SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

OR

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

FOR THE QUARTER ENDED JUNE 30, 2001

COMMISSION FILE NO. 1-10403

TEPPCO PARTNERS, L.P.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	76-0291058
(STATE OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TEPPCO PARTNERS, L.P.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	JUNE 30, 2001 (UNAUDITED)	DECEMBER 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,801	$ 27,096
Accounts receivable, trade	306,574	303,394
Inventories	37,942	24,784
Other	9,651	8,123
Total current assets	366,968	363,397
Property, plant and equipment, at cost (Net of accumulated depreciation and amortization of $269,154 and $251,165)	982,707	949,705
Equity investments	262,333	241,648
Intangible assets	46,632	38,388
Other assets	36,514	29,672
Total assets	$ 1,695,154	$ 1,622,810
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable and accrued liabilities	$ 292,371	$ 293,720
Accounts payable, general partner	8,619	6,637
Accrued interest	15,289	18,633
Other accrued taxes	10,882	10,501
Other	33,530	28,780
Total current liabilities	360,691	358,271
Senior Notes	389,799	389,784
Other long-term debt	438,000	446,000
Other liabilities and deferred credits	11,282	3,991
Minority interest	5,065	4,296
Redeemable Class B Units held by related party	106,969	105,411
Partners' capital:		
General partner's interest	6,160	1,824
Limited partners' interests	381,906	313,233
Accumulated other comprehensive loss	(4,718)	--
Total partners' capital	383,348	315,057
Total liabilities and partners' capital	$ 1,695,154	$ 1,622,810

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

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

	THREE MONTHS ENDED JUNE 30, 2001	THREE MONTHS ENDED JUNE 30, 2000	SIX MONTHS ENDED JUNE 30, 2001	SIX MONTHS ENDED JUNE 30, 2000
Operating revenues:				
Sales of crude oil and petroleum products	$ 978,803	$ 689,643	$ 1,686,284	$ 1,372,428
Transportation - Refined products	51,406	32,685	77,587	60,715
Transportation - LPGs	13,506	10,367	38,505	33,484
Transportation - crude oil and NGLs	11,408	3,773	22,317	7,902
Mont Belvieu operations	2,997	2,883	5,894	7,354
Other - net	15,562	8,353	28,330	16,513
Total operating revenues	1,073,682	747,704	1,858,917	1,498,396
Costs and expenses:				
Purchases of crude oil and petroleum products	965,919	682,891	1,664,495	1,360,304
Operating, general and administrative	29,955	25,334	57,905	49,568
Operating fuel and power	10,207	8,326	18,821	15,839
Depreciation and amortization	10,857	8,339	20,764	16,586
Taxes - other than income taxes	3,675	2,663	7,557	5,181
Total costs and expenses	1,020,613	727,553	1,769,542	1,447,478
Operating income	53,069	20,151	89,375	50,918
Interest expense	(15,392)	(8,548)	(31,686)	(16,982)
Interest capitalized	590	1,255	935	2,265
Equity earnings	4,419	--	9,625	--
Other income - net	793	850	1,227	1,632
Income before minority interest	43,479	13,708	69,476	37,833
Minority interest	(441)	(138)	(703)	(382)
Net income	$ 43,038	$ 13,570	$ 68,773	$ 37,451
Net Income Allocation:				
Limited Partner Unitholders				

	$ 31,311	$ 9,963	$ 49,922	$ 27,496
Class B Unitholder	3,478	1,346	5,670	3,714
General Partner	8,249	2,261	13,181	6,241
Total net income allocated	$ 43,038	$ 13,570	$ 68,773	$ 37,451
Basic net income per Limited Partner and Class B Unit	$ 0.90	$ 0.35	$ 1.45	$ 0.95
Diluted net income per Limited Partner and Class B Unit	$ 0.89	$ 0.35	$ 1.45	$ 0.95
Weighted average Limited Partner and Class B Units outstanding	38,867	32,917	38,380	32,917

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

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

	SIX MONTHS ENDED JUNE 30, 2001	SIX MONTHS ENDED JUNE 30, 2000
Cash flows from operating activities:		
Net income	$ 68,773	$ 37,451
Depreciation and amortization	20,764	16,586
Earnings in equity investments, net of distributions	4,457	(95)
Noncash portion of interest expense	1,356	177
Increase in accounts receivable, trade	(3,843)	(28,580)
Decrease (increase) in inventories	(13,158)	6,027
Decrease (increase) in other current assets	(843)	1,044
Increase (decrease) in accounts payable and accrued expenses	(13,515)	32,574
Other	(2,459)	(703)
Net cash provided by operating activities	61,532	64,481
Cash flows from investing activities:		
Proceeds from cash investments	3,236	1,475
Purchases of cash investments	--	(2,000)
Purchase of crude oil assets	(20,000)	--
Proceeds from the sale of assets	1,300	--
Investment in Centennial Pipeline Company	(25,142)	--
Capital expenditures	(33,398)	(39,147)
Net cash used in investing activities	(74,004)	(39,672)
Cash flows from financing activities:		
Proceeds from term loan and revolving credit facility	33,000	20,000
Repayment on revolving credit facility	(41,000)	--
Proceeds form the issuance of Limited Partner Units, net	54,588	--
General Partner contributions	1,114	--
Distributions	(49,524)	(38,256)
Net cash used in financing activities	(1,822)	(18,256)
Net increase (decrease) in cash and cash equivalents	(14,294)	6,553
Cash and cash equivalents at beginning of period	27,095	32,593
Cash and cash equivalents at end of period	$ 12,801	$ 39,146
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:		
Interest paid during the period (net of capitalized interest)	$ 32,230	$ 14,090

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

TEPPCO Partners, L.P. (the "Partnership"), a Delaware limited partnership, was formed in March 1990. The Partnership operates through TE Products Pipeline Company, Limited Partnership (the "Downstream Segment") and TCTM, L.P. (the "Upstream Segment"). Collectively the Downstream Segment and the Upstream Segment are referred to as "the Operating Partnerships." As of June 30, 2001, the Partnership owned a 99% interest as the sole limited partner in both the Downstream Segment and Upstream Segment.

Texas Eastern Products Pipeline Company, LLC (the "Company" or "General Partner"), a Delaware limited liability company, serves as the general partner of the Partnership with a 2% general partner interest. The General Partner is a wholly owned subsidiary of Duke Energy Field Services, LP ("DEFS"), a joint venture between Duke Energy Corporation ("Duke Energy") and Phillips Petroleum Company. Duke Energy holds a majority interest in DEFS.

On July 26, 2001, the Company restructured its general partner ownership of the Operating Partnerships to cause them to be wholly-owned by the Partnership. TEPPCO GP, Inc. ("TEPPCO GP"), a subsidiary of the Partnership, succeeded the Company as general partner of the Operating Partnerships. All remaining partner interests in the Operating Partnerships not already owned by the Partnership were transferred to the Partnership. In exchange for this contribution, the Company's interest as general partner of the Partnership was increased to 2%. The increased percentage is the economic equivalent to the aggregate interest that the Company had prior to the restructuring through its combined interests in the Partnership and the Operating Partnerships. As a result, the Partnership holds a 99.999% limited partner interest in the Operating Partnerships and TEPPCO GP holds a .001% general partner interest. References herein to the "General Partner" refer to the Company prior to the restructuring and to TEPPCO GP thereafter.

The Company, as general partner, performs all management and operating functions required for the Partnership pursuant to the Agreements of Limited Partnership of TEPPCO Partners, L.P., TE Products Pipeline Company, Limited Partnership and TCTM, L.P. (the "Partnership Agreements"). The General Partner is reimbursed by the Partnership for all reasonable direct and indirect expenses incurred in managing the Partnership.

The accompanying unaudited consolidated financial statements reflect all adjustments, which are, in the opinion of management, of a normal and recurring nature and necessary for a fair statement of the financial position of the Partnership as of June 30, 2001, and the results of operations and cash flows for the periods presented. The results of operations for the six months ended June 30, 2001, are not necessarily indicative of results of operations for the full year 2001. The interim financial statements should be read in conjunction with the Partnership's consolidated financial statements and notes thereto presented in the TEPPCO Partners, L.P. Annual Report on Form 10-K for the year ended December 31, 2000. Certain amounts from prior periods have been reclassified to conform to current presentation.

The Partnership operates in two segments: refined products and liquefied petroleum gases ("LPGs") transportation (Downstream Segment); and crude oil and natural gas liquids ("NGLs") transportation and marketing (Upstream Segment). The Partnership's reportable segments offer different products and services and are managed separately because each requires different business strategies. The Upstream Segment was acquired as a unit in November 1998, and the management at the time of the acquisition was retained. The Partnership's interstate transportation operations, including rates charged to customers, are subject to regulations prescribed by the Federal Energy Regulatory Commission ("FERC"). Refined products, LPGs, crude oil and NGLs are referred to herein, collectively, as "petroleum products" or "products."

Basic net income per Unit is computed by dividing net income, after deduction of the general partner's interest, by the weighted average number of Limited Partner Units and Class B Units outstanding (a total of 38.4

million Units for the six months ended June 30, 2001, and 32.9 million Units for the six months ended June 30, 2000). The General Partner's percentage interest in net income is based on its percentage of cash distributions from Available Cash for each period (see Note 7. Quarterly Distributions of Available Cash). The General Partner was allocated $13.2 million (representing 19.17%) and $6.2 million (representing 16.66%) of net income for the six months ended June 30, 2001, and 2000, respectively. The General Partner's percentage interest in net income increased for the six months ended June 30, 2001, compared to the corresponding period of 2000, as a result of the increased quarterly distribution to $0.525 per Unit from $0.500 per Unit in the third quarter of 2000.

Diluted net income per Unit is similar to the computation of basic net income per Unit above, except that the denominator was increased to include the dilutive effect of outstanding Unit options by application of the treasury stock method. For the quarters ended June 30, 2001 and 2000, the denominator was increased by 44,559 Units and 19,746 Units, respectively. For the six months ended June 30, 2001 and 2000, the denominator was increased by 36,021 Units and 14,333 Units, respectively.

NOTE 2. NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2001, the Partnership adopted Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities and SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133. This statement establishes accounting and reporting standards requiring that derivative instruments (including certain derivative instruments embedded in other contracts) be recorded at fair value and included in the balance sheet as assets or liabilities. The accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative and the resulting designation, which is established at the inception of a derivative. Special accounting for derivatives qualifying as fair value hedges allows a derivative's gains and losses to offset related results on the hedged item in the statement of income. For derivative instruments designated as cash flow hedges, changes in fair value, to the extent the hedge is effective, are recognized in other comprehensive income until the hedged item is recognized in earnings. Hedge effectiveness is measured at least quarterly based on the relative cumulative changes in fair value between the derivative contract and the hedged item over time. Any change in fair value resulting from ineffectiveness, as defined by SFAS 133, is recognized immediately in earnings.

Adoption of SFAS 133 at January 1, 2001 resulted in the recognition of $10.1 million of derivative liabilities, $4.1 million of which are included in current liabilities and $6.0 million of which are included in other noncurrent liabilities on the Partnership's balance sheet, and $10.1 million of hedging losses included in accumulated other comprehensive loss, a component of Partners' capital, as the cumulative effect of the change in accounting principle. The hedging losses included in accumulated other comprehensive loss will be transferred to earnings as the forecasted transactions actually occur. Approximately $4.1 million of the loss included in accumulated other comprehensive loss as of January 1, 2001 is anticipated to be transferred into earnings over the next twelve months. The cumulative effect of the accounting change had no effect on the Partnership's net income or its earnings per Unit amounts for the six months ended June 30, 2001. Amounts were determined as of January 1, 2001 based on quoted market values, the Partnership's portfolio of derivative instruments, and the Partnership's measurement of hedge effectiveness.

From time to time, the Partnership has utilized and expects to continue to utilize derivative financial instruments with respect to a portion of its interest rate risks and its crude oil marketing activities to achieve a more predictable cash flow by reducing its exposure to interest rate and crude oil price fluctuations. These transactions generally are swaps and forwards and are entered into with major financial institutions or commodities trading institutions. Derivative financial instruments used in the Partnership's Upstream Segment are intended to reduce the Partnership's exposure to fluctuations in the market price of crude oil, while derivative financial instruments related to the Partnership's interest rate risks are intended to reduce the Partnership's exposure to increases in the

benchmark interest rates underlying the Partnership's variable rate revolving credit facility. Through December 31, 2000, gains and losses from financial instruments used in the Partnership's Upstream Segment have been recognized in revenues for the periods to which the derivative financial instruments relate, and gains and losses from its interest rate financial instruments have been recognized in interest expense for the periods to which the derivative financial instrument relate.

As of June 30, 2001, the Upstream Segment had open positions on speculative option and futures contracts. During the six months ended June 30, 2001, a gain of $3,500 was recognized on such contracts.

Also as of June 30, 2001, the Partnership had in place an interest rate swap agreement to hedge its exposure to increases in the benchmark interest rate underlying its variable rate revolving credit facilities. The swap agreement is based on a notional amount of $250 million. Under the swap agreement, the Partnership pays a fixed rate of interest of 6.955% and receives a floating rate based on a three month USD LIBOR rate. The interest rate swap is designated as a cash flow hedge, therefore, the changes in fair value, to the extent the swap is effective, are recognized in other comprehensive income until the hedged interest costs are recognized in earnings. During the six month period ended June 30, 2001, the Partnership recognized $2.2 million in losses, included in interest expense, on the interest rate swap attributable to interest costs occurring in 2001. No gain or loss from ineffectiveness was required to be recognized. The fair value of the interest rate swap agreement was a loss of approximately $13.2 million at June 30, 2001. Approximately $4.8 million (inclusive of the $4.1 million related to the cumulative effect of the accounting change not yet recognized) of such amount is anticipated to be transferred into earnings over the next twelve months.

During 2001, the Partnership executed treasury rate lock agreements with a combined notional amount of $400 million to hedge its exposure to increases in the treasury rate that will be used to establish the fixed interest rate for the debt offering that is probable to occur in the third quarter of 2001. Under the treasury rate lock agreements, the Partnership pays a fixed rate of interest, and receives a floating rate based on the three month treasury rate. The treasury rate locks are designated as cash flow hedges, therefore, the changes in fair value, to the extent the treasury rate locks are effective, are recognized in other comprehensive income until the actual debt offering occurs. Upon completion of the debt offering, the realized gain or loss on the treasury rate locks will be amortized out of accumulated other comprehensive income into interest expense over the life of the debt obligation. During April 2001, a treasury lock with a notional amount of $200 million was terminated with a realized gain of $1.1 million. The realized gain was recorded as a component of accumulated other comprehensive income. As of June 30, 2001, a notional amount of $200 million remained outstanding. The fair value of the outstanding treasury rate locks was a gain of approximately $7.4 million at June 30, 2001.

In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS 141 requires that the purchase method of accounting be used for all business combinations and specifies that certain acquired intangible assets be reported apart from goodwill. SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually. SFAS 142 requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives. The Partnership will adopt SFAS 141 immediately, and SFAS 142 effective January 1, 2002.

At June 30, 2001, the Partnership had $14.6 million of unamortized goodwill. Amortization expense related to goodwill was $0.1 million and $0.6 million for the year ended December 31, 2000 and the six months ended June 30, 2001, respectively. The Partnership has not determined the impact of adopting SFAS 142 at the date of this report, including whether any transitional impairment losses will be required to be recognized as the cumulative effect of a change in accounting principle.

NOTE 3. ACQUISITIONS

On July 20, 2000, the Partnership completed an acquisition of ARCO Pipe Line Company ("ARCO"), a wholly owned subsidiary of Atlantic Richfield Company, for $322.6 million, which included $4.1 million of acquisition related costs. The purchase included ARCO's 50-percent ownership interest in Seaway Crude Pipeline Company ("Seaway"), which owns a pipeline that carries mostly imported crude oil from a marine terminal at Freeport, Texas, to Cushing, Oklahoma and from a marine terminal at Texas City, Texas to refineries in the Texas City and Houston areas. The Partnership assumed ARCO's role as operator of this pipeline. The Partnership also acquired: (i) ARCO's crude oil terminal facilities in Cushing and Midland, Texas, including the line transfer and pumpover business at each location; (ii) an undivided ownership interest in both the Rancho Pipeline, a crude oil pipeline from West Texas to Houston, and the Basin Pipeline, a crude oil pipeline running from Jal, New Mexico, through Midland to Cushing, both of which are operated by another joint owner; and (iii) the receipt and delivery pipelines known as the West Texas Trunk System, which is located around the Midland terminal. The acquisition was accounted for under the purchase method of accounting. Accordingly, the results of the acquisition are included in the consolidated statements of income from July 20, 2000.

The following table presents the unaudited pro forma results of the Partnership as though the acquisition of ARCO occurred at the beginning of 2000 (in thousands, except per Unit amounts).

	QUARTER ENDED JUNE 30, 2000	SIX MONTHS ENDED JUNE 30, 2000
Revenues	$ 754,922	$ 1,513,119
Net Income	12,779	35,081
Basic and diluted net income per Limited Partner and Class B Unit	$ 0.33	$ 0.89

NOTE 4. INVENTORIES

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

	JUNE 30, 2001	DECEMBER 31, 2000
Crude oil	$ 26,285	$ 14,635
Gasolines	929	3,795
Propane	726	--
Butanes	1,870	267
Fuel oil	203	82
Other products	4,003	2,693
Materials and supplies	3,926	3,312
Total	$ 37,942	$ 24,784

The costs of inventories did not exceed market values at June 30, 2001, and December 31, 2000.

NOTE 5. EQUITY INVESTMENTS

Seaway is a partnership between the Upstream Segment and Phillips Petroleum Company ("Phillips"). The Upstream Segment purchased its 50-percent ownership interest in Seaway on July 20, 2000 (see Note 3. Acquisitions). The Seaway Crude Pipeline Company Partnership Agreement provides for varying participation ratios throughout the life of the Seaway Partnership. From July 20, 2000, through May 2002, the Upstream Segment receives 80% of revenue and expense of Seaway. From June 2002 until May 2006, the Upstream Segment receives 60% of revenue and expense of Seaway. Thereafter, the sharing ratio becomes 40% of revenue and expense to the Upstream Segment.

The Partnership uses the equity method of accounting for its investment in Seaway. Summarized financial information for Seaway as of and for the six months ended June 30, 2001 is presented below (in thousands):

Current assets	$ 36,610
Non current assets	279,439
Current liabilities	6,005
Partners' capital	310,044
Revenues	35,315
Net income	16,193

NOTE 6. LONG TERM DEBT

SENIOR NOTES

On January 27, 1998, the Downstream Segment completed the issuance of $180 million principal amount of 6.45% Senior Notes due 2008, and $210 million principal amount of 7.51% Senior Notes due 2028 (collectively the "Senior Notes"). The 6.45% Senior Notes due 2008 are not subject to redemption prior to January 15, 2008. The 7.51% Senior Notes due 2028 may be redeemed at any time after January 15, 2008, at the option of the Downstream Segment, in whole or in part, at a premium.

The Senior Notes do not have sinking fund requirements. Interest on the Senior Notes is payable semiannually in arrears on January 15 and July 15 of each year. The Senior Notes are unsecured obligations of the Downstream Segment and will rank on a parity with all other unsecured and unsubordinated indebtedness of the Downstream Segment. The indenture governing the Senior Notes contains covenants, including, but not limited to, covenants limiting the creation of liens securing indebtedness and sale and leaseback transactions. However, the indenture does not limit the Partnership's ability to incur additional indebtedness.

OTHER LONG TERM DEBT AND CREDIT FACILITIES

On July 14, 2000, the Partnership entered into a $75 million term loan and a $475 million revolving credit facility. On July 21, 2000, the Partnership borrowed $75 million under the term loan and $340 million under the revolving credit facility. The funds were used to finance the acquisition of the ARCO assets (see Note 3. Acquisitions) and to refinance existing credit facilities, other than the Senior Notes. The term loan was repaid from proceeds received from the issuance of additional Limited Partner Units on October 25, 2000. On April 6, 2001, the Partnership's $475 million revolving credit agreement was amended to permit borrowings up to $500 million and to allow for letters of credit up to $20 million. The term of the revised credit agreement was extended to April 6, 2004. Additionally, on April 6, 2001, the Partnership entered into a 364-day, $200 million revolving credit agreement. The interest rate is based on the Partnership's option of either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreements contain restrictive financial covenants that require the Partnership to maintain a minimum level of partners' capital as well as maximum debt-to-EBITDA (earnings before interest expense, income tax expense and depreciation and amortization expense) and minimum fixed charge coverage ratios. At June 30, 2001, $438 million was outstanding under the revolving credit facility at a weighted average interest rate of 4.9%.

TEPPCO PARTNERS, L.P.

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

On July 21, 2000, the Partnership entered into a three year swap agreement to hedge its exposure on the variable rate credit facilities. On April 6, 2001 the swap agreement was extended until April 6, 2004 to match the maturity of the variable rate credit facility above. The swap agreement is based on a notional amount of $250 million. Under the swap agreement, the Partnership pays a fixed rate of interest of 6.955% and receives a floating rate based on a three month USD LIBOR rate.

NOTE 7. QUARTERLY DISTRIBUTIONS OF AVAILABLE CASH

The Partnership makes quarterly cash distributions of all of its Available Cash, generally defined as consolidated cash receipts less consolidated cash disbursements and cash reserves established by the General Partner in its sole discretion. Pursuant to the Partnership Agreement, the Company receives incremental incentive cash distributions on the portion that cash distributions on a per Unit basis exceed certain target thresholds as follows:

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

The following table reflects the allocation of total distributions paid for the six month periods ended June 30, 2001 and 2000 (in thousands, except per Unit amounts).

	SIX MONTHS ENDED JUNE 30,	
	2001	2000
Limited Partner Units	$ 35,516	$ 28,275
1% General Partner Interest	400	324
General Partner Incentive	8,996	5,452
Total Partners' Capital Cash Distributions	44,912	34,051
Class B Units	4,112	3,819
Minority Interest	500	386
Total Cash Distributions Paid	$ 49,524	$ 38,256
Total Cash Distributions Paid Per Unit	$ 1.050	$ 0.975

On July 20, 2001, the Partnership declared a cash distribution of $0.525 per Limited Partner Unit and Class B Unit for the quarter ended June 30, 2001. The distribution was paid on August 6, 2001, to Unitholders of record on July 31, 2001.

NOTE 8. SEGMENT DATA

The Partnership operates in two segments: refined products and LPGs transportation, which operates through the Downstream Segment; and crude oil and NGLs transportation and marketing, which operates through the Upstream Segment. The amounts included as "Partnership and Other" relate primarily to intercompany eliminations and assets held by the Partnership that have not been allocated to the Operating Partnerships.

TEPPCO PARTNERS, L.P.

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

The Downstream Segment is involved in the interstate transportation, storage and terminaling of petroleum products and LPGs, intrastate transportation of petrochemicals and the fractionation of NGLs. Revenues are derived from the transportation of refined products and LPGs, the storage and short-haul shuttle transportation of LPGs at the Mont Belvieu, Texas, complex, sale of product inventory and other ancillary services. The Downstream Segment is one of the largest pipeline common carriers of refined petroleum products and LPGs in the United States. The Partnership owns and operates a pipeline system extending from southeast Texas through the central and midwestern United States to the northeastern United States.

The Upstream Segment gathers, stores, transports and markets crude oil principally in Oklahoma, Texas and the Rocky Mountain region; operates two trunkline NGL pipelines in South Texas and two NGL pipelines in East Texas; and distributes lube oils and specialty chemicals to industrial and commercial accounts. On July 20, 2000, the Partnership completed its acquisition of assets from ARCO (see Note 3. Acquisitions). The acquisition was accounted for under the purchase method of accounting. The results of the acquisition have been included in the Upstream Segment since the purchase on July 20, 2000.

The table below includes interim financial information by business segment for the interim periods ended June 30, 2001 and 2000 (in thousands):

TEPPCO PARTNERS, L.P.

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

	THREE MONTHS ENDED JUNE 30, 2001			THREE MONTHS ENDED JUNE 30, 2000		
	DOWNSTREAM SEGMENT	UPSTREAM SEGMENT	CONSOLIDATED	DOWNSTREAM SEGMENT	UPSTREAM SEGMENT	CONSOLIDATED
Unaffiliated revenues	$ 80,458	$ 993,224	$ 1,073,682	$ 54,288	$ 693,416	$ 747,704
Operating expenses, including power	30,755	979,001	1,009,756	30,215	688,999	719,214
Depreciation and amortization expense	7,207	3,650	10,857	6,874	1,465	8,339
Operating income	42,496	10,573	53,069	17,199	2,952	20,151
Interest expense, net	(8,027)	(6,775)	(14,802)	(7,167)	(126)	(7,293)
Equity earnings	(339)	4,758	4,419	--	--	--
Other income, net	57	295	352	573	139	712
Net income	$ 34,187	$ 8,851	$ 43,038	$ 10,605	$ 2,965	$ 13,570

SIX MONTHS ENDED JUNE 30, 2001 SIX MONTHS ENDED JUNE

30, 2000 -----------

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DOWNSTREAM UPSTREAM
DOWNSTREAM UPSTREAM
SEGMENT SEGMENT
CONSOLIDATED SEGMENT
SEGMENT CONSOLIDATED
------------ -------
----- ------------ -
----------- --------
---- ------------
Unaffiliated
revenues ....
$ 144,563 $
1,714,354 $
1,858,917 $ 118,066
$ 1,380,330 $
1,498,396 Operating
expenses, including
power
....
58,321 1,690,457
1,748,778 58,872
1,372,020 1,430,892
Depreciation and
amortization expense
....
14,384 6,380 20,764
13,657 2,929 16,586
------------ -------
----- ------------ -
----------- --------
---- ------------
Operating income
.... 71,858
17,517 89,375 45,537
5,381 50,918
Interest expense,
net ....
(16,362) (14,389)
(30,751) (14,477)
(240) (14,717)
Equity earnings
....
(339) 9,964 9,625 --
-- -- Other income,
net ....
169 355 524 966 284
1,250 ------------ -
----------- --------
---- ------------ --
---------- ---------
--- Net income
.... $
55,326 $ 13,447 $
68,773 $ 32,026 $
5,425 $ 37,451
============
============
============
============
============
============

AS OF JUNE 30, 2001

DOWNSTREAM UPSTREAM
PARTNERSHIP SEGMENT
SEGMENT AND OTHER
CONSOLIDATED -------
----- ------------ -
----------- --------
---- Total assets
....
$ 778,313 $ 910,190

$ 6,651 $ 1,695,154
Accounts receivable,
trade 25,805
280,769 -- 306,574
Accounts payable and
accrued liabilities
.... $
10,855 $ 281,516 $ -
- $ 292,371

AS OF JUNE 30, 2000

DOWNSTREAM UPSTREAM
PARTNERSHIP SEGMENT
SEGMENT AND OTHER
CONSOLIDATED -------
----- ------------ -
----------- --------
---- Total assets
....
$ 748,412 $ 347,841
$ (2,354) $
1,093,899 Accounts
receivable, trade
...... 20,369
213,977 -- 234,346
Accounts payable and
accrued liabilities
.... $
9,984 $ 221,873 $ --
$ 231,857

TEPPCO PARTNERS, L.P.

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

NOTE 9. CONTINGENCIES

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

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

The operations of the Partnership are subject to federal, state and local laws and regulations relating to protection of the environment. Although the Partnership believes its operations are in material compliance with applicable environmental regulations, risks of significant costs and liabilities are inherent in pipeline operations, and there can be no assurance that significant costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental laws and regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the operations of the pipeline system, could result in substantial costs and liabilities to the Partnership. The Partnership does not anticipate that changes in environmental laws and regulations will have a material adverse effect on its financial position, results of operations or cash flows in the near term.

The Partnership and the Indiana Department of Environmental Management ("IDEM") have entered into an Agreed Order that will ultimately result in a remediation program for any on-site and off-site groundwater contamination attributable to the Partnership's operations at the Seymour, Indiana, terminal. A Feasibility Study, which includes the Partnership's proposed remediation program, has been approved by IDEM. IDEM is expected to issue a Record of Decision formally approving the remediation program. After the Record of Decision has been issued, the Partnership will enter into an Agreed Order for the continued operation and maintenance of the program. The Partnership has accrued $0.4 million at June 30, 2001 for future costs of the remediation program for the Seymour terminal. In the opinion of the Company, the completion of the remediation program will not have a material adverse impact on the Partnership's financial condition, results of operations or liquidity.

The Partnership received a compliance order from the Louisiana Department of Environmental Quality ("DEQ") during 1994 relative to potential environmental contamination at the Partnership's Arcadia, Louisiana facility, which may be attributable to the operations of the Partnership and adjacent petroleum terminals of other companies. The Partnership and all adjacent terminals have been assigned to the Groundwater Division of DEQ, in which a consolidated plan will be developed. The Partnership has finalized a negotiated Compliance Order with DEQ that will allow the Partnership to continue with a remediation plan similar to the one previously agreed to by DEQ and implemented by the Company. In the opinion of the General Partner, the completion of the remediation program being proposed by the Partnership will not have a future material adverse impact on the Partnership.

TEPPCO PARTNERS, L.P.

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

On October 16, 2000 the Partnership received a settlement notice from Atlantic Richfield Company for payment of a net aggregate amount of approximately $12.9 million in post-closing adjustments related to the purchase of ARCO. A large portion of the requested adjustment relates to Atlantic Richfield Company's indemnity for payment of accrued income taxes. In August 2001, the Partnership and Atlantic Richfield Company reached a settlement of $11.0 million for the post-closing adjustments. The Partnership has accrued the amount of the settlement as an adjustment to the purchase price of ARCO.

Substantially all of the petroleum products transported and stored by the Partnership are owned by the Partnership's customers. At June 30, 2001, the Partnership had approximately 20.9 million barrels of products in its custody owned by customers. The Partnership is obligated for the transportation, storage and delivery of such products on behalf of its customers. The Partnership maintains insurance adequate to cover product losses through circumstances beyond its control.

NOTE 10. COMPREHENSIVE INCOME

The table below reconciles reported net income to total comprehensive income for the six months ended June 30, 2001 (in thousands).

Net income	$ 68,773
Cumulative effect attributable to adoption of SFAS 133 (see Note 2. New Accounting Pronouncements)	(10,103)
Hedge accounting for derivative instruments	5,385
Total comprehensive income	$ 64,055

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

Balance at December 31, 2000	$ --
Cumulative effect of accounting change	(10,103)
Net gain on cash flow hedges	3,142
Reclassification adjustments	2,243
Balance at June 30, 2001	$ (4,718)

NOTE 11. SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

In connection with the Partnership's filing of a shelf registration statement on Form S-3 with the Securities and Exchange Commission on July 27, 2001, TE Products Pipeline Company, Limited Partnership and TCTM, L.P., the Partnership's sole first-tier operating subsidiaries (the "Guarantor Subsidiaries"), may issue unconditional guarantees of senior or subordinated debt securities of the Partnership in the event that the Partnership issues such securities from time to time under the registration statement. If issued, the guarantees will be full, unconditional and joint and several. In July 2001, the Partnership restructured the ownership of the general partner interests in these first-tier operating subsidiaries to cause them to be wholly-owned by the Partnership. For purposes of the following consolidating information, the Partnership's and Guarantor Subsidiaries' investments in their respective subsidiaries are accounted for by the equity method of accounting.

TEPPCO PARTNERS, L.P.

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

JUNE 30, 2001

(IN THOUSANDS)

	TEPPCO PARTNERS, L.P.	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	CONSOLIDATING ADJUSTMENTS	TEPPCO PARTNERS, L.P. CONSOLIDATED
Assets					
Current assets	$ 2,740	$ 40,769	$ 324,296	$ (837)	$ 366,968
Property, plant and equipment - net	--	653,929	328,778	--	982,707
Equity investments	494,996	284,373	232,020	(749,056)	262,333
Intercompany notes receivable	435,191	--	--	(435,191)	--
Other assets	5,543	13,966	62,884	753	83,146
Total assets	$ 938,470	$ 993,037	$ 947,978	$ (1,184,331)	$ 1,695,154
Liabilities and partners' capital					
Current liabilities	$ 4,355	$ 45,370	$ 315,685	$ (4,719)	$ 360,691
Long term debt	438,000	389,799	--	--	827,799
Intercompany notes payable	--	54,960	380,231	(435,191)	--
Other long term liabilities and minority interest	--	2,853	--	13,494	16,347
Redeemable Class B Units held by related party	--	--	--	106,969	106,969
Total partners' capital	496,115	500,055	252,062	(864,884)	383,348
Total liabilities and partners' capital	$ 938,470	$ 993,037	$ 947,978	$ (1,184,331)	$ 1,695,154

DECEMBER 31, 2000	TEPPCO PARTNERS, L.P.	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	CONSOLIDATING ADJUSTMENTS	TEPPCO PARTNERS, L.P. CONSOLIDATED
	(IN THOUSANDS)				
Assets					
Current assets	$ 6,083	$ 52,773	$ 315,488	$ (10,947)	$ 363,397
Property, plant and equipment - net	--	640,657	309,048	--	949,705
Equity investments	420,433	202,811	236,232	(617,828)	241,648
Intercompany notes receivable	441,836	--	--	(441,836)	--
Other assets	5,322	15,385	48,475	(1,122)	68,060
Total assets	$ 873,674	$ 911,626	$ 909,243	$ (1,071,733)	$ 1,622,810
Liabilities and Partners' Capital					
Current liabilities	$ 7,206	$ 45,085	$ 318,049	$ (12,069)	$ 358,271
Long term debt	446,000	389,784	--	--	835,784
Intercompany notes payable	--	48,037	393,799	(441,836)	--
Other long term liabilities and minority interest	--	3,991	--	4,296	8,287
Redeemable Class B Units held by related party	105,411	--	--	--	105,411
Total partners' capital	315,057	424,729	197,395	(622,124)	315,057
Total liabilities and partners' capital	$ 873,674	$ 911,626	$ 909,243	$ (1,071,733)	$ 1,622,810

TEPPCO PARTNERS, L.P.

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

THREE MONTHS ENDED JUNE 30, 2001	TEPPCO PARTNERS, L.P.	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	CONSOLIDATING ADJUSTMENTS	TEPPCO PARTNERS, L.P. CONSOLIDATED
	(IN THOUSANDS)				
Operating revenues	$ --	$ 78,546	$ 995,136	$ --	$ 1,073,682
Costs and expenses	--	37,233	983,380	--	1,020,613
Operating income	--	41,313	11,756	--	53,069
Interest expense - net	(8,431)	(7,355)	(7,447)	8,431	(14,802)
Equity earnings	43,038	9,132	4,758	(52,509)	4,419
Other income - net	8,431	389	404	(8,431)	793
Income before minority interest	43,038	43,479	9,471	(52,509)	43,479
Minority interest	--	--	--	(441)	(441)
Net income	$ 43,038	$ 43,479	$ 9,471	$ (52,950)	$ 43,038

THREE MONTHS ENDED JUNE 30, 2000	TEPPCO PARTNERS, L.P.	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	CONSOLIDATING ADJUSTMENTS	TEPPCO PARTNERS, L.P. CONSOLIDATED
	(IN THOUSANDS)				
Operating revenues	$ --	$ 52,368	$ 695,336	$ --	$ 747,704
Costs and expenses	--	36,364	691,189	--	727,553
Operating income	--				

16,004 4,147 -- 20,151 -------- ------ ------------- --------- ----- ------------- ---------- ---- Interest expense - net .... -- (6,537) (756) -- (7,293) Equity earnings .... 13,570 3,592 -- (17,162) -- Other income - net .... -- 649 201 -- 850 -------------- - ------------- ------------- -- ----------- ------------- Income before minority interest .... 13,570 13,708 3,592 (17,162) 13,708 Minority interest .... -- -- -- (138) (138) ------------- - ------------- ------------- ------------- ------------- Net income .... $ 13,570 $ 13,708 $ 3,592 $ (17,300) $ 13,570 ============= ============= ============= ============= =============

TEPPCO TEPPCO GUARANTOR NON- GUARANTOR CONSOLIDATING PARTNERS, L.P. SIX MONTHS ENDED JUNE 30, 2001 PARTNERS, L.P. SUBSIDIARIES SUBSIDIARIES ADJUSTMENTS CONSOLIDATED - ---- ------------------------- ---- ---------- ------------- ----- --------- ------------- ------ -------- (IN THOUSANDS) Operating revenues .... $ -- $ 140,847 $ 1,718,070 $ -- $ 1,858,917 Costs and expenses .... -- 71,253 1,698,289 -- 1,769,542 - ------------- ------------- -- ------------ ------------- --- ----------- Operating income .... -- 69,594 19,781 -- 89,375 ------- ------- ------------- -------- ------ ------------- --------- ----- Interest expense - net .... (17,803) (14,979) (15,772) 17,803 (30,751) Equity earnings .... 68,773 14,180 9,964 (83,292) 9,625 Other income - net .... 17,803 681 546 (17,803) 1,227 - ------------- ------------- -- ------------ ------------- --- ----------- Income before minority interest .... 68,773 69,476 14,519 (83,292) 69,476 Minority interest .... -- -- -- (703) (703) ------------- - ------------- ------------- ------------- ------------- Net income .... $ 68,773 $ 69,476 $ 14,519 $ (83,995) $ 68,773 ============= ============= ============= ============= =============

TEPPCO PARTNERS, L.P.

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

TEPPCO TEPPCO GUARANTOR NON- GUARANTOR CONSOLIDATING PARTNERS, L.P. SIX MONTHS ENDED JUNE 30, 2000 PARTNERS, L.P. SUBSIDIARIES SUBSIDIARIES ADJUSTMENTS CONSOLIDATED - ---- ------------------------- ---- ---------- ------------- ----- --------- ------------- ------ -------- (IN THOUSANDS) Operating revenues .... $ -- $ 114,323 $ 1,384,073 $ -- $ 1,498,396 Costs and expenses .... -- 71,084 1,376,394 -- 1,447,478 - ------------- ------------- -- ------------ ------------- --- ----------- Operating income .... -- 43,239 7,679 -- 50,918 -------- ------ ------------- --------- ----- ------------- --------- ---- Interest expense - net .... -- (13,216) (1,501) -- (14,717) Equity earnings .... 37,451 6,581 -- (44,032) -- Other income - net .... -- 1,229 403 -- 1,632 ------------ -- ------------- ------------ - ------------- ------------- Income before minority interest .... 37,451 37,833 6,581 (44,032) 37,833 Minority interest .... -- -- -- (382) (382) ------------- - ------------- ------------- ------------- ------------- Net income .... $ 37,451 $ 37,833 $ 6,581 $ (44,414) $ 37,451 ============= ============= ============= ============= =============

TEPPCO TEPPCO GUARANTOR NON- GUARANTOR CONSOLIDATING PARTNERS, L.P. SIX MONTHS ENDED JUNE 30, 2001 PARTNERS, L.P. SUBSIDIARIES SUBSIDIARIES ADJUSTMENTS CONSOLIDATED - -------------------- ---------- ------------- --------- ----- ------------- ------------- -------------- (IN THOUSANDS) Cash flows from operating activities Net Income .... $ 68,773 $ 69,476 $ 14,518 $ (83,994) $ 68,773 Adjustments to reconcile net income to net cash provided by operating activities: Depreciation and amortization .... -- 13,376 7,388 -- 20,764 Equity earnings, net of distributions .... (19,750)

1,279 4,212 18,716 4,457 Changes in assets and liabilities and other .... 1 (1,792) (31,373) 702 (32,462) -------------- ------------- -------------- ------------- -------------

Net cash provided by operating activities ... 49,024 82,339 (5,255) (64,576) 61,532 -------------- ------------- -------------- ------------- -------------- Cash flows from investing activities .... (47,139) (48,554) (25,450) 47,139 (74,004) Cash flows from financing activities .... (1,885) (42,951) 25,577 17,437 (1,822) -------------- ------------- -------------- ------------- -------------- Net decrease in cash and cash equivalents ... -- (9,166) (5,128) -- (14,294) Cash and cash equivalents at beginning of period .... -- 9,166 17,929 -- 27,095 -------------- ------------- -------------- ------------- -------------- Cash and cash equivalents at end of period .. $ -- $ -- $ 12,801 $ -- $ 12,801 ============== ============= ============== ============= ==============

TEPPCO PARTNERS, L.P.

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

	SIX MONTHS ENDED JUNE 30, 2000				
	TEPPCO PARTNERS, L.P.	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	CONSOLIDATING ADJUSTMENTS	TEPPCO PARTNERS, L.P. CONSOLIDATED
	(IN THOUSANDS)				
Cash flows from operating activities					
Net Income	$ 37,451	$ 37,833	$ 6,581	$ (44,414)	$ 37,451
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	--	12,649	3,937	--	16,586
Equity earnings, net of distributions	419	2,876	--	(3,390)	(95)
Changes in assets and liabilities and other	--	8,557	1,600	382	10,539
Net cash provided by operating activities	37,870	61,915	12,118	(47,422)	64,481
Cash flows from investing activities	--	(33,215)	(6,457)	--	(39,672)
Cash flows from financing activities	(37,870)	(18,256)	(9,552)	47,422	(18,256)
Net increase (decrease) in cash and cash equivalents	--	10,444	(3,891)	--	6,553
Cash and cash equivalents at beginning of period	--	16,284	16,309	--	32,593
Cash and cash equivalents at end of period	$ --	$ 26,728	$ 12,418	$ --	$ 39,146

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

GENERAL

The following information is provided to facilitate increased understanding of the 2001 and 2000 interim consolidated financial statements and accompanying notes presented in Item 1. Material period-to-period variances in the consolidated statements of income are discussed under "Results of Operations." The "Financial Condition and Liquidity" section analyzes cash flows and financial position. Discussion included in "Other Matters" addresses key trends, future plans and contingencies. Throughout these discussions, management addresses items known to it that are reasonably likely to materially affect future liquidity or earnings.

Through its ownership of the Downstream Segment and the Upstream Segment, the Partnership operates in two segments: refined products and LPGs transportation, and crude oil and NGLs transportation and marketing. The Partnership's reportable segments offer different products and services and are managed separately because each requires different business strategies.

The Downstream Segment is involved in the interstate transportation, storage and terminaling of petroleum products and LPGs, intrastate transportation of petrochemicals and the fractionation of NGLs. Revenues are derived from the transportation of refined products and LPGs, the storage and short-haul shuttle transportation of LPGs at the Mont Belvieu, Texas, complex, sale of product inventory and other ancillary services. Labor and electric power costs comprise the two largest operating expense items of the Downstream Segment. Higher natural gas prices increase the cost of electricity used to power pump stations on the Pipeline System. Operations are somewhat seasonal with higher revenues generally realized during the first and fourth quarters of each year. Refined products volumes are generally higher during the second and third quarters because of greater demand for gasolines during the spring and summer driving seasons. LPGs volumes are generally higher from November through March due to higher demand in the Northeast for propane, a major fuel for residential heating.

The Upstream Segment is involved in the transportation, aggregation and marketing of crude oil and NGLs; and the distribution of lube oils and specialty chemicals. Revenues are earned from the gathering, storage, transportation and marketing of crude oil and NGLs; and the distribution of lube oils and specialty chemicals principally in Oklahoma, Texas and the Rocky Mountain region. Marketing operations consist primarily of purchasing and aggregating crude oil along its own and third party gathering and pipeline systems and arranging the necessary logistics for the ultimate sale of crude oil to local refineries, marketers or other end users.

On July 20, 2000, the Partnership completed an acquisition of assets from ARCO for $322.6 million, which included $4.1 million of acquisition related costs. The purchase included ARCO's 50-percent ownership interest in Seaway. The Partnership assumed ARCO's role as operator of this pipeline. The Company also acquired ARCO's crude oil terminal facilities in Cushing and Midland, Texas, including the line transfer and pumpover business at each location, an undivided ownership interest in both the Rancho Pipeline and the Basin Pipeline, both of which are operated by another joint owner and the receipt and delivery pipelines known as the West Texas Trunk System, located around the Midland terminal. The transaction was accounted for under the purchase method for accounting purposes. The results of operations of assets acquired have been included in the Upstream Segment since the purchase on July 20, 2000.

RESULTS OF OPERATIONS

Summarized below is financial data by business segment (in thousands):

	QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
Operating revenues:				
Downstream Segment	$ 80,458	$ 54,288	$ 144,563	$ 118,066
Upstream Segment	993,224	693,416	1,714,354	1,380,330
Total operating revenues ...	1,073,682	747,704	1,858,917	1,498,396
Operating income:				
Downstream Segment	42,496	17,199	71,858	45,537
Upstream Segment	10,573	2,952	17,517	5,381
Total operating income	53,069	20,151	89,375	50,918
Net income:				
Downstream Segment	34,187	10,605	55,326	32,026
Upstream Segment	8,851	2,965	13,447	5,425

---------- --
-------- ----
------ ------
---- Total
net income
....
$ 43,038 $
13,570 $
68,773 $
37,451 ------
---- --------
-- ----------

For the quarter ended June 30, 2001, the Partnership reported net income of $43.0 million, compared with net income of $13.6 million for the 2000 second quarter. The $29.4 million increase in net income resulted from a $23.6 million increase in net income provided by the Downstream Segment and a $5.8 million increase in net income provided by the Upstream Segment. The increase in net income by the Downstream Segment was comprised of a $26.2 million increase in operating revenues, partially offset by a $0.9 million increase in costs and expenses, a $0.9 million increase in interest expense (net of capitalized interest), a $0.3 million decrease in other income - net, and $0.3 million in equity losses. The increase in net income by the Upstream Segment was comprised of a $13.8 million increase in margin, $3.0 million in other operating revenues, and $4.8 million of equity earnings of Seaway, partially offset by a $9.2 million increase in costs and expenses (excluding purchases of crude oil and petroleum products) and a $6.6 million increase in interest expense.

For the six months ended June 30, 2001, the Partnership reported net income of $68.8 million, compared with net income of $37.5 million for the corresponding period in 2000. The $31.3 million increase in income resulted from a $23.3 million increase in net income provided by the Downstream Segment and a $8.0 million increase in net income provided by the Upstream Segment. The increase in net income by the Downstream Segment was primarily due to a $26.5 million increase in operating revenues, partially offset by a $1.9 million increase in interest expense (net of capitalized interest), a $0.6 million decrease in other income - net, $0.3 million in equity losses, and a $0.2 million increase in costs and expenses. The increase in net income by the Upstream Segment was primarily due to a $24.1 million increase in margin, $5.8 million in other operating revenues, and $10.0 million of equity earnings of Seaway, partially offset by a $17.7 million increase in costs and expenses (excluding purchases of crude oil and petroleum products) and a $14.2 million increase in interest expense.

RESULTS OF OPERATIONS - (CONTINUED)

DOWNSTREAM SEGMENT

Volume and average rate information for 2001 and 2000 is presented below:

	QUARTER ENDED JUNE 30, 2001	2000	PERCENTAGE INCREASE (DECREASE)	SIX MONTHS ENDED JUNE 30, 2001	2000	PERCENTAGE INCREASE (DECREASE)
	(IN THOUSANDS, EXCEPT AVERAGE RATE INFORMATION)					
VOLUMES DELIVERED						
Refined products	33,360	35,113	(5)%	60,548	64,726	(6)%
LPGs	6,907	6,634	4%	18,558	18,327	1%
Mont Belvieu operations	4,571	6,576	(30)%	10,836	13,648	(21)%
Total	44,838	48,323	(7)%	89,942	96,701	(7)%
AVERAGE RATE PER BARREL						
Refined products	$ 0.97(a)	$ 0.93	4%	$ 0.97(a)	$ 0.94	3%
LPGs	1.96	1.56	26%	2.07	1.83	13%
Mont Belvieu operations	0.18	0.14	29%	0.17	0.15	13%
Average system rate per barrel	$ 1.04	$ 0.91	14%	$ 1.10	$ 1.00	10%

(a) Net of $18.9 million received from Pennzoil-Quaker State Company for canceled transportation agreement.

Refined products transportation revenues increased $18.7 million for the quarter ended June 30, 2001, compared with the prior-year quarter, due primarily to revenue recognized from a cash settlement received from a canceled transportation agreement with Pennzoil-Quaker State Company ("Pennzoil") and the recognition of $1.7 million of previously deferred revenue related to the approval of the market based rates during the second quarter of 2001. The net revenue increase related to the settlement was approximately $17.2 million during the second quarter of 2001. Refined products volumes delivered during the second quarter of 2001 decreased 5% from the prior year quarter, due primarily to decreased jet fuel volumes delivered attributable to reduced air travel demand and the expiration of contract deliveries of methyl tertiary butyl ether ("MTBE") at the Partnership's marine terminal near Beaumont, Texas, in April 2001. These decreases were partially offset by increased motor fuel deliveries due to favorable differentials. The increase in the refined products average rate per barrel from the prior-year quarter resulted primarily from the recognition of previously deferred transportation revenue related to the approval of market based rates.

LPGs transportation revenues increased $3.1 million for the quarter ended June 30, 2001, compared with the second quarter of 2000, due primarily to increased deliveries of propane in the upper Midwest and Northeast market areas attributable to strong demand, favorable price differentials, and early summer fill programs by customers. Additionally, butane deliveries to the Chicago market area increased due to favorable price differentials. These increases were partially offset by decreased short-haul deliveries of propane due to operational problems at a petrochemical facility on the upper Texas Gulf Coast that is served by the Partnership. The LPGs average rate per barrel increased 26% from the prior-year quarter as a result of an increased percentage of long-haul deliveries during the second quarter of 2001.

Revenues generated from Mont Belvieu operations increased $0.1 million during the quarter ended June 30, 2001, compared with the second quarter of 2000, as a result of increased brine receipts and service revenue, which was partially offset by decreased contract storage revenue. Mont Belvieu shuttle volumes delivered decreased 30% during the second quarter of 2001, compared with the second quarter of 2000, due to reduced petrochemical demand. The Mont Belvieu average rate per barrel increased during the second quarter of 2001 as a result of reduced contract shuttle deliveries, which generally carry lower rates.

Other operating revenues increased $4.2 million during the quarter ended June 30, 2001, compared with the prior year quarter, due primarily to contract petrochemical delivery revenue, which started during the fourth quarter of 2000, and increased product sales. These increases were partially offset by decreased propane deliveries from the Partnership's Providence, Rhode Island, import facility.

Costs and expenses increased $0.9 million for the quarter ended June 30, 2001, compared with the second quarter of 2000, primarily due to a $1.2 million increase in operating fuel and power expense and a $0.3 million increase in depreciation and amortization expense, partially offset by a $0.4 million decrease in taxes - other than income taxes, and a $0.2 million decrease in operating, general and administrative expenses. Operating fuel and power expense increased as a result of higher power rates from electric utilities. The increase in depreciation expense from the prior year second quarter resulted from assets placed in service during the later part of 2000. The decrease in taxes - other than income taxes resulted from actual property taxes being lower than previously estimated. Operating, general and administrative expenses decreased due to lower labor costs, lower insurance expense and decreased throughput-related rental expense on volumes received through the connection with Colonial Pipeline at Beaumont, Texas, partially offset by increased environmental remediation expenses and increased pipeline measurement losses.

Interest expense increased $0.2 million during the quarter ended June 30, 2001, compared with the second quarter of 2000, as a result of borrowings under the Sun Trust credit facilities. Interest capitalized decreased $0.7 million during the quarter ended June 30, 2001, compared with the corresponding prior year period, as a result of the completion of the petrochemical pipelines from Mont Belvieu, Texas, to Port Arthur, Texas, during the fourth quarter of 2000.

Net loss from equity investments totaled $0.3 million during the quarter ended June 30, 2001 due to pre-operating expenses of Centennial Pipeline and net losses on Transport 4. Other income - net decreased $0.3 million during the quarter ended June 30, 2001, compared with the second quarter of 2000, due primarily to lower interest income earned on cash investments.

For the six months ended June 30, 2001, refined products transportation revenues increased $16.9 million, due primarily to revenue recognized on the canceled transportation agreement with Pennzoil and the recognition of $1.7 million of previously deferred revenue related to the approval of the market based rates during the second quarter of 2001, partially offset by a 6% decrease in refined products volumes delivered. The net revenue increase related to the settlement was approximately $17.2 million during the six months ended June 30, 2001. Jet fuel volumes delivered to the Midwest market areas decreased 13% due to reduced air travel demand and a pilot strike during the second quarter of 2001. Deliveries of MTBE decreased as a result of the expiration of contract deliveries to the Partnership's marine terminal near Beaumont, Texas, in April 2001. Motor fuel volumes delivered decreased 5% as a result of lower demand in the Midwest market areas and a local refinery expansion in the West Memphis, Arkansas, market area. The refined products average rate per barrel increased 3% from the prior-year period due primarily to the recognition of revenue related to the market based rates discussed previously.

LPGs transportation revenues increased $5.0 million for the six months ended June 30, 2001, compared with the corresponding period in 2000, due primarily to increased deliveries of propane in the Midwest and Northeast market areas attributable to colder weather in the Northeast during the first quarter of 2001, favorable price differentials and early summer fill programs by customers. Additionally, butane deliveries to the Chicago market area increased due to favorable price differentials. These increases were partially offset by decreased short-haul deliveries of propane as a result of operational problems at a petrochemical facility on the upper Texas Gulf Coast that is served by the Partnership. The LPGs average rate per barrel increased 13% from the prior-year period as a result of an increased percentage of long-haul deliveries to the upper Midwest and Northeast market areas.

Revenues generated from Mont Belvieu operations decreased $1.5 million during the six months ended June 30, 2001, compared with the six months ended June 30, 2000, as a result of decreased contract storage revenue, partially offset by increased brine receipts and service revenue. Mont Belvieu shuttle deliveries decreased during the six months ended June 30, 2001, compared with the corresponding period in 2000, due to reduced petrochemical demand. The Mont Belvieu average rate per barrel increased for the six months as a result of reduced contract deliveries which generally carry lower rates.

RESULTS OF OPERATIONS - (CONTINUED)

Other operating revenues increased $6.1 million during the six months ended June 30, 2001, compared with the corresponding period in 2000, due primarily to contract petrochemical delivery revenue, which started during the fourth quarter of 2000, increased deliveries from the Partnership's Providence, Rhode Island, import facility in the first quarter of 2001, and increased product sales.

Costs and expenses increased $0.2 million for the six months ended June 30, 2001, compared with the corresponding period in 2000, primarily due to a $2.0 million increase in operating fuel and power expense and a $0.7 million increase in depreciation and amortization expense, partially offset by a $2.6 million decrease in operating, general and administrative expenses. Operating fuel and power expense increased as a result of higher rates charged by electric utilities. The increase in depreciation expense from the prior year period was a result of assets placed in service during the later part of 2000. Operating, general and administrative expenses decreased primarily as a result of a March 2000 write-off of project evaluation costs related to the proposed pipeline construction from Beaumont, Texas, to Little Rock, Arkansas, decreased labor costs and decreased throughput-related rental expense on volumes received through the connection with Colonial Pipeline at Beaumont, Texas.

Interest expense increased $0.6 million during the six months ended June 30, 2001, compared with the six months ended June 30, 2000, as a result of borrowings under the Sun Trust credit facilities. Interest capitalized decreased $1.3 million during the six months ended June 30, 2001, compared with the corresponding prior year period, as a result of the completion of the petrochemical pipelines from Mont Belvieu, Texas, to Port Arthur, Texas, during the fourth quarter of 2000.

Net loss from equity investments totaled $0.3 million during the six months ended June 30, 2001 due to pre-operating expenses of Centennial Pipeline and net losses on Transport 4. Other income - net decreased $0.6 million during the six months ended June 30, 2001, compared with the first six months of 2000, due primarily to lower interest income earned on cash investments.

RESULTS OF OPERATIONS - (CONTINUED)

UPSTREAM SEGMENT

Margin of the Upstream Segment is calculated as revenues generated from the sale of crude oil and lubrication oil, and transportation of crude oil and NGLs, less the costs of purchases of crude oil and lubrication oil. Margin is a more meaningful measure of financial performance than operating revenues and operating expenses due to the significant fluctuations in revenues and expenses caused by variations in the level of marketing activity and prices for products marketed.

Margin and volume information for 2001 and 2000 is presented below (in thousands, except per barrel and per gallon amounts):

	QUARTER ENDED JUNE 30, 2001	QUARTER ENDED JUNE 30, 2000	PERCENTAGE INCREASE (DECREASE)	SIX MONTHS ENDED JUNE 30, 2001	SIX MONTHS ENDED JUNE 30, 2000	PERCENTAGE INCREASE (DECREASE)
(IN THOUSANDS, EXCEPT AVERAGE RATE INFORMATION)						
Margins:						
Crude oil transportation	$ 8,921	$ 4,861	84%	$ 17,046	$ 9,727	75%
Crude oil marketing	2,804	3,338	(16)%	5,657	5,588	1%
Crude oil terminaling	2,546	--	--	4,674	--	--
NGL transportation	5,565	1,580	252%	10,441	3,340	213%
Lubrication oil sales	984	746	32%	2,118	1,371	54%
Seaway Crude Intercompany	3,472	--	--	4,170	--	--
Total margin	$ 24,292	$ 10,525	131%	$ 44,106	$ 20,026	120%
Total barrels:						
Crude oil transportation	21,851	8,961	144%	37,596	17,728	112%
Crude oil marketing	44,026	26,167	68%	72,451	52,148	39%
Crude oil terminaling	32,460	--	--	57,122	--	--
NGL transportation						

....
5,436 1,206 351%
10,198 2,438 318%
Lubrication oil
volume (total
gallons) 2,134
1,296 65% 4,389 3,568
23% Margin per
barrel: Crude oil
transportation
.... $ 0.408 $
0.543 (25)% $ 0.453 $
0.549 (17)% Crude oil
marketing
....
0.064 0.128 (50)%
0.078 0.107 (27)%
Crude oil terminaling
.... 0.078
-- -- 0.082 -- -- NGL
transportation
....
1.024 1.311 (22)%
1.024 1.370 (25)%
Lubrication oil
margin (per gallon)
.... 0.461 0.576
(20)% 0.483 0.385 25%

Margin increased $13.8 million during the second quarter of 2001, compared with the second quarter of 2000. The increase was comprised of a $4.1 million increase in crude oil transportation; a $4.0 million increase in NGL transportation; $3.5 million in Seaway Crude intercompany transportation; $2.5 million in crude oil terminaling attributable to pumpover fees charged at Midland, Texas, and Cushing, Oklahoma, related to the ARCO assets acquired in July 2000; and a $0.2 million increase in lubrication oil sales; partially offset by a $0.5 million decrease in crude oil marketing margin. The increase in crude oil transportation margin was primarily due to $2.0 million contributed by the ARCO assets acquired, a $1.7 million increase from higher volume on the Red River system, which benefited from pipeline assets acquired from Ultramar Diamond Shamrock Corporation ("UDS") on March 1, 2001, and increased regional production, and a $0.4 million increase on the South Texas system attributable to increased regional production. The increase in NGL transportation margin was primarily due to $3.7 million contributed from the Panola system acquired on December 31, 2000, and a $0.3 million increase in margin related to increased volumes on the Dean and Wilcox pipeline systems in South Texas. Margin contributed from lubrication oil sales increased $0.2 million due to increased volumes. The decrease in crude oil marketing margin resulted from less favorable pricing spreads in the second quarter of 2001, compared with the prior quarter.

Other operating revenue of the Upstream Segment increased $3.0 million attributable to revenue from documentation and other services to support customer's trading activity at Midland, Texas, and Cushing, Oklahoma. Such revenues were added to the Partnership's business on July 20, 2000, with the acquired ARCO assets.

Costs and expenses, excluding expenses associated with purchases of crude oil and petroleum products, increased $9.2 million during the quarter ended June 30, 2001, compared with the prior year quarter, comprised of a $4.8 million increase in operating, general and administrative expenses, a $2.2 million increase in depreciation and amortization expense, a $1.5 million increase in taxes - other than income taxes, and a $0.7 million increase in operating fuel and power expense. The increase in operating, general and administrative expenses was primarily attributable to operating expenses of the acquired assets, increased labor related costs and increased general and administrative supplies and services expense. The increases in depreciation and amortization expense, taxes - other than income taxes, and operating fuel and power expense were primarily attributable to assets acquired.

Interest expense increased $6.6 million for the quarter ended June 30, 2001, compared with the prior year quarter, primarily due to interest expense on the term loan and revolving credit facilities used to finance the acquisition of acquired assets.

Margin increased $24.1 million during the six months ended June 30, 2001, compared with the corresponding period in 2000. The increase was primarily comprised of a $7.3 million increase in crude oil transportation; a $7.1 million increase in NGL transportation; $4.7 million in crude oil terminaling attributable to pumpover fees charged at Midland, Texas, and Cushing, Oklahoma, related to the ARCO assets acquired in July 2000; $4.2 million attributable to Seaway Crude intercompany transportation; and a $0.7 million increase in lubrication oil sales. The increase in crude oil transportation margin was primarily due to $4.0 million contributed by the ARCO assets acquired, and a $2.8 million increase from higher volume on the Red River and South Texas systems, which benefited from increased regional production, and pipeline assets acquired from UDS on March 1, 2001. The increase in NGL transportation margin was primarily due to $7.3 million contributed from the Panola system acquired on December 31, 2000, partially offset by a $0.2 million decrease in margin related to the Dean and Wilcox pipeline systems in South Texas. Margin contributed from lubrication oil sales increased $0.7 million due primarily to increased volumes and increased rates on the margin realized per gallon.

Other operating revenue of the Upstream Segment increased $5.8 million attributable to revenue from documentation and other services to support customer's trading activity at Midland, Texas, and Cushing, Oklahoma. Such revenues were added to the Partnership's business on July 20, 2000, with the acquired ARCO assets.

Costs and expenses, excluding expenses associated with purchases of crude oil and petroleum products, increased $17.7 million during the six months ended June 30, 2001, compared with the corresponding prior year period, comprised of a $11.0 million increase in operating, general and administrative expenses, a $3.5 million increase in depreciation and amortization expense, a $2.3 million increase in taxes - other than income taxes, and a $0.9 million increase in operating fuel and power expense. The increase in operating, general and administrative expenses was primarily attributable to operating expenses of the acquired assets, increased labor related costs and increased general and administrative supplies and services expense. The increases in depreciation and amortization expense, taxes - other than income taxes, and operating fuel and power expense were primarily attributable to assets acquired.

Net income of the Upstream Segment for the three-month and six-month periods ended June 30, 2001 included $4.8 million and $10.0 million, respectively, of equity earnings in Seaway Crude Pipeline Company, which was added to the Partnership's business on July 20, 2000, with the acquired ARCO assets.

RESULTS OF OPERATIONS - (CONTINUED)

Interest expense increased $14.1 million for the six months ended June 30, 2001, compared with the prior year period, primarily due to interest expense on the term loan and revolving credit facilities used to finance the acquisition of acquired assets.

FINANCIAL CONDITION AND LIQUIDITY

Net cash from operations for the six months ended June 30, 2001, totaled $61.5 million, comprised of $89.5 million of income before charges for depreciation and amortization, partially offset by $28.0 million of cash used for working capital changes. This compares with cash flows from operations of $64.5 million for the corresponding period in 2000, comprised of $54.0 million of income before charges for depreciation and amortization, and $10.5 million of cash provided by working capital changes. The decrease in cash from working capital changes during the six-month period ended June 30, 2001, as compared to the corresponding period in 2000, resulted primarily from crude oil marketing activity and higher inventory balances at June 30, 2001. Net cash from operations for the six months ended June 30, 2001 and 2000, included interest payments of $33.2 million and $16.4 million, respectively.

Cash flows used in investing activities during the first six months of 2001 was comprised of $33.4 million of capital expenditures, $25.1 million of cash contributions for the Partnership's interest in the Centennial Pipeline, LLC ("Centennial") joint venture, and $20.0 million for the purchase of crude oil assets from UDS on March 1, 2001. These uses of cash were partially offset by $3.2 million received on matured cash investments and $1.3 million of cash received from the sale of vehicles. Cash flows used in investing activities during the first six months of 2000 was comprised of $39.1 million of capital expenditures and $2.0 million of additional cash investments. These decreases of cash were partially offset by $1.5 million of proceeds from investment maturities.

In August 2000, the Partnership announced the execution of definitive agreements with CMS Energy Corporation and Marathon Ashland Petroleum LLC to form Centennial. Centennial will own and operate an interstate refined petroleum products pipeline extending from the upper Texas Gulf Coast to Illinois. Each participant will own a one-third interest in Centennial. Centennial will build a 74-mile, 24-inch diameter pipeline connecting the Downstream Segment's facility in Beaumont, Texas, with the start of an existing 720-mile, 26-inch diameter pipeline extending from Longville, Louisiana, to Bourbon, Illinois. The pipeline will intersect the Downstream Segment's existing mainline near Creal Springs, Illinois, where a new two million barrel refined petroleum products storage terminal will be built. The Partnership expects to contribute approximately $70 million for its one-third interest in Centennial. The Partnership expects to fund its contribution through borrowings under its credit facilities.

The Partnership estimates that capital expenditures, excluding acquisitions, for 2001 will be approximately $97 million (which includes $3 million of capitalized interest). Approximately $49 million is expected to be used to expand the Partnership's capacity to support the receipt connection point with Centennial at Beaumont, Texas, and delivery location at Creal Springs, Illinois. Approximately one-half of the remaining amount is expected to be used for revenue-generating projects, with the remaining amount to be used for life-cycle replacements and upgrading current facilities.

On July 14, 2000, the Partnership entered into a $75 million term loan and a $475 million revolving credit facility. On July 21, 2000, the Partnership borrowed $75 million under the term loan and $340 million under the revolving credit facility. The funds were used to finance the acquisition of the ARCO assets (see Note 3. Acquisitions) and to refinance existing credit facilities, other than the Senior Notes. The term loan was repaid from proceeds received from the issuance of additional Limited Partner Units on October 25, 2000. On April 6, 2001, the Partnership's $475 million revolving credit agreement was amended to permit borrowings up to $500 million and to allow for letters of credit up to $20 million. The term of the revised credit agreement was extended to April 6, 2004. Additionally, on April 6, 2001, the Partnership entered into a 364-day, $200 million revolving credit agreement. The interest rate is based on the Partnership's option of either the lender's base rate plus a spread, or LIBOR plus a spread in effect at the time of the borrowings. The credit agreements contain restrictive financial covenants that require the Partnership to maintain a minimum level of partners' capital as well as maximum debt-to-EBITDA (earnings before interest expense, income tax expense and depreciation and amortization expense) and minimum

FINANCIAL CONDITION AND LIQUIDITY - (CONTINUED)

fixed charge coverage ratios. At June 30, 2001, $438 million was outstanding under the revolving credit facility at a weighted average interest rate of 4.9%.

On July 21, 2000, the Partnership entered into a three year swap agreement to hedge its exposure on the variable rate credit facilities. On April 6, 2001 the swap agreement was extended until April 6, 2004 to match the maturity of the variable rate credit facility above. The swap agreement is based on a notional amount of $250 million. Under the swap agreement, the Partnership pays a fixed rate of interest of 6.955% and receives a floating rate based on a three month USD LIBOR rate.

During 2001, the Partnership executed treasury rate lock agreements with a combined notional amount of $400 million to hedge its exposure to increases in the treasury rate that will be used to establish the fixed interest rate for the debt offering that is probable to occur in the third quarter of 2001. Under the treasury rate lock agreements, the Partnership pays a fixed rate of interest, and receives a floating rate based on the three month treasury rate. The treasury rate locks are designated as cash flow hedges, therefore, the changes in fair value, to the extent the treasury rate locks are effective, are recognized in other comprehensive income until the actual debt offering occurs. Upon completion of the debt offering, the realized gain or loss on the treasury rate locks will be amortized out of accumulated other comprehensive income into interest expense over the life of the debt obligation. During April 2001, a treasury lock with a notional amount of $200 million was terminated with a realized gain of $1.1 million being included in accumulated other comprehensive income. As of June 30, 2001, a notional amount of $200 million remained outstanding. The fair value of the outstanding treasury rate locks was a gain of approximately $7.4 million at June 30, 2001.

The Partnership paid the first quarter 2001 cash distribution of $25.5 million ($0.525 per Limited Partner Unit and Class B Unit) on May 4, 2001. On July 20, 2001, the Partnership declared a cash distribution of $0.525 per Limited Partner Unit and Class B Unit for the quarter ended June 30, 2001. The distribution was paid on August 6, 2001 to Unitholders of record on July 31, 2001.

OTHER MATTERS

The operations of the Partnership are subject to federal, state and local laws and regulations relating to protection of the environment. Although the Partnership believes its operations are in material compliance with applicable environmental regulations, risks of significant costs and liabilities are inherent in pipeline operations, and there can be no assurance that significant costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental laws and regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the operations of the pipeline system, could result in substantial costs and liabilities to the Partnership. The Partnership does not anticipate that changes in environmental laws and regulations will have a material adverse effect on its financial position, results of operations or cash flows in the near term.

The Partnership and the Indiana Department of Environmental Management ("IDEM") have entered into an Agreed Order that will ultimately result in a remediation program for any on-site and off-site groundwater contamination attributable to the Partnership's operations at the Seymour, Indiana, terminal. A Feasibility Study, which includes the Partnership's proposed remediation program, has been approved by IDEM. IDEM is expected to issue a Record of Decision formally approving the remediation program. After the Record of Decision has been issued, the Partnership will enter into an Agreed Order for the continued operation and maintenance of the program. The Partnership has accrued $0.4 million at June 30, 2001 for future costs of the remediation program for the Seymour terminal. In the opinion of the Company, the completion of the remediation program will not have a material adverse impact on the Partnership's financial condition, results of operations or liquidity.

The Partnership received a compliance order from the Louisiana Department of Environmental Quality ("DEQ") during 1994 relative to potential environmental contamination at the Partnership's Arcadia, Louisiana facility, which may be attributable to the operations of the Partnership and adjacent petroleum terminals of other

OTHER MATTERS - (CONTINUED)

companies. The Partnership and all adjacent terminals have been assigned to the Groundwater Division of DEQ, in which a consolidated plan will be developed. The Partnership has finalized a negotiated Compliance Order with DEQ that will allow the Partnership to continue with a remediation plan similar to the one previously agreed to by DEQ and implemented by the Company. In the opinion of the General Partner, the completion of the remediation program being proposed by the Partnership will not have a future material adverse impact on the Partnership.

On May 11, 1999, the Downstream Segment filed an application with the FERC requesting permission to charge market-based rates for substantially all refined products transportation tariffs. Along with its application for market-based rates, the Downstream Segment filed a petition for waiver pending the FERC's determination on its application for market-based rates, of the requirements that would otherwise have been imposed by the FERC's regulations requiring the Downstream Segment to reduce its rates in conformity with the PPI Index. On June 30, 1999, the FERC granted the waiver stating that the Downstream Segment would be required to make refunds, with interest, of all amounts collected under rates in excess of the PPI Index ceiling level after July 1, 1999, if the Downstream Segment's application for market-based rates was ultimately denied.

On July 31, 2000, the FERC issued an order granting the Downstream Segment market-based rates in certain markets and set for hearing the Downstream Segment's application for market-based rates in the Little Rock, Arkansas; Shreveport-Arcadia, Louisiana; Cincinnati-Dayton, Ohio; and Memphis, Tennessee, destination markets and the Shreveport, Louisiana, origin market. After the matter was set for hearing, the Downstream Segment and the protesting shippers entered into a settlement agreement resolving their respective differences. On April 25, 2001, the FERC issued an order approving the offer of settlement. As a result of the settlement, the Downstream Segment recognized approximately $1.7 million of previously deferred transportation revenue in the second quarter of 2001. Also, the Downstream Segment withdrew the application for market-based rates to the Little Rock, Arkansas, destination market and the Arcadia, Louisiana, destination in the Shreveport-Arcadia, Louisiana, destination market. The Partnership will make appropriate refunds of approximately $1.0 million in the third quarter of 2001.

On October 16, 2000 the Partnership received a settlement notice from Atlantic Richfield Company for payment of a net aggregate amount of approximately $12.9 million in post-closing adjustments related to the purchase of ARCO. A large portion of the requested adjustment relates to Atlantic Richfield Company's indemnity for payment of accrued income taxes. In August 2001, the Partnership and Atlantic Richfield Company reached a settlement of $11.0 million for the post-closing adjustments. The Partnership has accrued the amount of the settlement as an adjustment to the purchase price of ARCO.

In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS 141 requires that the purchase method of accounting be used for all business combinations and specifies that certain acquired intangible assets be reported apart from goodwill. SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually. SFAS 142 requires that intangible assets with definite useful lives be amortized over their respective useful lives. The Partnership will adopt SFAS 141 immediately, and SFAS 142 effective January 1, 2002.

At June 30, 2001, the Partnership had $14.6 million of unamortized goodwill. Amortization expense related to goodwill was $0.1 million and $0.6 million for the year ended December 31, 2000 and the six months ended June 30, 2001, respectively. The Partnership has not determined the impact of adopting SFAS 142 at the date of this report, including whether any transitional impairment losses will be required to be recognized as the cumulative effect of a change in accounting principle.

The matters discussed herein include "forward-looking statements" within the meaning of various provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this document that address activities, events or developments that the Partnership expects or anticipates will or may occur in the future, including such things as estimated future capital expenditures (including the amount and nature thereof), business strategy and measures to implement strategy, competitive strengths, goals, expansion and growth of the Partnership's business and operations, plans, references to future success, references to intentions as to future matters and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Partnership in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate under the circumstances. However, whether actual results and developments will conform with the Partnership's expectations and predictions is subject to a number of risks and uncertainties, including general economic, market or business conditions, the opportunities (or lack thereof) that may be presented to and pursued by the Partnership, competitive actions by other pipeline companies, changes in laws or regulations, and other factors, many of which are beyond the control of the Partnership. Consequently, all of the forward-looking statements made in this document are qualified by these cautionary statements and there can be no assurance that actual results or developments anticipated by the Partnership will be realized or, even if substantially realized, that they will have the expected consequences to or effect on the Partnership or its business or operations. For additional discussion of such risks and uncertainties, see TEPPCO Partners, L.P.'s 2000 Annual Report on Form 10-K and other filings made by the Partnership with the Securities and Exchange Commission.

OTHER MATTERS - (CONTINUED)

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Partnership may be exposed to market risk through changes in commodity prices and interest rates as discussed below. The Partnership has no foreign exchange risks. Risk management policies have been established by the Risk Management Committee to monitor and control these market risks. The Risk Management Committee is comprised of senior executives of the Company.

At June 30, 2001, the Downstream Segment had outstanding $180 million principal amount of 6.45% Senior Notes due 2008, and $210 million principal amount of 7.51% Senior Notes due 2028 (collectively the "Senior Notes"). At June 30, 2001, the estimated fair value of the Senior Notes was approximately $374 million.

From time to time, the Partnership has utilized and expects to continue to utilize derivative financial instruments with respect to a portion of its interest rate risks and its crude oil marketing activities to achieve a more predictable cash flow by reducing its exposure to interest rate and crude oil price fluctuations. These transactions generally are swaps and forwards and are entered into with major financial institutions or commodities trading institutions. Derivative financial instruments used in the Partnership's Upstream Segment are intended to reduce the Partnership's exposure to fluctuations in the market price of crude oil, while derivative financial instruments related to the Partnership's interest rate risks are intended to reduce the Partnership's exposure to increases in the benchmark interest rates underlying the Partnership's variable rate revolving credit facility. Through December 31, 2000, gains and losses from financial instruments used in the Partnership's Upstream Segment have been recognized in revenues for the periods to which the derivative financial instruments relate, and gains and losses from its interest rate financial instruments have been recognized in interest expense for the periods to which the derivative financial instrument relate.

Adoption of SFAS 133 at January 1, 2001 resulted in the recognition of $10.1 million of derivative liabilities, $4.1 million of which are included in current liabilities and $6.0 million of which are included in other noncurrent liabilities on the Partnership's balance sheet, and $10.1 million of hedging losses included in accumulated other comprehensive loss, a component of Partners' capital, as the cumulative effect of the change in accounting principle. The hedging losses included in accumulated other comprehensive loss will be transferred to earnings as the forecasted transactions actually occur. Approximately $4.1 million of the loss included in accumulated other comprehensive loss as of January 1, 2001 is anticipated to be transferred into earnings over the next twelve months. The cumulative effect of the accounting change had no effect on the Partnership's net income or its earnings per Unit amounts for the six months ended June 30, 2001. Amounts were determined as of January 1, 2001 based on quoted market values, the Partnership's portfolio of derivative instruments, and the Partnership's measurement of hedge effectiveness.

As of June 30, 2001, the Upstream Segment had open positions on speculative option and futures contracts. During the six months ended June 30, 2001, a gain of $3,500 was recognized on such contracts.

Also as of June 30, 2001, the Partnership had in place an interest rate swap agreement to hedge its exposure to increases in the benchmark interest rate underlying its variable rate revolving credit facilities. The swap agreement is based on a notional amount of $250 million. Under the swap agreement, the Partnership pays a fixed rate of interest of 6.955% and receives a floating rate based on a three month USD LIBOR rate. The interest rate swap is designated as a cash flow hedge, therefore, the changes in fair value, to the extent the swap is effective, are recognized in other comprehensive income until the hedged interest costs are recognized in earnings. During the six month period ended June 30, 2001, the Partnership recognized $2.2 million in losses, included in interest expense, on the interest rate swap attributable to interest costs occurring in 2001. No gain or loss from ineffectiveness was required to be recognized. The fair value of the interest rate swap agreement was a loss of approximately $13.2 million at June 30, 2001. Approximately $4.8 million (inclusive of the $4.1 million related to the cumulative effect of the accounting change not yet recognized) of such amount is anticipated to be transferred into earnings over the next twelve months.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS - (CONTINUED)

During 2001, the Partnership executed treasury rate lock agreements with a combined notional amount of $400 million to hedge its exposure to increases in the treasury rate that will be used to establish the fixed interest rate for the debt offering that is probable to occur in the third quarter of 2001. Under the treasury rate lock agreements, the Partnership pays a fixed rate of interest, and receives a floating rate based on the three month treasury rate. The treasury rate locks are designated as cash flow hedges, therefore, the changes in fair value, to the extent the treasury rate locks are effective, are recognized in other comprehensive income until the actual debt offering occurs. Upon completion of the debt offering, the realized gain or loss on the treasury rate locks will be amortized out of accumulated other comprehensive income into interest expense over the life of the debt obligation. During April 2001, a treasury lock with a notional amount of $200 million was terminated with a realized gain of $1.1 million. The realized gain was recorded as a component of accumulated other comprehensive income. As of June 30, 2001, a notional amount of $200 million remained outstanding. The fair value of the outstanding treasury rate locks was a gain of approximately $7.4 million at June 30, 2001.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits:

Exhibit Number	Description
3.1	Certificate of Limited Partnership of the Partnership (Filed as Exhibit 3.2 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
3.2	Certificate of Formation of TEPPCO Colorado, LLC (Filed as Exhibit 3.2 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
3.3	Second Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., dated November 30, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
3.4	Amended and Restated Agreement of Limited Partnership of TE Products Pipeline Company, Limited Partnership, effective July 21, 1998 (Filed as Exhibit 3.2 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated July 21, 1998 and incorporated herein by reference).
3.5	Agreement of Limited Partnership of TCTM, L.P., dated November 30, 1998 (Filed as Exhibit 3.5 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
3.6*	Contribution, Assignment and Amendment Agreement among TEPPCO Partners, L.P., TE Products Pipeline Company, Limited Partnership, TCTM, L.P., Texas Eastern Products Pipeline Company, LLC, and TEPPCO GP, Inc., dated July 26, 2001.
4.1	Form of Certificate representing Limited Partner Units (Filed as Exhibit 4.1 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
4.2	Form of Indenture between TE Products Pipeline Company, Limited Partnership and The Bank of New York, as Trustee, dated as of January 27, 1998 (Filed as Exhibit 4.3 to TE Products Pipeline Company, Limited Partnership's Registration Statement on Form S-3 (Commission File No. 333-38473) and incorporated herein by reference).
4.3	Form of Certificate representing Class B Units (Filed as Exhibit 4.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
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10.21+	Texas Eastern Products Pipeline Company Retention Incentive Compensation Plan, effective January 1, 1999 (Filed as Exhibit 10.24 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
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10.26	Credit Agreement between TEPPCO Partners, L.P., SunTrust Bank, and Certain Lenders, dated July 14, 2000 (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2000 and incorporated herein by reference).
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10.28+	Texas Eastern Products Pipeline Company, LLC 2000

	Long Term Incentive Plan, Amendment and Restatement, effective January 1, 2000 (Filed as Exhibit 10.28 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2000 and incorporated herein by reference).
10.29+	TEPPCO Supplemental Benefit Plan, effective April 1, 2000 (Filed as Exhibit 10.29 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 2000 and incorporated herein by reference).
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EXHIBITS AND REPORTS ON FORM 8-K - (CONTINUED)

10.32	Credit Agreement among TEPPCO Partners, L. P. as Borrower, SunTrust Bank as Administrative Agent, and Certain Lenders, dated as of April 6, 2001 ($200,000,000 Revolving Facility) (Filed as Exhibit 10.32 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 2001 and incorporated herein by reference).
12.1*	Statement of Computation of Ratio of Earnings to Fixed Charges.
22.1	Subsidiaries of the Partnership (Filed as Exhibit 22.1 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).

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* Filed herewith.
\+ A management contract or compensation plan or arrangement.

(b) Reports on Form 8-K filed during the quarter ended June 30, 2001:

A report on Form 8-K was filed on April 23, 2001, pursuant to Item 5 of such form.

A report on Form 8-K was filed on May 9, 2001, pursuant to Item 5 of such form.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on its behalf by the undersigned duly authorized officer and principal financial officer.

TEPPCO Partners, L.P.
(Registrant)

By: Texas Eastern Products Pipeline
Company, LLC, as General Partner

/s/ WILLIAM L. THACKER

William L. Thacker
Chief Executive Officer

/s/ CHARLES H. LEONARD

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

Date: August 10, 2001

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
3.1	Certificate of Limited Partnership of the Partnership (Filed as Exhibit 3.2 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
3.2	Certificate of Formation of TEPPCO Colorado, LLC (Filed as Exhibit 3.2 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
3.3	Second Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., dated November 30, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
3.4	Amended and Restated Agreement of Limited

Partnership of TE Products Pipeline Company, Limited Partnership, effective July 21, 1998 (Filed as Exhibit 3.2 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated July 21, 1998 and incorporated herein by reference).

3.5 Agreement of Limited Partnership of TCTM, L.P., dated November 30, 1998 (Filed as Exhibit 3.5 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).

3.6* Contribution, Assignment and Amendment Agreement among TEPPCO Partners, L.P., TE Products Pipeline Company, Limited Partnership, TCTM, L.P., Texas Eastern Products Pipeline Company, LLC, and TEPPCO GP, Inc., dated July 26, 2001.

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+ A management contract or compensation plan or arrangement.

EXHIBIT 3.6

CONTRIBUTION, ASSIGNMENT AND AMENDMENT AGREEMENT

THIS CONTRIBUTION, ASSIGNMENT AND AMENDMENT AGREEMENT, dated as of July 26, 2001, is entered into by and among TEPPCO Partners, L.P., a Delaware limited partnership (the "MLP"); TE Products Pipeline Company, Limited Partnership, a Delaware limited partnership ("TE Products"); TCTM, L.P., a Delaware limited partnership ("TCTM"); Texas Eastern Product Pipeline Company, LLC, a Delaware limited liability company ("TEPPCO"); and TEPPCO GP, Inc., a Delaware corporation ("GP Inc."). TE Products and TCTM are sometimes referred to herein collectively as the "OLPs" and individually as an "OLP."

RECITALS

WHEREAS, each of the MLP and the OLPs were formed under the Delaware Revised Uniform Limited Partnership Act (the "Delaware Act") and TEPPCO acts as sole general partner of each of the MLP and the OLPs;

WHEREAS, TEPPCO owns a 1.00% general partner interest in the MLP and a 1.0101% general partner interest in each of the OLPs;

WHEREAS, the Board of Directors of TEPPCO has determined that it would be in the best interests of TEPPCO and the MLP to contribute TEPPCO's interests in each of the OLPs to the MLP and GP Inc., and to cause GP Inc. to become a wholly-owned corporate subsidiary of the MLP;

WHEREAS, in order to accomplish the objectives and purposes in the preceding recital, prior to the date hereof, TEPPCO has formed GP Inc. and contributed $1,000 in exchange for all of the capital stock in GP Inc.;

NOW, THEREFORE, in consideration of their mutual undertakings and agreements hereunder, the parties to this Agreement undertake and agree as follows:

ARTICLE I
DEFINITIONS

1.1 Definitions. In addition to the capitalized terms defined in the opening paragraph of this Agreement, the following capitalized terms shall have the meanings given below.

"Additional OLP Limited Partner Interests" has the meaning set forth in Section 2.2.

"Agreement" means this Contribution, Assignment and Amendment Agreement.

"Delaware Act" has the meaning assigned to such term in the Recitals to this Agreement.

"GP Inc. Common Stock" has the meaning set forth in Section 2.2.

"Laws" means any and all laws, statutes, ordinances, rules or regulations promulgated by a governmental authority, orders of a governmental authority, judicial decisions, decisions of arbitrators or determinations of any governmental authority or court.

"MLP Partnership Agreement" means the Second Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P. dated as of November 30, 1998, as the same may be amended or restated pursuant to the terms hereof.

"OLP Excess Liabilities" means any liability of GP Inc., whether as general partner of each OLP or pursuant to the assumption by GP Inc. of liabilities and obligations of each OLP pursuant to Section 4.1, for liabilities of each OLP existing at the time of the assignment of the Revised OLP General Partner Interests to GP Inc. pursuant to Section 2.1, but only to the extent that TEPPCO's share of such liabilities immediately prior to any assignment under Section 2.1 exceeds TEPPCO's federal income tax basis in its aggregate partnership interest in the OLP.

"Revised OLP General Partner Interests" has the meaning set forth in Section 2.1.

"TE Products Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of TE Products Pipeline Company, Limited Partnership dated as of July 21, 1998, as the same may be amended or restated pursuant to the terms hereof.

"TCTM Partnership Agreement" means the Agreement of Limited Partnership of TCTM, L.P. dated as of November 30, 1998, as the same may be amended or restated pursuant to the terms hereof.

ARTICLE II
CONTRIBUTIONS OF VARIOUS ASSETS AND PARTNERSHIP INTERESTS

2.1 Contribution by TEPPCO to GP Inc. TEPPCO hereby grants, contributes, transfers and conveys to GP Inc., its successors and assigns, all right, title and interest in and to a .001% general partner interest in each of the OLPs (the "Revised OLP General Partner Interests") and GP Inc. hereby accepts the Revised OLP General Partner Interests as a contribution to the capital of GP Inc.

TO HAVE AND TO HOLD the Revised OLP General Partner Interests unto GP Inc., its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

TE Products and TCTM each acknowledge receipt of the opinion of counsel required in Section 10.2(b) of the TE Products Partnership Agreement and the TCTM Partnership Agreement, respectively.

2.2 Contributions by TEPPCO to the MLP. Effective immediately following the contribution and assignment set forth in Section 2.1, TEPPCO hereby grants, contributes, transfers, assigns and conveys to the MLP, its successors and assigns, all right, title and interest of TEPPCO in and to (i) all the issued and outstanding capital stock of GP Inc., consisting of 100 shares of common stock, par value $.01 per share (the "GP Inc. Common Stock") and (ii) its remaining partnership interests in each of the OLPs, which interests, following the assignment of the Revised OLP General Partner Interests pursuant to Section 2.1 and the recharacterization of such remaining interests as limited partner interests as a result of the amendments adopted in Sections 5.1 and 5.2 hereof, consist of a 1.0091% limited partner interest in each of the OLPs (the "Additional OLP Limited Partner Interests"), and the MLP hereby accepts the GP Inc. Common Stock and the Additional OLP Limited Partner Interests, as a contribution to the capital of the MLP and in exchange for the increase in the general partner interest of TEPPCO in the MLP as set forth in Section 5.3 hereof.

TO HAVE AND TO HOLD the GP Inc. Common Stock and the Additional OLP Limited Partner Interests unto the MLP, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

2.3 Further Assurances. From time to time after the date hereof, and without any further consideration, TEPPCO shall execute, acknowledge and deliver all such additional assignments, stock powers, instruments, notices, releases, acquittances and other documents, and will do all such other acts and things, all in accordance with applicable law, as may be necessary or appropriate (i) more fully and effectively to assure GP Inc., its successors and assigns, all of the properties, rights, titles, interests, estates, remedies, powers and privileges by this Agreement granted to GP Inc. with respect to the Revised OLP General Partner Interests or which are intended so to be and (ii) more fully and effectively to vest in the MLP, its successors and assigns, beneficial and record title to the GP Inc. Common Stock and the Additional OLP Limited Partner Interests hereby contributed and assigned to the MLP or intended so to be and to more fully and effectively carry out the purposes and intent of this Agreement.

ARTICLE III
SUCCESSION OF GENERAL PARTNER OF THE OLPS

3.1 Withdrawal of TEPPCO as General Partner of OLPs. Effective immediately prior to the contribution of the Revised OLP General Partner Interests pursuant to Section 2.1 and, pursuant to Section 12.1(a)(ii) of each of the TE Products Partnership Agreement and the TCTM Partnership Agreement, TEPPCO hereby withdraws as general partner of each of the OLPs and proposes GP Inc. to act and serve as sole general partner of each of the OLPs. TE Products and TCTM each acknowledge receipt of the opinion of counsel required in Section 12.1(b) of the TE Products Partnership Agreement and the TCTM Partnership Agreement, respectively.

3.2 GP Inc. as Successor General Partner of OLPs. Effective immediately prior to the later of (i) GP Inc.'s acceptance of the contributions to GP Inc. of the Revised OLP General Partner Interests pursuant to Section 2.1 and (ii) the withdrawal of TEPPCO as general partner of each of the OLPs, GP Inc. accepts and agrees to duly and timely pay, perform and discharge the rights, duties and obligations of general partner of each of the OLPs and all of the terms and conditions of each of the TE Products Partnership Agreement and the TCTM Partnership Agreement in accordance with Section 11.2 of each of the TE Products Partnership Agreement and the TCTM Partnership Agreement, and GP Inc. agrees to serve as general partner of each of the OLPs and to be bound by each of the TE Products Partnership Agreement and the TCTM Partnership Agreement (and, to the extent applicable, the MLP Partnership Agreement), as each is amended by this Agreement or as may be further amended by the terms of the respective partnership agreement, and GP Inc. is hereby admitted as the successor general partner of each of TE Products and TCTM.

ARTICLE IV
ASSUMPTION OF AND INDEMNIFICATION FOR CERTAIN LIABILITIES

4.1 Assumption of Certain Liabilities and Obligations of TEPPCO by GP Inc. In connection with the transfer of the Revised OLP General Partner Interests and the succession by GP Inc. as general partner of each of the OLPs, GP Inc. hereby assumes and agrees to duly and timely pay, perform and discharge all liabilities and obligations of each OLP to the full extent (and only to the extent) that TEPPCO, as general partner of such OLP, has been heretofore or would have been in the future, were it not for the execution and delivery of this Agreement, obligated to pay, perform and discharge such liabilities and obligations; provided, however, that such assumption by GP Inc. is subject to the indemnification provided in Section 4.2.

4.2 Indemnification of GP Inc. Upon the transfer of the Revised OLP General Partner Interests to GP Inc. pursuant to Section 2.1 hereof, TEPPCO hereby indemnifies, defends and holds harmless GP Inc. from and against any and all claims, demands, costs, liabilities and expenses (including court costs and reasonable attorneys' fees) arising from or relating to the OLP Excess Liabilities.

4.3 Indemnification Relating to the MLP. Upon the transfer of the GP Inc. Common Stock and the Additional MLP Limited Partner Interest to the MLP pursuant to Section 2.2 hereof, (i) the MLP hereby indemnifies, defends and holds harmless GP Inc. from and against any and all claims, demands, costs, liabilities and expenses (including court costs and reasonable attorneys' fees) arising from or relating to the OLP Excess Liabilities and (ii) TEPPCO hereby indemnifies, defends and holds harmless the MLP from and against any and all claims, demands, costs, liabilities and expenses (including court costs and reasonable attorneys' fees) arising by reason of clause (i) of this paragraph.

ARTICLE V
AMENDMENTS TO PARTNERSHIP AGREEMENTS

5.1 Amendments to TE Products Partnership Agreement. In order to further the purposes of this Agreement, each of TEPPCO, as withdrawing general partner of TE Products, GP Inc., as successor general partner of TE Products, and the MLP, as limited partner of TE Products, hereby approve and adopt the following amendments to the TE Products Partnership Agreement in accordance with Article XIV thereof:

(a) Article II - Definitions is hereby amended by amending the definitions of the following terms to read in their entirety as follows:

"Investor Partnership Agreement" means the Agreement of Limited Partnership of the Investor Partnership, dated March 7, 1990, as such agreement has been amended or restated, or may in the future be amended or restated in accordance with its terms."

"Percentage Interest" means as of the date of such determination (a) as to the General Partner, .001% and (b) as to the Limited Partner, 99.999%.

(b) Section 10.2(b) is hereby amended to read in its entirety as follows:

"(b) Neither Section 10.2(a) nor any other provision of this Agreement shall be construed to prevent (and the Limited Partner does hereby expressly consent to) (i) the transfer by the General Partner of all or a portion of its Partnership Interest to one or more Affiliates, which transferred Partnership Interest, to the extent not transferred to a successor General Partner, shall constitute a Limited Partner's Partnership Interest or (ii) the transfer by the General Partner of all its Partnership Interest upon its merger, consolidation or other combination into any other Person or the transfer by it of all or substantially all of its assets to another Person if, in the case of a transfer described in either clause (i) or (ii) of this sentence, the rights and duties of the General Partner with respect to the Partnership Interest so transferred as a General Partner's Partnership Interest (or the rights and duties of a Limited Partner with respect to the Partnership Interest so transferred as a Limited Partner's Partnership Interest) are assumed by the transferee and the transferee agrees to be bound by the provisions of this Agreement and the Investor Partnership Agreement; provided, that in either such case, such transferee furnishes to the Partnership an Opinion of Counsel that such merger, consolidation, combination, transfer or assumption will not result in a loss of limited liability of the Limited Partner or cause the Partnership to be taxable as a corporation or otherwise taxed as an entity for federal income tax purposes. In the case of a transfer pursuant to this Section 10.2(b) to a Person proposed as a successor general partner of the Partnership, the transferee or successor (as the case may be) shall be admitted to the Partnership as the General Partner immediately prior to the transfer of the Partnership Interest, and the business of the Partnership shall continue without dissolution."

(c) Section 12.3 is hereby amended to read in its entirety as follows:

"12.3 Interest of Departing Partner and Successor General Partner. The Partnership Interest of a Departing Partner departing as a result of withdrawal or removal pursuant to Section 12.1 or 12.2 shall (unless it is otherwise required to be converted into Units pursuant to Section 13.2(b) of the Investor Partnership Agreement) be purchased by the successor to the Departing Partner for cash in amount equal to the fair market value of the Departing Partner's Partnership Interest, determined as of the effective date of its departure in the manner specified in the Investor Partnership Agreement. Such purchase (or conversion into Units, as applicable) shall be a condition to the admission to the Partnership of the successor as the General Partner. Notwithstanding the foregoing, an assignment of all or any portion of a General Partner's (or Departing Partner's) Partnership Interest to the Investor Limited Partnership as Limited Partner, or to any other Person (other than an individual) the ownership interest of which is then transferred to the Investor Limited Partnership, can be made in exchange for an increased interest in the Investor Limited Partnership and in lieu of a cash purchase."

(d) In addition to the foregoing amendments to the TE Products Partnership Agreement contained in this Section 5.1, the TE Products Partnership Agreement shall be deemed to be further amended and modified to the extent necessary, but only to the extent necessary, to carry out the purposes and intent of this Agreement.

5.2 Amendments to TCTM Partnership Agreement. In order to further the purposes of this Agreement, each of TEPPCO, as withdrawing general partner of TCTM, GP Inc., as successor general partner of TCTM, and the MLP, as limited partner of TCTM, hereby approve and adopt the following amendments to the TCTM Partnership Agreement in accordance with Article XIV thereof:

(a) Article II - Definitions is hereby amended by amending the definitions of the following terms to read in their entirety as follows:

"Investor Partnership Agreement" means the Agreement of Limited Partnership of the Investor Partnership, dated March 7, 1990, as such agreement has been amended or restated, or may in the future be amended or restated in accordance with its terms."

"Percentage Interest" means as of the date of such determination (a) as to the General Partner, .001% and (b) as to the Limited Partner, 99.999%.

(b) Section 10.2(b) is hereby amended to read in its entirety as follows:

"(b) Neither Section 10.2(a) nor any other provision of this Agreement shall be construed to prevent (and the Limited Partner does hereby expressly consent to) (i) the transfer by the General Partner of all or a portion of its Partnership Interest to one or more Affiliates, which Partnership Interest to the extent not transferred to a successor General Partner, shall be a Limited Partner's Partnership Interest or (ii) the transfer by the General Partner of all its Partnership Interest upon its merger, consolidation or other combination into any other Person or the transfer by it of all or substantially all of its assets to another Person if, in the case of a transfer described in either clause (i) or (ii) of this sentence, the rights and duties of the General Partner with respect to the Partnership Interest so transferred as a General Partner's Partnership Interest (or the rights and duties of a Limited Partner with respect to the Partnership Interest so transferred as a Limited Partner's Partnership Interest) are assumed by the transferee and the transferee agrees to be bound by the provisions of this Agreement and the Investor Partnership Agreement; provided, that in either such case, such transferee furnishes to the Partnership an Opinion of Counsel that such merger, consolidation, combination, transfer or assumption will not result in a loss of limited liability of the Limited Partner or cause the Partnership to be taxable as a corporation or otherwise taxed as an entity for federal income tax purposes. In the case of a transfer of a Partnership Interest pursuant to this Section 10.2(b) to a Person proposed as a successor general partner of the Partnership, the transferee or successor (as the case may be) shall be admitted to the Partnership as the General Partner immediately prior to the transfer of the Partnership Interest, and the business of the Partnership shall continue without dissolution."

(c) Section 12.3 is hereby amended to read in its entirety as follows:

"12.3 Interest of Departing Partner and Successor General Partner. The Partnership Interest of a Departing Partner departing as a result of withdrawal or removal pursuant to Section 12.1 or 12.2 shall (unless it is otherwise required to be converted into Units pursuant to Section 13.2(b) of the Investor Partnership Agreement) be purchased by the successor to the Departing Partner for cash in amount equal to the fair market value of the Departing Partner's Partnership Interest, determined as of the effective date of its departure in the manner specified in the Investor Partnership Agreement. Such purchase (or conversion into Units, as applicable) shall be a condition to the admission to the Partnership of the successor as the General Partner. Notwithstanding the foregoing, an assignment of all or any portion of a General Partner's (or Departing Partner's) Partnership Interest to the Investor Limited Partnership as Limited Partner, or to any other Person (other than an individual) the ownership interest of which is then transferred to the Investor Limited Partnership, can be made in exchange for an increased interest in the Investor Limited Partnership and in lieu of a cash purchase."

(d) In addition to the foregoing amendments to the TCTM Partnership Agreement contained in this Section 5.2, the TCTM Partnership Agreement shall be deemed to be further amended and modified to the extent necessary, but only to the extent necessary, to carry out the purposes and intent of this Agreement.

5.3 Amendments to MLP Partnership Agreement. In order to further the purposes of this Agreement and to evidence the increased interest of the general partner in the MLP issued in exchange for the contributions to the MLP made pursuant to Section 2.2 hereof, TEPPCO, as general partner of the MLP, having determined that the following amendments would not materially adversely affect the limited partners of the MLP or have a material adverse effect on the holders of any class of the MLP's outstanding limited partner units, hereby exercises its rights and powers to amend the MLP Partnership Agreement without the approval of any limited partner or assignee pursuant to Section 15.1(d)(i) of the MLP Partnership Agreement, and hereby approves and adopts the following amendments to the MLP Partnership Agreement in accordance with Article 15 thereof:

(a) Article 2 - Definitions is hereby amended by amending the definitions of the following terms to read in their entirety as follows:

> "Operating Partnerships" means TE Products Pipeline Company, Limited Partnership, a Delaware limited partnership, TCTM, L.P., a Delaware limited partnership, and such other Persons that are directly majority-owned by the Partnership and controlled by the Partnership (whether by direct or indirect ownership of the general partner of such Person or otherwise) and established or acquired for the purpose of conducting the business of the Partnership.
>
> "Operating Partnership Agreements" means the agreements of limited partnership of any Operating Partnership that is a limited partnership, or any limited liability company agreement of any Operating Partnership that is a limited liability company that is treated as a partnership for federal income tax purposes, as such may be amended, supplemented or restated from time to time.
>
> "Percentage Interest" means as of the date of such determination (a) as to the General Partner, 1.999999% and (b) as to any Limited Partner or Assignee holding LP Units, the product of (i) 98.000001% multiplied by (ii) the quotient of (x) the number of LP Units held by such Limited Partner or Assignee divided by (y) the total number of all LP Units then Outstanding; provided, however, that following any issuance of additional LP Units by the Partnership in accordance with Section 4.1 hereof, proper adjustment shall be made to the Percentage Interest represented by each LP Unit to reflect such issuance.

(b) References in the MLP Partnership Agreement to the defined terms "Operating Partnership" and "Operating Partnership Agreement" are hereby amended to refer to such terms in the plural.

(c) Section 4.1(d)(i) is hereby amended to read in its entirety as follows:

> "(d) Upon the issuance of any LP Units by the Partnership, the General Partner shall be required to make additional Capital Contributions to the Partnership such that the General Partner shall at all times have a balance in its Capital Account equal to 1.999999% of the total positive Capital Account balances of all Partners."

(d) Section 5.1(c)(i) is hereby amended to read in its entirety as follows:

"(i) If a Net Termination Gain is recognized (or deemed recognized pursuant to Section 4.3(d)) from Termination Capital Transactions, such Net Termination Gain shall be allocated between the General Partner and the Limited Partners in the following manner (and the Capital Accounts of the Partners shall be increased by the amount so allocated in each of the following subclauses, in the order listed, before an allocation is made pursuant to the next succeeding subclause):

(A) First, to each Partner having a deficit balance in its Capital Account, in the proportion that such deficit balance bears to the total deficit balances in the Capital Accounts of all Partners, until each such Partner has been allocated Net Termination Gain equal to any such deficit balance in its Capital Account;

(B) Second, 100% to the General Partner and to all Limited Partners, in accordance with their respective Percentage Interests, until the Capital Account in respect of each LP Unit then Outstanding is equal to the Unrecovered Capital attributable to such LP Unit;

(C) Third, 100% to the General Partner and to all Limited Partners, in accordance with their respective Percentage Interests, until the Per LP Unit Capital Account (determined on a per Unit basis) in respect of each Unit is equal to the sum of (l) the Unrecovered Capital attributable to each such Unit plus (2) any cumulative arrearages in the payment of the Minimum Quarterly Distribution in respect of such Unit for any quarter following December 31, 1994.

(D) Fourth, 85.002627% to all Limited Partners, in accordance with their respective Percentage Interests, and 14.997373% to the General Partner until the Per LP Unit Capital Account in respect of each Unit (determined on a per Unit basis) is equal to the sum of (l) the Unrecovered Capital attributable to such Unit, plus (2) any cumulative arrearages in the payment of the Minimum Quarterly Distribution in respect of such Unit for any quarter following December 31, 1994, plus (3) the excess of the First Target Distribution over the Minimum Quarterly Distribution for each quarter of the Partnership's existence, less (4) the amount of any distributions of Cash from Operations that were distributed pursuant to Section 5.4(b) (the sum of (2) plus (3) less (4) is hereinafter defined as the "First Liquidation Target Amount");

(E) Fifth, 75.004647% to all Limited Partners, in accordance with their respective Percentage Interests, and 24.995353% to the General Partner until the Per LP Unit Capital Account in respect of each Unit (determined on a per Unit basis) is equal to the sum of (l) the Unrecovered Capital attributable to such Unit, plus (2) the First Liquidation Target Amount, plus (3) the excess of the Second Target Distribution over the First Target Distribution for each quarter of the Partnership's existence less (4) the amount of any distributions of Cash from Operations distributed pursuant to Section 5.4(c) (the sum of (2) plus (3) less (4) is hereinafter defined as the "Second Liquidation Target Amount"); and

(F) Sixth, the balance, if any, 49.999798% to all Limited Partners, in accordance with their respective Percentage Interests, and 50.000202% to the General Partner."

(e) Sections 5.4 and 5.5 are hereby amended to read in its entirety as follows:

"5.4 Allocations of Distributions. Available Cash that is deemed to be Cash from Operations pursuant to the provisions of Section 5.3 or 5.5 shall be distributed as follows:

(a) First, 98.000001% to all Limited Partners, in accordance with their respective Percentage Interest, and 1.999999% to the General Partner until there has been distributed in respect of each LP Unit then Outstanding an amount equal to the Minimum Quarterly Distribution;

(b) Second, 85.002627% to all Limited Partners, in accordance with their respective Percentage Interest, and 14.997373% to the General Partner until there has been distributed in respect of each LP Unit then Outstanding an amount equal to the First Target Distribution;

(c) Third, 75.004647% to all Limited Partners, in accordance with their respective Percentage Interests, and 24.995353% to the General Partner until there has been distributed in respect of each LP Unit then Outstanding an amount equal to the Second Target Distribution; and

(d) Fourth, 49.999798% to all Limited Partners, in accordance with their respective Percentage Interest, and 50.000202% to the General Partner.

Provided, however, if the Minimum Quarterly Distribution, the First Target Distribution and the Second Target Distribution have been reduced to zero pursuant to Section 5.7(a)(ii), then distributions of Available Cash constituting Cash from Operations with respect to any quarter will be made 98.000001% to all Limited Partners in accordance with their respective Percentage Interest and 1.999999% to the General Partner until there has been distributed in respect of each LP Unit then Outstanding Cash from Operations since Partnership Inception equal to the Minimum Quarterly Distribution (as from time to time adjusted) for all periods since Partnership Inception, and thereafter in accordance with Section 5.4(d) above.

5.5 Distributions of Cash from Interim Capital Transactions. Available Cash that constitutes Cash from Interim Capital Transactions shall be distributed, unless the provisions of Section 5.3 require otherwise, 98.000001% to all Limited Partners, in accordance with their respective Percentage Interests, and 1.999999% to the General Partner until a hypothetical holder of a Unit acquired at the time of the Initial Offering has received with respect to each Unit, from Partnership Inception through such date, distributions of Available Cash that are deemed to be Cash from Interim Capital Transactions in an aggregate amount per LP Unit equal to the Initial Unit

Price. Thereafter, all Available Cash shall be distributed as if it were Cash from Operations and shall be distributed in accordance with Section 5.4."

(f) In addition to the foregoing amendments to the MLP Partnership Agreement contained in this Section 5.1, the MLP Partnership Agreement shall be deemed to be further amended and modified to the extent necessary, but only to the extent necessary, to carry out the purposes and intent of this Agreement.

5.4 Restatement of Partnership Agreements. Each of the partners of the MLP and the OLPs that is a party hereto agrees to execute and deliver a restated and amended version of each of the MLP Partnership Agreement, the TE Products Partnership Agreement and the TCTM Partnership Agreement to which it is a party incorporating the amendments to such agreement adopted by this Agreement together with such other amendments intended to clarify the agreement as the general partner of such limited partnership determines as are appropriate and not having a material adverse effect on the limited partners of the partnership, and in the case of the MLP, the holders of outstanding LP Units therein.

ARTICLE VI
MISCELLANEOUS

6.1 Other Assurances. From time to time after the date hereof, and without any further consideration, each of the parties to this Agreement shall execute, acknowledge and deliver all such additional instruments, notices and other documents, and will do all such other acts and things, all in accordance with applicable law, as may be necessary or appropriate to more fully and effectively carry out the purposes and intent of this Agreement.

6.2 Consents; Restriction on Assignment. If there are prohibitions against or conditions to the contribution and assignment of one or more portions of the assets contributed pursuant to Sections 2.1 and 2.2 without the prior written consent of third parties, including, without limitation, governmental agencies (other than consents of a ministerial nature that are normally granted in the ordinary course of business), which if not satisfied would result in a breach of such prohibitions or conditions or would give an outside party the right to terminate the MLP's or GP Inc.'s rights with respect to such portion of the contributed assets (herein called a "Restriction"), then any provision contained in this Agreement to the contrary notwithstanding, the transfer of title to or interest in each such portion of the contributed assets (herein called the "Restriction-Asset") pursuant to this Agreement shall not become effective unless and until such Restriction is satisfied, waived or no longer applies. When and if such a Restriction is so satisfied, waived or no longer applies, to the extent permitted by applicable law and any applicable contractual provisions, the assignment of the Restriction-Asset subject thereto shall become effective automatically as of the date of this Agreement, without further action on the part of the MLP, GP Inc., TEPPCO or either of OLPs and TEPPCO agrees to use its reasonable best efforts to obtain satisfaction of any Restriction on a timely basis. In the event that any Restriction-Asset exists, TEPPCO agrees to hold such Restriction-Asset in trust for the exclusive benefit of the assignee, the MLP or GP Inc., as the case may be, and to otherwise use its reasonable best efforts to provide the assignee with the benefits thereof, and TEPPCO will enter into other agreements, or take such other action as it may deem reasonably necessary, in order to help ensure that such assignee is entitled to the benefits of the contributed assets and concomitant rights in all material respects as of the date of this Agreement.

6.3 Costs. The MLP shall pay all sales, use and similar taxes arising out of the contributions, assignments and deliveries to be made hereunder, and shall pay all documentary, filing, recording, transfer, deed, and conveyance taxes and fees required in connection therewith. In addition, the MLP shall be responsible for all costs, liabilities and expenses (including court costs and reasonable attorneys' fees) incurred in connection with the satisfaction or waiver of any Restriction pursuant to Section 6.2.

6.4 Headings; References; Interpretation. All Article and Section headings in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any of the provisions hereof. The words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole, including without limitation, all Exhibits attached hereto, and not to any particular provision of this Agreement. All references herein to Articles, Sections, and Exhibits shall, unless the context requires a different construction, be deemed to be references to the Articles, Sections and Exhibits of this Agreement, respectively, and all such Exhibits attached hereto are hereby incorporated herein and made a part hereof for all purposes. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, and the singular shall include the plural and vice versa. The use herein of the word "including" following any general statement, term or matter shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as "without limitation," "but not limited to," or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter.

6.5 Successors and Assigns. The Agreement shall be binding upon and inure to the benefit of the parties signatory hereto and their respective successors and assigns.

6.6 No Third-Party Rights. The provisions of this Agreement are intended to bind the parties signatory hereto as to each other and are not intended to and do not create rights in any other person or confer upon any other person any benefits, rights or remedies and no person is or is intended to be a third-party beneficiary of any of the provisions of this Agreement.

6.7 Counterparts. This Agreement may be executed in any number of counterparts, all of which together shall constitute one agreement binding on the parties hereto.

6.8 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware applicable to contracts made and to be performed wholly within such state without giving effect to conflict of law principles thereof, except to the extent that it is mandatory that the law of some other jurisdiction, wherein the contributed assets are deemed located, shall apply.

6.9 Severability. If any of the provisions of this Agreement are held by any court of competent jurisdiction to contravene, or to be invalid under, the laws of any political body having jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement. Instead, this Agreement shall be construed as if it did not contain the particular provision or provisions held to be invalid, and an equitable adjustment shall be made and necessary provision added so as to give effect to the intention of the parties as expressed in this Agreement at the time of execution of this Agreement.

6.10 Assignment. To the extent required by applicable law, this Agreement shall also constitute an "assignment" of the assets transferred and contributed as set forth in Article II hereof.

6.11 Amendment or Modification. This Agreement may be amended or modified from time to time only by the written agreement of all the parties hereto.

6.12 Integration. This Agreement supersedes all previous understandings or agreements between the parties, whether oral or written, with respect to its subject matter. This document is an integrated agreement which contains the entire understanding of the parties. No understanding, representation, promise or agreement, whether oral or written, is intended to be or shall be included in or form part of this Agreement unless it is contained in a written amendment hereto executed by the parties hereto after the date of this Agreement.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the date first above written.

TEPPCO PARTNERS, L.P., a Delaware limited partnership

By: Texas Eastern Products Pipeline Company, LLC, a Delaware limited liability company, as general partner

By: /s/ Charles H. Leonard
\-------------------------------------
Name: Charles H. Leonard
Title: Senior V.P., C.F.O. & Treasurer

TE PRODUCTS PIPELINE COMPANY, LIMITED PARTNERSHIP, a Delaware limited partnership

By: Texas Eastern Products Pipeline Company, LLC, a Delaware limited liability company, as general partner

By: /s/ Charles H. Leonard
\-------------------------------------
Name: Charles H. Leonard
Title: Senior V.P., C.F.O. & Treasurer

TCTM, L.P., a Delaware limited partnership

By: Texas Eastern Products Pipeline Company, LLC, a Delaware limited liability company, as general partner

By: /s/ Charles H. Leonard
\-------------------------------------
Name: Charles H. Leonard
Title: Senior V.P., C.F.O. & Treasurer

TEXAS EASTERN PRODUCTS PIPELINE COMPANY,
LLC, a Delaware limited liability company

By: /s/ Charles H. Leonard

Name: Charles H. Leonard
Title: Senior V.P., C.F.O. & Treasurer

TEPPCO GP, INC., a Delaware corporation

By: /s/ William L. Thacker

Name: William L. Thacker
Title: Chief Executive Officer

EXHIBIT 12.1

STATEMENT OF COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	YEARS ENDED DECEMBER 31,					6 MONTHS ENDED
	1996	1997	1998	1999	2000	JUNE 30, 2001
	(in thousands)					
EARNINGS						
Income From Continuing Operations*	59,246	61,925	53,885	72,856	65,951	59,851
Fixed Charges	36,485	35,458	30,915	34,305	55,621	33,375
Distributed Income of Equity Investment	-	-	-	-	-	17,600
Capitalized Interest	(1,388)	(1,478)	(795)	(2,133)	(4,559)	(935)
Total Earnings	94,343	95,905	84,005	105,028	117,013	109,891
FIXED CHARGES						
Interest Expense	34,922	33,707	29,784			

31,563
48,982
31,686
Capitalized
Interest
1,388 1,478
795 2,133
4,559 935
Rental
Interest
Factor 175
273 336 609
2,080 754 --
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Total Fixed
Charges
36,485
35,458
30,915
34,305
55,621
33,375
========
========
========
========
========
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RATIO:
EARNINGS /
FIXED
CHARGES 2.59
2.70 2.72
3.06 2.10
3.29
========
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========
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* Excludes minority interest, extraordinary loss and undistributed equity earnings.