

Dynegy Midstream Services, Limited Partnership
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DYNEGY

September 16, 2002

Ms. Sarah Edman
Senior Vice President, Natural Gas Liquids
ConocoPhillips
600 N. Dairy Ashford
Houston, Texas 77079-1175

Dear Sarah:

It is our understanding that the newly formed ConocoPhillips must seek ways to assure the FTC that its direct and indirect ownership interests in three of the four Mont Belvieu fractionator complexes does not adversely affect the competitive environment of fractionation at Mont Belvieu. As an owner in Gulf Coast Fractionators (GCF), Dynegy believes that the partners in GCF need to address the above issue as well as the conflict of interest issue that might adversely affect the GCF partnership. It is with all due respect for Conoco's past performance as Operator of GCF that Dynegy makes the following recommendations to the GCF partnership.

For the reasons stated above, plus additional ownership alignment reasons, Dynegy believes that the two most logical and effective solutions to the above issue are:

1. Effective as soon as practical, Devon Gas Services should replace Conoco as the operator of GCF, or
2. If Devon Gas Services does not desire to physically operate the fractionation facility, then the GCF partnership agreements should be amended to allow for separate physical and commercial operators such that Devon can become the commercial operator of GCF while ConocoPhillips remains the physical operator.

It is Dynegy's opinion that Devon is unquestionably the partner that is best suited to handle the commercial responsibilities of the GCF partnership. Devon was one of the two original owners of GCF and, along with Dynegy, holds the largest ownership interest in GCF. More significantly, Devon is the only partner that does not have corporate affiliate ownership interest in other Mont Belvieu fractionators. It is also important to note that Devon is unique among the GCF partner's in that its ownership interest in GCF closely matches the percentage of raw product volume that Devon delivers to GCF relative to the total volume delivered to GCF. For

all of these reasons, Dynegy believes that Devon is ideally positioned to balance the commercial interests of the partners of GCF.

Dynegy would like to further discuss the above recommendations with Conoco and Devon at the earliest convenience of the parties. Once again, this letter is not intended to express any displeasure with Conoco's performance as operator of GCF, but rather to recommend a change that we believe to be in the best interest of GCF for the future. Please let me know your thoughts on this subject and when you might be available for further discussions.

Sincerely,



Hunter Battle
Vice President
Texas Gulf Coast Region

cc: Mr. Bruce Toellner – Devon
Mr. Don McGee - Devon

Federal Trade Commission, Office of the Secretary,
Docket 4058, *In The Matter of Phillips Petroleum Company
and Conoco Inc*, 600 Pennsylvania Ave., N.W., Washington, D.C. 20580.