders in the proportion that the Obligations are owed to the Lenders on the date of the payment. If any Lender obtains any payment or prepayment with respect to the Obligations (whether voluntary, involuntary or otherwise, including, without limitation, as a result of exercising its Rights under Section 3.13) that exceeds the part of that payment or prepayment that it is then entitled to receive under the Credit Documents, then that Lender shall purchase from the other Lenders participations that will cause the purchasing Lender to share the excess payment or prepayment ratably with each other Lender. If all or any portion of any excess payment or prepayment is subsequently recovered from the purchasing Lender, then the purchase shall be rescinded and the purchase price restored to the extent of the recovery. The Borrower agrees that, upon any purchase of a participation in a Borrowing from a Lender, the purchaser may, to the fullest extent lawful, exercise all of the Lender's Rights of payment (including the Right of offset) with respect to that participation as fully as if that purchaser were the direct creditor of the Borrower in the amount of that participation.

SECTION 3.13. OFFSET.

If an Event of Default has occurred and is continuing, each Lender is entitled to exercise (for the benefit of all the Lenders) the Rights of offset and banker's Lien against each and every account and other property, or any interest therein, that the Borrower or any Company, other than an Excluded Subsidiary, may now or hereafter have with, or which is now or hereafter in the possession of, that Lender to the extent of the full amount of the Obligations then matured and owed (directly or participated) to it.

SECTION 3.14. BOOKING THE ADVANCES.

To the extent lawful, any Lender may make, carry or transfer its Advance at, to or for the account of any of its branch offices or the office or branch of any of its Affiliates. However, no Affiliate or branch is entitled to receive any greater payment under Section 3.16 than the transferor Lender would have been entitled to receive with respect to such Advance, and a transfer may not be made if, as a direct result of it, Section 3.16 or 3.17 would apply to any of the Obligations. If any of the conditions of Sections 3.16 or 3.17 ever apply to a Lender, that Lender shall, to the extent possible, carry or transfer its Advance at, to or for the account of any of its branch offices or the office or branch of any of its Affiliates so long as the transfer is consistent with the other provisions of this section, does not create any burden or adverse circumstance for that Lender that would not otherwise exist, and eliminates or ameliorates the conditions of Section 3.16 or 3.17 as applicable.

SECTION 3.15. BASIS UNAVAILABLE OR INADEQUATE FOR LIBOR RATE.

If, on or before any date when a LIBOR Rate is to be determined for a Borrowing, the Administrative Agent reasonably determines that the basis for determining the applicable rate is not available or any Lender reasonably determines that the resulting rate does not accurately

reflect the cost to that Lender of making or converting such Borrowing at that rate for the applicable Interest Period, then the Administrative Agent shall promptly notify the Borrower and the Lenders of that determination (which is conclusive and binding on the Borrower absent manifest error) and the Borrowing shall bear interest at the sum of the Base Rate plus the Applicable Margin. Until the Administrative Agent notifies the Borrower that those circumstances no longer exist, the Lenders' commitments under this Agreement to make Advances bearing interest at the LIBOR Rate, or to convert a Base Rate Borrowing to a LIBOR Rate Borrowing, as the case may be, are suspended.

SECTION 3.16. ADDITIONAL COSTS.

(a) RESERVES. With respect to any LIBOR Rate Borrowing (i) if any change in any present Legal Requirement, any change in the interpretation or application of any present Legal Requirement, or any future Legal Requirement imposes, modifies or deems applicable (or if compliance by any Lender with any requirement of any Governmental Authority results in) any requirement that any reserves (including, without limitation, any marginal, emergency, supplemental or special reserves) be maintained (other than any reserve included in the LIBOR Reserve Percentage), and (ii) if those reserves reduce any sums receivable by that Lender under this Agreement or increase the costs incurred by that Lender in advancing or maintaining any portion of any LIBOR Rate Borrowing, then (A) that Lender (through the Administrative Agent) shall deliver to the Borrower a certificate setting forth in reasonable detail the calculation of the amount necessary to compensate it for its reduction or increase (which certificate is conclusive and binding absent manifest error), and (B) the Borrower shall pay that amount to that Lender within five Business Days after demand. The provisions of and undertakings and indemnification in this subsection (a) survive the satisfaction and payment of the Obligations and termination of this Agreement.

(b) CAPITAL ADEQUACY. With respect to the Borrowings, if any change in any present Legal Requirement (whether or not having the force of law), any change in the interpretation or application of any present Legal Requirement (whether or not having the force of law), or any future Legal Requirement (whether or not having the force of law) regarding capital adequacy, or if compliance by any Lender with any request, directive or requirement imposed in the future by any Governmental Authority regarding capital adequacy, or if any change by any Lender, its holding company, or its applicable lending office in its written policies or in the risk category of this transaction, in any of the foregoing events or circumstances, reduces the rate of return on its capital as a consequence of its obligations under this Agreement to a level below that which it otherwise could have achieved (taking into consideration its policies with respect to capital adequacy) by an amount deemed by it to be material (and it may, in determining the amount, utilize reasonable assumptions and allocations of costs and expenses and use any reasonable averaging or attribution method), then (unless the effect is already reflected in the rate of interest then applicable under this Agreement) the Administrative Agent or that Lender (through the Administrative Agent) shall notify the Borrower and deliver to the Borrower a certificate setting forth in reasonable detail the calculation of the amount necessary to compensate it (which certificate is conclusive and binding absent manifest error), and the Borrower shall pay that amount to the Administrative Agent or that Lender within five Business Days after demand. The provisions of and undertakings and indemnification in this subsection (b) shall survive the satisfaction and payment of the Obligations and termination of this Agreement.

(c) TAXES. Subject to Section 3.19, any Taxes payable by the Administrative Agent or any Lender or ruled (by a Governmental Authority) payable by the Administrative Agent or any Lender in respect of this Agreement or any other Credit Document shall, if permitted by Legal Requirement, be paid by the Borrower, together with interest and penalties, if any, except for Taxes payable on or measured by the overall net income or capital of the Administrative Agent or that Lender (or the Administrative Agent or that Lender, as the case may be, together with any other Person with whom the Administrative Agent or that Lender files a consolidated, combined, unitary or similar Tax return) and except for interest and penalties incurred as a result of the gross negligence or willful misconduct of the Administrative Agent or any Lender. The Administrative Agent or that Lender (through the Administrative Agent) shall notify the Borrower and deliver to the Borrower a certificate setting forth in reasonable detail the calculation of the amount of payable Taxes, which certificate is conclusive and binding (absent manifest error), and the Borrower shall pay that amount to the Administrative Agent for its account or the account of that Lender, as the case may be within five Business Days after demand. If the Administrative Agent or that Lender subsequently receives a refund of the Taxes paid to it by the Borrower, then the recipient shall promptly pay the refund to the Borrower.

SECTION 3.17. CHANGE IN LEGAL REQUIREMENTS.

If any Legal Requirement makes it unlawful for any Lender to make or maintain a LIBOR Rate Borrowing, then that Lender shall promptly notify the Borrower and the Administrative Agent, and (i) if such Borrowing has not yet been made, the Borrowing shall be made as a Base Rate Borrowing, and (ii) if the Borrowing has been made, (A) if maintaining such Borrowing until the last day of the applicable Interest Period is unlawful, then such Borrowing shall be converted to a Base Rate Borrowing as of the date of notice, in which event the Borrower will not be required to pay any related Funding Loss, (B) if not prohibited by Legal Requirement, then such Borrowing shall be converted to a Base Rate Borrowing as of the last day of the applicable Interest Period, or (C) if any conversion will not resolve the unlawfulness, then the Borrower shall promptly prepay such Borrowing without penalty but with related Funding Loss.

SECTION 3.18. FUNDING LOSS.

The Borrower shall indemnify each Lender against, and pay to it within five Business Days following demand and delivery by such Lender to the Borrower of the certificate herein provided, any Funding Loss of that Lender. When any Lender demands that the Borrower pay any Funding Loss, that Lender shall deliver to the Borrower and the Administrative Agent a certificate setting forth in reasonable detail the basis for imposing Funding Loss and the calculation of the amount, which calculation is conclusive and binding absent manifest error. The provisions of and undertakings and indemnification in this section survive the satisfaction and payment of the Obligations and termination of this Agreement.

SECTION 3.19. FOREIGN LENDERS, PARTICIPANTS AND ASSIGNEES.

Each Lender, Participant (by accepting a participation interest under this Agreement) and Assignee (by executing an Assignment) that is not organized under the Legal Requirements of the United States of America or one of its states (a) represents to the Administrative Agent and

the Borrower that (i) no Taxes are required to be withheld by the Administrative Agent or the Borrower with respect to any payments to be made to it in respect of the Obligations and (ii) it has furnished to the Administrative Agent and the Borrower two duly completed copies of either U.S. Internal Revenue Service Form W-8BEN or W-8ECI or any other form acceptable to the Administrative Agent and the Borrower that entitles it to a complete exemption from U.S. federal withholding Tax on all interest or fee payments under the Credit Documents and (b) covenants to (i) provide the Administrative Agent and the Borrower a new Form W-8BEN or W-8ECI or other form acceptable to the Administrative Agent and the Borrower upon the expiration or obsolescence according to Legal Requirement of any previously delivered form, duly executed and completed by it, entitling it to a complete exemption from U.S. federal withholding Tax on all interest and fee payments under the Credit Documents, and (ii) comply from time to time with all Legal Requirements with regard to the withholding Tax exemption. If any of the foregoing is not true at any time or the applicable forms are not provided, then the Borrower and the Administrative Agent (without duplication) may deduct and withhold from interest and fee payments under the Credit Documents any Tax at the maximum rate under the IRC or other applicable Legal Requirement, and amounts so deducted and withheld shall be treated as paid to that Lender, Participant or Assignee, as the case may be, for all purposes under the Credit Documents.

SECTION 3.20. DISCHARGE AND REINSTATEMENT.

Each Company's obligations under the Credit Documents remain in full force and effect until no Lender has any commitment to extend credit under the Credit Documents and the Obligations are fully paid (except for provisions under the Credit Documents which by their terms expressly survive payment of the Obligations and termination of the Credit Documents). If any payment under any Credit Document is ever rescinded or must be restored or returned for any reason, then all Rights and obligations under the Credit Documents in respect of that payment are automatically reinstated as though the payment had not been made when due.

ARTICLE IV CONDITIONS PRECEDENT

This Agreement shall not be effective unless the Administrative Agent has received all of the items described in Schedule 4. In addition, no Lender is obligated to fund (as opposed to continue or convert) the initial Borrowing unless on the date of the initial Borrowing (and after giving effect to such Borrowing): (a) the Administrative Agent has timely received a properly completed and duly executed Borrowing Request, (b) all of the representations and warranties of the Companies in the Credit Documents are true and correct in all material respects (unless they speak to a specific date or are based on facts which have changed by transactions contemplated or expressly permitted by this Agreement), (c) no Material Adverse Event, Event of Default or Potential Default has occurred and is continuing, and (d) no limitation in Section 2.1 is or would be exceeded by the Borrowing. The Borrowing Request, however delivered, constitutes the Borrower's representation and warranty that the conditions in subsections (b) through (d) above are satisfied. Upon the Administrative Agent's or any Lender's reasonable request, the Borrower shall deliver to the Administrative Agent or such Lender evidence substantiating any of the matters in the Credit Documents that are necessary to enable the Borrower to qualify for the initial Borrowing. Each condition precedent in this Agreement (including, without limitation,

those on Schedule 4) is material to the transactions contemplated by this Agreement, and time is of the essence with respect to each condition precedent.

ARTICLE V
GUARANTIES

The Borrower shall cause each Significant Subsidiary (other than any Excluded Subsidiary of the Borrower), whether now existing or in the future formed or acquired as permitted by the Credit Documents, to unconditionally guarantee the full payment and performance of the Obligations by execution of a Guaranty. Any Guaranty delivered by a Guarantor after the Closing Date pursuant to this Article V shall be accompanied by (a) an opinion of counsel to such Guarantor as to the enforceability of such Guaranty and such other matters as the Administrative Agent may reasonably request, (b) certified copies of the Constituent Documents of such Guarantor, (c) certified copies of all corporate or partnership (as the case may be) authorizations and approvals of Governmental Authorities required in connection with the execution, delivery and performance by such Guarantor of such Guaranty, and (d) such other certificates, documents and other information regarding such Guarantor as the Administrative Agent may reasonably request.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Administrative Agent and the Lenders as follows:

SECTION 6.1. PURPOSE.

The Borrower will use the proceeds of the Term Loan for the acquisition of the Val Verde Gathering System assets from Burlington Resources pursuant to the Asset Purchase Agreement. No Company is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any "margin stock" within the meaning of the Margin Regulations, and no part of the proceeds of the Term Loan will be used, directly or indirectly, for a purpose that violates any Legal Requirement, including the Margin Regulations.

SECTION 6.2. SUBSIDIARIES AND SIGNIFICANT SUBSIDIARIES.

Schedule 6.2 describes the Borrower, all of its direct and indirect Subsidiaries and all of its Significant Subsidiaries as of the date hereof.

SECTION 6.3. EXISTENCE, AUTHORITY AND GOOD STANDING.

Each Company (other than any Excluded Subsidiary) is duly organized, validly existing and in good standing under the Legal Requirements of its jurisdiction of formation. Except where not a Material Adverse Event, each such Company is duly qualified to transact business and is in good standing in each jurisdiction where the nature and extent of its business and properties require due qualification and good standing (each of which jurisdictions is identified

on Schedule 6.2). Each Company (other than any Excluded Subsidiary) possesses all requisite authority and power to conduct its business as is now being conducted and as proposed under the Credit Documents to be conducted and to own and operate its assets as now owned and operated and as proposed to be owned and operated under the Credit Documents.

SECTION 6.4. AUTHORIZATION AND CONTRAVENTION.

The execution and delivery by each Company of each Credit Document to which it is a party and the performance by it of its obligations under those Credit Documents (a) are within its corporate, partnership or comparable organizational powers, (b) have been duly authorized by all necessary corporate, partnership or comparable organizational action, (c) require no notice to, consents or approval of, action by or filing with, any Governmental Authority (except any action or filing that has been taken or made on or before the Closing Date), (d) do not violate any provision of any of its Constituent Documents, and (e) except violations that individually or collectively are not a Material Adverse Event, do not violate any provision of Legal Requirement applicable to it or any material agreement to which it is a party.

SECTION 6.5. BINDING EFFECT.

Upon execution and delivery by all parties to it, each Credit Document will constitute a legal and binding obligation of each Company party to it, enforceable against it in accordance with that Credit Document's terms except as that enforceability may be limited by Debtor Laws and general principles of equity.

SECTION 6.6. CURRENT FINANCIALS.

The Current Financials were prepared in accordance with GAAP and present fairly, in all material respects, the consolidated financial condition, results of operations and cash flows of the Companies as of, and for the portion of the fiscal year ending on their dates (subject only to normal year-end adjustments for interim statements). Except for transactions directly related to, specifically contemplated by or expressly permitted by the Credit Documents, no material adverse changes have occurred in such consolidated financial condition from that shown in the Current Financials.

SECTION 6.7. SOLVENCY.

Each of the Borrower and each Guarantor is Solvent.

SECTION 6.8. LITIGATION.

Except as disclosed on Schedule 6.8 and matters covered (subject to reasonable and customary deductible and retention) by insurance or indemnification agreements as to which the insurer or indemnifying party, as applicable, has acknowledged liability, (a) no Company is subject to, or aware of the threat of, any Litigation that is reasonably likely to be determined adversely to any Company and, if so adversely determined, would be a Material Adverse Event, and (b) no outstanding and unpaid judgments against any Company exist that would be a Material Adverse Event.

SECTION 6.9. TAXES.

Except where not a Material Adverse Event, (a) all Tax returns of each Company required to be filed have been filed (or extensions have been granted) before delinquency and (b) all Taxes imposed upon each Company that are due and payable have been paid before delinquency except as being contested as permitted by Section 7.5.

SECTION 6.10. COMPLIANCE WITH LAW AND ENVIRONMENTAL MATTERS.

Except as disclosed on Schedule 6.10, (a) no Company has received notice from any Governmental Authority that it has actual or potential Environmental Liability and no Company has knowledge that it has any Environmental Liability, which actual or potential Environmental Liability in either case constitutes a Material Adverse Event, and (b) no Company has received notice from any Governmental Authority that any Real Property is affected by, and no Company has knowledge that any Real Property is affected by, any Release of any Hazardous Substance which constitutes a Material Adverse Event. Further, except as otherwise provided in any Credit Document, each Company (other than any Excluded Subsidiary) is in compliance with clause (a) of Section 8.6.

SECTION 6.11. EMPLOYEE PLANS.

Except as disclosed on Schedule 6.11 or where not a Material Adverse Event, (a) no Employee Plan subject to ERISA has incurred an "accumulated funding deficiency" (as defined in Section 302 of ERISA or Section 512 of the IRC), (b) neither any Company nor any ERISA Affiliate has incurred liability, except for liabilities for premiums that have been paid or that are not past due, under ERISA to the PBGC in connection with any Employee Plan, (c) neither any Company nor any ERISA Affiliate has withdrawn in whole or in part from participation in a Multiemployer Plan in a manner that has given rise to a withdrawal liability under Title IV of ERISA, (d) neither the Borrower nor any ERISA Affiliate has engaged in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the IRC), (e) no "reportable event" (as defined in Section 4043 of ERISA) has occurred excluding events for which the notice requirement is waived under applicable PBGC regulations, (f) neither any Company nor any ERISA Affiliate has any liability, or is subject to any Lien, under ERISA or the IRC to or on account of any Employee Plan, (g) each Employee Plan subject to ERISA and the IRC complies in all material respects, both in form and operation, with ERISA and the IRC, and (h) no Multiemployer Plan subject to the IRC is in reorganization within the meaning of Section 418 of the IRC. None of the matters disclosed on Schedule 6.11 give rise to any other "reportable events", as defined above.

SECTION 6.12. DEBT.

No Company has any Debt except as described on Schedule 6.12 or otherwise incurred after the date hereof in accordance with this Agreement.

SECTION 6.13. PROPERTIES; LIENS.

Each Company (other than any Excluded Subsidiary) has good and indefeasible title to all of its property reflected on the Current Financials as being owned by it except for property

that is obsolete or that has been disposed of in the ordinary course of business between the date of the Current Financials and the date of this Agreement or, after the date of this Agreement, as permitted by Sections 8.8 and 8.9. No Lien exists on any property of any Company (other than any Excluded Subsidiary) except as described on Schedule 6.13 and other Permitted Liens. No Company (other than any Excluded Subsidiary) is party or subject to any agreement, instrument or order which in any way restricts any such Company's ability to allow Liens to exist upon any of its assets except relating to Permitted Liens.

SECTION 6.14. GOVERNMENTAL REGULATIONS.

No Company is subject to regulation under the Investment Company Act of 1940 or the Public Utility Holding Company Act of 1935.

SECTION 6.15. TRANSACTIONS WITH AFFILIATES.

Except as otherwise disclosed on Schedule 6.15 or permitted by Section 8.5, no Company is a party to a material transaction with any of its Affiliates.

SECTION 6.16. LEASES.

Except where not a Material Adverse Event, (a) each Company enjoys peaceful and undisturbed possession under all leases necessary for the operation of its properties and assets and (b) all material leases under which any Company is a lessee are in full force and effect.

SECTION 6.17. LABOR MATTERS.

Except where not a Material Adverse Event, (a) no actual or threatened strikes, labor disputes, slow downs, walkouts, work stoppages or other concerted interruptions of operations that involve any employees employed at any time in connection with the business activities or operations at the Real Property exist, (b) hours worked by and payment made to the employees of any Company or any Predecessor have not been in violation of the Fair Labor Standards Act or any other applicable Legal Requirements pertaining to labor matters, (c) all payments due from any Company for employee health and welfare insurance, including, without limitation, workers compensation insurance, have been paid or accrued as a liability on its books, and (d) the business activities and operations of each Company are in compliance with OSHA and other applicable health and safety Legal Requirements.

SECTION 6.18. INTELLECTUAL PROPERTY.

Except where not a Material Adverse Event, (a) each Company owns or has the right to use all material licenses, patents, patent applications, copyrights, service marks, trademarks, trademark applications and trade names necessary to continue to conduct its businesses as presently conducted by it and proposed to be conducted by it immediately after the date of this Agreement, (b) each Company is conducting its business without infringement or claim of infringement of any license, patent, copyright, service mark, trademark, trade name, trade secret or other intellectual property right of others and (c) no infringement or claim of infringement by others of any material license, patent, copyright, service mark, trademark, trade name, trade secret or other intellectual property of any Company exists.

SECTION 6.19. INSURANCE.

All insurance required under Section 7.9 is in full force and effect.

SECTION 6.20. RESTRICTIONS ON DISTRIBUTIONS.

Except as disclosed on Schedule 6.20, no Subsidiary (other than any Excluded Subsidiary) of the Borrower is subject to any restriction on such Subsidiary's ability to directly or indirectly declare, make or pay Distributions to the Borrower.

SECTION 6.21. FULL DISCLOSURE.

Each fact or condition relating to any Company's financial condition, business or property that is a Material Adverse Event has been disclosed in writing to the Administrative Agent. All information previously furnished by any Company to the Administrative Agent in connection with the Credit Documents (the "DISCLOSED INFORMATION") was (and all information furnished in the future by any Company to the Administrative Agent will be) true and accurate in all material respects. As of the Closing Date, the Disclosed Information taken as a whole, was not misleading in any material respect and did not omit to disclose any matter the failure of which to be disclosed would result in any information contained in the Disclosed Information being misleading in any material respect.

ARTICLE VII
AFFIRMATIVE COVENANTS

Until the Commitments have been terminated and the Obligations have been fully paid and performed, the Borrower covenants and agrees with the Administrative Agent and the Lenders that, without first obtaining the Required Lenders' written consent to the contrary:

SECTION 7.1. CERTAIN ITEMS FURNISHED.

The Borrower shall furnish or shall cause the following to be furnished to each Lender:

(a) ANNUAL FINANCIALS OF THE BORROWER. Promptly after preparation but no later than 90 days after the last day of each fiscal year of the Borrower, Financials showing the consolidated financial condition and results of operations of the Borrower and its Subsidiaries as of, and for the year ended on, that last day setting forth in comparative form the figures for the previous fiscal year, accompanied by (i) the opinion, without material qualification, of KPMG LLP or other firm of nationally-recognized independent certified public accountants reasonably acceptable to the Required Lenders, based on an audit (other than in the case of consolidating Financials) using generally accepted auditing standards, that those Financials were prepared in accordance with GAAP and present fairly, in all material respects, the consolidated and consolidating financial condition and results of operations of the Borrower and its Subsidiaries, and (ii) a related Compliance Certificate from a Responsible Officer, on behalf of the Borrower.

(b) QUARTERLY REPORTS. Promptly after preparation but no later than 45 days after the last day of (i) each of the first three fiscal quarters of the Borrower and the Companies each year,

Financials showing the consolidated financial condition and results of operations of the Borrower and its Subsidiaries for that fiscal quarter and for the period from the beginning of the current fiscal year to the last day of that fiscal quarter setting forth in each case in comparative form the figures for the corresponding quarter and the corresponding portion of the previous fiscal year, accompanied, in each case, by a related Compliance Certificate, together with a completed copy of the schedule to that certificate, signed by a Responsible Officer, on behalf of the Borrower and (ii) each fiscal quarter of the Borrower prior to the Completion Date, a report detailing the progress of the FINA/BASF Project, in form and substance satisfactory to the Administrative Agent.

(c) OTHER REPORTS. Promptly after preparation and distribution, accurate and complete copies of all reports and other material communications about material financial matters or material corporate plans or projections by or for any Company for distribution to any Governmental Authority or any creditor, other than credit, trade and other reports prepared and distributed in the ordinary course of business and information otherwise furnished to the Administrative Agent and the Lenders under this Agreement.

(d) EMPLOYEE PLANS. As soon as possible and within 30 days after any Company knows that any event which would constitute a reportable event under Section 4043(b) of Title IV of ERISA with respect to any Employee Plan subject to ERISA has occurred, or that the PBGC has instituted or will institute proceedings under ERISA to terminate that plan, deliver a certificate of a Responsible Officer of the Borrower setting forth details as to that reportable event and the action that the Borrower or an ERISA Affiliate, as the case may be, proposes to take with respect to it, together with a copy of any notice of that reportable event which may be required to be filed with the PBGC, or any notice delivered by the PBGC evidencing its intent to institute those proceedings or any notice to the PBGC that the plan is to be terminated, as the case may be. For all purposes of this section, each Company is deemed to have all knowledge of all facts attributable to the plan administrator under ERISA.

(e) OTHER NOTICES. Notice, promptly after the Borrower knows, of (i) the existence and status of any Litigation that is reasonably likely to be adversely determined and, if determined adversely to any Company, would be a Material Adverse Event, (ii) any change in any material fact or circumstance represented or warranted by any Company in any Credit Document, (iii) an Event of Default or Potential Default, specifying the nature thereof and what action the Companies have taken, are taking or propose to take with respect to such event, (iv) any default or potential default under any FINA/BASF Contract and (v) the Completion Date.

(f) OTHER INFORMATION. Promptly when reasonably requested by the Administrative Agent or any Lender, such reasonable information (not otherwise required to be furnished under this Agreement) about any Company's business affairs, assets and liabilities.

SECTION 7.2. USE OF CREDIT.

The Borrower shall use the proceeds of the Term Loan only for the purposes specified in this Agreement.

SECTION 7.3. BOOKS AND RECORDS.

The Borrower shall, and shall cause each other Company to, maintain books, records, and accounts necessary to prepare Financials in accordance with GAAP.

SECTION 7.4. INSPECTIONS.

Upon reasonable request and subject to compliance with applicable safety standards, with contractual privilege and non-disclosure agreements, and with the same conditions applicable to any Company in respect of property of that Company on the premises of other Persons, the Borrower shall, and shall cause each other Company to, allow the Administrative Agent or any Lender (or their respective Representatives) to inspect any of its properties, to review reports, files and other records and to make and take away copies thereof, to conduct reasonable tests or investigations, and to discuss any of its affairs, conditions and finances with its other creditors, directors, officers, employees or representatives from time to time, during reasonable business hours.

SECTION 7.5. TAXES.

The Borrower shall, and shall cause each other Company to, promptly pay when due any and all Taxes except Taxes that are being contested in good faith by lawful proceedings diligently conducted, against which reserve or other provision required by GAAP has been made, and in respect of which levy and execution of any Lien sufficient to be enforced has been and continues to be stayed.

SECTION 7.6. PAYMENT OF MATERIAL OBLIGATIONS.

The Borrower shall, and shall cause each other Company (other than any Excluded Subsidiary) to, promptly pay (or renew and extend) all of its material obligations as they become due (unless the obligations are being contested in good faith by, if required, appropriate proceedings).

SECTION 7.7. EXPENSES.

Within ten Business Days after demand accompanied by an invoice describing the costs, fees and expenses in reasonable detail (and subject to any limitations separately agreed to in writing by the Borrower and the Administrative Agent in respect of costs, fees and expenses of the Administrative Agent or any of its Representatives), the Borrower shall pay (a) all costs, fees and reasonable expenses paid or incurred by the Administrative Agent and the Sole Lead Arranger incident to any Credit Document in connection with the negotiation, documentation, syndication, preparation, delivery and execution of the Credit Documents (including the reasonable fees and expenses of the Administrative Agent's counsel) and any related amendment, waiver or consent, whether or not the Closing Date actually occurs and (b) all reasonable costs and expenses incurred by the Administrative Agent or any Lender in connection with the enforcement of the obligations of any Company under the Credit Documents or the exercise of any Rights under the Credit Documents (including reasonable attorneys' fees and court costs), all of which are part of the Obligations, bearing interest (if not paid within ten Business Days after demand accompanied by an invoice describing the costs, fees and expenses

in reasonable detail) on the portion thereof from time to time unpaid at the Default Rate until paid.

SECTION 7.8. MAINTENANCE OF EXISTENCE, ASSETS AND BUSINESS.

The Borrower shall, and shall cause each other Company (other than any Excluded Subsidiary) to, (a) except in connection with dispositions permitted under Section 8.8, mergers, consolidations and dissolutions permitted under Section 8.9 and statutory conversions to another form of entity as permitted by applicable Legal Requirements, maintain its existence and good standing in its state of formation, and (b) except where not a Material Adverse Event, (i) maintain its authority to transact business and good standing in all other states, (ii) maintain all licenses, permits and franchises (including Environmental Permits) necessary for its business, and (iii) keep all of its material assets that are useful in and necessary to its business in good working order and condition (ordinary wear and tear excepted) and make all necessary repairs and replacements.

SECTION 7.9. INSURANCE.

The Borrower shall, and shall cause each other Company (other than any Excluded Subsidiary) to, at its cost and expense, maintain with financially sound, responsible and reputable insurance companies or associations (or, as to workers' compensation or similar insurance, with an insurance fund or by self-insurance authorized by the jurisdictions in which it operates) insurance concerning its properties and businesses against casualties and contingencies and of types and in amounts (and with co-insurance and deductibles) as is customary in the case of similar businesses.

SECTION 7.10. ENVIRONMENTAL MATTERS.

The Borrower shall, and shall cause each other Company to, (a) operate and manage its businesses and otherwise conduct its affairs in compliance with all Environmental Laws and Environmental Permits except to the extent noncompliance does not constitute a Material Adverse Event, (b) promptly deliver to the Administrative Agent a copy of any notice received from any Governmental Authority alleging that any such Company is not in compliance with any Environmental Law or Environmental Permit if the allegation constitutes a Material Adverse Event, and (c) promptly deliver to the Administrative Agent a copy of any notice received from any Governmental Authority alleging that any such Company has any potential Environmental Liability if the allegation constitutes a Material Adverse Event.

SECTION 7.11. INDEMNIFICATION.

(a) AS USED IN THIS SECTION: (i) "INDEMNITEE" MEANS THE ADMINISTRATIVE AGENT, EACH LENDER, EACH PRESENT AND FUTURE AFFILIATE (WITH WHICH ANY COMPANY HAS ENTERED INTO A WRITTEN CONTRACTUAL ARRANGEMENT) OF THE ADMINISTRATIVE AGENT OR ANY LENDER, EACH PRESENT AND FUTURE REPRESENTATIVE OF THE ADMINISTRATIVE AGENT, ANY LENDER OR ANY OF THOSE AFFILIATES AND EACH PRESENT AND FUTURE SUCCESSOR AND PERMITTED ASSIGN OF THE ADMINISTRATIVE AGENT, ANY LENDER OR ANY OF THOSE AFFILIATES OR

REPRESENTATIVES; AND (ii) "INDEMNIFIED LIABILITIES" MEANS ALL KNOWN AND UNKNOWN, FIXED AND CONTINGENT, ADMINISTRATIVE, INVESTIGATIVE, JUDICIAL AND OTHER CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, INVESTIGATIONS, SUITS, PROCEEDINGS, AMOUNTS PAID IN SETTLEMENT, DAMAGES, JUDGMENTS, PENALTIES, COURT COSTS, LIABILITIES AND OBLIGATIONS AND ALL COSTS AND REASONABLE EXPENSES AND DISBURSEMENTS (INCLUDING ALL REASONABLE ATTORNEYS' FEES AND EXPENSES WHETHER OR NOT SUIT OR OTHER PROCEEDING EXISTS OR ANY INDEMNITEE IS PARTY TO ANY SUIT OR OTHER PROCEEDING) IN ANY WAY RELATED TO ANY OF THE FOREGOING -- THAT MAY AT ANY TIME BE IMPOSED ON, INCURRED BY OR ASSERTED AGAINST ANY INDEMNITEE AND IN ANY WAY ARISING OUT OF ANY (A) CREDIT DOCUMENT, TRANSACTION CONTEMPLATED BY ANY CREDIT DOCUMENT OR REAL PROPERTY, (B) ENVIRONMENTAL LIABILITY IN ANY WAY RELATED TO ANY COMPANY, PREDECESSOR, REAL PROPERTY OR ACT, OMISSION, STATUS, OWNERSHIP OR OTHER RELATIONSHIP, CONDITION OR CIRCUMSTANCE CONTEMPLATED BY, CREATED UNDER OR ARISING PURSUANT TO OR IN CONNECTION WITH ANY CREDIT DOCUMENT OR (C) INDEMNITEE'S SOLE OR CONCURRENT ORDINARY NEGLIGENCE.

(b) THE BORROWER SHALL INDEMNIFY EACH INDEMNITEE FROM AND AGAINST, PROTECT AND DEFEND EACH INDEMNITEE FROM AND AGAINST, HOLD EACH INDEMNITEE HARMLESS FROM AND AGAINST, AND ON DEMAND PAY OR REIMBURSE EACH INDEMNITEE FOR, ALL INDEMNIFIED LIABILITIES.

(c) THE FOREGOING PROVISIONS (i) ARE NOT LIMITED IN AMOUNT EVEN IF THAT AMOUNT EXCEEDS THE OBLIGATIONS, (ii) INCLUDE, WITHOUT LIMITATION, REASONABLE FEES AND EXPENSES OF ATTORNEYS AND OTHER COSTS AND EXPENSES OF LITIGATION OR PREPARING FOR LITIGATION AND DAMAGES OR INJURY TO PERSONS, PROPERTY OR NATURAL RESOURCES ARISING UNDER ANY STATUTORY OR COMMON LEGAL REQUIREMENT, PUNITIVE DAMAGES, FINES AND OTHER PENALTIES, (iii) ARE NOT AFFECTED BY THE SOURCE OR ORIGIN OF ANY HAZARDOUS SUBSTANCE, AND (iv) ARE NOT AFFECTED BY ANY INDEMNITEE'S INVESTIGATION, ACTUAL OR CONSTRUCTIVE KNOWLEDGE, COURSE OF DEALING OR WAIVER.

(d) HOWEVER, NO INDEMNITEE IS ENTITLED TO BE INDEMNIFIED UNDER THE CREDIT DOCUMENTS FOR ITS OWN SOLE GROSS NEGLIGENCE OR SOLE WILLFUL MISCONDUCT.

ARTICLE VIII NEGATIVE COVENANTS

Until the Commitments have been terminated and the Obligations have been fully paid and performed, the Borrower covenants and agrees with the Administrative Agent and the Lenders that, without first obtaining the Required Lenders' consent to the contrary:

SECTION 8.1. DEBT.

The Borrower will not cause or permit any other Company to, create, incur, assume or suffer to exist any Debt except the following (the "PERMITTED DEBT"):

(a) SUBSIDIARY GUARANTIES. Guaranties of any Debt of the Borrower.

(b) PERMITTED NON-RECOURSE DEBT. Permitted Non-Recourse Debt.

(c) CENTENNIAL GUARANTY. Upon the acquisition by TE Products of a one-third interest in the Centennial Pipeline Project, Debt arising under the Centennial Guaranty.

(d) ADDITIONAL DEBT. Additional Debt not described in clauses (a) through (c) above incurred by the Guarantors in an aggregate principal amount not to exceed \$25,000,000.

(e) EXISTING DEBT. The Debt described on Schedule 6.12, together with all renewals, extensions, amendments, modifications and refinancings of (but not any principal increases to) any of such Debt.

SECTION 8.2. PREPAYMENTS.

The Borrower will not, and will not cause or permit any other Company, other than an Excluded Subsidiary, to, prepay or redeem or cause to be prepaid or redeemed any principal of, or any interest on, any of its Debt except (a) the Obligations and (b) any of its other Debt if (i) no Event of Default or Potential Default has occurred and is continuing immediately before, or will occur as a result of (or otherwise will occur immediately after), the prepayment or redemption, and (ii) in respect of any prepayment or redemption of the Senior Notes, the Borrower concurrently prepays to the Lenders the Borrowings in a principal amount that is in the same proportion to the total principal amount of the Borrowings outstanding immediately before such prepayment as the amount of principal of the Senior Notes then being prepaid or redeemed bears to the total principal amount of the Senior Notes immediately before such prepayment or redemption in accordance with Section 3.2(c)(iv).

SECTION 8.3. LIENS.

The Borrower will not, and will not cause or permit any other Company: (a) to create, incur or suffer or permit to be created or incurred or to exist any Lien upon any of its assets except Permitted Liens or (b) to enter into or permit to exist any arrangement or agreement that directly or indirectly prohibits any Company from creating or incurring any Lien on any of its assets except (i) the Credit Documents, (ii) any lease that places a Lien prohibition on only the property subject to that lease, and (iii) arrangements and agreements that apply only to property subject to Permitted Liens. The following are "PERMITTED LIENS":

(a) EXISTING LIENS. The Liens existing on the date of this Agreement and described on Schedule 6.13 and any renewal, extension, amendment or modification of any of such Lien, provided that the total principal amount secured by any such Lien never exceeds the total principal amount secured by such Lien on the date of this Agreement.

(b) THIS TRANSACTION. Liens, if any, ever granted to the Administrative Agent in favor of the Lenders to secure all of any part of the Obligations.

(c) BONDS. Liens securing any industrial development, pollution control or similar revenue bonds that never exceed a total principal amount of \$25,000,000.

(d) FORECLOSED PROPERTIES. Liens existing on any property acquired by any Company in connection with the foreclosure or other exercise of its Lien on the property.

(e) SETOFFS. Rights of set off or recoupment and banker's Liens, subject to any limitations imposed upon them in the Credit Documents.

(f) INSURANCE. Pledges or deposits made to secure payment of workers' compensation, unemployment insurance or other forms of governmental insurance or benefits or to participate in any fund in connection with workers' compensation, unemployment insurance, pensions or other social security programs.

(g) BIDS AND BONDS. Good faith pledges or deposits (i) for 10% or less of the amounts due under (and made to secure) any Company's performance of bids, tenders, contracts (except for the repayment of borrowed money), (ii) in respect of any operating lease, that are for up to but not more than the greater of either 10% of the total rental obligations for the term of the lease or 50% of the total rental obligations payable during the first year of the lease or (iii) made to secure statutory obligations, surety or appeal bonds, or indemnity, performance or other similar bonds benefiting any Company in the ordinary course of its business.

(h) PERMITS. Conditions in any permit, license or order issued by a Governmental Authority for the ownership and operation of a pipeline that do not materially impair the ownership or operation of such pipeline.

(i) PROPERTY RESTRICTIONS. Zoning and similar restrictions on the use of, and easements, restrictions, covenants, title defects and similar encumbrances on, any Real Property or pipeline right-of-way that (i) do not materially impair the Company's use of the Real Property or pipeline right-of-way and (ii) are not violated by existing structures (including the pipeline) or current land use.

(j) EMINENT DOMAIN. The Right reserved to, or vested in, any Governmental Authority (or granted by a Governmental Authority to another Person) by the terms of any Right, franchise, grant, license, permit or Legal Requirements to purchase or recapture, or to designate a purchaser of, any property.

(k) INCHOATE LIENS. If no Lien has been filed in any jurisdiction or agreed to, (i) claims and Liens for Taxes not yet due and payable, (ii) mechanic's Liens and materialman's Liens for services or materials and similar Liens incident to construction and maintenance of real property, in each case for which payment is not yet due and payable, (iii) landlord 's Liens for rental not yet due and payable, and (iv) Liens of warehousemen and carriers and similar Liens securing obligations that are not yet due and payable.

(l) PERMITTED NON-RECOURSE DEBT. Liens securing obligations in respect of Permitted Non-Recourse Debt of any Subsidiary of the Borrower.

(m) MISCELLANEOUS. Any of the following to the extent that the validity or amount is being contested in good faith and by appropriate and lawful proceedings diligently conducted, reserve or other appropriate provision (if any) required by GAAP has been made, levy and execution has not issued or continues to be stayed, and they do not individually or collectively detract materially from the value of the property of the Company in question or materially impair the use of that property in the operation of its business: (i) claims and Liens for Taxes; (ii) claims and Liens upon, and defects of title to, real or personal property, including any attachment of personal or real property or other legal process before adjudication of a dispute on the merits; (iii) claims and Liens of mechanics, materialmen, warehousemen, carriers, landlords or other similar Liens; (iv) Liens incident to construction and maintenance of real property; and (v) adverse judgments, attachments or orders on appeal for the payment of money.

SECTION 8.4. EMPLOYEE PLANS.

Except as disclosed on Schedule 6.11 or where not a Material Adverse Event, the Borrower will not, and will not cause or permit any other Company to, permit any of the events or circumstances described in Section 6.11 to exist or occur.

SECTION 8.5. TRANSACTIONS WITH AFFILIATES.

The Borrower will not, and will not cause or permit any other Company to, enter into any material transaction with any of its Affiliates except (a) those described on Schedule 6.15, (b) transactions between the Borrower and a Guarantor, (c) transactions permitted under Section 8.1 or 8.7, (d) transactions in the ordinary course of business and upon fair and reasonable terms not materially less favorable than it could obtain or could become entitled to in an arm's-length transaction with a Person that was not its Affiliate, and (e) compensation arrangements in the ordinary course of business with directors and officers of the Companies.

SECTION 8.6. COMPLIANCE WITH LEGAL REQUIREMENTS AND DOCUMENTS.

The Borrower will not, and will not cause or permit any other Company to: (a) violate the provisions of any Legal Requirements (including, without limitation, OSHA and Environmental Laws) applicable to it or of any material agreement to which it is a party if that violation alone, or when aggregated with all other violations of Legal Requirements or other material agreements, would be a Material Adverse Event, (b) violate in any material respect any provision of its Constituent Documents, or (c) repeal, replace or amend any provision of its Constituent Documents, if that action would be a Material Adverse Event.

SECTION 8.7. DISTRIBUTIONS.

The Borrower will not, and will not cause or permit any other Company to declare, make or pay any Distribution other than (a) Distributions from any Subsidiary of the Borrower to the Borrower and the other owners (if any) of Equity Interests in such Subsidiary and (b) Distributions by the Borrower that (i) will not violate its Constituent Documents and (ii) do not exceed "Available Cash" as defined in the Borrower's Agreement of Limited Partnership, in

each case, so long as no Event of Default or Potential Default has occurred and is continuing or will occur as a result of such Distribution.

SECTION 8.8. DISPOSITION OF ASSETS.

The Borrower will not, and will not cause or permit any other Company (other than any Excluded Subsidiary) to, sell, assign, lease, transfer or otherwise dispose of any of its assets (including equity interests in any other Company) other than (a) dispositions in the ordinary course of business for a fair and adequate consideration, (b) dispositions to any other Company that is a Guarantor, (c) dispositions to any Excluded Subsidiary in connection with a transaction involving the issuance by such Excluded Subsidiary of Permitted Non-Recourse Debt for the purposes described in clause (ii) of the definition of "Permitted Non-Recourse Debt", (d) dispositions of assets that are obsolete or are no longer in use and are not significant to the continuation of such Company's business, and (e) any other disposition of assets, provided that the Borrower is in compliance with Section 3.2(c), if applicable, with respect to such disposition of assets.

SECTION 8.9. MERGERS, CONSOLIDATIONS AND DISSOLUTIONS.

The Borrower will not, and will not cause or permit any other Company (other than any Excluded Subsidiary) to, merge or consolidate with any other Person or dissolve, except (a) so long as no Event of Default or Potential Default has occurred and is continuing or will occur as a result of such transaction, any merger or consolidation involving one or more Companies (so long as, if the Borrower is involved, it is the survivor), and (b) dissolution of any Company (other than the Borrower) if substantially all of its assets have been conveyed to any Company or disposed of as permitted in Section 8.8.

SECTION 8.10. AMENDMENT OF CONSTITUENT DOCUMENTS.

The Borrower will not, and will not cause or permit any other Company (other than any Excluded Subsidiary) to, materially amend or modify its Constituent Documents.

SECTION 8.11. ASSIGNMENT.

The Borrower will not, and will not cause or permit any other Company to, assign or transfer any of its Rights, duties or obligations under any of the Credit Documents.

SECTION 8.12. FISCAL YEAR AND ACCOUNTING METHODS.

The Borrower will not, and will not cause or permit any other Company to, change its fiscal year for accounting purposes or any material aspect of its method of accounting except to conform any new Subsidiary's accounting methods to the Borrower's accounting methods.

SECTION 8.13. NEW BUSINESS.

The Borrower will not, and will not cause or permit any other Company to, engage in any business except the businesses in which it is presently engaged and any other reasonably related business.

SECTION 8.14. GOVERNMENT REGULATIONS.

The Borrower will not, and will not cause or permit any other Company to, conduct its business in a way that causes the Borrower or such Company to become regulated under the Investment Company Act of 1940 or the Public Utility Holding Company Act of 1935.

SECTION 8.15. SENIOR NOTES.

The Borrower will not, and will not cause or permit any other Company to, (i) secure the obligations of any Company under the Senior Notes or the related Indentures relating to such Senior Notes, (ii) increase the principal amount of the Senior Notes, (iii) amend or modify any scheduled date of payment of principal under the Senior Notes or the related Indentures relating to such Senior Notes, or (iv) increase the stated rate of any interest applicable to the Senior Notes.

SECTION 8.16. STRICT COMPLIANCE.

The Borrower will not, and will not cause or permit any other Company to, do indirectly anything that it may not do directly under any covenant in any Credit Document.

SECTION 8.17. RESTRICTIVE AGREEMENTS.

The Borrower will not, and will not cause or permit any other Company to, enter into any agreement, contract, arrangement or other obligation if the effect of such agreement, contract, arrangement or other obligation is (a) to impose any restriction, other than in connection with the issuance by any Subsidiary of the Borrower of Permitted Non-Recourse Debt, on the ability of any such Subsidiary to make or declare Distributions to the holders of its Equity Interests that is more restrictive than the restrictions that are in effect on the date of this Agreement and disclosed on Schedule 6.20 or (b) to restrict the ability of any Company to create or maintain Liens on its assets in favor of the Administrative Agent and the Lenders to secure, in whole or part, the Obligations, except with respect to (i) agreements, contracts, arrangements or other obligations of any Subsidiary of the Borrower acquired by the Borrower or any Subsidiary of the Borrower after the date hereof to the extent that such acquired Subsidiary was a party to such agreements, contracts, arrangements or other obligations prior to its acquisition by the Borrower or any Subsidiary of the Borrower and (ii) the issuance by any Subsidiary of the Borrower of Permitted Non-Recourse Debt.

**ARTICLE IX
FINANCIAL COVENANTS**

Until the Commitments have been terminated and the Obligations have been fully paid and performed, the Borrower covenants and agrees with the Administrative Agent and the Lenders that, without first obtaining the Required Lenders' consent to the contrary:

SECTION 9.1. MINIMUM NET WORTH.

As of the last day of each fiscal quarter of the Borrower, Consolidated Net Worth will not be less than the sum of (a) 80% of Consolidated Net Worth as of December 31, 2000, plus (b) 100% of the Net Cash Proceeds of all Equity Events occurring after December 31, 2000.

SECTION 9.2. MAXIMUM FUNDED DEBT TO PRO FORMA EBITDA.

As of the last day of each fiscal quarter of the Borrower, the ratio of Consolidated Funded Debt to Pro Forma EBITDA for the period consisting of four consecutive fiscal quarters taken as a single accounting period and ending on such day will be less than the amount specified below for such fiscal quarter:

QUARTER ENDING RATIO

-- --

6/30/02
5.50
to
1.00
9/30/02
5.00
to
1.00

SECTION 9.3. FIXED CHARGE COVERAGE RATIO.

As of the last day of each fiscal quarter of the Borrower, the ratio of (a) EBITDA of the Borrower to (b) the sum of Interest Expense of the Borrower and Maintenance Capital Expenditures of the Borrower, in each case, (x) for the four consecutive fiscal quarters taken as a single accounting period and ending on such day and (y) excluding Interest Expense and Maintenance Capital Expenditures of any Excluded Subsidiary of the Borrower, will not be less than 1.75 to 1.00.

ARTICLE X
EVENTS OF DEFAULT

The term "EVENT OF DEFAULT" means the occurrence of any one or more of the following:

SECTION 10.1. PAYMENT OF OBLIGATIONS.

The Borrower's failure or refusal to pay (a) principal of any Note on or before the date due or (b) any other part of the Obligations (including fees due under the Credit Documents) on or before three Business Days after the date due.

SECTION 10.2. COVENANTS.

Any Company's failure or refusal to punctually and properly perform, observe and comply with any covenant (other than covenants to pay the Obligations) applicable to it:

- (a) In Article VIII or IX; or

(b) In Section 7.1, and such failure or refusal continues for ten days after the earlier of (i) any Company's obtaining knowledge of such failure or refusal and (ii) any Company's being notified of such failure or refusal by the Administrative Agent or any Lender; or

(c) In any other provision of any Credit Document, and that failure or refusal continues for 30 days after the earlier of (i) any Company's obtaining knowledge of such failure or refusal and (ii) any Company's being notified of such failure or refusal by the Administrative Agent or any Lender.

SECTION 10.3. DEBTOR RELIEF.

The Borrower or any Significant Subsidiary (a) is not Solvent, (b) fails to pay its Debts generally as they become due, (c) voluntarily seeks, consents to or acquiesces in the benefit of any Debtor Law, or (d) becomes a party to or is made the subject of any proceeding (except as a creditor or claimant) provided for by any Debtor Law (unless, if the proceeding is involuntary, the applicable petition is dismissed within 60 days after its filing).

SECTION 10.4. JUDGMENTS AND ATTACHMENTS.

Where the amounts in controversy or of any judgments, as the case may be, exceed (from and after the date hereof and individually or collectively) \$25,000,000 for the Borrower or TE Products or \$1,000,000 for any other Company, and such Person fails (a) to have discharged, within 60 days after its commencement, any attachment, sequestration or similar proceeding against any of its assets or (b) to pay any money judgment against it within ten days before the date on which any of its assets may be lawfully sold to satisfy that judgment.

SECTION 10.5. GOVERNMENT ACTION.

Either (a) a final non-appealable order is issued by any Governmental Authority (including the United States Justice Department) seeking to cause any Company (other than any Excluded Subsidiary) to divest a significant portion of its assets under any antitrust, restraint of trade, unfair competition, industry or similar Legal Requirements, or (b) any Governmental Authority condemns, seizes or otherwise appropriates or takes custody or control of all or any substantial portion of any Company's (other than any Excluded Subsidiary) assets and, in either case, such event constitutes a Material Adverse Event.

SECTION 10.6. MISREPRESENTATION.

Any representation or warranty made by any Company in any Credit Document at any time proves to have been materially incorrect when made.

SECTION 10.7. CHANGE OF CONTROL.

Any one or more of the following occurs or exists: (a) the Borrower ceases to own (i) at least 99.999% of the limited partner interests in TE Products, TCTM or Midstream; or (ii) directly or indirectly, 100% of the ownership interests of TEPPCO GP; or (b) Texas Eastern ceases to be the sole general partner of the Borrower; or (c) TEPPCO GP ceases to be the sole general partner of TE Products, TCTM or Midstream; or (d) TEPPCO GP and Midstream cease

to be the sole general partners of Jonah Gas; or (e) Midstream ceases to own (i) 99.999% of the limited partnership interest in Val Verde; or (ii) directly, 100% of the ownership interest of TEPPCO NGL; or (f) TEPPCO NGL ceases to be the sole general partner of Val Verde; or (g) Duke Energy Field Services, LLC ceases to own, directly or indirectly, 100% of the ownership interests of Texas Eastern.

SECTION 10.8. OTHER DEBT.

In respect of the Senior Notes or any other Debt owed by any Company (other than the Obligations) individually or collectively of at least \$10,000,000 (a) any Company fails to make any payment when due (inclusive of any grace, extension, forbearance or similar period), or (b) any default or other event or condition occurs or exists beyond the applicable grace or cure period, the effect of which is to cause or to permit any holder of that Debt to cause (whether or not it elects to cause) any of that Debt to become due before its stated maturity or regularly scheduled payment dates, or (c) any of that Debt is declared to be due and payable or required to be prepaid by any Company before its stated maturity.

SECTION 10.9. FINA/BASF CONTRACTS.

Any default or other condition or event shall occur and be continuing under any FINA/BASF Contract that constitutes a Material Adverse Event.

SECTION 10.10. VALIDITY AND ENFORCEABILITY.

Once executed, this Agreement, any Note or Guaranty ceases to be in full force and effect in any material respect or is declared to be null and void or its validity or enforceability is contested in writing by any Company party to it or any Company party to it denies in writing that it has any further liability or obligations under it except in accordance with that document's express provisions or as the appropriate parties under Section 13.8 below may otherwise agree in writing.

SECTION 10.11. HEDGING AGREEMENTS.

In respect of any obligation under any Hedging Agreement entered into by any Company individually or collectively of at least \$10,000,000 (a) any Company fails to make any payment when due (inclusive of any grace, extension, forbearance or similar period), the effect of which is to cause (whether or not it elects to cause) any of the obligations under such Hedging Agreement to become due before its stated payment date, or (b) any default or other event or condition occurs or exists beyond the applicable grace or cure period, the effect of which is to cause (whether or not it elects to cause) any of the obligations under such Hedging Agreement to become due before its stated payment date or (c) any such obligation is declared to be due and payable or required to be prepaid by any Company before its stated payment date.

ARTICLE XI
RIGHTS AND REMEDIES

SECTION 11.1. REMEDIES UPON EVENT OF DEFAULT.

(a) DEBTOR RELIEF. Upon the occurrence of an Event of Default under Section 10.3, the Commitments shall automatically terminate, and the entire outstanding principal amount of the Borrowings and all other accrued and unpaid portions of the Obligations shall automatically become due and payable without any action of any kind whatsoever.

(b) OTHER EVENTS OF DEFAULT. If any Event of Default has occurred and is continuing, subject to the terms of Section 12.5(b), the Administrative Agent shall at the request, or may with the consent, of the Required Lenders, upon notice to the Borrower, do any one or more of the following: (i) if the maturity of the Obligations has not already been accelerated under Section 11.1(a), declare the outstanding principal amount of the Borrowings and all other accrued and unpaid portion of the Obligations immediately due and payable, whereupon they shall be due and payable, (ii) terminate the Commitments, (iii) reduce any claim to judgment and (iv) exercise any and all other legal or equitable Rights afforded by the Credit Documents, by applicable Legal Requirements, or in equity.

(c) OFFSET. If an Event of Default has occurred and is continuing, to the extent lawful, upon notice to the Borrower, each Lender may exercise the Rights of offset and banker's lien against each and every account and other property, or any interest therein, which the Borrower may now or hereafter have with, or which is now or hereafter in the possession of, such Lender to the extent of the full amount of the Obligations then matured and owed to that Lender.

SECTION 11.2. COMPANY WAIVERS.

To the extent lawful, the Borrower waives all other presentment and demand for payment, protest, notice of intention to accelerate, notice of acceleration and notice of protest and nonpayment and agrees that its liability with respect to all or any part of the Obligations is not affected by any renewal or extension in the time of payment of all or any part of the Obligations, by any indulgence, or by any release or change in any security for the payment of all or any part of the Obligations.

SECTION 11.3. NOT IN CONTROL.

Nothing in any Credit Documents gives or may be deemed to give to the Administrative Agent or any Lender the Right to exercise control over any Company's Real Property, other assets, affairs or management or to preclude or interfere with any Company's compliance with any Legal Requirement or require any act or omission by any Company that may be harmful to Persons or property. Any "Material Adverse Event" or other materiality or substantiality qualifier of any representation, warranty, covenant, agreement or other provision of any Credit Document is included for credit documentation purposes only and does not imply or be deemed to mean that the Administrative Agent or any Lender acquiesces in any non-compliance by any Company with any Legal Requirement, document, or otherwise or does not expect the Companies to promptly, diligently and continuously carry out all appropriate removal, remediation, compliance, closure or other activities required or appropriate in accordance with

all Environmental Laws. The Administrative Agent's and the Lenders' power is limited to the Rights provided in the Credit Documents. All of those Rights exist solely (and may be exercised in manner calculated by the Administrative Agent or the Lenders in their respective good faith business judgment) to assure payment and performance of the Obligations.

SECTION 11.4. COURSE OF DEALING.

The acceptance by the Administrative Agent or the Lenders of any partial payment on the Obligations is not a waiver of any Event of Default then existing. No waiver by the Administrative Agent, the Required Lenders or the Lenders of any Event of Default is a waiver of any other then-existing or subsequent Event of Default. No delay or omission by the Administrative Agent, the Required Lenders or the Lenders in exercising any Right under the Credit Documents impairs that Right or is a waiver thereof or any acquiescence therein, nor will any single or partial exercise of any Right preclude other or further exercise thereof or the exercise of any other Right under the Credit Documents or otherwise.

SECTION 11.5. CUMULATIVE RIGHTS.

All Rights available to the Administrative Agent, the Required Lenders and the Lenders under the Credit Documents are cumulative of and in addition to all other Rights granted to the Administrative Agent, the Required Lenders and the Lenders at law or in equity, whether or not the Obligations are due and payable and whether or not the Administrative Agent, the Required Lenders or the Lenders have instituted any suit for collection, foreclosure or other action in connection with the Credit Documents.

SECTION 11.6. APPLICATION OF PROCEEDS.

Any and all proceeds ever received by the Administrative Agent or the Lenders from the exercise of any Rights pertaining to the Obligations shall be applied to the Obligations according to Section 3.11.

SECTION 11.7. EXPENDITURES BY LENDERS.

Any costs and reasonable expenses spent or incurred by the Administrative Agent or any Lender in the exercise of any Right under any Credit Document shall be payable by the Borrower to the Administrative Agent within ten Business Days after such Person made demand for payment of such amount from Borrower, accompanied by copies of supporting invoices or statements (if any), shall become part of the Obligations and shall bear interest at the Default Rate from the date spent until the date repaid.

SECTION 11.8. LIMITATION OF LIABILITY.

Neither the Administrative Agent nor any Lender shall be liable to any Company for any amounts representing indirect, special or consequential damages suffered by any Company, except where such amounts are based substantially on willful misconduct by the Administrative Agent or such Lender, but then only to the extent any damages resulting from such willful misconduct are covered by the Administrative Agent's or the Lender's fidelity bond or other insurance.

ARTICLE XII
ADMINISTRATIVE AGENT AND LENDERS

SECTION 12.1. THE ADMINISTRATIVE AGENT.

(a) APPOINTMENT. Each Lender appoints the Administrative Agent (including, without limitation, each successor Administrative Agent in accordance with this Section 12.1) as its nominee and agent to act in its name and on its behalf (and the Administrative Agent and each such successor accepts that appointment): (i) To act as its nominee and on its behalf in and under all Credit Documents; (ii) to arrange the means whereby its funds are to be made available to the Borrower under the Credit Documents; (iii) to take any action that it properly requests under the Credit Documents (subject to the concurrence of other Lenders as may be required under the Credit Documents); (iv) to receive all documents and items to be furnished to it under the Credit Documents; (v) to be the secured party, mortgagee, beneficiary, recipient and similar party in respect of any collateral for the benefit of the Lenders (at any time an Event of Default or Potential Default has occurred and is continuing); (vi) to promptly distribute to it all material information, requests, documents and items received from any Company under the Credit Documents; (vii) to promptly distribute to it its ratable part of each payment or prepayment (whether voluntary, as proceeds of collateral upon or after foreclosure, as proceeds of insurance thereon or otherwise) in accordance with the terms of the Credit Documents; and (viii) to deliver to the appropriate Persons requests, demands, approvals and consents received from it. The Administrative Agent, however, may not be required to take any action that exposes it to personal liability or that is contrary to any Credit Document or applicable Legal Requirement.

(b) SUCCESSOR. The Administrative Agent may, subject (at any time no Event of Default or Potential Default has occurred and is continuing) to the Borrower's prior written consent that may not be unreasonably withheld, assign all of its Rights and obligations as the Administrative Agent under the Credit Documents to any of its Affiliates, which Affiliate shall then be the successor Administrative Agent under the Credit Documents. The Administrative Agent may also, upon 30 days' prior notice to the Borrower, voluntarily resign. If the initial or any successor Administrative Agent ever ceases to be a party to this Agreement or if the initial or any successor Administrative Agent ever resigns, then the Required Lenders shall (which, if no Event of Default or Potential Default has occurred and is continuing, is subject to the Borrower's approval that may not be unreasonably withheld) appoint the successor Administrative Agent from among the Lenders (other than the resigning Administrative Agent). If the Required Lenders fail to appoint a successor Administrative Agent within 30 days after the resigning Administrative Agent has given notice of resignation, then the resigning Administrative Agent may, on behalf of the Lenders, upon 30 days prior notice to the Borrower, appoint a successor Administrative Agent, subject (at any time no Event of Default or Potential Default has occurred and is continuing) to the Borrower's prior written consent that may not be unreasonably withheld, which must be a commercial bank having a combined capital and surplus of at least \$1,000,000,000 (as shown on its most recently published statement of condition). Upon its acceptance of appointment as successor Administrative Agent, the successor Administrative Agent shall succeed to and become vested with all of the Rights of the prior Administrative Agent, and the prior Administrative Agent shall be discharged from its duties and obligations as Administrative Agent under the Credit Documents, and each Lender shall execute the documents that any Lender, the resigning Administrative Agent or the successor Administrative Agent

reasonably requests to reflect the change. After any Administrative Agent's resignation as the Administrative Agent under the Credit Documents, the provisions of this section inure to its benefit as to any actions taken or not taken by it while it was the Administrative Agent under the Credit Documents.

(c) RIGHTS AS LENDER. The Administrative Agent, in its capacity as a Lender, has the same Rights under the Credit Documents as any other Lender and may exercise those Rights as if it were not acting as the Administrative Agent. The Administrative Agent's resignation or removal does not impair or otherwise affect any Rights that it has or may have in its capacity as an individual Lender. Each Lender and the Borrower agree that the Administrative Agent is not a fiduciary for the Lenders or the Borrower but is simply acting in the capacity described in this Agreement to alleviate administrative burdens for the Borrower and the Lenders, that the Administrative Agent has no duties or responsibilities to the Lenders or the Borrower except those expressly set forth in the Credit Documents, and that the Administrative Agent in its capacity as a Lender has the same Rights as any other Lender.

(d) OTHER ACTIVITIES. The Administrative Agent or any Lender may now or in the future be engaged in one or more loan, letter of credit, leasing or other financing transactions with the Borrower, act as trustee or depositary for the Borrower or otherwise be engaged in other transactions with the Borrower (collectively, the "other activities") not the subject of the Credit Documents. Without limiting the Rights of the Lenders specifically set forth in the Credit Documents, neither the Administrative Agent nor any Lender is responsible to account to the other Lenders for those other activities, and no Lender shall have any interest in any other Lender's activities, any present or future guaranties by or for the account of the Borrower that are not contemplated by or included in the Credit Documents, any present or future offset exercised by the Administrative Agent or any Lender in respect of those other activities, any present or future property taken as security for any of those other activities or any property now or hereafter in the Administrative Agent's or any other Lender's possession or control that may be or become security for the obligations of the Borrower arising under the Credit Documents by reason of the general description of indebtedness secured or of property contained in any other agreements, documents or instruments related to any of those other activities (but, if any payments in respect of those guaranties or that property or the proceeds thereof is applied by the Administrative Agent or any Lender to reduce the Obligations, then each Lender is entitled to share in the application as provided in the Credit Documents).

SECTION 12.2. EXPENSES.

Each Lender shall pay its Commitment Percentage of any reasonable expenses (including court costs, reasonable attorneys' fees and other costs of collection) incurred by the Administrative Agent or in connection with any of the Credit Documents if the Administrative Agent is not reimbursed from other sources within 30 days after incurrence. Each Lender is entitled to receive its Commitment Percentage of any reimbursement that it makes to the Administrative Agent if the Administrative Agent is subsequently reimbursed from other sources.

SECTION 12.3. PROPORTIONATE ABSORPTION OF LOSSES.

Except as otherwise provided in the Credit Documents, nothing in the Credit Documents gives any Lender any advantage over any other Lender insofar as the Obligations are concerned or relieves any Lender from ratably absorbing any losses sustained with respect to the Obligations (except to the extent unilateral actions or inactions by any Lender result in the Borrower or any other obligor on the Obligations having any credit, allowance, setoff, defense or counterclaim solely with respect to all or any part of that Lender's part of the Obligations).

SECTION 12.4. DELEGATION OF DUTIES; RELIANCE.

The Lenders may perform any of their duties or exercise any of their Rights under the Credit Documents by or through the Administrative Agent, and the Lenders and the Administrative Agent may perform any of their duties or exercise any of their Rights under the Credit Documents by or through their respective Representatives. The Administrative Agent, the Lenders and their respective Representatives (a) are entitled to rely upon (and shall be protected in relying upon) any written or oral statement believed by it or them to be genuine and correct and to have been signed or made by the proper Person and, with respect to legal matters, upon opinion of counsel selected by the Administrative Agent, that Lender (but nothing in this clause (a) permits the Administrative Agent to rely on (i) oral statements if a writing is required by this Agreement or (ii) any other writing if a specific writing is required by this Agreement), (b) are entitled to deem and treat each Lender as the owner and holder of its portion of the Obligations for all purposes until written notice of the assignment or transfer is given to and received by the Administrative Agent (and any request, authorization, consent or approval of any Lender is conclusive and binding on each subsequent holder, assignee or transferee of or Participant in that Lender's portion of the Obligations until that notice is given and received), (c) are not deemed to have notice of the occurrence of an Event of Default unless a responsible officer of the Administrative Agent, who handles matters associated with the Credit Documents and transactions thereunder, has actual knowledge or the Administrative Agent has been notified by a Lender or the Borrower, and (d) are entitled to consult with legal counsel (including counsel for the Borrower), independent accountants, and other experts selected by the Administrative Agent and are not liable for any action taken or not taken in good faith by it in accordance with the advice of counsel, accountants or experts.

SECTION 12.5. LIMITATION OF THE ADMINISTRATIVE AGENT'S LIABILITY.

(a) EXCULPATION. Neither the Administrative Agent nor any of its Affiliates or Representatives will be liable to any Lender for any action taken or omitted to be taken by it or them under the Credit Documents in good faith and believed by it to be within the discretion or power conferred upon it or them by the Credit Documents or be responsible for the consequences of any error of judgment (except for gross negligence or willful misconduct), and neither the Administrative Agent nor any of its Affiliates or Representatives has a fiduciary relationship with any Lender by virtue of the Credit Documents (but nothing in this Agreement negates the obligation of the Administrative Agent to account for funds received by it for the account of any Lender).

(b) INDEMNITY. Unless indemnified to its satisfaction against loss, cost, liability and expense, the Administrative Agent may not be compelled to do any act under the Credit Documents or to take any action toward the execution or enforcement of the powers thereby created or to prosecute or defend any suit in respect of the Credit Documents. If the Administrative Agent requests instructions from the Lenders or the Required Lenders, as the case may be, with respect to any act or action in connection with any Credit Document, the Administrative Agent is entitled to refrain (without incurring any liability to any Person by so refraining) from that act or action unless and until it has received instructions. In no event, however, may the Administrative Agent or any of its Representatives be required to take any action that it or they determine could incur for it or them criminal or onerous civil liability. Without limiting the generality of the foregoing, no Lender has any right of action against the Administrative Agent as a result of the Administrative Agent's acting or refraining from acting under this Agreement in accordance with instructions of the Required Lenders.

(c) RELIANCE. The Administrative Agent is not responsible to any Lender or any Participant for, and each Lender represents and warrants that it has not relied upon the Administrative Agent in respect of, (i) the creditworthiness of any Company and the risks involved to such Lender, (ii) the effectiveness, enforceability, genuineness, validity or the due execution of any Credit Document, (iii) any representation, warranty, document, certificate, report or statement made therein or furnished thereunder or in connection therewith, (iv) the adequacy of any collateral now or hereafter securing the Obligations or the existence, priority or perfection of any Lien now or hereafter granted or purported to be granted on the collateral under any Credit Document or (v) observation of or compliance with any of the terms, covenants or conditions of any Credit Document on the part of the General Partner or any Company. EACH LENDER AGREES TO INDEMNIFY THE ADMINISTRATIVE AGENT AND ITS REPRESENTATIVES AND HOLD THEM HARMLESS FROM AND AGAINST (BUT LIMITED TO SUCH LENDER'S COMMITMENT PERCENTAGE OF) ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, REASONABLE EXPENSES AND REASONABLE DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER THAT MAY BE IMPOSED ON, ASSERTED AGAINST OR INCURRED BY THEM IN ANY WAY RELATING TO OR ARISING OUT OF THE CREDIT DOCUMENTS OR ANY ACTION TAKEN OR OMITTED BY THEM UNDER THE CREDIT DOCUMENTS IF THE ADMINISTRATIVE AGENT AND ITS REPRESENTATIVES ARE NOT REIMBURSED FOR SUCH AMOUNTS BY ANY COMPANY. ALTHOUGH THE ADMINISTRATIVE AGENT AND ITS REPRESENTATIVES HAVE THE RIGHT TO BE INDEMNIFIED UNDER THIS AGREEMENT BY THE LENDERS FOR ITS OR THEIR OWN ORDINARY NEGLIGENCE, THE ADMINISTRATIVE AGENT AND ITS REPRESENTATIVES DO NOT HAVE THE RIGHT TO BE INDEMNIFIED UNDER THIS AGREEMENT FOR ITS OR THEIR OWN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

SECTION 12.6. EVENT OF DEFAULT.

If an Event of Default has occurred and is continuing, the Lenders agree to promptly confer in order that the Required Lenders or the Lenders, as the case may be, may agree upon a course of action for the enforcement of the Rights of the Lenders. The Administrative Agent is

entitled to act or refrain from taking any action (without incurring any liability to any Person for so acting or refraining) unless and until it has received instructions from the Required Lenders. In actions with respect to any Company's property, the Administrative Agent is acting for the ratable benefit of each Lender.

SECTION 12.7. LIMITATION OF LIABILITY.

No Lender or any Participant will incur any liability to any other Lender or Participant except for acts or omissions in bad faith, and neither the Administrative Agent nor any Lender or Participant will incur any liability to any other Person for any act or omission of any other Lender or any Participant.

SECTION 12.8. OTHER AGENTS.

SunTrust Robinson Humphrey Capital Markets, Inc., a division of SunTrust Capital Markets, Inc., is named on the cover page as "Sole Lead Arranger" but does not, in such capacity, assume any responsibility or obligation under this Agreement for syndication, documentation, servicing, enforcement or collection of any part of the Obligations, nor any other duties, as agent for the Lenders.

SECTION 12.9. RELATIONSHIP OF LENDERS.

The Credit Documents do not create a partnership or joint venture between the Administrative Agent and the Lenders or among the Lenders.

SECTION 12.10. BENEFITS OF AGREEMENT.

None of the provisions of this Article XII inure to the benefit of any Company or any other Person except the Administrative Agent and the Lenders. Therefore, no Company or any other Person is responsible or liable for, entitled to rely upon or entitled to raise as a defense, in any manner whatsoever, the failure of the Administrative Agent or any Lender to comply with these provisions.

ARTICLE XIII MISCELLANEOUS

SECTION 13.1. NONBUSINESS DAYS.

Any payment or action that is due under any Credit Document on a non-Business Day may be delayed until the next succeeding Business Day (but interest accrues on any payment until it is made). If, however, the payment concerns a LIBOR Rate Borrowing and if the next succeeding Business Day is in the next calendar month, then that payment must be made on the next preceding Business Day.

SECTION 13.2. COMMUNICATIONS.

Unless otherwise specified, any communication from one party to another under any Credit Document must be in writing (which may be by fax) to be effective and will be deemed to

have been given (a) if by fax, when transmitted to the appropriate fax number (which, without affecting the date when deemed given, must be promptly confirmed by telephone) or (b) if by any other means, when actually delivered; provided, further, that any such communication to a Company from any Person that is not a Company shall be deemed made to that Company only if it is sent to the Borrower or, if other than the Borrower, to such Company in care of the Borrower. Until changed by notice under this Agreement, the address, fax number and telephone number for the Borrower and the Administrative Agent are stated beside their respective signatures to this Agreement and for each Lender are stated beside its name on Schedule 2.

SECTION 13.3. FORM AND NUMBER.

The form, substance and number of counterparts of each writing to be furnished under this Agreement must be satisfactory to the Administrative Agent and the Borrower.

SECTION 13.4. EXCEPTIONS.

An exception to any Credit Document covenant or agreement does not permit violation of any other Credit Document covenant or agreement.

SECTION 13.5. SURVIVAL.

All Credit Document provisions survive all closings and are not affected by any investigation by any party.

SECTION 13.6. GOVERNING LAW.

Unless otherwise specified, each Credit Document shall be governed by, and construed in accordance with, the law of the State of New York and the United States of America.

SECTION 13.7. INVALID PROVISIONS.

If any provision of a Credit Document is judicially determined to be unenforceable, then all other provisions of it remain enforceable. If the provision determined to be unenforceable is a material part of that Credit Document, then, to the extent lawful, it shall be replaced by a judicially-construed provision that is enforceable but otherwise as similar in substance and content to the original provision as the context of it reasonably allows.

SECTION 13.8. AMENDMENTS, SUPPLEMENTS, WAIVERS, CONSENTS AND CONFLICTS.

(a) ALL LENDERS. Any amendment or supplement to, or waiver or consent under, any Credit Document that purports to accomplish any of the following must be by a writing executed by the Borrower and executed (or approved in writing, as the case may be) by all the Lenders: (i) extends the due date for, decreases the amount or rate of calculation of or waives the late or non-payment of, any scheduled payment or mandatory prepayment of principal or interest of any of the Obligations or any fees payable ratably to the Lenders under the Credit Documents, except, in each case, any adjustments or reductions that are contemplated by any Credit Document; (ii) changes the definition of "Commitment", "Commitment Percentage" or "Required Lenders", (iii) fully or partially releases or amends any Guaranty except, in each case,

as expressly provided by any Credit Document or as a result of a merger, consolidation or dissolution expressly permitted in the Credit Documents; (iv) consents to any assignment by the Borrower under Section 13.10(a); or (v) changes this clause (a) or any other matter specifically requiring the consent of all the Lenders under any Credit Document; provided further, that any amendment or supplement to, or waiver or consent under, any Credit Document that purports to increase or extend any part of any Lender's Commitment must be by a writing executed by the Borrower and executed (or approved in writing, as the case may be) by such Lender. Notwithstanding anything contained herein to the contrary, this Agreement may be amended and restated without the consent of any Lender or the Administrative Agent if, upon giving effect to such amendment and restatement, such Lender or the Administrative Agent, as the case may be, shall no longer be a party to this Agreement (as so amended and restated) or have any Commitment or other obligation hereunder and shall have been paid in full all amounts payable hereunder to such Lender or the Administrative Agent, as the case may be.

(b) THE ADMINISTRATIVE AGENT. Any amendment or supplement to, or waiver or consent under, any Credit Document that purports to accomplish any of the following must be by a writing executed by the Borrower and executed (or approved in writing, as the case may be) by the Administrative Agent: (i) extends the due date for, decreases the amount or rate of calculation of, or waives the late or non-payment of, any fees payable to the Administrative Agent under any Credit Document, except, in each case, any adjustments or reductions that are contemplated by any Credit Document, (ii) increases the Administrative Agent's obligations beyond its agreements under any Credit Document or (iii) changes this clause (b) or any other matter specifically requiring the consent of the Administrative Agent under any Credit Document.

(c) THE REQUIRED LENDERS. Except as specified above (i) the provisions of this Agreement may be amended and supplemented, and waivers and consents under it may be given, in writing executed by the Borrower, the Required Lenders and the Administrative Agent, if applicable, and otherwise supplemented only by documents delivered in accordance with the express terms of this Agreement and (ii) each other Credit Document may only be amended and supplemented, and waivers and consents under it may be given, in a writing executed by the parties to that Credit Document that is also executed or approved by the Required Lenders and the Administrative Agent, if applicable, and otherwise supplemented only by documents delivered in accordance with the express terms of that other Credit Document.

(d) WAIVERS. No course of dealing or any failure or delay by the Administrative Agent, any Lender or any of their respective Representatives with respect to exercising any Right of the Administrative Agent or any Lender under any Credit Document operates as a waiver of that Right. A waiver must be in writing and signed by the parties otherwise required by this Section 13.8 to be effective and will be effective only in the specific instance and for the specific purpose for which it is given.

(e) CONFLICTS. Although this Agreement and other Credit Documents may contain additional and different terms and provisions, any conflict or ambiguity between the express terms and provisions of this Agreement and express terms and provisions in any other Credit Document is controlled by the express terms and provisions of this Agreement.

SECTION 13.9. COUNTERPARTS.

Any Credit Document may be executed in a number of identical counterparts (including, at the Administrative Agent's discretion, counterparts or signature pages executed and transmitted by fax) with the same effect as if all signatories had signed the same document. All counterparts must be construed together to constitute one and the same instrument. Certain parties to this Agreement may execute multiple signature pages to this Agreement as well as one or more complete counterparts of it, and the Borrower and the Administrative Agent are authorized to execute, where applicable, those separate signature pages and insert them, along with signature pages of other parties to this Agreement, into one or more complete counterparts of this Agreement that contain signatures of all parties to it.

SECTION 13.10. PARTIES.

(a) PARTIES AND BENEFICIARIES. Each Credit Document binds and inures to the parties to it and each of their respective successors and permitted assigns. Only those Persons may rely upon or raise any defense about this Agreement. No Company may assign or transfer any Rights or obligations under any Credit Document without first obtaining the consent of all the Lenders, and any purported assignment or transfer without the consent of all the Lenders is void.

(b) RELATIONSHIP OF PARTIES. The relationship between (x) each Lender and (y) each Company is that of creditor/secured party and obligor, respectively. Financial covenant and reporting provisions in the Credit Documents are intended solely for the benefit of each Lender to protect its interest as a creditor/secured party. Nothing in the Credit Documents may be construed as (i) permitting or obligating any Lender to act as a financial or business advisor or consultant to any Company, (ii) permitting or obligating any Lender to control any Company or conduct its operations, (iii) creating any fiduciary obligation of any Lender to any Company, or (iv) creating any joint venture, agency or other relationship between the parties except as expressly specified in the Credit Documents.

(c) PARTICIPATIONS. Any Lender may (subject to the provisions of this section, in accordance with applicable Legal Requirement, in the ordinary course of its business, at any time, and with notice to the Borrower) sell to one or more Persons (each a "PARTICIPANT") participating interests in its portion of the Obligations so long as the minimum amount of such participating interest is \$5,000,000. The selling Lender remains a "Lender" under the Credit Documents, the Participant does not become a "Lender" under the Credit Documents, and the selling Lender's obligations under the Credit Documents remain unchanged. The selling Lender remains solely responsible for the performance of its obligations and remains the holder of its share of the Borrowings for all purposes under the Credit Documents. The Borrower and the Administrative Agent shall continue to deal solely and directly with the selling Lender in connection with that Lender's Rights and obligations under the Credit Documents, and each Lender must retain the sole right and responsibility to enforce due obligations of the Companies. Participants have no Rights under the Credit Documents except as provided in the except clause of the last sentence of this Section 13.10(c). Subject to the following, each Lender may obtain (on behalf of its Participants) the benefits of Article III with respect to all participations in its part of the Obligations outstanding from time to time so long as the Borrower is not obligated to pay any amount in excess of the amount that would be due to that Lender under Article III

calculated as though no participations have been made. No Lender may sell any participating interest under which the Participant has any Rights to approve any amendment, modification or waiver of any Credit Document except as to matters in Section 13.8(a)(i) and (ii).

(d) ASSIGNMENTS. Each Lender may make assignments to any Federal Reserve Bank, provided that any related costs, fees and expenses incurred by such Lender in connection with such assignment or the re-assignment back to it free of any interests of the Federal Reserve Bank, shall be for the sole account of Lender. Each Lender may also assign to one or more assignees (each an "ASSIGNEE") all or any part of its Rights and obligations under the Credit Documents so long as (i) the assignor Lender and Assignee execute and deliver to the Administrative Agent and the Borrower for their consent and acceptance (which may not be unreasonably withheld in any instance and which is not required by the Borrower if an Event of Default has occurred and is continuing) an assignment and assumption agreement in substantially the form of Exhibit E (an "ASSIGNMENT") and pay to the Administrative Agent a processing fee of \$1,000 (which payment obligation is the sole liability, joint and several, of that Lender and Assignee), (ii) the assignment must be for a minimum total Commitment of \$5,000,000, and, if the assignor Lender retains any Commitment, it must be a minimum total Commitment of \$10,000,000, and (iii) the conditions for that assignment set forth in the applicable Assignment are satisfied. The Effective Date in each Assignment must (unless a shorter period is agreed to by the Borrower and the Administrative Agent) be at least five Business Days after it is executed and delivered by the assignor Lender and the Assignee to the Administrative Agent and the Borrower for acceptance. Once such Assignment is accepted by the Administrative Agent and the Borrower, and subject to all of the following occurring, then, on and after the Effective Date stated in it (A) the Assignee automatically shall become a party to this Agreement and, to the extent provided in that Assignment, shall have the Rights and obligations of a Lender under the Credit Documents, (B) in the case of an Assignment covering all of the remaining portion of the assignor Lender's Rights and obligations under the Credit Documents, the assignor Lender shall cease to be a party to the Credit Documents, (C) the Borrower shall execute and deliver to the assignor Lender and the Assignee the appropriate Notes in accordance with this Agreement following the transfer, (D) upon delivery of the Notes under clause (C) the assignor Lender shall return to the Borrower all Notes previously delivered to that Lender under this Agreement, and (E) Schedule 2 shall be automatically amended to reflect the name, address, telecopy number and Commitment of the Assignee, the remaining Commitment (if any) of the assignor Lender and the Commitment of each of the other Lenders, and the Administrative Agent shall prepare and circulate to the Borrower and the Lenders an amended Schedule 2 reflecting those changes. Notwithstanding the foregoing, no Assignee may be recognized as a party to the Credit Documents (and the assignor Lender shall continue to be treated for all purposes as the party to the Credit Documents) with respect to the Rights and obligations assigned to that Assignee until the actions described in clauses (C) and (D) have occurred. The Obligation is registered on the books of the Borrower as to both principal and any stated interest, and transfers of (as opposed to participations in) principal of and interest on the Obligations may be made only in accordance with this Section.

SECTION 13.11. VENUE, SERVICE OF PROCESS AND JURY TRIAL.

THE BORROWER IN EACH CASE FOR ITSELF AND ITS SUCCESSORS AND ASSIGNS, IRREVOCABLY (A) SUBMITS TO THE NONEXCLUSIVE JURISDICTION

OF THE STATE AND FEDERAL COURTS IN NEW YORK, (B) WAIVES, TO THE FULLEST EXTENT LAWFUL, ANY OBJECTION THAT IT MAY NOW OR IN THE FUTURE HAVE TO THE LAYING OF VENUE OF ANY LITIGATION ARISING OUT OF OR IN CONNECTION WITH ANY CREDIT DOCUMENT AND THE OBLIGATIONS BROUGHT IN ANY STATE COURT IN THE CITY OF NEW YORK, NEW YORK OR IN ANY UNITED STATES DISTRICT COURT IN THE STATE OF NEW YORK, (C) WAIVES ANY CLAIMS THAT ANY LITIGATION BROUGHT IN ANY OF THE FOREGOING COURTS HAS BEEN BROUGHT IN AN INCONVENIENT FORUM, (D) CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THOSE COURTS IN ANY LITIGATION BY THE MAILING OF COPIES OF THAT PROCESS BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, POSTAGE PREPAID, BY HAND DELIVERY OR BY DELIVERY BY A NATIONALLY-RECOGNIZED COURIER SERVICE, AND SERVICE SHALL BE DEEMED COMPLETE UPON DELIVERY OF THE LEGAL PROCESS AT ITS ADDRESS FOR PURPOSES OF THIS AGREEMENT, (E) AGREES THAT ANY LEGAL PROCEEDING AGAINST ANY PARTY TO ANY CREDIT DOCUMENT ARISING OUT OF OR IN CONNECTION WITH THE CREDIT DOCUMENTS OR THE OBLIGATIONS MAY BE BROUGHT IN ONE OF THE FOREGOING COURTS, AND (F) IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY CREDIT DOCUMENT. The scope of each of the foregoing waivers is intended to be all encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including, without limitation, contract claims, tort claims, breach of duty claims and all other common law and statutory claims. THE BORROWER ACKNOWLEDGES THAT THESE WAIVERS ARE A MATERIAL INDUCEMENT TO THE ADMINISTRATIVE AGENT'S AND EACH LENDER'S AGREEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT THE ADMINISTRATIVE AGENT AND EACH LENDER HAS ALREADY RELIED ON THESE WAIVERS IN ENTERING INTO THIS AGREEMENT, AND THAT ADMINISTRATIVE AGENT AND EACH LENDER WILL CONTINUE TO RELY ON EACH OF THESE WAIVERS IN RELATED FUTURE DEALINGS. THE BORROWER FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THESE WAIVERS WITH ITS LEGAL COUNSEL, AND THAT IT KNOWINGLY AND VOLUNTARILY AGREES TO EACH WAIVER FOLLOWING CONSULTATION WITH LEGAL COUNSEL. The waivers in this section are irrevocable, meaning that they may not be modified either orally or in writing, and these waivers apply to any future renewals, extensions, amendments, modifications or replacements in respect of the applicable Credit Document. In connection with any Litigation, this Agreement may be filed as a written consent to a trial by the court.

SECTION 13.12. NON-RECOURSE TO THE GENERAL PARTNER.

Neither the General Partner nor any director, officer, employee, stockholder, member, manager or agent of the General Partner shall have any liability for any obligations of the Borrower or any other Company under this Agreement or any other Credit Document or for any claim based on, in respect of or by reason of, such obligations or their creation, including any liability based upon or arising by operation of law as a result of, the status or capacity of the General Partner as the "general partner" of the Borrower or any other Company. By executing

this Agreement, the Administrative Agent and each Lender expressly waives and releases all such liability.

SECTION 13.13. CONFIDENTIALITY.

The Administrative Agent and each Lender agrees (on behalf of itself and each of its Affiliates, and its and each of their respective Representatives) to keep and maintain any non-public information supplied to it by or on behalf of any Company which is identified as being confidential and shall not use any such information for any purpose other than in connection with the administration or enforcement of this transaction. However, nothing herein shall limit the disclosure of any such information (a) to the extent required by Legal Requirement, (b) to counsel of the Administrative Agent or any Lender in connection with the transactions provided for in this Agreement, (c) to bank examiners, auditors and accountants, or (d) any Assignee or Participant (or prospective Assignee or Participant) so long as such Assignee or Participant (or prospective Assignee or Participant) first enters into a confidentiality agreement with the Administrative Agent or such Lender.

SECTION 13.14. ENTIRETY.

THE CREDIT DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE BORROWER, THE LENDERS AND THE ADMINISTRATIVE AGENT WITH RESPECT TO SUBJECT MATTER SET FORTH THEREIN AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

EXECUTED as of the date first stated in this Credit Agreement.

TEPPCO Partners, L.P.
America Tower Bldg.
2929 Allen Parkway, Suite 3200
Houston, TX 77019
Attn:

TEPPCO PARTNERS, L.P., as Borrower

By TEXAS EASTERN PRODUCTS
PIPELINE COMPANY, LLC, as General
Partner

Phone:
Fax:

By /s/ CHARLES H. LEONARD

Name: Charles H. Leonard
Title: SVP & CFO

SunTrust Bank
303 Peachtree Street, N.E.,
10th Floor
Atlanta, GA 30308
Attn:

SUNTRUST BANK, as Administrative Agent
and Lender

By /s/ STEPHEN A. MCKENNA

Name: Stephen A. McKenna
Title: Managing Director & Senior Risk
Officer

Phone:
Fax:

AMENDMENT

This AMENDMENT, dated as of June 27, 2002 (this "AMENDMENT"), is made to that certain Amended and Restated Credit Agreement, dated as of March 28, 2002 (the "CREDIT AGREEMENT"), among TEPPCO Partners, L.P. (the "BORROWER"), SunTrust Bank, as administrative agent (the "ADMINISTRATIVE AGENT"), and certain lenders party thereto (the "LENDERS").

PRELIMINARY STATEMENT:

The Borrower, the Lenders and the Administrative Agent previously entered into the Credit Agreement. The Borrower has requested that the Lenders agree to the amendment of the Credit Agreement as set forth herein, and the Lenders have agreed to such request, subject to the terms and conditions of this Amendment. Therefore, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

SECTION 1. DEFINITIONS. Capitalized terms used but not defined herein have the meanings assigned to such terms in the Credit Agreement.

SECTION 2. AMENDMENT. Section 10.2 of the Credit Agreement is, subject to the satisfaction of the conditions precedent set forth in Section 3, hereby amended and restated in its entirety as follows:

SECTION 10.2. MAXIMUM FUNDED DEBT TO PRO FORMA EBITDA.

As of the last day of each fiscal quarter of the Borrower, the ratio of Consolidated Funded Debt to Pro Forma EBITDA for the period consisting of four consecutive fiscal quarters taken as a single accounting period and ending on such day will be less than the amount specified below for such fiscal quarter:

QUARTER(s)
ENDING
RATIO - --

- 6/30/02
5.50 to
1.00
9/30/02
5.00 to
1.00
12/31/02
and
thereafter
4.50 to
1.00

SECTION 3. CONDITIONS OF EFFECTIVENESS. Section 2 of this Amendment shall become effective as of the date first set forth above when each of the following conditions shall have been fulfilled:

(i) the Required Lenders and the Borrower shall have executed and delivered to the Administrative Agent a counterpart of this Amendment;

(ii) all of the Guarantors shall have executed and delivered the consent to this Amendment in substantially the form of Exhibit A attached hereto;

(iii) the Borrower shall have entered into that certain \$200,000,000 term loan facility with SunTrust Bank, dated on or about the date hereof; and

(iv) the representations and warranties set forth in Section 4 hereof shall be true and correct on and as of the date of effectiveness of this Amendment as though made on and as of such date.

SECTION 4. REPRESENTATIONS AND WARRANTIES. The Borrower represents and warrants that (a) the representations and warranties contained in Article VII of the Credit Agreement, as amended hereby (with each reference therein to (i) "this Agreement", "hereunder" and words of like import referring to the Credit Agreement being deemed to be a reference to this Amendment and the Credit Agreement as amended hereby and (ii) "Credit Documents", "thereunder" and words of like import being deemed to include Amendment and the Credit Agreement, as amended hereby) are true and correct on and as of the date hereof as though made on and as of such date, and (b) no event has occurred and is continuing, or would result from the execution and delivery of this Amendment, that constitutes an Event of Default.

SECTION 5. EFFECT ON THE CREDIT AGREEMENT. Except as specifically provided above, the Credit Agreement shall continue to be in full force and effect and is hereby in all respects ratified and confirmed. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lenders under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

SECTION 6. COSTS AND EXPENSES. The Borrower agrees to pay on demand all costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Administrative Agent with respect thereto, and all costs and expenses (including, without limitation, counsel fees and expenses), if any, in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Amendment.

SECTION 7. EXECUTION IN COUNTERPARTS. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

SECTION 8. GOVERNING LAW. This Amendment shall be governed by, and construed in accordance with, the internal laws of the State of the New York.

SIGNATURE PAGE TO MULTI-YEAR AMENDMENT

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective duly authorized officers as of the date first above written.

TEPPCO Partners, L.P.
America Tower Bldg.
2929 Allen Parkway, Suite 3200
Houston, TX 77019
Attn: Charles H. Leonard

Phone: 713-759-3999
Fax: 713-759-3957

TEPPCO PARTNERS, L.P., as Borrower
By TEXAS EASTERN PRODUCTS
PIPELINE COMPANY, LLC, as General
Partner

By /s/ CHARLES H. LEONARD

Name: Charles H. Leonard
Title: SVP & CFO

SunTrust Bank
303 Peachtree Street, N.E., 10th Floor
Atlanta, GA 30308
Attn:

Phone:
Fax:

SUNTRUST BANK, as Administrative Agent
and Lender

By /s/ JOHN A. FIELDS, JR.

Name: John A. Fields, Jr.
Title: Managing Director

SIGNATURE PAGE TO MULTI-YEAR AMENDMENT

UBS AG, STAMFORD BRANCH

By /s/ PATRICIA O'KICKI

Name: Director
Title: Banking Products Services

By /s/ THOMAS R. SALZANO

Name: Thomas R. Salzano
Title: Director
Banking Products Services, US

SIGNATURE PAGE TO MULTI-YEAR AMENDMENT

THE BANK OF NOVA SCOTIA

By /s/ NADINE BELL

Name: Nadine Bell
Title: Sr. Manager Loan Operations

SIGNATURE PAGE TO MULTI-YEAR AMENDMENT

BANK ONE, NA

By /s/ THOMAS E. OKAMOTO

Name: Thomas E. Okamoto
Title: Associate Director

SIGNATURE PAGE TO MULTI-YEAR AMENDMENT

WACHOVIA BANK,
NATIONAL ASSOCIATION

By /s/ RUSSELL CLINGMAN

Name: Russell Clingman
Title: Director

SIGNATURE PAGE TO MULTI-YEAR AMENDMENT

THE BANK OF NEW YORK

By /s/ PETER W. KELLER

Name: Peter W. Keller
Title: Vice President

SIGNATURE PAGE TO MULTI-YEAR AMENDMENT

BNP PARIBAS

By /s/ J. ONISCHUK

Name: J. Onischuk
Title: Director

By /s/ LARRY ROBINSON

Name: Larry Robinson
Title: Vice President

SIGNATURE PAGE TO MULTI-YEAR AMENDMENT

CREDIT LYONNAIS NEW YORK BRANCH

By /s/ BERNARD WEYMULLER

Name: Bernard Weymuller
Title: Senior Vice President

SIGNATURE PAGE TO MULTI-YEAR AMENDMENT

ROYAL BANK OF CANADA

By /s/ DAVID A. MCCLUSKEY

Name: David A. McCluskey
Title: Manager

SIGNATURE PAGE TO MULTI-YEAR AMENDMENT

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

By /s/ JEFFREY S. DAVIDSON

Name: Jeffrey S. Davidson
Title: Associate Director

By /s/ PAUL VERDI

Name: Paul Verdi
Title: Associate Director

SIGNATURE PAGE TO MULTI-YEAR AMENDMENT

THE ROYAL BANK OF SCOTLAND PLC

By /s/ KEITH JOHNSON

Name: Keith Johnson
Title: Senior Vice President

SIGNATURE PAGE TO MULTI-YEAR AMENDMENT

BANK OF AMERICA, NATIONAL ASSOCIATION

By _____
Name:
Title:

SIGNATURE PAGE TO MULTI-YEAR AMENDMENT

KBC BANK N.V.

By /s/ JEAN-PIERRE DIELS

Name: Jean-Pierre Diels
Title: First Vice President

By /s/ ERIC RASKIN

Name: Eric Raskin
Title: Vice President

SIGNATURE PAGE TO MULTI-YEAR AMENDMENT

NATEXIS BANQUES POPULAIRES

By /s/ LOUIS P. LAVILLE, III

Name: Louis P. Laville, III
Title: Vice President and
Group Manager

By /s/ DANIEL PAYER

Name: Daniel Payer
Title: Vice President

SIGNATURE PAGE TO MULTI-YEAR AMENDMENT

BANK HAPOLIM B.M.

By /s/ MARC BOSCH

Name: Marc Bosch
Title: Vice President

By /s/ LAURA ANNE RAFFA

Name: Laura Anne Raffa
Title: Senior Vice President &
Corporate Manager

SIGNATURE PAGE TO MULTI-YEAR AMENDMENT

MIZUHO CORPORATE BANK, LTD

By /s/ JOHN DIPPO

Name: John Dippo
Title: Senior Vice President

SIGNATURE PAGE TO MULTI-YEAR AMENDMENT

BANK OF COMMUNICATIONS, NEW YORK BRANCH

By /s/ DE CAI LI

Name: De Cai Li
Title: General Manager

SIGNATURE PAGE TO MULTI-YEAR AMENDMENT

COBANK, ACB

By /s/ CATHLEEN D. REED

Name: Cathleen D. Reed
Title: Assistant Vice President

SIGNATURE PAGE TO MULTI-YEAR AMENDMENT

EXHIBIT A
FORM OF CONSENT

Dated as of June 27, 2002

The undersigned, [NAME OF GUARANTOR] (the "COMPANY"), as guarantor under the Guaranty, dated as of March 28, 2002, made by the Company to SunTrust Bank, as administrative agent (the "ADMINISTRATIVE AGENT") for the lenders (the "LENDERS") party to the Credit Agreement, dated as of March 28, 2002 (the "CREDIT AGREEMENT"), among TEPPCO Partners, L.P. (the "BORROWER"), the Lenders and the Administrative Agent, hereby consents to the amendment of the Credit Agreement by the Amendment, dated as of June 27, 2002 (the "AMENDMENT"), among the Borrower, the Lenders signatories thereto and the Administrative Agent, and hereby confirms and agrees that (i) the Guaranty is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects except that, upon the effectiveness of, and on and after the date of, the Amendment, each reference in the Guaranty to the "Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement, as amended by the Amendment and (ii) the Guaranty is, and shall continue to, be an unconditional and irrevocable guaranty of all of the Obligations (as defined in the Guaranty).

[NAME OF GUARANTOR]

By _____
Name:
Title:

AMENDMENT

This AMENDMENT, dated as of June 27, 2002 (this "AMENDMENT"), is made to that certain 364-Day Credit Agreement, dated as of March 28, 2002 (the "CREDIT AGREEMENT"), among TEPPCO Partners, L.P. (the "BORROWER"), SunTrust Bank, as administrative agent (the "ADMINISTRATIVE AGENT"), and certain lenders party thereto (the "LENDERS").

PRELIMINARY STATEMENT:

The Borrower, the Lenders and the Administrative Agent previously entered into the Credit Agreement. The Borrower has requested that the Lenders agree to the amendment of the Credit Agreement as set forth herein, and the Lenders have agreed to such request, subject to the terms and conditions of this Amendment. Therefore, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

SECTION 1. DEFINITIONS. Capitalized terms used but not defined herein have the meanings assigned to such terms in the Credit Agreement.

SECTION 2. AMENDMENT. Section 10.2 of the Credit Agreement is, subject to the satisfaction of the conditions precedent set forth in Section 3, hereby amended and restated in its entirety as follows:

SECTION 10.2. MAXIMUM FUNDED DEBT TO PRO FORMA EBITDA.

As of the last day of each fiscal quarter of the Borrower, the ratio of Consolidated Funded Debt to Pro Forma EBITDA for the period consisting of four consecutive fiscal quarters taken as a single accounting period and ending on such day will be less than the amount specified below for such fiscal quarter:

QUARTER(S)	
ENDING	
RATIO - --	

- 6/30/02	5.50 to
	1.00
9/30/02	5.00 to
	1.00
12/31/02	
and	
thereafter	4.50 to
	1.00

SECTION 3. CONDITIONS OF EFFECTIVENESS. Section 2 of this Amendment shall become effective as of the date first set forth above when each of the following conditions shall have been fulfilled:

(i) the Required Lenders and the Borrower shall have executed and delivered to the Administrative Agent a counterpart of this Amendment;

(ii) all of the Guarantors shall have executed and delivered the consent to this Amendment in substantially the form of Exhibit A attached hereto;

(iii) the Borrower shall have entered into that certain \$200,000,000 term loan facility with SunTrust Bank, dated on or about the date hereof; and

(iv) the representations and warranties set forth in Section 4 hereof shall be true and correct on and as of the date of effectiveness of this Amendment as though made on and as of such date.

SECTION 4. REPRESENTATIONS AND WARRANTIES. The Borrower represents and warrants that (a) the representations and warranties contained in Article VII of the Credit Agreement, as amended hereby (with each reference therein to (i) "this Agreement", "hereunder" and words of like import referring to the Credit Agreement being deemed to be a reference to this Amendment and the Credit Agreement as amended hereby and (ii) "Credit Documents", "thereunder" and words of like import being deemed to include Amendment and the Credit Agreement, as amended hereby) are true and correct on and as of the date hereof as though made on and as of such date, and (b) no event has occurred and is continuing, or would result from the execution and delivery of this Amendment, that constitutes an Event of Default.

SECTION 5. EFFECT ON THE CREDIT AGREEMENT. Except as specifically provided above, the Credit Agreement shall continue to be in full force and effect and is hereby in all respects ratified and confirmed. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lenders under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

SECTION 6. COSTS AND EXPENSES. The Borrower agrees to pay on demand all costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Administrative Agent with respect thereto, and all costs and expenses (including, without limitation, counsel fees and expenses), if any, in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Amendment.

SECTION 7. EXECUTION IN COUNTERPARTS. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

SECTION 8. GOVERNING LAW. This Amendment shall be governed by, and construed in accordance with, the internal laws of the State of the New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective duly authorized officers as of the date first above written.

TEPPCO Partners, L.P.
America Tower Bldg.
2929 Allen Parkway, Suite 3200
Houston, TX 77019
Attn: Charles H. Leonard

Phone: 713-759-3999

Fax: 713-759-3957

TEPPCO PARTNERS, L.P., as Borrower

By TEXAS EASTERN PRODUCTS
PIPELINE COMPANY, LLC, as General
Partner

By /s/ CHARLES H. LEONARD

Name: Charles H. Leonard
Title: SVP & CFO

SunTrust Bank
303 Peachtree Street, N.E., 10th Floor
Atlanta, GA 30308
Attn:

Phone:
Fax:

SUNTRUST BANK, as Administrative Agent
and Lender

By /s/ JOHN A. FIELDS, JR.

Name: John A. Fields, Jr.
Title: Managing Director

UBS AG, STAMFORD BRANCH

By /s/ PATRICIA O'KICKI

Name: Patricia O'Kicki
Title: Director
Banking Products Services

By /s/ THOMAS R. SALZANO

Name: Thomas R. Salzano
Title: Director
Banking Products Services, US

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THE BANK OF NOVA SCOTIA

By /s/ NADINE BELL

Name: Nadine Bell
Title: Sr. Manager Loan Operations

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BANK ONE, NA

By /s/ THOMAS E. OKAMOTO

Name: Thomas E. Okamoto
Title: Associate Director

SIGNATURE PAGE TO 364-DAY AMENDMENT

WACHOVIA BANK,
NATIONAL ASSOCIATION

By /s/ RUSSELL CLINGMAN

Name: Russell Clingman
Title: Director

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THE BANK OF NEW YORK

By /s/ PETER W. KELLER

Name: Peter W. Keller
Title: Vice President

SIGNATURE PAGE TO 364-DAY AMENDMENT

BNP PARIBAS

By /s/ J. ONISCHUK

Name: J. Onischuk
Title: Director

By /s/ LARRY ROBINSON

Name: Larry Robinson
Title: Vice President

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CREDIT LYONNAIS NEW YORK BRANCH

By /s/ BERNARD WEYMULLER

Name: Bernard Weymuller
Title: Senior Vice President

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ROYAL BANK OF CANADA

By /s/ DAVID A. MCCLUSKEY

Name: David A. McCluskey
Title: Manager

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WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

By -----
Name:
Title:

By -----
Name:
Title:

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THE ROYAL BANK OF SCOTLAND PLC

By /s/ KEITH JOHNSON

Name: Keith Johnson
Title: Senior Vice President

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BANK OF AMERICA, NATIONAL ASSOCIATION

By

Name:

Title:

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KBC BANK N.V.

By /s/ JEAN-PIERRE DIELS

Name: Jean-Pierre Diels
Title: First Vice President

By /s/ ERIC RASKIN

Name: Eric Raskin
Title: Vice President

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NATEXIS BANQUES POPULAIRES

By -----
Name:
Title:

By -----
Name:
Title:

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BANK HAPOALIM B.M.

By /s/ MARC BOSCH

Name: Marc Bosch
Title: Vice President

By /s/ LAURA ANNE RAFFA

Name: Laura Anne Raffa
Title: Senior Vice President &
Corporate Manager

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MIZUHO CORPORATE BANK, LTD.

By /s/ JOHN DIPPO

Name: John Dippo
Title: Senior Vice President

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BANK OF COMMUNICATIONS, NEW YORK BRANCH

By /s/ DE CAI LI

Name: De Cai Li
Title: General Manager

SIGNATURE PAGE TO 364-DAY AMENDMENT

EXHIBIT A

FORM OF CONSENT

Dated as of June 27, 2002

The undersigned, [NAME OF GUARANTOR] (the "COMPANY"), as guarantor under the Guaranty, dated as of March 28, 2002, made by the Company to SunTrust Bank, as administrative agent (the "ADMINISTRATIVE AGENT") for the lenders (the "LENDERS") party to the 364-Day Credit Agreement, dated as of March 28, 2002 (the "CREDIT AGREEMENT"), among TEPPCO Partners, L.P. (the "BORROWER"), the Lenders and the Administrative Agent, hereby consents to the amendment of the Credit Agreement by the Amendment, dated as of June 27, 2002 (the "AMENDMENT"), among the Borrower, the Lenders signatories thereto and the Administrative Agent, and hereby confirms and agrees that (i) the Guaranty is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects except that, upon the effectiveness of, and on and after the date of, the Amendment, each reference in the Guaranty to the "Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement, as amended by the Amendment and (ii) the Guaranty is, and shall continue to, be an unconditional and irrevocable guaranty of all of the Obligations (as defined in the Guaranty).

[NAME OF GUARANTOR]

By

Name:
Title: