



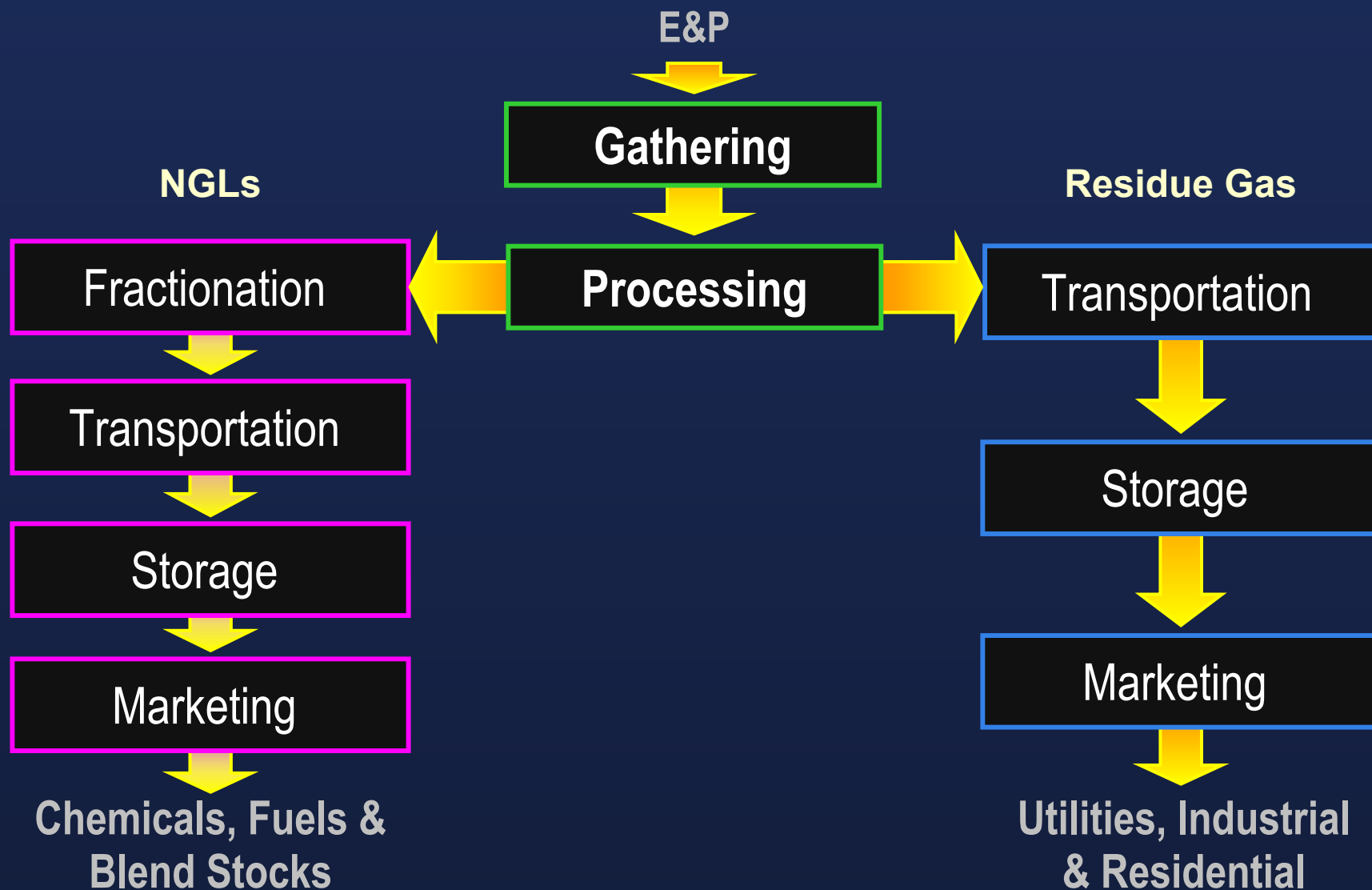
Monthly Chat

Field Services

Jim Mogg
Chairman, President and CEO

March 2003

Natural Gas Midstream Activities



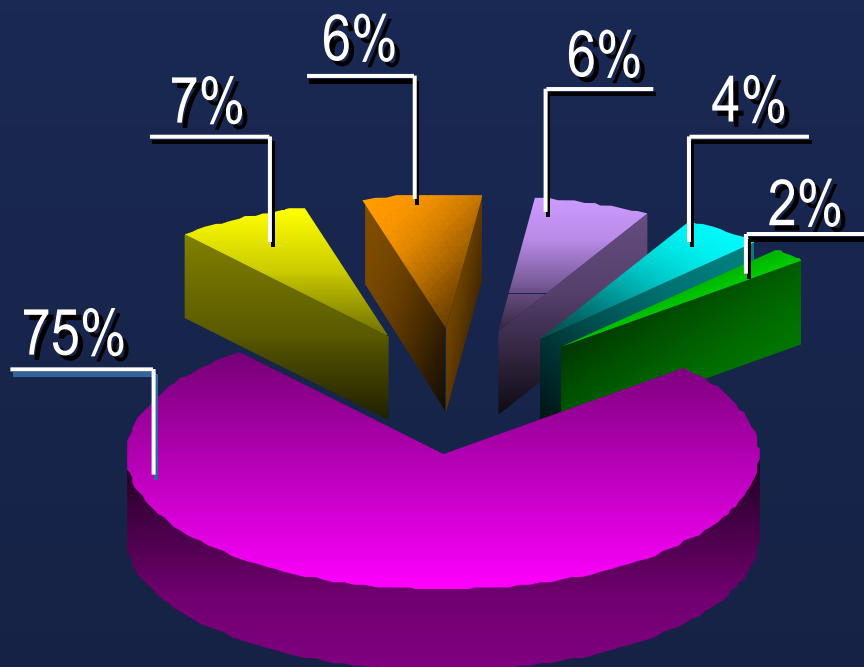
Leading Industry Position



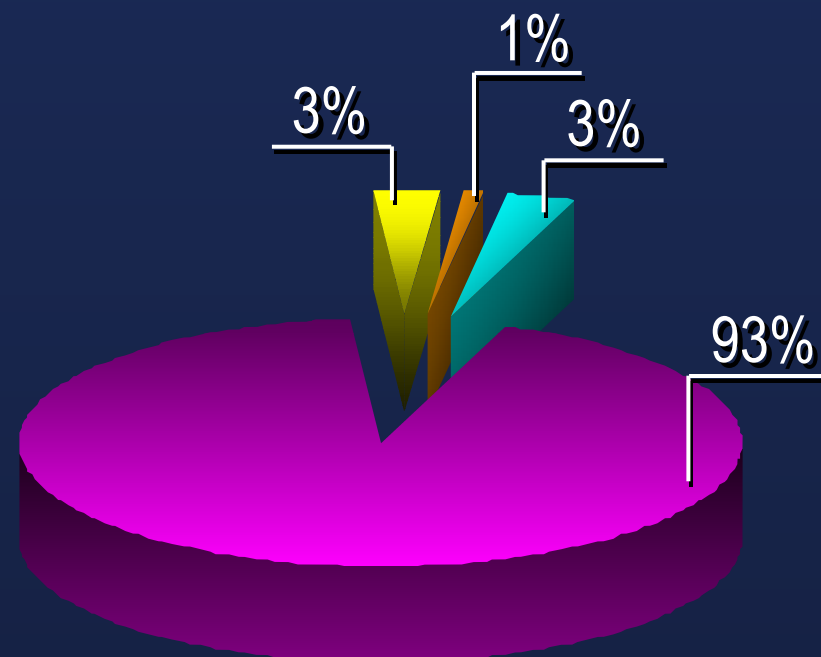
Source: Gas Processors Report - November 18, 2002

“Must Run” Industry

Wellhead



Pipeline Quality

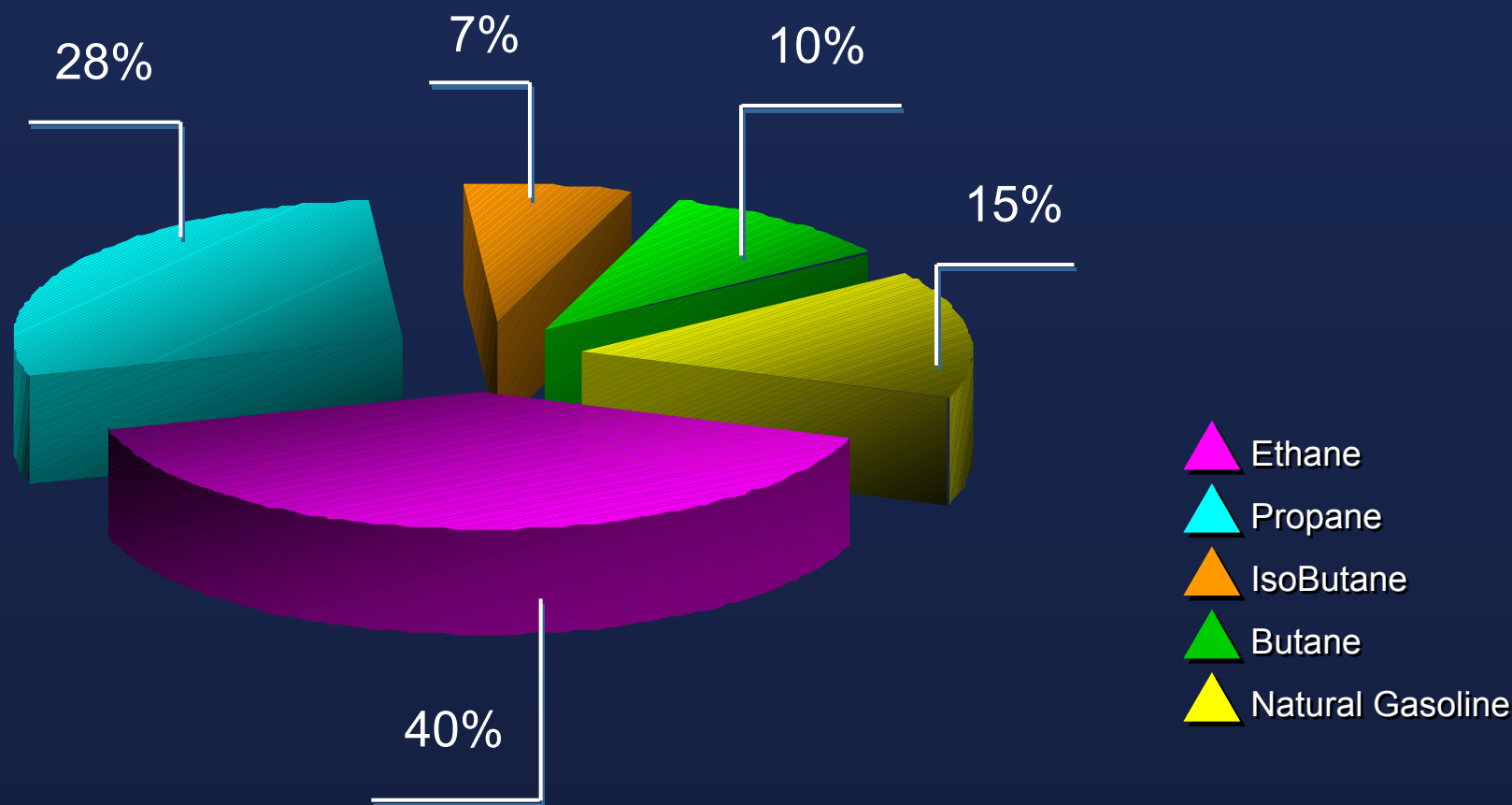


- ▲ Methane
- ▲ Ethane
- ▲ Propane

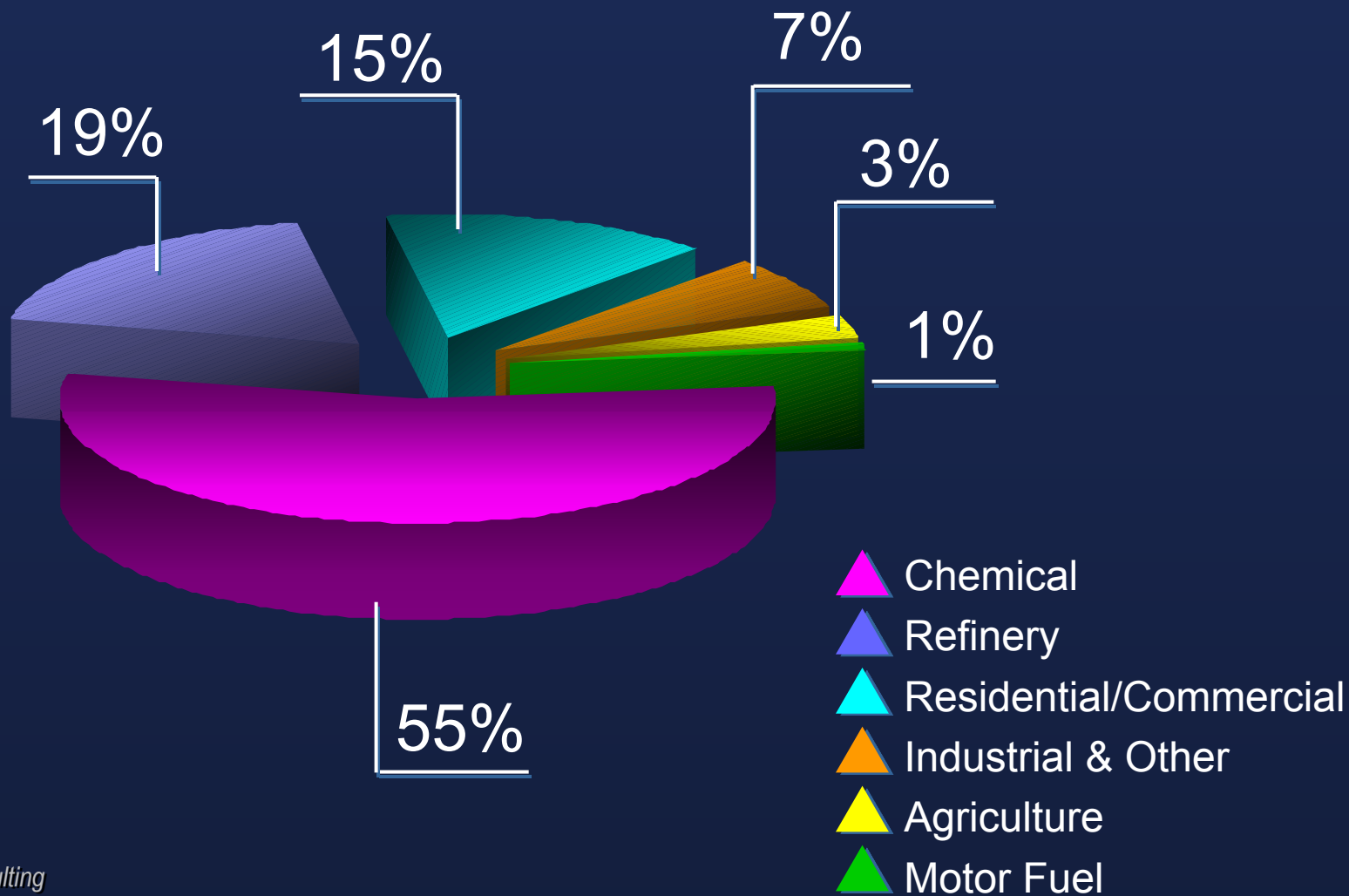
- ▲ Heavier NGLS
- ▲ Carbon Dioxide & Nitrogen
- ▲ Hydrogen Sulfide

Source: Merrill Lynch Estimate

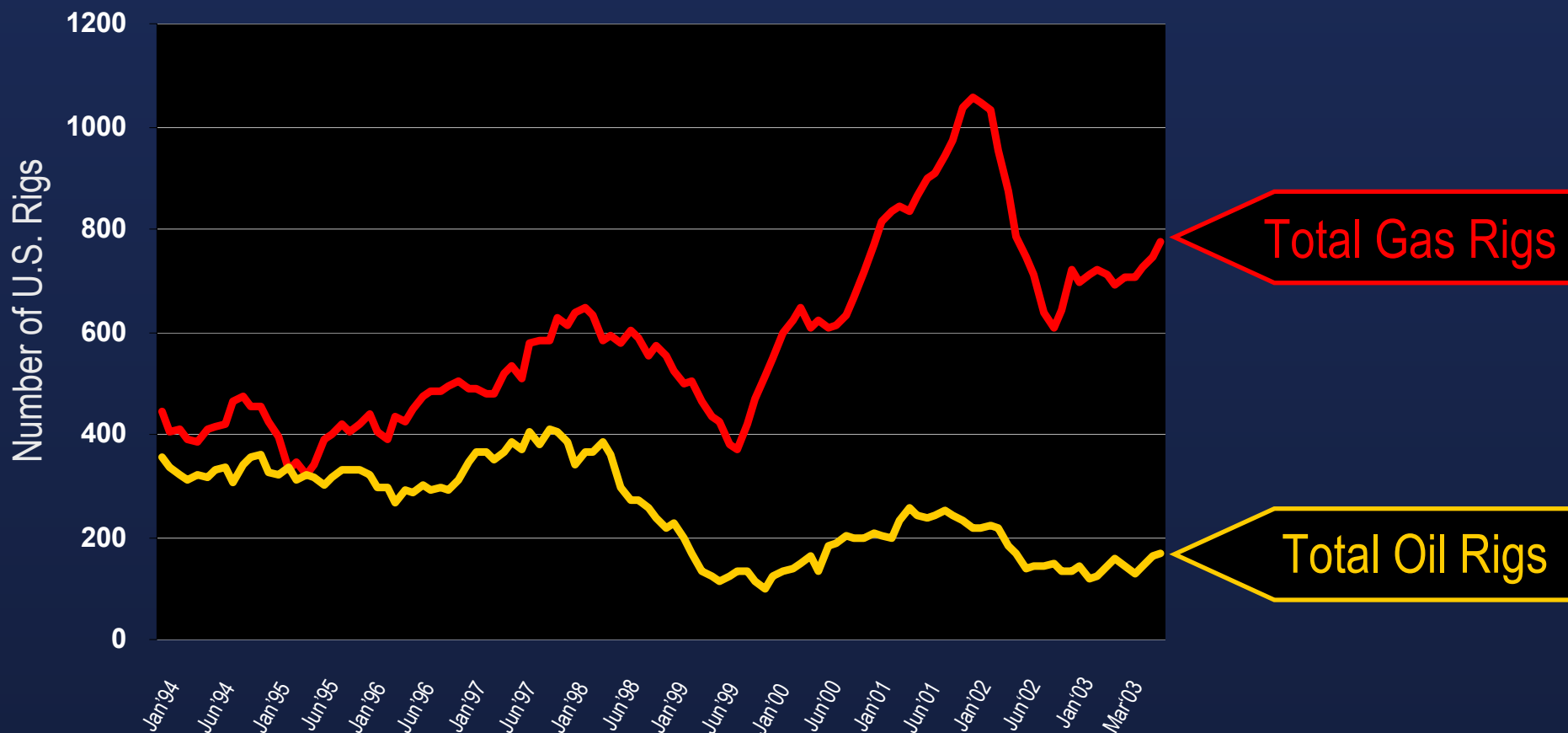
A Typical NGL Barrel



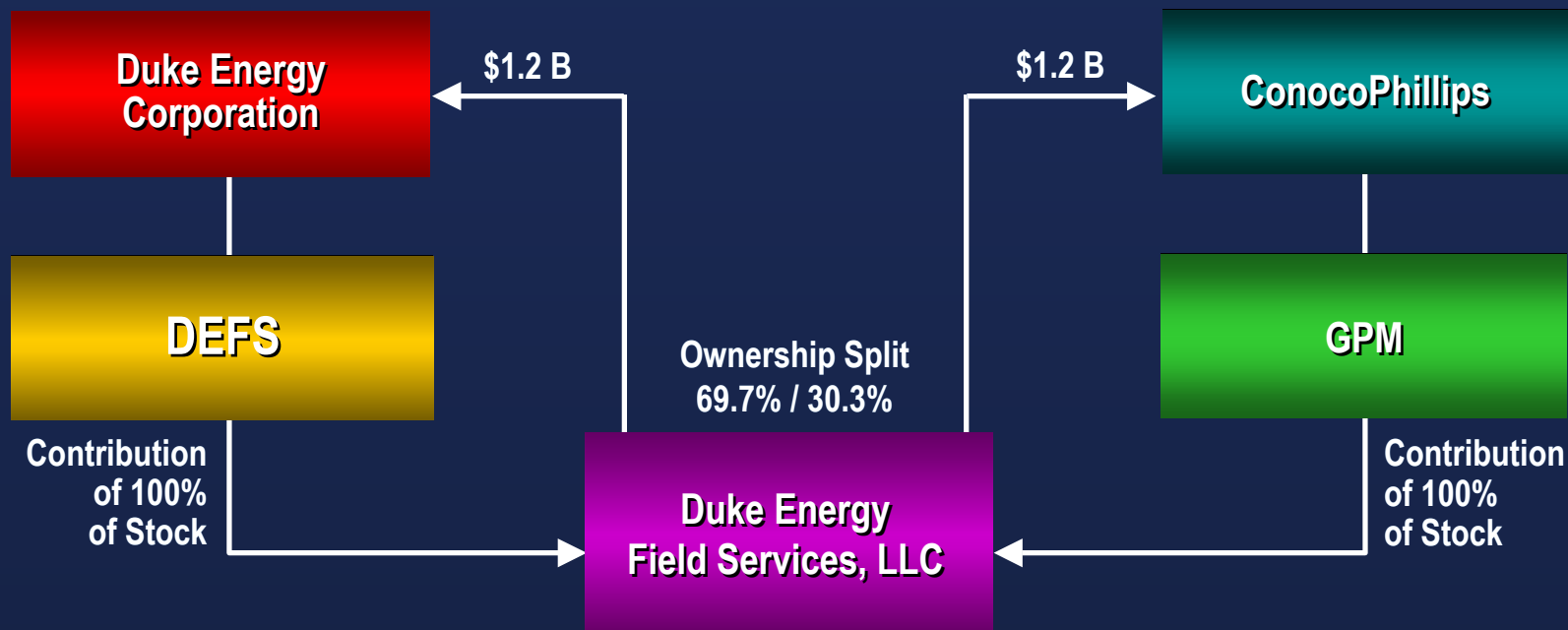
NGL Demand by End-Use



U.S. Rig Count



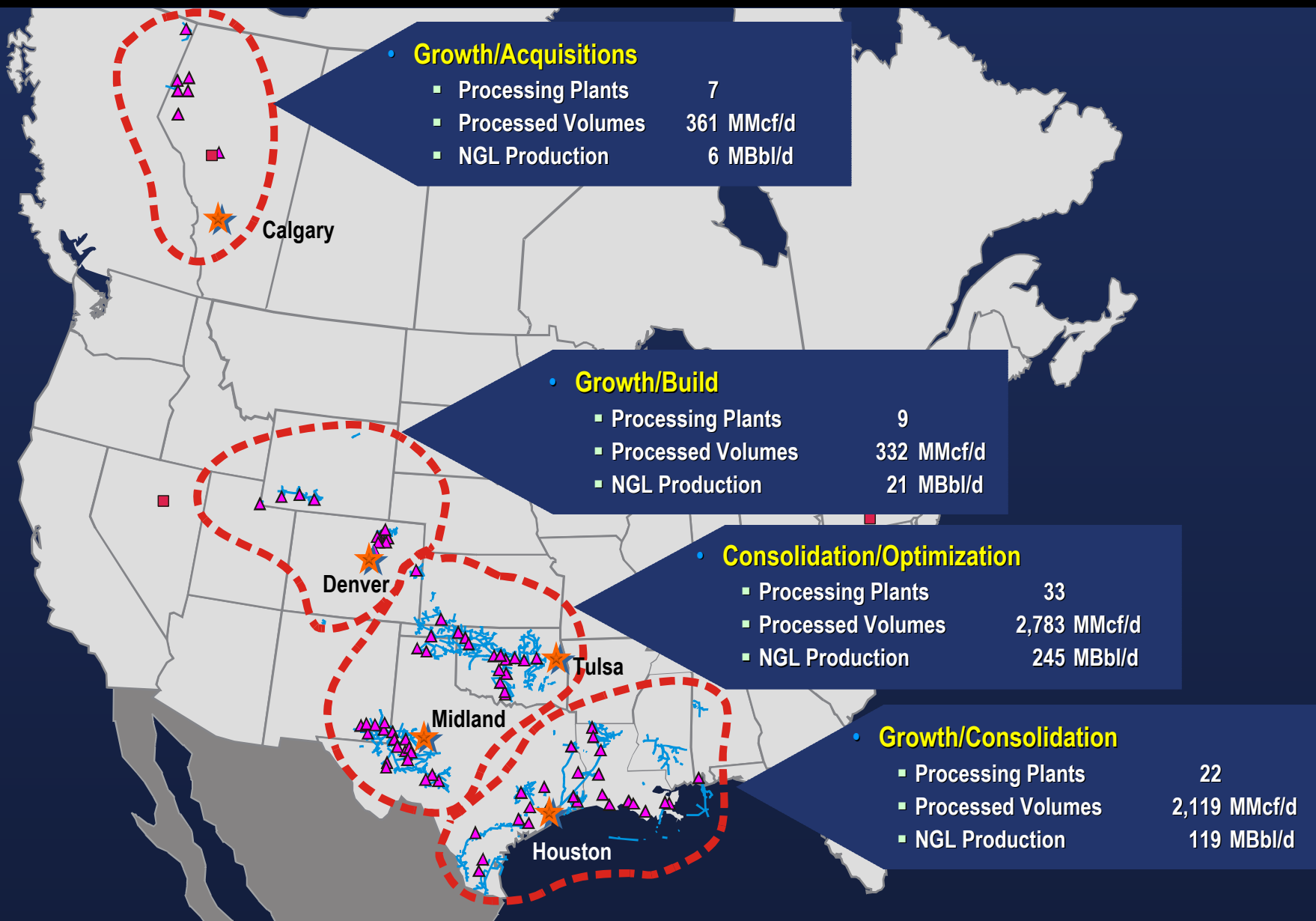
Structure Overview



Long-Term Debt BBB/Baa2 Stable:	\$600 MM	7.5%	notes due 2005*
	\$300 MM	5.75%	notes due 2006
	\$800 MM	7.875%	notes due 2010
	\$250 MM	6.875%	notes due 2011
	\$300 MM	8.125%	notes due 2030

* \$250 MM swapped to floating in September, 2001

Strategically Located



Growth/Acquisitions

- Processing Plants 7
- Processed Volumes 361 MMcf/d
- NGL Production 6 MBbl/d

Growth/Build

- Processing Plants 9
- Processed Volumes 332 MMcf/d
- NGL Production 21 MBbl/d

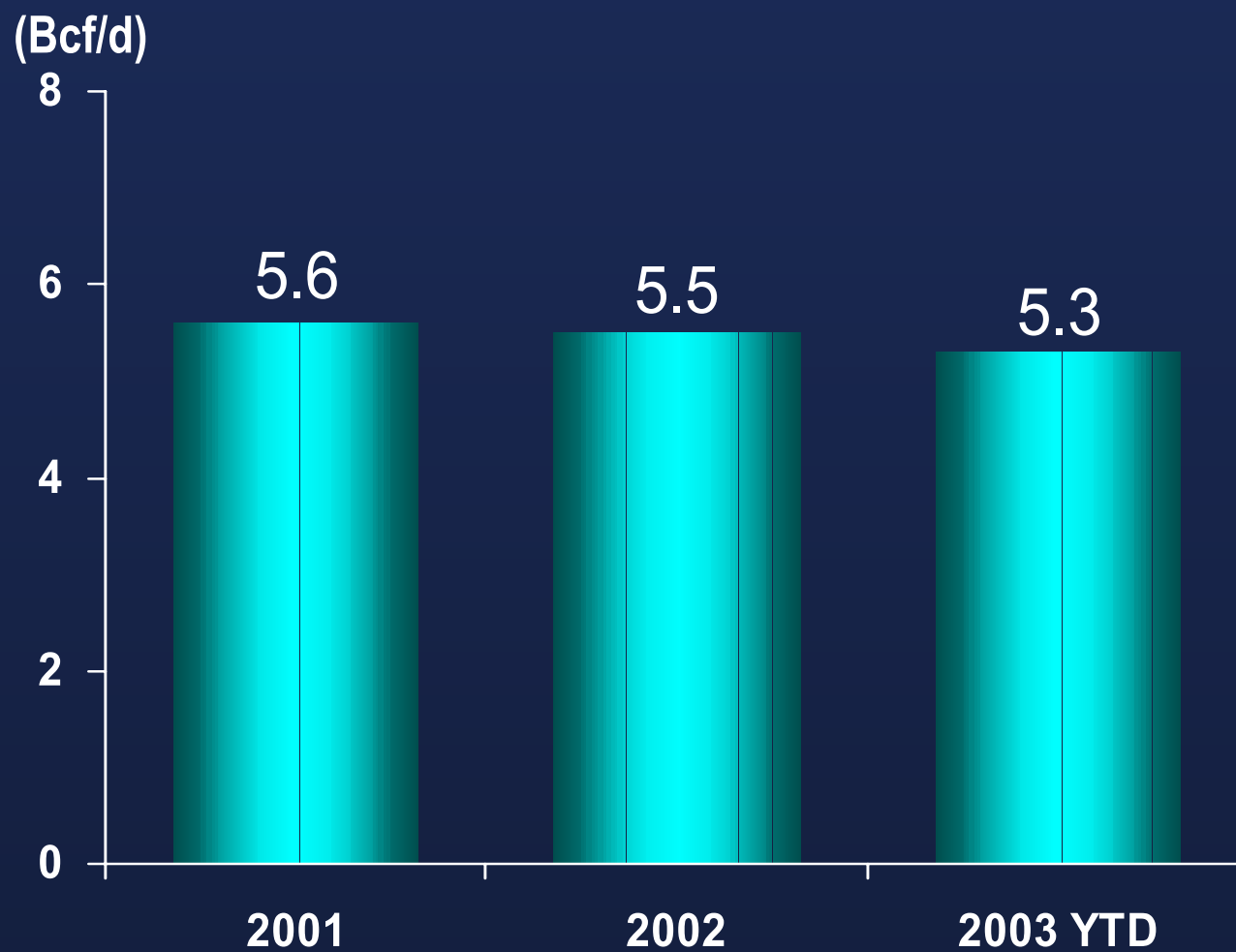
Consolidation/Optimization

- Processing Plants 33
- Processed Volumes 2,783 MMcf/d
- NGL Production 245 MBbl/d

Growth/Consolidation

- Processing Plants 22
- Processed Volumes 2,119 MMcf/d
- NGL Production 119 MBbl/d

Plant Inlet Volumes



EBITDA



* Excludes \$93MM of charges for accounting adjustments and asset impairments.

Commodity Exposure

2002 Margin



2003 Annual Unhedged Price Sensitivity

EBIT

NGLs	$\pm\$0.01 = \pm\25MM
Natural Gas	$\pm\$0.10 = \pm\5MM

1Q '02 vs 1Q '03 Prices

	1Q '02	Jan - Feb 2003	Mar 2003
NGL (\$/gal)	\$ 0.31	\$ 0.59	\$ 0.59
Crude Oil Equivalent (\$/Bbl)	\$ 18.34	\$ 34.90	\$ 34.90
Correlation	60%	72%	73%
Crude Oil Actual (\$/Bbl)	\$ 21.64	\$ 34.22	\$ 34.26
Frac Spread (\$/MMBtu)	\$ 1.19	\$ 1.58	(\$ 2.12)
Natural Gas (\$/MMBtu)	\$ 2.32	\$ 5.32	\$ 9.13

Operational Flexibility to Manage Spikes in Natural Gas Prices



- Ethane rejection (15% reduction in total NGL Bbls)
- Keep-whole contract provisions (approx. 300 MMcf/d reverts to minimum fee)
- Buy/Sell PBR to manage frac spread (3/1/03 spread = (\$2.12); daily 3/03 spread = \$1.14)
- Gas price sensitivity during extremely low frac spreads is essentially eliminated

Accomplishments and Focus

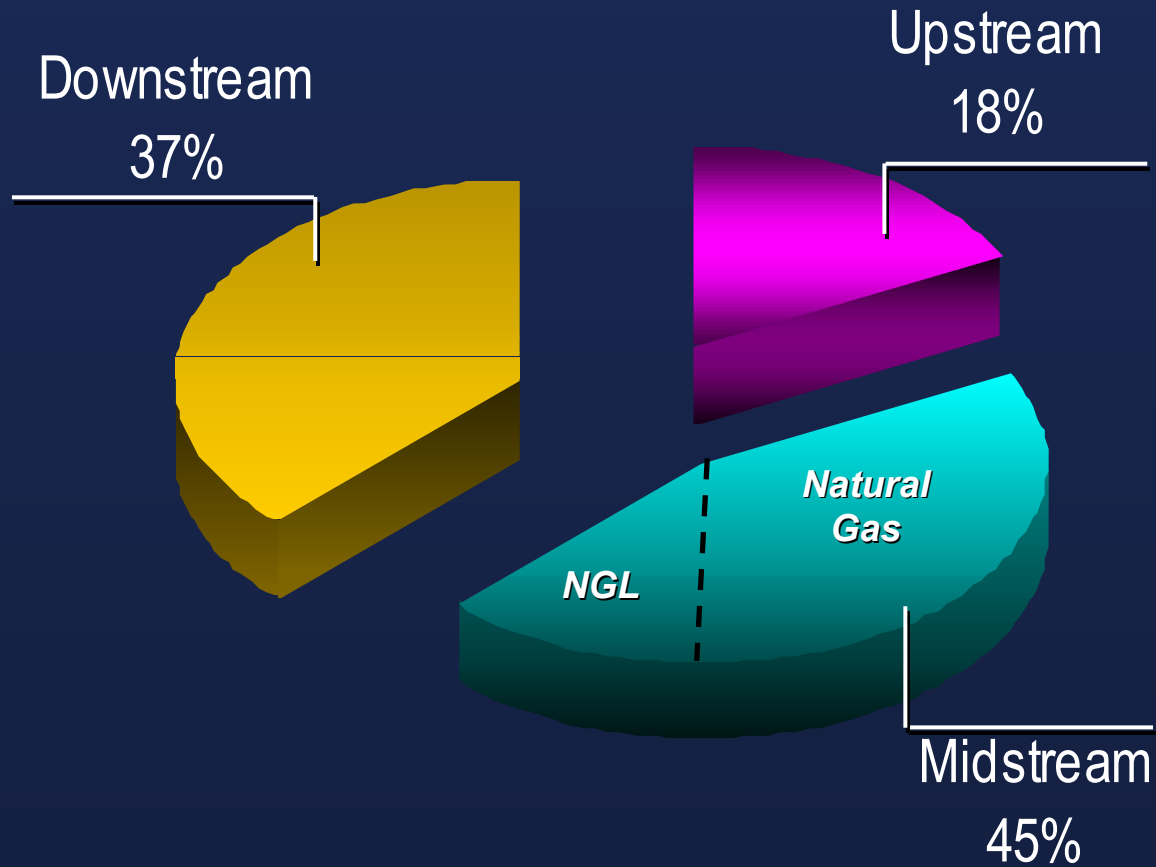
- Financial “House in Order”
 - Clean audit opinion
 - Reconciled balance sheet/imbalances
- EBIT Improvements
 - Contract yield/commercial efficiency
 - Labor/other cost savings (headcount from 3,091 to 2,930)
 - Asset rationalization
 - Reliability focus
- Safety Improvements (2.4 RIR in 2002 vs 1.2 RIR in Jan - Feb 2003)

Short-Term Financing Overview

Revolver: Up to \$350 million 364-Day Senior Unsecured Revolving Credit Facility with a 1-year Term-Out option

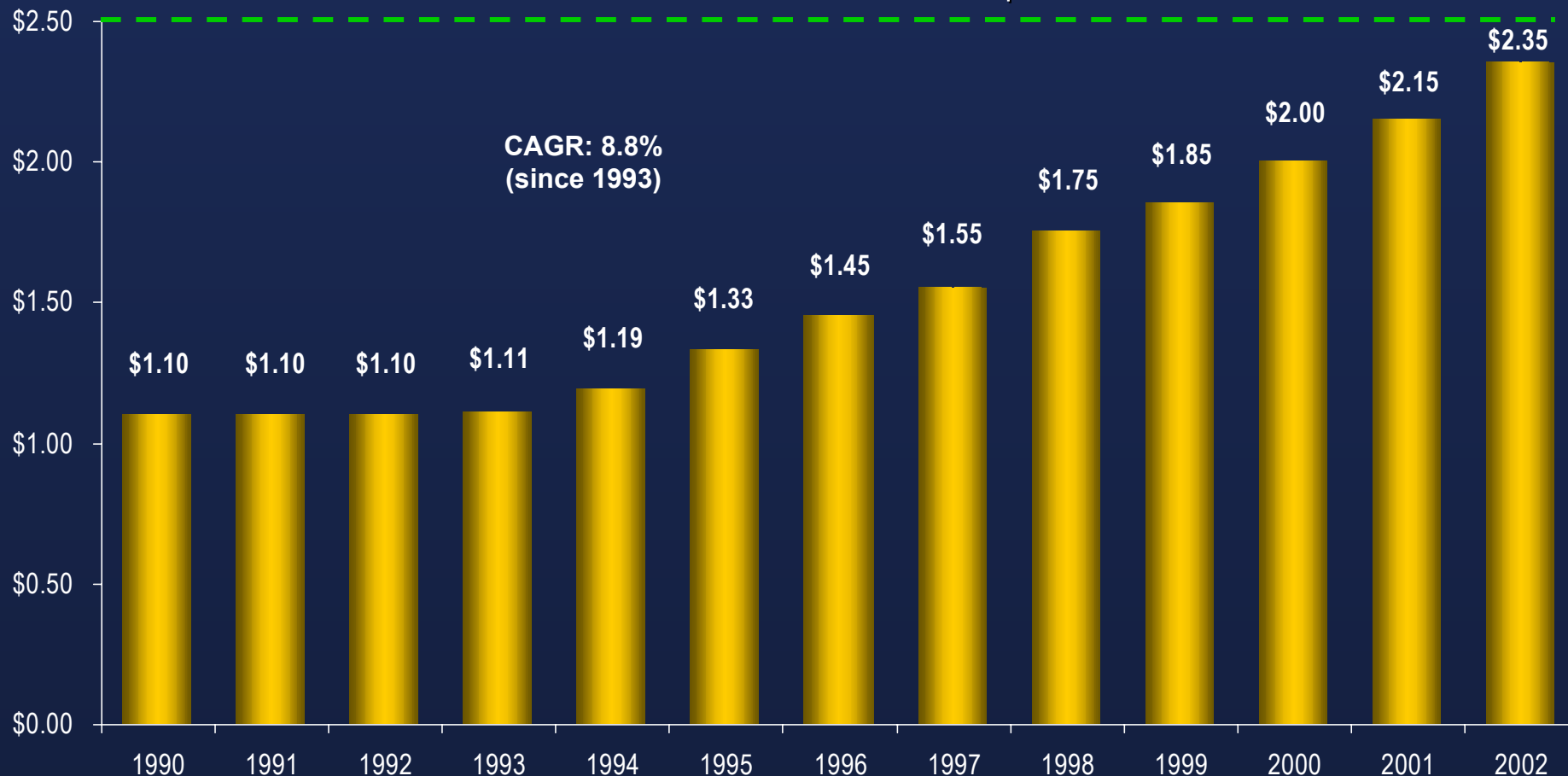
Term Loan: \$100 million 6-month Unsecured Funded Loan

EBITDA Contribution by Segment – 2003E



Distributions have shown steady growth

Current Annual Distribution at \$2.50 / unit



Note: 1990 indicative of full year distribution.

TEPPCO Distribution To GP



* Current quarterly cash distribution rate annualized

DEFS Strategy

- Capitalize on size and focus of our existing operations
- Grow TEPPCO
- Be a top-3 player in every producing region we have assets
- Optimize / rationalize the asset base
- Focus on operational excellence
- Maintain our strong financial position / self-funding status