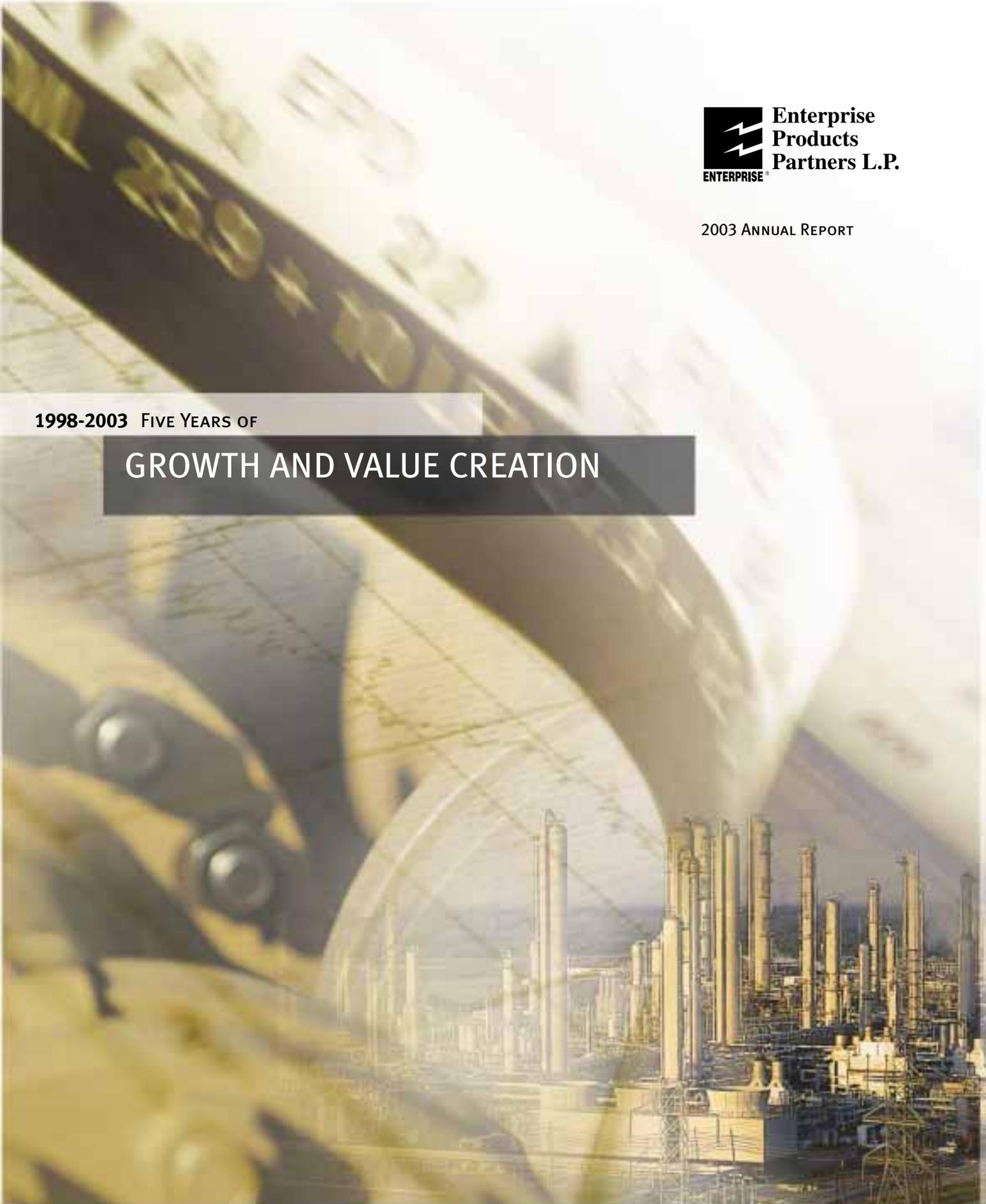




2003 ANNUAL REPORT

1998-2003 FIVE YEARS OF

# GROWTH AND VALUE CREATION



## CORPORATE OVERVIEW

Enterprise Products Partners L.P. is the second largest publicly traded midstream energy partnership in North America with an enterprise value of over \$7 billion. It provides natural gas transportation, processing and storage services and natural gas liquids (NGLs) fractionation (separation), transportation, storage and import/export terminaling services to producers and consumers of natural gas and NGLs.

Enterprise's asset platform on the Gulf Coast, combined with its Mid-America and Seminole pipeline systems creates the only integrated North American natural gas and NGL network complete with export services. The system links producers of natural gas and NGLs from the largest supply basins in the United States and Canada with the largest consumers of NGLs and international markets.

## FINANCIAL HIGHLIGHTS

Amounts in 000s except per unit amounts

	2003	2002	2001	2000	1999
<b>Income Statement Data:</b>					
Revenues from consolidated operations	\$ 5,346,431	\$ 3,584,783	\$ 3,154,369	\$ 3,049,020	\$ 1,332,979
Gross operating margin <sup>(1)</sup>	\$ 410,415	\$ 332,349	\$ 375,944	\$ 320,615	\$ 179,195
Equity in income of unconsolidated affiliates	\$ (13,960)	\$ 35,253	\$ 25,358	\$ 24,119	\$ 13,477
Operating income	\$ 248,104	\$ 194,307	\$ 286,849	\$ 243,734	\$ 132,351
Net Income	\$ 104,546	\$ 95,500	\$ 242,178	\$ 220,506	\$ 120,295
Fully diluted earnings per unit	\$ 0.41	\$ 0.48	\$ 1.39	\$ 1.32	\$ 0.82
Number of units for fully diluted calculation	206,367	176,490	170,787	164,887	145,577
<b>Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 44,317	\$ 22,568	\$ 137,823	\$ 60,409	\$ 5,230
Total assets	\$ 4,802,814	\$ 4,230,272	\$ 2,424,692	\$ 1,951,368	\$ 1,494,952
Total debt	\$ 2,139,548	\$ 2,246,463	\$ 855,278	\$ 403,847	\$ 295,000
Minority interest	\$ 86,356	\$ 68,883	\$ 11,716	\$ 9,570	\$ 8,071
Combined equity/partner's equity	\$ 1,705,953	\$ 1,200,904	\$ 1,146,922	\$ 935,959	\$ 789,465
% of net debt to total capitalization <sup>(2)</sup>	53.9%	63.7%	38.2%	26.6%	26.7%
<b>Other Financial Data:</b>					
Capital expenditures	\$ 145,913	\$ 72,135	\$ 149,896	\$ 243,913	\$ 21,234
Business acquisitions, net of cash received	\$ 37,348	\$ 1,620,727	\$ 225,665	\$ -	\$ 208,095
Investments in and advances to unconsolidated affiliates	\$ 471,927	\$ 13,651	\$ 116,220	\$ 31,496	\$ 61,887
Total <sup>(3)</sup>	\$ 655,188	\$ 1,706,513	\$ 491,781	\$ 275,409	\$ 291,216
EBITDA <sup>(4)</sup>	\$ 366,446	\$ 284,820	\$ 345,750	\$ 291,145	\$ 160,527
Distributions from unconsolidated affiliates	\$ 31,882	\$ 57,662	\$ 45,054	\$ 37,267	\$ 6,008
Cash flow from operating activities	\$ 424,705	\$ 329,761	\$ 283,328	\$ 360,870	\$ 177,953
Distributable cash flow <sup>(4)</sup>	\$ 268,232	\$ 226,114	\$ 303,904	\$ 292,929	\$ 167,705
Cash distributions declared per common unit <sup>(5)</sup>	\$ 1.47	\$ 1.36	\$ 1.19	\$ 1.05	\$ 0.93
Annual cash distribution rate at December 31 <sup>(5)</sup>	\$ 1.49	\$ 1.38	\$ 1.25	\$ 1.10	\$ 1.00

<sup>(1)</sup> Gross operating margin represents operating income before depreciation and amortization, lease expense obligations retained by the Company's largest unitholder, Enterprise Products Company ("EPCO"), gain or loss from sale of assets and general and administrative expenses. Gross margin also includes the Company's equity earnings from unconsolidated affiliates.

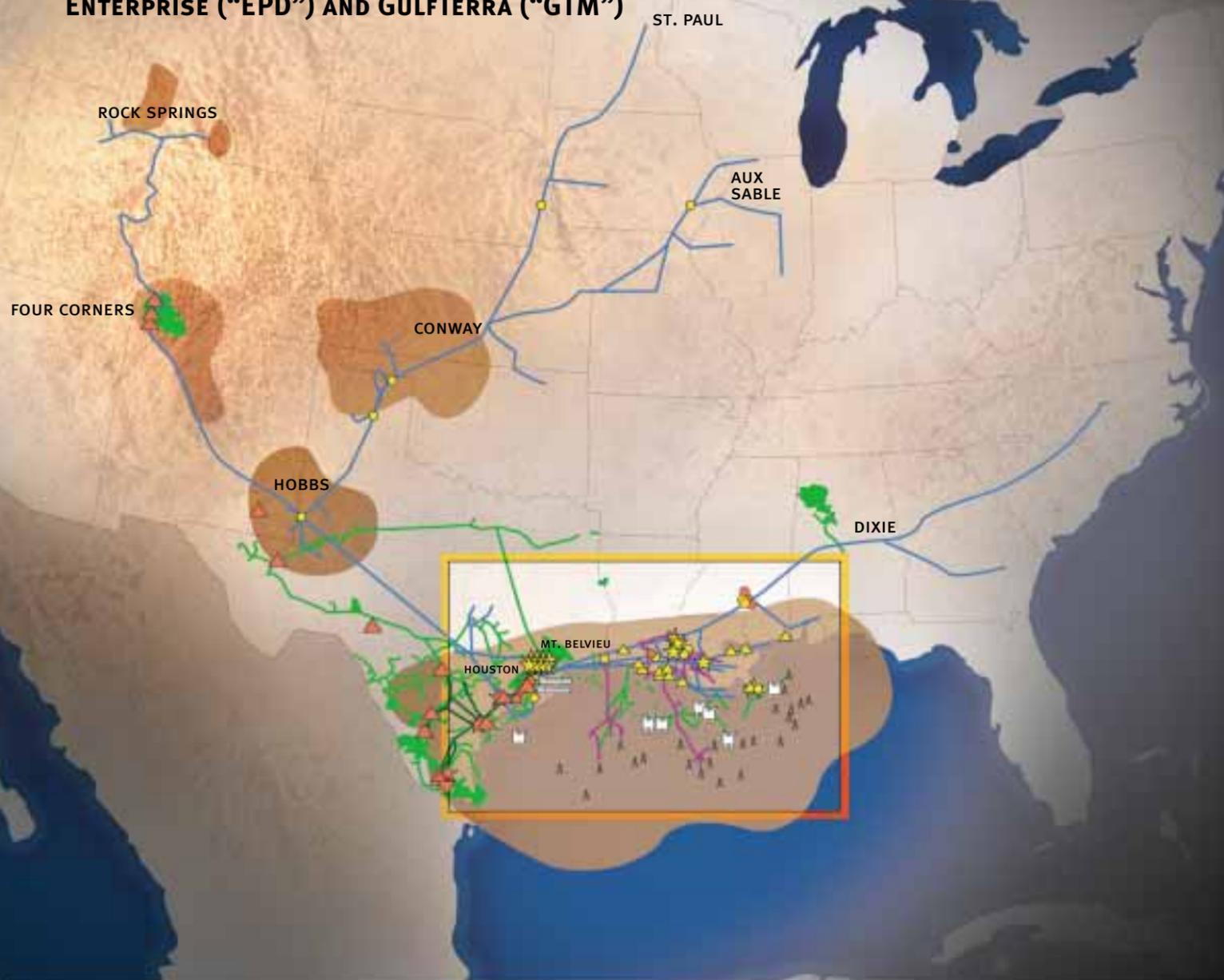
<sup>(2)</sup> Total debt less cash and cash equivalents divided by the sum of total debt, combined equity/partners' equity and minority interest less cash and cash equivalents.

<sup>(3)</sup> Sum of capital expenditures, business acquisitions, net of cash received and investments in and advances to unconsolidated affiliates.

<sup>(4)</sup> For a reconciliation of GAAP financial statements to non-GAAP financial measures, see page 111 of this annual report.

<sup>(5)</sup> Distributions prior to May 15, 2002 have been adjusted for the 2-for-1 unit split.

**COMBINED SYSTEM MAP  
ENTERPRISE (“EPD”) AND GULFTERRA (“GTM”)**



— EPD NGL AND PETROCHEMICAL PIPELINES	■ EPD DEHYDRATION UNIT	— GTM NATURAL GAS PIPELINES	▲ GTM/EL PASO GAS PROCESSING AND TREATING PLANTS
— EPD NATURAL GAS PIPELINES	▲ EPD GAS PROCESSING PLANT	— GTM NEW PROJECT PIPELINES	★ GTM NGL FRACTIONATION PLANT
	★ EPD FRACTIONATION PLANT	— GTM TEXAS NGL	● GTM STORAGE FACILITY
	● EPD STORAGE FACILITY		⚓ GTM PLATFORM
	⚓ EPD IMPORT/EXPORT TERMINAL		▼ GTM TERMINAL

*Note: This map may not be representative of the combined system map upon completion of the merger.*

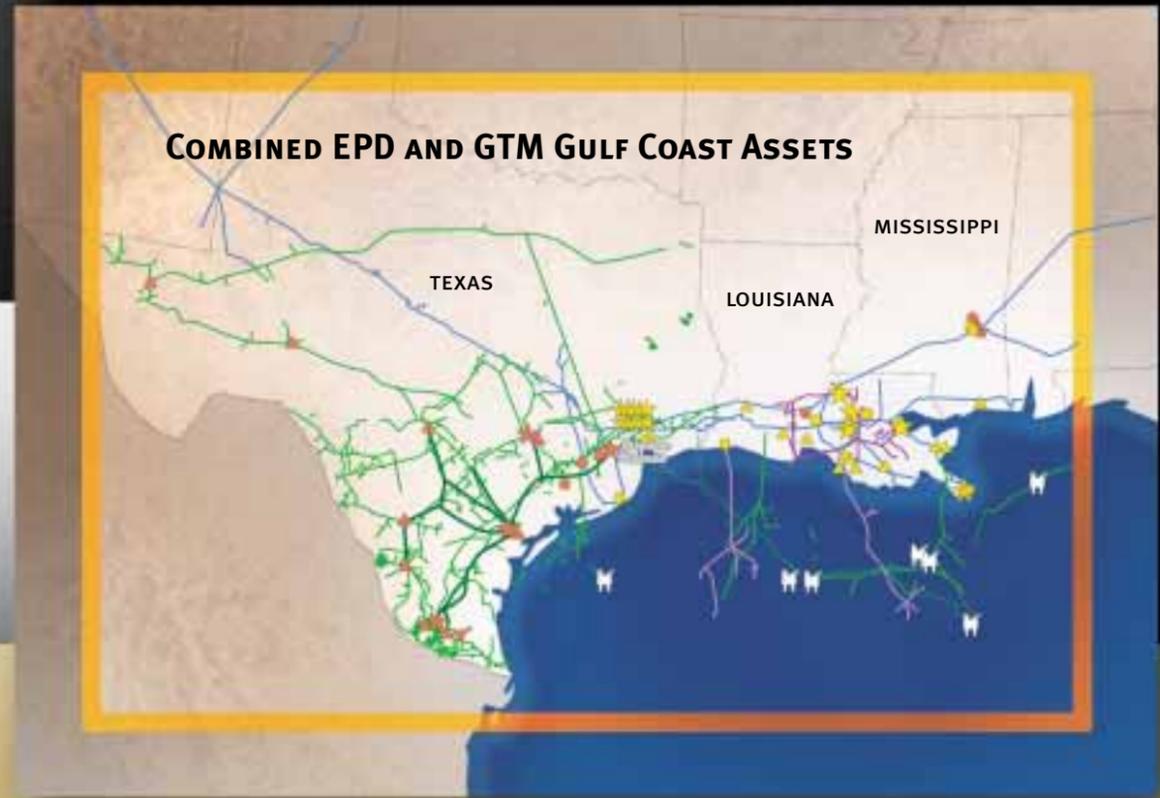
**ENTERPRISE AND GULFTERRA TO MERGE FORMING \$13 BILLION MIDSTREAM ENERGY PARTNERSHIP**

On December 15, 2003, Enterprise Products Partners L.P., GulfTerra Energy Partners, L.P. and El Paso Corporation executed definitive agreements to merge Enterprise and GulfTerra to form the second largest publicly traded energy partnership.

- Combined company will provide a complete menu of services for producers and consumers of natural gas, natural gas liquids and crude oil from the wellhead to the end user in key producing and consuming regions
- Enterprise and GulfTerra’s assets include:
  - Over 17,500 miles of natural gas pipelines
  - Over 13,000 miles of NGL and petrochemical pipelines
  - 340 miles of offshore crude oil pipelines in the Gulf of Mexico
  - 164 MMBbls of NGL storage capacity; 23 Bcf of natural gas storage capacity
  - 26 natural gas processing plants
  - 17 fractionation facilities
  - Interests in 7 offshore Gulf of Mexico hub platforms
  - NGL import/export terminals located on the Houston Ship Channel

**SIGNIFICANCE OF TRANSACTION**

- Combined company will have a premier GP/LP structure with the GP’s incentive distribution rights capped at an industry low 25% providing a lower cost of capital and the potential for greater returns for our limited partners
- Combines two great partnerships with a history of superior investor returns, record of operational excellence and commitment to customer service
- Creates full service franchise serving the largest producing basins in the U.S. and Canada and the largest consuming regions of natural gas, NGLs and crude oil on the U.S. Gulf Coast
- Complementary business profile will generate substantial cash flow from fee-based services and provide a partial, natural hedge to changes in commodity prices
- Increased size and scope will enhance growth prospects



## TO THE PARTNERS OF ENTERPRISE PRODUCTS PARTNERS L.P.

2003 WAS A REMARKABLE YEAR FOR ENTERPRISE. FIRST, IT MARKED OUR FIFTH ANNIVERSARY AS A PUBLIC COMPANY. THE YEAR ALSO PRESENTED ONE OF THE MOST CHALLENGING BUSINESS ENVIRONMENTS THAT WE HAVE FACED IN THE LAST TWENTY YEARS. FINALLY, 2003 WILL BE MOST REMEMBERED FOR OUR AGREEMENT TO MERGE WITH GULFTERRA ENERGY PARTNERS, L.P. TO FORM ONE OF THE LEADING MIDSTREAM ENERGY COMPANIES IN THE U.S. WITH AN ENTERPRISE VALUE OF \$13 BILLION.

### FIVE YEARS OF GROWTH & VALUE CREATION

In July 1998, after thirty years as a private company, we took Enterprise public to enable us to better participate in the next wave of growth and consolidation in the midstream energy industry. Our primary goals were to make disciplined investments in the midstream energy sector to complement our existing platform of assets and create long-term value and an attractive total return for our partners. These remain our core goals today. Since our IPO, we have invested approximately \$3.1 billion in the growth of our partnership through acquisitions, the construction of new assets and the expansion of existing facilities.

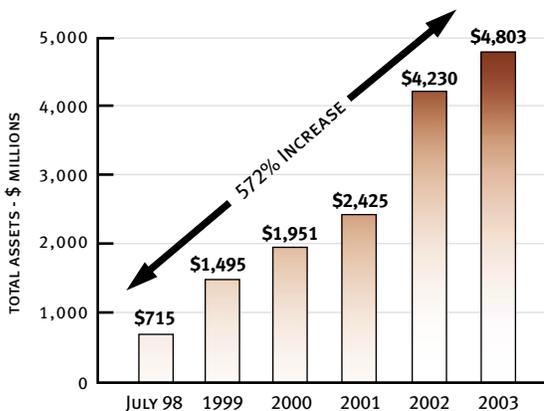
We have grown our partnership from a small Texas-based company with \$715 million in assets to the second largest publicly traded energy partnership with assets of over \$4.8 billion serving the major producing basins in the United States and Canada. Over this period, our revenues have grown 624% from \$739 million to over \$5.3 billion, ranking Enterprise 336th on Fortune magazine's list of the largest 500 companies.

We are most proud of delivering on our goal of increasing the value of our partnership and providing our partners with an above average return on their investment. Since the IPO, our growth in cash flow has enabled us to increase the cash distribution rate to our partners nine times from an annual rate of \$0.90 to \$1.49 per unit, a 10.6% compound annual growth rate. A partner who invested in our partnership units at the time of our IPO and reinvested the cash distributions to buy additional units would have earned a total return of 231% through the end of 2003, a compound annual growth rate of 24.6%.

Our goals today are the same as they were five years ago,

- to invest prudently to expand our partnership through organic growth, acquisitions and joint ventures with strategic partners;
- to maintain a capital structure that is consistent with solid investment-grade debt ratings;
- to increase the amount of gross operating margin earned from fee-based businesses; and
- to provide our partners with an attractive total return through periodic increases in cash distributions and capital appreciation.

### FOCUS ON GROWING THE PARTNERSHIP INVESTING IN HARD ASSETS

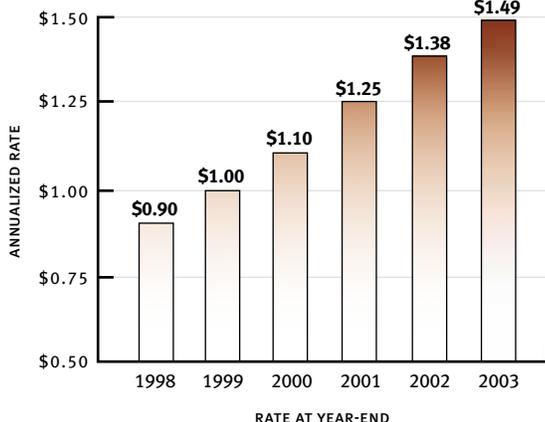


### CHALLENGING YEAR

The combination of a recession in global manufacturing, weak demand for ethane by the ethylene segment of the petrochemical industry and persistently high natural gas prices relative to other forms of energy coincided to create a very difficult business environment for our partnership during most of 2003. Even though we established records in terms of revenue, gross operating margin and cash flow from operations, our financial performance did not meet our expectations or objectives.

## INCREASING CASH DISTRIBUTIONS TO PARTNERS

INCREASED 66% SINCE IPO IN JULY 1998



This operating environment reduced our gross operating margin primarily in three areas – natural gas processing and the fractionation and transportation of NGLs. The weak demand for ethane coupled with high natural gas prices led producers and processors to reduce the amount of ethane that was removed at processing plants because the ethane was more valuable when left in the natural gas stream. In our Processing segment, this reduced the gross operating margin associated with the legacy keepwhole contracts we assumed with the acquisition of Shell's midstream business in 1999. Gross operating margin was lower in our Fractionation and Pipeline segments due to the decrease in ethane volumes extracted.

Business conditions have consistently improved over the past three quarters. Demand for ethane has rebounded from its trough in the middle of 2003 and natural gas prices have moderated compared to the cost of other forms of energy. Processing margins have improved and NGL volumes have increased at our NGL fractionators and pipelines. As the U.S. economy has expanded in recent quarters, our ethylene-producing customers are reporting increased demand for their products and believe this will be sustained throughout 2004.

Globally, energy prices continue to be volatile due to political instability, strong demand from recovering and developing economies and threats of terrorism. Domestically, natural gas prices have been persistently higher than other forms of energy, compared to historical benchmarks, due to supply and demand imbalances in the United States since 2000. We do not believe these imbalances will be corrected until new sources of gas are brought to market later in the decade. As a result, last year, we initiated actions to enhance the earnings power of our partnership during periods of strong natural gas prices.

For example, we recently completed a program to renegotiate our portfolio of natural gas processing contracts to provide our partnership with a more stable base of gross operating margin and a more consistent return on investment regardless of natural gas prices. In our Pipeline segment, we instituted programs that should increase NGL volume flow during periods of high natural gas prices and peak demand for propane. Details of these programs and their benefits to our partnership are included in the discussions of each business segment in this annual report.

### THE MERGER

On December 15, 2003, Enterprise, GulfTerra Energy Partners, L.P. and El Paso Corporation executed definitive agreements to merge Enterprise and GulfTerra.

The combined partnership, which will retain the name Enterprise Products Partners L.P., will serve the largest producing basins of natural gas, crude oil and NGLs in the U.S. According to data from the Department of Energy, these basins represent approximately 76%, 56% and 84% of total natural gas, crude oil and NGL reserves, respectively, in the lower forty-eight states. In terms of current production, these regions account for approximately 80%, 62%

and 88% of total natural gas, crude oil and NGL production, respectively, in the lower forty-eight states. The partnership will also serve the largest consuming regions for natural gas, crude oil and NGLs on the U.S. Gulf Coast.

We believe the combination will be very complementary. It should provide our partnership with organic growth opportunities for the foreseeable future in these prolific producing areas. The merger will also diversify our sources of cash flow and provide a better balance of cash flow contribution from NGL, natural gas and crude oil services. We believe GulfTerra, with its producer-oriented service businesses, will provide a partial, natural hedge to Enterprise's more consumer-oriented service businesses. In periods of high natural gas prices, such as those in the second and third quarters of 2003, we estimate that the potential increase in EBITDA generated by GulfTerra's assets during these periods could offset a substantial amount of the potential decrease in EBITDA for Enterprise.

One of the most important value drivers in the transaction will be the retention of the Enterprise model with respect to incentive distribution rights to our general partner. We were the first growth partnership to eliminate the 50% incentive distribution right and cap the highest level of incentive distribution rights at 25%. Correspondingly, one of the value drivers of this merger will be the elimination of the 50% incentive distribution right associated with GulfTerra's general partner. This will provide our partnership with a lower cost of capital, greater accretion from capital projects and a transfer of economic value from our general partner to our limited partners. We plan to distribute some of the accretion associated with this transaction immediately upon completion of the merger. At that time, we plan to increase our annualized cash distribution rate to partners to at least \$1.58 per unit.

Upon completion of the merger, our general partner will be owned 90.1% by affiliates of privately

held Enterprise Products Company, which are controlled by Dan Duncan, and 9.9% by El Paso Corp.

We are looking forward to 2004. Business conditions have improved with the improvement in the overall economy. Significant new sources of deepwater and Rocky Mountain NGL and natural gas production are scheduled to enter our midstream systems during 2004 and 2005. We anticipate completing our merger with GulfTerra during the second half of the year. We are excited to begin the work to reap the value creation opportunities we see in this combination.

#### COMMITMENT TO SUCCESS

We want to recognize the efforts and the dedication of our 1,300 employees and their role in our partnership's success. Our management and employee team's commitment to the success of our partnership is also exemplified by their investment in Enterprise's partnership units.

In the last two years, our senior management team and approximately 36% of our employees have invested approximately \$230 million to purchase Enterprise units. Together, this group currently owns approximately 58% of our limited partner units. Our interests continue to be aligned with those of our public partners.

*We sincerely appreciate your support during 2003 and as we go forward in 2004.*



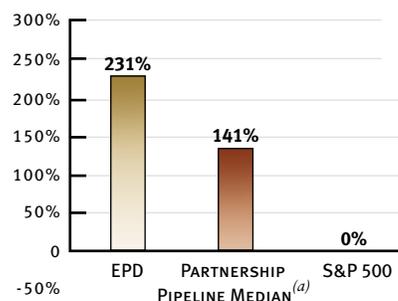
*O.S. Andras*

**(LEFT) O.S. ANDRAS**  
*President and Chief Executive Officer*

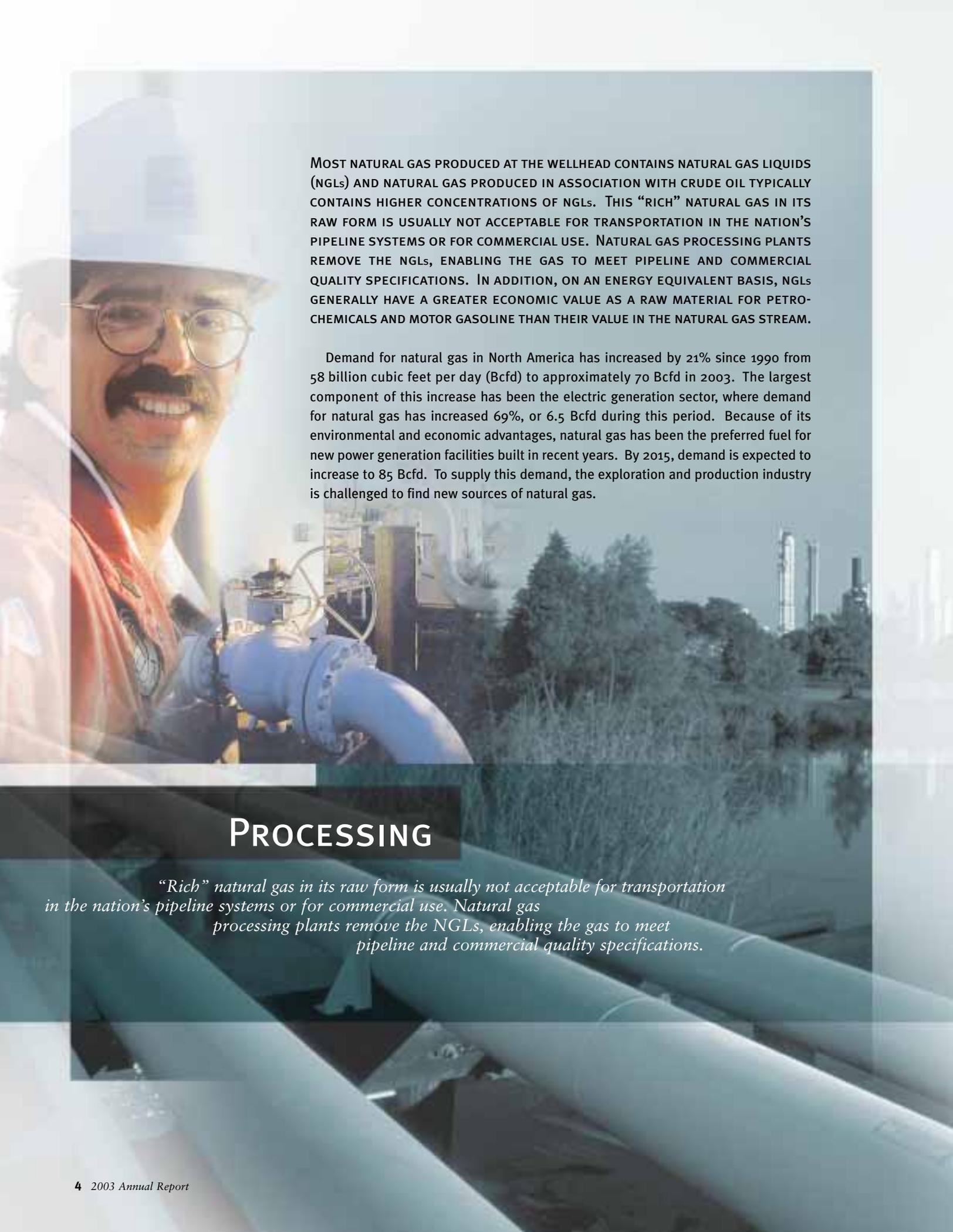
*Dan L. Duncan*

**DAN L. DUNCAN**  
*Chairman*

**TOTAL RETURN SINCE IPO**  
JULY 28, 1998 - DECEMBER 31, 2003



*Note: Assumes quarterly distributions reinvested  
(a) Includes BPL, EEP, EPD, KMP, KPP, NBP, PAA, TPP.*



MOST NATURAL GAS PRODUCED AT THE WELLHEAD CONTAINS NATURAL GAS LIQUIDS (NGLs) AND NATURAL GAS PRODUCED IN ASSOCIATION WITH CRUDE OIL TYPICALLY CONTAINS HIGHER CONCENTRATIONS OF NGLs. THIS “RICH” NATURAL GAS IN ITS RAW FORM IS USUALLY NOT ACCEPTABLE FOR TRANSPORTATION IN THE NATION’S PIPELINE SYSTEMS OR FOR COMMERCIAL USE. NATURAL GAS PROCESSING PLANTS REMOVE THE NGLs, ENABLING THE GAS TO MEET PIPELINE AND COMMERCIAL QUALITY SPECIFICATIONS. IN ADDITION, ON AN ENERGY EQUIVALENT BASIS, NGLs GENERALLY HAVE A GREATER ECONOMIC VALUE AS A RAW MATERIAL FOR PETRO-CHEMICALS AND MOTOR GASOLINE THAN THEIR VALUE IN THE NATURAL GAS STREAM.

Demand for natural gas in North America has increased by 21% since 1990 from 58 billion cubic feet per day (Bcfd) to approximately 70 Bcfd in 2003. The largest component of this increase has been the electric generation sector, where demand for natural gas has increased 69%, or 6.5 Bcfd during this period. Because of its environmental and economic advantages, natural gas has been the preferred fuel for new power generation facilities built in recent years. By 2015, demand is expected to increase to 85 Bcfd. To supply this demand, the exploration and production industry is challenged to find new sources of natural gas.

## PROCESSING

*“Rich” natural gas in its raw form is usually not acceptable for transportation in the nation’s pipeline systems or for commercial use. Natural gas processing plants remove the NGLs, enabling the gas to meet pipeline and commercial quality specifications.*

In the near term, the most viable sources of new supply are the deepwater Gulf of Mexico and the Rocky Mountain regions. The expected new production from these two regions will supply 47% of the increase in demand for natural gas in the U.S. by 2015.

The deepwater Gulf of Mexico is even more strategic to the U.S. in terms of crude oil and condensate production. In 2002, the Gulf accounted for approximately 34% of total U.S. crude and condensate production according to the Department of Energy. Currently, total oil production from the Gulf of Mexico is approximately 1.8 million barrels per day. By 2010, the Gulf is expected to supply 48% of total U.S. oil and condensate production, primarily from the increase in production from deepwater developments.

Natural gas production from the deepwater Gulf of Mexico and the Rocky Mountains, thus far, has generally been rich in NGLs and typically must be processed to meet pipeline quality specifications. Deepwater natural gas production can contain NGLs in excess of 4 gallons per thousand cubic feet (Mcf) versus the more typical 1.0 to 1.5 gallons per Mcf for production from the continental shelf and onshore Gulf Coast.

Most of the natural gas processing facilities on the Gulf Coast were developed by major oil companies as “discretionary” facilities to support their integrated production, petrochemical and refining operations. In the 1990s, many oil companies began divesting their midstream businesses, including these natural gas processing plants, to focus on their core exploration and production activities. Pipeline companies and midstream companies such as Enterprise acquired many of these midstream businesses, and in the process assumed legacy keepwhole processing contracts that in many cases had been previously executed between two divisions of a major oil company. Under these keepwhole contracts, processors take title to the NGLs removed from the natural gas stream and compensate the producer for the amount of energy extracted based on the price of natural gas.

These “discretionary” facilities have now become more of a necessity with the discoveries

of crude oil and associated natural gas in the deepwater Gulf. These plants provide a critical service that enables the production of both the natural gas and the oil. In the past few years, natural gas supply and demand imbalances have caused volatility in the price of natural gas and a trend where its price has increased relative to other forms of energy, including NGLs, for extended periods of time. As a result, the traditional keepwhole arrangements have become economically obsolete and the gas processing industry, including Enterprise, has been restructuring these contracts to eliminate the earnings volatility associated with the relative values of NGLs and natural gas.

Enterprise’s Processing segment includes the partnership’s natural gas processing business and its related NGL marketing activities. Enterprise entered the natural gas processing business in 1999 with the purchase of some of Shell Oil Company’s midstream energy businesses on the Gulf Coast. We currently own interests in twelve natural gas processing plants with a gross processing capacity of 12.4 Bcfd, or a net capacity of 3.5 Bcfd based on Enterprise’s ownership interest. These plants straddle major pipelines that transport unprocessed natural gas from the Gulf of Mexico to onshore pipelines. As part of the transaction, we entered into a twenty-year processing agreement with Shell for the right to process their current and future production from the state and federal waters of the Gulf. This agreement includes life of lease dedications, which are expected to extend the agreement well beyond its twenty-year term.

#### NEPTUNE GAS PROCESSING PLANT

*The capacity of Neptune was expanded by 350 MMcf per day to enable it to process new natural gas deliveries expected to begin in the fourth quarter of 2004 from the Southern Green Canyon area in the deepwater Gulf of Mexico.*



Prior to actions that we began in 2003 to restructure the legacy keepwhole arrangements that we assumed in the acquisition, approximately 70% of the natural gas we processed was under keepwhole contracts. Because of the volatility in the price of natural gas since 2000, these contracts caused large swings in the gross operating margin generated by our gas processing business and have not provided our partnership with either an adequate or consistent return on investment.

We recently completed a program to convert essentially all of our keepwhole contracts to other types of agreements where the producer assumes all or most of the direct commodity price risk between NGLs and natural gas. This includes simple fee-based agreements; fee-based agreements with margin sharing mechanisms; and percent-of-liquids agreements.

Beginning April 1, 2004, approximately 66% of the 2.1 Bcfd of natural gas that we expect to process, or 1.4 Bcfd, will have a fee-based component. This compares to less than 50 million cubic feet per

day (MMcfd) of fee-based processing volumes prior to the restructuring. Approximately 34% of the gas that we currently expect to process, or 700 MMcfd, will be under percent-of-liquids agreements compared to approximately 500 MMcfd previously. Our share of NGLs earned under this type of agreement is expected to be 4.5 MBPD compared to approximately 3.5 MBPD prior to our restructuring efforts.

On an annual basis, we estimate that the total processing revenues from the fees and the value of the NGLs that we retain under percent-of-liquids agreements has increased from approximately \$28 million under our legacy portfolio of contracts to approximately \$62 million based on today's contract mix and expected 2004 activity. In these estimates, the value of the NGLs earned under the percent-of-liquids agreements is based on current NGL prices. Our revenues under these contracts will be affected by the volume of gas delivered to our plants for processing, the NGL-content of the gas and the amount of liquids removed.

#### NATURAL GAS PROCESSING

FACILITY	TOTAL PLANT CAPACITY (Bcfd)	OWNERSHIP AT DEC. 31, 2003 <sup>(1)</sup>	OFFSHORE AREAS/ PIPELINES SERVED	CONNECTIONS TO ONSHORE PIPELINES
Yscloskey, Louisiana	1.85	30.4%	Garden Banks, Viosca Knoll, Tennessee	Tennessee
Toca, Louisiana	1.10	59.9%	SONAT, Viosca Knoll Mississippi Canyon	SONAT
Venice, Louisiana	1.30	13.1%	Mississippi Canyon, Texas Eastern Venice Gathering System	Texas Eastern, Columbia Gulf, Gulf South
North Terrebonne, Louisiana	1.30	31.3%	<b>MANTA RAY</b> , Transco, Garden Banks	Transco
Pascagoula, Mississippi	1.50	40.0%	Destin, Viosca Knoll, Okeanos	Transco, Tennessee, Florida Gas, SONAT, Gulf South
Calumet, Louisiana	1.60	32.4%	<b>MANTA RAY</b> , ANR, Trunkline, Garden Banks	ANR, Trunkline
Neptune, Louisiana	0.65	66.0%	<b>MANTA RAY, NAUTILUS</b>	<b>ACADIAN, CYPRESS</b> , Texas Gas, Tennessee, Gulf South, LIG
Sea Robin, Louisiana	0.90	15.5%	Garden Banks, Sea Robin Pipeline	Henry Hub, Columbia Gulf, SONAT, LRC, Sabine, Gulf South, Texas Gas
Burns Point, Louisiana	0.16	50.0%	Gulf South, Quivera	Gulf South
Blue Water, Louisiana	0.95	7.4%	Blue Water, Garden Banks	Tennessee, Columbia Gulf
Iowa, Louisiana	0.50	2.0%	Texas Eastern	Texas Eastern
Patterson II, Louisiana	0.60	1.9%	Trunkline	Trunkline
<b>TOTAL GROSS CAPACITY</b>	<b>12.41</b>			
<b>TOTAL NET CAPACITY</b> <sup>(2)</sup>	<b>3.49</b>			

ENTERPRISE PIPELINES ARE IN BOLD LETTERS.

<sup>(1)</sup> We own direct consolidated interests in these facilities with the exception of Venice, which is part of our cost-method investment in VESCO.

<sup>(2)</sup> Net gas processing capacity does not necessarily correspond to our ownership interest. It is based on a variety of factors including volumes processed at the facility, ownership interest, contractual arrangements and other factors.

Our plant costs under fee-based and percent-of-liquids agreements are also less than those under keepwhole contracts because the producer bears the cost of the fuel. As a result, under this new portfolio of contracts, we have increased our gross operating margin in periods when natural gas prices are high relative to NGL prices.

We believe these contract conversions will result in Enterprise being fairly compensated for this critical midstream service while providing producers with assurance that their processing agreements are operative regardless of natural gas price. We believe these new agreements will provide our partnership with a more consistent base of revenue and gross operating margin from this business, greatly reduce the direct commodity price risk that previously existed under traditional keepwhole arrangements and provide a more reliable return on our investment.

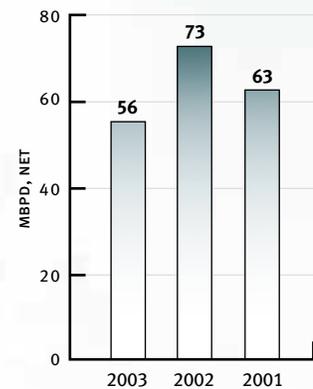
To provide our partnership with the opportunity to earn additional gross operating margin above that provided by the fee-based and percent-of-liquids arrangements and to align our interest with certain producers, some of our contracts provide an ability to participate in margin sharing arrangements. However, these sharing arrangements do not expose our partnership to the risk of cash loss. Approximately 50% of the gas that we expect to process in 2004 is under this type of agreement.

The next large wave of new natural gas production from deepwater discoveries in the central and eastern Gulf is expected to start in the fourth quarter of 2004. Enterprise has executed gas processing and exchange agreements with BP, Unocal and BHP to process their natural gas production from the Southern Green Canyon area of the central Gulf of Mexico. These agreements include life of lease dedications for natural gas produced from the Holstein, Mad Dog and Atlantis developments. BP has publicly indicated that the estimated reserves associated with the Atlantis development have significantly increased based on findings from additional drilling and that Atlantis is now the third largest discovery in the deepwater Gulf.

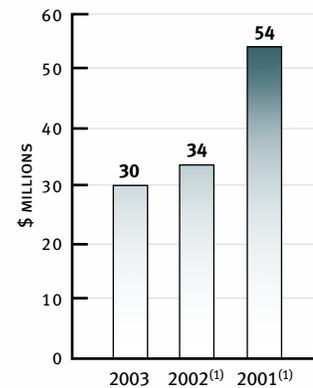
In preparation for this new source of production, we recently completed the expansion of the Neptune gas processing plant from 300 MMcfd to 650 MMcfd. This expansion will enable us to extract an additional 25 MBPD of NGLs.

We also expect increased volumes from new production in the eastern Gulf for our Pascagoula processing plant, which is jointly owned with BP. Production is expected to begin in 2004 from Shell and BP's Na Kika development and in 2005 from BP and ExxonMobil's Thunder Horse development, the largest deepwater discovery to date.

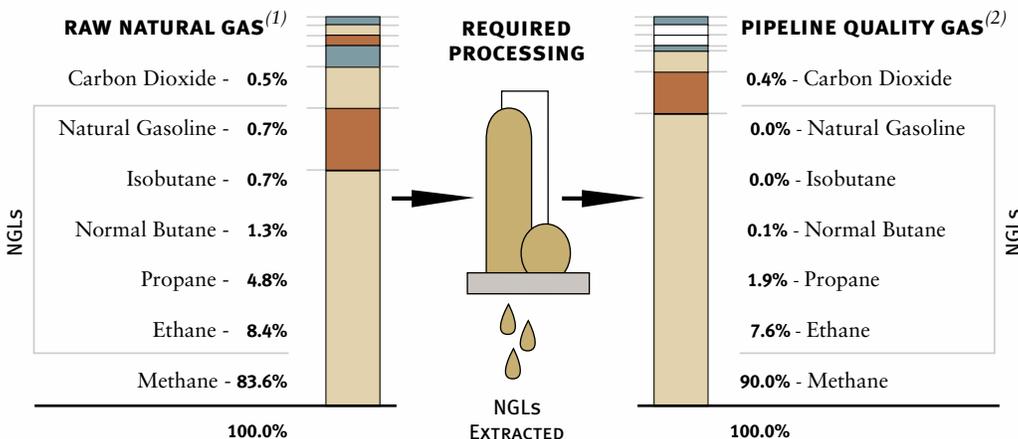
**EQUITY NGL PRODUCTION**  
PROCESSING SEGMENT



**GROSS OPERATING MARGIN**  
PROCESSING SEGMENT



<sup>(1)</sup> Adjusted to exclude a non-recurring loss in 2002 of \$51.3 million, and a non-recurring gain of \$101.3 million in 2001 from commodity hedging activities.



<sup>(1)</sup> Composition of unprocessed natural gas delivered to our Neptune plant.

<sup>(2)</sup> Natural gas quality required by pipelines with 1.050 MMBtu per Mcf specifications.



FRACTIONATION IS THE PROCESS OF SEPARATING MIXED NGLS AND OTHER PETROLEUM LIQUIDS INTO INDIVIDUAL COMPONENTS. THE PROCESS IS ACCOMPLISHED BY APPLYING HEAT TO A MIXTURE OF HYDROCARBONS UNDER PRESSURE AND TAKING ADVANTAGE OF THE DIFFERENT BOILING POINTS FOR EACH COMPONENT OF THE MIXTURE TO ACHIEVE SEPARATION. AS THE TEMPERATURE OF THE MIXTURE IS INCREASED, THE LIGHTEST COMPONENT IS BOILED OFF THE TOP OF THE DISTILLATION TOWER AS A GAS WHERE IT IS THEN CONDENSED INTO A PURITY LIQUID THAT IS ROUTED TO STORAGE OR DISTRIBUTED TO AN END-USER OF THE LIQUID. THE HEAVIER COMPONENTS IN THE MIXTURE AT THE BOTTOM OF THE TOWER ARE ROUTED TO THE NEXT TOWER WHERE THE PROCESS IS REPEATED AND A DIFFERENT COMPONENT IS SEPARATED. THIS PROCESS IS REPEATED UNTIL THE MIXTURE HAS BEEN SEPARATED INTO ALL OF ITS PURITY COMPONENTS.

Enterprise's Fractionation segment includes its NGL Fractionation, Butane Isomerization and Propylene Fractionation businesses. The services that are provided by these businesses are principally fee based.

#### **NGL FRACTIONATION**

NGL fractionation plants separate mixed NGLs, called y-grade or raw make, into its purity components of ethane, propane, normal butane, isobutane and natural gasoline. The three principal sources of mixed NGLs in the United States are domestic natural gas processing plants, petroleum refineries and imports of butane and propane mixtures.

## **FRACTIONATION**

*Fractionation is the process of separating mixed NGLs and other petroleum liquids into individual components. Enterprise's Fractionation segment includes its NGL FRACTIONATION, BUTANE ISOMERIZATION and PROPYLENE FRACTIONATION businesses.*

## NGL FRACTIONATION ASSETS

FACILITY	OWNERSHIP INTEREST AT DECEMBER 31, 2003	CAPACITY (MBPD)	
		GROSS	NET
Mont Belvieu, TX	75.0%	210	158
Promix, LA	33.3%	145	48
Norco, LA	100.0%	75	75
Baton Rouge, LA	32.2%	60	19
Venice, LA <sup>(1)</sup>	13.1%	36	5
Tebone, LA	31.3%	30	9
<b>TOTAL CAPACITY</b>		<b>556</b>	<b>314</b>

<sup>(1)</sup> This NGL fractionator is an integral part of the operations of VESCO, which is a cost method investment accounted for under our Processing segment.

Recoveries of NGLs by natural gas processing plants account for approximately 66% of the total supply of mixed NGLs. Crude oil and condensates also contain NGLs that are removed during the refining process and are either fractionated by the refiners or delivered to third-party NGL fractionators such as those owned by our partnership. This refining process produces approximately 24% of the total supply of mixed NGLs.

The petrochemical industry uses NGL products as raw materials to produce plastics, synthetic fibers and foams, which accounts for approximately 54% of total demand for NGL products. Industrial and residential fuel uses account for almost 29% of total demand. Producers of motor gasoline consume approximately 15% of NGL products to seasonally reduce the cost to produce motor gasoline and to increase octane in motor gasoline.

Enterprise owns interests in six NGL fractionation plants located on the U.S. Gulf Coast. These facilities have a gross processing capacity of 556 MBPD, or a net capacity of 314 MBPD based on our ownership interest. We serve as the operator of five of these facilities. In most of these plants, we own the facility jointly with strategic partners including affiliates of Dow Chemical, ExxonMobil, BP, Williams, Duke Energy, Burlington Resources and Koch Industries.

Our plants are located near the largest consumers of NGL products in the petrochemical



### BUTANE ISOMERIZATION FACILITIES

Enterprise has one of the largest high-purity isobutane isomerization facilities in the United States at its Mont Belvieu complex.



### BP'S POMPANO PLATFORM

BP's Pompano platform is located in 1,500 feet of water in the central Gulf of Mexico. NGLs removed from Pompano's natural gas production are fractionated into their purity products at our Norco fractionator.

and refining industries which are located in Louisiana and Texas. Propane and butane production from our Mont Belvieu fractionator also supply global consumers through our export terminal on the Houston Ship Channel.

During 2003, we expanded the capacity of our Norco NGL fractionator by 40% to 75 MBPD to accommodate an expected increase in volumes of mixed NGLs from existing and new supply sources. Norco, our most profitable NGL fractionator, has access to multiple sources of mixed NGLs from processing facilities in Louisiana, Mississippi and Alabama and from nearby refineries along the Mississippi River. Norco serves a variety of consuming customers through its connection to our extensive network of NGL pipeline and storage facilities. For a relatively small investment, Norco's capacity can be expanded by an additional 20%.

Net NGL fractionation volume for 2003 was 227 MBPD compared to 235 MBPD in 2002. This decrease was primarily due to a decrease in the amount of ethane removed by natural gas processing plants due to periods of lower demand by the ethylene segment of the petrochemical industry and high natural gas prices relative to ethane.

#### BUTANE ISOMERIZATION

Normal butane and isobutane are NGLs that occur naturally from natural gas processing operations and as a by-product in crude oil refining. The supply of normal butane generally exceeds demand, while the demand for isobutane is normally greater than the supply.

Our butane isomerization business provides services to balance the supply and demand of these products by converting normal butane into isobutane, including a high purity grade of isobutane. We have been in the isomerization business since 1981 and own three butane isomerization plants and eight associated deisobutanizers at our Mont Belvieu complex with a combined net production capacity of 116 MBPD of isobutane.

Isobutane is used primarily by the petrochemical industry for the production of propylene oxide, a basic building block for petrochemicals. The annual domestic demand growth for propylene oxide during the past decade has been 1.5 times the growth rate of U.S. gross domestic product. Isobutane is also used to produce additives for motor gasoline that increase octane and lower vapor pressure, such as alkylate, isooctane and MTBE. These additives are combined with motor gasoline to achieve the federal environmental standards for exhaust emissions mandated by the Clean Air Act.

Isomerization volume for 2003 was 77 MBPD versus 84 MBPD in 2002. This decrease was due to reduced demand for isobutane as a feedstock for motor gasoline additives.

We believe the demand for our isomerization services may increase should Congress phase out or eliminate the current requirement for oxygenates, such as MTBE, in motor gasoline as prescribed by the Clean Air Act. Alternatives being considered, including those utilizing ethanol, would require a new source of low vapor pressure, high octane additives to offset the high vapor pressure associated with ethanol and replace the substantial amount of octane that would be lost from the phase-out of MTBE. Alkylate and isooctane are the probable low vapor pressure, octane substitutes. Isobutane is a raw material in both.

#### PROPYLENE FRACTIONATION

Propylene is used in the production of plastic consumer products, pharmaceuticals, detergents and solvents. Total domestic demand for chemical and polymer grade propylene grew by 3.8% annually from 1996 to 2001, and by 5.3% in 2002 according to Chemical Market Associates, Inc. ("CMAI"). In 2004, according to CMAI, demand for propylene is expected to grow by approximately 5.0%, which is a return to its historical rate after a year of nominal demand growth in 2003.

The two primary sources of high purity propylene are from ethylene steam crackers as a by-product of ethylene production and from fractionators that separate propane/propylene mixes produced as a by product of crude oil refining. Projected growth in ethylene steam cracking capacity will not meet the expected demand for propylene. We believe propylene demand growth will be met primarily by fractionating refinery-sourced propane/propylene mixes.

#### BUTANE ISOMERIZATION ASSETS

FACILITY	OWNERSHIP INTEREST AT DECEMBER 31, 2003	CAPACITY (MBPD)
MONT BELVIEU, TX Isom I	100.0%	36
Isom II <sup>(1)</sup>	100.0%	36
Isom III	100.0%	44
<b>TOTAL CAPACITY</b>		<b>116</b>

<sup>(1)</sup> Enterprise leases the economic interest that it does not own.

## PROPYLENE FRACTIONATION ASSETS

FACILITY	OWNERSHIP INTEREST AT DECEMBER 31, 2003	CAPACITY (MBPD)	
		GROSS	NET
MONT BELVIEU, TX			
Polymer-grade			
Splitter I	54.6% <sup>(1)</sup>	17	17
Splitter II	100.0%	14	14
Splitter III	66.7%	41	27
BATON ROUGE, LA			
Chemical grade	30.0%	23	7
<b>TOTAL CAPACITY</b>		<b>95</b>	<b>65</b>

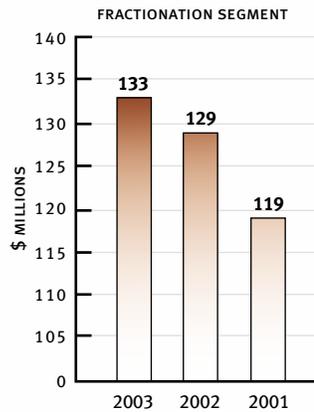
<sup>(1)</sup> Enterprise leases the remaining 45.4% interest in this facility from an affiliate of Shell.

Enterprise has been in the propylene fractionation business since 1978. We have ownership interests in four propylene fractionation plants that are connected to an extensive network of pipeline, storage and import/export facilities, providing our customers with operational flexibility. Three of these plants are located in Mont Belvieu and have a combined net capacity to produce 58 MBPD of high purity, or polymer-grade, propylene. Polymer grade propylene is at least 99.5% pure propylene and is produced by fractionating refinery grade propylene, which is a propane/propylene mix that is 50% to 75% pure propylene or chemical grade propylene, which is approximately 92% pure propylene. The primary impurities in refinery and chemical grade propylene are propane and butanes.

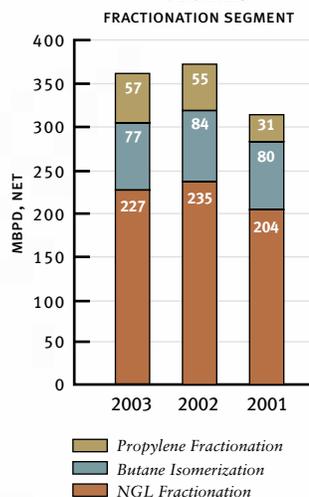
Enterprise also operates and owns a 30% interest in a chemical grade propylene fractionator in a joint project with ExxonMobil Chemical. This facility is located near Baton Rouge, Louisiana and has a gross capacity to produce 23 MBPD of chemical grade propylene.

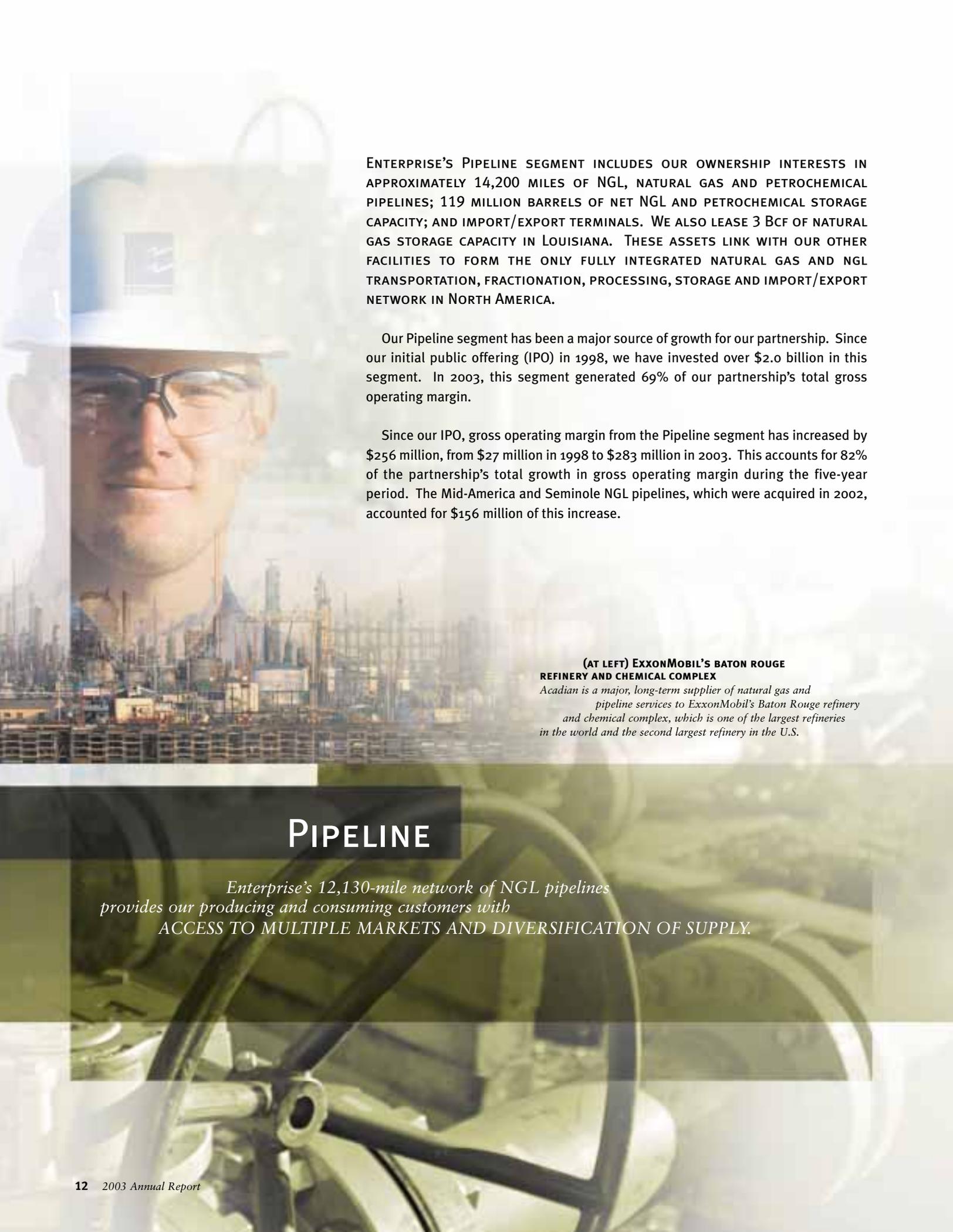
In 2003, propylene fractionation volumes totaled 57 MBPD compared to 55 MBPD in 2002.

## GROSS OPERATING MARGIN



## VOLUMES





ENTERPRISE'S PIPELINE SEGMENT INCLUDES OUR OWNERSHIP INTERESTS IN APPROXIMATELY 14,200 MILES OF NGL, NATURAL GAS AND PETROCHEMICAL PIPELINES; 119 MILLION BARRELS OF NET NGL AND PETROCHEMICAL STORAGE CAPACITY; AND IMPORT/EXPORT TERMINALS. WE ALSO LEASE 3 BCF OF NATURAL GAS STORAGE CAPACITY IN LOUISIANA. THESE ASSETS LINK WITH OUR OTHER FACILITIES TO FORM THE ONLY FULLY INTEGRATED NATURAL GAS AND NGL TRANSPORTATION, FRACTIONATION, PROCESSING, STORAGE AND IMPORT/EXPORT NETWORK IN NORTH AMERICA.

Our Pipeline segment has been a major source of growth for our partnership. Since our initial public offering (IPO) in 1998, we have invested over \$2.0 billion in this segment. In 2003, this segment generated 69% of our partnership's total gross operating margin.

Since our IPO, gross operating margin from the Pipeline segment has increased by \$256 million, from \$27 million in 1998 to \$283 million in 2003. This accounts for 82% of the partnership's total growth in gross operating margin during the five-year period. The Mid-America and Seminole NGL pipelines, which were acquired in 2002, accounted for \$156 million of this increase.

**(AT LEFT) EXXONMOBIL'S BATON ROUGE  
REFINERY AND CHEMICAL COMPLEX**

*Acadian is a major, long-term supplier of natural gas and pipeline services to ExxonMobil's Baton Rouge refinery and chemical complex, which is one of the largest refineries in the world and the second largest refinery in the U.S.*

## PIPELINE

*Enterprise's 12,130-mile network of NGL pipelines provides our producing and consuming customers with*  
**ACCESS TO MULTIPLE MARKETS AND DIVERSIFICATION OF SUPPLY.**

Gross operating margin for the Pipeline segment increased to \$283 million in 2003 compared to \$215 million in 2002. Approximately \$75 million of the increase was due to our owning the Mid-America and Seminole pipelines for the entire year in 2003 versus five months in 2002. While the Mid-America and Seminole pipelines accounted for \$156 million of the Pipeline segment's total gross operating margin, these pipelines were negatively impacted by poor ethane processing economics for processors in Southwest Wyoming due to the combination of weak demand for ethane by the ethylene industry and high natural gas prices relative to ethane.

Pipeline segment volumes were 1,615 MBPD in 2003 compared to 1,668 MBPD in 2002, on an energy-equivalent basis. Transportation volumes on the Mid-America and Seminole pipelines decreased by 69 MBPD, or 8%, due to a decrease in the amount of ethane extracted from the Southwest Wyoming region.

### NGL PIPELINES AND STORAGE

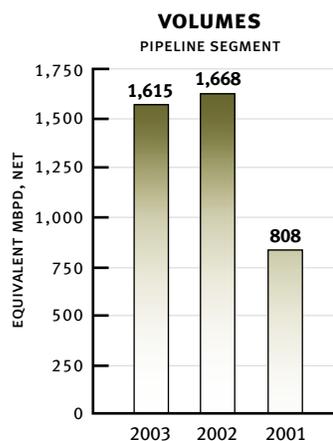
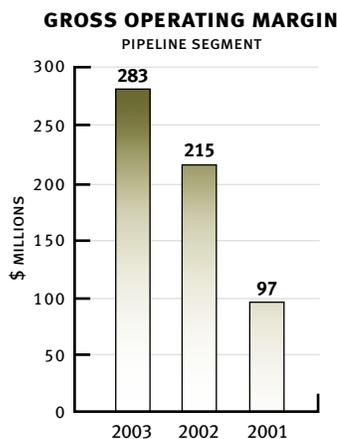
Enterprise's 12,130-mile network of NGL pipelines provides our producing and consuming customers with access to multiple markets and diversification of supply. These pipelines traverse twenty states and link the major supply and consuming regions. Our storage assets, which include 56 underground storage caverns located in seven states with a net storage capacity of approximately 119 million barrels, complement our pipeline assets and provide our customers with additional value-added services.

Our largest NGL pipeline assets are the Mid-America and Seminole pipeline systems. The Mid-America pipeline consists of three systems. The Rocky Mountain system transports mixed NGLs produced from over 20 natural gas processing plants in Wyoming, Utah, Colorado and New Mexico to the Seminole pipeline in West Texas. The Conway North segment links the large NGL market hub in Conway, Kansas with petrochemical and refining customers and propane markets in the upper Midwest. The Conway South system connects the Conway hub with refineries in Kansas and transports mixed NGLs from Conway and processing plants in the

Mid-Continent to the Seminole pipeline in West Texas. Enterprise owns a 98% interest in the Mid-America pipeline system.

The Seminole pipeline system transports mixed NGLs and NGL products received from the Mid-America pipeline in West Texas and from pipelines and processing plants in the Permian Basin to the large NGL markets at Mont Belvieu and on the Texas Gulf Coast. Enterprise owns an effective 78.4% ownership interest in the Seminole pipeline system.

To maximize the incremental transportation margin on these pipelines during periods of poor ethane processing economics in Southwest Wyoming, we developed an incentive tariff structure that was implemented in February 2004. This incentive tariff is designed to encourage natural gas processors to increase the amount of ethane extracted and shipped on our pipelines.



## NATURAL GAS PIPELINES

FACILITY	LENGTH IN MILES	OWNERSHIP INTEREST
<b>ACADIAN GAS SYSTEM:</b>		
Cypress	577	100.0%
Acadian	438	100.0%
Evangeline	27	49.5%
<b>TOTAL ACADIAN GAS SYSTEM</b>	<b>1,042</b>	
Stingray	379	50.0%
VESCO <sup>(1)</sup>	260	13.1%
Manta Ray	235	25.7%
Nautilus	101	25.7%
Nemo	24	33.9%
<b>TOTAL NATURAL GAS PIPELINES</b>	<b>2,041</b>	

<sup>(1)</sup> The VESCO gas gathering pipelines are an integral part of the natural gas processing activities of VESCO. These pipelines are accounted for under our cost method investment in VESCO, which is part of our Processing segment.

## NGL AND PETROCHEMICAL PIPELINES

	LENGTH IN MILES	OWNERSHIP INTEREST
Mid-America Pipeline System	7,226	98.0%
Dixie	1,301	19.9%
Seminole	1,281	78.4%
Louisiana Pipeline System	655	Various
Promix <sup>(1)</sup>	410	33.3%
Lou-Tex Propylene	291	100.0%
Lou-Tex NGL	206	100.0%
HSC	175	100.0%
Tri-States	169	50.0%
Churchula	143	100.0%
Lake Charles/Bayport	87	50.0%
Port Neches	70	100.0%
Belle Rose	48	41.7%
Wilprise	30	74.7%
Sabine Propylene	21	100.0%
La Porte <sup>(2)</sup>	17	50.0%
<b>TOTAL NGL AND PETROCHEMICAL PIPELINES</b>	<b>12,130</b>	

<sup>(1)</sup> The Promix gathering pipeline is an integral component of the NGL fractionation activities of Promix. The assets and equity earnings are included in the Fractionation segment.

<sup>(2)</sup> The La Porte pipeline is an integral component of the propylene fractionation activities of Splitter III and is included in our Fractionation segment.

The incentive tariff automatically adjusts the rates we charge to shippers on a daily basis depending on processing economics, our current tariff and incremental transportation costs.

Another initiative we implemented on the Mid-America pipeline system in time for the 2003/2004 winter season was the Propane Assurance Program. This program was designed to avoid instances of propane supply shortages during periods of peak demand such as that experienced during a three-week period in the first quarter of 2003 when the large NGL market hub at Conway, Kansas had limited or no supplies of propane available for delivery to the Midwest.

During this time, our Mid-America pipeline, which is one of the largest supply sources of propane for the states of Minnesota and Iowa, had demand to deliver over 100 MBPD of propane; however, due to the industry's limited supplies, only 24 MBPD to 48 MBPD were available and for four days no supplies were available, which created an emergency situation for consumers in these states.

The Propane Assurance Program should eliminate propane supply constraints in the Conway market hub and provide continuous, on-demand service for our customers. The program eliminates the shipper's traditional price risk and allows the shipper to take immediate delivery of propane during times of peak demand. It also enhances the assurance of supply for the ultimate consuming customers in the upper Midwest. This should result in greater transportation volumes on the Mid-America system by reducing the risk of supply shortages and should provide our partnership with an attractive return on investment. During the first winter season with this program in effect, we experienced no shortages of propane available for delivery to the Midwest.

Beginning in 2004, we expect new sources of NGL supplies to feed our Mid-America pipeline such as the expansion of a natural gas processing plant in Opal, Wyoming and from new gas plant connections in the Piceance Basin in Colorado. Initially, we expect approximately 10 MBPD of incremental supply of NGLs in 2004, potentially increasing to 40 MBPD to 50 MBPD in 2005.

Our Lou-Tex NGL pipeline is another important pipeline that provides value-added services to producers and consumers of NGLs on the U.S. Gulf Coast. Prior to the development of the Lou-Tex NGL pipeline, NGL producers in Louisiana could access only 20% of the capacity to produce ethylene in the United States. Ethylene producers are the single largest consumer of NGLs. Through utilization of the Lou-Tex NGL pipeline, NGL producers in Louisiana now can reach over 90% of the ethylene production capacity in the United States.

#### NGL AND PETROCHEMICAL STORAGE ASSETS

	PRACTICAL CAPACITY, (MMBbls)	OWNERSHIP OF PRACTICAL CAPACITY, (MMBbls)
Texas	94.1	93.8
Louisiana	32.5	14.3
Mississippi	12.0	9.5
Iowa	0.5	0.5
Nebraska	0.3	0.3
Oklahoma	0.1	0.1
<b>TOTAL NGL AND PETROCHEMICAL STORAGE CAPACITY</b>	<b>139.5</b>	<b>118.5</b>



#### ACADIAN GAS INTERCONNECT

*Acadian will increase its natural gas deliveries to the Baton Rouge market with the completion of its interconnect near the Mississippi River.*

In 2003, we completed a number of smaller acquisitions totaling \$55 million to increase our ownership in key assets or to extend our system. We acquired the remaining 50% interest in our NGL export terminal. This fully refrigerated, world-scale terminal on the Houston Ship Channel has the highest loading rates of any NGL export terminal in the United States. This export facility is connected through company-owned pipelines to our fractionation and storage complex in Mont Belvieu, Texas.

We believe our NGL pipelines, storage facilities and import/export terminals will benefit from expected increases in NGL production from the Rocky Mountains and deepwater developments in the Gulf of Mexico, and NGL demand growth from the petrochemical and motor gasoline industries.

#### **NATURAL GAS PIPELINES**

Enterprise entered the natural gas pipeline business in 2001 with the acquisitions of Acadian Gas, LLC and ownership interests in five pipelines in the Gulf of Mexico. We believe these pipelines have attractive organic growth prospects due to the expected long-term increase in natural gas demand for industrial and power generation uses and the projected increase in natural gas produced from new deepwater Gulf of Mexico discoveries.

Acadian Gas is an intrastate pipeline system in Louisiana with over 1.0 Bcf per day of aggregate capacity. The system links natural gas supplies from the Gulf of Mexico through connections with offshore pipelines and onshore production to industrial, electric and local gas distribution customers located in the Baton Rouge-New Orleans-Mississippi River corridor.

Acadian has connections to approximately 150 end-use customers in Louisiana, including Entergy, ExxonMobil's large petrochemical and refining complex in Baton Rouge and Louisiana State University. In addition, the Acadian system

interconnects with twelve interstate pipelines, four intrastate pipelines and the large natural gas market hubs at the Henry Hub and Neptune Hub.

The five Gulf of Mexico pipelines in which we own equity interests transport natural gas production from developments in the deepwater and continental shelf areas of the Gulf of Mexico to onshore pipeline and processing facilities. These assets are well positioned to benefit from increases in production from the deepwater developments in the central and western Gulf.

Enterprise and its joint venture partners, Shell and Marathon, have executed agreements to provide transportation services to BP, BHP Billiton and Unocal for their share of natural gas production from the Southern Green Canyon area of the central Gulf of Mexico. The first of these developments is expected to begin production in 2004.

Late in 2003, the Stingray and Triton natural gas pipelines, which are jointly owned with Shell, began transporting deepwater gas production in the western Gulf of Mexico from Kerr McGee's Gunnison development. Stingray and Triton are currently transporting 130 MMcf of natural gas from Gunnison and have the capacity to transport up to 275 MMcf from Gunnison, as well as future developments in the area that would tie back to Gunnison.



#### **SEMINOLE PIPELINE**

*Our largest NGL pipeline assets are the Mid-America and Seminole pipeline systems. Seminole transports NGLs removed from natural gas production in the Rockies, San Juan and Permian basins, Mid-Continent region and Canada to our Mont Belvieu complex via its connection with Mid-America pipeline.*