

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
COMMISSION FILE NO. 1-11680

EL PASO ENERGY PARTNERS, L.P.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

76-0396023
(I.R.S. Employer
Identification No.)

EL PASO ENERGY BUILDING
1001 LOUISIANA STREET
HOUSTON, TEXAS
(Address of Principal Executive Offices)

77002
(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 420-2131

(LEVIATHAN GAS PIPELINE PARTNERS, L.P.)
(Former name)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
Preference units representing limited partner interests	New York Stock Exchange
Common units representing limited partner interests	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE.

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 NO

INDICATE BY CHECK MARK IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM
405 OF REGULATION S-K IS NOT CONTAINED HEREIN, AND WILL NOT BE CONTAINED, TO THE
BEST OF REGISTRANT'S KNOWLEDGE, IN DEFINITIVE PROXY OR INFORMATION STATEMENTS
INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-K OR ANY AMENDMENT TO THIS
FORM 10-K.

THE REGISTRANT HAD 26,739,065 COMMON UNITS AND 289,699 PREFERENCE UNITS
OUTSTANDING AS OF MARCH 24, 2000. THE AGGREGATE MARKET VALUE ON SUCH DATE OF THE
REGISTRANT'S COMMON UNITS AND PREFERENCE UNITS HELD BY NON-AFFILIATES WAS
APPROXIMATELY \$501.2 MILLION.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

EFFECTIVE DECEMBER 1, 1999, LEVIATHAN GAS PIPELINE PARTNERS, L.P. CHANGED ITS NAME TO EL PASO ENERGY PARTNERS, L.P. AND CHANGED ITS NEW YORK STOCK EXCHANGE TRADING SYMBOLS TO "EPN" FOR ITS COMMON UNITS AND "EPN.P" FOR ITS PREFERENCE UNITS.

EL PASO ENERGY PARTNERS, L.P.

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PART I

ITEM 1. BUSINESS

GENERAL

El Paso Energy Partners, L.P. and its subsidiaries, or the Partnership, is one of the largest energy master limited partnerships in terms of market capitalization and a leading independent gatherer of natural gas and oil in the Gulf of Mexico. It also provides transportation, midstream and other related services primarily in the Gulf. Through its subsidiaries and joint ventures, the Partnership owns or has interests in (i) eleven natural gas and oil pipeline systems (ii) six offshore platforms, including related production, processing, and dehydration facilities, (iii) four producing oil and natural gas properties and (iv) overriding royalty interests in two non-producing oil and natural gas properties. The Partnership commenced operations in February 1993 in connection with the initial public offering of preference units representing limited partner interests in the Partnership. In June 1994, the Partnership completed a second public offering of preference units. In May 1998 and 1999, preference unitholders were given the opportunity to convert their preference units into common units of the Partnership. Through December 31, 1999, approximately 98 percent of these preference units had been converted.

In August of 1998, El Paso Energy Corporation, or El Paso Energy, acquired DeepTech International Inc., the parent company to the General Partner of the Partnership. Following this acquisition, the General Partner became an indirect wholly owned subsidiary of El Paso Energy and now performs all management and operational functions. El Paso Energy, through its subsidiaries, owns an effective 34.5 percent economic interest in the Partnership consisting of 8,953,764 common units, a one percent general partner interest, and an approximate one percent nonmanaging member interest in certain of the Partnership's subsidiaries.

In December 1999, the Partnership announced that it changed its name from Leviathan Gas Pipeline Partners, L.P. to El Paso Energy Partners, L.P. At that time, the Partnership's trading symbol for common units changed to "EPN," and the symbol for preference units changed to "EPN.P" on the New York Stock Exchange, or NYSE. The Partnership further announced that its growth strategy, while remaining committed to the deepwater region of the Gulf, will incorporate the acquisition and development of energy infrastructure assets in areas that previously had not been in the Partnership's core geographic areas of operation.

Over the past five years, the Partnership has acquired or developed assets that are strategically located to benefit from the growth of natural gas and oil production occurring in the deepwater regions of the Gulf. In 1995 and 1996, the Partnership finished the construction and installation of the Viosca Knoll Block 817 and Garden Banks Block 72 platforms, and completed its drilling programs at those two locations and Garden Banks Block 117. In 1997, the Partnership acquired a 25.67 percent indirect interest in each of Nautilus Pipeline Company, L.L.C. and Manta Ray Offshore Gathering Company, L.L.C. In 1998, the Partnership constructed a multi-purpose platform located in East Cameron Block 373 and acquired a 100 percent working interest in the Ewing Bank 958 Unit, a non-producing oil and natural gas property comprised of Ewing Bank Blocks 958, 959, 1002, and 1003. In 1999, the Partnership acquired an additional 49 percent ownership interest in Viosca Knoll Gathering Company, and additional indirect ownership interests in High Island Offshore System, L.L.C., East Breaks Gathering Company, L.L.C., and U-T Offshore System, L.L.C., bringing its overall ownership interest in Viosca Knoll to 99 percent and in HIOS, East Breaks and UTOS to 50 percent. In addition, the Partnership placed the Allegheny system in service and entered into an agreement to farm out its working interest in the Ewing Bank 958 Unit to a subsidiary of El Paso Energy. The Partnership will continue to look for opportunities in the future to enhance both its earnings and its ability to make cash distributions to its unitholders.

PARTNERSHIP OPERATIONS

The Partnership's principal operations include the transportation and gathering of natural gas and oil in the Gulf. It conducts these activities through its ownership of, or interests in, eleven pipeline systems. These systems have a combined capacity of over 7.2 billion cubic feet per day, or Bcf/d, of natural gas and over 480 thousand barrels per day, or MBbls/d, of oil and include over 1,600 miles of pipeline. These systems are strategically placed to serve production activities in some of the most active drilling and development regions in the Gulf, including the offshore regions of Texas, Louisiana, and Mississippi, and provide relatively low cost access to long line transmission pipelines that access multiple markets in the eastern half of the United States. During the years ended December 31, 1999, 1998, and 1997, these systems handled an average of approximately 3.4 million dekatherms per day, or MMDth/d, 3.4 MMDth/d, and 2.9 MMDth/d, respectively, of natural gas and approximately 181 MBbls/d, 97 MBbls/d, and 52 MBbls/d, respectively, of oil.

The Partnership also owns or has interests in six platforms which also include certain production, processing, and dehydration facilities. These facilities have a combined product handling capacity of over 630 thousand cubic feet per day, or Mcf/d, of natural gas and over 77 MBbls/d of oil and condensate. Through these facilities, the Partnership is able to provide a variety of producer and midstream services to enhance deliverability and volumes into its pipeline systems.

The Partnership conducts its oil and natural gas production activities through its interests in four producing properties having total proved reserves of over 17.5 Bcf of natural gas and over 1.5 million barrels, or MMBbls, of oil. The Partnership also has overriding royalty interests in non-producing properties in the Ewing Bank and Garden Banks region of the Gulf to capitalize on future development efforts in those regions.

SEGMENTS

The Partnership segregates its business activities into two segments: Gathering, Transportation, and Platform Services and Oil and Natural Gas Production. These segments are strategic business units that provide a variety of energy related services. For information relating to operating revenues and operating income of each segment, see Item 8, Financial Statements and Supplementary Data, Note 12, which is incorporated herein by reference. Each of these segments is discussed more fully below.

GATHERING, TRANSPORTATION, AND PLATFORM SERVICES

Pipeline Systems

The Partnership conducts a significant portion of its business activities through equity investments, many of which are organized as limited liability companies with subsidiaries of other substantial energy companies. Management decisions related to these investees are made by committees comprised of representatives from each member with authority appointed in proportion to the member's relative ownership interests. The following table describes the Partnership's network of subsidiary and joint venture owned natural gas and crude oil pipelines as of December 31, 1999:

	DEEPWATER HOLDINGS						NEPTUNE AND OCEAN BREEZE		VIOSCA KNOLL	POSEIDON	ALLEGHENY
	HIOS	UTOS	EAST BREAKS	STINGRAY	GREEN CANYON	TARPON	MANTA RAY OFFSHORE	NAUTILUS			
Effective ownership interest.....	50%	50%	50%	50%	100%	100%	25.67%	25.67%	99%(1)	36%	100%
Unregulated(U)/regulated(R).....	R	R	U	R	U	U	U	R	U	U	U
Operated(O)/Non-operated(N).....	N(3)	N(3)	N(3)	0(2)	0	0	N	N	0	N	0
In-service date.....	1977	1978	--(4)	1975	1990	1978	1987	1997	1994	1996	1999(4)
Approximate capacity (MMcf/d or MBbls/d)(5)..	1,800	1,200	400	1,120	220	80	755	600	1,000	400	80
Aggregate miles of pipeline.....	204	30	85	417	68	40	225	101	125	288	43
Average net throughput (Mdt/d or MBbls/d) for the year ended:(6)											
December 31, 1999.....	371	186	--(4)	304	90	44	109	75	558	61	12(4)
December 31, 1998.....	359	171	--	346	139	66	80	42	319	35	--
December 31, 1997.....	375	111	--	371	162	53	211	--	217	22	--

- (1) The Partnership acquired an additional 49 percent ownership interest in June 1999 from a subsidiary of El Paso Energy.
- (2) The Partnership began operating this system in November 1999.
- (3) The Partnership will assume full operations of these systems no later than July 1, 2000.
- (4) The East Breaks system was completed in December 1999, and is expected to be placed in service by mid 2000. The Allegheny system was placed in service in October 1999.
- (5) All measures are on a million cubic feet per day, or MMcf/d, basis except the Poseidon and Allegheny systems which are measured on a MBbls/d basis.
- (6) All measures are on a thousand dekatherms per day, or Mdt/d, basis except the Poseidon and Allegheny systems which are measured on a MBbls/d basis.

Deepwater Holdings. In June 1999, the Partnership acquired additional ownership interests in the HIOS, UTOS and East Breaks systems. In September 1999, the Partnership and ANR Pipeline Company reorganized their interests in these and certain other pipeline systems through the formation of Deepwater Holdings, L.L.C. As a result of the reorganization, Deepwater Holdings owns 100 percent of the HIOS, UTOS, East Breaks and Stingray systems, as well as 100 percent of the West Cameron dehydration facility. The Partnership has a 50 percent ownership interest in Deepwater Holdings.

HIOS. The HIOS system is a natural gas transmission system consisting of approximately 204 miles of pipeline which includes three supply laterals that connect to a 42-inch diameter mainline. The HIOS system transports natural gas received from fields located in the Galveston, Garden Banks, West Cameron and East Breaks areas of the Gulf to a junction platform owned by HIOS located in West Cameron Block 167.

UTOS. The UTOS system is a natural gas transmission system consisting of approximately 30 miles of 42-inch diameter pipeline extending from an interconnection with the HIOS system at West Cameron Block 167 to the Johnson Bayou production handling facility, owned by UTOS. The UTOS system is essentially an extension of the HIOS system, as almost all the natural gas transported through the UTOS system comes from the HIOS system. The Johnson Bayou facility provides primarily natural gas and liquids separation and gas dehydration services for natural gas transported on the HIOS and UTOS systems.

East Breaks. The East Breaks system is a natural gas gathering system, substantially completed in December 1999, consisting of approximately 85 miles of 18 to 20-inch diameter pipeline that connects the HIOS system to the Diana and Hoover fields being developed by subsidiaries of Exxon Company USA and BP Amoco plc. Production from the Diana and Hoover properties has been committed to the East Breaks system. This system has the ability to expand its throughput capacity further, thereby providing the HIOS and UTOS systems with the ability to compete to gather and transport the substantial reserves associated with properties being, and expected to be, developed in these deepwater frontier regions.

Stingray. The Stingray system is a natural gas gathering system consisting of (i) approximately 361 miles of 6 to 36-inch diameter pipeline that transports natural gas from the HIOS system, West Cameron, East Cameron and Vermilion lease areas in the Gulf to onshore transmission systems in Louisiana, (ii) approximately 12 miles of 16-inch diameter pipeline and approximately 31 miles of 20-inch diameter pipeline connecting platforms and leases in the Garden Banks 191 and 72 areas, respectively, to the Stingray system, and (iii) approximately 13 miles of 16-inch diameter pipeline connecting the Partnership's platform at East Cameron Block 373 to the Stingray system at East Cameron Block 338.

Green Canyon. The Green Canyon system is a natural gas gathering system consisting of approximately 68 miles of 10 to 20-inch diameter pipeline which transports natural gas from the South Marsh Island, Eugene Island, Garden Banks, and Green Canyon areas in the Gulf to Transcontinental Gas Pipeline Company's, or Transco's, South Lateral in South Marsh Island Block 106.

Tarpon. The Tarpon system is a natural gas gathering system consisting of approximately 40 miles of 16-inch diameter pipeline that extends from the Trunkline Gas Pipeline system at Ship Shoal Block 274 to the Eugene Island area of the Gulf.

Neptune and Ocean Breeze. The Partnership owns a 25.67 percent interest in Neptune Pipeline Company, L.L.C. and Ocean Breeze Pipeline Company, L.L.C. Together, Neptune and Ocean Breeze own 100 percent of the Manta Ray Offshore and Nautilus systems.

Manta Ray Offshore. The Manta Ray Offshore system is a natural gas gathering system consisting of (i) three separate gathering lines in the offshore Louisiana area of the Gulf, including approximately 76 miles of 12 to 24-inch diameter pipeline, each interconnecting offshore with Transco's Southeast Louisiana Lateral, which provides transportation to shore in eastern Louisiana and (ii) approximately 149 miles of 14, 16, and 24-inch diameter pipelines, extending from the Green Canyon and South Timbalier areas to facilities located at Ship Shoal Block 207. Affiliates of the other partners in the system, Shell Oil Company and Marathon Oil Company, have dedicated production from over 110 lease blocks in the area to the system.

Nautilus. The Nautilus system is a natural gas transmission system consisting of 101 miles of 30-inch pipeline running downstream from Ship Shoal Block 207 connecting to a natural gas processing plant in Louisiana and, through the processing plant, facilitates deliveries into multiple interstate pipelines. The Shell Oil Company and Marathon Oil Company production dedicated to the Manta Ray Offshore system is also dedicated to the Nautilus system.

Viosca Knoll. The Viosca Knoll system is a natural gas gathering system designed to serve the Main Pass, Mississippi Canyon and Viosca Knoll areas of the Gulf and consists of 125 miles of predominantly 20-inch natural gas pipeline and a 7,000 horsepower compressor. The system provides its customers access to the facilities of a number of major interstate pipelines, including pipelines owned by Tennessee Gas Pipeline Company, Columbia Gulf Transmission Company, Southern Natural Gas Company, Transco, and Destin Pipeline Company. During 1999, the Partnership acquired an additional 49 percent interest in the Viosca Knoll system from a subsidiary of El Paso Energy.

Poseidon. Through its interest in Poseidon Oil Pipeline Company, L.L.C., or Poseidon, the Partnership has an interest in the Poseidon system, which is a major sour crude oil pipeline system built in response to the increased demand for additional sour crude oil pipeline capacity in the central Gulf. The Poseidon system consists of (i) approximately 117 miles of 16 to 20-inch diameter pipeline extending from the Partnership's 50 percent owned Garden Banks Block 72 platform to the Partnership's platform at Ship Shoal Block 332, (ii) approximately 122 miles of 24-inch diameter pipeline extending from the Ship Shoal Block 332 platform

to Houma, Louisiana, (iii) approximately 32 miles of 16-inch diameter pipeline extending from Ewing Bank Block 873 to the 24-inch pipeline in the area of South Timbalier Block 212, and (iv) approximately 17 miles of 16-inch pipeline extending from Garden Banks Block 260 to South Marsh Island Block 205.

Allegheny. The Allegheny system is a crude oil system, completed in the fourth quarter of 1999, consisting of approximately 43 miles of 14-inch diameter pipeline that connects the Allegheny field in the Green Canyon area of the Gulf with the Poseidon system at the Partnership's Ship Shoal 332 platform. Oil production from the Allegheny field is committed to the system.

Nemo. In August 1999, the Partnership and Tejas Offshore Pipeline, L.L.C. formed Nemo Gathering Company L.L.C., or Nemo, to construct, own and operate a natural gas gathering system extending from the Brutus and Glider deepwater development properties to the Manta Ray Offshore system. The Nemo system, which will consist of approximately 24 miles of 20 -inch diameter pipeline with a capacity of 300 MMcf/d should be completed in late 2001.

Offshore Platforms and Related Facilities

The Partnership's offshore platforms play a key role in the development of the oil and natural gas offshore pipeline network. Platforms are used to interconnect the offshore pipeline grid; to provide an efficient means to perform pipeline maintenance; and to serve as a base for compression, separation, production handling, and other facilities. In addition to numerous platforms owned by the Partnership's pipeline investments, the Partnership owns six strategically-located platforms in the Gulf, including five multi-purpose hub-platforms. These platforms were specifically designed to be used as flextrend and deepwater landing sites and production handling and pipeline maintenance facilities. Information regarding the Partnership's platforms as of December 31, 1999, is set out below:

	EAST CAMERON 373	GARDEN BANKS 72	SHIP SHOAL 332	SHIP SHOAL 331	SOUTH TIMBALIER 292	VIOSCA KNOLL 817
Ownership interest.....	100%	50%	100%	100%	100%	100%
In-service date.....	1998	1995	1985	1994	1984	1995
Water depth (in feet).....	441	518	438	376	283	671
Acquired (A) or constructed (C).....	C	C	A	A	A	C
Approximate handling capacity:						
Natural gas (MMcf/d).....	110	80	150(1)	--(1)	150	140
Oil and condensate (Bbls/d)....	5,000	55,000	12,000(1)	--(1)	2,500	5,000

(1) The Ship Shoal 331 platform is currently used as a satellite landing area and all products transported to the platform are processed on the Ship Shoal 332 platform.

East Cameron 373. The East Cameron 373 platform is located at the south end of the central leg of the Stingray system. The platform serves as the host for Kerr-McGee Corporation's East Cameron Block 373 production and as the landing site for Garden Banks Blocks 108 and 152 production.

Garden Banks 72. The Garden Banks 72 platform is located at the south end of the eastern leg of the Stingray system and serves as the western-most termination point of the Poseidon system. The platform serves as a base for landing deepwater production from Enterprise Oil Gulf of Mexico, Inc., and Devon Energy Inc.'s Garden Banks Block 161 development and will serve as the host for Mariner Energy Inc.'s development in Garden Banks Block 73. The Partnership also uses the platform as the host for the Partnership's Garden Banks Block 72 production and the landing site for production from the Partnership's Garden Banks Block 117 lease located in an adjacent lease block.

Ship Shoal 332. The Ship Shoal 332 platform serves as a major junction platform for pipelines in the Manta Ray Offshore, Allegheny and Poseidon systems. The platform will also serve as the landing site for the Nemo system.

Ship Shoal 331. The Ship Shoal 331 platform is a production facility located approximately 75 miles off the coast of Louisiana. Pogo Producing Company has certain rights to utilize the platform pursuant to a production handling and use of space agreement.

South Timbalier 292. The South Timbalier 292 platform is located at the easternmost termination point of the Manta Ray Offshore system and serves as a landing site for natural gas production in the area and provides an interconnection to the Trunkline Gas Pipeline system.

Viosca Knoll 817. The Viosca Knoll 817 platform is centrally located on the Viosca Knoll system. The platform serves as a base for landing deepwater production in the area, including Exxon Company USA, Shell Offshore Inc., and BP Amoco plc's Ram Powell development. A 7,000 horsepower compressor on the platform facilitates deliveries from the Viosca Knoll system to multiple downstream interstate pipelines. The platform is also used as a base for oil and natural gas production from the Partnership's Viosca Knoll Block 817 lease.

Other Facilities. Through its 50 percent ownership interest in Deepwater Holdings, the Partnership also owns an interest in the West Cameron dehydration facility located at the northern termination point of the Stingray system in Louisiana.

Markets and Competition

Each of the Partnership's natural gas pipeline systems is located at or near natural gas production areas that are served by other pipelines. As a result, each of the Partnership's natural gas pipeline systems face competition from both regulated and unregulated systems. Some of these competitors are not subject to the same level of rate and service regulation as, and may have a lower cost structure than, the Partnership's natural gas pipeline systems. Other competing pipelines, such as long-haul transporters, may have rate design alternatives unavailable to the Partnership. Consequently, those competing pipelines may be able to provide service on more flexible terms and at rates significantly below those offered by the Partnership.

The Partnership's oil pipeline systems were built as a result of the need for additional crude oil capacity to transport new deepwater oil production to shore. These systems' principal competition includes other oil pipeline systems, built, owned and operated by producers to handle their own production and, as capacity is available, production for others. The Partnership's oil pipelines compete for new production on the basis of geographic proximity to the production, cost of connection, available capacity, transportation rates and access to onshore markets. In addition, the ability of the Partnership's pipelines to access future reserves will be subject to the ability of the Partnership or the producers to fund the significant capital expenditures required to connect to the new production.

A substantial portion of the revenues generated by the Partnership's pipeline systems is attributed to production from reserves committed under long-term contracts for the productive life of the relevant field. Nonetheless, these reserves and other reserves that may become available to the Partnership's pipeline systems are depleting assets and, as such, will be produced over a finite period. Each of the Partnership's pipeline systems must access additional reserves to offset the natural decline in production from existing connected wells or the loss of any other production to a competitor. Furthermore, the rates the Partnership charges for its services are dependent on (1) whether the relevant pipeline system is regulated or unregulated, (2) the quality of the service required by the customer, and (3) the amount and term of the reserve commitment by the customer. A majority of the Partnership's arrangements involve life-of-reserve commitments with both firm and interruptible components. Generally, the Partnership receives a price per dekatherm of natural gas or barrel of oil or water handled. Also, for firm arrangements, the Partnership often receives a monthly fixed fee which is paid by the customer regardless of the level of throughput, except under individually specified circumstances.

The Partnership's platforms are subject to similar competitive factors as its pipeline systems. These assets generally compete on the basis of proximity and access to existing reserves and pipeline systems, as well as costs and rates. Furthermore, competitors to these platforms may possess greater technical skill and capital resources than those of the Partnership.

For a discussion of significant customers of the Partnership, see Item 8, Financial Statements and Supplementary Data, Note 11, which is incorporated herein by reference.

Regulatory Environment

The Partnership's natural gas pipeline systems are subject to the Natural Gas Pipeline Safety Act of 1968, as amended, which establishes pipeline and liquified natural gas plant safety requirements. The Poseidon and Allegheny systems are subject to regulations under the Hazardous Liquid Pipeline Safety Act. All of the Partnership's pipeline systems are subject to the regulation under the Outer Continental Shelf Lands Act, which calls for nondiscriminatory transportation on pipelines operating in the outer continental shelf region of the Gulf, and the National Environmental Policy Act and other environmental legislation. Each of the systems has a continuing program of inspection designed to keep all of its facilities in compliance with pollution control and pipeline safety requirements. The Partnership believes that its systems are in substantial compliance with applicable requirements of the regulations under which the systems are governed.

The Partnership's HIOS, UTOS, Stingray and Nautilus pipeline systems are also subject to the jurisdiction of the Federal Energy Regulatory Commission, or FERC, in accordance with the Natural Gas Act of 1938 and the Natural Gas Policy Act of 1978. Each of these systems operates under separate FERC approved tariffs which establish rates, terms, and conditions under which each system provides services to its customers.

On December 1, 1998, Stingray filed for a general rate increase at the FERC. Pursuant to an order issued by FERC on December 30, 1998, the proposed rates became effective June 1, 1999, subject to refund. A hearing on the merits of Stingray's filing was held in December 1999. The rate case is still pending. Each of the HIOS, UTOS and Nautilus systems is currently operating under agreements with their respective customers which provide for rates that have been approved by the FERC.

Maintenance

Each of the Partnership's pipeline systems and platforms requires regular and thorough maintenance. The interior of the pipelines is maintained through the regular "pigging" of the lines to clean the line of liquids that collect in the pipeline. Corrosion inhibitors are also injected into all of the systems through the flow stream on a continuous basis. To prevent external corrosion of the pipe, anodes are fastened to the pipeline itself at prescribed intervals, providing protection from sea water. The platforms are painted to the waterline every three to five years to prevent atmospheric corrosion. Anodes are also fastened to platform legs below the waterline to prevent corrosion. Remotely operated vehicles or divers inspect the platforms below the waterline generally every five years. The HIOS, Stingray, Manta Ray Offshore, Viosca Knoll and Poseidon systems include platforms that are manned on a continuous basis. The personnel onboard these platforms are responsible for site maintenance, operations of the platform facilities, measurement of the oil or natural gas stream at the source of production and corrosion control.

OIL AND NATURAL GAS PRODUCTION

Currently, the Partnership owns interests in four producing and two non-producing oil and natural gas properties located in waters offshore Louisiana. Production from these properties is gathered, transported, and processed through the Partnership's pipeline systems and platform facilities, and sold to an affiliate of El Paso Energy. The following is information regarding these properties as of December 31, 1999:

Producing Properties

	GARDEN BANKS BLOCK 72	GARDEN BANKS BLOCK 117	VIOSCA KNOLL BLOCK 817	WEST DELTA BLOCK 35
	-----	-----	-----	-----
Working interest.....	50%	50%	100%(1)	38%
Net revenue interest.....	40.2%	37.5%	80%	29.8%
In-service date.....	1996	1996	1995	1993(2)
Net acres.....	2,880	2,880	5,760	1,894
Distance offshore (in miles).....	120	120	40	10
Water depth (in feet).....	518	1,000	671	60
Producing wells.....	5	2	7	2
Cumulative production:				
Natural gas (MMcf).....	3,460	1,603	53,242	1,146(3)
Oil (Bbls).....	1,100,295	915,589	67,580	2,195(3)

-
- (1) The Partnership's working interest in this property is subject to a production payment that entitles holders to 25 percent of the proceeds from the production attributable to this working interest (after deducting all leasehold operating expenses, including platform access and production handling fees) until the holders have received the aggregate sum of \$16 million. At December 31, 1999, the unpaid portion of the production payment obligation totaled \$10.4 million.
 - (2) The West Delta Block 35 field commenced production in 1993, but the Partnership's interest in this field was acquired in connection with El Paso Energy's acquisition of the Partnership's general partner in 1998.
 - (3) Production data is for the period from August 1998.

Acreage and Wells. The following table sets forth the Partnership's developed and undeveloped oil and natural gas acreage as of December 31, 1999. Undeveloped acreage refers to those lease acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and natural gas, regardless of whether or not such acreage contains proved reserves. Gross acres in the following table refer to the number of acres in which a working interest is owned directly by the Partnership. The number of net acres is the Partnership's fractional ownership of the working interest in the gross acres.

	GROSS	NET
	-----	-----
Developed acreage.....	6,152	4,856
Undeveloped acreage.....	44,913	34,838
	-----	-----
Total acreage.....	51,065	39,694
	=====	=====

The Partnership's gross and net ownership in producing wells at December 31, 1999, is as follows:

	GROSS	NET
	-----	-----
Natural gas.....	10.0	8.3
Oil.....	6.0	3.0
	-----	-----
Total.....	16.0	11.3
	=====	=====

In 1999, the Partnership did not drill any exploratory or developmental wells. One developmental oil well was drilled during 1998 and no wells were drilled in 1997.

Net production, unit prices, and production costs. The following table sets forth certain information regarding the production volumes of, average unit prices received for, and average production costs for the Partnership's oil and natural gas properties for the periods indicated:

	OIL (BARRELS)			NATURAL GAS (MMCF)		
	YEAR ENDED DECEMBER 31,			YEAR ENDED DECEMBER 31,		
	1999	1998	1997	1999	1998	1997
Net production(1).....	357,000	540,000	801,000	12,211	11,324	19,792
Average sales price(1)().....	\$ 14.32	\$ 15.69	\$ 20.61	\$ 2.02	\$ 2.01	\$ 2.08
Average production costs(2)()....	\$ 2.38	\$ 3.04	\$ 1.98	\$ 0.40	\$ 0.51	\$ 0.33

-
- (1) The information regarding net production and average sales prices excludes overriding royalty interests.
- (2) The components of average production costs may vary substantially among wells depending on the methods of recovery employed and other factors, but generally include third party transportation expenses, maintenance and repair, labor and utilities costs.

The relationship between average sales prices and average production costs depicted by the table above is not necessarily indicative of future results of operations expected by the Partnership.

For a discussion of oil and natural gas reserve information and estimated future net cash flows, see Item 8, Financial Statements and Supplementary Data, Note 13, which is incorporated herein by reference.

Non-producing Properties

Ewing Bank 958 Unit. Through October 1999, the Partnership owned a 100 percent working interest in the Ewing Bank 958 Unit, comprised of Ewing Bank Blocks 958, 959, 1002, and 1003 which were formerly referred to as the Sunday Silence Properties. The Ewing Bank 958 Unit was discovered in 1994 in approximately 1,500 feet of water in the Gulf. In October 1999, the Partnership executed an agreement with El Paso Production Company, or El Paso Production, a subsidiary of El Paso Energy, to farm out its working interest in the Ewing Bank 958 Unit. Under the terms of the farmout agreement, the Partnership increased its overriding royalty interest in the Ewing Bank 958 Unit from 5.3 percent to 7.4 percent convertible, at its option, into a 30 percent undivided working interest once El Paso Production has recouped the costs associated with its drilling and completion activities on the unit. El Paso Production began drilling on the Ewing Bank 958 Unit in November 1999.

Garden Banks Block 73. The Partnership maintains a 2.5 percent overriding royalty interest in the Garden Banks Block 73 property, located 115 miles offshore in approximately 743 feet of water. The property has one well and expects to begin production in the second quarter of 2000. As of December 31, 1999, the property had proved developed reserves of 653 barrels and 218 MMcf of oil and natural gas, respectively, net to the Partnership's interest.

Markets and Competition

The Partnership's focus is to maximize the production from its existing portfolio of oil and natural gas properties. As a result, the competitive factors that would normally impact exploration and production activities are not as pervasive to the Partnership's operations. However, the oil and natural gas industry is intensely competitive and the Partnership does compete with a substantial number of other companies, including many with larger technical staffs and greater financial and operational resources in terms of accessing transportation, hiring personnel, marketing production and withstanding the effects of general and industry-specific economic changes.

Regulatory Environment

The production and development operations of the Partnership are subject to regulation at the federal and state levels. Regulated activities include: requiring permits for the drilling of wells; maintaining bonds and insurance requirements in order to drill or operate wells; drilling and casing wells; the surface use and restoration of properties upon which wells are drilled; and the plugging and abandoning of wells. The

Partnership's production and development operations are also subject to various conservation laws and regulations. These include the regulation of the size of drilling and spacing units or proration units, the density of wells that may be drilled, the levels of production, and the unitization or pooling of oil and natural gas properties.

The Partnership presently has interests in, or rights to, offshore leases located in federal waters. Federal leases are administered by the Minerals Management Service, or MMS. Individuals and entities must qualify with the MMS prior to owning and operating any leasehold or right-of-way interest in federal waters. Qualification with MMS generally involves filing certain documents and obtaining an area-wide performance bond and/or supplemental bonds representing security for facility abandonment and site clearance costs.

Operating Environment

The Partnership's business is subject to all of the operating risks normally associated with the production of oil and natural gas, including blowouts, cratering, pollution, and fires, each of which could result in damage to life or property. Offshore operations are subject to usual marine perils, including hurricanes and other adverse weather conditions, and governmental regulations, including interruption or termination by governmental authorities based on environmental and other considerations. In accordance with customary industry practices, the Partnership maintains broad insurance coverage with respect to potential losses resulting from these operating hazards.

MAJOR ENCUMBRANCES

Substantially all of the Partnership's assets are pledged as collateral to secure obligations under its existing credit facility. In addition, certain of the Partnership's investees currently have, and others are expected to have, credit facilities under which substantially all of their assets are, or would be, pledged. For a discussion of the Partnership's credit facilities, see Item 8, Financial Statements and Supplementary Data, Notes 6 and 9, which are incorporated herein by reference.

ENVIRONMENTAL

A description of the Partnership's environmental matters is included in Item 8, Financial Statements and Supplementary Data, Note 9, which is incorporated herein by reference.

EMPLOYEES

Employees of El Paso Energy, through the General Partner, perform all administrative and operational activities of the Partnership under a management agreement. Therefore, the Partnership had no direct employees at December 31, 1999. The Partnership reimburses the General Partner for all reasonable general and administrative expenses and other reasonable expenses incurred by the General Partner and its affiliates for, or on behalf of, the Partnership, including, but not limited to, expenses incurred by the General Partner under this management agreement.

ITEM 2. PROPERTIES

A description of the Partnership's properties is included in Item 1, Business, and is incorporated herein by reference.

The Partnership is of the opinion that it has satisfactory title to the properties owned and used in its businesses, subject to liens for current taxes, liens incident to minor encumbrances, and easements and restrictions that do not materially detract from the value of such property, or the interests therein, or the use of such properties in its businesses. The Partnership believes that its physical properties are adequate and suitable for the conduct of its business in the future.

ITEM 3. LEGAL PROCEEDINGS

See Item 8, Financial Statements and Supplementary Data, Note 9, which is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S UNITS AND RELATED UNITHOLDER MATTERS

The Partnership's common and preference units are traded on the NYSE under the symbol "EPN" for common units and "EPN.P" for preference units. As of March 15, 2000, there were approximately 525 and 59 holders of record of common and preference units, respectively.

The following table reflects the high and low sales prices for common and preference units, for the periods indicated, based on the daily composite listing of stock transactions for the NYSE and cash distributions declared during those periods.

	PRICE RANGE				DISTRIBUTIONS DECLARED PER UNIT	
	COMMON UNITS		PREFERENCE UNITS		COMMON	PREFERENCE
	HIGH	LOW	HIGH	LOW		
Year ended December 31, 1999						
Fourth Quarter.....	\$24.750	\$16.750	\$22.625	\$16.875	\$ 0.525	\$ 0.275
Third Quarter.....	25.125	21.875	24.500	22.625	0.525	0.275
Second Quarter.....	24.750	21.375	23.250	20.500	0.525	0.275
First Quarter.....	23.125	19.500	20.875	17.625	0.525	0.275
Year ended December 31, 1998						
Fourth Quarter.....	\$28.500	\$19.750	\$25.000	\$17.375	\$ 0.525	\$ 0.275
Third Quarter(1).....	27.875	21.500	29.750	21.250	0.525	0.275
Second Quarter.....	--	--	34.000	25.500	0.525	0.525
First Quarter.....	--	--	33.625	27.000	0.525	0.525

(1) Common units of the Partnership began trading on August 6, 1998. Therefore, no market price information exists before that date.

In January 2000, the Partnership declared a quarterly distribution of \$0.525 per common unit and \$0.275 per preference unit payable on February 15, 2000, to unitholders of record on January 31, 2000.

CASH DISTRIBUTIONS

The Partnership makes quarterly distributions of 100 percent of its available cash, as defined in the partnership agreement, to its unitholders and to the General Partner. Available cash consists generally of all the cash receipts of the Partnership plus reductions in reserves less all of its cash disbursements and net additions to reserves. The General Partner has broad discretion to establish cash reserves that it determines are necessary or appropriate to provide for the proper conduct of the Partnership. These can include cash reserves for future capital and maintenance expenditures, reserves to stabilize distributions of cash to the unitholders and the General Partner, reserves to reduce debt, or, as necessary, reserves to comply with the terms of any agreement or obligation of the Partnership.

The distribution of available cash for each calendar quarter is subject to the preferential rights of the preference unitholders to receive a minimum quarterly distribution of \$0.275 per unit for such quarter, plus arrearages for prior quarters before any distribution is made to holders of common units. The holders of common units and the General Partner are not entitled to arrearages of minimum quarterly distributions.

Distributions by the Partnership are effectively made 98 percent to limited unitholders and 2 percent to the General Partner, subject to the payment of incentive distributions to the General Partner if certain target cash distribution levels to unitholders are achieved. As an incentive, the General Partner's interest in the portion of quarterly cash distributions in excess of \$0.325 per unit and less than or equal to \$0.375 per unit is increased to 15 percent. For quarterly cash distributions over \$0.375 per unit but less than or equal to \$0.425 per unit, the General Partner receives 25 percent of such incremental amount, and for all quarterly cash distributions in excess of \$0.425 per unit, the General Partner receives 50 percent of the incremental amount. For the year ended December 31, 1999, the Partnership paid the General Partner incentive distributions totaling \$12.1 million and paid an incentive distribution of \$3.2 million in February 2000.

CONVERSION OF PREFERENCE UNITS INTO COMMON UNITS

In May 1998, the Partnership notified the holders of its 18,075,000 then outstanding preference units of their right to convert their preference units into an equal number of common units within a 90-day period. On August 5, 1998, the first conversion period expired and holders of 17,058,094 preference units, representing approximately 94 percent of the preference units then outstanding, elected to convert their preference units to common units. Upon completion of the preference period, as defined in the partnership agreement, the common units, including the 6,291,894 common units held by the General Partner, became the primary listed security on the NYSE under the symbol "EPN." The preference units began trading as the Partnership's secondary listed security on the NYSE under the symbol "EPN.P." The Partnership reallocated partners' capital to reflect this conversion of preference units into common units.

In May 1999, the Partnership notified the holders of its 1,016,906 then outstanding preference units of their second opportunity to submit their preference units for conversion into common units. During that second 90-day conversion period, 727,207 preference units were converted into common units.

Until they are redeemed, the remaining preference units retain their distribution preferences over the common units; that is, holders of such preference units will be paid up to the minimum quarterly distribution of \$0.275 per unit before any quarterly distributions are made to the common unitholders or the General Partner. However, holders of preference units will not receive any distributions in excess of the minimum quarterly distribution of \$0.275 per unit. Only holders of common units and the General Partner will be eligible to receive any such excess distributions.

In accordance with the partnership agreement, holders of the remaining preference units will have a final 90-day opportunity to convert their preference units into common units beginning in May 2000. Thereafter, any remaining preference units will be subject to redemption for an amount equal to the unrecovered capital, as defined in the partnership agreement, of such preference units plus minimum quarterly distribution arrearages, if any.

ITEM 6. SELECTED FINANCIAL DATA

	YEAR ENDED DECEMBER 31,				
	1999	1998	1997	1996	1995
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)				
Operating Results Data:					
Operating revenues(1).....	\$ 96,473	\$ 75,455	\$104,762	\$ 91,507	\$ 41,993
Impairment, abandonment and other(2).....	--	(1,131)	21,222	--	--
Net income (loss)(1)(2).....	18,817	746	(1,138)	38,692	23,945
Basic and diluted income (loss) per unit(3).....	(0.34)	0.02	(0.06)	1.57	0.97
Distributions per common unit.....	2.10	2.075	1.75	1.35	1.20
Distributions per preference unit.....	1.10	1.825	1.75	1.35	1.20

	AS OF DECEMBER 31,				
	1999	1998	1997	1996	1995
	(IN THOUSANDS)				
Financial Position Data:					
Total assets.....	\$583,585	\$442,726	\$409,842	\$453,526	\$398,696
Notes payable.....	290,000	338,000	238,000	227,000	135,780
Long-term debt.....	175,000	--	--	--	--
Partners' capital.....	96,489	82,896	143,966	192,023	186,841

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- (1) The increase in 1996 reflects the completion and commencement of production on the Garden Banks Blocks 72 and 117 properties in 1996 and the Viosca Knoll Block 817 property in December 1995.
- (2) Reflects impairment charges for capitalized costs written off in 1997 as a result of the abandonment of certain flow lines connecting to wells abandoned by third party owners.
- (3) Reflects the Partnership's adoption, in 1999, of a different accounting method for allocating partnership income to the General Partner and the preference and common unitholders. See Item 8, Financial Statements and Supplementary Data, Note 1, for further information.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Over the past three years, the Partnership's business activities have changed as a result of acquisitions and transactions designed to enhance its ability to compete effectively. In 1997, the Partnership acquired a 25.67 percent indirect ownership interest in each of Nautilus and Manta Ray Offshore. In 1998, the Partnership constructed a multi-purpose platform located in East Cameron Block 373 and acquired a 100 percent working interest in the Ewing Bank 958 Unit. In 1999, the Partnership acquired an additional 49 percent ownership interest in Viosca Knoll, and an additional indirect ownership interest in HIOS, East Breaks and UTOS bringing its overall ownership interest in Viosca Knoll to 99 percent and in HIOS, East Breaks and UTOS to 50 percent. Also, in 1999, the Partnership placed the Allegheny system in service and entered into an agreement to farm out its working interest in the Ewing Bank 958 Unit to a subsidiary of El Paso Energy. The Partnership will continue to look for opportunities in the future to enhance both its earnings and its ability to make cash distributions to its unitholders.

In addition, the Partnership issued \$175 million of notes in May 1999 and amended its credit facility in September 1999 to extend its maturity to May 2002.

In March 2000, the Partnership acquired the El Paso Intrastate-Alabama pipeline system, or EPIA, a natural gas gathering system in the coal seam producing regions of Alabama for total consideration of \$24.5 million from a subsidiary of El Paso Energy. This acquisition represents the first purchase of an onshore system by the Partnership.

The Partnership's business activities are segregated into two segments: Gathering, Transportation, and Platform Services, and Oil and Natural Gas Production. This structure reflects management's current view of the Partnership's activities and all historical periods have been presented on the basis of the current segment presentation. Each of the Partnership's segments is a strategic business unit that offers different services or products, and the Partnership manages each of these segments separately as they require different technology and marketing strategies. The analysis presented below is based on earnings before interest and taxes, or EBIT. In addition, because of the significance of the Partnership's equity investments on its segment results, earnings from these investees is included in operating revenues by segment.

In January 2000, an anchor from a submersible drilling rig in tow damaged a section of the Poseidon system north of the Partnership's Ship Shoal 332 platform. The accident resulted in the release of approximately 2,200 Bbls of crude oil in the waters surrounding the area, caused damage to the Partnership's Ship Shoal 332 platform, and resulted in the shutdown of the system and certain surrounding facilities in which the Partnership has ownership interests. Poseidon estimates the cost to repair the damaged pipeline and clean up the crude oil released into the Gulf to be approximately \$15 million, and has placed the rig's owner on notice for liability and expenses due to the incident. Management is currently evaluating the effects of the incident on the Partnership's operations and expects to complete its evaluation in the first quarter of 2000.

RESULTS OF OPERATIONS

To the extent possible, results of operations have been reclassified to conform to the current business segment presentation, although such results are not necessarily indicative of the results which would have been achieved had the revised business segment structure been in effect during those periods. Operating revenues and expenses by segment include intersegment sales and expenses which are eliminated in consolidation. For a further discussion of the individual segments, see Item 8, Financial Statements and Supplementary Data, Note 12, which is incorporated herein by reference.

The following table presents EBIT by segment and in total for each of the three years ended December 31:

	1999	1998	1997
	-----	-----	-----
	(IN THOUSANDS)		
EARNINGS BEFORE INTEREST EXPENSE AND INCOME TAXES			
Gathering, transportation, and platform services.....	\$61,070	\$ 30,513	\$21,636
Oil and natural gas production.....	(7,359)	(10,140)	(9,114)
	-----	-----	-----
Segment EBIT.....	53,711	20,373	12,522
Non-segment activity, net.....	191	159	191
	-----	-----	-----
Consolidated EBIT.....	\$53,902	\$ 20,532	\$12,713
	=====	=====	=====

EBIT year-to-year variances are discussed in the segment results below.

GATHERING, TRANSPORTATION, AND PLATFORM SERVICES

	1999	1998	1997
	-----	-----	-----
	(IN THOUSANDS)		
Gathering and transportation.....	\$ 23,005	\$ 6,852	\$ 11,580
Platform services.....	23,882	21,141	16,911
Equity investment earnings.....	32,814	26,724	29,327
	-----	-----	-----
Total operating revenues.....	79,701	54,717	57,818
Operating expenses.....	(28,932)	(24,806)	(36,895)
Other income.....	10,301	602	713
	-----	-----	-----
EBIT.....	\$ 61,070	\$ 30,513	\$ 21,636
	=====	=====	=====

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

Operating revenues for the year ended December 31, 1999, were approximately \$25.0 million higher than 1998. The increase in gathering and transportation revenues is due to including the revenues of Viosca Knoll as a result of the acquisition of an additional 49 percent ownership interest in, and the consolidation of, Viosca Knoll beginning in June 1999. These revenues were included as equity investment earnings prior to June 1999. The increase in gathering and transportation revenues was also a result of the commencement of operations of the Allegheny system in the fourth quarter of 1999, partially offset by decreased transportation volumes on the Green Canyon and Tarpon systems due to natural depletion. The increase in platform services revenues is a result of new production processed at the Partnership's Garden Banks 72 platform, and a full year's operations at the East Cameron 373 platform. The increase in equity investment earnings is attributable to increased throughput on the Poseidon, Manta Ray Offshore and Nautilus systems, partially offset by lower volumes on the HIOS, UTOS, and Stingray systems and the impact of consolidating Viosca Knoll.

Operating expenses for the year ended December 31, 1999, were approximately \$4.1 million higher than 1998 primarily as a result of the acquisition of an additional 49 percent ownership interest in, and the consolidation of, Viosca Knoll beginning in June 1999, the accrual of certain costs relating to various regulatory and operational issues, and higher depreciation as a result of the Allegheny system being placed into service in the fourth quarter of 1999 and the East Cameron 373 platform being in service for a full year in 1999.

Other income for the year ended December 31, 1999, was approximately \$9.7 million higher than 1998. The increase is primarily a result of a gain on the sale of a portion of the Partnership's interest in Deepwater Holdings.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

Operating revenues for the year ended December 31, 1998, were approximately \$3.1 million lower than 1997. The decrease in gathering and transportation revenues is primarily a result of the cessation of production in May 1997 from the Partnership's well connected to the Ewing Bank system, lower throughput on the Green Canyon system, and the contribution of a significant portion of the Manta Ray Offshore system to Manta Ray Offshore in January 1997, resulting in revenue from these assets being included in equity in earnings for the entire year ended December 31, 1998 as compared with a portion of the year ended December 31, 1997. In addition, throughput volumes for the Partnership's wholly-owned gathering systems decreased approximately eight percent for the year ended December 31, 1998, as compared with the same period in 1997. The increase in platform services revenues is a result of placing the Partnership's East Cameron 373 platform in service in April 1998 offset by lower oil and natural gas volumes processed on the Partnership's Viosca Knoll 817 platform caused by capacity constraints of the downstream transporter, which were alleviated during the third quarter of 1998. The decrease in equity investments earnings primarily reflects decreases related to nonrecurring start-up costs, changes in prior period estimates and a decrease in equity ownership of the Nautilus and Manta Ray Offshore systems along with increased maintenance costs related to the Stingray and HIOS systems. Total natural gas throughput volumes for the Partnership's equity investments increased from 1997 to 1998 primarily as a result of increased throughput on the Viosca Knoll, UTOS, Nautilus and Manta Ray Offshore systems. Oil volumes on the Poseidon system increased from 1997 to 1998. In addition, equity investment earnings were adversely impacted by two tropical storms and Hurricane Georges passing through the Gulf during the third quarter of 1998.

Operating expenses for the year ended December 31, 1998, were approximately \$12.1 million lower than 1997 primarily as a result of the Partnership's abandonment of certain of its flowlines in 1997. In addition, depreciation was lower in 1998 as a result of these abandonments, partially offset by higher operating expenses on the East Cameron Block 373 platform placed in service in the second quarter of 1998.

OIL AND NATURAL GAS PRODUCTION

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
	(IN THOUSANDS)		
Natural gas.....	\$ 24,829	\$ 22,941	\$ 41,367
Oil, condensate and liquids.....	5,136	8,470	16,739
Total operating revenues.....	29,965	31,411	58,106
Operating expenses.....	(37,324)	(41,551)	(67,783)
Other income.....	--	--	563
EBIT.....	\$ (7,359)	\$(10,140)	\$ (9,114)

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

Total operating revenues for the year ended December 31, 1999, were approximately \$1.4 million lower than 1998. The decrease is attributable to lower oil production due to natural depletion and lower realized oil prices, offset by higher natural gas sales from the acquisition of an additional 25 percent interest in Viosca Knoll Block 817 and the acquisition of a 38 percent working interest in the West Delta Block 35 in the third quarter of 1998, along with a slight increase in realized natural gas prices.

Operating expenses for the year ended December 31, 1999, were approximately \$4.2 million lower than 1998, primarily as a result of decreased depletion and abandonment rates related to the Partnership's oil and natural gas wells, along with cost reductions associated with the operations of those properties.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

Total operating revenues for the year ended December 31, 1998, were approximately \$26.7 million lower than 1997. The decrease is attributable to substantially lower realized oil and natural gas prices, decreased

production as a result of two tropical storms and Hurricane Georges passing through the Gulf during the third quarter of 1998, normal production declines from the Partnership's oil and natural gas properties and the lack of acceptable markets due to capacity constraints downstream of the Viosca Knoll system. These capacity constraints were alleviated during the third quarter of 1998.

Operating expenses for the year ended December 31, 1998, were approximately \$26.2 million less than 1997 primarily as a result of lower depletion due to decreased production, and the establishment of an allowance on a long-term receivable related to the prepayment of demand charge obligations of certain leases in 1997.

INTEREST AND DEBT EXPENSE

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

Interest and debt expense, net of capitalized interest, for the year ended December 31, 1999, was approximately \$15.1 million higher than 1998. The increase is attributable to higher average debt outstanding due to acquisitions and construction during 1999 and higher average 1999 interest rates primarily as a result of the issuance of \$175 million of Senior Subordinated Notes in May of 1999 and an increase in the average interest rate on the Partnership's variable rate debt.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

Interest and debt expense, net of capitalized interest, for the year ended December 31, 1998, was approximately \$6.1 million higher than 1997. The increase is attributed to higher average debt outstanding in 1998 related to construction activities and higher average interest rates.

LIQUIDITY AND CAPITAL RESOURCES

CASH FROM OPERATING ACTIVITIES

Net cash provided by operating activities was approximately \$50.8 million for the year ended December 31, 1999, compared to approximately \$25.7 million for the same period in 1998. The increase in cash from operations resulted primarily from higher net income and increased distributed earnings from the Partnership's equity investments.

CASH FROM INVESTING ACTIVITIES

Net cash used in investing activities was approximately \$67.1 million for the year ended December 31, 1999, due to the Partnership's acquisition of additional interests in the HIOS, UTOS, and East Breaks systems, the acquisition of an additional 49 percent interest in the Viosca Knoll system and increased capital expenditures, primarily related to the construction of the Allegheny system. Investing activities also included the receipt of proceeds from the sale of a portion of the Partnership's interest in Deepwater Holdings and a capital distribution from Deepwater Holdings.

The Partnership's planned capital and investment expenditures for 2000 of approximately \$125 million are primarily intended for expansion of unregulated operations, pipeline systems and production activities.

Funding for capital expenditures, acquisitions, and other investing expenditures is expected to be provided by internally generated funds, available capacity under existing credit facilities, and/or the issuance of other long-term debt or equity.

CASH FROM FINANCING ACTIVITIES

Net cash flows provided by financing activities totaled approximately \$17.5 million for the year ended December 31, 1999. During 1999, the Partnership received approximately \$168.9 million in net proceeds from the issuance of Subordinated Notes and borrowings under its revolving credit facilities, and partially repaid

amounts outstanding under its credit facility. The Partnership also made distributions to its unitholders and General Partner.

Future funding for long-term debt retirements, distributions, and other financing expenditures is expected to be provided by internally generated funds, available capacity under existing credit facilities, and/or the issuance of other long-term debt or equity.

LIQUIDITY

The Partnership relies on cash generated from internal operations as its primary source of liquidity, supplemented by its available credit facility. The availability of borrowings under the Partnership's credit agreement is subject to specified conditions, which management believes the Partnership currently meets. These conditions include compliance with the financial covenants and ratios and borrowing bases required by such agreements, absence of default under such agreements, and continued accuracy of the representations and warranties contained in such agreements (including the absence of any material adverse changes since the specified dates). For a discussion of the Partnership's financing arrangements, see Item 8, Financial Statements and Supplementary Data, Notes 6 and 9, which are incorporated herein by reference.

COMMITMENTS AND CONTINGENCIES

See Item 8, Financial Statements and Supplementary Data, Note 9, for a discussion of the Partnership's commitments and contingencies which is incorporated herein by reference.

At December 31, 1999, the Partnership had capital and investment commitments of approximately \$34 million which are expected to be funded through internally generated funds and/or incremental borrowings. The Partnership's other planned capital and investment projects are discretionary in nature, with no substantial commitments made in advance of the actual expenditures.

OTHER

In January 2000, El Paso Energy announced it had entered into an agreement to merge with The Coastal Corporation. Coastal is the parent Company of ANR Pipeline Company, which is the Partnership's joint venture partner in Deepwater Holdings, an equity investment of the Partnership. The merger is subject to certain conditions, including approval of the stockholders of both companies and receipt of certain required government approvals. If the merger is completed, ANR will become an affiliate of the Partnership.

YEAR 2000

To coordinate the phases of the Partnership's Year 2000 project, the Partnership established a project team to work with El Paso Energy's Year 2000 executive steering committee. The phases of the project were: (i) awareness; (ii) assessment; (iii) remediation; (iv) testing; (v) implementation of the necessary modifications, and (vi) contingency planning. The goal of the Year 2000 project was to ensure that all of the critical systems and processes under the Partnership's direct control remained functional. As of December 31, 1999, the Partnership had substantially completed the above phases for all critical systems. While the Year 2000 rollover date has passed with no apparent disruptions experienced by the Partnership's systems and processes, it remains possible that third parties, including the Partnership's joint ventures and equity investments, may have experienced disruptions which have not yet manifested any impact on the Partnership, but could in the future. Accordingly, the Partnership is prepared to implement any contingency plans should a disruption occur.

While the total cost of the Partnership's Year 2000 project continues to be accumulated, the Partnership does not expect to incur any remaining material costs in 2000. As of December 31, 1999, the Partnership has incurred expenses of less than \$1 million.

The above disclosure is a "YEAR 2000 READINESS DISCLOSURE." To the extent that any reader of the above Year 2000 Readiness Disclosure is other than an investor or potential investor in the

Partnership's -- or an affiliate's -- equity or debt securities, this disclosure is made for the SOLE PURPOSE of communicating or disclosing information aimed at correcting, helping to correct and/or avoiding Year 2000 failures.

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

See Item 8, Financial Statements and Supplementary Data, Note 1, for a discussion relating to new accounting pronouncements not yet adopted which is incorporated herein by reference.

RISK FACTORS AND CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR"
PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This report contains or incorporates by reference forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Where any forward-looking statement includes a statement of the assumptions or bases underlying the forward-looking statement, we caution that, while we believe these assumptions or bases to be reasonable and made in good faith, assumed facts or bases almost always vary from the actual results, and the differences between assumed facts or bases and actual results can be material, depending upon the circumstances. Where, in any forward-looking statement, we or our management express an expectation or belief as to future results, such expectation or belief is expressed in good faith and is believed to have a reasonable basis. We cannot assure you, however, that the statement of expectation or belief will result or be achieved or accomplished. The words believe, expect, estimate, anticipate and similar expressions may identify forward-looking statements.

With this in mind, you should consider the following important factors that could cause actual results to differ materially from those expressed in any forward-looking statement made by us or on our behalf.

RISKS INHERENT IN AN INVESTMENT IN OUR LIMITED PARTNER INTERESTS

YOU WILL HAVE LIMITED VOTING RIGHTS AND WILL NOT CONTROL OUR GENERAL PARTNER

Unlike the holders of capital stock in a corporation, you only have limited voting rights on matters affecting our business. Our general partner, whose directors you do not elect, manages our activities. In addition, absent voluntary withdrawal, our unitholders will not have the right to elect the general partner on an annual or any other continuing basis. Furthermore, the general partner may not be removed as our general partner except upon the affirmative vote of the holders of at least 55 percent of our outstanding limited partner interests, including units owned by the general partner and its affiliates.

WE MAY ISSUE ADDITIONAL SECURITIES, DILUTING YOUR INTERESTS

We can issue additional common units, preference units and other capital securities representing limited partner interests, including securities with rights to distributions and allocations or in liquidation equal or superior to the securities held by you, for any amount and on any terms and conditions established by the general partner. If we issue more limited partner interests, it will reduce your proportionate ownership interest in us. This could cause the market price of your securities to fall and reduce the cash distributions paid to our limited partners. Further, we have the ability to issue partnership interests with voting rights superior to yours. If we issued any such securities, it could adversely affect your voting power.

YOU MAY NOT HAVE LIMITED LIABILITY IN THE CIRCUMSTANCES DESCRIBED BELOW AND MAY BE LIABLE FOR THE RETURN OF WRONGFUL DISTRIBUTIONS

You will not be liable for assessments in addition to your initial capital investment in the Partnership securities. However, you may be required to repay to us amounts wrongfully returned or distributed to you under some circumstances. Delaware law provides that a limited partner who receives a distribution that results in liabilities of the partnership exceeding the fair value of the assets of the partnership and knows at the time of the distribution that the distribution violates the law will be liable to the limited partnership for the amount of the distribution for three years from the date of the distribution.

OUR EXISTING UNITS ARE SUBJECT TO RESTRICTIONS ON TRANSFER

All purchasers of our existing units, who wish to become holders of record must deliver an executed transfer application in which the purchaser or transferee must certify that, among other things, he, she or it is eligible to purchase those securities before the purchaser or transferee of those securities will be registered on our records, and before cash distributions can be made and federal income tax information furnished to the purchaser or transferee. A person purchasing our existing units, who does not execute a transfer application

and certify that the purchaser is eligible to purchase those securities, acquires no rights in those securities other than the right to resell those securities. Further, our general partner may request each record holder to furnish certain information about the holder's nationality, citizenship or other related status. If the record holder fails to furnish the information or if the general partner determines, on the basis of the information furnished by the holder in response to the request, that the cancellation or forfeiture of any property in which we have an interest may occur, the general partner may be substituted as a holder for the record holder, who will then be treated as a non-citizen assignee, and we will have the right to redeem those securities held by the record holder. As a result of these restrictions, your ability to transfer your limited partner interests may be adversely affected.

OUR GENERAL PARTNER HAS A LIMITED CALL RIGHT THAT MAY REQUIRE YOU TO SELL YOUR LIMITED PARTNER INTERESTS AT AN UNDESIRABLE TIME OR PRICE

If, at any time, our general partner and its affiliates hold 85 percent or more of any class or series of our issued and outstanding limited partner interests, the general partner will have the right to purchase all, but not less than all, of the outstanding securities of that class or series held by nonaffiliates. Accordingly, under certain circumstances you may be required to sell your limited partner interests against your will and the price you receive for those securities may be less than you would like to receive.

RISKS RELATED TO CONFLICTS OF INTEREST

EL PASO ENERGY AND ITS AFFILIATES MAY HAVE CONFLICTS OF INTEREST WITH THE PARTNERSHIP

Although El Paso Energy controls our general partner and has financial incentives to protect its investment by encouraging our success, and it plans to use us when practical as its principal offshore gathering and transportation growth vehicle in the Gulf, El Paso Energy is not contractually bound to do so and may reconsider at any time, without notice. Additionally, El Paso Energy is not required to pursue a business strategy that will favor our business opportunities over the business opportunities of El Paso Energy or any of its affiliates (or any other competitor of ours acquired by El Paso Energy, including Coastal, with whom El Paso Energy is pursuing a merger). In fact, El Paso Energy may have financial motives to favor our competitors. El Paso Energy and its subsidiaries (many of which are wholly owned) operate in some of the same lines of business and in some of the same geographic areas in which we operate. El Paso Energy continues to own pipelines and related facilities located in the Gulf, including the Bluewater and Seahawk Shoreline systems. The extent we continue to acquire interests in oil and natural gas properties may compete with the exploration, development and marketing activities conducted by El Paso Energy.

The Partnership and our general partner and its affiliates share and, therefore, will compete for, the time and effort of general partner personnel who provide services to the Partnership. Officers of the general partner and its affiliates do not, and will not be required to, spend any specified percentage or amount of time on our business. Since these shared officers function as both our representatives and those of our general partner and its affiliates, conflicts of interest could arise between our general partner and its affiliates, on the one hand, and the Partnership on the other. In addition, we have, and we expect to enter into other, significant business relationships with El Paso Energy, our general partner and their affiliates in which conflicts of interest could arise.

RISKS RELATED TO OUR LEGAL STRUCTURE

THE INTERRUPTION OF DISTRIBUTIONS TO THE PARTNERSHIP FROM OUR SUBSIDIARIES AND JOINT VENTURES MAY AFFECT OUR ABILITY TO MAKE CASH DISTRIBUTIONS

The Partnership is a holding company. As such, our primary assets are the capital stock and other equity interests in our subsidiaries and joint ventures. Consequently, our ability to make cash distributions depends upon the earnings and cash flow of our subsidiaries and joint ventures and the distribution of that cash to us. Distributions from our joint ventures are subject to the discretion of their respective management committees. In addition, several of our joint ventures have credit arrangements that contain various restrictive covenants. Among other things, those covenants limit or restrict such joint ventures' ability to make distributions to us under certain circumstances. Further, the joint venture charter documents typically vest in their management committees sole discretion regarding distributions. We cannot assure you that our joint ventures will continue to make distributions to us at current levels or at all.

Moreover, pursuant to some of the joint venture credit arrangements, we have agreed to return a limited amount of the distributions made to us by the applicable joint venture if certain conditions exist.

WE CANNOT CAUSE OUR JOINT VENTURES TO TAKE OR NOT TO TAKE CERTAIN ACTIONS UNLESS SOME OR ALL OF OUR JOINT VENTURE PARTNERS AGREE

Due to the nature of joint ventures, each partner (including the Partnership) in each of our joint ventures has made substantial contributions and other commitments to that joint venture and, accordingly, has required that the relevant charter documents contain certain features designed to provide each partner with the opportunity to protect its investment in that joint venture, as well as any other assets which may be substantially dependent on or otherwise affected by the activities of that joint venture. These protective features include a corporate governance structure which requires at least a majority in interest vote to authorize many basic activities and requires a greater voting interest (sometimes up to 100 percent) to authorize more significant activities. Depending on the particular joint venture, these more significant activities might involve large expenditures or contractual commitments, the construction or acquisition of assets, borrowing money, transactions with affiliates of a joint venture partner, litigation and/or transactions not in the ordinary course of business, among others. Thus, without the concurrence of joint venture partners with enough voting interests, we cannot cause any of our joint ventures to take or not to take certain actions, even though such actions may be in the best interest of the particular joint venture or the Partnership.

WE DO NOT HAVE THE SAME FLEXIBILITY AS OTHER TYPES OF ORGANIZATIONS TO ACCUMULATE CASH AND EQUITY TO PROTECT AGAINST ILLIQUIDITY IN THE FUTURE

Unlike a corporation, our partnership agreement requires us to make quarterly distributions to our unitholders of all available cash reduced by any amounts reserved for commitments and contingencies, including capital and operating costs and debt service requirements. The value of our common units will decrease in direct correlation with decreases in the amount we distribute per unit. Accordingly, if we experience a liquidity problem in the future, we may not be able to issue more equity to recapitalize.

CHANGES OF CONTROL OF OUR GENERAL PARTNER MAY ADVERSELY AFFECT YOU

Our results of operations and, thus, our ability to make cash distributions could be adversely affected if there is a change in management resulting from a change of control of our general partner. Although such an action would result in a change of control under the terms of the indenture governing our publicly-held debt, El Paso Energy is not restricted from selling the general partner or any of the common units it holds. As a result, El Paso Energy could sell control of our general partner to another company with less familiarity and experience with our businesses and with different business philosophies and objectives. We cannot assure you that any such acquiror would continue our current business strategy, or even a business strategy economically compatible with our current business strategy.

RISKS RELATED TO OUR BUSINESS

OUR INDUSTRY IS HIGHLY COMPETITIVE

The hydrocarbons that we transport, gather, and process are, in many cases, owned by third parties. As a result, the volume of hydrocarbons involved in these activities depends on the actions of those third parties, and is beyond our control. Further, the following factors, most of which are beyond our control, impact our ability to maintain or increase current transmission, gathering, processing, and sales volumes and rates, renegotiate existing contracts as they expire or to remarket unsubscribed capacity at levels and rates currently in place:

- future weather conditions, including those that favor alternative energy sources;
- price competition;
- drilling activity and supply availability; and
- service area competition.

Our future profitability may be affected by our ability to compete with services offered by other energy enterprises which may be larger, offer more services, and possess greater resources.

The ongoing profitability of our pipeline systems depends upon having in place long-term firm transportation contracts for a major portion of their capacity. Our ability to negotiate new contracts and to renegotiate existing contracts could be harmed by factors we cannot control, including:

- the proposed construction by other companies of additional pipeline capacity in markets served by our pipelines;
- reduced demand due to higher oil and natural gas prices;
- actions by regulators that may impact the competitiveness of short-term and long-term capacity markets;
- the availability of alternative energy sources; and
- the viability of our expansion projects.

FLUCTUATIONS IN ENERGY COMMODITY PRICES COULD ADVERSELY AFFECT OUR BUSINESS

Revenues generated by our gathering, transportation and processing contracts depend on volumes and rates, both of which can be affected by the prices of oil and natural gas. The success of our expanding gathering, transportation, and processing operations in the Gulf is subject to continued development of additional oil and natural gas reserves in the vicinity of our facilities, and our ability to access such additional reserves to offset the natural decline from existing wells connected to our systems. A decline in energy prices could precipitate a decrease in these development activities and could cause a decrease in the volume of reserves available for gathering, transportation and processing through our offshore facilities. Fluctuations in energy prices, which may impact gathering rates and investments by third parties in the development of new oil and natural gas reserves connected to our facilities, are caused by a number of factors, including:

- regional, domestic and international supply and demand;
- availability and adequacy of transportation and platform facilities;
- energy legislation;
- federal or state taxes, if any, on the sale or transportation of natural gas and natural gas liquids; and
- abundance of supplies of alternative energy sources.

If there are reductions in the average volume of the natural gas we transport, gather and process for a prolonged period, our results of operations and financial position could be significantly, negatively affected.

FLUCTUATIONS IN PRODUCTION ACTIVITIES COULD HARM OUR BUSINESS

The success of our production activities could be adversely affected by factors we can not control, including:

- fluctuations in prices of crude oil and natural gas;
- future production and development costs; and
- risks incident to the operation of oil and natural gas wells.

THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS COULD RESULT IN FINANCIAL LOSSES

We enter into derivative financial instruments to reduce our exposure to short-term volatility in changes in energy commodity prices. In these activities, we could incur financial losses in the future as a result of volatility in the market values of the underlying commodities or if one of our counterparties fails to perform under a contract. For additional information concerning our derivative financial instruments, see item 7A, Quantitative and Qualitative Disclosures About Market Risks and Item 8, Financial Statements and Supplementary Data, Note 9.

ATTRACTIVE ACQUISITION AND INVESTMENT OPPORTUNITIES MAY NOT BE AVAILABLE

Our ability to grow will depend, in part, upon our ability to identify and complete attractive acquisition and investment opportunities. Opportunities for growth through acquisitions and investments in joint ventures, and the future operating results and success of these acquisitions and joint ventures within the United States may be subject to the effects of, and changes in, the following:

- United States monetary policies;
- laws and regulations;
- political and economic developments;
- inflation rates;
- taxes; and
- operating conditions.

WE COULD INCUR SUBSTANTIAL ENVIRONMENTAL LIABILITIES

We may incur significant costs and liabilities in order to comply with existing and future environmental laws and regulations. It is also possible that other developments, such as increasingly strict environmental laws, regulations and enforcement policies thereunder, and claims for damages to property, employees, other persons and the environment resulting from our operations could result in substantial costs and liabilities in the future. For additional information concerning our environmental matters, see Item 8, Financial Statements and Supplementary Data, Note 9.

OUR ACTIVITIES INVOLVE OPERATING HAZARDS AND UNINSURED RISKS

While we maintain insurance against certain of the risks normally associated with the gathering, transportation, processing, exploration and production of oil and natural gas, including, but not limited to explosions, pollution and fires, the occurrence of a significant event against which we are not fully insured could have a significant negative effect on our business.

OUR SUBSTANTIAL INDEBTEDNESS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION AND PREVENT US FROM MAKING DISTRIBUTIONS TO OUR UNITHOLDERS

We have a significant amount of indebtedness and the ability to incur more indebtedness. Furthermore, our indebtedness is collateralized by guarantees of our subsidiaries. Our substantial indebtedness could have important consequences to our unitholders. For example, it could:

- limit our ability to make distributions to our unitholders;
- increase our vulnerability to general adverse economic and industry conditions;
- prevent us from running our businesses as planned;
- limit our ability to pursue acquisition opportunities; and
- place us at a competitive disadvantage as compared to our competitors that have less debt.

OUR INDEBTEDNESS MAY RESTRICT OUR ABILITY TO OPERATE

We must comply with various affirmative and negative covenants related to our senior subordinated notes and our revolving credit facility. These restrictions may prevent us from engaging in transactions beneficial to us. Specifically, these covenants limit our ability to:

- incur additional indebtedness or liens;
- make payments in respect of, redeem or acquire any debt or equity issued by us;
- sell assets;
- make loans or investments;
- acquire or be acquired by other companies; and
- amend some of our contracts.

Any additional indebtedness we incur in the future will be under our existing credit agreement or under arrangements that we believe have terms and conditions at least as restrictive as those contained in our existing credit agreements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Partnership may utilize derivative financial instruments for purposes other than trading to manage its exposure to movements in interest rates and commodity prices. In accordance with procedures established by the General Partner, management monitors current economic conditions and evaluates its expectations of future prices and interest rates when making decisions with respect to risk management.

INTEREST RATE RISK

The Partnership utilizes both fixed and variable rate long-term debt, and is exposed to market risk due to the floating interest rate under its credit facility. Under the Partnership's credit facility, as amended, the remaining principal and the final interest payment are due in May 2002. As of December 31, 1999, the Partnership's credit facility had a principal balance of \$290 million at an average floating interest rate of 9.0% per annum. A one percent increase in interest rates would result in a \$2.9 million annual increase in interest expense on the existing principal balance. The Partnership is exposed to similar risk under the various joint venture credit facilities and loan agreements.

COMMODITY PRICE RISK

The Partnership hedges a portion of its oil and natural gas production to reduce its exposure to fluctuations in the market prices of oil and natural gas, and to meet certain requirements under its revolving credit facility. The Partnership uses commodity price swap transactions whereby monthly settlements are based on differences between the prices specified in the commodity price swap agreements and the settlement prices of certain futures contracts quoted on the New York Mercantile Exchange, or NYMEX, or certain other indices. The Partnership settles the commodity price swap transactions by paying the negative difference or receiving the positive difference between the applicable settlement price and the price specified in the contract. The commodity price swap transactions used by the Partnership differ from futures contracts in that there are no contractual obligations which require or allow for the future delivery of the product. The credit risk from the Partnership's price swap contracts is derived from the counterparty to the transaction, typically a major financial institution. Management does not require collateral and does not anticipate non-performance by this counterparty, which does not transact a sufficient volume of transactions with the Partnership to create a significant concentration of credit risk. Gains or losses resulting from hedging activities and the termination of any hedging instruments are initially deferred and included as an increase or decrease to oil and natural gas sales in the period in which the hedged production is sold. If the Partnership had settled its open natural gas hedging positions as of December 31, 1999 and 1998, based on the applicable settlement prices of the NYMEX futures contracts, the Partnership would have recognized a loss of approximately \$3.8 million and \$2.6 million, respectively. For the year ended December 31, 1999, the Partnership recorded a net loss of \$2.3 million related to its hedging activities.

At December 31, 1999, the Partnership had two outstanding natural gas sales swap transactions for the calendar year 2000. Under one of the swaps, the Partnership will receive a fixed price of \$1.6686 on 10,000 MMBtu/d, and pay the monthly natural gas futures contract price on NYMEX. The second swap provides for similar pricing terms, notional quantity and contract period. On January 18, 2000, the Partnership fixed the contract price under the swap whereby it will receive \$1.8050 on 10,000 MMBtu/d from February through December 2000 and pay the monthly NYMEX settlement price.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

EL PASO ENERGY PARTNERS, L.P. AND SUBSIDIARIES

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

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Operating revenues			
Oil and natural gas sales.....	\$ 29,965	\$31,411	\$ 58,106
Gathering and transportation.....	22,311	6,852	11,580
Platform services.....	11,383	10,468	5,749
Equity investment earnings.....	32,814	26,724	29,327
	96,473	75,455	104,762
Operating expenses			
Operating expenses.....	22,402	27,558	26,013
Depreciation, depletion and amortization.....	30,630	29,267	46,289
Impairment, abandonment and other.....	--	(1,131)	21,222
	53,032	55,694	93,524
Operating income.....	43,441	19,761	11,238
Other income			
Gain on sale of assets.....	10,103	311	--
Other.....	358	460	1,475
	10,461	771	1,475
Income before interest, income taxes and other charges.....	53,902	20,532	12,713
Interest and debt expense.....	35,323	20,242	14,169
Minority interest.....	197	15	(7)
Income (loss) before income taxes.....	18,382	275	(1,449)
Income tax benefit.....	435	471	311
Net income (loss).....	18,817	746	(1,138)
Net income allocated to General Partner.....	12,129	142	449
Net income (loss) allocated to limited partners before accounting change.....	6,688	604	(1,587)
Cumulative effect of accounting change.....	(15,427)	--	--
Net income (loss) allocated to limited partners.....	\$ (8,739)	\$ 604	\$ (1,587)
Weighted average basic and diluted units outstanding.....	25,928	24,367	24,367
Basic and diluted net income (loss) per unit before accounting change.....	\$ 0.26	\$ 0.02	\$ (0.06)
Cumulative effect of accounting change.....	(0.60)	--	--
Basic and diluted net income (loss) per unit after accounting change.....	\$ (0.34)	\$ 0.02	\$ (0.06)

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

EL PASO ENERGY PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31,	
	1999	1998
ASSETS		
Current assets		
Cash and cash equivalents.....	\$ 4,202	\$ 3,108
Accounts receivable.....	5,149	1,482
Accounts receivable from affiliates.....	3,352	7,106
Other current assets.....	254	247
Total current assets.....	12,957	11,943
Property and equipment, net.....	373,759	241,992
Equity investments.....	185,766	186,079
Other noncurrent assets.....	11,103	2,712
Total assets.....	\$583,585	\$442,726
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities		
Accounts payable and accrued liabilities.....	\$ 8,591	\$ 10,429
Accounts payable to affiliates.....	1,827	738
Notes payable.....	--	338,000
Total current liabilities.....	10,418	349,167
Notes payable.....	290,000	--
Long-term debt.....	175,000	--
Other noncurrent liabilities.....	12,164	11,661
Total liabilities.....	487,582	360,828
Commitments and contingencies		
Minority interest.....	(486)	(998)
Partners' capital.....	96,489	82,896
Total liabilities and partners' capital.....	\$583,585	\$442,726

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

EL PASO ENERGY PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Cash flows from operating activities			
Net income (loss).....	\$ 18,817	\$ 746	\$ (1,138)
Adjustments to reconcile net income (loss) to net cash from operating activities			
Depreciation, depletion and amortization.....	30,630	29,267	46,289
Gain of sale of assets.....	(10,103)	(311)	--
Impairment, abandonment and other.....	--	(1,131)	21,222
Distributed earnings of equity investees			
Earnings from equity investments.....	(32,814)	(26,724)	(29,327)
Distributions from equity investments.....	46,180	31,171	27,135
Other noncash items.....	4,084	1,682	(966)
Working capital changes, net of effects of acquisitions and non-cash transactions			
(Increase) decrease in accounts receivable.....	2,107	(27)	11,783
Decrease in other current assets.....	366	406	206
Decrease in accounts payable and accrued liabilities.....	(8,507)	(9,402)	(7,719)
Net cash provided by operating activities.....	50,760	25,677	67,485
Cash flows from investing activities			
Acquisition and development of oil and natural gas properties.....	(3,218)	(30,548)	(11,249)
Additions to pipelines, platforms and facilities.....	(30,662)	(27,368)	(30,708)
Investments in equity investees.....	(59,348)	(8,195)	--
Cash paid for acquisition of Viosca Knoll, net of cash acquired.....	(20,351)	--	--
Proceeds from sale of assets.....	26,122	487	--
Distributions related to the formation of Deepwater Holdings.....	20,000	--	--
Other.....	322	--	188
Net cash used in investing activities.....	(67,135)	(65,624)	(41,769)
Cash flows from financing activities			
Net proceeds from notes payable.....	141,126	128,072	64,907
Repayments of notes payable.....	(226,850)	(29,000)	(54,000)
Net proceeds from issuance of long-term debt.....	168,878	--	--
General Partner's contribution.....	603	--	--
Distributions to partners.....	(66,288)	(62,447)	(47,398)
Other.....	--	--	716
Net cash provided by (used in) financing activities.....	17,469	36,625	(35,775)
Net increase (decrease) in cash and cash equivalents.....	1,094	(3,322)	(10,059)
Cash and cash equivalents at beginning of year.....	3,108	6,430	16,489
Cash and cash equivalents at end of year.....	\$ 4,202	\$ 3,108	\$ 6,430

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

EL PASO ENERGY PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
(IN THOUSANDS)

	PREFERENCE UNITS	PREFERENCE UNITHOLDERS	COMMON UNITS	COMMON UNITHOLDERS	GENERAL PARTNER(1)	TOTAL
	-----	-----	-----	-----	-----	-----
Partners' capital at December 31, 1996.....	18,075	\$ 196,224	6,292	\$ (3,969)	\$ (232)	\$192,023
Net income (loss) for the year ended December 31, 1997.....	--	(1,167)	--	(420)	449	(1,138)
Cash distributions.....	--	(31,631)	--	(11,011)	(4,277)	(46,919)
Partners' capital at December 31, 1997.....	18,075	163,426	6,292	(15,400)	(4,060)	143,966
Net income for the year ended December 31, 1998.....	--	63	--	541	142	746
Conversion of preference units into common units.....	(17,058)	(127,842)	17,058	127,842	--	--
Cash distributions.....	--	(28,296)	--	(22,011)	(11,509)	(61,816)
Partners' capital at December 31, 1998.....	1,017	7,351	23,350	90,972	(15,427)	82,896
Cumulative effect of accounting change.....	--	3,072	--	(18,499)	15,427	--
Net income for the year ended December 31, 1999.....	--	919	--	5,769	12,129	18,817
Issuance of common units for acquisition of additional interest in Viosca Knoll.....	--	--	2,662	59,792	--	59,792
General Partner contribution related to issuance of common units.....	--	--	--	--	603	603
Conversion of preference units into common units.....	(727)	(7,454)	727	7,454	--	--
Cash distributions.....	--	(919)	--	(52,211)	(12,489)	(65,619)
Partners' capital at December 31, 1999.....	290	\$ 2,969	26,739	\$ 93,277	\$ 243	\$ 96,489
	=====	=====	=====	=====	=====	=====

(1) El Paso Energy Partners Company owns a one percent general partner interest in the Partnership.

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

EL PASO ENERGY PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Partnership is a publicly held Delaware master limited partnership that provides energy services, including natural gas and oil gathering, transportation, midstream and other related services, primarily in the Gulf. In August 1998, El Paso Energy acquired, through a series of transactions, DeepTech International Inc., or DeepTech. As a result, El Paso Energy acquired 100 percent of the General Partner's interest in the Partnership and an overall 27.3 percent effective interest in the Partnership. In June 1999, additional common units were issued to El Paso Energy in connection with the sale of a portion of the Viosca Knoll system to the Partnership, bringing El Paso Energy's overall effective interest in the Partnership to 34.5 percent. See Note 2 for further discussion of this transaction.

In December 1999, the Partnership changed its name to El Paso Energy Partners, L.P. At that date, the Partnership's trading symbol for common units was changed to "EPN" and the symbol for preference units was changed to "EPN.P" on the NYSE.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements of the Partnership include the accounts of all majority-owned, controlled subsidiaries after the elimination of all significant intercompany accounts and transactions. Investments in companies where the Partnership has the ability to exert significant influence over, but not control operating and financial policies, are accounted for using the equity method. The General Partner's approximate one percent non-managing interest in certain subsidiaries of the Partnership represents the minority interest in the Partnership's consolidated financial statements. The consolidated financial statements for previous periods include certain reclassifications that were made to conform to the current year presentation. Such reclassifications have no impact on reported net income or partners' capital.

Cash and cash equivalents

Short-term investments with an original maturity of three months or less are considered cash equivalents.

Property and equipment

Gathering pipelines, platforms and related facilities are recorded at cost and are depreciated on a straight-line basis over the estimated useful lives of the assets which generally range from 5 to 30 years for the gathering pipelines and from 18 to 30 years for platforms and related facilities. Repair and maintenance costs are expensed as incurred, while additions, improvements and replacements are capitalized.

The Partnership accounts for its oil and natural gas exploration and production activities using the successful efforts method of accounting. Under this method, costs of successful exploratory wells, development wells and acquisitions of mineral leasehold interests are capitalized. Production, exploratory dry hole and other exploration costs, including geological and geophysical costs and delay rentals, are expensed as incurred. Unproved properties are assessed periodically and any impairment in value is recognized currently as depreciation, depletion and amortization expense.

Depreciation, depletion, and amortization of the capitalized costs of producing oil and natural gas properties, consisting principally of tangible and intangible costs incurred in developing a property and costs of productive leasehold interests, are computed on the unit-of-production method. Unit-of-production rates are based on annual estimates of remaining proved developed reserves or proved reserves, as appropriate, for each property.

Estimated dismantlement, restoration and abandonment costs and estimated residual salvage values are taken into account in determining depreciation provisions for gathering pipelines, platforms, related facilities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

and oil and natural gas properties. Other noncurrent liabilities at December 31, 1999 and 1998, include approximately \$11.7 million and \$10.7 million, respectively, of accrued dismantlement, restoration and abandonment costs.

Retirements, sales and disposals of assets are recorded by eliminating the related costs and accumulated depreciation, depletion and amortization of the disposed assets with any resulting gain or loss reflected in income.

The Partnership evaluates impairment of its regulated and non-regulated property, plant, and equipment in accordance with Statement of Financial Accounting Standards, or SFAS, No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of.

Capitalization of interest

Interest and other financing costs are capitalized in connection with construction and drilling activities as part of the cost of the asset and amortized over the related asset's estimated useful life.

Debt issue costs

Debt issue costs are capitalized and amortized over the life of the related indebtedness. Any unamortized debt issue costs are expensed at the time the related indebtedness is repaid or otherwise terminated.

Revenue recognition

Revenue from pipeline transportation of hydrocarbons is recognized upon receipt of the hydrocarbons into the pipeline systems. Revenue from oil and natural gas sales is recognized upon delivery in the period of production. Revenue from platform access and processing services is recognized in the period the services are provided.

Income taxes

The Partnership and its subsidiaries, other than Tarpon Transmission Company, or Tarpon, are not taxable entities. However, the taxable income or loss resulting from the operations of the Partnership will ultimately be included in the federal and state income tax returns of the general and limited partners. Individual partners will have different investment bases depending upon the timing and price of acquisition of partnership units. Further, each partner's tax accounting, which is partially dependent upon his/her tax position, may differ from the accounting followed in the consolidated financial statements. Accordingly, there could be significant differences between each individual partner's tax basis and his/her share of the net assets reported in the consolidated financial statements. The Partnership does not have access to information about each individual partner's tax attributes in the Partnership, and the aggregate tax bases cannot be readily determined.

Tarpon is subject to federal corporate income taxation. The Partnership utilizes SFAS No. 109, Accounting for Income Taxes, to account for income taxes. The income tax benefit reported in the Partnership's Consolidated Statements of Operations for the years ending 1999, 1998, and 1997, relates solely to Tarpon's book loss at the effective statutory income tax rate for the respective period since no material differences exist between book and taxable income. Deferred income taxes are provided to reflect the tax consequences in future years of differences between the financial statement and tax bases of assets and liabilities at each year end. Resulting tax liabilities, if any, are borne by the Partnership.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities that exist at the date of the financial statements. Actual results are likely to differ from those estimates.

Unit Options

The Partnership applies the provisions of Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its unit compensation plans, including options issued to employees of the General Partner. Accordingly, compensation expense is not recognized for unit options unless the options were granted at an exercise price lower than the market price of common units on the grant date. The Partnership uses fixed and variable plan accounting for its fixed and variable compensation plans, respectively.

Environmental Costs

Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments indicate that remediation efforts are probable and the costs can be reasonably estimated.

Price Risk Management Activities

The Partnership enters into commodity price swap instruments for non-trading purposes to manage its exposure to price fluctuations on anticipated natural gas and crude oil sales transactions. To qualify for hedge accounting, the transactions must reduce the price risk of the underlying hedged items, be designated as hedges at inception, and result in cash flows and financial impacts which are inversely correlated to the position being hedged. If correlation ceases to exist, hedge accounting is terminated and mark-to-market accounting is applied. Gains and losses resulting from hedging activities and the termination of any hedging instruments are initially deferred and included as an increase or decrease to oil and natural gas sales in the period in which the hedged production is sold.

Income (Loss) Per Unit

Basic income per unit excludes dilution and is computed by dividing net income (loss) attributable to the limited partners by the weighted average number of units outstanding during the period. Dilutive income per unit reflects potential dilution and is computed by dividing net income (loss) attributable to the limited partners by the weighted average number of units outstanding during the period increased by the number of additional units that would have been outstanding if the dilutive potential units had been issued.

Basic income (loss) per unit and diluted income (loss) per unit for the Partnership are the same for the years ended December 31, 1999, 1998 and 1997, as no dilutive potential units were outstanding during the respective periods. The Partnership includes the outstanding preference units in the basic and diluted net income (loss) per unit calculation as if the preference units had been converted into common units.

Cumulative Effect of Accounting Change

In the fourth quarter of 1999, the Partnership changed its method of allocating net income to its partners' capital accounts from a method where income was allocated based on percentage ownership and proportionate share of cash distributions, to a method whereby income is allocated to the partners based upon the change from period to period in their respective claims on the Partnership's book value capital. Management believes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

that the new income allocation method is preferable because it more accurately reflects the income allocation provisions called for under the partnership agreement and the resulting partners' capital accounts are more reflective of a partner's claim on the Partnership's book value capital at each period end. This change in accounting had no impact on the Partnership's consolidated net income (loss) or its consolidated total partners' capital for any period presented. Furthermore, the change is not expected to impact the declaration of future cash distributions or affect an individual partner's tax basis in the Partnership.

The impact of this change in accounting has been recorded as a cumulative effect adjustment in the Partnership's income allocation for the year ended December 31, 1999. The effect of adopting this change in accounting, excluding the cumulative adjustment, was to reduce basic and diluted net income per limited partner unit by \$0.33 for the year ended December 31, 1999. In addition, had this change been in effect for the years ended December 31, 1998 and 1997, the loss allocated to limited partners would have been \$11.2 million and \$5.0 million, respectively, and basic and diluted net loss per limited partner unit would have been \$0.46 and \$0.20, respectively.

Recent Pronouncements

In June 1998, SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, was issued by the Financial Accounting Standards Board to establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. This pronouncement requires that an entity classify all derivatives as either assets or liabilities and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (i) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (ii) a hedge of the exposure to variable cash flows of a forecasted transaction, or (iii) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security or a foreign-currency-denominated forecasted transaction. The accounting for the changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. This standard was amended by Statement of Financial Accounting Standards No. 137 issued in June 1999. The amendment defers the effective date to fiscal years beginning after June 15, 2000. The Partnership is currently evaluating the effects of this pronouncement.

2. ACQUISITIONS

Deepwater Holdings

In June 1999, the Partnership acquired additional interests in the HIOS, East Breaks and UTOS systems through its acquisition of Natoco, Inc. and Naloco, Inc. for \$51 million. As part of the transaction, the Partnership also assumed operations of the Stingray system, the Stingray Offshore separation facility and the West Cameron dehydration facility in November 1999. The purchase price exceeded the book value of net assets acquired by approximately \$48 million. This excess cost is being amortized on a straight line basis over the estimated lives of the acquired assets, which approximates 30 years.

In September 1999, the Partnership and ANR Pipeline Company, or ANR, formed Deepwater Holdings to reorganize their interests in certain joint ventures. In the transaction, the Partnership and ANR contributed their interests in certain pipeline systems and facilities to Deepwater Holdings. Following this reorganization, Deepwater Holdings owns 100 percent of the East Breaks, HIOS, UTOS, and Stingray systems, along with the West Cameron dehydration facility. In exchange for its contribution, the Partnership received a 59.66 percent interest in Deepwater Holdings. The Partnership subsequently sold a 9.66 percent members' interest in Deepwater Holdings to ANR for \$26.1 million to effect a 50/50 ownership position. The Partnership realized a \$10.1 million gain associated with the sale. In conjunction with the transaction, the Partnership will become the full operator of the UTOS, HIOS, and East Breaks systems no later than July 1, 2000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In connection with its formation, Deepwater Holdings established a \$175 million credit facility to retire existing debt of Stingray and Western Gulf, the parent company of East Breaks and HIOS, to fund a one-time distribution of \$20 million to each of the equity partners, to provide funds for the remaining construction costs of the East Breaks system and any future system expansions, and to provide for other working capital needs of Deepwater Holdings.

The following selected unaudited pro forma information represents the Partnership's consolidated results of operations on a pro forma basis for the years ended December 31, 1999 and 1998, assuming the transactions relating to Deepwater Holdings discussed above had occurred on January 1, 1998:

	YEAR ENDED DECEMBER 31,	
	1999	1998

	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)	
Revenue.....	\$93,071	\$73,329
Operating income.....	\$39,841	\$17,239
Net loss allocated to limited partners.....	\$(7,364)	\$(2,689)
Basic and diluted net loss per unit before cumulative effect of accounting change.....	\$ (0.28)	\$ (0.11)

In January 2000, El Paso Energy announced it had entered into an agreement to merge with The Coastal Corporation. Coastal is the parent Company of ANR Pipeline Company, which is the Partnership's joint venture partner in Deepwater Holdings, an equity investment of the Partnership. The merger is subject to certain conditions, including approval of the stockholders of both companies and receipt of certain required government approvals. If the merger is completed, ANR will become an affiliate of the Partnership.

Viosca Knoll

In June 1999, the Partnership acquired an additional 49 percent interest in Viosca Knoll from El Paso Field Services Company, or EPFS. In the transaction, EPFS contributed \$33.4 million to Viosca Knoll and then sold a 49 percent interest to the Partnership in exchange for \$19.9 million and 2,661,870 common units. The Partnership paid closing costs of \$0.9 million in connection with the acquisition and the General Partner contributed \$0.6 million to the Partnership in order to maintain its one percent capital account balance. In addition, during the six months commencing June 1, 2000, the Partnership has an option to acquire EPFS's remaining one percent interest in profits and capital of Viosca Knoll for \$1.6 million plus any additional distributions which would have been paid, accrued, or been in arrears if the Partnership had acquired the remaining one percent of Viosca Knoll on June 1, 1999. As a result of the acquisition, the Partnership began consolidating Viosca Knoll effective June 1999.

The acquisition was accounted for as a purchase and the purchase price was assigned to the assets and liabilities acquired based upon their estimated fair value as of the acquisition date. These fair value allocations are preliminary and may be revised after the completion of an independent appraisal. The following is summary information related to the acquisition (in thousands):

Fair value of assets acquired.....	\$ 83,105
Cash acquired.....	434
Fair value of liabilities assumed.....	(2,962)

Total purchase price.....	80,577
Issuance of common units.....	(59,792)

Net cash paid.....	\$ 20,785
	=====

EL PASO ENERGY PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following selected unaudited pro forma information represents the Partnership's consolidated results of operations on a pro forma basis for the years ended December 31, 1999 and 1998, assuming the Viosca Knoll acquisition had occurred on January 1, 1998:

	YEAR ENDED DECEMBER 31,	
	1999	1998

	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)	
Revenue	\$104,951	\$95,676
Operating income.....	\$ 48,710	\$31,815
Net income allocated to limited partners.....	\$ 8,675	\$ 5,124
Basic and diluted net income per unit before cumulative effect of accounting change.....	\$ 0.32	\$ 0.19

Ewing Bank 958 Unit

In October 1998, the Partnership purchased a 100 percent working interest in the Ewing Bank 958 Unit from a wholly-owned indirect subsidiary of El Paso Energy for \$12.2 million. In December 1998, the Partnership completed the drilling of a successful delineation well on the Ewing Bank 958 Unit. In October 1999, the Partnership executed an agreement with El Paso Production Company, or El Paso Production, a subsidiary of El Paso Energy, to farm out its working interest in the Ewing Bank 958 Unit at which time the Partnership's investment in the unit totaled \$32.8 million. Under the terms of the farmout agreement, the Partnership increased its overriding royalty interest in the Ewing Bank 958 Unit from 5.3 percent to 7.4 percent convertible, at its option, into a 30 percent undivided working interest once El Paso Production has recouped the costs associated with its drilling and completion activities on the unit. El Paso Production began drilling on the Ewing Bank 958 Unit in November 1999.

El Paso Intrastate-Alabama Pipeline System

In March 2000, the Partnership acquired the El Paso Intrastate-Alabama pipeline system, or EPIA, a natural gas gathering system in the coal seam producing regions of Alabama for total consideration of \$24.5 million from a subsidiary of El Paso Energy. This acquisition represents the first purchase of an onshore system by the Partnership.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

3. EQUITY INVESTMENTS

The Partnership holds equity investments which are accounted for using the equity method of accounting. Summarized financial information for these investments is as follows:

AS OF OR FOR THE YEAR ENDED
DECEMBER 31, 1999
(IN THOUSANDS)

	MANTA RAY OFFSHORE(A)	NAUTILUS(A)	VIOSCA KNOLL(C)	DEEPWATER HOLDINGS(B)	STINGRAY(B)	HIOS(B)	UTOS(B)	WEST CAMERON DEHY(B)
END OF PERIOD OWNERSHIP INTEREST.....	25.67%	25.67%	99%	50%	50%	50%	50%	50%
OPERATING RESULTS DATA:								
Operating revenue.....	\$ 16,782	\$ 9,838	\$12,338	\$14,106	\$13,322	\$27,370	\$3,233	\$1,934
Other income.....	2,307	21	31	87	1,898	143	52	23
Operating expenses.....	(3,724)	(1,440)	(925)	(8,183)	(7,932)	(13,212)	(1,544)	(210)
Depreciation.....	(5,323)	(5,872)	(1,752)	(4,023)	(5,699)	(3,475)	(420)	(12)
Other expenses.....	(57)	(293)	(1,973)	(1,402)	(1,516)	--	--	--
Net Income.....	\$ 9,985	\$ 2,254	\$ 7,719	\$ 585	\$ 73	\$10,826	\$1,321	\$1,735
PARTNERSHIP'S SHARE:								
Allocated income.....	\$ 2,563	\$ 579	\$ 3,860	\$ 293	\$ 37	\$ 4,780	\$ 614	\$ 868
Adjustments(d).....	(784)	(55)	--	(118)	1,223	92	(25)	--
Equity earnings.....	\$ 1,779	\$ 524	\$ 3,860	\$ 175	\$ 1,260	\$ 4,872	\$ 589	\$ 868
Allocated distributions.....	\$ 4,001	\$ 1,905	\$ 6,350	\$ 4,400	\$ 2,501	\$ 6,900	\$1,000	\$ 800
FINANCIAL POSITION DATA:								
Current assets.....	\$ 4,394	\$ 3,540		\$34,334				
Noncurrent assets.....	137,700	107,464		208,939				
Current liabilities.....	4,749	408		32,727				
Long-term debt.....	--	--		122,000				
Other noncurrent liabilities.....	--	--		41				

	POSEIDON	OTHER	TOTAL
END OF PERIOD OWNERSHIP INTEREST.....	36%	50%	
OPERATING RESULTS DATA:			
Operating revenue.....	\$76,160	\$ 35	
Other income.....	403	--	
Operating expenses.....	(8,774)	(18)	
Depreciation.....	(6,172)	--	
Other expenses.....	(9,133)	--	
Net Income.....	\$52,484	\$ 17	
PARTNERSHIP'S SHARE:			
Allocated income.....	\$18,894	\$ 8	
Adjustments(d).....	(7)	(8)	
Equity earnings.....	\$18,887	\$ --	\$32,814
Allocated distributions.....	\$18,191	\$132	\$46,180
FINANCIAL POSITION DATA:			
Current assets.....	\$171,720	\$376	
Noncurrent assets.....	243,971	--	
Current liabilities.....	159,359	44	
Long-term debt.....	150,000	--	
Other noncurrent liabilities.....	322	--	

- (a) These investees are indirect investees of the Partnership. However, because the Partnership believes separate data on each of these investees is more meaningful, results have been reflected separately.
- (b) Deepwater Holdings was formed in September 1999 and owns 100 percent of HIOS, East Breaks, UTOS, Stingray, and West Cameron Dehy. Prior to September 1999, the Partnership had a direct ownership interest in each of these investees. Information included herein is for the periods and dates in which the Partnership had a direct investment in these entities.
- (c) Information on Viosca Knoll is through May 31, 1999. On June 1, 1999, the Partnership began consolidating Viosca Knoll as a result of acquiring an additional 49 percent ownership interest therein.

(d) Adjustments result primarily from purchase price adjustments recorded by the Partnership in accordance with Accounting Principles Board Opinion No. 16, "Business Combinations", except for \$0.9 million on Stingray which results from changes in prior period estimates of reserves for uncollectible revenues.

As of December 31, 1999, the carrying amount of the Partnership's equity investments exceeded the underlying equity in net assets by approximately \$84 million. This difference is being amortized on a straight-line basis over the estimated lives of the underlying net assets of the respective investee.

EL PASO ENERGY PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

AS OF OR FOR THE YEAR ENDED
DECEMBER 31, 1998
(IN THOUSANDS)

	MANTA RAY OFFSHORE(A)	NAUTILUS(A)	VIOSCA KNOLL	STINGRAY	HIOS	UTOS	WEST CAMERON DEHY	POSEIDON	TOTAL
OWNERSHIP PERCENTAGE....	25.67%	25.67%	50%	50%	40%	33.3%	50%	36%	
	=====	=====	=====	=====	=====	=====	=====	=====	
OPERATING RESULTS DATA:									
Operating revenue.....	\$ 10,949	\$ 5,403	\$29,334	\$ 23,008	\$ 43,818	\$ 5,174	\$2,796	\$44,522	
Other income.....	488	100	50	670	--	100	11	290	
Operating expenses....	(3,710)	(1,979)	(3,031)	(16,814)	(19,047)	(2,466)	(183)	(4,763)	
Depreciation.....	(4,303)	(5,845)	(3,860)	(6,852)	(4,772)	(559)	(16)	(8,846)	
Interest expense.....	--	--	(4,267)	(1,668)	(16)	(2)	--	(8,671)	
	-----	-----	-----	-----	-----	-----	-----	-----	
Net income (loss)....	\$ 3,424	\$ (2,321)	\$18,226	\$ (1,656)	\$ 19,983	\$ 2,247	\$2,608	\$22,532	
	=====	=====	=====	=====	=====	=====	=====	=====	
PARTNERSHIP'S SHARE:									
Allocated income									
(loss).....	\$ 879	\$ (596)	\$ 9,113	\$ (828)	\$ 7,993	\$ 749	\$1,304	\$ 8,111	
Adjustments(b).....	(348)	(714)	--	573	627	(19)	--	(120)	
	-----	-----	-----	-----	-----	-----	-----	-----	
Equity earnings									
(loss).....	\$ 531	\$ (1,310)	\$ 9,113	\$ (255)	\$ 8,620	\$ 730	\$1,304	\$ 7,991	\$ 26,724
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Allocated									
distributions.....	\$ 1,182	\$ 634	\$10,350	\$ 1,000	\$ 9,240	\$ 933	\$1,100	\$ 6,732	\$ 31,171
	=====	=====	=====	=====	=====	=====	=====	=====	=====
FINANCIAL POSITION DATA:									
Current assets.....	\$ 7,250	\$ 2,782	\$ 5,451	\$ 17,892	\$ 4,662	\$ 4,699	\$ 848	\$43,338	
Noncurrent assets....	135,626	113,434	97,758	50,109	12,939	2,745	647	233,082	
Current liabilities...	5,023	709	1,021	18,960	2,626	4,125	13	40,134	
Long-term debt.....	--	--	66,700	20,583	--	--	--	131,000	
Other noncurrent									
liabilities.....	--	--	340	12,924	--	--	--	--	

- (a) These investments are indirect investees of the Partnership. However, because the Partnership believes the separate data for each of these investees is more meaningful, results have been reflected separately.
- (b) Adjustments result from purchase price adjustments recorded by the Partnership in accordance with APB Opinion No. 16 except for the \$0.7 million reduction on Nautilus related to a revision of the allowance for funds used during construction, or AFUDC, which represents the estimated costs, during the construction period, of funds used for construction purposes.

EL PASO ENERGY PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

FOR THE YEAR ENDED
DECEMBER 31, 1997
(IN THOUSANDS)

	MANTA RAY OFFSHORE(A)	NAUTILUS(A)	VIOSCA KNOLL	STINGRAY	HIOS	UTOS	WEST CAMERON DEHY	POSEIDON	TOTAL
OWNERSHIP PERCENTAGE.....	25.67%	25.67%	50%	50%	40%	33.3%	50%	36%	
OPERATING RESULTS DATA:									
Operating revenue.....	\$ 6,263	\$ 54	\$23,128	\$ 23,630	\$ 45,917	\$ 3,785	\$2,451	\$26,161	
Other income.....	1,564	6,489(b)	40	970	--	61	29	209	
Operating expenses.....	(2,223)	(435)	(2,115)	(15,612)	(17,101)	(2,472)	(164)	(5,782)	
Depreciation.....	(1,823)	(233)	(2,474)	(7,216)	(4,774)	(566)	(16)	(6,463)	
Interest expense.....	(1,483)	--	(1,959)	(1,384)	--	37	--	(5,341)	
Net income.....	\$ 2,298	\$5,875	\$16,620	\$ 388	\$ 24,042	\$ 845	\$2,300	\$ 8,784	
PARTNERSHIP'S SHARE:									
Allocated income.....	\$ 590	\$1,508	\$ 8,310	\$ 194	\$ 9,617	\$ 281	\$1,150	\$ 3,162	
Adjustments(c).....	3,082	733	--	560	512	11	--	(383)	
Equity earnings.....	\$ 3,672	\$2,241	\$ 8,310	\$ 754	\$ 10,129	\$ 292	\$1,150	\$ 2,779	\$29,327
Allocated distributions.....	\$ 2,560	\$ --	\$ 9,650	\$ 1,375	\$ 12,200	\$ 200	\$1,150	\$ --	\$27,135

- (a) These investments are indirect investees of the Partnership. However, because the Partnership believes the separate data for each of these investees is more meaningful, results have been reflected separately.
- (b) Includes approximately \$6.4 million related to AFUDC. Recognition of this allowance is appropriate because it constitutes an actual cost of construction. For regulated activities, Nautilus is permitted to earn a return on and recover AFUDC through its inclusion in the rate base and the provision for depreciation. The rate employed for the equity component of AFUDC is the equity rate of return stated in Nautilus' FERC tariff.
- (c) Adjustments result from purchase price adjustments recorded by the Partnership in accordance with APB Opinion No. 16 except for the \$3.1 million for Nautilus which represents additional net earnings specifically allocated to the Partnership related to the assets contributed by the Partnership to the Manta Ray Offshore joint venture. Pursuant to the terms of the joint venture agreement, the Partnership managed the operations of the assets contributed to Manta Ray Offshore and was permitted to retain approximately 100% of the net earnings from such assets during the construction phase of the expansion to the Manta Ray Offshore system (January 17, 1997 through December 31, 1997). Effective January 1, 1998, Manta Ray Offshore began allocating all net earnings in accordance with the ownership percentages of the joint venture.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	DECEMBER 31,	
	1999	1998
Property and equipment, at cost		
Pipelines.....	\$220,816	\$ 64,464
Platforms and facilities.....	137,537	123,912
Oil and natural gas properties.....	155,968	152,750
	514,321	341,126
Less accumulated depreciation, depletion, and amortization.....	140,562	99,134
Property and equipment, net.....	\$373,759	\$241,992

In June 1998, Tatham Offshore, Inc., or Tatham Offshore, an affiliate of the Partnership prior to the acquisition of DeepTech by El Paso Energy, canceled its reversionary interests in certain oil and natural gas properties owned by the Partnership. In addition, in August 1998, Tatham Offshore transferred its remaining

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

assets located in the Gulf to the Partnership in exchange for 7,500 shares of its Series B Senior Preferred Stock, then owned by the Partnership.

5. REGULATORY MATTERS

FERC has jurisdiction over the Nautilus, Stingray, HIOS and UTOS systems with respect to transportation of natural gas, rates and charges, construction of new facilities, extension or abandonment of service and facilities, accounts and records, depreciation and amortization policies, and certain other matters.

On December 1, 1998, Stingray filed for a general rate increase at the FERC. Pursuant to an order issued by FERC on December 30, 1998, the increased rates became effective June 1, 1999, subject to refund. A hearing on the merits of Stingray's filing was held in December 1999. Management does not expect the outcome of these proceedings to have a material effect on the rates charged by Stingray under its FERC order. Each of Nautilus, HIOS, and UTOS are currently operating under agreements with their respective customers that provide for rates that have been approved by the FERC. The Partnership's remaining systems are gathering facilities and, as such, are not currently subject to rate and certificate regulation by FERC.

All of the Partnership's pipelines are subject to FERC's administration of the "equal access" requirements of the Outer Continental Shelf Lands Act. In addition, the Poseidon and Allegheny systems are subject to regulation under the Hazardous Liquid Pipeline Safety Act. Operations in offshore federal waters are regulated by the Department of the Interior.

6. FINANCING TRANSACTIONS

Senior Subordinated Notes

In May 1999, the Partnership entered into an indenture with Chase Bank of Texas, under which it issued \$175 million in aggregate principal amount of Senior Subordinated Notes, or the Subordinated Notes. The Partnership capitalized \$6.1 million of debt issue costs related to the issuance and registration of the Subordinated Notes. The Subordinated Notes bear interest at a rate of 10 3/8% per annum, payable semi-annually, on June 1 and December 1, and mature on June 1, 2009. The Partnership's subsidiaries have guaranteed its obligations under the Subordinated Notes. In addition, the Partnership could be required to repurchase the Subordinated Notes if certain circumstances relating to change of control or asset disposition exist. None of such circumstances currently exist at the Partnership. The terms of the Subordinated Notes include, among other things, certain financial tests and covenants, all of which the Partnership currently meets. In September 1999, the Partnership exchanged all of its Subordinated Notes for registered debt securities with identical terms. The proceeds from the Senior Subordinated Notes were used to fund the cost requirements of the Viosca Knoll acquisition and to pay down the Partnership's revolving credit facility.

Partnership Credit Facility

The Partnership has a revolving credit facility with a syndicate of commercial banks to provide up to \$375 million of available credit, subject to certain limitations. As of December 31, 1999 and 1998, the Partnership had \$290 million and \$338 million, respectively, outstanding under this facility and \$56.5 million available at December 31, 1999. At the election of the Partnership, interest under this facility is determined by reference to the reserve-adjusted London Interbank Offer Rate, or LIBOR, the prime rate, or the 90-day average certificate of deposit rate. The interest rate at December 31, 1999 and 1998 was 9.0 percent and 7.1 percent per annum, respectively. A commitment fee is charged on the unused and available portion of the credit facility. This fee varies between 0.25% and 0.5% per annum and was 0.5% per annum at December 31, 1999. The Partnership's credit facility matures in May 2002; is guaranteed by the Partnership and each of the Partnership's subsidiaries; and is collateralized by the management agreement with the Partnership, substantially all of the assets of the Partnership, the General Partner's one percent general partner

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

interest in the Partnership and its approximate one percent nonmanaging interest in certain subsidiaries of the Partnership. The Partnership may borrow money under this facility for capital expenditures, investment and working capital purposes as well as to make capital distributions under certain circumstances.

During the years ended December 31, 1999, 1998 and 1997, the Partnership capitalized approximately \$1.8 million, \$1.1 million, and \$1.7 million, respectively, of interest expense in connection with construction projects and drilling activities during such periods. At December 31, 1999 and 1998, the unamortized portion of debt issue costs totaled approximately \$11.0 million and \$2.5 million, respectively.

7. PARTNERS' CAPITAL

General

As of December 31, 1999, the Partnership had 26,739,065 common units and 289,699 preference units outstanding. Preference units and common units totaling 18,075,000 are owned by the public, representing a 65.5 percent effective limited partner interest in the Partnership. El Paso Energy has an effective 34.5 percent interest in the Partnership, consisting of a 32.5 percent limited partner interest in the form of 8,953,764 common units, a one percent general partner interest in the Partnership and an approximate one percent non-managing interest in certain subsidiaries of the Partnership.

Conversion of Preference Units into Common Units

In May 1998, and again in May 1999, the Partnership notified its preference unitholders of their opportunity to convert their preference units into an equal number of common units. To date, 98 percent of the preference units, which were outstanding in May 1998, have been converted into common units consisting of 17,058,094 converted in 1998 and 727,207 converted in 1999. The holders of the remaining 289,699 preference units will have a final 90-day conversion opportunity beginning in May 2000. These units will retain their distribution preferences over the common units; that is, holders of such preference units will be paid up to the minimum quarterly distribution of \$0.275 per unit plus any distribution in arrears before any quarterly distributions are made to the common unitholders or the General Partner. Following this conversion period, remaining preference units may, under certain circumstances, be subject to mandatory redemption for an amount equal to the unrecovered capital, as defined in the partnership agreement, of such preference units plus minimum quarterly distribution arrearages, if any. The Partnership reallocated the partners' capital accounts in the conversion period to reflect these conversions of preference units into common units.

Cash Distributions

The Partnership makes quarterly distributions of 100 percent of its available cash, as defined in the partnership agreement, to its unitholders and to the General Partner. Available cash consists generally of all the cash receipts of the Partnership plus reductions in reserves less all of its cash disbursements and net additions to reserves. The General Partner has broad discretion to establish cash reserves that it determines are necessary or appropriate to provide for the proper conduct of the Partnership. These can include cash reserves for future capital and maintenance expenditures, reserves to stabilize distributions of cash to the unitholders and the General Partner, reserves to reduce debt, or, as necessary, reserves to comply with the terms of any agreement or obligation of the Partnership.

The distribution of available cash for each calendar quarter is subject to the preferential rights of the preference unitholders to receive a minimum quarterly distribution of \$0.275 per unit for such quarter, plus arrearages for prior quarters before any distribution is made to holders of common units. Cash distributions on common units and to the General Partner are discretionary in nature and are not entitled to arrearages of minimum quarterly distributions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Distributions by the Partnership are effectively made 98 percent to limited unitholders and 2 percent to the General Partner, subject to the payment of incentive distributions to the General Partner if certain target cash distribution levels to unitholders are achieved. As an incentive, the General Partner's interest in the portion of quarterly cash distributions in excess of \$0.325 per unit and less than or equal to \$0.375 per unit is increased to 15 percent. For quarterly cash distributions over \$0.375 per unit but less than or equal to \$0.425 per unit, the General Partner receives 25 percent of such incremental amount, and for all quarterly cash distributions in excess of \$0.425 per unit, the General Partner receives 50 percent of the incremental amount. For the year ended December 31, 1999, 1998, and 1997, the Partnership paid the General Partner incentive distributions totaling \$12.1 million, \$11.1 million, and \$3.9 million, respectively, and paid an incentive distribution of \$3.2 million in February 2000.

Unit Rights Appreciation Plan

Prior to 1997, the Partnership maintained a unit rights appreciation plan under which employees of the General Partner were granted a right to market appreciation on the Partnership's common and/or preference units. A total of 1,200,000 of these rights were granted to officers and employees of the General Partner and its affiliates. For the year ended December 31, 1997, expenses incurred under the plan totaled \$3.7 million. As a result of the "change in control" occurring upon the closing of El Paso Energy's acquisition of DeepTech in 1998, these rights fully vested and the holders elected to be paid \$8.6 million, the amount equal to the difference between the grant price of these rights and the average of the high and the low sales price of the common units on the date of exercise. Upon the exercise of all of the rights outstanding, this plan was terminated. The Partnership replaced this plan with the Omnibus Plan discussed below.

Option Plans

In August 1998, the Partnership adopted the 1998 Omnibus Compensation Plan, or the Omnibus Plan, to provide the General Partner with the ability to issue unit options to attract and retain the services of knowledgeable officers and key management personnel. Unit options to purchase a maximum of 3 million common units of the Partnership may be issued pursuant to the Omnibus Plan. Unit options granted pursuant to the Omnibus Plan are not immediately exercisable. One-half of the unit options are considered vested and exercisable one year after the date of grant and the remaining one-half of the unit options are considered vested and exercisable one year after the first anniversary of the date of grant. The unit options expire ten years from such grant date, but shall be subject to earlier termination under certain circumstances.

In August 1998, the Partnership adopted the 1998 Unit Option Plan for Non-Employee Directors, or the Director Plan, to provide the General Partner with the ability to issue unit options to attract and retain the services of knowledgeable directors. Unit options to purchase a maximum of 100,000 common units of the Partnership may be issued pursuant to the Director Plan. Each unit option granted under the Director Plan vests immediately at the date of grant and the grant expires ten years from such date. The expiration date is subject to earlier termination if the director ceases to be a director of the General Partner, in which case the unit options expire 36 months after such date. In the case of death, the unit options expire 12 months after such date.

EL PASO ENERGY PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table summarizes activity under the Omnibus Plan and Director Plan as of and for the years ended December 31, 1999 and 1998. No unit options were granted by the Partnership prior to August 1998.

	1999		1998	
	# UNITS OF UNDERLYING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	# UNITS OF UNDERLYING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year.....	933,000	\$27.18	--	\$ --
Granted.....	4,500	21.58	933,000	27.18
Exercised.....	--	--	--	--
Forfeited.....	--	--	--	--
Canceled.....	--	--	--	--
Outstanding at end of year.....	937,500	27.16	933,000	\$27.18
Options exercisable at end of year.....	687,500(1)	27.15	3,000	\$26.17

(1) Includes the accelerated vesting of approximately 215,000 unit options under certain employment agreements as a result of a defined change in control within El Paso Energy following its merger with Sonat Inc.

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

ASSUMPTION	1999	1998
Expected term in years.....	8	8
Expected volatility.....	28.7%	37.0%
Expected dividends.....	9.2%	8.0%
Risk-free interest rate.....	6.4%	4.6%

The Black-Scholes weighted average fair value of options granted during 1999 and 1998 was \$3.14 and \$4.59 per option, respectively.

Options outstanding as of December 31, 1999, are summarized below:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING AT 12/31/99	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT 12/31/99	WEIGHTED AVERAGE EXERCISE PRICE
\$20.62 to \$25.00	6,000	9.2	\$22.44	6,000	\$22.44
\$25.01 to \$27.34	931,500	6.8	\$27.19	681,500	\$27.19
\$20.62 to \$27.34	937,500	6.8	\$27.16	687,500	\$27.15

Had the compensation expense for the Partnership's stock-based compensation plans been determined applying the provisions of SFAS No. 123, Accounting for Stock Based Compensation, using the Black-Scholes

EL PASO ENERGY PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

weighted average fair value of options granted, the Partnership's net income allocated to the limited partners and net income per common unit for 1999 and 1998 would approximate the pro forma amounts below:

	DECEMBER 31, 1999		DECEMBER 31, 1998	
	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)			
SFAS No. 123 charge, pretax.....	\$ --	\$ 890	\$ --	\$ 1,065
APB No. 25 charge, pretax.....	\$ --	\$ --	\$ --	\$ --
Net income (loss) allocated to the limited partners.....	\$(8,739)	\$(9,629)	\$ 604	\$ (461)
Basic and diluted income (loss) per unit.....	\$ (0.34)	\$ (0.37)	\$0.02	\$ (0.02)

The effects of applying SFAS No. 123 in this pro forma disclosure are not indicative of future amounts.

8. RELATED PARTY TRANSACTIONS

Transactions with related parties and affiliates for each of the three years ended December 31, are as follows:

	1999	1998	1997
	(IN THOUSANDS)		
Revenues received from related parties:			
Oil and natural gas sales.....	\$29,778	\$31,225	\$57,830
Gathering, transportation and platform services.....	990	3,546	4,143
	\$30,768	\$34,771	\$61,973
Expenses paid to related parties:			
Operating expenses.....	\$10,541	\$12,345	\$14,598

Revenues received from related parties

The Partnership has agreed to sell all of its oil and natural gas production to an affiliate of the Partnership, on a month to month basis. The agreement provides fees equal to 2 percent of the sales value of crude oil and condensate and \$0.015 per dekatherm of natural gas for selling the Partnership's production. During the years ended December 31, 1999, 1998 and 1997, oil and natural gas sales to the affiliate totaled approximately \$29.8 million, \$31.2 million, and \$57.8 million, respectively.

For the years ended December 31, 1998 and 1997, the Partnership received approximately \$1.1 million and \$2.0 million, respectively, from Tatham Offshore as platform access and processing fees related to the Partnership's platform located in Viosca Knoll Block 817.

For the five months ended May 31, 1999, and the years ended December 31, 1998 and 1997, the Partnership charged Viosca Knoll approximately \$1.0 million, \$2.4 million and \$2.1 million, respectively, for expenses and platform access fees related to the Viosca Knoll Block 817 platform. The Partnership began consolidating Viosca Knoll following its acquisition of an additional 49 percent ownership interest in June 1999. As a result, charges after this period were eliminated in consolidation.

Expenses paid to related parties

Management Fees. Substantially all of the individuals who perform the day-to-day financial, administrative, accounting and operational functions for the Partnership, as well as those who are responsible for the direction and control of the Partnership, are currently employed by El Paso Energy. Pursuant to a management agreement between El Paso Energy and the General Partner, a management fee is charged to the General Partner which is intended to approximate the amount of resources allocated by El Paso Energy in

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

providing various operational, financial, accounting and administrative services on behalf of the General Partner and the Partnership. The management agreement expires on June 30, 2002, and may be terminated thereafter upon 90 days notice by either party. Pursuant to the terms of the partnership agreement, the General Partner is entitled to reimbursement of all reasonable general and administrative expenses and other reasonable expenses incurred by the General Partner and its affiliates for, or on behalf of, the Partnership including, but not limited to, amounts payable by the General Partner to El Paso Energy under its management agreement.

Prior to its acquisition by El Paso Energy in August 1998, DeepTech had a similar management agreement with the General Partner. Management fees were based on a percentage of DeepTech's overhead. However, in connection with El Paso Energy's acquisition of the General Partner, the General Partner amended its management agreement to provide for a monthly management fee of \$775,000. The General Partner charged the Partnership \$9.3 million, \$9.3 million, and \$8.1 million pursuant to its management agreement for the years ended December 31, 1999, 1998 and 1997, respectively.

The General Partner is also required to reimburse El Paso Energy, and its predecessor, DeepTech for certain tax liabilities resulting from, among other things, additional taxable income allocated to the General Partner due to (i) the issuance of additional preference units and (ii) the investment of such proceeds in additional acquisitions or construction projects. During the years ended December 31, 1998 and 1997, the General Partner charged the Partnership approximately \$0.5 million and \$0.7 million, respectively, to compensate DeepTech for additional taxable income allocated to the General Partner.

During the five months ended May 31, 1999, and the years ended December 31, 1998 and 1997, Viosca Knoll charged the Partnership approximately \$0.8 million, \$1.9 million and \$3.9 million, respectively, for transportation services related to transporting production from the Viosca Knoll Block 817 lease.

Garden Banks. During the years ended December 31, 1999, 1998 and 1997, Poseidon charged the Partnership approximately \$0.9 million, \$1.4 million and \$2.0 million, respectively, for transportation services related to transporting production from the Garden Banks Block 72 and 117 leases.

Other. Pursuant to a management agreement between Viosca Knoll and the Partnership, the Partnership charges Viosca Knoll a base fee of \$100,000 annually in exchange for the Partnership providing financial, accounting and administrative services on behalf of Viosca Knoll. For the five months ended May 31, 1999, and each of the years ended December 31, 1998 and 1997, the Partnership charged Viosca Knoll approximately \$42,000, \$100,000 and \$100,000, respectively, in accordance with this management agreement. In addition, for the years ended December 31, 1998 and 1997, Viosca Knoll reimbursed the Partnership approximately \$152,000 and \$47,000, respectively, for costs incurred by the Partnership in connection with the acquisition and installation of a booster compressor on the Partnership's Viosca Knoll Block 817 platform.

For the years ended December 31, 1999, 1998 and 1997, the Partnership charged Manta Ray Offshore a management fee of approximately \$0.5 million, \$1.3 million, and \$0.3 million, respectively, pursuant to its management and operations agreements.

Pursuant to former non-employee director compensation arrangements, the Partnership was obligated to pay each non-employee director 2 1/2 percent of the general partners' incentive distribution as a profit participation fee. During the years ended December 31, 1998 and 1997, the Partnership paid three non-employee directors of the Partnership a total of \$0.6 million and \$0.3 million, respectively, as a profit participation fee. As a result of El Paso Energy's acquisition of Deep Tech, these non-employee directors resigned and these arrangements were terminated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Farmout

In October 1999, the Partnership executed an agreement with El Paso Production Company, or El Paso Production, a subsidiary of El Paso Energy, to farm out its working interest in the Ewing Bank 958 Unit. Under the terms of the farmout agreement, the Partnership increased its overriding royalty interest in the Ewing Bank 958 Unit from 5.3 to 7.4 percent convertible, at its option, into a 30 percent undivided working interest once El Paso Production has recouped the costs associated with its drilling and completion activities on the unit. El Paso Production began drilling on the Ewing Bank 958 Unit in November 1999.

Other

In 1997, Tatham Offshore announced its intent to reserve its remaining costs associated with certain of its wells as a result of production problems. Accordingly, the Partnership recorded a charge totaling \$21.2 million in the consolidated statements of operations. This charge consisted of approximately \$6.4 million to reserve the Partnership's investment in certain gathering facilities and other assets associated with these properties, approximately \$3.8 million to fully accrue its abandonment obligations associated with the gathering facilities serving these properties, approximately \$9.1 million to reserve its noncurrent receivable related to the prepayment of the demand charge obligations under certain agreements, and approximately \$1.9 million to accrue certain abandonment obligations associated with its Viosca Knoll and Garden Banks properties. During 1998, the Partnership abandoned its Ewing Bank flowlines at a cost of \$2.9 million and recorded a credit to impairment, abandonment and other of \$1.1 million, which represented the excess of the accrued costs over the actual costs incurred associated with the abandonment of the flowlines.

During the year ended December 31, 1997, the Partnership was charged approximately \$3.4 million by Sedco Forex Division of Schlumberger Technology Corporation for contract drilling services rendered by the semisubmersible drilling rig, the FPS Laffit Pinca, at its Garden Banks Block 117 project. The FPS Laffit Pinca was owned by an affiliate of DeepTech and managed by Sedco Forex during such period.

In addition, see Note 2 relating to the formation of Deepwater Holdings and the Partnership's acquisition of an additional ownership interest in Viosca Knoll.

9. COMMITMENTS AND CONTINGENCIES

Credit Facilities

Deepwater Holdings and Poseidon are parties to a credit agreement under which they have an outstanding obligation that may restrict the payment of distributions to their respective owners.

In connection with its formation, Deepwater Holdings assumed Western Gulf Holdings' obligations under its \$100 million revolving credit facility entered into in February 1999, and amended and restated that facility to, among other things, increase the commitment amount to \$175 million. Deepwater Holdings' ability to borrow money under this credit facility is subject to certain customary terms and conditions, including borrowing base limitations. The credit facility is collateralized by substantially all of the material contracts and agreements of East Breaks, West Cameron Dehy and Deepwater Holdings, including Deepwater Holdings' ownership in Stingray, UTOS, West Cameron Dehy, and Western Gulf, and its subsidiaries HIOS and East Breaks, and matures in February 2004. As of March 15, 2000, Deepwater Holdings had \$147 million outstanding under its credit facility bearing interest at an average floating rate of 7.2 percent and had \$13.2 million available.

Poseidon has a revolving credit facility, as amended, with a syndicate of commercial banks to provide up to \$150.0 million for the construction and expansion of the Poseidon system and for other working capital needs. Poseidon's ability to borrow money under this facility is subject to certain customary terms and conditions, including borrowing base limitations. The facility is collateralized by a substantial portion of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Poseidon's assets and matures on April 30, 2001. As of December 31, 1999, 1998 and 1997, Poseidon had \$150.0 million, \$131.0 million and \$120.5 million, respectively, outstanding under its credit facility bearing interest at an average floating rate of 7.8 percent, 6.9 percent, and 7.2 percent per annum, respectively.

In June 1999, the Viosca Knoll revolving credit facility was repaid and cancelled concurrent with the closing of the Partnership's acquisition of the additional interest in Viosca Knoll.

The Stingray credit facility was paid off and cancelled concurrent with the formation of Deepwater Holdings. Funds from the Deepwater Holdings credit facility were used to pay off the Stingray credit facility.

Borrowings under the above mentioned credit facilities may be used for capital expenditures, investment and working capital purposes, as well as to make capital distributions in certain circumstances.

Hedging Activities

The Partnership hedges a portion of its oil and natural gas production to reduce its exposure to fluctuations in market prices of oil and natural gas and to meet certain requirements under its revolving credit facility. The Partnership uses commodity price swap instruments whereby monthly settlements are based on differences between the prices specified in the commodity price swap agreement and the settlement prices of certain futures contracts quoted on the NYMEX or certain other indices. The Partnership settles the commodity price swap transactions by paying the negative difference or receiving the positive difference between the applicable settlement price and the price specified in the contract. The commodity price swap transactions used by the Partnership differ from futures contracts in that there is no contractual obligation which requires or allows for the future delivery of the product. The credit risk from the Partnership's price swap contracts is derived from the counterparty to the transaction, typically a major financial institution. Management does not require collateral and does not anticipate non-performance by this counterparty, which does not transact a sufficient volume of transactions with the Partnership to create a significant concentration of credit risk. Gains or losses on hedging activities and the termination of any hedging instruments are initially deferred and included as an increase or decrease to oil and natural gas sales in the period in which the hedged production is sold. For the years ended December 31, 1999, 1998 and 1997, the Partnership recorded a net (gain) loss of \$2.3 million, \$(2.5) million and \$6.3 million, respectively, from such activities.

As of December 31, 1998, the Partnership maintained two natural gas sales swap transactions, one covering the calendar year 1999, and one covering the calendar year 2000. Each of these swaps carried a notional amount of 10,000 MMBtu/d. Under these transactions, the Partnership receives a fixed price and pays a variable price based on the monthly natural gas futures contract settlement price as set by NYMEX. In January 1999, the Partnership elected to change the term of its 1999 swap to calendar year 2000. In January 1999 and 2000, under the terms of this transaction, the Partnership fixed its contract price at \$1.6686 per MMBtu and \$1.8050 per MMBtu, respectively, for each swap.

If the Partnership had settled its open natural gas hedging positions as of December 31, 1999 and 1998 based on the applicable settlement prices of the NYMEX futures contracts, the Partnership would have recognized a loss of approximately \$3.8 million and \$2.6 million, respectively.

In February 2000, the Partnership also entered into a swap transaction whereby the Partnership will receive \$24.05 per barrel of oil in exchange for the monthly Oil Futures Contract NYMEX settlement for 12,000 barrels per month for February and March 2000 and 15,000 barrels per month for each month in the following three quarters of calendar year 2000.

Legal Proceedings

The Partnership is a defendant in a lawsuit filed by Transco in the 157th Judicial District Court, Harris County, Texas on August 30, 1996. Transco alleges that, pursuant to a platform lease agreement entered into on June 28, 1994, it had the right to expand its facilities and operations on the offshore platform by connecting

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

additional pipeline receiving and appurtenant facilities. Management denied Transco's request to expand its facilities and operations because the lease agreement does not provide for such expansion, and because Transco's activities would have interfered with the Manta Ray Offshore system and the Partnership's existing and planned activities on the platform. The case is set for trial on April 3, 2000. It is the opinion of management that adequate defenses exist and that the final disposition of this suit will not have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Partnership.

In January 2000, an anchor from a submersible drilling rig in tow damaged a section of the Poseidon system north of the Partnership's Ship Shoal 332 platform. The accident resulted in the release of approximately 2,200 barrels of crude oil in the waters surrounding the system, caused damage to the Partnership's Ship Shoal 332 platform, and resulted in the shutdown of the system and certain surrounding facilities in which the Partnership has ownership interests. Poseidon estimates the cost to repair the damaged pipeline and clean up the crude oil released into the Gulf to be approximately \$15 million, and has placed the rig's owner on notice for liability and expenses due to the incident. Management is currently evaluating the effects of the accident on the Partnership's operations and expects to complete its evaluation in the first quarter of 2000.

The Partnership, along with several subsidiaries of El Paso Energy, have been named defendants in actions brought by Jack Grynberg on behalf of the U.S. Government under the False Claims Act. Generally, the complaints allege an industry-wide conspiracy to underreport the heating value as well as the volumes of the natural gas produced from federal and Indian lands, thereby depriving the United States Government of royalties. The Partnership believes the complaint to be without merit.

The Partnership, along with several subsidiaries of El Paso Energy, have been named defendants in a class action suit, *Quinque Operating Company v. Gas Pipelines*. The plaintiff alleges that the defendants have mismeasured natural gas volumes and heating content of natural gas on non-federal and non-Native American lands. This suit is similar to the action brought by Jack Grynberg on behalf of the United States Government. The Partnership believes the complaint to be without merit.

The Partnership is also a named defendant in numerous lawsuits and a named party in numerous governmental proceedings arising in the ordinary course of its business.

Other

In July 1999, the Partnership entered into a contract with MODEC International, L.L.C. for the design, construction, fabrication and installation of the hull, tendons, pilings and production risers for a tension-leg platform, or TLP, to be used as part of the Ewing Bank 958 Unit development. Upon the farm out of the Ewing Bank 958 Unit, the Partnership suspended the construction of the TLP and is currently discussing its use at a different location with several major producers. The Partnership expects to incur up to \$10 million of costs related to the TLP which is expected to be recovered through the Ewing Bank 958 Unit farmout agreement. As a result, management does not expect the ultimate resolution of this matter to have a material adverse effect on the Partnership's consolidated financial position, results of operations or cash flows.

While the outcome of the matters discussed above cannot be predicted with certainty, management currently does not expect the ultimate resolution of these matters to have a material adverse effect on the Partnership's consolidated financial position, results of operations, or cash flows.

Environmental

The Partnership is subject to extensive federal, state, and local laws and regulations governing environmental quality and pollution control. These laws and regulations require the Partnership to remove or remedy the effect on the environment of the disposal or release of specified substances at current and former operating sites.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

It is possible that new information or future developments could require the Partnership to reassess its potential exposure related to environmental matters. The Partnership may incur significant costs and liabilities in order to comply with existing environmental laws and regulations. It is also possible that other developments, such as increasingly strict environmental laws, regulations and enforcement policies thereunder, and claims for damages to property, employees, other persons and the environment resulting from current or discontinued operations, could result in substantial costs and liabilities in the future. As such information becomes available, or other relevant developments occur, related accrual amounts will be adjusted accordingly. While there are still uncertainties relating to the ultimate costs which may be incurred, based upon the Partnership's evaluation and experience to date, the Partnership believes the recorded reserves are adequate.

10. SUPPLEMENTAL DISCLOSURES TO THE STATEMENT OF CASH FLOWS

Cash paid for interest, net of amounts capitalized, and taxes were as follows:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997

	(IN THOUSANDS)		
Interest.....	\$31,696	\$17,608	\$12,965
Taxes.....	\$ --	\$ --	\$ 11

Noncash investing and financing activities excluded from the statement of cash flows were as follows:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997

	(IN THOUSANDS)		
Acquisition of additional ownership interest in Viosca Knoll			
Issuance of common units.....	\$59,792	\$ --	\$ --
Working capital acquired.....	(2,400)	--	--
Decrease in investment in Tatham Offshore.....	--	7,500	--
Additions to oil and natural gas properties.....	--	(4,683)	--
Additions to platform and facilities.....	--	(7,024)	--
Assumption of abandonment obligations.....	--	4,033	--
Conveyance of assets and liabilities to Manta Ray Offshore and Nautilus.....	--	30	72,080

11. MAJOR CUSTOMERS

As discussed in Note 8, the Partnership sells all of its oil and natural gas production to an affiliated company. The percentage of gathering, transportation and platform services revenue from major customers was as follows:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997

Kerr-McGee Corporation.....	26%	32%	--
Shell Gas Trading Company.....	21%	--	--
Texaco Gas Marketing, Inc.....	--	10%	13%
Viosca Knoll.....	--	13%	--
Walter Oil & Gas Corporation.....	--	--	13%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

12. BUSINESS SEGMENT INFORMATION:

The Partnership's business activities are segregated into two segments: Gathering, Transportation, and Platform Services, and Oil and Natural Gas Production. This structure reflects management's current view of the Partnership's activities and all historical periods have been presented on the basis of the current segment presentation. Each of the Partnership's segments is a strategic business unit that offers different services or products. The Partnership manages each of these segments separately as each requires different technology and marketing strategies. Management of the Partnership measures performance based on an asset's or investment's ability to generate cash flow to the Partnership, or performance cash flow. Performance cash flow is earnings before interest, taxes, and depreciation, depletion, and amortization, plus cash distributions from equity investments less earnings attributable to equity investments and, as appropriate, other non-cash items. This measurement is used as a supplemental financial measurement in the evaluation of the Partnership's business and should not be considered as an alternative to EBIT, as an indicator of our operating performance or as an alternative to cash flows from operating activities as a measure of liquidity. In addition, it may not be a comparable measurement among different companies. Performance cash flow is presented here to provide additional information about the Partnership. The accounting policies of the individual segments are the same as those of the Partnership, as a whole, as described in Note 1. The following table summarizes certain financial information for each business segment:

	GATHERING, TRANSPORTATION AND PLATFORM SERVICES	OIL AND NATURAL GAS PRODUCTION	TOTAL SEGMENT	INTERSEGMENT ELIMINATIONS	OTHER(1)	TOTAL
	-----	-----	-----	-----	-----	-----
	(IN THOUSANDS)					
YEAR ENDED DECEMBER 31, 1999:						
Revenue from external customers.....	\$ 66,508	\$ 29,965	\$ 96,473	\$ --	\$ --	\$ 96,473
Intersegment revenue.....	13,193	--	13,193	(13,193)	--	--
Equity investment earnings.....	32,814	--	32,814	--	--	32,814
Depreciation, depletion and amortization.....	(12,087)	(18,543)	(30,630)	--	--	(30,630)
Operating income (loss).....	51,150	(7,709)	43,441	--	--	43,441
EBIT.....	61,070	(7,359)	53,711	--	191	53,902
Performance cash flows.....	78,853	12,452	91,305	--	--	91,305
Total assets.....	500,720	67,785	568,505	--	15,080	583,585
Capital expenditures.....	169,977	3,218	173,195	--	--	173,195
Equity investments.....	185,766	--	185,766	--	--	185,766
YEAR ENDED DECEMBER 31, 1998:						
Revenue from external customers.....	\$ 44,044	\$ 31,411	\$ 75,455	\$ --	--	\$ 75,455
Intersegment revenue.....	10,673	--	10,673	(10,673)	--	--
Equity investment earnings.....	26,724	--	26,724	--	--	26,724
Depreciation, depletion and amortization.....	(7,266)	(22,001)	(29,267)	--	--	(29,267)
Impairment, abandonment and other....	1,131	--	1,131	--	--	1,131
Operating income (loss).....	30,032	(10,271)	19,761	--	--	19,761
EBIT.....	30,513	(10,140)	20,373	--	159	20,532
Performance cash flows.....	40,615	11,730	52,345	--	--	52,345
Total assets.....	349,237	81,195	430,432	--	12,294	442,726
Capital expenditures.....	33,423	35,056	68,479	--	--	68,479
Equity investments.....	186,079	--	186,079	--	--	186,079
YEAR ENDED DECEMBER 31, 1997:						
Revenue from external customers.....	\$ 46,656	\$ 58,106	\$104,762	\$ --	--	\$104,762
Intersegment revenue.....	11,162	--	11,162	(11,162)	--	--
Equity investment earnings.....	29,327	--	29,327	--	--	29,327
Depreciation, depletion and amortization.....	(9,900)	(36,389)	(46,289)	--	--	(46,289)
Impairment, abandonment and other....	(10,268)	(10,954)	(21,222)	--	--	(21,222)
Operating income (loss).....	20,914	(9,676)	11,238	--	--	11,238
EBIT.....	21,636	(9,114)	12,522	--	191	12,713
Performance cash flows.....	38,890	37,667	76,557	--	--	76,557

(1) Represents income or assets not associated with segment activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

13. SUPPLEMENTAL OIL AND NATURAL GAS INFORMATION (UNAUDITED):

Oil and natural gas reserves

The following table represents the Partnership's net interest in estimated quantities of developed and undeveloped reserves of crude oil, condensate and natural gas and changes in such quantities at fiscal year end 1999, 1998 and 1997. Estimates of the Partnership's reserves at December 31, 1999, 1998 and 1997, have been made by the independent engineering consulting firm, Netherland, Sewell & Associates, Inc. Net proved reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are proved reserve volumes that can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are proved reserve volumes that are expected to be recovered from new wells on undrilled acreage or from existing wells where a significant expenditure is required for recompletion.

Estimates of reserve quantities are based on sound geological and engineering principles, but, by their very nature, are still estimates that are subject to substantial upward or downward revision as additional information regarding producing fields and technology becomes available.

	OIL/CONDENSATE (BARRELS)	NATURAL GAS (MMCF)
	(IN THOUSANDS)	
Proved reserves -- December 31, 1996.....	3,462	44,514
Revisions of previous estimates.....	(542)	5,441
Production.....	(801)	(19,792)
Proved reserves -- December 31, 1997.....	2,119	30,163
Revisions of previous estimates.....	(33)	1,833
Purchase of reserves in place.....	32	8,212
Production.....	(540)	(11,324)
Proved reserves -- December 31, 1998.....	1,578	28,884
Revision of previous estimates.....	251	623
Extension, Discoveries, and other Additions.....	1	218
Production.....	(357)	(12,211)
Proved reserves -- December 31, 1999(1).....	1,473	17,514
	=====	=====

(1) Includes the Partnership's net interest in proved reserves on Garden Banks Block 73 totaling 653 barrels of oil and 218 MMcf of natural gas.

The following are estimates of the Partnership's total proved developed and proved undeveloped reserves of oil and natural gas by producing property as of December 31, 1999.

	OIL (BARRELS)	NATURAL GAS (MCF)	
	PROVED DEVELOPED	PROVED DEVELOPED	PROVED UNDEVELOPED
Garden Banks Block 72.....	314,884	2,123,573	--
Garden Banks Block 117.....	978,450	1,413,934	--
Viosca Knoll Block 817.....	169,815	10,407,707	2,452,000
West Delta Block 35.....	8,878	898,584	--
Total.....	1,472,027	14,843,798	2,452,000
	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In general, estimates of economically recoverable oil and natural gas reserves and of the future net revenue therefrom are based upon a number of variable factors and assumptions, such as historical production from the subject properties, the assumed effects of regulation by governmental agencies and assumptions concerning future oil and natural gas prices, future operating costs and future plugging and abandonment costs, all of which may vary considerably from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For these reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classifications of such reserves based on risk of recovery and estimates of the future net revenue expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially. The meaningfulness of such estimates is highly dependent upon the assumptions upon which they are based.

Estimates with respect to proved undeveloped reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than upon actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be substantial, in the estimated reserves. A significant portion of the Partnership's reserves is based upon volumetric calculations.

Future net cash flows

The standardized measure of discounted future net cash flows relating to the Partnership's proved oil and natural gas reserves is calculated and presented in accordance with SFAS No. 69, Disclosures About Oil and Gas Producing Activities. Accordingly, future cash inflows were determined by applying year-end oil and natural gas prices, as adjusted for hedging and other fixed price contracts in effect, to the Partnership's estimated share of future production from proved oil and natural gas reserves. The average prices utilized in the calculation of the standardized measure of discounted future net cash flows at December 31, 1999, were \$21.04 per barrel of oil and \$2.18 per Mcf of gas. Actual future prices and costs may be materially higher or lower. Future production and development costs were computed by applying year-end costs to future years. As the Partnership is not a taxable entity, no future income taxes were provided. A prescribed 10 percent discount factor was applied to the future net cash flows.

In the Partnership's opinion, this standardized measure is not a representative measure of fair market value, and the standardized measure presented for the Partnership's proved oil and natural gas reserves is not representative of the reserve value. The standardized measure is intended only to assist financial statement users in making comparisons between companies.

	DECEMBER 31,		
	1999	1998	1997
	(IN THOUSANDS)		
Future cash inflows.....	\$ 69,719	\$ 53,299	\$104,192
Future production costs.....	(14,530)	(13,412)	(15,895)
Future development costs.....	(10,681)	(10,566)	(10,463)
Future net cash flows.....	44,508	29,321	77,834
Annual discount at 10% rate.....	(7,990)	(2,649)	(10,468)
Standardized measure of discounted future net cash flows.....	\$ 36,518	\$ 26,672	\$ 67,366

EL PASO ENERGY PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Estimated future net cash flows for proved developed and proved undeveloped reserves as of December 31, 1999, are as follows:

	PROVED DEVELOPED	PROVED UNDEVELOPED	TOTAL
	-----	-----	-----
	(IN THOUSANDS)		
Undiscounted estimated future net cash flows from proved reserves before income taxes.....	\$41,303	\$3,205	\$44,508
	=====	=====	=====
Present value of estimated future net cash flows from proved reserves before income taxes, discounted at 10%.....	\$34,041	\$2,477	\$36,518
	=====	=====	=====

The following are the principal sources of change in the standardized measure (in thousands):

	1999	1998	1997
	-----	-----	-----
Beginning of year.....	\$ 26,672	\$ 67,366	\$155,638
Sales and transfers of oil and natural gas produced, net of production costs.....	(22,154)	(22,131)	(53,492)
Net changes in prices and production costs.....	29,901	(32,129)	(35,645)
Extensions, discoveries and improved recovery, less related costs.....	544	--	--
Oil and natural gas development costs incurred during the year.....	615	120	11,140
Changes in estimated future development costs.....	(1,098)	(443)	(12,439)
Revisions of previous quantity estimates.....	5,124	1,920	(3,817)
Purchase of reserves in place.....	--	7,573	--
Accretion of discount.....	2,666	6,736	15,564
Changes in production rates, timing and other.....	(5,752)	(2,340)	(9,583)
	-----	-----	-----
End of year.....	\$ 36,518	\$ 26,672	\$ 67,366
	=====	=====	=====

Development, Exploration, and Acquisition Expenditures

The following table details certain information regarding costs incurred in the Partnership's development, exploration, and acquisition activities during the years ended December 31:

	1999	1998	1997
	-----	-----	-----
	(IN THOUSANDS)		
Development costs.....	\$3,018	\$17,783	\$10,522
Proved acquisitions.....	--	16,945	1
Capitalized interest.....	200	328	726
	-----	-----	-----
Total capital expenditures.....	\$3,218	\$35,056	\$11,249
	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Capitalized Costs

Capitalized costs relating to the Partnership's natural gas and oil producing activities and related accumulated depreciation, depletion and amortization were as follows as of December 31:

	1999	1998
	-----	-----
	(IN THOUSANDS)	
Oil and natural gas properties		
Proved properties.....	\$ 53,392	\$ 53,313
Wells, equipment, and related facilities.....	102,576	99,437
	-----	-----
	155,968	152,750
Less accumulated depreciation, depletion, and amortization.....	90,677	72,958
	-----	-----
	<u>\$ 65,291</u>	<u>\$ 79,792</u>
	=====	=====

14. SUPPLEMENTAL QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

As discussed in Note 1, the Partnership changed its method for allocating net income among the partners. The change was adopted during the fourth quarter of 1999, effective as of January 1, 1999. The information that follows for the year 1999 has been restated to reflect this change as if it were in effect for all periods presented.

	QUARTER ENDED				YEAR
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31	
	-----				-----
	(IN THOUSANDS, EXCEPT PER UNIT DATA)				
1999					
Revenue.....	\$21,879	\$23,972	\$25,616	\$25,006	\$96,473
Operating income.....	9,437	11,753	9,833	12,418	43,441
Net income.....	3,499	4,188	9,257	1,873	18,817
Net income allocated to General Partner.....	2,838	2,847	3,217	3,227	12,129
Net income (loss) allocated to Limited Partners before accounting change.....	661	1,341	6,040	(1,354)	6,688
Cumulative effect of accounting change...	(15,427)	--	--	--	(15,427)
	-----	-----	-----	-----	-----
Net income (loss) allocated to Limited Partners.....	(14,766)	1,341	6,040	(1,354)	(8,739)
Basic and diluted net income (loss) per unit before accounting change.....	\$ 0.03	\$ 0.05	\$ 0.22	\$ (0.05)	0.26
Cumulative effect of accounting change...	\$ (0.60)	--	--	--	\$ (0.60)
	-----	-----	-----	-----	-----
Basic and diluted net income (loss) per unit.....	\$ (0.57)	\$ 0.05	\$ 0.22	\$ (0.05)	(0.34)
Distributions declared per common unit...	0.525	0.525	0.525	0.525	2.10
Distributions declared per preference unit.....	0.275	0.275	0.275	0.275	1.10
Weighted average number of units outstanding.....	24,367	25,244	27,029	27,029	25,928

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	QUARTER ENDED				YEAR
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31	
	(IN THOUSANDS, EXCEPT PER UNIT DATA)				
1998					
Revenue.....	\$17,714	\$18,373	\$18,230	\$21,138	\$75,455
Operating income.....	2,060	6,133	2,863	8,705	19,761
Net income (loss).....	(1,424)	1,510	(1,806)	2,466	746
Net income (loss) allocated to General Partner.....	(275)	292	(342)	467	142
Net income (loss) allocated to Limited Partners.....	(1,149)	1,218	(1,464)	1,999	604
Basic and diluted net income (loss) per unit.....	(0.05)	0.05	(0.06)	0.08	0.02
Distributions declared per common unit...	0.525	0.525	0.525	0.525	2.10
Distributions declared per preference unit.....	0.525	0.525	0.275	0.275	1.60
Weighted average number of units outstanding.....	24,367	24,367	24,367	24,367	24,367

REPORT OF INDEPENDENT ACCOUNTANTS

To the Unitholders of El Paso Energy Partners, L.P.
and the Board of Directors and Stockholder of
El Paso Energy Partners Company, as General Partner

In our opinion, the accompanying consolidated balance sheets and related consolidated statements of operations, of cash flows and of partners' capital present fairly, in all material respects, the financial position of El Paso Energy Partners, L.P. and its subsidiaries (the "Partnership") at December 31, 1999 and 1998 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Partnership's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As disclosed in Note 1 to the consolidated financial statements, the Partnership changed its method for allocating net income to its partners in 1999.

[PRICEWATERHOUSECOOPERS]

Houston, Texas
March 24, 2000

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

GENERAL

The General Partner and the Partnership utilize the employees of and management services provided by El Paso Energy under a management agreement. The Partnership reimburses the General Partner for reasonable general and administrative expenses, and other reasonable expenses, incurred by the General Partner and its affiliates, for or on behalf of the Partnership.

DIRECTORS AND EXECUTIVE OFFICERS OF THE GENERAL PARTNER

The following table sets forth certain information as of March 24, 2000, regarding the executive officers and directors of the General Partner. Each executive officer of the General Partner serves the Partnership in the same office or offices each such officer holds with the General Partner. Directors are elected annually by the General Partner's sole stockholder, El Paso Energy Partners Holding Company, and hold office until their successors are elected and qualified. Each executive officer named in the following table has been elected to serve until his successor is duly appointed or elected or until his earlier removal or resignation from office.

In November 1999, the Partnership's Board of Directors accepted the resignation of its chief executive officer, Grant E. Sims. Robert G. Phillips, current president of EPFS and a director of the Partnership, assumed the additional role of chief executive officer of the Partnership.

There is no family relationship among any of the executive officers or directors of the General Partner, and, other than described herein, no arrangement or understanding exists between any executive officer and any other person pursuant to which he was or is to be selected as an officer.

NAME	AGE	POSITION(S)
----	---	-----
William A. Wise.....	54	Director and Chairman of the Board
Robert G. Phillips.....	45	Director and Chief Executive Officer
James H. Lytal.....	42	Director and President
H. Brent Austin.....	45	Director and Executive Vice President
Keith B. Forman.....	41	Vice President and Chief Financial Officer
D. Mark Leland.....	38	Vice President and Controller
Michael B. Bracy.....	58	Director
H. Douglas Church.....	62	Director
Malcolm Wallop.....	67	Director

Mr. Wise has served as Director and Chairman of the Board of the General Partner since August 1998. He has served as Chief Executive Officer of El Paso Energy since January 1990 and was Chairman of El Paso Energy's board of directors from January 1994 until October 1999. Mr. Wise was President of El Paso Energy from January 1990 to April 1996 and from July 1998 to present. He served as President and Chief Operating Officer of El Paso Energy from April 1989 to December 1989. From March 1987 until April 1989, Mr. Wise was an Executive Vice President of El Paso Energy and a Senior Vice President of El Paso Energy from January 1984 to February 1987. Mr. Wise is a member of the Board of Directors of Battle Mountain Gold Company and is Chairman of the Board of El Paso Tennessee Pipeline Co.

Mr. Phillips has served as a Director of the General Partner since August 1998. He has served as Chief Executive Officer of the Partnership and the General Partner since November 1999. He served as Executive

Vice President from August 1998 to October 1999. Mr. Phillips has served as President of El Paso Field Services Company since June 1997. He served as President of El Paso Energy Resources Company from December 1996 to June 1997, President of El Paso Field Services Company from April 1996 to December 1996 and Senior Vice President of El Paso Energy from September 1995 to April 1996. For more than five years prior thereto, Mr. Phillips was Chief Executive Officer of Eastex Energy, Inc.

Mr. Lytal has served as a Director of the General Partner since August 1994 and as President of the Partnership and the General Partner since July 1995. He served as Senior Vice President of the Partnership and the General Partner from August 1994 to June 1995. Prior to joining the Partnership, Mr. Lytal was Vice President -- Business Development for American Pipeline Company from December 1992 to August 1994. From March 1991 to December 1992, Mr. Lytal served as Vice President -- Business Development for United Gas Pipe Line Company. Prior to March 1991, Mr. Lytal has served in various capacities in the oil and gas exploration and production and gas pipeline industries with Texas Oil and Gas, Inc. and American Pipeline Company.

Mr. Austin has served as a Director of the General Partner and as Executive Vice President of the Partnership and the General Partner since August 1998. Mr. Austin has served as an Executive Vice President and Chief Financial Officer of El Paso Energy since May 1995 and as the Chief Financial Officer of El Paso Energy since April 1992. He served as the Senior Vice President of El Paso Energy from April 1992 to April 1995. He served as the Vice President, Planning and Treasurer of Burlington Resources Inc. from November 1990 to March 1992 and Assistant Vice President, Planning of Burlington from January 1989 to October 1990. Mr. Austin is a member of the Board of Directors of El Paso Tennessee Pipeline Co.

Mr. Forman has served as the Chief Financial Officer of the Partnership and the General Partner since January 1992 and served as a Director of the General Partner from July 1992 to August 1998. Prior to 1982, Mr. Forman served as Vice President of the Natural Gas Pipeline Group of Manufacturers Hanover Trust Company.

Mr. Leland has served as Vice President and Controller of the Partnership and the General Partner since August 1998 and as Vice President of El Paso Field Services Company since September 1997. He served as Director of Business Development for El Paso Field Services Company from September 1994 to September 1997. For more than five years prior thereto, Mr. Leland served in various capacities in the finance and accounting functions of El Paso Energy.

Mr. Bracy has served as a Director of the General Partner since October 1998. From January 1993 to August 1997, Mr. Bracy served as a Director, Executive Vice President and Chief Financial Officer of NorAm Energy Corp. and as Executive Vice President and Chief Financial Officer of NorAm from December 1991 to January 1993. For seven years prior thereto, Mr. Bracy served in various executive capacities with NorAm. From December 1977 to October 1984, Mr. Bracy held various executive financial positions with El Paso Energy. Prior to December 1977, Mr. Bracy served in various capacities with The Chase Manhattan Bank. Mr. Bracy is a member of the Board of Directors of Itron, Inc.

Mr. Church has served as a Director of the General Partner since January 1999. From January 1994 to December 1998, Mr. Church served as the Senior Vice President, Transmission, Engineering and Environmental for a subsidiary of Duke Energy Corporation, Texas Eastern Transmission Company. For thirty-two years prior thereto, Mr. Church served in various engineering and operating capacities with Texas Eastern Transmission Company, Panhandle Eastern Corporation and Transwestern Pipeline Company. Mr. Church is a past member of the Board of Directors of Southern Gas Association and Boys and Girls Country of Houston, Inc. (Chairman).

Mr. Wallop has served as a Director of the General Partner since August 1998 and as a Director of El Paso Energy since January 1995. Since January 1995, Mr. Wallop has served as President for Frontiers of Freedom Foundation, a political foundation. For eighteen years prior to 1995, Mr. Wallop was a member of the United States Senate. He is a member of the Board of Directors of Hubbell Inc. and Sheridan State Bank.

COMPENSATION OF DIRECTORS

Directors of the General Partner are entitled to reimbursement for their reasonable out-of-pocket expenses in connection with their travel to and from, and attendance at, meetings of the Board or committees thereof.

In August 1998, the Partnership adopted the 1998 Unit Option Plan for Non-Employee Directors, or the Director Plan, to provide the General Partner with the ability to issue unit options to attract and retain the services of knowledgeable directors. Unit options to purchase a maximum of 100,000 common units of the Partnership may be issued pursuant to the Director Plan. Under the Director Plan, each non-employee director receives a grant of 1,500 unit options upon initial election to the Board of Directors and an annual unit option grant of 1,000 upon each re-election to the Board of Directors. Each unit option that is granted will vest immediately at the date of grant and will expire ten years from such date, but will be subject to earlier termination in the event that such non-employee director ceases to be a director of the General Partner for any reason, in which case the unit options expire 36 months after such date except in the case of death, in which case the unit options expire 12 months after such date. The Director Plan is administered by a management committee consisting of the Chairman of the Board and such other senior officers of the General Partner or its affiliates as the Chairman of the Board may designate.

In 1998, the Partnership granted 3,000 unit options to purchase an equal number of common units with an exercise price of \$27.185 per unit and, in 1999, granted 4,500 unit options to purchase an equal number of common units with an exercise price of \$21.575 under this plan. At March 15, 2000, all those options remain outstanding.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Partnership does not currently have a compensation committee or another committee performing similar functions, and all such matters which would be considered by such committee are acted upon by the full Board of Directors of the General Partner. Employees of El Paso Energy, through the General Partner, are the individuals who work on Partnership matters. Accordingly, the only compensation addressed by the Partnership relates to issuance of unit options under the various Partnership option plans. The Board of Directors administers and interprets the Omnibus Plan. See Item 11, Executive Compensation.

AUDIT AND CONFLICTS COMMITTEE

Currently, Messrs. Bracy and Church, who are neither officers nor employees of the General Partner nor any of its affiliates, serve as the Audit and Conflicts Committee of the Board of Directors of the General Partner and of the Partnership. The Audit and Conflicts Committee provides two primary services. First, it advises the Board of Directors in matters regarding the system of internal controls and the annual independent audit, and reviews policies and practices of the General Partner and the Partnership. Second, the Audit and Conflicts Committee, at the request of the General Partner, reviews specific matters as to which the General Partner believes there may be a conflict of interest in order to determine if the resolution of such conflict proposed by the General Partner is fair and reasonable to the Partnership. Except as otherwise required by the rules of the NYSE, the Audit and Conflicts Committee only reviews matters concerning potential conflicts of interest at the request of the General Partner, which has sole discretion to determine which matters to submit for review. Any such matters approved by a majority vote of the Audit and Conflicts Committee will be conclusively deemed (i) to be fair and reasonable to the Partnership, (ii) approved by all limited partners of the Partnership and (iii) not a breach by the General Partner of any duties it may owe to the Partnership. However, it is possible that such procedure in itself may constitute a conflict of interest.

COMPENSATION OF THE GENERAL PARTNER

The General Partner receives no remuneration in connection with its management of the Partnership other than: (i) distributions on its general and limited partner interests in the Partnership and its nonmanaging interest in certain subsidiaries of the Partnership; (ii) incentive distributions on its general partner interest, as

provided in the partnership agreement, and (iii) reimbursement for all direct and indirect costs and expenses incurred, all selling, general and administrative expenses incurred, and all other expenses necessary or appropriate to the conduct of the business of, and allocable to, the Partnership, including, but not limited to the management fees paid by the General Partner to El Paso Energy under its management agreement.

LIMITATIONS ON DIRECTORS' AND OFFICERS' LIABILITY; INDEMNIFICATION

The Certificate of Incorporation of the General Partner limits the liability of the directors of the General Partner to the General Partner or its stockholder (in their capacity as directors but not in their capacity as officers) to the fullest extent permitted by the Delaware General Corporation Law, or the DGCL. Accordingly, pursuant to the terms of the DGCL as presently in effect, directors of the General Partner will not be personally liable for monetary damages for breach of a director's fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the General Partner or its stockholder, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit. The Certificate of Incorporation also provides that if the DGCL is amended after the approval of the Certificate of Incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the General Partner will be eliminated to the full extent permitted by the DGCL, as so amended.

In addition, the Amended and Restated By-laws of the General Partner, in substance, require the General Partner to indemnify each person who is or was a director, officer, employee or agent of the General Partner to the full extent permitted by the laws of the State of Delaware if he is involved in legal proceedings because he is or was a director, officer, employee or agent of the General Partner, or is or was serving at the General Partner's request as a director, officer, employee or agent of the General Partner and its subsidiaries, another corporation, partnership or other enterprise. The General Partner is also required to advance to such persons payments incurred in defending a proceeding to which indemnification might apply, provided the recipient provides an undertaking agreeing to repay all such advanced amounts if it is ultimately determined that he is not entitled to be indemnified. In addition, the By-laws specifically provide that the indemnification rights granted thereunder are non-exclusive.

The General Partner has entered into indemnification agreements with certain of its current and past directors providing for indemnification to the full extent permitted by the laws of the State of Delaware. These agreements provide for specific procedures to assure the directors' rights to indemnification, including procedures for directors to submit claims, for determination of directors' entitlement to indemnification (including the allocation of the burden of proof and selection of a reviewing party) and for enforcement of directors' indemnification rights.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Partnership or the General Partner pursuant to the foregoing, the Partnership and the General Partner have been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities and Exchange Act of 1933 and is therefore unenforceable.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The General Partner's directors, certain officers and beneficial owners of more than 10 percent of a registered class of the Partnership's equity securities are required to file reports of ownership and reports of changes in ownership with the Securities and Exchange Commission and the NYSE. Directors, officers and beneficial owners of more than 10 percent of the Partnership's equity securities are also required to furnish the Partnership with copies of all such reports that are filed. Based on the Partnership's review of copies of such forms and amendments, the Partnership believes its directors, executive officers and greater than 10 percent beneficial owners complied with all filing requirements during the year ended December 31, 1999.

ITEM 11. EXECUTIVE COMPENSATION

The executive officers of the General Partner and the Partnership are compensated by El Paso Energy and do not receive compensation from the General Partner or the Partnership for their services in such capacities with the exception of awards pursuant to Omnibus Plan discussed below. However, the General Partner does make certain payments to El Paso Energy pursuant to its management agreement. See Item 10, Directors and Executive Officers of the Registrant -- Compensation of Directors.

In August 1998, Mr. Lytal entered into an employment agreement with a five year term with El Paso Energy, pursuant to which he would continue to serve as President of the General Partner and the Partnership. However, pursuant to the terms of his employment agreement, Mr. Lytal has the right to terminate such agreement upon 30 days notice and El Paso Energy has the right to terminate such agreement under certain circumstances.

OMNIBUS PLAN

In August 1998, the Partnership adopted the 1998 Omnibus Compensation Plan, or the Omnibus Plan, to provide the General Partner with the ability to issue unit options to attract and retain the services of knowledgeable officers and key management personnel. Unit options to purchase a maximum of 3 million common units may be issued pursuant to the Omnibus Plan. The Omnibus Plan is administered by the General Partner's Board of Directors. The Board of Directors shall interpret the Omnibus Plan, shall prescribe, amend and rescind rules relating to it, select eligible participants, make grants to participants who are not Section 16 insiders pursuant to the Securities Exchange Act, and shall take all other actions necessary for the Omnibus Plan administration, which actions shall be final and binding upon all the participants.

In August 1998, the Partnership granted 930,000 unit options to employees of the General Partner to purchase an equal number of common units at \$27.1875 per unit pursuant to the Omnibus Plan. All these unit options remain outstanding as of March 15, 2000. No grants of unit options were made in 1999.

REPORT FROM COMPENSATION COMMITTEE REGARDING EXECUTIVE COMPENSATION

Because the Partnership does not have a compensation committee or another committee performing similar functions, this report is presented by the full Board of Directors of the General Partner. The Board of Directors is responsible for establishing appropriate compensation goals for the knowledgeable officers and key management personnel working for us and evaluating the performance of such officers and personnel in meeting such goals.

The goals of the Board of Directors in administering the Omnibus Plan are as follows:

- (1) To fairly compensate the knowledgeable officers and key management personnel working for us and our affiliates for their contributions to our short-term and long-term performance.
- (2) To allow us to attract, motivate and retain the management personnel necessary to our success by providing an Omnibus Plan comparable to that offered by companies with which we compete for such management personnel.

The elements of the Omnibus Plan described above are implemented and periodically reviewed and adjusted by the Board of Directors. The awards made under the Omnibus Plan are determined based on individual performance, experience and comparison with awards made by our industry peers and other companies in similar industries with comparable revenue while linking such awards to our achievement of certain financial goals.

SUMMARY COMPENSATION TABLE

The following table sets forth information concerning the annual compensation earned by the Partnership's Chief Executive Officer and each of its other four most highly compensated executive officers whose annual salary and bonus during the year ended December 31, 1999, exceeded \$100,000 (collectively, the Named Officers):

NAME/PRINCIPAL POSITION	FISCAL YEAR	ANNUAL COMPENSATION(2)				LONG-TERM COMPENSATION AWARDS	
		SALARY (\$)	BONUS (\$)	MARKET VALUE OF UNITS ISSUED	OTHER ANNUAL COMPENSATION (\$)	OPTIONS (#)	ALL OTHER COMPENSATION (\$)
William A. Wise..... Chairman of the Board	1999	--	--	--	--	--	--
	1998	--	--	--	--	--	--
	1997	--	--	--	--	--	--
Robert G. Phillips..... Chief Executive Officer	1999	--	--	--	--	--	--
	1998	--	--	--	--	--	--
	1997	--	--	--	--	--	--
James H. Lytal..... President	1999	--	--	--	--	--	--
	1998	--	--	--	--	215,000(3)	--
	1997	--	--	--	--	125,000(4)	--
Keith B. Forman..... Chief Financial Officer	1999	--	--	--	--	--	--
	1998	--	--	--	--	215,000(3)	--
	1997	--	--	--	--	125,000(4)	--
D. Mark Leland..... Vice President & Controller	1999	--	--	--	--	--	--
	1998	--	--	--	--	--	--
	1997	--	--	--	--	--	--
Grant E. Sims(1)..... Former Chief Executive Officer	1999	--	--	--	--	--	--
	1998	--	--	--	--	215,000(3)	--
	1997	--	--	--	--	125,000(4)	--

- (1) Mr. Sims, former Chief Executive Officer, resigned his position effective September 30, 1999.
- (2) Other than awards made under the Partnership's incentive arrangements, all other compensation was paid by El Paso Energy or subsidiaries of El Paso Energy.
- (3) Issued pursuant to the Omnibus Plan.
- (4) Issued pursuant to the Unit Appreciation Rights Plan, the previous plan to the Omnibus Plan.

OPTION GRANTS

None of the Named Officers received any unit options grants under the Omnibus Plan during the year ended December 31, 1999:

OPTION EXERCISES AND YEAR-END VALUE TABLE

The following table sets forth certain information concerning the unit options held by the Named Officers at December 31, 1999 or exercised by the Named Officers during the year then ended:

NAME	SHARES ACQUIRED ON EXERCISE(#)	VALUE REALIZED(\$)	NUMBER OF EXERCISABLE/ UNEXERCISABLE(2)	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END EXERCISABLE/ UNEXERCISABLE
William A. Wise.....	--	--	--	\$--/\$--
Robert G. Phillips.....	--	--	--/--	--/ --
James H. Lytal.....	--	--	215,000/--	--/ --
Keith B. Forman.....	--	--	107,500/107,500	--/ --
D. Mark Leland.....	--	--	--/--	--/ --
Grant E. Sims.....	--	--	215,000/--	--/ --

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of March 1, 2000, the beneficial ownership of the outstanding equity securities of each of the Partnership, by (i) each person who is known to the Partnership to beneficially own more than 5 percent of the outstanding units of the Partnership, (ii) each director of the General Partner and (iii) all directors and executive officers of the General Partner as a group.

BENEFICIAL OWNER	COMMON UNITS		PREFERENCE UNITS	
	NUMBER	PERCENT	NUMBER	PERCENT
General Partner/El Paso.....	(1)	(1)	--	--
Robert G. Phillips.....	3,000	*	--	--
James H. Lytal.....	221,016(2)(4)	*	--	--
Keith B. Forman.....	109,500(6)	*	--	--
William A. Wise.....	9,670(5)	*	--	--
H. Brent Austin.....	1,000	*	--	--
D. Mark Leland.....	1,000	*	--	--
Michael B. Bracy.....	7,500(3)	*	--	--
H. Douglas Church.....	2,500(3)	*	--	--
Malcolm Wallop.....	2,500(3)	*	--	--
Executive officers and directors of the Partnership as a group (9 persons).....	357,686	*	--	--

* Less than 1 percent.

- (1) The address for the General Partner and El Paso Energy is El Paso Energy Building, 1001 Louisiana Street, Houston, Texas 77002. All of the General Partner's outstanding common stock, par value \$0.10 per share, is indirectly owned by El Paso Energy. The General Partner has no other class of capital stock outstanding. El Paso Energy, through its subsidiaries, owns an effective 34.5 percent economic interest in the Partnership consisting of 8,953,764 common units, a one percent general partner interest and an approximate one percent non-managing member interest in certain of the Partnership's subsidiaries.
- (2) The amount reflected for Mr. Lytal excludes 34 common units owned by his son, a minor.
- (3) Includes the option to acquire 2,500 common units pursuant to the Director Plan. See Item 10, Directors and Executive Officers of the Registrant -- Compensation of Directors.
- (4) Includes the option to acquire 215,000 common units pursuant to the 1998 Omnibus Plan.
- (5) Mr. Wise disclaims beneficial ownership of 2,500 common units held by spouse and 6,900 common units held by daughters.
- (6) Includes the option to acquire 107,500 common units pursuant to the 1998 Omnibus Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

A discussion of certain agreements, arrangements and transactions between or among the Partnership, the General Partner, and certain other related parties is summarized in Part II, Item 8, Financial Statements and Supplementary Data, Note 8. Also see Item 10, Directors and Executive Officers of the Registrant.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this Annual Report or incorporated by reference:

1. Financial Statements

The following consolidated financial statements of the Partnership are included in Part II, Item 8 of this report:

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Consolidated Statements of Operations.....	28
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The following consolidated financial statements of certain of the Partnership's equity investments are included on the following pages of this report:

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2. Financial Statement Schedules

None. All financial statement schedules are omitted because the information is not required, is not material or is otherwise included in the consolidated financial statements or notes thereto included elsewhere in this Annual Report.

3.(a) Exhibits

Each exhibit identified below is filed as a part of this Annual Report. Exhibits included in this filing are designated by an asterisk; all exhibits not so designated are incorporated herein by reference to a prior filing as indicated. Exhibits designated with a "+" constitute a management contract or compensatory plan or arrangement required to be filed as an exhibit to this report pursuant to Item 14(c) of Form 10-K.

EXHIBIT NUMBER -----	DESCRIPTION -----
3.1	-- Certificate of Limited Partnership of El Paso Energy Partners (filed as Exhibit 3.1 to the Partnership's Registration Statement on Form S-1, File No. 33-55642).
*3.2	-- Amendment Number 1 to the Certificate of Limited Partnership of El Paso Energy Partners.
3.3	-- Amended and Restated Agreement of Limited Partnership of El Paso Energy Partners (filed as Exhibit 10.41 to Amendment No. one to DeepTech International Inc's. Registration Statement on Form S-1, File No. 33-73538); Amendment Number 1 to the Amended and Restated Agreement of Limited Partnership of El Paso Energy Partners (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K dated December 31, 1996); Amendment Number 2 to the Amended and Restated Agreement of Limited Partnership of El Paso Energy Partners (filed as Exhibit 3.4 to the Partnership's Registration Statement on Form S-4, filed on June 24, 1999, File No. 333-81143).
*4.1	-- Form of Certificate Evidencing Preference Units Representing Limited Partner Interests (filed as Exhibit 4.1 to Amendment No. 2 to the Partnership's Registration Statement on Form S-1, File No. 33-55642).
*4.2	-- Form of Certificate Evidencing Common Units Representing Limited Partner Interests (filed as Exhibit 4.2 to Amendment No. 2 to the Partnership's Registration Statement on Form S-1, File No. 33-55642).
4.3	-- Form of Certificate of 10 3/8% Series A Senior Subordinated Note due 2009 (included in Exhibit 4.1 to the Partnership's Registration Statement on Form S-4, filed on June 21, 1999, File No. 333-81143).
4.4	-- Form of Certificate of 10 3/8% Series B Senior Subordinated Note due 2009 (included in Exhibit 4.1 to the Partnership's Registration Statement on Form S-4, filed on June 21, 1999, File No. 333-81143).
4.5	-- Form of Guarantee Notation of securities issued pursuant to the Indenture (included in Exhibit 4.1 to the Partnership's Registration Statement on Form S-4, filed on June 21, 1999, File No. 333-81143).
4.6	-- A/B Exchange Registration Rights Agreement dated as of May 27, 1999 among El Paso Energy Partners, L.P., El Paso Energy Partners Finance Corporation, the Subsidiary Guarantors, Donaldson, Lufkin & Jenrette Securities Corporation, and Chase Securities Inc. (filed as Exhibit 4.7 to the Partnership's Registration Statement on Form S-4, filed on June 21, 1999, File No. 333-81143).
4.7	-- Indenture dated as of May 27, 1999 among El Paso Energy Partners, L.P., El Paso Energy Partners Finance Corporation, the Subsidiary Guarantors and Chase Bank of Texas, as Trustee (filed as Exhibit 4.1 to the Partnership's Registration Statement on Form S-4, filed on June 24, 1999, File No. 333-81143); First Supplemental Indenture dated as of June 30, 1999 (filed as Exhibit 4.2 to the Partnership's Amendment No. 1 to Registration Statement on Form S-4, filed August 27, 1999 File No. 333-81143); Second Supplemental Indenture dated as of July 27, 1999 (filed as Exhibit 4.3 to the Partnership's Amendment No. 1 to Registration Statement on Form S-4, filed August 27, 1999, File No. 333-81143).

EXHIBIT NUMBER

DESCRIPTION

- 10.1 -- First Amended and Restated Management Agreement, dated June 27, 1994 and effective as of July 1, 1992, between DeepTech International Inc. and the General Partner (filed as Exhibit 10.1 to DeepTech's Form 10-K the year ended December 31, 1994, File No. 0-23934); First Amendment to First Amended and Restated Management Agreement between DeepTech and General Partner (filed as Exhibit 10.76 to DeepTech's Registration Statement on Form S-1, filed on January 23, 1995, File No. 33-88688); Second Amendment to First Amended and Restated Management Agreement between DeepTech and General Partner (filed as Exhibit 10.18 to the Partnership's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, filed on April 1, 1995, File No. 1-11680); Third Amendment to First Amended and Restated Management Agreement between DeepTech and General Partner (filed as Exhibit 10.4 to the Partnership's Registration Statement on Form S-4, filed on June 21, 1999, File No. 333-81143); Fourth Amendment to First Amended and Restated Management Agreement between DeepTech and General Partner (filed as Exhibit 10.1 to the Partnership's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997, filed on August 12, 1997, File No. 1-11680); Fifth Amendment to First Amended and Restated Management Agreement between DeepTech and General Partner (filed as Exhibit 10.1 to the Partnership's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997, filed on November 14, 1997, File No. 1-11680); Sixth Amendment to First Amended and Restated Management Agreement between DeepTech International Inc. and the General Partner (filed as Exhibit 10.2 to the Partnership's Form 10-K the year ended December 31, 1998, filed on March 30, 1999, File No. 1-11680, the 1998 Form 10-K).
- 10.2 -- Third Amended and Restated Credit Agreement dated as of March 23, 1995, as amended and restated through May 27, 1999 among El Paso Energy Partners, El Paso Energy Partners Finance Corporation, The Chase Manhattan Bank, as administrative agent, Credit Lyonnais, as syndication agent, BankBoston, N.A., as documentation agent, and the banks and other financial institutions from time to time parties thereto. (filed as Exhibit 10.14 to the Partnership's Amendment No. 1 to Registration Statement on Form S-4, filed August 27, 1999, File No. 333-81143).
- *10.3 -- Amendment Number 1 to Third Amended and Restated Credit Agreement dated as of March 23, 1995, as amended and restated through May 27, 1999 among El Paso Energy Partners, El Paso Energy Partners Finance Corporation, The Chase Manhattan Bank, as administrative agent, Credit Lyonnais, as syndication agent, BankBoston, N.A., as documentation agent, and the banks and other financial institutions from time to time parties thereto.
- *10.4 -- Amendment Number 2 to Third Amended and Restated Credit Agreement dated as of March 23, 1995, as amended and restated through May 27, 1999 among El Paso Energy Partners, El Paso Energy Partners Finance Corporation, The Chase Manhattan Bank, as administrative agent, Credit Lyonnais, as syndication agent, BankBoston, N.A., as documentation agent, and the banks and other financial institutions from time to time parties thereto.
- 10.5 -- Redemption Agreement dated February 27, 1998 between Tatham Offshore, Inc. and Flextrend Development Company, L.L.C., a subsidiary of El Paso Energy Partners (filed as Exhibit 10.1 to the 1998 Third Quarter Form 10-Q).
- 10.6 -- Contribution Agreement between El Paso Energy Partners and El Paso Field Services Company (filed as Exhibit A to the Partnership's Schedule 14A (Rule 14A-101) Proxy Statement effective February 9, 1998).
- +10.7 -- El Paso Energy Partners 1998 Unit Option Plan for Non-Employee Directors Effective as of August 14, 1998 (filed as Exhibit 10.2 to the 1998 Third Quarter Form 10-Q).

EXHIBIT NUMBER	DESCRIPTION
+10.8	-- El Paso Energy Partners 1998 Omnibus Compensation Plan, Amended and Restated, effective as of January 1, 1999 (filed as Exhibit 10.9 to the Partnership's Form 10-K for the year ended 1998, filed on March 29, 1999, File No. 1-11680).
10.9	-- El Paso Energy Partners Unit Rights Appreciation Plan (filed as Exhibit 10.25 to the Partnership's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed on March 26, 1997, File No. 1-11680).
10.10	-- Purchase Agreement dated as of May 24, 1999 among (i) Leviathan Gas Pipeline Partners, L.P., (ii) Leviathan Finance Corporation, (iii) Delos Offshore Company, L.L.C., Ewing Bank Gathering Company, L.L.C., Flextrend Development Company, L.L.C., Green Canyon Pipe Line Company, L.L.C., Leviathan Oil Transport Systems, L.L.C., Manta Ray Gathering Company, L.L.C., Poseidon Pipeline Company, L.L.C., Sailfish Pipeline Company, L.L.C., Stingray Holding, L.L.C., Delaware Transco Hydrocarbons Company, L.L.C., Texam Offshore Gas Transmission, L.L.C., Transco Offshore Pipeline Company, L.L.C., Tarpon Transmission Company, Viosca Knoll Gathering Company, VK-Main Pass Gathering Company, L.L.C., VK Deepwater Gathering Company, L.L.C. and the Subsidiary Guarantors from time to time party thereto (collectively, the "Subsidiary Guarantors"), (iv) Donaldson, Lufkin & Jenrette Securities Corporation, and (v) Chase Securities Inc. (filed as Exhibit 1.1 to the Partnership's Registration Statement on Form S-4, filed on June 21, 1999, File No. 333-81143).
10.11	-- Purchase and Sale Agreement between Natural Gas Pipeline Company of America as Seller and the Partnership as Buyer dated as of June 30, 1999 (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K, filed on July 15, 1999, File No. 1-11680).
10.12	-- Farmout Agreement dated October 25, 1999 by and between Flextrend Development Company, L.L.C. and El Paso Production GOM, Inc. (filed as Exhibit 10.15 to the Partnership's Current Report on Form 8-K, filed on November 15, 1999, File No. 1-11680).
*10.13	-- Agreement and Plan of Merger dated March 20, 2000, by and among El Paso Energy Partners, L.P., Green Canyon Pipe Line Company, L.L.C., El Paso Merchant Energy Holding Company, and El Paso Intrastate-Alabama, Inc.
*21	-- List of Subsidiaries of El Paso Energy Partners.
*23	-- Letter regarding Change in Accounting Principles.
*27	-- Financial Data Schedule.

3.(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, El Paso Energy Partners, L.P. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 29th day of March 2000.

EL PASO ENERGY PARTNERS, L.P.
(Registrant)

By: EL PASO ENERGY PARTNERS COMPANY,
its General Partner

By: /s/ ROBERT G. PHILLIPS

Robert G. Phillips
Chief Executive Officer

NAME -----	TITLE -----	DATE -----
/s/ WILLIAM A. WISE ----- William A. Wise	Chairman of the Board and Director	March 29, 2000
/s/ ROBERT G. PHILLIPS ----- Robert G. Phillips	Chief Executive Officer and Director	March 29, 2000
/s/ KEITH B. FORMAN ----- Keith B. Forman	Chief Financial Officer and Vice President	March 29, 2000
/s/ JAMES H. LYTAL ----- James H. Lytal	President and Director	March 29, 2000
/s/ D. MARK LELAND ----- D. Mark Leland	Vice President and Controller (Chief Accounting Officer)	March 29, 2000
/s/ H. BRENT AUSTIN ----- H. Brent Austin	Executive Vice President and Director	March 29, 2000
/s/ MICHAEL B. BRACY ----- Michael B. Bracy	Director	March 29, 2000
/s/ H. DOUGLAS CHURCH ----- H. Douglas Church	Director	March 29, 2000
/s/ MALCOLM WALLOP ----- Malcolm Wallop	Director	March 29, 2000

EL PASO ENERGY PARTNERS, L.P. AND SUBSIDIARIES

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WESTERN GULF HOLDINGS, L.L.C.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 1999

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INDEPENDENT AUDITORS' REPORT

To the Management Committee
Western Gulf Holdings, L.L.C.
Detroit, Michigan

We have audited the accompanying consolidated balance sheet of Western Gulf Holdings, L.L.C. as of December 31, 1999, and the related statements of income, member's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Western Gulf Holdings, L.L.C.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Western Gulf Holdings, L.L.C. as of December 31, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Detroit, Michigan
March 24, 2000

WESTERN GULF HOLDINGS, L.L.C.

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 1999

ASSETS

	1999

CURRENT ASSETS	
Cash and cash equivalents.....	\$ 5,134,750
Accounts receivable.....	7,403,494
Prepayments.....	250,199

Total current assets.....	12,788,443

GAS PLANT	
Gas transmission plant.....	370,400,269
Construction work in process.....	55,570,733

Less -- accumulated depreciation.....	425,971,002
	368,690,710

Net gas plant.....	57,280,292

DEFERRED CHARGES.....	3,959,177

TOTAL ASSETS.....	\$ 74,027,912
	=====
LIABILITIES AND MEMBER'S EQUITY	
CURRENT LIABILITIES	
Accounts payable.....	\$ 5,367,964

Total current liabilities.....	5,367,964

COMMITMENTS AND CONTINGENCIES.....	--

MEMBER'S EQUITY.....	68,659,948

TOTAL LIABILITIES AND MEMBER'S EQUITY.....	\$ 74,027,912
	=====

See notes to the consolidated financial statements.

WESTERN GULF HOLDINGS, L.L.C.

CONSOLIDATED STATEMENTS OF INCOME AND MEMBER'S EQUITY

	YEAR ENDED DECEMBER 31, 1999 -----
OPERATING REVENUES	
Transportation services.....	\$ 35,939,777
Other.....	347,954

Total operating revenues.....	36,287,731

OPERATING EXPENSES	
Operation and maintenance.....	17,318,959
Depreciation.....	4,632,968
Property taxes.....	108,854

Total operating expenses.....	22,060,781

NET OPERATING INCOME.....	14,226,950

OTHER DEDUCTIONS	
Interest expense.....	2,637,945
Interest capitalized.....	(2,617,372)

Total other deductions.....	20,573

NET INCOME.....	\$ 14,206,377
	=====
STATEMENT OF MEMBER'S EQUITY	
BALANCE AT BEGINNING OF PERIOD.....	\$ --
Net income.....	14,206,377
Capital contributions.....	73,453,571
Distributions to member.....	(19,000,000)

BALANCE AT END OF PERIOD.....	\$ 68,659,948
	=====

See notes to the consolidated financial statements.

WESTERN GULF HOLDINGS, L.L.C.
CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 1999 -----
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income.....	\$ 14,206,377
Adjustments to reconcile net income to cash provided by (used in) operating activities	
Depreciation and amortization.....	5,798,831
Accounts receivable.....	(3,625,904)
Other assets.....	(392,362)
Accounts payable.....	3,383,638

Cash provided by operating activities.....	19,370,580

CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures.....	(54,585,572)

Cash used in investing activities.....	(54,585,572)

CASH FLOWS FROM FINANCING ACTIVITIES	
Issuance of long term debt.....	53,100,000
Capital contribution from member.....	5,381,430
Distributions to member.....	(19,000,000)

Cash provided by financing activities.....	39,481,430

INCREASE IN CASH AND CASH EQUIVALENTS.....	4,266,438
CASH AND CASH EQUIVALENTS CONTRIBUTED AT BEGINNING OF PERIOD.....	868,312

CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 5,134,750
	=====

Supplemental Disclosure of Non-Cash Financing Activities:

On September 30, 1999 the Company's loan agreement was amended and restated and consolidated in the name of Deepwater. As a result, the Company no longer has the primary debt obligation.

See notes to the consolidated financial statements.

WESTERN GULF HOLDINGS, L.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

1. FORMATION AND OWNERSHIP STRUCTURE

Description and Business Purpose

Western Gulf Holdings, L.L.C. ("Western Gulf" or "the Company"), a Delaware Limited Liability Company organized December 11, 1998, was formed to own and operate High Island Offshore System, L.L.C. ("HIOS") and East Breaks Gathering Company, L.L.C. ("East Breaks"). East Breaks was also organized as a Delaware Limited Liability Company on December 11, 1998.

Effective January 1, 1999, the members of the Company, each of which then held a 20% interest in the Company, contributed their capital accounts in HIOS to the Company in the amount of \$14,972,141 in exchange for equivalent ownership interests in the Company. As a result, the Company now owns a 100% interest in HIOS.

Effective September 30, 1999, the members of the Company contributed their capital accounts in the Company to Deepwater Holdings, L.L.C. ("Deepwater"). As a result, Deepwater owns 100% of the Company. Deepwater is equally owned by affiliates of ANR Pipeline Company ("ANR"), an indirect subsidiary of The Coastal Corporation ("Coastal") and El Paso Energy Partners Deepwater, L.L.C., an affiliate of El Paso Energy Corporation ("El Paso").

On January 18, 2000 Coastal and El Paso entered into a merger agreement under which, if the merger is completed, Coastal would be merged into El Paso.

HIOS owns a 203.4 mile undersea gas transmission system in the Gulf of Mexico which provides transportation services as authorized by the Federal Energy Regulatory Commission ("FERC"). HIOS' major transportation customers include natural gas marketers and producers, and interstate natural gas pipeline companies. The Company extends credit for transportation services provided to these customers. The concentrations of customers, described above, may affect the Company's overall credit risk in that the customers may be similarly affected by changes in economic, regulatory and other factors.

East Breaks is a "development stage company" which is building an 85 mile pipeline and related facilities extending from HIOS connecting the deep water Diana/Hoover prospects developed by Exxon Company USA ("Exxon") and BP Amoco Plc ("BP Amoco") in Alaminos Canyon Block 25 in the Gulf of Mexico. The new line is scheduled to be in service in July 2000 and is projected to cost approximately \$90 million. East Breaks entered into long-term agreements with Exxon and BP Amoco involving gathering of production from the Diana/Hoover prospects.

The Company is managed by a committee consisting of representatives from El Paso and ANR. The Company has no employees. ANR is currently the operator of HIOS and provides services at cost (\$11.4 million in 1999). El Paso will replace ANR as operator of HIOS during 2000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of the accounts of HIOS and East Breaks. Intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

HIOS is regulated by the FERC. HIOS meets the criteria and, accordingly, follows the accounting and reporting requirements of Statement of Financial Accounting Standards No. 71 for regulated enterprises. Western Gulf and East Breaks are non jurisdictional.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Depreciation

Annual depreciation and negative salvage provisions for HIOS are computed on a straight-line basis using rates of depreciation, which vary by type of property. The annual composite depreciation rate is approximately 1.26%, which includes a provision for negative salvage of .2% for offshore facilities.

Interest Cost

The Company capitalizes interest and other borrowing costs incurred as a component of its property, plant, and equipment during the construction of the East Breaks pipeline and related facilities. The Company has capitalized \$.6 million of initial debt issue costs and \$2.6 million of interest costs incurred in 1999, which includes \$.8 million of interest costs incurred by Deepwater and charged to Western Gulf.

Income Taxes

For tax filing purposes the Company has elected partnership status and therefore, income taxes are the responsibility of the Members and are not reflected in the financial statements of the Company.

Statement of Cash Flows

For purposes of these financial statements, the Company considers short-term investments purchased with an original maturity of three months or less to be cash. The Company had short-term investments in the amount of \$5.1 million at December 31, 1999. The Company made cash payments for interest in the amount of \$1.7 million for the year 1999. The accounts of HIOS as of January 1, 1999 have been eliminated from the statement of consolidated cash flows for 1999.

Accounting Pronouncements

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No.133, "Accounting for Derivative Instruments and Hedging Activities," ("FAS 133"), as amended by Statement of Financial Accounting Standards No. 137, to be effective for all fiscal years beginning after June 15, 2000. FAS 133 requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The accounting for changes in the fair value of a derivative will depend on the intended use of the derivative and the resulting designation. The Company is currently evaluating the impact, if any, of FAS 133.

3. REGULATORY MATTERS

By letter order issued September 18, 1995 the FERC approved the settlement of HIOS's rate filing at Docket No. RP94-162, which required that HIOS file a new rate case within three years of such date. On October 8, 1998, the FERC granted a request filed by HIOS for an extension of time for the filing of its next general rate case until January 1, 2003. Costs incurred in connection with the extension of the rate case settlement have been deferred and are being amortized on a straight-line basis through the period ending December 31, 2002.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

4. LONG TERM DEBT

On September 30, 1999, as a result of the restructuring of the ownership interests of the Company, the Company's \$100 million revolving credit facility ("Credit Facility") was amended and restated and consolidated in the name of Deepwater.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash invested on a temporary basis at short-term market rates of interest approximates the fair market value of the investments.

6. RELATED PARTY TRANSACTIONS

Transportation revenues derived from affiliated pipeline companies were \$3.1 million for 1999. Accounts receivable balances due from affiliates for transportation services were \$0.5 million at December 31, 1999.

Both ANR and U-T Offshore System, L.L.C. ("UTOS") provide separation, dehydration and measurement services to HIOS. UTOS is owned by Deepwater. HIOS incurred charges for these services of \$2.5 million in 1999 from ANR and \$1.5 million in 1999 from UTOS. There were no amounts due to ANR for these services at December 31, 1999. Amounts due from UTOS for over-estimated billings were \$0.4 million at December 31, 1999.

In February 1996, HIOS reached an agreement with ANR, which was approved by the FERC, which provides that rates charged by ANR for separation, dehydration, and measurement services would be \$2.5 million for 1999 and \$2.2 million for calendar year 2000. The rate would be negotiated for calendar year 2001 and thereafter.

In 1999 HIOS implemented "cash-out" accounting for volume imbalances in the shipper accounts. In addition, HIOS entered into operational balancing agreements ("OBA") with ANR, UTOS, and Stingray Pipeline Company, L.L.C. ("Stingray"). Stingray is owned by Deepwater. Amounts due from shippers for transportation services, historical and current imbalances, and under the OBA at December 31, 1999 were \$6.5 million. Amounts due to shippers for historical and current imbalances, and under the OBA at December 31, 1999 were \$4.5 million, which includes \$3.3 million due to ANR.

Amounts due to ANR for operating and construction cost reimbursements were \$0.4 million at December 31, 1999.

7. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company is subject to various laws and regulations. In the opinion of management, compliance with existing laws and regulations will not materially affect the financial position or the results of operations of the Company.

8. LEGAL PROCEEDINGS

Two legal proceedings, one in federal court and the other in state court, have been instituted against a number of gas pipeline companies and their affiliates, including HIOS. The plaintiffs in each suit seek damages for the alleged undermeasurement of the heating value and the volume of natural gas. In the federal proceeding, Jack Grynberg filed 77 separate False Claim Act suits in September 1997 against transmission companies and producers, gatherers, and processors of natural gas, seeking unspecified damages which could include treble damages for the maximum period permitted by law (potentially as much as 10 years) and penalties of up to \$10,000 per false claim. In addition to the measurement claims, these suits also allege that the defendants undervalued the gas in paying royalties. HIOS was sued in the U.S. District Courts of Colorado and the Eastern District of Michigan. In April 1999, the United States Department of Justice

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

notified HIOS that the United States will not intervene in these cases at this time. The MultiDistrict Litigation Panel has consolidated the Grynberg suits with several other Grynberg cases for pre-trial proceedings in Wyoming. The defendants have filed a motion to dismiss which will be argued in March of 2000.

In the state proceedings, the Quinque Operating Company, on behalf of itself and subclasses of gas producers, royalty owners and state taxing authorities, in May 1999 instituted a legal proceeding in State Court, Stevens County, Kansas against over 200 gas pipeline companies, including HIOS. The Quinque suit seeks unspecified actual, punitive and treble damages, for the alleged undermeasurement of all natural gas measured in the United States from non-federal and non-Indian lands since 1974. The plaintiffs are seeking certification of a national class of all similarly situated gas producers, royalty owners, overriding royalty owners, and state taxing authorities. The suit has been removed to the U.S. District Court for the District of Kansas. The plaintiffs have filed a motion to remand the case back to the state court, and several defendants have filed a motion under the MultiDistrict Litigation rules to have the suit transferred to Wyoming and consolidated with the Grynberg proceedings for pre-trial proceedings.

Although no assurances can be given and no determination can be made at this time as to the outcome of any particular lawsuit or proceeding, HIOS believes there are meritorious defenses to substantially all such claims and that any liability which may be finally determined should not have a material adverse effect on HIOS' financial position or results of operations.

POSEIDON OIL PIPELINE COMPANY, L.L.C.

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1999
TOGETHER WITH AUDITORS' REPORT

F-11

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Members of
Poseidon Oil Pipeline Company, L.L.C.:

We have audited the accompanying balance sheets of Poseidon Oil Pipeline Company, L.L.C. (a Delaware limited liability company), as of December 31, 1999 and 1998, and the related statements of income, members' equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Poseidon Oil Pipeline Company, L.L.C., as of December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Houston, Texas
March 17, 2000

POSEIDON OIL PIPELINE COMPANY, L.L.C.
BALANCE SHEETS --
DECEMBER 31, 1999 AND 1998

	1999	1998
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 2,052,631	\$ 685,540
Crude oil receivables --		
Related parties.....	58,360,962	28,216,308
Other.....	110,674,707	12,179,468
Construction advances to operator (Note 6).....	4,452	1,234,467
Materials, supplies and other.....	626,961	1,022,450
	-----	-----
Total current assets.....	171,719,713	43,338,233
DEBT RESERVE FUND (Notes 2 and 4).....	4,783,461	4,329,254
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation (Note 3).....	239,187,586	228,752,910
	-----	-----
Total assets.....	\$415,690,760	\$276,420,397
	=====	=====
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable --		
Related parties.....	\$ 565,586	\$ 4,945,839
Other.....	5,647,090	2,165,159
Crude oil payables --		
Related parties.....	51,743,958	28,646,791
Other.....	101,309,853	3,778,243
Other.....	92,919	597,590
	-----	-----
Total current liabilities.....	159,359,406	40,133,622
COMMITMENTS AND CONTINGENCIES (Note 7).....	322,242	--
LONG-TERM DEBT (Note 4).....	150,000,000	131,000,000
MEMBERS' EQUITY (Note 1):		
Capital contributions.....	107,999,320	107,999,320
Capital distributions.....	(87,230,323)	(36,699,320)
Retained earnings.....	85,240,115	33,986,775
	-----	-----
Total members' equity.....	106,009,112	105,286,775
	-----	-----
Total liabilities and members' equity.....	\$415,690,760	\$276,420,397
	=====	=====

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

POSEIDON OIL PIPELINE COMPANY, L.L.C.

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997
	-----	-----	-----
CRUDE OIL SALES.....	\$1,108,446,271	\$370,431,640	\$310,828,794
CRUDE OIL PURCHASES.....	(1,034,329,971)	(325,909,477)	(284,667,502)
Net sales revenue.....	74,116,300	44,522,163	26,161,292
OPERATING COSTS:			
Transportation costs.....	3,451,676	1,636,162	3,146,736
Operating expenses.....	4,509,621	3,127,134	2,635,717
Depreciation.....	6,171,803	8,846,395	6,463,327
Total operating costs.....	14,133,100	13,609,691	12,245,780
OPERATING INCOME.....	59,983,200	30,912,472	13,915,512
OTHER INCOME (EXPENSE):			
Interest income.....	403,507	290,745	208,961
Interest expense.....	(9,133,367)	(8,671,250)	(5,340,742)
NET INCOME.....	\$ 51,253,340	\$ 22,531,967	\$ 8,783,731
	=====	=====	=====

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

POSEIDON OIL PIPELINE COMPANY, L.L.C.

STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	MARATHON OIL COMPANY (28%)	POSEIDON PIPELINE COMPANY, L.L.C. (36%)	EQUILON ENTERPRISES LLC (36%)	TOTAL
BALANCE, December 31, 1996.....	\$25,947,901	\$33,361,588	\$33,361,588	\$ 92,671,077
Net income.....	2,459,445	3,162,143	3,162,143	8,783,731
BALANCE, December 31, 1997.....	28,407,346	36,523,731	36,523,731	101,454,808
Net income.....	6,308,951	8,111,508	8,111,508	22,531,967
Cash distributions.....	(5,236,000)	(6,732,000)	(6,732,000)	(18,700,000)
BALANCE, December 31, 1998.....	29,480,297	37,903,239	37,903,239	105,286,775
Net income.....	14,350,936	18,451,202	18,451,202	51,253,340
Cash distributions.....	(14,148,681)	(18,191,161)	(18,191,161)	(50,531,003)
BALANCE, December 31, 1999.....	\$29,682,552	\$38,163,280	\$38,163,280	\$106,009,112

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

POSEIDON OIL PIPELINE COMPANY, L.L.C.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$ 51,253,340	\$22,531,967	\$ 8,783,731
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation.....	6,171,803	8,846,395	6,463,327
Changes in operating assets and liabilities --			
Crude oil receivables.....	(128,639,893)	(11,350,080)	2,509,382
Materials, supplies and other.....	395,489	23,487	(952,294)
Accounts payable.....	(898,322)	(1,007,689)	5,939,637
Contingent revenue.....	322,242	--	--
Crude oil payables.....	120,628,777	4,750,982	(8,098,087)
Other current liabilities.....	(504,671)	526,668	(16,110)
Net cash provided by operating activities.....	48,728,765	24,321,730	14,629,586
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures.....	(16,606,479)	(15,261,547)	(54,024,948)
Construction advances to operator, net.....	1,230,015	(1,234,467)	7,407,710
Proceeds from the sale of property, plant and equipment.....	--	--	146,250
Net cash used in investing activities.....	(15,376,464)	(16,496,014)	(46,470,988)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of debt.....	20,000,000	32,000,000	38,000,000
Repayments of long-term debt.....	(1,000,000)	(21,500,000)	(1,500,000)
Cash distributions.....	(50,531,003)	(18,700,000)	--
Increase in debt reserve fund.....	(454,207)	(611,627)	(3,717,627)
Net cash provided by (used in) financing activities.....	(31,985,210)	(8,811,627)	32,782,373
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS...	1,367,091	(985,911)	940,971
CASH AND CASH EQUIVALENTS, beginning of year.....	685,540	1,671,451	730,480
CASH AND CASH EQUIVALENTS, end of year.....	\$ 2,052,631	\$ 685,540	\$ 1,671,451
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest, net of amounts capitalized.....	\$ 8,729,860	\$ 8,596,583	\$ 5,342,217

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

POSEIDON OIL PIPELINE COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

1. ORGANIZATION AND NATURE OF BUSINESS:

Poseidon Oil Pipeline Company, L.L.C. (the Company), is a Delaware limited liability company formed on February 14, 1996, to design, construct, own and operate the unregulated Poseidon Pipeline extending from the Gulf of Mexico to onshore Louisiana. The original members of the Company were Texaco Trading and Transportation, Inc. (TTTI), and Poseidon Pipeline Company, L.L.C. (Poseidon), a subsidiary of Leviathan Gas Pipeline Partners, L.P. TTTI contributed \$36,399,660 in cash, and Poseidon contributed property, plant and equipment, valued by the two parties (TTTI and Poseidon) at \$36,399,660, at the formation of the Company. Each member received a 50 percent ownership interest in the Company. Subsequently, \$2,799,320 in cash was equally distributed to TTTI and Poseidon, leaving \$70 million of equity in the Company as of April 23, 1996.

On July 1, 1996, Marathon Pipeline Company (MPLC) and Texaco Pipeline, Inc. (TPLI), through their 66 2/3 percent and 33 1/3 percent respectively owned venture, Block 873 Pipeline Company (Block 873), contributed property, plant and equipment valued by the parties (Block 873, TTTI and Poseidon) at \$30,000,000. In return, they received a 33 1/3 percent interest in the Company. Immediately after the contribution, MPLC and TPLI transferred their pro rata ownership interests in the Company to Marathon Oil Company (Marathon) and TTTI, respectively. Marathon then contributed an additional \$5.2 million in cash, and distributions of \$12.6 million and \$2.6 million in cash were made to TTTI and Poseidon, respectively. Upon completion of this transaction, TTTI, Poseidon and Marathon owned 36 percent, 36 percent and 28 percent of the Company, respectively, and total equity was \$90,000,000.

Effective January 1, 1998, Shell Oil Company and Texaco Inc. (Texaco) formed Equilon Enterprises LLC (Equilon). Equilon is a joint venture which combines both companies' western and midwestern U.S. refining and marketing businesses and both companies' nationwide trading, transportation and lubricants businesses. Under the formation agreement, Shell Oil Company and Texaco assigned, or caused to be assigned, the economic benefits and obligations of certain regulated and unregulated pipeline assets, including TTTI's beneficial interest in the Company. As a result of the joint venture, Equilon became operator of the Company on January 1, 1998.

The Company purchased crude oil line-fill and began operating Phase I of the pipeline in April 1996. Phase I consists of 16-inch and 20-inch sections of pipe extending from the Garden Banks Block 72 to Ship Shoal Block 332. Phase II of the pipeline is a 24-inch section of pipe from Ship Shoal Block 332 to Caillou Island. Line-fill was purchased for Phase II in late December 1996 and operations began in January 1997. Construction of Phase III of the pipeline consisting of a section of 24-inch line extending from Caillou Island to the Houma, Louisiana, area was completed during 1997, and operations began in December 1997.

The Company is in the business of transporting crude oil in the Gulf of Mexico in accordance with various purchase and sale contracts with producers served by the pipeline. The Company buys crude oil at various points along the pipeline and resells the crude oil at a destination point in accordance with each individual contract. Net sales revenue is earned based upon the differential between the sale price and purchase price. Differences between purchased and sold volumes in any period are recorded as changes in line-fill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

NOTES TO FINANCIAL STATEMENTS

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property, Plant and Equipment

Contributed property, plant and equipment is recorded at fair value as agreed to by the members at the date of contribution. Acquired property, plant and equipment is recorded at cost. Pipeline equipment is depreciated using a composite, straight-line method over estimated useful lives of three to 30 years. Line-fill is not depreciated as management of the Company believes the cost of all barrels is fully recoverable. Major renewals and betterments are capitalized in the property accounts while maintenance and repairs are expensed as incurred. No gain or loss is recognized on normal asset retirements under the composite method.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Debt Reserve Fund

In connection with the Company's revolving credit facility (see Note 4), the Company is required to maintain a debt reserve account as security on the outstanding balance. At December 31, 1999, the balance in the account totaled approximately \$4,783,000 and was comprised of funds earning interest at a money market rate.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short-term receivables, payables and long-term debt. The carrying values of cash and cash equivalents, short-term receivables and payables approximate fair value. The fair value for long-term debt is estimated based on current rates available for similar debt with similar maturities and securities and, at December 31, 1999, approximates the carrying value.

3. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consisted of the following at December 31, 1999 and 1998:

	1999	1998
	-----	-----
Rights-of-way.....	\$ 3,218,788	\$ 3,218,788
Line-fill.....	11,350,466	11,350,466
Line pipe, line pipe fittings and pipeline construction.....	222,380,927	223,076,191
Pumping and station equipment.....	22,011,496	4,613,516
Office furniture, vehicles and other equipment.....	202,035	83,812
Construction work in progress.....	3,681,556	3,896,016
	-----	-----
	262,845,268	246,238,789
Less- Accumulated depreciation.....	(23,657,682)	(17,485,879)
	-----	-----
	\$239,187,586	\$228,752,910
	=====	=====

NOTES TO FINANCIAL STATEMENTS

Management evaluates the carrying value of the pipeline in accordance with the guidelines presented under Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS No. 121 establishes standards for measuring the impairment of long-lived assets to be held and used and of those to be disposed. Management believes no impairment of assets exists as of December 31, 1999.

During 1999 and 1998, the Company did not capitalize interest cost into property, plant and equipment.

4. DEBT:

The Company maintains a \$150,000,000 revolving credit facility with a group of banks. The outstanding balance at December 31, 1999, is \$150,000,000. Under the terms of the related credit agreement, the Company has the option to either draw or renew amounts at various maturities ranging from one to 12 months if a Eurodollar interest rate arrangement is selected (7.75 percent at December 31, 1999). These borrowings can then be renewed assuming no event of default exists. Alternatively, the Company may select to borrow under a base interest rate arrangement, calculated in accordance with the credit agreement. The revolving credit facility matures on April 30, 2001.

At December 31, 1999, the entire outstanding balance had been borrowed under the Eurodollar alternative, and it is the Company's intent to extend repayment beyond one year, thus the entire balance has been classified as long-term.

The debt is secured by various assets of the Company including accounts receivable, inventory, pipeline equipment and investments. The Company has used the funds drawn on the revolver primarily for construction costs associated with Phases II and III of the pipeline.

The revolving credit agreement requires the Company to meet certain financial and nonfinancial covenants. The Company must maintain a tangible net worth, calculated in accordance with the credit agreement, of not less than \$80,000,000. Beginning April 1, 1997, the Company is required to maintain a ratio of earnings before interest, taxes, depreciation and amortization to interest paid or accrued, as calculated in accordance with the credit agreement, of 2.50 to 1.00. In addition, the Company is required to maintain a debt reserve fund (see Note 2) with a balance equal to two times the interest payments made in the previous quarter under the credit facility.

5. INCOME TAXES:

A provision for income taxes has not been recorded in the accompanying financial statements because such taxes accrue directly to the members. The federal and state income tax returns of the Company are prepared and filed by the operator.

6. TRANSACTIONS WITH RELATED PARTIES:

The Company derives a significant portion of its gross sales and gross purchases from its members and other related parties. The Company generated approximately \$520,632,000 in gross affiliated sales and approximately \$479,850,000 in gross affiliated purchases for 1999. During 1998 and 1997, the Company generated approximately \$37,688,000 and \$19,790,000 of net sales revenue from related parties.

The Company paid approximately \$1,203,000 to Equilon in 1999 and \$558,000 and \$454,000 in 1998 and 1997, respectively, for management, administrative and general overhead. In 1999, 1998 and 1997, the Company paid construction management fees of \$-, \$2,134,000 and \$1,091,000, respectively, to Equilon in connection with the completion of Phase II and Phase III. As of December 31, 1999 and 1998, the Company had outstanding advances to Equilon of approximately \$4,000 and \$1,234,000, respectively, in connection with construction work in progress.

NOTES TO FINANCIAL STATEMENTS

7. COMMITMENTS AND CONTINGENCIES:

In the normal course of business, the Company is involved in various legal actions arising from its operations. In the opinion of management, the outcome of these legal actions will not significantly affect the financial position or results of operations of the Company.

In February 1998, Poseidon entered into an oil purchase and sale agreement with Pennzoil Exploration and Production (Pennzoil). The agreement provides that if Pennzoil delivers at least 7.5 million barrels by September 2002, Poseidon will refund \$.51 per barrel for all barrels delivered plus interest at 8 percent. Based on barrels delivered, the Company has accrued a potential refund of contingent revenues of \$322,242 at December 31, 1999.

8. SUBSEQUENT EVENTS (UNAUDITED):

On January 21, 2000, an anchor from the Transocean 96 Semi-Submersible Drilling Unit (Transocean) hit the Poseidon 24-inch crude oil pipeline and ruptured a section of the pipeline. The estimated cost to repair the damaged pipeline and clean up approximately 2,240 barrels of crude oil that were released into the ocean is \$15,000,000. Poseidon has placed Transocean on notice for liability and expenses due to the incident. The impact of lost revenue and other related expenses due to this incident is not available as of March 17, 2000.

NEPTUNE PIPELINE COMPANY
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 1999 AND 1998

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PRICEWATERHOUSECOOPERS LETTERHEAD

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Members
of Neptune Pipeline Company, L.L.C.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of members' capital and of cash flows present fairly, in all material respects, the financial position of Neptune Pipeline Company, L.L.C. and its subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

[PRICEWATERHOUSECOOPERS]

March 10, 2000

NEPTUNE PIPELINE COMPANY, L.L.C.

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 1999 AND 1998

ASSETS

	1999	1998
	-----	-----
CURRENT ASSETS		
Cash and cash equivalents.....	\$ 2,891,072	\$ 6,016,841
Transportation receivable.....	2,436,194	1,279,405
Owing from related parties.....	2,265,383	2,880,664
Other assets.....	260,052	104,756
	-----	-----
TOTAL CURRENT ASSETS.....	7,852,701	10,281,666
PIPELINES AND EQUIPMENT.....	268,055,626	261,104,113
Less: accumulated depreciation.....	22,891,850	12,204,577
	-----	-----
LONG-TERM RECEIVABLE.....	245,163,776	248,899,536
	--	160,000
	-----	-----
TOTAL ASSETS.....	\$253,016,477	\$259,341,202
	=====	=====

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES		
Accounts payable.....	\$ 402,923	\$ 964,761
Owing to related parties.....	4,419,136	4,784,102
Deferred income.....	25,000	--
	-----	-----
TOTAL CURRENT LIABILITIES.....	4,847,059	5,748,863
MINORITY INTEREST.....	1,996,843	1,872,959
MEMBERS' EQUITY.....	246,172,575	251,719,380
	-----	-----
TOTAL LIABILITIES AND MEMBERS' EQUITY.....	\$253,016,477	\$259,341,202
	=====	=====

The accompanying notes are an integral part of these statements.

NEPTUNE PIPELINE COMPANY, L.L.C.
 CONSOLIDATED STATEMENT OF INCOME
 FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
	-----	-----
REVENUES		
Transportation revenue.....	\$26,620,248	\$16,172,659
Other gas revenue, net.....	1,663,920	180,236
TOTAL REVENUES.....	28,284,168	16,352,895
OPERATING EXPENSES		
Operating & maintenance.....	3,396,722	3,575,712
Administrative & general.....	1,398,209	1,455,240
Depreciation.....	10,687,273	10,148,332
Property taxes.....	348,800	326,332
TOTAL OPERATING EXPENSES.....	15,831,004	15,505,616
NET OPERATING INCOME.....	12,453,164	847,279
Other income (expense)		
Other income.....	173,664	--
Other expense.....	(100,000)	(150,100)
Interest income.....	262,252	385,123
TOTAL OTHER INCOME, NET.....	335,916	235,023
INCOME BEFORE MINORITY INTEREST.....	12,789,080	1,082,302
Minority interest in income of subsidiaries.....	128,059	11,026
NET INCOME.....	\$12,661,021	\$ 1,071,276
	=====	=====

The accompanying notes are an integral part of these statements.

NEPTUNE PIPELINE COMPANY, L.L.C.
 CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income.....	\$ 12,661,021	\$ 1,071,276
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization.....	10,721,566	10,148,332
Minority interest in income of subsidiaries.....	128,059	11,026
(Increases) decreases in working capital:		
Transportation receivables.....	(1,156,789)	(515,397)
Owing from related parties.....	615,281	9,093,427
Other assets.....	(29,589)	25,065
Accounts payable.....	(561,838)	(1,037,102)
Owing to related parties.....	(4,569,270)	(30,791,136)
Deferred income.....	25,000	(20,478)
	-----	-----
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	17,833,441	(12,014,987)
CASH FLOWS USED FOR INVESTING ACTIVITIES		
Capital expenditures.....	(2,777,039)	(9,252,950)
Proceeds from property sales and salvage.....	29,830	187,149
Contributions in aid of construction.....	--	419,000
	-----	-----
NET CASH USED FOR INVESTING ACTIVITIES.....	(2,747,209)	(8,646,801)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Members' contributed capital.....	4,801,285	13,985,491
Minority interest contributed capital.....	(4,175)	83,193
Distributions.....	(23,009,111)	(5,921,511)
	-----	-----
NET CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES.....	(18,212,001)	8,147,173
(DECREASE) IN CASH AND CASH EQUIVALENTS.....	\$ (3,125,769)	\$(12,514,615)
	=====	=====
RECONCILIATION OF BEGINNING AND ENDING BALANCES		
Cash and cash equivalents -- beginning of year.....	\$ 6,016,841	\$ 18,531,456
(Decrease) in cash and cash equivalents.....	(3,125,769)	(12,514,615)
	-----	-----
CASH AND CASH EQUIVALENTS -- END OF YEAR.....	\$ 2,891,072	\$ 6,016,841
	=====	=====

The accompanying notes are an integral part of these statements.

NEPTUNE PIPELINE COMPANY, L.L.C.

CONSOLIDATED STATEMENT OF MEMBERS' CAPITAL
AS OF DECEMBER 31, 1999 AND 1998

	TEJAS OFFSHORE PIPELINE, LLC/ SHELL SEAHORSE COMPANY	MARATHON GAS TRANSMISSION INC.	SAILFISH PIPELINE COMPANY, L.L.C.	TOTAL
	-----	-----	-----	-----
Capital account balances at December 31, 1997.....	\$123,008,288	\$57,988,142	\$61,587,694	\$242,584,124
Members' contributions.....	5,369,182	3,524,321	5,091,988	13,985,491
Net income.....	585,317	236,169	249,790	1,071,276
Distributions.....	(3,358,512)	(1,246,864)	(1,316,135)	(5,921,511)
	-----	-----	-----	-----
Capital account balances at December 31, 1998.....	125,604,275	60,501,768	65,613,337	251,719,380
Members' contributions.....	2,400,643	1,168,151	1,232,491	4,801,285
Net income.....	6,394,682	3,111,652	3,154,687	12,661,021
Distributions.....	(11,504,560)	(5,598,117)	(5,906,434)	(23,009,111)
	-----	-----	-----	-----
Capital account balances at December 31, 1999.....	\$122,895,040	\$59,183,454	\$64,094,081	\$246,172,575
	=====	=====	=====	=====

The accompanying notes are an integral part of these statements.

NEPTUNE PIPELINE COMPANY, L.L.C.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1999

1. ORGANIZATION AND CONTROL

Neptune Pipeline Company, L.L.C. (Neptune) owns a 99% member interest in Manta Ray Offshore Gathering Company, L.L.C. (Manta Ray) and Nautilus Pipeline Company, L.L.C. (Nautilus). Neptune is owned as follows: Tejas Offshore Pipeline, LLC (Tejas), an affiliate of Shell Oil Company owns a 49.9% member interest; Shell Seahorse Company (Shell Seahorse), an affiliate of Shell Oil Company owns a 0.1% member interest; Marathon Gas Transmission Inc. (Marathon) owns a 24.33% member interest; Sailfish Pipeline Company, L.L.C. (Sailfish) owns a 25.67% member interest.

Tejas acquired its 49.9% interest from Shell Seahorse on February 2, 1998.

Agreements between the member companies address the allocation of income and capital contributions and distributions amongst the respective members' capital accounts. As a result of these agreements, the ratio of members' equity accounts per the Statement of Members' Capital differs from the members' ownership interests in Neptune.

Neptune was formed to acquire, construct, own and operate through Manta Ray and Nautilus, the Manta Ray System and the Nautilus System and any other natural gas pipeline systems approved by the members. As of December 31, 1999 the Manta Ray System and the Nautilus System are the only pipelines owned by Manta Ray and Nautilus, respectively.

The formation of Manta Ray was accomplished through cash and fixed asset contributions from the member companies. Fixed asset contributions, which accounted for approximately 50% of all contributions, consisted of the Manta Ray System and various compressor equipment (contributed by Sailfish) and the Boxer-Bullwinkle System (contributed by Shell Seahorse). Because both cash and fixed assets were contributed, the Manta Ray System and related compressor equipment and the Boxer-Bullwinkle System were recorded at \$64,342,716, which represented their fair value on the date of contribution.

The Manta Ray System consists of a 169 mile gathering system located in the South Timbalier and Ship Shoal areas of the Gulf of Mexico. An additional segment, 47 miles of 24 inch pipeline and associated facilities, extending from Green Canyon Block 65, offshore Louisiana, to Ship Shoal Block 207, offshore Louisiana, was constructed during 1997 and first provided natural gas transportation service on December 15, 1997. This newly constructed pipeline is referred to as Phase II Facilities elsewhere in these notes.

The Nautilus System consists of a 30-inch natural gas pipeline and appurtenant facilities extending approximately 101 miles from Ship Shoal Block 207, offshore Louisiana, to six delivery point interconnects downstream of the outlet of the Garden City Gas Processing Plant in St. Mary Parish, Louisiana. The Nautilus System was constructed during 1997 and first provided natural gas transportation service on December 15, 1997.

Neptune, Manta Ray and Nautilus (collectively referred to as the Companies) have no employees and receive all administrative and operating support through contractual arrangements with affiliated companies. These services and agreements are outlined in Note 3, Related Party Transactions.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Neptune and its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. Neptune has accounting policies that conform to generally accepted accounting principles.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Regulation

Nautilus, as an interstate pipeline, is subject to regulation by the Federal Energy Regulatory Commission (FERC). Nautilus has accounting policies that conform to generally accepted accounting principles, as applied to regulated enterprises and are in accordance with the accounting requirements and ratemaking practices of the FERC.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Pipelines and Equipment

Newly constructed pipelines are recorded at historical cost. Regulated pipelines and equipment includes an Allowance for Funds Used During Construction (AFUDC). The rates used in the calculation of AFUDC are determined in accordance with guidelines established by FERC. The Manta Ray pipeline and related facilities are depreciated on a straight-line basis over their estimated useful life of 30 years, while the Nautilus pipeline and related facilities are depreciated on a straight line basis over their estimated useful life of 20 years. Maintenance and repair costs are expensed as incurred while additions, improvements and replacements are capitalized.

Income Taxes

Neptune is treated as a tax partnership under the provisions of the Internal Revenue Code. Accordingly, the accompanying financial statements do not reflect a provision for income taxes since Neptune's results of operations and related credits and deductions will be passed through to and taken into account by its members in computing their respective tax liabilities.

Impairment of Long-Lived Assets

Statement of Financial Accounting Standard (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" requires recognition of impairment losses on long-lived assets if the carrying amount of such assets, grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows from other assets, exceeds the estimated undiscounted future cash flows of such assets. Measurement of any impairment loss is based on the fair value of the asset. At December 31, 1999 and 1998 there were no impairments.

Revenue Recognition

Revenue from Manta Ray's and Nautilus' transportation of natural gas is recognized upon receipt of natural gas into the pipeline systems.

In the course of providing transportation services to customers, Nautilus and Manta Ray may receive different quantities of gas from shippers than the quantities delivered on behalf of those shippers. These transactions result in imbalances which are settled in cash on a monthly basis. In addition, certain imbalances may occur with interconnecting facilities when the Companies deliver more or less than what is nominated (scheduled). The settlement of these imbalances is governed by Operational Balancing Agreements (OBA). Certain OBAs stipulate that settlement will occur through delivery of physical quantities in subsequent months. The Companies record the net of all imbalances as Transportation Revenue or Other Revenue and carry the net position as a payable or a receivable, as appropriate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Fair Value of Financial Instruments

The reported amounts of financial instruments such as cash and cash equivalents, receivables, and current liabilities approximate fair value because of their maturities.

Use of Estimates and Significant Risks

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenue and expenses during the reporting period. Such estimates and assumptions include those made in areas of FERC regulations, fair value of financial instruments, future cash flows associated with assets, useful lives for depreciation and potential environmental liabilities. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

Development and production of natural gas in the service area of the pipelines are subject to, among other factors, prices for natural gas and federal and state energy policy, none of which are within the Companies' control.

Reclassification

Certain prior period amounts in the financial statements and notes thereto have been reclassified to conform with the current year presentation.

3. RELATED PARTY TRANSACTIONS

Construction Management Agreements

On January 17, 1997, Nautilus entered into a Construction Management Agreement (the Agreement) with Marathon under which Marathon agreed to construct the Nautilus System. As of December 31, 1999 and 1998 respectively, Nautilus had incurred \$113,190,864, and \$113,127,385 of costs under the Agreement. Of these amounts, \$0 and \$309,238 were recorded as liabilities to affiliates at December 31, 1999 and 1998, respectively.

On January 17, 1997, Manta Ray entered into a Construction Management Agreement with Shell Seahorse under which Shell Seahorse agreed to construct the Phase II Facilities. Also on January 17, 1997, Manta Ray entered into a Construction Management Agreement with Marathon under which Marathon agreed to construct a slug catcher. On August 1, 1998, Manta Ray entered into a Construction Management Agreement with Marathon under which Marathon agreed to construct condensate stabilization facilities. As of December 31, 1999 and 1998, Manta Ray had incurred \$85,830,156 and \$83,388,913, respectively, under these agreements. On March 26, 1999, Manta Ray entered into a Construction Management Agreement with Tejas Offshore Pipeline, LLC under which Tejas agreed to construct the Grand Isle 116 Lateral Facility. As of December 31, 1999, Manta Ray had incurred \$4,421,792 under this agreement. On September 1, 1999, Manta Ray entered into a Construction Management Agreement with Manta Ray Gathering Company, L.L.C. under which Manta Ray Gathering agreed to construct ST292 Hickory Facilities. As of December 31, 1999, Manta Ray had incurred \$25,000. Of these amounts, \$4,367,815 and \$4,236,507 were recorded as liabilities to affiliates at December 31, 1999 and 1998, respectively.

Transportation Services

During 1999 and 1998, \$7,705,731 and \$3,881,667, respectively, of transportation revenues for Nautilus were derived from related parties. All transactions were at rates pursuant to the existing tariff. At December 31, 1999 and 1998 respectively, Nautilus had affiliate receivables of \$744,274 and \$596,090 relating

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

to transportation and gas imbalances. At December 31, 1999 and 1998, respectively, Nautilus had affiliate payables of \$310,134 and \$230,730 relating to transportation and gas imbalances.

During 1999 and 1998, \$9,975,728 and \$4,902,613, respectively, of transportation revenues for Manta Ray were derived from related parties. All transactions were at negotiated rates. At December 31, 1999 and 1998 respectively, Manta Ray had affiliate receivables of \$1,781,506 and \$1,857,320 relating to transportation and gas imbalances.

At December 31, 1998, Manta Ray also had a receivable from Sailfish of \$297,348 relating to accumulated transportation and gas balancing activity associated with the assets contributed by Sailfish.

Leases

Effective December 1, 1997, Manta Ray, as lessor, and Nautilus, as lessee, entered into a lease agreement for usage of offshore platform space located at Ship Shoal Block 207. The term of the lease is for the life of the platform, subject to certain early termination conditions, and requires minimum lease payments of \$225,000 per year adjusted annually for inflation. The associated lease revenue and expense have been eliminated in consolidation.

Operating and Administrative Expense

Since the Companies have no employees, operating, maintenance and general and administrative services are provided to the Companies under service agreements with Manta Ray Gathering Company, L.L.C., Marathon, and Shell Seahorse, all of which are affiliates of the Companies. Substantially all operating and administrative expenses were incurred through services provided under these agreements. Shell Seahorse assigned the operating agreements to Tejas Offshore Pipeline, LLC effective February 2, 1998.

Other Affiliate Transactions

Included in Owing from Related Parties at December 31, 1998 is a receivable from an affiliate for \$129,698 relating to the sale of land during the fourth quarter of 1998 by Nautilus. No gain or loss was recognized on the sale.

4. PIPELINES AND EQUIPMENT

Pipelines and equipment at December 31, 1999 and 1998 is comprised of the following (in thousands):

	1999	1998
	-----	-----
Pipelines and equipment.....	\$256,014	\$244,835
Land.....	1,077	1,107
AFUDC.....	6,430	6,430
Construction in progress.....	4,535	8,732
	-----	-----
Subtotal.....	268,056	261,104
Accumulated depreciation.....	22,892	12,204
	-----	-----
Total.....	\$245,164	\$248,900
	=====	=====

During 1998, Nautilus entered into interconnection agreements with certain other parties in which Nautilus agreed to construct interconnection facilities whereby the parties agreed to contribute \$619,000 as partial reimbursement for construction costs. Nautilus was reimbursed \$419,000 during 1998 and the remaining balance will be paid monthly based on throughput. The receivable balance at December 31, 1998

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

was \$200,000, the current portion of which is \$40,000. The remaining balance at December 31, 1999 was \$157,173, all of which is considered current.

5. REGULATORY MATTERS

The FERC has jurisdiction over the Nautilus System with respect to transportation of gas, rates and charges, construction of new facilities, extension or abandonment of service facilities, accounts and records, depreciation and amortization policies and certain other matters.

An annual charge (ACA) totaling \$137,171 was paid to the FERC for fiscal year 1999. This charge, to be recovered from customers through rates, was recorded as a regulatory asset and will be amortized over twelve months. At the end of 1999, the balance of this account was \$102,878.

6. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Companies are subject to various laws and regulations. In the opinion of management, compliance with existing laws and regulations will not materially affect the financial position, the results of operations or cash flows of the Companies.

Various legal actions, which have arisen in the ordinary course of business, are pending with respect to the assets of the Companies. Management believes that the ultimate disposition of these actions, either individually or in aggregate, will not have a material adverse effect on the financial position, the results of operations or the cash flows of the Companies.

Pursuant to the terms of a construction agreement entered into in 1995, Manta Ray agreed to pay liquidated damages to various parties if Manta Ray did not complete an interconnect by May 31, 1998 between the Manta Ray System and the system operated by Trunkline Gas Pipeline Company. Manta Ray incurred \$150,000 in 1998 and \$100,000 in 1999, which was recorded in Other Expense. Under the provision, Manta Ray will be obligated to pay an additional \$50,000 if the interconnect is not completed by May 31, 2000.

INDEX TO EXHIBITS

Each exhibit identified below is filed as a part of this Annual Report. Exhibits included in this filing are designated by an asterisk; all exhibits not so designated are incorporated herein by reference to a prior filing as indicated. Exhibits designated with a "+" constitute a management contract or compensatory plan or arrangement required to be filed as an exhibit to this report pursuant to Item 14(c) of Form 10-K.

EXHIBIT NUMBER -----	DESCRIPTION -----
3.1	-- Certificate of Limited Partnership of El Paso Energy Partners (filed as Exhibit 3.1 to the Partnership's Registration Statement on Form S-1, File No. 33-55642).
*3.2	-- Amendment Number 1 to the Certificate of Limited Partnership of El Paso Energy Partners.
3.3	-- Amended and Restated Agreement of Limited Partnership of El Paso Energy Partners (filed as Exhibit 10.41 to Amendment No. one to DeepTech International Inc's. Registration Statement on Form S-1, File No. 33-73538); Amendment Number 1 to the Amended and Restated Agreement of Limited Partnership of El Paso Energy Partners (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K dated December 31, 1996); Amendment Number 2 to the Amended and Restated Agreement of Limited Partnership of El Paso Energy Partners (filed as Exhibit 3.4 to the Partnership's Registration Statement on Form S-4, filed on June 24, 1999, File No. 333-81143).
*4.1	-- Form of Certificate Evidencing Preference Units Representing Limited Partner Interests (filed as Exhibit 4.1 to Amendment No. 2 to the Partnership's Registration Statement on Form S-1, File No. 33-55642).
*4.2	-- Form of Certificate Evidencing Common Units Representing Limited Partner Interests (filed as Exhibit 4.2 to Amendment No. 2 to the Partnership's Registration Statement on Form S-1, File No. 33-55642).
4.3	-- Form of Certificate of 10 3/8% Series A Senior Subordinated Note due 2009 (included in Exhibit 4.1 to the Partnership's Registration Statement on Form S-4, filed on June 21, 1999, File No. 333-81143).
4.4	-- Form of Certificate of 10 3/8% Series B Senior Subordinated Note due 2009 (included in Exhibit 4.1 to the Partnership's Registration Statement on Form S-4, filed on June 21, 1999, File No. 333-81143).
4.5	-- Form of Guarantee Notation of securities issued pursuant to the Indenture (included in Exhibit 4.1 to the Partnership's Registration Statement on Form S-4, filed on June 21, 1999, File No. 333-81143).
4.6	-- A/B Exchange Registration Rights Agreement dated as of May 27, 1999 among El Paso Energy Partners, L.P., El Paso Energy Partners Finance Corporation, the Subsidiary Guarantors, Donaldson, Lufkin & Jenrette Securities Corporation, and Chase Securities Inc. (filed as Exhibit 4.7 to the Partnership's Registration Statement on Form S-4, filed on June 21, 1999, File No. 333-81143).
4.7	-- Indenture dated as of May 27, 1999 among El Paso Energy Partners, L.P., El Paso Energy Partners Finance Corporation, the Subsidiary Guarantors and Chase Bank of Texas, as Trustee (filed as Exhibit 4.1 to the Partnership's Registration Statement on Form S-4, filed on June 24, 1999, File No. 333-81143); First Supplemental Indenture dated as of June 30, 1999 (filed as Exhibit 4.2 to the Partnership's Amendment No. 1 to Registration Statement on Form S-4, filed August 27, 1999 File No. 333-81143); Second Supplemental Indenture dated as of July 27, 1999 (filed as Exhibit 4.3 to the Partnership's Amendment No. 1 to Registration Statement on Form S-4, filed August 27, 1999, File No. 333-81143).

EXHIBIT NUMBER	DESCRIPTION
-----	-----
10.1	<p>-- First Amended and Restated Management Agreement, dated June 27, 1994 and effective as of July 1, 1992, between DeepTech International Inc. and the General Partner (filed as Exhibit 10.1 to DeepTech's Form 10-K the year ended December 31, 1994, File No. 0-23934); First Amendment to First Amended and Restated Management Agreement between DeepTech and General Partner (filed as Exhibit 10.76 to DeepTech's Registration Statement on Form S-1, filed on January 23, 1995, File No. 33-88688); Second Amendment to First Amended and Restated Management Agreement between DeepTech and General Partner (filed as Exhibit 10.18 to the Partnership's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, filed on April 1, 1995, File No. 1-11680); Third Amendment to First Amended and Restated Management Agreement between DeepTech and General Partner (filed as Exhibit 10.4 to the Partnership's Registration Statement on Form S-4, filed on June 21, 1999, File No. 333-81143); Fourth Amendment to First Amended and Restated Management Agreement between DeepTech and General Partner (filed as Exhibit 10.1 to the Partnership's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997, filed on August 12, 1997, File No. 1-11680); Fifth Amendment to First Amended and Restated Management Agreement between DeepTech and General Partner (filed as Exhibit 10.1 to the Partnership's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997, filed on November 14, 1997, File No. 1-11680); Sixth Amendment to First Amended and Restated Management Agreement between DeepTech International Inc. and the General Partner (filed as Exhibit 10.2 to the Partnership's Form 10-K the year ended December 31, 1998, filed on March 30, 1999, File No. 1-11680, the 1998 Form 10-K).</p>
10.2	<p>-- Third Amended and Restated Credit Agreement dated as of March 23, 1995, as amended and restated through May 27, 1999 among El Paso Energy Partners, El Paso Energy Partners Finance Corporation, The Chase Manhattan Bank, as administrative agent, Credit Lyonnais, as syndication agent, BankBoston, N.A., as documentation agent, and the banks and other financial institutions from time to time parties thereto. (filed as Exhibit 10.14 to the Partnership's Amendment No. 1 to Registration Statement on Form S-4, filed August 27, 1999, File No. 333-81143).</p>
*10.3	<p>-- Amendment Number 1 to Third Amended and Restated Credit Agreement dated as of March 23, 1995, as amended and restated through May 27, 1999 among El Paso Energy Partners, El Paso Energy Partners Finance Corporation, The Chase Manhattan Bank, as administrative agent, Credit Lyonnais, as syndication agent, BankBoston, N.A., as documentation agent, and the banks and other financial institutions from time to time parties thereto.</p>
*10.4	<p>-- Amendment Number 2 to Third Amended and Restated Credit Agreement dated as of March 23, 1995, as amended and restated through May 27, 1999 among El Paso Energy Partners, El Paso Energy Partners Finance Corporation, The Chase Manhattan Bank, as administrative agent, Credit Lyonnais, as syndication agent, BankBoston, N.A., as documentation agent, and the banks and other financial institutions from time to time parties thereto.</p>
10.5	<p>-- Redemption Agreement dated February 27, 1998 between Tatham Offshore, Inc. and Flextrend Development Company, L.L.C., a subsidiary of El Paso Energy Partners (filed as Exhibit 10.1 to the 1998 Third Quarter Form 10-Q).</p>
10.6	<p>-- Contribution Agreement between El Paso Energy Partners and El Paso Field Services Company (filed as Exhibit A to the Partnership's Schedule 14A (Rule 14A-101) Proxy Statement effective February 9, 1998).</p>
+10.7	<p>-- El Paso Energy Partners 1998 Unit Option Plan for Non-Employee Directors Effective as of August 14, 1998 (filed as Exhibit 10.2 to the 1998 Third Quarter Form 10-Q).</p>
+10.8	<p>-- El Paso Energy Partners 1998 Omnibus Compensation Plan, Amended and Restated, effective as of January 1, 1999 (filed as Exhibit 10.9 to the Partnership's Form 10-K for the year ended 1998, filed on March 29, 1999, File No. 1-11680).</p>

EXHIBIT NUMBER	DESCRIPTION
-----	-----
10.9	-- El Paso Energy Partners Unit Rights Appreciation Plan (filed as Exhibit 10.25 to the Partnership's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed on March 26, 1997, File No. 1-11680).
10.10	-- Purchase Agreement dated as of May 24, 1999 among (i) Leviathan Gas Pipeline Partners, L.P., (ii) Leviathan Finance Corporation, (iii) Delos Offshore Company, L.L.C., Ewing Bank Gathering Company, L.L.C., Flextrend Development Company, L.L.C., Green Canyon Pipe Line Company, L.L.C., Leviathan Oil Transport Systems, L.L.C., Manta Ray Gathering Company, L.L.C., Poseidon Pipeline Company, L.L.C., Sailfish Pipeline Company, L.L.C., Stingray Holding, L.L.C., Delaware Transco Hydrocarbons Company, L.L.C., Texam Offshore Gas Transmission, L.L.C., Transco Offshore Pipeline Company, L.L.C., Tarpon Transmission Company, Viosca Knoll Gathering Company, VK-Main Pass Gathering Company, L.L.C., VK Deepwater Gathering Company, L.L.C. and the Subsidiary Guarantors from time to time party thereto (collectively, the "Subsidiary Guarantors"), (iv) Donaldson, Lufkin & Jenrette Securities Corporation, and (v) Chase Securities Inc. (filed as Exhibit 1.1 to the Partnership's Registration Statement on Form S-4, filed on June 21, 1999, File No. 333-81143).
10.11	-- Purchase and Sale Agreement between Natural Gas Pipeline Company of America as Seller and the Partnership as Buyer dated as of June 30, 1999 (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K, filed on July 15, 1999, File No. 1-11680).
10.12	-- Farmout Agreement dated October 25, 1999 by and between Flextrend Development Company, L.L.C. and El Paso Production GOM, Inc. (filed as Exhibit 10.15 to the Partnership's Current Report on Form 8-K, filed on November 15, 1999, File No. 1-11680).
*10.13	-- Agreement and Plan of Merger dated March 20, 2000, by and among El Paso Energy Partners, L.P., Green Canyon Pipe Line Company, L.L.C., El Paso Merchant Energy Holding Company, and El Paso Intrastate-Alabama, Inc.
*21	-- List of Subsidiaries of El Paso Energy Partners.
*23	-- Letter regarding Change in Accounting Principles.
*27	-- Financial Data Schedule.

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

PAGE 1

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "LEVIATHAN GAS PIPELINE PARTNERS, L.P.", CHANGING ITS NAME FROM "LEVIATHAN GAS PIPELINE PARTNERS, L.P." TO "EL PASO ENERGY PARTNERS, L.P.", FILED IN THIS OFFICE ON THE FIRST DAY OF DECEMBER, A.D., 1999, AT 10:01 O'CLOCK A.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF AMENDMENT IS THE FIRST DAY OF DECEMBER, A.D. 1999.

2317845 8100

991509171

[SEAL]

/s/ EDWARD J. FREEL

EDWARD J. FREEL, SECRETARY OF STATE

AUTHENTICATION: 0109057

DATE: 11-30-99

CERTIFICATE OF AMENDMENT
TO THE
CERTIFICATE OF LIMITED PARTNERSHIP
OF
LEVIATHAN GAS PIPELINE PARTNERS, L.P.

The undersigned, desiring to amend the Certificate of Limited Partnership of LEVIATHAN GAS PIPELINE PARTNERS, L.P., pursuant to the provisions of Section 17-202 of the Revised Uniform Limited Partnership Act of the State of Delaware, does hereby certify as follows:

FIRST: The name of the Limited Partnership is:
Leviathan Gas Pipeline Partners, L.P.

SECOND: Article I of the Certificate of Limited Partnership shall be amended as follows:

"ARTICLE I
NAME

The name of the limited partnership shall be El Paso Energy Partners, L.P."

THIRD: This amendment to the Certificate of Limited Partnership shall be effective as of December 1, 1999.

IN WITNESS WHEREOF, the undersigned executed this Amendment to the Certificate of Limited Partnership on this 29th day of November 1999.

LEVIATHAN GAS PIPELINE COMPANY
the General Partner

By: /s/ C. DANA RICE

C. Dana Rice
Vice President and Treasurer

NUMBER	PREFERENCE UNITS
EPNP	UNITS
[EL PASO ENERGY PARTNERS LOGO]	
This Certificate is Transferable in New York, New York and Ridgefield Park, New Jersey	
(A limited partnership formed under the laws of Delaware)	CUSIP 28368B 20 1 SEE REVERSE FOR CERTAIN DEFINITIONS

CERTIFICATE EVIDENCING PREFERENCE UNITS REPRESENTING LIMITED PARTNER INTERESTS

EL PASO ENERGY PARTNERS, L.P.

EL PASO ENERGY PARTNERS COMPANY, A DELAWARE CORPORATION, AS THE GENERAL PARTNER OF EL PASO ENERGY PARTNERS, L.P., A DELAWARE LIMITED PARTNERSHIP (THE "PARTNERSHIP"), HEREBY CERTIFIES THAT

(the "Holder")
is the registered owner of

PREFERENCE UNITS

representing limited partner interests in the Partnership (the "Preference Units") transferable on the books of the Partnership, in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed and accompanied by a properly executed application for transfer of the Preference Units represented by this Certificate. The rights and limitations of the Preference Units are set forth in, and this Certificate and the Preference Units represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Amended and Restated Agreement of Limited Partnership of El Paso Energy Partners, L.P., as amended, supplemented or restated from time to time (the "Partnership Agreement"). Copies of the Partnership Agreement are on file at, and will be furnished without charge on delivery of written request to the Partnership at, the principal office of the Partnership located at 1001 Louisiana Street, Houston, Texas 77002. Capitalized terms used herein but not defined shall have the meanings given them in the Partnership Agreement.

The Holder, by accepting this Certificate, is deemed to have (a) requested admission as, and agreed to become, a Limited Partner or a Substituted Limited Partner, as applicable, and to have agreed to comply with and be bound by and to have executed the Partnership Agreement, (b) represented and warranted that the Holder has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (c) appointed the General Partner and, if a Liquidator shall be appointed, the Liquidator of the Partnership as the Holder's attorney to execute, swear to, acknowledge and file any document, including, without limitation, the Partnership Agreement and any amendment thereto and the Certificate of Limited Partnership of the Partnership and any amendment thereto, necessary or appropriate for the Holder's admission as a Limited Partner or a Substituted Limited Partner, as applicable, in the Partnership and as a party to the Partnership Agreement, (d) given the powers of attorney provided for in the Partnership Agreement, (e) made the waivers and given the consents and approvals contained in the Partnership Agreement and (f) certified to the Partnership that the Holder (including, to the best of the Holder's knowledge, any person for whom the Holder holds the Preference Units) is an Eligible Citizen.

This Certificate shall not be valid for any purpose unless it has been countersigned and registered by the Transfer Agent and Registrar.

Dated:

EL PASO ENERGY PARTNERS COMPANY,
AS GENERAL PARTNER

Countersigned and registered by:
CHASEMELLON SHAREHOLDER
SERVICES, L.L.C
as Transfer Agent and Registrar

SEAL

By: President

By: Secretary

By: Authorized Signature

EL PASO ENERGY PARTNERS, L.P.
ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as follows according to applicable laws or regulations:

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entireties
- JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - _____ Custodian _____
 (Cust) (Minor)
 under Uniform Gifts to Minors
 Act _____
 (State)

Additional abbreviations, though not in the above list, may also be used.

ASSIGNMENT OF PREFERENCE UNITS
 IN
 EL PASO ENERGY PARTNERS, L.P.
 IMPORTANT NOTICE REGARDING INVESTOR RESPONSIBILITIES
 DUE TO TAX SHELTER STATUS OF EL PASO ENERGY PARTNERS, L.P.

You have acquired an interest in El Paso Energy Partners, L.P., 1001 Louisiana Street, Houston, Texas 77002, whose taxpayer identification number is 76-0385475. The Internal Revenue Service has issued El Paso Energy Partners, L.P. the following tax shelter registration number: _____. If there is no number in the blank in the preceding sentence, the number will be furnished to the Holder when it is received.

YOU MUST REPORT THIS REGISTRATION NUMBER TO THE INTERNAL REVENUE SERVICE IF YOU CLAIM ANY DEDUCTION, LOSS, CREDIT, OR OTHER TAX BENEFIT OR REPORT ANY INCOME BY REASON OF YOUR INVESTMENT IN EL PASO ENERGY PARTNERS, L.P.

You must report the registration number as well as the name and taxpayer identification number of El Paso Energy Partners, L.P. on Internal Revenue Code Form 8271. FORM 8271 MUST BE ATTACHED TO THE RETURN ON WHICH YOU CLAIM THE DEDUCTION, LOSS, CREDIT, OR OTHER TAX BENEFIT OR REPORT ANY INCOME BY REASON OF YOUR INVESTMENT IN EL PASO ENERGY PARTNERS, L.P.

If you transfer your interest in El Paso Energy Partners, L.P. to another person, you are required by the Internal Revenue Service to keep a list containing (a) that person's name, address and taxpayer identification number, (b) the date on which you transferred the interest and (c) the name, address and tax shelter registration number of El Paso Energy Partners, L.P. If you do not want to keep such a list, you must (1) send the information specified above to the General Partner, who will keep the list for this tax shelter and (2) give a copy of this notice to the person to whom you transfer your interest. Your failure to comply with any of the above-described responsibilities could result in the imposition of a penalty under Section 6707(b) or 6708(a) of the Internal Revenue Service Code of 1986, as amended, unless such failure is shown to be due to reasonable cause.

ISSUANCE OF A REGISTRATION NUMBER DOES NOT INDICATE THAT THIS INVESTMENT OR THE CLAIMED TAX BENEFITS HAVE BEEN REVIEWED, EXAMINED, OR APPROVED BY THE INTERNAL REVENUE SERVICE.

FOR VALUE RECEIVED,

 hereby assigns, conveys, sells and transfers unto

 (Please print or typewrite name and address of Assignee)

 (Please insert Social Security or other identifying number of Assignee)

Preference Units representing limited partner

 interests evidenced by this Certificate, subject to the Partnership Agreement, and does hereby irrevocably constitute and appoint

 as its attorney-in-fact with full power of substitution to transfer the same on the books of El Paso Energy Partners, L.P.

Date:

The signature(s) should be guaranteed by an "eligible guarantor institution" as defined in Rule 17Ad-15 under the Securities and Exchange Act of 1934, as amended.

NOTE: The signature to any endorsement hereon must correspond with the name as written upon the face of this Certificate in every particular, without alteration, enlargement or change.

(Signature)

(Signature)

SIGNATURE(S) GUARANTEED:

No assignment or transfer of the Preference Units evidenced hereby will be registered on the books of El Paso Energy Partners, L.P. unless the Certificate evidencing the Preference Units to be transferred is surrendered for registration or transfer and an Application for Transfer of Preference Units (a "Transfer Application") has been executed by a transferee either (a) on the form set forth below or (b) on a separate application that the Partnership will furnish on request without charge. A transferor of the Preference Units shall have no duty to the transferee with respect to execution of the Transfer Application in order for such transferee to obtain registration of the transfer of the Preference Units.

APPLICATION FOR TRANSFER OF PREFERENCE UNITS

The undersigned ("Applicant") hereby applies for transfer to the name of the Applicant of the Preference Units evidenced hereby.

The Applicant (a) requests admission as a Substituted Limited Partner and agrees to comply with and be bound by, and hereby executes the Amended and Restated Agreement of Limited Partnership of El Paso Energy Partners, L.P., (the "Partnership") as amended, supplemented or restated to the date hereof (the "Partnership Agreement"), (b) represents and warrants that the Applicant has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (c) appoints the General Partner and, if a Liquidator shall be appointed, the Liquidator of the Partnership as the Applicant's attorney to execute, swear to, acknowledge and file any document, including, without limitation, the Partnership Agreement and any amendment thereto and the Certificate of Limited Partnership of the Partnership and any amendment thereto, necessary or appropriate for the Applicant's admission as a Substituted Limited Partner and as a party to the Partnership Agreement, (d) gives the powers of attorney provided for in the Partnership Agreement, (e) makes the waivers and gives the consents and approvals contained in the Partnership Agreement and (f) certifies to the Partnership that the Applicant (including, to the best of the Applicant's knowledge, any person for whom the Applicant will hold the Preference Units) is an Eligible Citizen. Capitalized terms not defined herein have the meanings assigned to such terms in the Partnership Agreement.

Date: -----

Signature of Applicant

Name and Address of Applicant

Social Security or other identifying number of Applicant

Purchase Price including commissions, if any

Type of Entity (check one):

- Individual Partnership Corporation
 Trust Other (specify)

Nationality (check one):

- United States Citizen, Non-resident Alien Foreign Corporation
Resident or Domestic
Entity

If the United States Citizen, Resident or Domestic Entity box is checked, the following certification must be completed.

Under Section 1445(e) of the Internal Revenue Code of 1986, as amended (the "Code"), the Partnership must withhold tax with respect to certain transfers of property if a holder of an interest in the Partnership is a foreign person. To inform the Partnership that no withholding is required with respect to the undersigned interest-holder's interest in it, the undersigned hereby certifies the following (or, if applicable, certifies the following on behalf of the interest-holder):

Complete either A or B:

A. Individual Interest-Holder

1. I am not a non-resident alien for purposes of United States income

taxation.

2. My United States taxpayer identifying number (Social Security Number) is

3. My home address is

4. My year end for tax reporting purposes is

B. Partnership, Corporate or Other Interest-Holder

1.

(Name of Interest-Holder)

is not a foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Code and Treasury Regulations).

2. The interest-holder's U.S. employer identification number is

3. The interest-holder's office address and place of incorporation (if applicable) is

4. The interest-holder's year end for tax reporting purposes is

The interest-holder agrees to notify the Partnership within sixty (60) days of the date the interest-holder becomes a foreign person.

The interest-holder understands that this Certificate may be disclosed to the Internal Revenue Service by the Partnership and that any false statement contained herein could be punishable by fine, imprisonment or both.

Under penalties of perjury, I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete and, if applicable, I further declare that I have authority to sign this document on behalf of

Name of Interest-Holder

Signature and Date

Title (if applicable)

NOTE: If the Applicant is a broker, dealer, bank, trust company, clearing corporation, other nominee holder or an agent of any of the foregoing, and is holding the Preference Units for the account of any other person, this application should be completed by an officer thereof or, in the case of a broker or dealer, by a registered representative who is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., or, in the case of any other nominee holder, a person performing a similar function. If the Applicant is a broker, dealer, bank, trust company, clearing corporation, other nominee owner or an agent of any of the foregoing, the above certification as to any Person for whom the Applicant will hold the Preference Units shall be made to the best of the Applicant's knowledge.

NUMBER	COMMON UNITS
EPN	UNITS
[EL PASO ENERGY PARTNERS LOGO]	
This Certificate is Transferable in New York, New York and Ridgefield Park, New Jersey	
(A limited partnership formed under the laws of Delaware)	CUSIP 28368B 20 2 SEE REVERSE FOR CERTAIN DEFINITIONS

CERTIFICATE EVIDENCING COMMON UNITS REPRESENTING LIMITED PARTNER INTERESTS

EL PASO ENERGY PARTNERS, L.P.

EL PASO ENERGY PARTNERS COMPANY, A DELAWARE CORPORATION, AS THE GENERAL PARTNER OF EL PASO ENERGY PARTNERS, L.P., A DELAWARE LIMITED PARTNERSHIP (THE "PARTNERSHIP"), HEREBY CERTIFIES THAT

(the "Holder")
is the registered owner of

COMMON UNITS

representing limited partner interests in the Partnership (the "Common Units") transferable on the books of the Partnership, in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed and accompanied by a properly executed application for transfer of the Common Units represented by this Certificate. The rights and limitations of the Common Units are set forth in, and this Certificate and the Common Units represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Amended and Restated Agreement of Limited Partnership of El Paso Energy Partners, L.P., as amended, supplemented or restated from time to time (the "Partnership Agreement"). Copies of the Partnership Agreement are on file at, and will be furnished without charge on delivery of written request to the Partnership at, the principal office of the Partnership located at 1001 Louisiana Street, Houston, Texas 77002. Capitalized terms used herein but not defined shall have the meanings given them in the Partnership Agreement.

The Holder, by accepting this Certificate, is deemed to have (a) requested admission as, and agreed to become, a Limited Partner or a Substituted Limited Partner, as applicable, and to have agreed to comply with and be bound by and to have executed the Partnership Agreement, (b) represented and warranted that the Holder has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (c) appointed the General Partner and, if a Liquidator shall be appointed, the Liquidator of the Partnership as the Holder's attorney to execute, swear to, acknowledge and file any document, including, without limitation, the Partnership Agreement and any amendment thereto and the Certificate of Limited Partnership of the Partnership and any amendment thereto, necessary or appropriate for the Holder's admission as a Limited Partner or a Substituted Limited Partner, as applicable, in the Partnership and as a party to the Partnership Agreement, (d) given the powers of attorney provided for in the Partnership Agreement, (e) made the waivers and given the consents and approvals contained in the Partnership Agreement and (f) certified to the Partnership that the Holder (including, to the best of the Holder's knowledge, any person for whom the Holder holds the Common Units) is an Eligible Citizen.

This Certificate shall not be valid for any purpose unless it has been countersigned and registered by the Transfer Agent and Registrar.

Dated:

EL PASO ENERGY PARTNERS COMPANY,
AS GENERAL PARTNER

Countersigned and registered by:
CHASEMELLON SHAREHOLDER
SERVICES, L.L.C
as Transfer Agent and Registrar

SEAL

By: President

By: Secretary

By: Authorized Signature

EL PASO ENERGY PARTNERS, L.P.
ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as follows according to applicable laws or regulations:

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entireties
- JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - _____ Custodian _____
 (Cust) (Minor)
 under Uniform Gifts to Minors
 Act _____
 (State)

Additional abbreviations, though not in the above list, may also be used.

ASSIGNMENT OF COMMON UNITS
 IN
 EL PASO ENERGY PARTNERS, L.P.
 IMPORTANT NOTICE REGARDING INVESTOR RESPONSIBILITIES
 DUE TO TAX SHELTER STATUS OF EL PASO ENERGY PARTNERS, L.P.

You have acquired an interest in El Paso Energy Partners, L.P., 1001 Louisiana Street, Houston, Texas 77002, whose taxpayer identification number is 76-0385475. The Internal Revenue Service has issued El Paso Energy Partners, L.P. the following tax shelter registration number: _____. If there is no number in the blank in the preceding sentence, the number will be furnished to the Holder when it is received.

YOU MUST REPORT THIS REGISTRATION NUMBER TO THE INTERNAL REVENUE SERVICE IF YOU CLAIM ANY DEDUCTION, LOSS, CREDIT, OR OTHER TAX BENEFIT OR REPORT ANY INCOME BY REASON OF YOUR INVESTMENT IN EL PASO ENERGY PARTNERS, L.P.

You must report the registration number as well as the name and taxpayer identification number of El Paso Energy Partners, L.P. on Internal Revenue Code Form 8271. FORM 8271 MUST BE ATTACHED TO THE RETURN ON WHICH YOU CLAIM THE DEDUCTION, LOSS, CREDIT, OR OTHER TAX BENEFIT OR REPORT ANY INCOME BY REASON OF YOUR INVESTMENT IN EL PASO ENERGY PARTNERS, L.P.

If you transfer your interest in El Paso Energy Partners, L.P. to another person, you are required by the Internal Revenue Service to keep a list containing (a) that person's name, address and taxpayer identification number, (b) the date on which you transferred the interest and (c) the name, address and tax shelter registration number of El Paso Energy Partners, L.P. If you do not want to keep such a list, you must (1) send the information specified above to the General Partner, who will keep the list for this tax shelter and (2) give a copy of this notice to the person to whom you transfer your interest. Your failure to comply with any of the above-described responsibilities could result in the imposition of a penalty under Section 6707(b) or 6708(a) of the Internal Revenue Service Code of 1986, as amended, unless such failure is shown to be due to reasonable cause.

ISSUANCE OF A REGISTRATION NUMBER DOES NOT INDICATE THAT THIS INVESTMENT OR THE CLAIMED TAX BENEFITS HAVE BEEN REVIEWED, EXAMINED, OR APPROVED BY THE INTERNAL REVENUE SERVICE.

FOR VALUE RECEIVED,

 hereby assigns, conveys, sells and transfers unto

 (Please print or typewrite name and address of Assignee)

 (Please insert Social Security or other identifying number of Assignee)

Common Units representing limited partner

 interests evidenced by this Certificate, subject to the Partnership Agreement, and does hereby irrevocably constitute and appoint

 as its attorney-in-fact with full power of substitution to transfer the same on the books of El Paso Energy Partners, L.P.

Date:

The signature(s) should be guaranteed by an "eligible guarantor institution" as defined in Rule 17Ad-15 under the Securities and Exchange Act of 1934, as amended.

NOTE: The signature to any endorsement hereon must correspond with the name as written upon the face of this Certificate in every particular, without alteration, enlargement or change.

(Signature)

(Signature)

SIGNATURE(S) GUARANTEED:

No assignment or transfer of the Common Units evidenced hereby will be registered on the books of El Paso Energy Partners, L.P. unless the Certificate evidencing the Common Units to be transferred is surrendered for registration or transfer and an Application for Transfer of Common Units (a "Transfer Application") has been executed by a transferee either (a) on the form set forth below or (b) on a separate application that the Partnership will furnish on request without charge. A transferor of the Common Units shall have no duty to the transferee with respect to execution of the Transfer Application in order for such transferee to obtain registration of the transfer of the Common Units.

APPLICATION FOR TRANSFER OF COMMON UNITS

The undersigned ("Applicant") hereby applies for transfer to the name of the Applicant of the Common Units evidenced hereby.

The Applicant (a) requests admission as a Substituted Limited Partner and agrees to comply with and be bound by, and hereby executes the Amended and Restated Agreement of Limited Partnership of El Paso Energy Partners, L.P., (the "Partnership") as amended, supplemented or restated to the date hereof (the "Partnership Agreement"), (b) represents and warrants that the Applicant has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (c) appoints the General Partner and, if a Liquidator shall be appointed, the Liquidator of the Partnership as the Applicant's attorney to execute, swear to, acknowledge and file any document, including, without limitation, the Partnership Agreement and any amendment thereto and the Certificate of Limited Partnership of the Partnership and any amendment thereto, necessary or appropriate for the Applicant's admission as a Substituted Limited Partner and as a party to the Partnership Agreement, (d) gives the powers of attorney provided for in the Partnership Agreement, (e) makes the waivers and gives the consents and approvals contained in the Partnership Agreement and (f) certifies to the Partnership that the Applicant (including, to the best of the Applicant's knowledge, any person for whom the Applicant will hold the Common Units) is an Eligible Citizen. Capitalized terms not defined herein have the meanings assigned to such terms in the Partnership Agreement.

Date: -----

Signature of Applicant

Name and Address of Applicant

Social Security or other identifying number of Applicant

Purchase Price including commissions, if any

Type of Entity (check one):

- Individual Partnership Corporation
 Trust Other (specify)

Nationality (check one):

- United States Citizen, Non-resident Alien Foreign Corporation
Resident or Domestic
Entity

If the United States Citizen, Resident or Domestic Entity box is checked, the following certification must be completed.

Under Section 1445(e) of the Internal Revenue Code of 1986, as amended (the "Code"), the Partnership must withhold tax with respect to certain transfers of property if a holder of an interest in the Partnership is a foreign person. To inform the Partnership that no withholding is required with respect to the undersigned interest-holder's interest in it, the undersigned hereby certifies the following (or, if applicable, certifies the following on behalf of the interest-holder):

Complete either A or B:

A. Individual Interest-Holder

1. I am not a non-resident alien for purposes of United States income

taxation.

2. My United States taxpayer identifying number (Social Security Number) is

3. My home address is

4. My year end for tax reporting purposes is

B. Partnership, Corporate or Other Interest-Holder

1.

(Name of Interest-Holder)

is not a foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Code and Treasury Regulations).

2. The interest-holder's U.S. employer identification number is

3. The interest-holder's office address and place of incorporation (if applicable) is

4. The interest-holder's year end for tax reporting purposes is

The interest-holder agrees to notify the Partnership within sixty (60) days of the date the interest-holder becomes a foreign person.

The interest-holder understands that this Certificate may be disclosed to the Internal Revenue Service by the Partnership and that any false statement contained herein could be punishable by fine, imprisonment or both.

Under penalties of perjury, I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete and, if applicable, I further declare that I have authority to sign this document on behalf of

Name of Interest-Holder

Signature and Date

Title (if applicable)

NOTE: If the Applicant is a broker, dealer, bank, trust company, clearing corporation, other nominee holder or an agent of any of the foregoing, and is holding the Common Units for the account of any other person, this application should be completed by an officer thereof or, in the case of a broker or dealer, by a registered representative who is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., or, in the case of any other nominee holder, a person performing a similar function. If the Applicant is a broker, dealer, bank, trust company, clearing corporation, other nominee owner or an agent of any of the foregoing, the above certification as to any Person for whom the Applicant will hold the Common Units shall be made to the best of the Applicant's knowledge.

AMENDMENT NO. 1

AMENDMENT NO. 1, dated as of September 22, 1999 (this "Amendment"), to the Third Amended and Restated Credit Agreement, dated as of March 23, 1995, as amended and restated through May 27, 1999 (as amended, supplemented or otherwise modified prior to the date hereof, the "Credit Agreement"), among LEVIATHAN GAS PIPELINE PARTNERS, L.P., a Delaware limited partnership (the "Borrower"), LEVIATHAN FINANCE CORPORATION, a Delaware corporation (the "Co-Borrower"), the banks and other financial institutions (the "Lenders") parties hereto, CREDIT LYONNAIS, as Syndication Agent, BANKBOSTON, N.A., as Documentation Agent, and THE CHASE MANHATTAN BANK, a New York banking corporation, as administrative agent (in such capacity, the "Administrative Agent") for the Lenders.

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, the Lenders have agreed to make, and have made, extensions of credit to the Borrower and the Co-Borrower; and

WHEREAS, the Borrower has requested that certain provisions of the Credit Agreement be amended and waived in the manner provided for in this Amendment in order to permit the transactions described in Exhibit A to this Amendment; and

WHEREAS, the Administrative Agent and the Required Lenders are willing to agree to such amendments and waivers, but only on the terms and subject to the conditions set forth in this Amendment;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Borrower, the Co-Borrower, the Administrative Agent, and the Required Lenders hereby agree as follows:

1. Definitions. Unless otherwise defined herein, terms defined in the recitals to this Amendment have the meanings specified therein, and terms defined in the Credit Agreement (including all amendments thereto) are used herein as therein defined.

2. Amendments to Credit Agreement.

A. Amendment to Subsection 1.1. (a) Subsection 1.1 of the Credit Agreement is amended by adding the following definitions in proper alphabetical order:

"Affected Joint Venture": as defined in Exhibit A to Amendment No. 1 dated as of September 22, 1999 to this Agreement.

"ANR": ANR Pipeline Company, a Delaware corporation.

"Leviathan/ANR Holdings": the one or more holding companies (including Western Gulf, if applicable) to be formed by Leviathan and ANR or an Affiliate of ANR

to consummate the Leviathan/ANR Reorganization and which will hold the equity interests to be contributed pursuant to the Leviathan/ANR Reorganization.

"Leviathan/ANR Parent Holdings": the Subsidiary of the Borrower which owns the Borrower's equity interests in Leviathan/ANR Holdings.

"Leviathan/ANR Reorganization": the corporate, partnership and limited liability company reorganization described in Exhibit A to Amendment No. 1 dated as of September 22, 1999 to this Agreement.

(b) The definition of "Consolidated EBITDA" is amended by deleting the phrase "Unrestricted Subsidiaries and Joint Ventures," which appears at the end of clause (x) and substituting thereafter the phrase "Unrestricted Subsidiaries and Joint Ventures (other than cash proceeds funded from the refinancing of the original capital investment by the Borrower and its Subsidiaries in Unrestricted Subsidiaries and Joint Ventures)".

(c) The definition of "Joint Venture" is amended by deleting the proviso clause therefrom and substituting therefor the following:

provided that each of Leviathan/ANR Holdings and its Subsidiaries shall be deemed to be a Joint Venture for purposes of the Loan Documents unless any such Person becomes a Subsidiary in accordance with the definition thereof and the Borrower designates such Person as a Subsidiary.

(d) The definition of "Subsidiary" is amended by deleting the last sentence therefrom and substituting therefor the following:

Notwithstanding the foregoing, from and after the Leviathan/ANR Reorganization, each of Leviathan/ANR Holdings and its Subsidiaries shall be deemed not to be Subsidiaries of the Borrower unless, and to the extent, any of the foregoing would otherwise be a Subsidiary and is designated as a Subsidiary of the Borrower in a writing delivered by the Borrower to the Administrative Agent.

(e) The definition of "Subsidiary Guarantors" is amended by (i) adding the phrase "Leviathan/ANR Parent Holdings," immediately after the phrase "Sailfish," and (ii) upon the liquidation of Stingray Holding, THC, TOGT and TOPC pursuant to subsection 8.5(e), deleting the phrases "Stingray Holding," "THC," "TOGT," and "TOPC".

B. Amendment to Subsection 8.5. Subsection 8.5 of the Credit Agreement is amended by (i) deleting the word "and" from the end of paragraph (c), (ii) deleting the period from the end of paragraph (d) and substituting therefor the phrase "; and" and (iii) adding the following now paragraph (e) at the end thereof.

(e) to effect the Leviathan/ANR Reorganization, including, without limitation, the dissolution, by merger or otherwise, of any Subsidiaries of the Borrower that are holding companies for any Affected Joint Venture.

C. Amendment to Subsection 8.6. Subsection 8.6 of the Credit Agreement is hereby amended by (i) deleting the word "and" from the end of paragraph (a), (ii) deleting the period from the end of paragraph (b) and substituting therefor the phrase ", and" and (iii) adding the following new paragraph (c):

(c) to the extent necessary to effect the Leviathan/ANR Reorganization.

D. Amendment to Subsection 8.8. Subsection 8.8 of the Credit Agreement is amended by (i) deleting the word "and" from the end of clause (f), (ii) deleting the period from the end of clause (g) and substituting therefor the phrase "; and" and (iii) adding the following new paragraph (h) at the end thereof.

(h) to the extent necessary to effect the Leviathan/ANR Reorganization.

E. Amendment to Subsection 8.20. Subsection 8.20 of the Credit Agreement is amended by adding the following at the end thereof:

except to the extent necessary to effect the Leviathan/ANR Reorganization.

3. Waiver of Subsection 8.10. Subsection 8.10 of the Credit Agreement is waived to the extent necessary to permit the consummation of the Leviathan/ANR Reorganization, it being agreed that subsection 8.10 shall continue to apply thereafter to transactions with or benefiting Leviathan/ANR Holdings and its Subsidiaries.

4. Releases. In accordance with subsection 11.18 of the Credit Agreement the Lenders authorize the Administrative Agent to take any action reasonably requested by the Borrower upon the consummation of the Leviathan/ANR Reorganization (a) to release any assets of or Capital Stock in Leviathan/ANR Holdings or any Affected Joint Venture from the Liens created by the Loan Documents and (b) to release any Subsidiaries Guarantee delivered by Leviathan/ANR Holdings, any Affected Joint Venture or any Holding company for any Affected Joint Venture if such holding company is liquidated in connection with the Leviathan/ANR Reorganization.

5. Conditions to Effectiveness. This Amendment shall become effective on the date (the "Amendment Effective Date") on which all of the following conditions precedent have been satisfied or waived:

(a) The Borrower, the Co-Borrower, the Administrative Agent and the Required Lenders shall have executed and delivered to the Administrative Agent this Amendment, and the other Loan Parties shall have executed and delivered to the Administrative Agent the attached Acknowledgment ("Acknowledgement") approving this Amendment.

(b) The Borrower and Leviathan/ANR Parent Holdings shall have complied with subsections 7.10 and 8.17 of the Credit Agreement. Without limitation of the foregoing, (i) the Capital Stock of Leviathan/ANR Parent Holdings shall have been pledged to the Administrative Agent pursuant to the Security Documents, (ii) Leviathan/ANR Parent Holdings shall have executed and delivered to the Administrative Agent the Subsidiaries Guarantee, the Subsidiary Security Agreement and a pledge agreement in a form reasonably requested by the

Administrative Agent in order to pledge the Capital Stock of Leviathan/ANR Parent Holdings to the Administrative Agent.

6. General.

(a) Representations and Warranties. After giving effect to the effectiveness of this Amendment, the representations and warranties made by the Loan Parties in the Loan Documents are true and correct in all material respects on and as of the Amendment Effective Date (unless such representations or warranties are stated to refer to a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date) as if made on and as of the Amendment Effective Date and no Event of Default will have occurred and be continuing.

(b) Payment of Expenses. The Borrower agrees to pay or reimburse the Administrative Agent for all of its out-of-pocket costs and reasonable expenses incurred in connection with this Amendment, any other documents prepared in connection herewith and the transactions contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent.

(c) No Other Amendments; Confirmation. Except as expressly amended, modified and supplemented hereby, the provisions of the Credit Agreement, the Notes and the other Loan Documents are and shall remain in full force and effect.

(d) Governing Law; Counterparts. (i) THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(ii) This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the day and year first above written.

LEVIATHAN GAS PIPELINE PARTNERS, LP.

LEVIATHAN FINANCE CORPORATION

By: /s/ KEITH FORMAN

Name: Keith Forman
Title: Chief Financial Officer

THE CHASE MANHATTAN BANK, as
Administrative Agent and as a Lender

By: /s/ PETER M. LING

Name: Peter M. Ling
Title: Vice President

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ PHILLIPE SOUSINS

Name: Phillipe Sousins
Title: Senior Vice President

BANKBOSTON, N.A.

By:

Name: -----

Title: -----

ARAB BANKING CORPORATION (B.S.C.)

By: /s/ STEPHEN A. PLAUCHE

Name: Stephen A. Plauche
Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/ F.C.H. ASHBY

Name: F.C.H. Ashby
Title: Senior Manager Loan Operations

BANK OF SCOTLAND

By: /s/ ANNIE GLYNN

Name: Annie Glynn
Title: Senior Vice President

THE FIRST NATIONAL BANK OF CHICAGO

By: /s/ KENNETH J. FATUR

Name: Kenneth J. Fatur
Title: Vice President

BANK OF AMERICA NT&SA

By:

Name: -----

Title: -----

CREDIT AGRICOLE INDOSUEZ

By: /s/ DOUGLAS A. WHIDDON

Name: Douglas A. Whiddon
Title: Senior Vice President
Relationship Manager

By: /s/ BRIAN D. KNEZEAK

Name: Brian D. Knezeak
Title: First Vice President

CIBC, INC.

By: /s/ ROGER COLDEN

Name: Roger Colden
Title: Authorized Signatory

CREDIT SUISSE FIRST BOSTON

By: /s/ DOUGLAS E. MAHER

Name: Douglas E. Maher
Title: Vice President

By: /s/ JEFFREY B. ULMER

Name: Jeffrey B. Ulmer
Title: Vice President

THE FUJI BANK, LIMITED

By:

Name:

Title:

HIBERNIA NATIONAL BANK

By:

Name:

Title:

FIRST UNION NATIONAL BANK

By: _____
Name: _____
Title: _____

KBC BANK, N.A.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

WELLS FARGO BANK (TEXAS), N.A.

By: /s/ CHRISTINA FAITH

Name: Christina Faith
Title: AVP

PNC BANK, NATIONAL ASSOCIATION

By: /s/ THOMAS A. MAJESKI

Name: Thomas A. Majeski
Title: Vice President

PARIBAS

By: /s/ MARIAN LIVINGSTON

Name: Marian Livingston
Title: Vice President

By: /s/ BETSY JOCHER

Name: Betsy Jocher
Title: Vice President

MIESPIERSON CAPITAL CORP.

By: /s/ KAREI LOMAN

Name: Karei Loman
Title: Managing Director

By: /s/ DEIRDRE SANBORN

Name: Deirdre Sanborn
Title: Vice President

BANK ONE, NA (formerly known as THE
FIRST NATIONAL BANK OF CHICAGO)

By:

Name:

Title:

ACKNOWLEDGMENT

Each undersigned guarantors hereby consents and agrees to the foregoing Amendment and acknowledges and agrees that (i) all obligations of the Borrower and Co-Borrower under the Credit Agreement, as amended by the foregoing Amendment, are Obligations which are secured and guaranteed by the Security Documents to which it is a party, (ii) all references to the Credit Agreement in the Security Documents refer to the Credit Agreement, as amended from time to time (including pursuant to the foregoing Amendment) and (iii) all references to Loans and Letters of Credit and Letters of Credit in the Security Documents refer to the Loans and Letter of Credit under the Credit Agreement, as amended by the foregoing Amendment.

LEVIATHAN GAS PIPELINE COMPANY

DELOS OFFSHORE COMPANY, L.L.C.

EWING BANK GATHERING COMPANY, L.L.C.

FLEXTREND DEVELOPMENT COMPANY, L.L.C.

GREEN CANYON PIPELINE COMPANY, L.L.C.

LEVIATHAN OIL TRANSPORT SYSTEMS, L.L.C.

MANTA RAY GATHERING COMPANY, L.L.C.

POSEIDON PIPELINE COMPANY, L.L.C.

SAILFISH PIPELINE COMPANY, L.L.C.

STINGRAY HOLDING, L.L.C.

TARPON TRANSMISSION COMPANY

TRANSCO HYDROCARBONS COMPANY, L.L.C.

TEXAM OFFSHORE GAS TRANSMISSION, L.L.C.

TRANSCO OFFSHORE PIPELINE COMPANY, L.L.C.

VK DEEPWATER GATHERING COMPANY, L.L.C.

VK-MAIN PASS GATHERING COMPANY, L.L.C.

NATOCO, L.L.C.

UTOS HOLDING, L.L.C.

MORAY PIPELINE COMPANY, L.L.C.

/s/ KEITH FORMAN

Keith Forman
Chief Financial Officer of Each Such Entity

AMENDMENT NO. 2 AND WAIVER

THIS AMENDMENT NO. 2 AND WAIVER, dated as of November 26, 1999 (this "Amendment") to the Third Amended and Restated Credit Agreement, dated as of May 27, 1999 (as amended, supplemented or otherwise modified prior to the date hereof, the "Credit Agreement"), among LEVIATHAN GAS PIPELINE PARTNERS, L.P., a Delaware limited partnership (the "Borrower"), LEVIATHAN FINANCE CORPORATION, a Delaware corporation (the "Co-Borrower"), LEVIATHAN GAS PIPELINE COMPANY, a Delaware corporation (the "Guarantor"), the several banks and other financial institutions from time to time parties to the Credit Agreement (the "Lenders"), and THE CHASE MANHATTAN BANK, a New York banking corporation, as administrative agent (in such capacity the "Administrative Agent") for the Lenders.

WHEREAS, pursuant to the Credit Agreement, the Lenders have agreed to make, and have made, extensions of credit to the Borrower and Co-Borrower;

WHEREAS, the Borrower and Guarantor have requested that certain provisions of the Credit Agreement and other Loan Documents be waived in order to permit each party set forth in Exhibit A attached hereto to change its name as set forth therein (the "Name Changes");

WHEREAS, the Administrative Agent and the Required Lenders are willing to agree to such waivers, but only on the terms and subject to the conditions set forth in this Amendment;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Borrower, Guarantor, Administrative Agent, and the Required Lenders hereby agree as follows:

1. Definitions. Unless otherwise defined herein, terms defined in the Credit Agreement are used herein as therein defined.

2. Waivers. Each of the following provisions are hereby waived to the extent necessary to permit the Name Changes, it being understood that each such provision will continue to apply thereafter to each relevant Loan Party:

- (a) Sections 8.14 and 9.1(j) of the Credit Agreement;
- (b) Section 4(i) of the Borrower Pledge Agreement;
- (c) Section 3(i) of the Leviathan Pledge Agreement (LLC);
- (d) Section 4(i) of the Leviathan Pledge Agreement (GP);
- (e) Section 5(o) of the Borrower Security Agreement;
- (f) Section 5(m) of the Leviathan Security Agreement; and
- (g) Section 5(o) of the Subsidiary Security Agreement.

3. Amendments. Except as set forth in Section 3(g), each of the Loan Documents is hereby amended as follows:

- (a) Each occurrence of the term "Leviathan Gas Pipeline Partners, L.P." therein is replaced with the term "El Paso Energy Partners, L.P.";
- (b) Each occurrence of the term "Leviathan Gas Pipeline Company" therein is replaced with the term "El Paso Energy Partners Company";
- (c) Each occurrence of the term "Leviathan Finance Corporation" therein is replaced with the term "El Paso Energy Partners Finance Corporation";
- (d) Each occurrence of the term "Leviathan Operating Company, L.L.C." therein is replaced with the term "El Paso Energy Partners Operating Company, L.L.C.";
- (e) Each occurrence of the term "Leviathan Deepwater, L.L.C." therein is replaced with the term "El Paso Energy Partners Deepwater, L.L.C."; and
- (f) Each occurrence of the term Leviathan Oil Transport System, L.L.C. therein is replaced with the term El Paso Energy Partners Oil Transport, L.L.C.
- (g) Notwithstanding the foregoing, any references to "Leviathan Gas Pipeline Partners, L.P." with respect to its role as a party to any of the Notes shall remain unchanged.

4. Effectiveness. This Amendment shall become effective on the date (the "Amendment Effective Date") the following conditions precedent are first satisfied:

- (a) The Administrative Agent shall have received evidence satisfactory to the Administrative Agent that this Amendment has been executed and delivered by the Required Lenders;
- (b) The Borrower, Co-Borrower, Guarantor, and each applicable Subsidiary Guarantor shall have executed all financing statements required by the Administrative Agent; and
- (c) This Amendment shall not contravene, violate or conflict with, or involve any Lender in any violation of, any contractual obligation or requirement of law.

5. Representations and Warranties. After giving effect to the effectiveness of this Amendment, the representations and warranties made by the Loan Parties in the Loan Documents are true and correct in all material respects on and as of the Amendment Effective Date (unless such representations or warranties are stated to refer to a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date) as if made on and as of the Amendment Effective Date and no Default or Event of Default will have occurred and be continuing.

6. Confirmation. Notwithstanding the Name Changes, each of the Borrower, Co-Borrower, Leviathan, and the Subsidiary Guarantors hereby ratifies and confirms all of its obligations, liabilities and indebtedness under the Loan Documents, including but not limited to the Notes, the Guarantees and the Security Documents.

7. Payment of Expenses. The Borrower agrees to pay or reimburse the Administrative Agent for all of its out-of-pocket costs and reasonable expenses incurred in connection with this Amendment, any other documents prepared in connection herewith and the transactions contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent.

8. No Other Waivers or Amendments. Except as expressly waived hereby, the Credit Agreement and the other Loan Documents shall remain in full force and effect in accordance with their respective terms, without any waiver, amendment or modification of any provision thereof.

9. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

10. Applicable Law. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto here caused this Amendment to be duly executed and delivered by its proper and duly authorized officer as of the day and year first above written.

LEVIATHAN GAS PIPELINE PARTNERS, LP.
LEVIATHAN FINANCE CORPORATION
LEVIATHAN GAS PIPELINE COMPANY
SAILFISH PIPELINE COMPANY, L.L.C.
MANTA RAY GATHERING COMPANY, L.L.C.
EWING BANK GATHERING COMPANY, L.L.C.
LEVIATHAN OPERATING COMPANY, L.L.C.
GREEN CANYON PIPELINE COMPANY, L.L.C.
LEVIATHAN DEEPWATER, L.L.C.
VK-DEEPWATER GATHERING COMPANY, L.L.C.
VK-MAIN PASS GATHERING COMPANY, L.L.C.
MORAY PIPELINE COMPANY, L.L.C.
LEVIATHAN OIL TRANSPORT SYSTEMS, L.L.C.
POSEIDON PIPELINE COMPANY, L.L.C.
FLEXTREND DEVELOPMENT COMPANY, L.L.C.
DELOS OFFSHORE COMPANY, L.L.C.
TARPON TRANSMISSION COMPANY

By: /s/ KEITH FORMAN

Name: Keith Forman

Title: Chief Financial Officer

THE CHASE MANHATTAN BANK, as
Administrative Agent and as a Lender

By: /s/ PETER M. LING

Name: Peter M. Ling

Title: Vice President

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ PHILLIPE SOUSINS

Name: Phillipe Sousins

Title: Senior Vice President

BANKBOSTON, N.A.

By: /s/ CHRISTOPHER HOLMGREN

Name: Christopher Holmgren

Title: Director

ARAB BANKING CORPORATION

By: /s/ STEPHEN A. PLAUCHE

Name: Stephen A. Plauche

Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/ F.C.H. ASHBY

Name: F.C.H. Ashby

Title: Senior Manager Loan
Operations

BANK OF SCOTLAND

By: /s/ ANNIE GLYNN

Name: Annie Glynn

Title: Senior Vice President

BANK ONE, NA (formerly known as THE
FIRST NATIONAL BANK OF CHICAGO)

By: /s/ KAREN PATTERSON

Name: Karen Patterson

Title: Vice President

BANK OF AMERICA NT&SA

By: -----
Name: -----
Title: -----

CREDIT AGRICOLE INDOSUEZ

By: /s/ DOUGLAS A. WHIDDON

Name: Douglas A. Whiddon
Title: VP Senior Relationship Mgr.

By: /s/ PATRICK COCQUEREL

Name: Patrick Cocquerel
Title: First Vice President

CIBC, INC.

By: -----
Name: -----
Title: -----

CREDIT SUISSE FIRST BOSTON

By: /s/ DOUGLAS E. MAHER

Name: Douglas E. Maher
Title: Vice President

By: /s/ JAMES P. MORAN

Name: James P. Moran
Title: Director

THE FUJI BANK, LIMITED

By: /s/ TEIJI TERRAMOTO

Name: Teiji Terramoto
Title: Vice President and Manager

HIBERNIA NATIONAL BANK

By: -----
Name: -----
Title: -----

FIRST UNION NATIONAL BANK

By: -----
Name: -----
Title: -----

KBC BANK, N.A.

By: -----
Name: -----
Title: -----

By: -----
Name: -----
Title: -----

WELLS FARGO BANK (TEXAS), N.A.

By: /s/ RONALD A. MAHLE

Name: Ronald A. Mahle
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Thomas A. Majeski

Name: Thomas A. Majeski
Title: Vice President

PARIBAS

By: /s/ MARIAN LIVINGSTON

Name: Marian Livingston
Title: Vice President

By: /s/ BETSY JOCHER

Name: Betsy Jocher
Title: Vice President

MIESPIERSON CAPITAL CORP.

By: /s/ DARRELL W. HOLLEY

Name: Darrell W. Holley
Title: SVP

EXHIBIT A

Each of the following entities will, effective December 2, 1999, change its name as set forth below:

Current Name -----	New Name -----
Leviathan Gas Pipeline Partners, L.P.	El Paso Energy Partners, L.P.
Leviathan Gas Pipeline Company	El Paso Energy Partners Company
Leviathan Finance Corporation	El Paso Energy Partners Finance Corporation
Leviathan Operating Company, L.L.C.	El Paso Energy Partners Operating Company, L.L.C.
Leviathan Deepwater, L.L.C.	El Paso Energy Partners Deepwater, L.L.C.
Leviathan Oil Transport Systems, L.L.C.	El Paso Energy Partners Oil Transport, L.L.C.

AGREEMENT AND PLAN

OF MERGER

AMONG

EL PASO ENERGY PARTNERS, L.P.,

("BUYER")

GREEN CANYON PIPE LINE COMPANY, L.L.C.,

("ACQUISITION SUB")

EL PASO MERCHANT ENERGY HOLDING COMPANY

("SELLER")

AND

EL PASO INTRASTATE-ALABAMA, INC.

("COMPANY")

MARCH 20, 2000

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ATTACHMENTS

Exhibits:

Exhibit A:	Form of Certificate of Merger
Exhibit B:	Form of Operating Agreement
Exhibit C:	The Property

Schedules:

Schedule 3.1.5:	Operating Leases
Schedule 3.1.6:	Financial Statements
Schedule 3.1.9:	Existing Insurance Policies
Schedule 3.1.12:	Certain Contracts
Schedule 3.1.13:	Tax Returns
Schedule 3.1.13.3:	Waivers of Statute of Limitations
Schedule 3.1.13.4:	Tax Allocation or Sharing Agreements
Schedule 3.1.18:	Permits
Schedule 3.1.19:	Ownership Interests in Customers and Suppliers

MERGER AGREEMENT

This Agreement and Plan of Merger is made and entered into as of March 20, 2000, by and among El Paso Energy Partners, L.P., a Delaware limited partnership, Green Canyon Pipe Line Company, L.L.C., a Delaware limited liability company, El Paso Merchant Energy Holding Company, a Delaware corporation and El Paso Intrastate-Alabama, Inc., an Alabama corporation.

W I T N E S S E T H:

WHEREAS, El Paso Intrastate is a wholly owned indirect subsidiary of El Paso Merchant;

WHEREAS, El Paso Energy Partners desires to acquire El Paso-Intrastate, including its pipelines, related facilities and other assets and businesses;

WHEREAS, the parties hereto desire to structure this transaction as a merger pursuant to which El Paso-Intrastate will merge with and into Green Canyon with Green Canyon continuing as the surviving entity of such merger;

WHEREAS, Green Canyon is a wholly owned subsidiary of El Paso Energy Partners and certain of its affiliates; and

WHEREAS, the parties hereto desire to enter into this agreement to set forth the terms, conditions and procedures of the above-described transactions.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements contained herein and other good and valuable consideration (the receipt and sufficiency of which are hereby confirmed and acknowledged), the parties hereto hereby stipulate and agree as follows:

ARTICLE I.
DEFINITIONS

1.1. Specific Definitions. The following capitalized terms shall have the meanings ascribed to them in this Section 1.1.

"Acquisition Sub" means Green Canyon Pipe Line Company, L.L.C., a Delaware limited liability company, together with its permitted successors and assigns.

"Affiliate" means, with respect to a relevant Person, any Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by or is under common Control with such relevant Person; provided, that for purposes of this Agreement, no Seller Indemnified Person shall be considered an Affiliate of any Buyer Indemnified Person, and vice versa.

"Agreement" means this Merger Agreement (including any schedules, exhibits, supplements and other attachments), as amended, restated, supplemented or otherwise modified from time to time.

"Allocation Schedule" shall have the meaning set forth in Section 5.7.4.

"Applicable Acts" means the Delaware Corporation Act, the Delaware LLC Act, and the Delaware LP Act, as applicable.

"Attributable Debt" in respect of a sale and lease-back transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and lease-back transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction in accordance with GAAP.

"Buyer" means El Paso Energy Partners, L.P., a Delaware limited partnership, together with its permitted successors and assigns.

"Buyer Indemnified Person" means each of (i) El Paso Energy Holding Company, a Delaware corporation, (ii) El Paso Energy Partners Company, a Delaware corporation, (iii) Buyer, (iv) any Person in which Buyer owns (directly or indirectly) an Equity Interest, (v) other than any Seller Indemnified Person, the members, shareholders or other owners of each Person described in (i) through (iv) above, and (vi) the directors, officers, employees, attorneys and agents (in their capacity as such) of each Person described in (i) through (v) above.

"Buyer Parties" means Buyer and each of its Affiliates.

"Capital Lease Obligation" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized on a balance sheet in accordance with GAAP.

"CERCLIS" means the Comprehensive Environmental Response Compensation Liability Information System.

"Certificate of Merger" means a certificate of merger in substantially the same form as "Exhibit A".

"Claim" means any demand, claim, loss, cost (including reasonable attorneys', experts' and consultants' fees), damage, (including consequential, treble and punitive damage), expense, action, suit, investigation, fine, penalty, proceeding, judgment and liability of any nature whatsoever.

"Closing" shall have the meaning set forth in Section 2.2.

"Closing Date" means the date of the Closing.

"Closing Date Balance Sheet" shall have the meaning set forth in Section 2.10.

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

"Company" means El Paso Intrastate-Alabama, Inc., an Alabama corporation, together with its permitted successors and assigns.

"Contract" means any written or oral agreement, including any contract, commitment, lease, note, guarantee, indenture, license, deed of trust, mortgage, loan agreement, order, arbitration award, judgment, decree, understanding or instrument, including all amendments, modifications and supplements.

"Control" (including its derivatives and similar terms) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the relevant Person, whether through the ownership or control of voting interests, by contract or otherwise.

"Delaware Corporation Act" means the Delaware General Corporation Law, as amended.

"Delaware LLC Act" means the Delaware Limited Liability Company Act, as amended.

"Delaware LP Act" means the Delaware Revised Uniform Limited Partnership Act, as amended.

"Effective Time" shall have the meaning set forth in Section 2.4.

"Environmental Claims" means all Claims arising out of or related to (i) any Environmental Law (ii) any Environmental Lien, (iii) any Release, (iv) any Remedial Action or (v) any environmental condition, situation, circumstance, event or incident.

"Environmental Laws" means any and all laws, statutes, ordinances, rules, codes, licenses, permits, approvals, plans with the force of law, authorizations, concessions, franchises, regulations, orders, judicial or arbitral decisions or determinations of any federal, state or local Governmental Authority or court pertaining to the protection of health or the environment (including, without limitation, the Hazardous Material Transportation Act of 1976, as amended, the Clean Air Act, as amended, the Resource Conservation and Recovery Act of 1976, as amended, the Federal Water Pollution Control Act, as amended, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, the Toxic Substance Control Act, as amended, and all applicable judicial, administrative and regulatory decrees).

"Environmental Lien" means a Lien for any (i) Liabilities under any Environmental Law or (ii) damages arising from, or costs incurred in response to, a Release of a Hazardous Material into the Environment.

"Equity Interest" means (a) with respect to a corporation, any and all shares of capital stock of such corporation, (b) with respect to a partnership, limited liability company, trust or similar Person, any and all units, interests or other partnership/limited liability company interests of such Person, and (c) any other direct or indirect equity ownership or participation in a Person.

"Existing Policies" shall have the meaning set forth in Section 3.1.9.

"Financial Statements" shall have the meaning set forth in Section 3.1.6.

"GAAP" means United States generally accepted accounting principals in effect on the date hereof.

"Governmental Authority" means any federal, state, local, foreign or other governmental or administrative authority, court, tribunal, arbitrator, commission, or bureau, including any board, agency, political subdivision or other body thereof.

"Hazardous Material" means any substance (i) the presence of which requires investigation or remediation under any applicable domestic or foreign federal, state or local statute, regulation, ordinance, order, decree, judgment, action, policy or common law; (ii) that is defined as a "special waste", "solid waste", "hazardous waste", "hazardous substance", "pollutant", or "contaminant" or any other regulated substance under any applicable domestic or foreign federal, state or local statute, regulation, ordinance, order, decree or judgment including, without limitation, any Environmental Law; (iii) that is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous and is regulated by an applicable Governmental Authority; (iv) that contains gasoline, diesel fuel or other petroleum hydrocarbons in any unconfined manner; (v) that contains PCBs in excess of authorized levels, asbestos that is friable or can be reasonably expected to become friable or hazardous levels of urea formaldehyde foam insulation; or (vi) any constituent of the aforementioned substances or wastes.

"Hedging Obligations" means with respect to any Person, the net obligations (not the notional amount) of such Person under (i) interest rate and commodity price swap agreements, interest rate and commodity price cap agreements, interest rate and commodity price collar agreements and foreign currency and commodity price exchange agreements, options or futures contracts and hydrocarbon hedging contracts and hydrocarbon forward sales contracts; and (ii) other agreements or arrangements; in each case designed to protect such Person against fluctuations in interest rates, the value of foreign currencies, or the commodities prices.

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

"Indebtedness" means, with respect to any specified Person, any indebtedness of such Person, whether or not contingent, in respect of: (i) borrowed money; (ii) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement

agreements in respect thereof), other than standby letters of credit and performance bonds issued by such Person in the ordinary course of business, to the extent not drawn; (iii) banker's acceptances; (iv) representing Capital Lease Obligations; (v) all Attributable Debt of such Person in respect to any sale and lease-back transactions not involving a Capital Lease Obligation; (vi) the balance deferred and unpaid of the purchase price of any property, except any such balance that constitutes an accrued expense or trade payable incurred in the ordinary course of business; or (vii) representing any Hedging Obligations other than to (in the ordinary course of business and consistent with prior practice) hedge risk exposure in the operations, ownership of assets or the management of Liabilities of such Person; if and to the extent any of the preceding item (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by such Person of any indebtedness of any other Person.

"Laws" means the laws, rules, regulations, decrees and orders of the United States of America and all other governmental bodies having jurisdiction over or affecting the obligations of the Parties created hereby or the other provisions contained in this Agreement, or any part thereof, or any site where any part of the obligations of the Parties created hereby are performed, whether such now exists or hereafter comes into effect.

"Liability" means any liability or obligation, whether known or unknown, asserted or unasserted, absolute or contingent, matured or unmatured, conditional or unconditional, latent or patent, accrued or unaccrued, liquidated or unliquidated, or due or to become due.

"Lien" means mortgages, deeds of trust, liens, pledges, security interests, leases, conditional sale contracts, claims, rights of first refusal, options, charges, easements, rights-of-way, limitations, reservations, restrictions and other encumbrances of any kind.

"Loss" or "Losses" means any actions, claims, settlements, judgments, demands, Liens, losses, damages, fines, Tax, penalties, interest, costs, expenses (including, without limitation, expenses attributable to the defense of any actions or claims), attorneys' fees and Liabilities.

"Material Adverse Effect" means a change or effect in the financial condition of the assets, Liabilities, obligations, operations, business, or prospects of the relevant Person which change or effect, individually or in the aggregate, has or could reasonably be expected to have a materially adverse effect on such condition, assets, Liabilities, obligations, operations or business.

"Merger" shall have the meaning set forth in Section 2.1.

"NPL" means the national priorities list, as defined at 40 C.F.R. section 300.5, as the same may be amended or superseded from time to time.

"Operating Agreement" means an agreement between the Company and El Paso Field Services Company, a Delaware corporation, in the form attached as "Exhibit B".

"Operating Lease" means any lease that would be considered an "operating lease" under GAAP.

"Party" means, individually, Buyer, Acquisition Sub, Seller or the Company, and collectively, the "Parties."

"Permits" means all franchises, licenses, permits, approvals, consents, certificates, and other authorizations and other rights granted by Governmental Authorities and all certificates of convenience or necessity, immunities, privileges, grants, and other rights.

"Person" means any individual or entity, including, without limitation, any corporation, limited liability company, partnership (general or limited), joint venture, association, joint stock company, trust, unincorporated organization or Governmental Authority.

"Proceeding" means any action, suit, claim, investigation, review or other proceeding, at law or in equity, before any Governmental Authority.

"Property" means the assets (including Real Property) owned by the Company, a list of which is attached as "Exhibit C".

"Purchase Price" means \$21,208,284, as adjusted in accordance with Section 2.9.

"Real Property" means the rights of way, easements, and other real property interests leased or owned by the Company, including that listed on Exhibit C.

"Receivables" means all accounts receivable and other receivables of the Company.

"Release" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration of Hazardous Materials into the environment or into or out of any Real Property, including the movement of Hazardous Materials through or in the air, soil, surface water, groundwater, or Real Property.

"Remedial Action" means any action required to (i) clean up, remove, treat or, in any other way, address Hazardous Materials in the indoor or outdoor environment; (ii) prevent the Release or threat of Release or minimize the further Release of Hazardous Materials; (iii) investigate and determine if a remedial response is needed and to design such a response or (iv) perform post-remedial investigation, monitoring, operation and maintenance and care.

"Seller" means El Paso Merchant Energy Holding Company, a Delaware corporation, together with its permitted successors and assigns.

"Seller Indemnified Person" means, other than any Buyer Indemnified Person, each of (i) Seller, (ii) its Affiliates, (iii) the members, shareholders or other owners of Seller and its Affiliates and (iv) the directors, officers, employees, attorneys and agents of each Person described in (i) through (iii) above.

"Seller Parties" means Seller and each of its Affiliates.

"Shares" means all outstanding shares of the common stock, par value \$1.00 per share, of, and any other Equity Interest in, the Company.

"Statement" shall have the meaning set forth in Section 2.10.

"Straddle Period" means any taxable year or period beginning before and ending after the Effective Time.

"Subsidiary" means, as to any relevant Person, any other Person of which more than 50% of the Equity Interests that ordinarily votes for the election of a board of directors or a similar governing body are, at the time as of which such determination is being made, owned directly or indirectly by such relevant Person.

"Surviving Entity" shall have the meaning set forth in Section 2.1.

"Taxes" or "Tax" means any taxes, duties, assessments, fees, levies or similar governmental charges, together with interest, penalties and additions to tax, imposed by any taxing authority, wherever located, including, without limitation, all net income, gross income, gross receipts, net receipts, sales, use, transfer, franchise, privilege, profits, social security, disability, withholding, payroll, unemployment, excise, severance, property, windfall profits, value added, ad valorem, occupation or any other similar governmental charge or imposition.

"Tax Return" means all federal, state, local and foreign tax returns, reports or forms.

"Transaction Agreements" means this Agreement, the Operating Agreement and any other agreements executed in connection herewith or therewith.

"Working Capital" means, with respect to the balance sheet of the Company prepared in accordance with GAAP, current assets minus current liabilities.

"Year 2000 Problems" means the inability of any hardware, software or process to recognize and correctly calculate dates or the failure of computer systems, products or services to perform any of their intended functions in a proper manner in connection with data containing any date.

1.2. General Definitions. Capitalized terms used in this Agreement and not defined in Section 1.1 shall have the meanings ascribed to them elsewhere in this Agreement.

ARTICLE II.
THE MERGER

- 2.1. The Merger. Subject to the terms and conditions of this Agreement, and in accordance with the Applicable Acts, at the Effective Time, the Company will be merged with and into Acquisition Sub (the "Merger"), with Acquisition Sub continuing as the surviving Person of such merger (the "Surviving Entity") and remaining a wholly-owned indirect Subsidiary of Buyer, which Subsidiary shall be owned by Buyer and its Subsidiaries in the same ownership proportions as Acquisition Sub was owned by such Persons immediately prior to the completion of the Merger. At such time, the separate legal existence of the Company shall cease.
- 2.2. The Closing. Subject to the terms and conditions of this Agreement, the consummation of the Merger and the other transactions contemplated by this Agreement as set forth in Section 2.1 (the "Closing") will take place as promptly as practicable (and in any event within three (3) business days) following the satisfaction or waiver of all conditions to closing set forth in Article IV, such Closing to take place at such time and place as is mutually agreed upon by the Parties.
- 2.3. Purchase Price. At the Effective Time, by virtue of the Merger and without any action on the part of any Seller Indemnified Person or any Buyer Indemnified Person:
- 2.3.1. all Shares that are held in the treasury of the Company will be cancelled and no consideration will be delivered in exchange therefor;
- 2.3.2. all of the issued and outstanding Shares will automatically convert into the right to receive from Buyer, in aggregate, an amount of cash equal to the Purchase Price, which will be distributed proportionately among the holders of the Shares; and
- 2.3.3. as a result of the Merger and without any action on the part of the holder of any Shares, all Shares will be canceled and retired and cease to exist, and each holder thereof will thereafter cease to have any rights with respect to such Shares, except the right to receive, without interest, a proportional share of the Purchase Price in accordance with Section 2.3.2.
- 2.4. Filing of Plan of Merger. At the Closing, the Parties shall cause the Merger to be consummated by filing with the Secretary of State of the State of Delaware a duly executed original of the Certificate of Merger, such filing to be made in accordance with the relevant provisions of the Applicable Acts (the time of such filing is referred to herein as the "Effective Time").
- 2.5. Effect of Merger. At the Effective Time, the effect of the Merger shall be as provided under the Applicable Acts. Without limiting the generality of the foregoing, at the Effective Time:

- 2.5.1. all property, rights, privileges, policies and franchises of the Company and Acquisition Sub will vest in the Surviving Entity and all debts, Liabilities and duties of the Company and Acquisition Sub shall become the debts, Liabilities and duties of the Surviving Entity as the surviving entity of the Merger;
 - 2.5.2. the constitutive documents of Acquisition Sub, as in effect immediately prior to the Effective Time, shall constitute the constitutive documents of the Surviving Entity thereafter, unless and until amended in accordance with their terms and as provided by law; and
 - 2.5.3. the directors and officers of Acquisition Sub at the Effective Time shall be the directors and officers of the Surviving Entity, each to hold a directorship or office in accordance with the constitutive documents of the Surviving Entity, until their respective successors are duly elected and qualified.
- 2.6. Tax Treatment. The Parties agree that the Merger shall be treated for income Tax purposes as a taxable purchase of the assets of the Company by Acquisition Sub from the Company under the Code.
- 2.7. The Transactions. Subject to the terms and conditions of this Agreement, at the Closing:
- 2.7.1. Seller shall deliver to Buyer the documents and certificates as provided in Section 4.1.1;
 - 2.7.2. Buyer shall deliver to Seller the documents and certificates as provided in Section 4.2.1;
 - 2.7.3. Buyer shall cause Acquisition Sub to file the Certificate of Merger with the Secretary of State of Delaware;
 - 2.7.4. Buyer shall pay the Purchase Price to Seller in immediately available funds by wire transfer to an account designated by Seller; and
 - 2.7.5. Seller shall (or shall cause its appropriate Affiliate), and Buyer shall (or shall cause its appropriate Affiliate), to execute and deliver the Operating Agreement and each of the other Transaction Agreements.
- 2.8. Conversion. At Buyer's sole option, (i) Buyer may convert Acquisition Sub into a limited partnership prior to the Effective Time and (ii) Buyer may require Seller to convert the Company into a limited partnership or limited liability company (in each such case, with an ownership and Equity Interest structure acceptable to Buyer) immediately prior to the Effective Time. If Buyer exercises such option, the parties hereto shall execute an amendment to this Agreement to so reflect such changes, such amendment to be in such form as the parties determine to be appropriate.
- 2.9. Purchase Price Adjustments. The Purchase Price will be adjusted upward at Closing by:

- 2.9.1. an amount equal to interest (at an annual rate equal to 8.0%) on the unadjusted Purchase Price for the period from January 1, 2000 until the Closing.

For purposes of determining an estimated Purchase Price for the Closing, Sellers shall calculate estimates for all such adjustments and provide such estimates to Buyer periodically prior to the Closing Date.

- 2.10. Post Closing Adjustments. Seller and Buyer shall work together to prepare (as soon as reasonably practicable after the Closing Date) a consolidated balance sheet (the "Closing Date Balance Sheet") of the Company as of the Closing and a statement (the "Statement") reflecting the final calculation of each amount referred to in Sections 2.9.1 and 2.9.2. If the amounts on the Statement are different than the estimated amounts by which the Purchase Price was adjusted on the Closing Date, then, within two business days of the determination of the amounts on the Statement, Seller shall pay to Buyer (or Buyer shall pay to Seller, as appropriate) an amount equal to the difference between the estimated amounts and the amounts on the Statement, together with interest thereon at an annual rate equal to 8% during the period commencing on the Closing Date and continuing through and including the date such difference is paid. The Closing Date Balance Sheet shall be prepared in accordance with GAAP as historically and consistently applied by the Company and furnished to both Seller and Buyer. Buyer may, after Closing, conduct (with Seller having the right to participate) a physical inventory as of the Closing Date of the assets of the Company (or any part thereof) for this purpose. Buyer and Seller shall have access to copies of all work papers and other relevant documents supporting the entries contained in the Closing Date Balance Sheet and the Statement.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES

- 3.1. Representations and Warranties of Seller and the Company. Seller and the Company hereby represent and warrant to Buyer as follows:
- 3.1.1. Organization and Good Standing. Seller and each Seller Party that is, or as of the Closing will be, a party to the Transaction Agreement, is duly formed, validly existing and in good standing under the laws of the state of its formation with all requisite power and authority to carry on the business in which it is engaged.
- 3.1.2. Authority and Authorization. Seller and each Seller Party that is, or as of the Closing will be, a party to the Transaction Agreement, has all requisite power and authority (i) to execute and deliver, or to cause to be executed and delivered, as applicable, each Transaction Agreement to which it is a party, (ii) to consummate the transactions contemplated thereby and (iii) to perform, or cause to be performed as applicable, all the terms and conditions thereof to be performed by such Person. The execution and delivery by any Seller Party of each Transaction Agreement to which it is a party has been duly authorized and approved by all requisite action on the part such Person. Each Transaction Agreement to which a Seller Party is a party as of the date of this Agreement is, and each Transaction

Agreement to which a Seller Party will be a party as of the Closing will be, a valid and binding obligation of such Seller Party, enforceable against such Person in accordance with its terms, subject to bankruptcy, moratorium, insolvency and other Laws generally affecting creditors' rights and general principles of equity (whether applied in a proceeding in a court of law or equity).

- 3.1.3. Capitalization. As of the date of this Agreement, the authorized capital stock of the Company consists solely of 1,000 Shares, of which 1,000 Shares are issued and outstanding, and 0 Shares are held in the Company's treasury. As of the Closing Date, authorized Equity Interests of the Company will be as described in the immediately preceding sentence or as described in Section 2.8. All of the issued and outstanding Equity Interests of the Company have been duly authorized, are validly issued, fully paid, and nonassessable, and are held of record and beneficially by Seller (or, as of the Closing Date, by Seller and its Subsidiaries). There are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other contracts or commitments that could require the Company to issue, sell, or otherwise cause to become outstanding any of its Equity Interests except for the obligations of the Seller set forth in this Agreement. There are no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to the Company. All of the issued and outstanding Equity Interests of the Company are owned beneficially and of record by the Seller (or, as of the Closing Date, by Seller and its Subsidiaries) free and clear of all liens, claims and restrictions of any kind. The Company has no Subsidiaries, controls no affiliates, and owns no Equity Interest, indebtedness or other securities issued by or investments in any Person.
- 3.1.4. No Violation. The execution and delivery by any of the Seller Parties of each Transaction Agreement to which such Person is, or as of the Closing will be, a party does not, and consummation of the transactions contemplated therein will not, violate (i) any of the provisions of the organizational documents of such Person or (ii) to the knowledge of Seller, (x) any order, rule, decree or material agreement pursuant to which such Person, the Company or any of the Company's Properties is bound or (y) any applicable Laws.
- 3.1.5. Title. The Company owns and has good and valid beneficial and record title to the Property. The Property constitutes all of the assets necessary to conduct the business and operations of the Company consistent with past practice. There are no Liens against the Property, other than any Lien(s) that arise in the ordinary course of business and, individually or in the aggregate, do not materially impair the ability of the Company to conduct its operations in accordance with past practices and the Company has not signed a financing statement (or other instrument) or any security agreement with respect to the Property authorizing any secured party thereunder to file any such financing statement (or other instrument) and, to the knowledge of Seller, no such financing statement (or other instrument) or mortgage has been filed. Except as set forth on Schedule 3.1.5, there are no material Operating Leases.

- 3.1.6. Financial Statements. Set forth on Schedule 3.1.6 are the following financial statements (collectively the "Financial Statements"): unaudited consolidated balance sheets and statements of income for the Company as of and for the fiscal years ended December 31, 1998 and December 31, 1999. The Financial Statements have been prepared in all material respects in accordance with GAAP applied on a consistent basis throughout the periods covered thereby, present fairly the financial condition of the Company as of such dates and the results of operations of the Company for such periods, are in all material respects correct and complete, and are consistent with the books and records of the Company.
- 3.1.7. No Material Changes. Except as permitted in Section 5.5, since December 31, 1999, (i) there has not been an event or series of events with respect to the Company the occurrence or non occurrence of which has caused a Material Adverse Effect with respect to the Company, (ii) the Company has not declared, set aside, or paid any dividend or made any distribution with respect to its capital stock (whether in cash or in kind) or redeemed, purchased, or otherwise acquired any of its capital stock, or (iii) engaged in any practice, taken any action, or entered into any transaction (other than the transactions contemplated by this Agreement) outside the ordinary course of business consistent with past practice.
- 3.1.8. Liabilities. The Company has no Liabilities, except for (a) Liabilities quantified on the face of the 1999 Financial Statements (rather than in any notes thereto) and not heretofore paid or discharged, (b) Liabilities which arose before January 1, 2000 which, individually and in the aggregate, are not material and are of a character or in an amount not required by GAAP to be set forth on the face of the 1999 Financial Statements, and (c) Liabilities which have arisen after December 31, 1999 in the ordinary course of business consistent with past practice which, individually or in the aggregate, are permitted by this Agreement, are not material and are of the same or similar character and nature as the Liabilities quantified on the face of the 1999 Financial Statements (rather than in any notes thereto) none of which results from or relates to any breach of contract, breach of warranty, tort, infringement, or breach of any Law or arose out of any action by or proceeding involving any Governmental Authority. The Company has no Indebtedness.
- 3.1.9. Insurance. Set forth on Schedule 3.1.9. is a complete list and brief description of all policies of insurance or administered programs of self-insurance paid for by or for the Company or providing coverage for any of the Company's assets or operations (the "Existing Policies") together with the premiums currently payable thereon, and a description of the nature of coverage. There is no Proceeding arising out of or based upon any disagreement or dispute between the Company, on the one hand, and an insurer under the Existing Policies on the other hand, with respect to such policies or involving or relating to the Properties of the Company. There is no threat by any of the insurers to terminate or materially increase the premiums payable under any of such insurance policies, and each of the Company and the Seller is, and will be as of the Closing, in compliance in all material respects with all conditions contained in the Existing Policies. All

premiums required to be paid for insurance coverage of the Company or its Properties under the Existing Policies have been paid or accrued. The insurance coverage currently available under the Existing Policies will be maintained through the Closing Date. Except for any deductible payments or co-payments set forth in the Existing Policies, copies of which have been provided to Buyer, neither the Company nor the Seller has any liability with respect to any matter designated as subject to insurance under the Existing Policies.

- 3.1.10. Litigation. There are no pending, and (to the knowledge of the Company and the Seller) no threatened, Proceedings which affect the Company or any of its assets (including, without limitation, any Proceedings challenging or pertaining to the Seller's right, title and interest to the Company or any of its Properties) or which could affect the consummation of the transactions contemplated hereby. No Seller Party believes, in good faith, that any circumstances, events or conditions have occurred which reasonably could be expected (based on their knowledge and experience) to form the basis for a Proceeding against any Seller Party which, if adversely determined, reasonably could be expected to have a Material Adverse Effect on the Company.
- 3.1.11. Conformity with Laws. Except to the extent previously disclosed by the Seller or the Company in writing to Buyer, to the knowledge of the Seller, the business and operations of the Company have been conducted in conformity, in all material respects, with all applicable Laws. Without in any way limiting the foregoing representation and warranty, to the knowledge of the Seller, no judgment, order, writ, injunction or decree of any Governmental Authority has been issued or entered against any Seller Party which continues to be in effect with respect to or affecting the business and operations of the Company.
- 3.1.12. Contracts. Schedule 3.1.12 contains a true, correct and complete list (including all amendments and supplements) of each Contract under which the Company has (or could reasonably be expected to have) aggregate obligations of at least \$100,000, categorized as follows:
- 3.1.12.1. Each Contract with any Seller Indemnified Person (including with respect to any employee, officer or director of the Company, including an employment contract or a collective bargaining agreement);
- 3.1.12.2. Each Contract related to borrowing or lending money, extending credit or providing for the mortgaging or pledging of, or otherwise placing a Lien on all of or any portion of the Company's assets (including Contracts of surety, guarantee or indemnification entered into by the Company outside of the ordinary course of business but excluding contracts relating to the performance by the Company of services for the counterparty or counterparties thereto on open account); and

- 3.1.12.3. Each Contract with a take-or-pay, demand charge or firm capacity provision or any other similar provision.

Each Contract to which the Company is party is a valid and binding obligation of the Company and, to the Company's knowledge, is in full force and effect. No Seller Indemnified Person is in default under or breach of, and no event has occurred that with notice or lapse of time or both would constitute a breach by a Seller Indemnified Person or the Company of, or default by a Seller Indemnified Person or the Company under, the terms, conditions or provisions of, any Contract to which the Company is party. To the knowledge of the Seller, no third party to any Contract to which the Company is party is in default under or breach of, and no event has occurred that with notice or lapse of time or both would constitute a breach by such third party of, or default by such third party under, the terms, conditions or provisions of, any such Contract. True, correct and complete copies (including all amendments thereto) of the Contracts to which the Company is party have been made available to Buyer.

3.1.13. Tax Matters.

- 3.1.13.1. Seller has filed (or caused to be filed) all Tax Returns that the Company was required to file, and has paid (or caused to be paid) all Taxes shown thereon as owing.
- 3.1.13.2. Schedule 3.1.13 lists all Tax Returns filed with respect to the Company for taxable periods ended on or after December 31, 1997, indicates those Tax Returns that have been audited with respect to the Property or operations of the Company, and indicates those Tax Returns that currently are the subject of audit with respect to the Property or operations of the Company. Seller has made available to Buyer correct and complete copies of all federal Tax Returns of the Company since December 31, 1997.
- 3.1.13.3. Except as set forth on Schedule 3.1.13.3, neither Seller nor the Company have waived any statute of limitations in respect of Taxes of or relating to the Company or agreed to any extension of time with respect to a Tax assessment or deficiency of or relating to the Company.
- 3.1.13.4. Except as set forth on Schedule 3.1.13.4, neither Seller nor the Company are party to any Tax allocation or sharing agreement.

3.1.14. Environmental Compliance.

- 3.1.14.1. No Seller Indemnified Person (with respect to the Company or any of its Properties) has filed any notice under any applicable Environmental Laws reporting a Release of a Hazardous Material into the environment or reporting a violation of any applicable Environmental Law.

- 3.1.14.2. No Seller Indemnified Person (with respect to the Company or any of its Properties) is subject to or the subject of any order from, agreement with or investigation by a Governmental Authority respecting (a) any Environmental Law; (b) any Remedial Action; or (c) any Environmental Claim.
- 3.1.14.3. To the knowledge of the Seller, no Seller Indemnified Person (with respect the Company or any of its Properties) has received any notice concerning (a) a potential or actual Environmental Claim by any Person as a result of the Release or threatened Release of any Hazardous Material into the environment; (b) investigation by any Governmental Authority evaluating whether any Remedial Action is needed to respond to the Release or threatened Release of any Hazardous Material into the environment; (c) any condition that might reasonably result in a violation of any Environmental Laws; or (d) commencement or threat of any Proceeding alleging a violation of any Environmental Laws.
- 3.1.14.4. To the knowledge of the Seller, there have been no Releases of any Hazardous Material into the environment and no fact or condition exists or has occurred that would be likely to form the basis of any Environmental Claim against the Company or any of its Properties or against any Person whose liability for any Environmental Claim has been assumed by or imposed upon the Company or any of its Properties either contractually or by operation of law.
- 3.1.14.5. To the knowledge of the Seller, no Environmental Lien is attached to the Company or any of its Properties.
- 3.1.14.6. To the knowledge of the Seller, no friable asbestos is located on any Real Property or used in connection with the operation and maintenance of any Properties of the Company.
- 3.1.14.7. To the knowledge of the Seller, no transformer, capacitor, ballast or other equipment that contains dielectric fluid containing PCBs at levels in excess of 50 parts per million or insulating material containing urea formaldehyde is located on any Real Property or has been used in connection with the operation and maintenance of any Properties of the Company.
- 3.1.14.8. To the knowledge of the Seller, no Seller Indemnified Person (with respect to the Company or any of its Properties) has sent or directly arranged for the transport of any waste to any NPL site or a proposed NPL site or to a CERCLIS site.
- 3.1.14.9. The Company is in compliance in all material respects with all Environmental Laws.

- 3.1.14.10. To the knowledge of the Seller, no Remedial Action is required in connection with any Properties of the Company.
- 3.1.14.11. There are no environmental reports, audits, investigations or assessments of any Seller Indemnified Person with respect to any real or personal property or operations which are now or have previously been owned, leased, operated or managed, in whole or in part, by the Company that currently have a Material Adverse Effect on the Company.
- 3.1.15. Adequacy of Property; Condition of Assets. The Company owns or leases, all of the assets and properties currently in use or necessary for the use and operation of its business and operations in the manner in which such business and operations are currently being conducted. The tangible assets owned by the Company are in good repair and condition (normal wear and tear excepted). There are no material repairs scheduled to be made to the tangible assets owned by the Company other than those repairs to be made in the ordinary course of business.
- 3.1.16. Year 2000 Compliant. The Company has implemented a plan for addressing the Year 2000 Problems. Except as would not have individually or in the aggregate, a Material Adverse Effect, none of the assets of the Company failed to perform because of, or due in any way to, Year 2000 Problems.
- 3.1.17. Receivables. All of the Receivables represent bona fide transactions and arose in the ordinary course of the Company's business.
- 3.1.18. Licenses and Permits. The Company holds all Permits required to be obtained for its business and operations. Schedule 3.1.18 sets forth a true, complete and accurate list of all such Permits or applications for such Permits. All such Permits are valid and, to the knowledge of each Seller Party, in full force and effect, the relevant Seller Indemnified Person is in compliance in all material respects with the respective requirements thereof, and no proceeding is pending or, to the knowledge of any Seller Party, threatened to revoke or amend any of them.
- 3.1.19. Relationships with Customers and Suppliers. No current customer or supplier of the Company has threatened to terminate its business relationship with the Company for any reason. Except as set forth on Schedule 3.1.19, no Seller Indemnified Person has any direct or indirect ownership interest in, or is an Affiliate of: (i) any customer, supplier or competitor, (ii) any person from whom or to whom any Seller Indemnified Person leases any property or (iii) any Person that is a party to any Contract.
- 3.1.20. Labor; Employees. To the Seller's knowledge, no executive, key employee, or group of employees has any plans to terminate employment with the Company prior to the Closing. The Company is not a party to or bound by any collective bargaining Contract, nor has it experienced any strikes, grievances, claims of unfair labor practices, or other collective bargaining disputes. The Company has not committed any unfair labor practice. Seller has no knowledge of any

organizational effort currently being made or threatened by or on behalf of any labor union with respect to the Company's employees.

- 3.1.21. ERISA. There are no employee benefit plans or arrangements of any type (including plans described in Section 3(3) of ERISA), under which the Company has or in the future could have directly, or indirectly through a commonly controlled entity (within the meaning of Sections 414(b), (c), (m) and (o) of the Internal Revenue Code of 1986, as amended), any Liability with respect to the Company's current or former employees.
- 3.1.22. Accuracy of Information Furnished. No representation, statement, or information (other than financial projections) contained in this Agreement (including the Schedules) or any Contract or document executed in connection herewith or delivered pursuant hereto or thereto or made or furnished to Buyer or its representatives by any Seller Indemnified Person, to the knowledge of any Seller Party, contains or will contain any untrue statement of fact when taken as a whole in light of the circumstances under which it was made, and all financial projections contained in any such document have been prepared in good faith based upon assumptions believed by Seller to be reasonable.
- 3.1.23. Company Action. The Board of Directors of the Company has by the requisite vote or consent (a) determined that the Merger is advisable and fair to and in the best interests of the Company and its stockholders and (b) approved the Merger and the transactions contemplated by this Agreement. The sole shareholder of the Company has approved the Merger and the transactions contemplated by this Agreement.

With respect to the representations and warranties contained in this Section 3.1, and with respect to the provisions of Section 6.3, the terms "aware," "believe," "knowledge" and "experience" refer to that of those persons who currently hold the office of the Chief Executive Officer, Chief Operating Officer, President, Chief Financial Officer, Secretary, General Counsel, Associate General Counsel or any Vice President or equivalent position of the relevant Seller Party and such terms mean the actual conscious awareness of any such person after conducting a reasonable internal investigation of the type described in the immediately succeeding sentence. The investigation contemplated by the immediately preceding sentence would involve making reasonable inquiries of personnel employed by, and limited reviews of books and records owned by and in the possession of, the Seller Party (including its Affiliates) to which the relevant term relates, but would not involve an unreasonable burden, an audit, any inquiry of any non-Affiliated Person, or a review of any Laws.

- 3.2. Representations and Warranties of Buyer and Acquisition Sub. Buyer and Acquisition Sub hereby represent and warrant to Seller as follows:
- 3.2.1. Organization and Good Standing. Each of Buyer and Acquisition Sub is duly formed, validly existing and in good standing under the laws of its state or

jurisdiction of formation, with all requisite power and authority to carry on the business in which it is engaged.

- 3.2.2. Authority and Authorization. Each of Buyer and Acquisition Sub has all requisite power and authority (i) to execute and deliver, or to cause to be executed and delivered, as applicable, each applicable Transaction Agreement, (ii) to consummate the transactions contemplated thereby and (iii) to perform or cause to be performed, as applicable, all the terms and conditions thereof to be performed by such Person. The execution and delivery of each Transaction Agreement by the relevant Buyer and Acquisition Sub has been duly authorized and approved by all requisite action on the part of such Person. Each Transaction Agreement is, and will be, a valid and binding obligation of the applicable Buyer and Acquisition Sub, enforceable against such Person in accordance with its terms, subject to bankruptcy, moratorium, insolvency and other Laws generally affecting creditors' rights and general principles of equity (whether applied in a proceeding in a court of law or equity).
- 3.2.3. No Violation. The execution and delivery of each Transaction Agreement by the relevant Buyer and Acquisition Sub does not, and consummation of the transactions contemplated therein will not, violate (i) any of the provisions of the organizational documents of such Person or (ii) to the knowledge of each Buyer Party, (x) any order, rule, decree or material agreement pursuant to which such Person is bound or (y) any applicable Laws.

With respect to the representations and warranties contained in this Section 3.2, and with respect to the provisions of Section 6.3, the terms "believe," "knowledge" and "experience" refer to that of those persons who currently hold the office of Chief Executive Officer, Chief Operating Officer, President, Chief Financial Officer, Secretary, General Counsel, Associate General Counsel, or any Vice President or Manager or equivalent position of the relevant Buyer Party, and such terms mean the actual conscious awareness of any such person after conducting a reasonable internal investigation of the type described in the immediately succeeding sentence. The investigation contemplated by the immediately preceding sentence would involve making reasonable inquiries of personnel employed by, and limited reviews of books and records owned by and in the possession of, the Buyer Party (including its Affiliates) to which the relevant term relates, but would not involve an unreasonable burden, an audit, any inquiry of any non-Affiliated Person, or a review of any Laws.

ARTICLE IV.
CONDITIONS TO CLOSING

- 4.1. Conditions to Buyer's Obligations. Buyer's obligation to effect the transactions contemplated by this Agreement is subject to the following conditions:
- 4.1.1. Accuracy of Representations and Warranties. The representations and warranties of Seller contained in this Agreement must be true and correct in all material

respects (except those which are qualified by materiality, which must be true and correct in all respects, and without giving effect to any qualifications as to knowledge (or similar concepts)) at and as of the Closing Date with the same force and effect as though made at and as of that time (except those representations and warranties that refer to a specific time, which must be true at and as of that specific time). Seller must have performed and complied with in all material respects (except those which are qualified by materiality, which must be performed and complied with in all respects) all of its obligations required by this Agreement to be performed or complied with at or prior to the Closing Date. Seller must have delivered to Buyer a certificate, dated as of the Closing Date and signed by an authorized officer, certifying that such representations and warranties are true and correct and that all such obligations have been performed and complied with.

- 4.1.2. Consents. All material consents, waivers, approvals, authorizations or orders required to be obtained from third parties, Governmental Authorities or otherwise, and all filings required to be made, by the Parties for the consummation of the transactions contemplated by the Transaction Agreements, must have been made and obtained by the Parties.
- 4.1.3. HSR. The applicable waiting period under the HSR Act and any extension thereof shall have expired or terminated.
- 4.1.4. No Material Adverse Change or Destruction of Property. Since the date of this Agreement, there must have been no event, series of events or the lack of occurrence thereof which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect on the Company.
- 4.1.5. No Adverse Litigation. There must not be pending or threatened (to the knowledge of any Seller Party) any Proceeding by or before any Governmental Authority, arbitrator or mediator which seeks or would seek to restrain, prohibit, invalidate, or collect damages arising out of the transactions contemplated herein, or which, in the reasonable judgment of Buyer, makes it inadvisable to proceed with the transactions contemplated herein.
- 4.1.6. Conversion. If Buyer so requires, Seller must have caused the conversion of the Company in accordance with Section 2.8.
- 4.1.7. Closing Deliveries. Seller must have delivered all documents and certificates contemplated by Section 2.7.
- 4.1.8. Intentionally omitted.
- 4.1.9. Special Approval. The execution and delivery of this Agreement and the consummation of the Merger have been approved by at least a majority of the disinterested directors, the members of Conflicts and Audit Committee and the members of the full board of directors of the general partner of Buyer and the managing member of Acquisition Sub. The Conflicts and Audit Committee of El

Paso Energy Partners has received an opinion from Dain Rauscher Wessels that this Agreement and the Merger are fair to El Paso Energy Partners, from a financial point of view.

- 4.2. Conditions to Seller's Obligations. Seller's obligation to effect the transactions contemplated by this Agreement is subject to the following conditions:
- 4.2.1. Accuracy of Representations and Warranties. The representations and warranties of Buyer contained in this Agreement must be true and correct in all material respects (except those which are qualified by materiality, which must be true and correct in all respects, and without giving effect to any qualifications as to knowledge (or similar concepts)) at and as of the Closing Date with the same force and effect as though made at and as of that time (except those representations and warranties that refer to a specific time, which must be true at and as of that specific time). Buyer must have performed and complied with all of its obligations required by this Agreement to be performed or complied with in all material respects (except those which are qualified by materiality, which must be performed or complied with in all respects) at or prior to the Closing Date. Buyer must have delivered to Seller a certificate, dated as of the Closing Date and signed by an authorized officer, certifying that such representations and warranties are true and correct and that all such obligations have been performed and complied with.
 - 4.2.2. Consents. All material consents, waivers, approvals, authorizations or orders required to be obtained from third parties, governmental authorities or otherwise, and all filings required to be made, by the Parties for the consummation of the transactions contemplated by the Transaction Agreements, must have been made and obtained by the Parties.
 - 4.2.3. HSR. The applicable waiting period under the HSR Act and any extension thereof shall have expired or terminated.
 - 4.2.4. No Order or Injunction. There must not be issued or in effect any order, ruling, decision, verdict, decree, directive, judgment, injunction, or other similar determination or funding by, before, or under the supervision of any Governmental Authority, arbitrator, or mediator restraining or prohibiting any or all of the transactions contemplated herein.
 - 4.2.5. Closing Deliveries. Buyer must have delivered all documents and certificates contemplated by Section 2.7.
 - 4.2.6. Payment of Intercompany Indebtedness. The Company must have repaid the net intercompany indebtedness owed by the Company to Seller as of December 31, 1999 in the amount of \$4,028,010.

ARTICLE V.
COVENANTS

- 5.1. Conduct of Business Pending the Closing. Seller and the Company covenant and agree that, except as otherwise specifically required by the terms of this Agreement, between the date of this Agreement and the Closing Date, the business of the Company will be conducted only in, and no Seller Indemnified Person will take any action with respect to the Company and its business and assets except in, the ordinary course of business consistent with past practice. Seller will cause the Company (and each other relevant Seller Indemnified Person) to use its reasonable commercial efforts to (i) preserve intact its business and (ii) preserve its present relationships with customers, suppliers and other Persons with which it has significant business relationships.
- 5.2. Access. Seller shall cause each Seller Indemnified Person to afford to Buyer and its authorized representatives reasonable access from the Effective Time until the Closing Date, during normal business hours, to its personnel, properties, books and records relating to the Company and the Company's business and operations, and will furnish to Buyer such additional financial and operating data and other information with respect to the Company as Buyer may reasonably request and as is available to the Seller or such Seller Indemnified Person without undue expense or effort.
- 5.3. Satisfaction of Conditions to Closing. Each Party will use its reasonable commercial efforts to satisfy the conditions to closing set forth in Article IV.
- 5.4. Notice of Developments. Seller will give prompt written notice to Buyer, and Buyer will give prompt written notice to Seller, of any fact, circumstance, or development which causes a breach or violation of any representation, warranty or covenant contained in this Agreement, or reasonably could be expected to cause a breach or violation of any representation warranty or covenant contained herein to exist at Closing.
- 5.5. Negative Covenants. Except as otherwise expressly permitted in the immediately succeeding sentence, for the period up to and including Closing, Seller will cause the Company not to: (i) convey, sell, lease, assign, transfer or otherwise dispose of any of its property, business or assets (including, without limitation, Receivables and leasehold interests) except in the ordinary course of business consistent with past practice; (ii) declare or pay any dividend or distribution on, or make any payment on account of the purchase, redemption, defeasance, retirement or other acquisition of, any shares of the Company's capital stock, or make any other distribution in respect of any of the Company's Equity Interests, whether directly or indirectly; or (iii) enter into, amend, terminate, or waive any provision of any agreement or arrangement (including, without limitation, any advance, loan, borrowing or purchase) with any Affiliate of Seller except in the ordinary course of business consistent with past practice.

- 5.6. Transfer Taxes. Seller and Buyer will cooperate in the preparation, execution, and filing of all returns, applicants or other documents regarding any real property transfer, stamp, recording, documentary, or other taxes and any other fees and similar taxes which become payable in connection with the Merger. From and after the Effective Time, Buyer will pay, or cause to be paid, all such fees and taxes.
- 5.7. Tax Filings.
- 5.7.1. Seller shall file or cause to be filed all Tax Returns for all taxable periods that end on or before the Effective Time, but in each case only after Buyer has reviewed such filings and consented thereto, which consent shall be timely given and not unreasonably withheld.
- 5.7.2. Buyer shall file or cause to be filed all Tax Returns for all taxable periods ending after the Effective Time, including returns for Straddle Periods.
- 5.7.3. Seller shall be liable for and pay, and shall, in accordance with the indemnification procedures set forth in Article VI, indemnify and hold harmless Buyer and Acquisition Sub against all Taxes (whether assessed or unassessed) imposed upon the Company or its assets, operations or activities, in each case attributable to taxable years or periods ending on or prior to the Effective Time (including any income Tax liability arising under or resulting from the transfer of the Company's assets to Acquisition Sub pursuant to this Agreement) and, with respect to any Straddle Period, the portion of such Straddle Period ending on and including the Effective Time. For purposes of this Section 5.7.3, any Straddle Period shall be treated on a "closing of the books" basis as two partial periods, one ending at the close of the Effective Time and the other beginning on the day after the Effective Time, except that Taxes (such as property Taxes) imposed on a periodic basis shall be allocated on a daily basis. Seller shall provide reimbursement for any Tax paid by Acquisition Sub or Buyer, all or a portion of which is Seller's responsibility under this Section 5.7.3. Within a reasonable time prior to the payment of any such Tax, the Party paying such Tax shall give notice to Seller of the Tax payable and the portion thereof which is Seller's liability, although the failure to do so will not relieve Seller from its liability therefor.
- 5.7.4. Prior to, or as soon as is reasonably practical after the Closing Date, Buyer and Seller shall negotiate and draft a schedule (the "Allocation Schedule"), allocating the Purchase Price (including for this purpose assumed obligations, if any) among the Property. The Allocation Schedule shall be reasonable and shall be prepared in accordance with Section 1060 of the Code. Buyer and Seller each will, promptly upon receiving the Allocation Schedule, return an executed copy thereof to the other. Buyer and Seller will each file timely Internal Revenue Service Form 8594 and all Tax Returns in accordance with the Allocation Schedule (after taking into account any adjustments that may be necessary as a result of information which is first available after the Effective Time). Buyer and Seller will each provide the other promptly with any other information required to complete Form 8594. Buyer and Seller will each furnish to the other a copy of

Form 8594 as filed with the Internal Revenue Service within ten (10) days of the filing of such form.

- 5.7.5. Each Party shall, and shall cause its Subsidiaries and Affiliates to, provide to each of the other Parties such cooperation and information as any of them reasonably may request in filing any Tax Returns, amended Tax Returns or claim for refund, determining a liability for Taxes or a right to refund of Taxes or in conducting any audit or other proceeding in respect of Taxes. Such cooperation and information shall include providing copies of all relevant portions of relevant Tax Returns, together with relevant accompanying schedules and relevant work papers, relevant documents relating to rulings or other determinations by taxing authorities and relevant records concerning the ownership and Tax basis of property, which such party may possess. Each Party shall make its employees reasonably available on a mutually convenient basis at its cost to provide explanation of any documents or information so provided. Subject to the preceding sentence, each Party required to file Tax Returns pursuant to this Agreement shall bear all costs of filing such Tax Returns.

ARTICLE VI.
INDEMNIFICATION

- 6.1. Indemnification of Buyer. Subject to the limitations set forth in this Article VI and Sections 7.11 and 7.14, Seller hereby agrees to RELEASE, INDEMNIFY, PROTECT, DEFEND AND HOLD HARMLESS each Buyer Indemnified Person (including the Company after the Closing) from and against any and all (a) Losses of any kind or character, to the extent the same arise out of any inaccuracy, violation or breach by Seller of any representation, warranty, condition or covenant set forth in this Agreement and (b) Tax liabilities with respect to the conduct of the business of the Company prior to and up to the Effective Time (including, without limitation, any income Tax liability arising or resulting from the transfer of the Company assets to Acquisition Sub pursuant to this Agreement); provided, that, for purposes of indemnification hereunder, any representation, warranty, condition or covenant qualified by "materiality," "knowledge" or a Material Adverse Affect or terms of similar import will be treated as though not so qualified.
- 6.2. Indemnification of Seller. Subject to the limitations set forth in this Article VI and Sections 7.11 and 7.14, Buyer hereby agrees to RELEASE, INDEMNIFY, PROTECT, DEFEND AND HOLD HARMLESS each Seller Indemnified Person from and against any and all (a) Losses of any kind or character, to the extent the same arise out of any inaccuracy, violation or breach by Buyer of any representation, warranty, condition or covenant set forth in this Agreement; provided, that, for purposes of indemnification hereunder, any representation, warranty, condition or covenant qualified by "materiality" or terms of similar import will be treated as though not so qualified.

6.3. Limitation on Indemnities.

- 6.3.1. Notwithstanding anything to the contrary in this Agreement, the indemnities for any inaccuracy in, violation of or breach of any representation, warranty or covenant in this Agreement (as limited in this Section 6.3 and by Sections 7.11 and 7.14) are each Party's sole and exclusive remedy for all inaccuracies in, violations of or breaches of such representation, warranty and covenant, and for any independent common-law or statutory rights or remedies that such Party may have at any time now and in the future with respect to any and all such inaccuracies, violations or breaches by the other Party with respect to any such representation or warranty.
- 6.3.2. Except to the extent relating to (i) a requirement to obtain third party consent to an assignment of any of the Property or (ii) the representations and warranties set forth in Sections 3.1.1-3.1.4, Section 3.1.11 and Section 3.1.14, the indemnities with respect to an inaccuracy in, violation of or breach of a representation or warranty set forth in Sections 3.1.5-3.1.10, Sections 3.1.12-3.1.13 and Sections 3.1.15-3.1.23 shall not cover any claim for which the underlying facts, circumstances, or conditions were disclosed by any Seller Indemnified Person in writing to or otherwise known (as defined in Section 3.2) by Buyer on or before the date of this Agreement.
- 6.3.3. The indemnifying Party shall have the burden of proving a claim that any indemnified Person had knowledge under this Section 6.3.
- 6.3.4. Seller's aggregate Liability for money damages under this Article VI related to breaches or violations of the representations or warranties contained in this Agreement will not exceed 100% of the Purchase Price.
- 6.3.5. If the Closing occurs, Seller will have no Liability for money damages under this Article VI related to breaches or violations of the representations or warranties contained in this Agreement unless and until the aggregate damages claimed under this Article VI exceeds 2% of the Purchase Price.

- 6.4. Indemnification Claim Procedures. If any Proceeding is commenced in which any Party entitled to indemnification hereunder is a party which may give rise to a claim for indemnification against the other Party, or if any Party entitled to payment hereunder from the other Party for any Losses incurred by such Party, then the Party to be indemnified shall give notice thereof to the indemnifying Party. Failure to notify the indemnifying Party will not relieve the indemnifying Party of any liability that it may have to the indemnified Party except to the extent the defense of such Proceeding is materially and irrevocably prejudiced by the indemnified Party's failure to give such notice. Any such notice is valid and entitles the Party to be indemnified to indemnification if it is delivered no later than sixty (60) days after this Agreement is terminated.

- 6.5. Termination of Agreement. The Parties may terminate this Agreement as provided below:
- 6.5.1. Buyer and Seller may terminate this Agreement by mutual written consent at any time prior to the Closing;
 - 6.5.2. Buyer or Seller may terminate this Agreement after April 30, 2000 upon delivery of notice if the Closing has not occurred; provided that the Party delivering such notice shall not have caused such failure to close;
 - 6.5.3. Buyer may terminate this Agreement by giving not less than 30 days prior written notice at any time prior to the Closing (unless Seller remedies such breach or violation or the effects thereof prior to the end of such 30-day period) if any representation, warranty, or covenant of Seller herein has been breached or violated in any material respect (except with respect to materiality for any provisions including the word "material" or words of similar import, in which case such termination rights will arise upon any breach or violation);
 - 6.5.4. Seller may terminate this Agreement by giving not less than 30 days prior written notice to Buyer at any time prior to the Closing (unless Buyer remedies such breach or violation or the effects thereof prior to the end of such 30-day period) if any representation, warranty, or covenant of Buyer herein has been breached or violated in any material respect (except with respect to materiality for any provisions including the word "material" or words of similar import, in which case such termination rights will arise upon any breach or violation).
- 6.6. Effect of Termination. Any Party's termination right under this Agreement is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a termination right will not be an election of remedies. If this Agreement is terminated under Section 6.5, then, except as provided in this Section 6.6, all further obligations of the Parties under this Agreement will terminate. If Buyer or Seller terminates this Agreement pursuant to Section 6.5.3 or 6.5.4, as the case may be, then the rights of the non-breaching Party to pursue all legal remedies for Losses such Party suffers will survive such termination unimpaired.

ARTICLE VII.
MISCELLANEOUS

- 7.1. Entire Agreement. This Agreement and the other Transaction Agreements constitute the entire agreement and supersede all prior (oral or written) or oral contemporaneous proposals or agreements, all previous negotiations and all other communications or understandings between the Parties with respect to the subject matter hereof, including, without limitation, the proposal letter and term sheet dated December 21, 1999 from Seller to Buyer and the supplemental letter dated December 21, 1999 from Buyer to Seller.
- 7.2. Amendment and Modification. This Agreement may be amended by the Parties, by or pursuant to action taken by their respective Boards of Directors (or similar

governing body), at any time before or after approval of the matters presented in connection with the transactions contemplated by this Agreement by the stockholders of Seller or the limited partners of Buyer, but, after any such approval, no amendment shall be made which by law requires further approval by such stockholders without such further approval. This Agreement may not be amended except by an instrument in writing duly executed by each of the Parties.

- 7.3. Counterparts. This Agreement may be executed in multiple counterparts, each of which, when executed, shall be deemed an original, and all of which shall constitute but one and the same instrument.
- 7.4. Parties Bound by Agreement. This Agreement shall be binding upon and shall inure to the benefit of the Parties and, subject to Section 7.17, their respective successors and assigns.
- 7.5. Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and vice versa. Articles and other titles or headings are for convenience only, and neither limit nor amplify the provisions of the Agreement itself, and all references herein to articles, sections or subdivisions thereof shall refer to the corresponding article, section or subdivision thereof of this Agreement unless specific reference is made to such articles, sections or subdivisions of another document or instrument.
- 7.6. Laws. This Agreement and all of the terms and conditions contained herein, and the respective obligations of the Parties, are subject to all valid and applicable Laws.
- 7.7. Governing Law. EXCEPT TO THE EXTENT THIS AGREEMENT PERTAINS TO THE INTERNAL AFFAIRS OF A DELAWARE CORPORATION, LIMITED LIABILITY COMPANY OR LIMITED PARTNERSHIP (IN WHICH CASE, AND ONLY WITH RESPECT TO SUCH CASE, DELAWARE LAW SHALL APPLY), THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND SHALL BE CONSTRUED, INTERPRETED AND GOVERNED BY AND ACCORDING TO, THE LAWS OF THE STATE OF TEXAS, EXCLUDING ANY CONFLICT OF LAWS PRINCIPLES WHICH, IF APPLIED, MIGHT PERMIT OR REQUIRE THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.
- 7.8. Exhibits and Schedules. All exhibits, schedules and the like contained herein or attached hereto are integrally related to this Agreement, and are hereby made a part of this Agreement for all purposes.
- 7.9. Notices. Any notice required or permitted to be given under this Agreement shall be in writing (including telex, facsimile, telecopier or similar writing) and sent to the address of the Party set forth below, or to such other more recent address of which the sending Party actually has received written notice:

(a) if to Buyer, to:

El Paso Energy Partners, L.P.
 Attn: Chief Financial Officer
 1001 Louisiana
 Houston, Texas 77002
 Telephone: (713) 420-2131
 Telecopy: (713) 420-5477

(b) if to Seller:

El Paso Merchant Energy Holding Company
 Attn: Vice President and Managing Director
 1001 Louisiana
 Houston, Texas 77002
 Telephone: (713) 420-4282
 Telecopy: (713) 420-2087

with a copy to:

El Paso Intrastate - Alabama, Inc.
 1001 Louisiana
 Houston, Texas 77002
 Telephone: (713) 420-4282
 Telecopy: (713) 420-2087

Each such notice, demand or other communication shall be effective, if given by registered or certified mail, return receipt requested, as of the third day after the date indicated on the mailing certificate, or if given by any other means, when delivered at the address specified in this Section 7.9.

7.10. Further Assurances. Subject to the terms and conditions set forth in this Agreement, each of the Parties agrees to use all reasonable commercial efforts to take, or to cause to be taken, all actions, and to do, or to cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement. In case, at any time after the execution of this Agreement, any further action is necessary or desirable to carry out its purposes, the proper officers or directors of the Parties shall take or cause to be taken all such necessary action.

7.11. Survival of Representations, Warranties, Covenants and Agreements. Except as set forth below, the representations, warranties, conditions, covenants and agreements given by the Parties shall survive without regard to any action taken pursuant to this Agreement, including, without limitation, the execution of any documents affecting an interest in real property or any investigation made by the Party asserting the breach thereof. Each representation and warranty of Seller contained in Section 3.1 and any certificate related to such representations and warranties will survive the Closing and

continue in full force and effect for two (2) years thereafter, except for the representations and warranties contained in Section 3.1.14 and any certificate related to such representations and warranties, which shall survive the Closing and continue in full force and effect for five (5) years thereafter.

- 7.11.1. Each representation and warranty of Buyer contained in Section 3.2 and any certificate directly related to such representations and warranties will survive the Closing and continue in full force and effect for two (2) years thereafter.
- 7.11.2. Each other provision (including any representation, warranty, condition, covenant, right, or obligation) in this Agreement or any certificate or document delivered pursuant thereto will survive for the lesser of (i) the relevant statute of limitations period and (ii) five (5) years after Closing, and thereafter this Agreement shall terminate and the Parties shall have no rights or obligations under this Agreement (except with respect to indemnification obligations for which notice has been delivered under Section 6.4 prior to such termination) or within the applicable time period specified in Section 7.11, as the case may be.
- 7.12. Severability. Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction shall be ineffective as to such jurisdiction, to the extent of such invalidity or unenforceability, without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any terms and provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable. A bankruptcy or similar trustee must accept or, to the extent permitted by law, reject this Agreement in its entirety.
- 7.13. Waivers. Neither action taken (including, without limitation, any investigation by or on behalf of either Party) nor inaction pursuant to this Agreement, shall be deemed to constitute a waiver of compliance with any representation, warranty, covenant or agreement contained herein by the Party not committing such action or inaction. A waiver by either Party of a particular right, including, without limitation, breach of any provision of this Agreement, shall not operate or be construed as a subsequent waiver of that same right or a waiver of any other right.
- 7.14. Remedies. Except as expressly provided herein, the rights, obligations and remedies created by this Agreement are cumulative and in addition to any other rights, obligations or remedies otherwise available at law or in equity. Nothing herein shall be considered an election of remedies. Without being subject to the limitations required by common law, either Party may enforce this Agreement by an injunction or specific performance. In addition, any successful Party is entitled to costs related to enforcing this Agreement, including, without limitation, reasonable attorneys' fees, court costs and settlement and arbitration expenses. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE PARTIES WAIVE ANY AND ALL RIGHTS, CLAIMS OR CAUSES OF ACTION ARISING UNDER THIS AGREEMENT AGAINST THE OTHER PARTY OR ITS AFFILIATES

FOR INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES (OTHER THAN INDEMNIFICATION OBLIGATIONS WITH RESPECT TO THIRD PARTY CLAIMS FOR SUCH DAMAGES).

- 7.15. No Third Party Beneficiaries. Except to the extent a third party is expressly given rights pursuant to Article VI, any agreement herein contained, expressed or implied, shall be only for the benefit of the Parties and their respective legal representatives, successors, and assigns, and such agreements shall not inure to the benefit of any other Person whomsoever, it being the intention of the Parties that no Person shall be deemed a third party beneficiary of this Agreement except to the extent a third party is expressly given rights herein.
- 7.16. No Merger. The rights and obligations created by this Agreement are separate and independent from any rights and obligations created by any other agreements between the Parties. Accordingly, none of the representations, warranties, covenants or indemnities included in any other agreements between the Parties shall be merged into this Agreement or otherwise restrict or limit the affect of this Agreement, but each shall survive as provided in each such agreement.
- 7.17. Assignment. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party; provided, however, that Buyer may (a) assign any or all of its rights and interests hereunder to one or more of its Affiliates and (b) designate one or more of its Affiliates to perform its obligations hereunder (in any or all of which cases Buyer nonetheless shall remain responsible for the performance of all of its obligations hereunder). Notwithstanding the previous sentence, each Party may mortgage, pledge, and hypothecate this Agreement to any financial institution or lender as security for bonds, mortgages or indentures of such Party or such Party's Affiliates, or other obligations or securities of such Party or such Party's Affiliates; provided, that no such mortgage, pledge, or hypothecation will relieve such Party of its obligations under this Agreement.

[Remainder of this Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first set forth in the preamble of this Agreement.

EL PASO ENERGY PARTNERS, L.P.

By: _____
Name: _____
Title: _____

EL PASO MERCHANT ENERGY HOLDING COMPANY

By: _____
Name: _____
Title: _____

Exhibits:

- Exhibit A: Form of Certificate of Merger
- Exhibit B: Form of Operating Agreement
- Exhibit C: The Property

Schedules:

- Schedule 3.1.5: Operating Leases
- Schedule 3.1.6: Financial Statements
- Schedule 3.1.9: Existing Insurance Policies
- Schedule 3.1.12: Certain Contracts
- Schedule 3.1.13: Tax Returns
- Schedule 3.1.13.3: Waivers of Statute of Limitations
- Schedule 3.1.13.4: Tax Allocation or Sharing Agreements
- Schedule 3.1.18: Permits
- Schedule 3.1.19: Ownership Interests in Customers and Suppliers

SCHEDULE 3.1.5

OPERATING LEASES

[See Attached]

SCHEDULE 3.1.6

FINANCIAL STATEMENTS

SCHEDULE 3.1.9

EXISTING INSURANCE POLICIES

(1) All-Risk Property/Boiler & Machinery/Business Interruption 2/

Carrier: Underwriters at Lloyds, et al.
 Onshore Limit: \$300,000,000 each and every occurrence
 Offshore Limit: Scheduled Value
 Basis: Replacement Cost
 Project Deductibles: \$1,000,000 Property Damage
 \$1,000,000 Boiler & Machinery Breakdown
 15 Days Business Interruption - Onshore
 30 Days Business Interruption - Offshore

ARTICLE VIII. WORKERS' COMPENSATION

Carrier: Travelers
 Limit: Statutory

8.1.1. Employers Liability

Carrier: Travelers
 Limits: \$2,000,000 per occurrence
 \$2,000,000 per employee disease
 \$2,000,000 policy aggregate disease

(2) Automobile Liability

Carrier: Travelers
 Limit: \$2,000,000

(3) General Liability

Carrier: Travelers
 Limit: \$2,000,000 per occurrence
 \$5,000,000 general aggregate
 \$5,000,000 products aggregate

(4) Excess Liability (above 3, 4, 5 & 7) 3/

Carrier: Mt. Franklin Insurance Limited
 (100% Re-insured by National Union Fire)
 Limit: \$50,000,000 per occurrence/aggregate

(5) AVIATION LIABILITY - OWNED & NON-OWNED

8.1.1.1.1. Carrier: USAU

Limit: \$100,000,000

Notes:

- 1/ Programs noted above are the corporate programs of El Paso Energy. Stand-alone programs may be applicable to specific facilities partnership or finance arrangements. Additional programs (e.g., Directors & Officers Liability, Fiduciary Liability) not reflected above are also part of El Paso's corporate programs.
- 2/ Specific facilities may have different deductibles that are higher or lower than those stated above. Various sub-limits may also be applicable.
- 3/ El Paso's corporate liability limits total \$610 million including the \$50 million noted above.

SCHEDULE 3.1.12

CONTRACTS

CONSTRUCTION

AL-TEX INSPECTION INC.

- o 1991/06/15, RADIOGRAPHIC INSPECTION, CALL-OUT
- o 1992/06/15, RADIOGRAPHIC INSPECTION, CALL-OUT

AMERICAN TESTING LABORATORY, INC.

- o 1985/07/16, RADIOGRAPHIC INSPECTION, CALL-OUT
- o 1989/06/15, RADIOGRAPHIC INSPECTION, CALL-OUT
- o 1990/06/15, RADIOGRAPHIC INSPECTION, CALL-OUT

BAUMANN COATINGS, INC.

- o 1985/02/12, PIPE COATING, JOHNSON #30-11 WELL
- o 1985/08/02, PIPE COATING, UNION CAMP

BOWDEN OIL FIELD SERVICES, INC., LARRY

- o 1990/08/21, MWJ BURROUGHS #24-1 WELL CONNECTION

CERTIFIED TESTING & INSPECTION SERVICES, INC.

- o 1995/06/15, RADIOGRAPHIC INSPECTION, CALL OUT

CLEVELAND INSPECTION SERVICES, INC.

- o 1995/05/15, INSPECTION SERVICES, CALL OUT

CONSOLIDATED PIPE & SUPPLY COMPANY

- o 1985/04/01, PIPE COATING, BOXES CREEK FIELD
- o 1985/12/09, PIPE COATING, VARIOUS WELLS

FAYETTE OIL FIELD SERVICES

- o 1984/12/14, LUXAPILLILA CREEK CROSSING

H&F CONSTRUCTION COMPANY, INC.

- o 1989/12/29, CEDAR COVE PIPELINE

H&H X-RAY SERVICES, INC.

- o 1989/11/01, RADIOGRAPHIC INSPECTION, CALL OUT
- o 1990/06/15, RADIOGRAPHIC INSPECTION, CALL OUT
- o 1991/06/15, RADIOGRAPHIC INSPECTION, CALL OUT
- o 1992/06/15, RADIOGRAPHIC INSPECTION, CALL OUT
- o 1993/06/15, RADIOGRAPHIC INSPECTION, CALL OUT
- o 1994/06/15, RADIOGRAPHIC INSPECTION, CALL OUT
- o 1995,06/16, RADIOGRAPHIC INSPECTION, CALL OUT

HANKINS ENGINEERING, INC.

- o 1984/11/30, SURVEYING SERVICES, CALL OUT

HANKINS & HARRISON ENGINEERING, INC.

- o 1985/11/20, SURVEYING SERVICES, CALLOUT

HUEY COMPANY, S.E.

J&L CONSTRUCTION, INC.

- o 1993/08/04, BLUE CREEK #3 METER STATION INSTALLATION

KERR INSPECTION & TESTING SERVICE INC.

- o 1984/10/17, RADIOGRAPHIC INSPECTION, CALL OUT
- o 1986/07/08, RADIOGRAPHIC INSPECTION, CALL OUT
- o 1989/06/15, RADIOGRAPHIC INSPECTION, CALL OUT

KING PIPELINES, INC.

- o 1984/10/17, PIPELINE & APPARTENANT FACILITIES ADDITIONS
 - o 1984/12/21, VARIOUS WELL CONNECTIONS
 - o 1985, UNION CAMP PIPELINE
 - o 1985/06/03, BEAVER CREEK FIELD, VARIOUS WELL CONNECTIONS
 - o 1985/10/15, WELL CONNECTIONS
 - o 1986/06/07, EAST WATSON CREEK PIPELINE
 - o 1989/03/23, ISOM CREEK PIPELINE
 - o 1989/05/31, MOUNT ZION MAIN PIPELINE & ASSOC. WELL CONNECTIONS
 - o 1989/08/02, SEE MOUNT ZION MAIN PL. & ASSOC. WELL CONNECTION, ELDRIDGE PIPELINE
 - o 1993/09/01, MOORE'S CROSSING BRIDGE SPAN
- MISSISSIPPI X-RAY SERVICES, INC.
- o 1990/06/15, RADIOGRAPHIC INSPECTION, CALL OUT
- MISSISSIPPI X-RAY SERVICE, INC.
- o 1989/06/15, RADIOGRAPHIC INSPECTION, CALL OUT
- PLUTE CONTRACTORS, INC.
- o 1995/05/19, DIRECTION DRILL CROSSING, BLACK WARRIOR RIVER
- STOUGH CONSTRUCTION COMPANY, INC.
- o 1984/11/07, METER BUILDING INSTALLATIONS
 - o 1984/11/07, OFFICE BUILDING MODIFICATION
- WELDTK TESTING LABS, INC.
- o 1995/06/15, RADIOGRAPHIC INSPECTION, CALL OUT
- WILLIAMS BROTHERS ENGINEERING COMPANY
- o 1989, CEDAR COVE PIPELINE
 - o 1990/05/15, CALL-OUT, INSPECTION SERVICES

CONSTRUCTION & OPERATING

ALAGASCO & SNG

- o 1997/03/14, SIA AGENT, MERCEDES-BENZ PLANT
- ENERGEN RESOURCES CORPORATION
- o 1996/08/20, FORMERLY TAURUS EXPLORATION U.S.A., INC.
- JIM WALTER RESOURCES
- o 1995/07/14, SEE SONAT EXPLORATION CO., BROOKWOOD
- LASSETER OPERATING COMPANY
- o 1993/03/15, TUSCALOOSA CNTY, BOONE CREEK GAS
- RIVER GAS CORPORATION
- o 1993/07/01, BLUE CREEK
- SONAT EXPLORATION COMPANY
- o 1995/06/22, SEE TRANSPORTATION, WHITE OAK CREEK
 - o 1995/07/14, BROOKWOOD
- SOUTHERN NATURAL GAS
- o 1991/02/11, BLUE CREEK FIELD
 - o 1992/11/07, MONTGOMERY COLUMBUS LOOP LINE
 - o 1993/03/08, LEXINGTON FIELD LINE
 - o 1993/06/07, BLUE CREEK #3
 - o 1993/10/08, BLUE CREEK #2
 - o 1995/03/24, WHITE OAK INTERCONNECT
 - o 1996/03/14, WOLF CREEK METER STATION
 - o 1996/07/15, WHITE OAK INTERCONNECT
 - o 1997/02/25, WHITE OAK INTERCONNECT
- TAURUS EXPLORATION U.S.A., INC.
- o 1996/08/20, NAME CHANGED ENERGEN RESOURCES CORPORATION

TECO COALBED METHANE, INC.

o 1996/08/20, NAME CHANGED ENERGEN RESOURCES CORPORATION

TORCH ENERGY MARKETING, INC.

o 1990/10/18, ROBINSON BEND

DRAFTS

GAS PURCHASE

o S.I.A.

MISCELLANEOUS

GAS COMPRESSION

ANHALT, MILTON

o 1981/11/10

GRACE PETROLEUM CORPORATION
HARRIS, EGERTON S., JR.

o 1981/11/10

HODGES, LEONARD I.

o 1981/11/10

HOWELL PETROLEUM CORPORATION

o 1985/11/01, FAYETTE WEST

o BLOWHORN AND BLUFF

o MCCRACKEN MOUNTAIN

MINGES, EDWIN L.

o 1981/11/10

MISCELLANEOUS

MOON-HINES OIL OPERATORS

o 1981/11/10

MOON, ROBERT M.

o 1981/11/10

MOON, VERNA E.

o 1981/11/10

SWIFT ENERGY COMPANY

o 1983/05/01

TERRA RESOURCES, INC.

o 1985/11/01

GAS PURCHASE

ACORN RESOURCES, INC.

o 3178, 1993/12/02

AHS L.L.C.

o 314702, 1994/04/01

AIZENSHTAT, MELVIN

o 3002, 1981,/01/01, SEE HODGES, LEONARD I., DR. (NO CONTRACT REC.)

ALABAMA DRILLING COMPANY, INC.

o 3101, 1985/04/10

ALABAMA GAS CORPORATION

o 3081, 1981/08/04, SEE ANDERMAN OIL CORPORATION (CONSENT ONLY)

ALABAMA GAS VENTURES #1

o 3139, 1990/02/01, FAYETTE CO., ALABAMA

ALABAMA INTRASTATE SUPPLY

o 3092, 1984/10/01, SEE TXO PRODUCTION CORP. (4/1/86 AGMT)

ALABAMA NATIONAL BANK, TRUSTEE

o 3060, 1981/01/01, SEE OR'REAR, WILLIAM G.

ALABAMA OIL COMPANY

o 3034, 1981/01/01, SEE HUGHES & HUGHES

ALAGASCO ENERGY COMPANY, INC.

o 3081, 1083/07/08

o 1984/10/01, SEE TXO PRODUCTION CORP.

ALAGASCO PIPELINE COMPANY

o 3081, 1981/08/04, SEE ANDERMAN OIL CORPORATION

ALEXANDER RESOURCES, INC.

o 3052, 1982/03/22, SEE ANDERMAN OIL CORPORATION

AMBROSE PROPERTIES, INC.

o 3004, 1981/01/01

AMSOUTH BANK, TRUSTEE

o 3060, 1981/01/01, SEE OR'REAR, WILLIAM G.

ANDERMAN OIL CORPORATION

o 3081, 1981/08/04, TEMPORARY

o 3117, 1986/08/01, FORMERLY SNG GAS SUPPLY #3406, TERM 4/30/89, WATSON CREEK, EAST

o 3406, 1986/08/01...X

ANDERMAN, GEORGE G.

o 3080, 1981/01/01

ANDERMAN/SMITH OPERATING COMPANY

o 3122, 1987/03/01, TERMINATED 3/31/89

ANDERSON & SONS, W.D.

o 3086, 1984/07/31, SEE MWJ PRODUCTING COMPANY, FAYETTE & LAMAR COUNTIES, ALABAMA

o 3118, 1986/08/01, SEE MWJ PRODUCING COMPANY, WATSON CREEK, EAST

ANDERSON, W.D.

o 3143, 1990/04/01, SEE MWJ PRODUCING COMPANY, FAYETTE CO., ALABAMA

ANHALT FAMILY TRUST

o 1981/01/01, SEE HODGES, LEONARD I., DR.

ANHALT, ALINE

o 3005, 1981/01/01, SEE HODGES, LEONARD I., DR. (1/1/81 RAT)

o 1981/01/01, SEE HODGES, LEONARD I., DR.

ANHALT, GERALD A.

o 1981/01/01, SEE HODGES, LEONARD I., DR.

ANHALT, MELTON

o 1981/01/01, SEE HODGES, LEONARD I., DR.

ANHALT, MILTON

o 3005, 1981/01/01, SEE HODGES, LEONARD I., DR. (1/1/81 RAT)

APOLLO DRILLING & EXPLORATION

o 3080, 1981/01/01, SEE ANDERMAN, GEORGE G. (SEE 8/25/81 LETTER)

ARCO NATURAL GAS MARKETING, INC.

o 3151, 1991/02/01, MAXWELL CROSSING

AUBURN UNIVERSITY

o 3168, 1992/07/01...

BARIA & MASON

o 1984/07/25, SEE MORROW OIL & GAS CO. (PER 10/17/84 RAT), BLOOMING GROVE & MCCRACKEN MOUNTAIN

BARIANCA PRODUCTION COMPANY
 o 3093-04, 1994/01/01
 BAY CITY CONSOLIDATED PARTNERS, LTD.
 o 3000, ASSIGN TO MIDDLE BAY (HUGH C. MIX - 1/1/90 RAT)
 BHB TRUST
 o 3034, 1981/01/01, SEE HUGHES & HUGHES
 BLACK ROCK OPERATING COMPANY
 o 4060-96, 1996/01/01
 BLACK ROCK OPERATING COMPANY, ET AL
 o 3052, 1982/03/22
 BLAKPELA EXPLORATION
 o 3117, 1986/08/01, SEE OR'REAR, WILLIAM G.
 BLEDSOE, SIDNEY
 o 3006, 1981/01/01, SEE OR'REAR, WILLIAM G.
 BOOMER GAS INC.
 o 320404, SEE MCCAULEY OPERATING CO., INC. 3204
 BOWMAN ROUNDTREE
 o 3198, 1995/02/01
 BOWMAN, INC., FRED
 o 3147-03, 1994/10/01
 o 3202, 1995/07/01
 BRAZOS
 o 3132-08, 1994/03/01
 BRESLOW, ESTELLE B.
 o 3007, 1981/01/01, SEE HODGES, LEONARD I., DR. (1/1/81 RAT)
 BRESLOW, JAMES, ESTATE OF
 o 3008, 1981/01/01, SEE HODGES, LEONARD I., DR. (1/1/81 RAT)
 BREWTON, LTD.
 o 3035, 1983/07/19, SEE HUGHES & HUGHES, LITTLE HELL'S CREEK
 BRISTOL RESOURCES CORP.
 o 3205-00, 1996/01/01
 BRONCO OIL & GAS COMPANY
 o 3080, 1981/01/01, SEE ANDERMAN, GEORGE G.,
 o 3081, 1981/08/04, SEE ANDERMAN OIL CORPORATION
 BROWNING & WELCH, INC.
 o 3075, 1982/03/09
 o 3083-00, 1983/09/09
 o 3083, 1983/09/09
 o 3095, 1984/11/21, FORMERLY SIGNIFICANTLY CONTRACT #934
 o 3102, 1985/06/31
 o 3119, 1986/11/11
 o 3128, 1988/03/01
 o 3170, 1992/11/01
 o 3189, 1994/04/01
 o 3191-00, 1994/08/01
 o 3403, 1986/06/09
 o 3410, 1987/03/01
 o 1981/09/02
 o 1997/08/01

BUFORD, T. C.
 o 3034, 1981/01/01, SEE HUGHES & HUGHES
 BULLARD, JOHN C.
 o 3009, 1981/01/01, SEE O'REAR, WILLIAM G.
 BURROUGHS, CHAP B.
 o 3010, 1981/01/01
 BUTTS, JOHN B.
 o 3011, 1981/01/01
 C & H VENTURES
 o 3132-03, 1994/01/01
 CADDELL, JOHN A.
 o 3012, 1981/01/01, SEE O'REAR, WILLIAM G.
 CAPELL, JACK L.
 o 3013, 1981/01/01, SEE O'REAR, WILLIAM G.
 CARDEN, C. T.
 o 1981/04/07, SEE FINK, DARRELL M.
 CARLESS RESOURCES, INC.
 o 3014, 1983/03/09
 o 3023, 1981/01/01, PER 2/17/84 ASSIGNMENT FROM EGERTON S. HARRIS
 o 3038, 1981/01/01, PER 3/1/84 ASSIGNMENT FROM T. M. KEESEE
 o 3054, 1981/01/01, PER 2/7/84 ASSIGNMENT FROM EDWIN L. MINGES
 o 3085, 1984/07/06, FORMERLY SIGNIFICANTLY CONTRACT #926-TERMINATED
 2/1/89
 o 3121, 1986/06/01, TERMINATED 2/1/89
 o 3135, 1989/02/01
 o 3414, 1988/01/01
 o 927, 1984/07/13
 CEB TRUST
 o 3034, 1981/01/01, SEE HUGHES & HUGHES
 CHERRY & ASSOCIATES, INC., CHARLES L.
 o 3084, 1976/09/23, INCLUDES 6/21/80 AGREEMENT
 o 3087, 1984/07/06, FORMERLY SIGNIFICANTLY CONTRACT #3087
 o 1978/03/01, SEE CORONADO TRANSMISSION CO. AGMT. 9/1/78, (RATIFICATION
 OF CORONADO TRANS. AGMT.)
 o 1979/02/01, SEE CORONADO TRANSMISSION CO. AGMT. 9/1/78, (RATIFICATION
 OF CORONODA TRANS. AGMT.)
 o 1980/05/21
 CHEVRON U.S.A. PRODUCTION COMPANY
 o 3175-00, 1993/10/01
 CITIZENS BANK OF HATTIESBURG, TRUSTEE
 o 3068, 1981/01/01, SEE RUSH OIL COMPANY, INC.
 CITIZENS GAS SUPPLY CORP.
 o 3424, 1990/01/26
 CLEMENT, NEAL
 o 3106, 1986/01/01, SEE DRAKE, JERR M.
 CORDELL, JOE B.
 o 3015, 1981/01/01, SEE HODGES, LEONARD I., DR. (1/1/81 RAT.)
 CORONADO TRANSMISSION COMPANY
 o 1978/09/01
 o SEE ENCINA TRANSMISSION COMPANY
 CREATIVE IDEAS
 o 1982/04/08, SEE MIX, HUGH C.

DALE, JOHN
 o SEE O'REAR, WILLIAM G.
 DALE, JOHN T.
 o 3016, 1981/01/01, SEE O'REAR, WILLIAM G.
 DALLAS TRADING INC.
 o 3093-06, 1994/03/01
 DALKRYMPLE, ADINE
 o 3080, 1981/01/01, SEE ANDERMAN, GEORGE G.
 o 3081, 1981/08/04, SEE ANDERMAN OIL CORPORATION
 o 3117, 1986/08/01, SEE ANDERMAN OIL CORPORATION, WATSON CREEK, EAST
 DALRYMPLE, ARCH III
 o 3080, 1981/01/01, SEE ANDERMAN, GEORGE G.
 o 3081, 1981/08/04, SEE ANDERMAN OIL CORPORATION
 o 3117, 1986/08/01, SEE ANDERMAN OIL CORPORATION, WATSON CREEK, EAST
 DICKERSON, W. B., JR.
 o 3105, 1985/11/18, SEE HUGHES EASTERN PETROLEUM PER 11/18/85 RAT.
 DIVERSE GP III
 o 1988/11/01, SEE LADD PETROLEUM
 DRAKE, JERRY M.
 o 3106, 1986/01/01
 DURANGO PRODUCTION CORP.
 o 3103-02, 1994/02/01
 EAC ENERGY
 o SEE LADD PETROLEUM
 ELDRIDGE GATHERING SYSTEM
 o 3144-00, 1990/05/01
 ELLBOGEN, JOHN P.
 o 3080, 1981/01/01, SEE ANDERMAN, GEORGE G.
 o 3081, 1981/03/04, SEE ANDERMAN OIL CORPORATION
 o 3117, 1986/08/01, SEE ANDERMAN OIL CORPORATION, WATSON CREEK, EAST
 EMIL PAWLIK
 o SEE LADD PETROLEUM
 ENCINA TRANSMISSION COMPANY
 o 3163, 1992/02/01
 ENERGEN RESOURCES CORPORATION
 o 3137-00, 1989/10/01, FORMERLY TAURUS EXPLORATION, INC.
 ENERGY DEVELOPMENT PARTNERS LTD.
 o 1981/01/01, SEE PATRICK PETROLEUM
 ENSEARCH EXPLORATION, INC.
 o 3017, 1978/10/04, TERMINATED 6/1/81 PER 5/22/81 AGREEMENT
 o ALSO SEE ENSEARCH CORPORATION & EP OPERATING CO.
 EP OPERATING COMPANY
 o 3088, 1981/01/01, SEE TERRA RESOURCES, INC. (6/10/86 LETTER)
 o 3124, 1988/09/01
 ESPERO ENERGY CORP.
 o 3023, 1981/01/01, SEE CARLESS RESOURCES, INC.
 o 3038, 1981/01/01, SEE CARLESS RESOURCES, INC.
 o 3054, 1981/01/01, SEE CARLESS RESOURCES, INC.
 o 3135, 1981/01/01, SEE CARLESS RESOURCES, INC.
 o 3141, 1990/01/01, ASSIGN, FROM SIS (#3425) 3-1-90, FAYETTE & TUSCALOOSA
 COS, AL.

- o 3155, 1991/06/01
- o 3162, 1992/01/01
- o 4059-96, 1996/11/01
- o 1981/01/01, HARRIS, EGERTON S.
- o 1981/01/01, KEESEE, T. M.
- o 1981/01/01, MINGES, EDWIN L.
- o 1989/02/01
- o 1990/01/01, ASSIGNED TO SIA 3/1/90
- o 1994/01/01
- EURODIAMANT, LTD.
- o 3018, 1981/01/01, NO EXECUTED AGREEMENT RECEIVED
- EXOK, INC.
- o 4018-97, 1997/02/01
- FAIRLAND ENERGY CORPORATION
- o 3103, 1985/05/10, SEE MIX ENERGY LTD. II
- o 1982/04/08, SEE MIX, HUGH C.
- FARRIS, A. F., III
- o 3138, 1989/12/01, SEE JERN, LTD., ET AL., TUSCALOOSA CO., AL.
- FINK, DARRELL M.
- o 1982/04/07
- FLARE INC.
- o 3132, 1989/12/01, SEE HOWELL
- o 3164, 1992/03/01
- FRANKLIN, IRVIN
- o 3019, 1981/01/01, SEE HODGES, LEONARD I., DR. (1/1/81 RAT.)
- FREDONIA RESOURCES, INC.
- o 4017-97, 1997/02/01
- FRIEND, SEYMOUR
- o 3020, 1981/01/01
- GEODYNE PRODUCTION COMPANY
- o 1981/01/01, SEE LADD PETROLEUM CO.
- GERMANY OIL COMPANY
- o 3212-00, 1998/10/01
- GIBALTAR ENERGY COMPANY
- o 3132-07, 1994/03/01
- GIFFORD PETROLEUM COMPANY
- o 1982/04/07, SEE FINK, DARRELL M.
- GILBRALTER ENERGY CO.
- o 3082, 1981/01/01, SEE PARTNERSHIP PROP., ET AL.
- GILLESPIE, WILLIAM A.
- o 3084, 1976/09/23, INCLUDES 5/21/80 AGTM. SEE CHERRY & ASSO., CHAR.
- GLOBAL NATURAL RESOURCES CORP. OF NEVADA
- o 3088, 1981/01/01, SEE TERRA RESOURCES, INC. (SEE 11/1/86 AGMT.)
- o 3091, 1984/08/19, FORMERLY SIGNIFICANTLY CONTRACT #921
- o 3126, 1986/11/01, TERMINATED 1/1/93
- o 3174, 1993/01/01
- GPC MARKETING COMPANY
- o 3147, 1989/03/01, OLD #3420
- o 3420, 1989/03/01, ASSIGNED TO SIA 1/23/91

GRACE PETROLEUM CORPORATION

o 3105, 1985/11/18, SEE HUGHES EASTERN PETROLEUM PER 11/18/85 RAT., BRUSH CREEK, SOUTH

o 3112, 1986/05/01

o 3420, 1989/03/01, ASSIGNED TO GPC MARKETING COMPANY 8/7/89

GRACO RESOURCES INC.

o 4058-98, 1996/11/01

GRAIG INTERNATIONAL, INC.

o 3114, 1986/01/01, SEE MAIN ENERGY, INC. (PER 1/20/89 ASSIGN.)

GRAVES, STANLY L.

o 3138, 1989/12/01, SEE JERN, LTD., ET AL., TUSCALOOSA CO., AL.

GREGG, MORTON

o 3021, 1981/01/01, SEE HODGES, LEONARD I., DR. (1/1/81 RAT.)

GULF WESTERN ENERGY CORP.

o 3147-04, 1994/10/01

HAMILTON, HERMAN H., JR.

o 3022, 1981/01/01, SEE O'REAR, WILLIAM G.

HAOMA NORTH WEST ENERGY

o 1981/01/01, SEE STRATAUS ENERGY INC.

HARDIN, D. O.

o 3138, 1989/12/01, SEE JERN, LTD., ET AL., TUSCALOOSA COL., AL.

HARDY OIL & GAS USA INC.

o 3115, 1986/10/01, SEE PETRUS OIL COMPANY L.P. (PER 10/15/86 RAT.)

HARRELL ENERGY CO.

o 3117, 1986/08/01, SEE ANDERMAN OIL CORPORATION, WATSON CREEK, EAST

HARRELL, KENT J.

o 3117, 1986/08/01, SEE ANDERMAN OIL CORPORATION, WATSON CREEK, EAST

HARREL, KENT J. (PARTNER IN SUNRISE EXPL.)

o 3080, 1981/01/01, SEE ANDERMAN, GEORGE G.

o 3081, 1981/08/04, SEE ANDERMAN OIL CORPORATION

HARRIS, EGERTON S., JR.

o 3023, 1981/01/01, SEE CARLESS RESOURCES, INC.

HARRIS, IRENE

o 3024, 1981/01/01, SEE HODGES, LEONARD I., DR. (1/1/81 RAT.)

HARRIS, ROBERT

o 3025, 1981/01/01, SEE HODGES, LEONARD I., DR. (1/1/81 RAT.)

HAUGHTON, OLIVIA

o 3068, 1981/01/01, SEE RUSH OIL COMPANY, INC.

HAUGHTON, PEGGY

o 3068, 1981/01/01, SEE RUSH OIL COMPANY, INC.

HAWKEY OIL & GAS, INC.

o 3106, 1985/12/11

HELLRING, ABBY

o 3027, 1981/01/01, SEE HODGES, LEONARD I., DR. (1/1/81 RAT.)

HERBERT, WILLIAM D.

o 3026, 1981/01/01, SEE HODGES, LEONARD I., DR. (1/1/81 RAT.)

HERKOWITZ, BERNARD

o 3028, 1981/01/01, SEE HODGES, LEONARD I., DR. (1/1/81 RAT.)

HERKOWITZ, JEROME

o 3029, 1981/01/01, SEE HODGES, LEONARD I., DR. (1/1/81 RAT.)

HESS, PAUL

o 3030, 1981/01/01, SEE O'REAR, WILLIAM G.

HODGES, IRIS

o 3031, 1981/01/01, SEE HODGES, LEONARD I., DR. (1/1/81 RAT.)

HODGES, LEONARD I., DR.

o 3032, 1981/01/01, CONTRACTS

o 3032, 1981/01/01, CORRESPONDENCE

HODGES, LORI ANN

o 3033, 1981/01/01, SEE HODGES, LEONARD I., DR. (12/19/83 RAT.)

HOWELL GAS MANAGEMENT COMPANY

o 3132, 1988/01/01, SUPERSEDED BY HOWEEL PET. CORP. 12/1/89

HOWELL PETROLEUM CORPORATION

o 3092, 1984/08/01, FAYETTE AND LAMAR COUNTIES, ALABAMA

o 3094, 1984/08/01, FAYETTE COUNTY, ALABAMA

o 3105, 1985/11/18, SEE HUGHES EASTERN PETROLEUM PER 11/18/85 RAT., BURSH CREEK, SOUTH

o 3111-00, 1986/01/01, TERMINATED, FAYETTE COUNTY, ALABAMA

o 3132, 1989/12/01

HUGHES EASTERN CORPORATION

o 3116, 1986/08/01, SEE HUGHES & HUGHES, WATSON CREEK, EAST

o 3134, 1989/04/01, SEE HUGHES & HUGHES, WATSON CREEK, EAST

o 3137, 1989/10/01, SEE TAURUS EXPLORATION, FAYETTE & LAMAR

o 3157, 1991/10/01, FAYETTE & LAMAR

o 3188-00, 1994/04/01

o 3412, 1987/11/01, SEE HUGHES & HUGHES,

o 3416, 1988/06/01

o ASSIGNMENTS

HUGHES EASTERN PETROLEUM LTD.

o 3098, 1985/05/01, SEE HUGHES & HUGHES, BLUFF, NORTH

o 3099, 1985/05/08, SEE HUGHES & HUGHES, LITTLE HELL'S CREEK

o 3105, 1985/11/18

HUGHES EASTERN PETROLEUM LTD.

o 3098, 1985/05/01, SEE HUGHES & HUGHES, BLUFF NORTH

o 3099, 1985/05/08, SEE HUGHES & HUGHES, LITTLE HELL'S CREEK

o 3105, 1985/11/18

HUGHES & HUGHES

o 3034, 1981/01/01

o 3035, 1983/07/19, LITTLE HELL'S CREEK

o 3098, 1985/05/01, BLUFF NORTH

o 3099, 1985/05/08, LITTLE HELL'S CREEK

o 3100, 1985/05/08, FAYETTE COUNTY, ALABAMA

o 3105, 1985/11/18, SEE HUGHES EASTERN PETROLEUM PER 11/18/85 RAT., BRUSH CREEK SOUTH

o 3116, 1986/08/01, FORMERLY SNGI GAS SUPPLY CONTRACT #3405, WATSON CREEK, EAST

o 3134, 1989/04/01, WATSON CREEK, EAST

o 3412, 1987/11/01

HUGHES & HUGHES & HUGHES EASTERN CORP.

o 3131, 1987/11/01, WATSON CREEK, EAST

HUGHES, DAN A.

o 3034, 1981/01/01, SEE HUGHES & HUGHES

HUGHES, DUDLEY J.

o 3034, 1981/01/01, SEE HUGHES & HUGHES

o 3035, 1983/07/19, SEE HUGHES & HUGHES, LITTLE HELL'S CREEK

HUGHES, H.O.
o 3038, 1981/01/01
HUNT OIL COMPANY
o 3165, 1992/03/01
H. & B., LTD.
o 3032, 1981/01/01, SEE HODGES, LEONARD I., DR.
INTERSTATE GAS CORPORATION
o 3004, 1981/01/01, SEE AMBROSE PROPERTIES INC. (NAME CHANGED 1984)
JABSCO OIL OPERATING, LLC
o 4031-98, 1988/11/01
JAYEMBE, LTD.
o 3035, 1983/07/19, SEE HUGHES & HUGHES, LITTLE HELL'S CREEK
JERN, LTD., ET AL.
o 3138, 1989/12/01, TUSCALOOSA CO., AL.
JKJ TRUST
o 3034, 1981/01/01, SEE HUGHES & HUGHES
JMB/JSB INVESTMENT COMPANY
o 3052, 1982/03/22, SEE LOMAK PRODC.
JSS TRUST
o 3034, 1981/01/01, SEE HUGHES & HUGHES
JTS TRUST
o 3034, 1981/01/01, SEE HUGHES & HUGHES
JUDSON, EDWARD H.
o 3086, 1984/07/31, SEE MWJ PRODUCING COMPANY, FAYETTE & LAMAR COUNTIES,
ALABAMA
o 311, 1986/08/01, SEE MWJ PRODUCING COMPANY, WATSON CREEK, EAST
JUSTISS OIL CO. INC.
o 3136, 1989/09/01
o 3149, 1990/07/01, OLD #3428
o 3150, 1989/12/01, OLD #3422
o 3161, 1985/05/01, OLD #3402
o 3402, 1985/05/01, ASSIGNED TO SIA 1/1/92
o 3422, 1989/12/01, ASSIGNED TO SIA 1/28/91
o 3428, 1990/07/01, ASSIGNED TO SIA 1/28/91
KATZ, JANET FAN, TRUST
o 3092, 1981/01/01, SEE HODGES, LEONARD I. DR. (1/1/81 RAT.), (NO SIGNED
CONTRACT RECEIVED)
KATZ, MURIEL
o 3037, 1981/01/01, SEE HODGES, LEONARD I., DR. (1/1/81 RAT.)
KAVANAUGH ENERGY SERVICES INC.
o 3167, 1992/01/01
KEESE, T.M.
o 3038, 1981/01/01, SEE CARLESS RESOURCES, INC. (PER 3/1/84 ASSIGN.)
KEITH PETROLEUM CORP.
o 3210-00, 1998/07/01
KEELY, JOHN W.
o 1981/01/01
KING, MARY K.
o 3039, 1981/01/01, SEE O'REAR, WILLIAM G.

KING, RUFUS
 o SEE O'REAR WILLIAM G.
 KING, RUFUS M.
 o 3040, 1981/01/01, SEE O' REAR, WILLIAM G.
 KING, SAMUEL C.
 o 3041, 1981/01/01, SEE O'REAR, WILLIAM G.
 KJJ TRUST
 o 3034, 1981/01/01, SEE HUGHES & HUGHES
 KLEIN, MILDRED
 o 3090, 1981/01/01, SEE HODGES, LEONARD I. DR. (1/1/81 RAT.)
 KLONDIKE ENERGY, L.P.
 o SEE BOWMAN, INC., FED CONTRACT #3147-03
 LADD PETROLEUM CORPORATION
 o 3063, 1981/01/01, SEE PATRICK PET. CORP. (PER 6/24/84 ASSIGNMENT)
 o 3105, 1985/11/18, SEE HUGHES EASTERN PETROLEUM PER 11/18/85 RAT., BURSH
 CREEK, SOUTH
 o 3109, 1986/01/01
 o 3120, 1986/08/01, FORMERLY SNGI GAS SUPPLY CONTRACT #3409
 o 3123, 1987/05/01
 o 1986/08/01
 LANEER RESOURCES, LTD.
 o 3114, 1986/01/01, SEE MAIN ENERGY, INC. (PER 1/20/89 ASSIGN.)
 LANE, D. H., DR.
 o 3088, 1981/01/01, SEE RUSH OIL COMPANY, INC.
 LARSON, GARY
 o 3042, 1981/01/01, SEE HODGES, LEONARD I. DR. (1/1/81 RAT.)
 LARY, BANNING
 o 3043, 1981/01/01, SEE HODGES, LEONARD I. DR. (1/1/81 RAT.)
 LARY, KATHERINE
 o 3043, 1981/01/01, SEE HODGES, LEONARD I. DR. (1/1/81 RAT.)
 LASSETER OPERATING COMPANY
 o 3173, 1992/12/01, TUSCALOOSA CNTY (BOONE CREEK COAL)
 LEEDS, JANE J.
 o 3044, 1981/01/01, SEE HODGES, LEONARD I. DR. (1/1/81 RAT.)
 LEEDS, ROBERT
 o 3044, 1981/01/01, SEE HODGES, LEONARD I. DR. (1/1/81 RAT.)
 LEFF, MARILYN B.
 o 3045, 1981/01/01, SEE HODGES, LEONARD I. DR. (1/1/81 RAT.)
 LENNON, MARY R.
 o 3068, 1981/01/01, SEE RUSH OIL COMPANY, INC.
 LGH #1
 o 3035, 1983/07/19, SEE HUGHES & HUGHES, LITTLE HELL'S CREEK
 LIGHTHOUSE GAS MARKETING
 o 3146, 1991/01/01
 o 3431, 1991/06/01
 LIVE OAK PETROLEUM, INC.
 o 4022-97, 1997/04/01
 LOCAL, INC.
 o 1996/11/01

LOMACK PETROLEUM, INC.
 o 3176, 1993/10/01, ASSIGNED TO VENUS EXPLORATION, INC.
 LOMAK PETROLEUM
 o ALSO SEE LOMAK PRODUCTINO 11/18/85
 LOMAK PRODUCTION COMPANY
 o 3052, 1982/03/022, SEE BLACK OPERATING CO, ET AL/LOMAK 11/18/85
 o 3129, 1985/11/18
 LONGINO, CHARLES F.
 o 3045, 1981/01/01
 LORANT, JERRY O.
 o 3179-00, 1993/12/01
 LORENZO, WILLIAM
 o 3047, 1981/01/01, SEE O'REAR, WILLIAM G.
 MAIN ENERGY, INC.
 o 3114, 1988/01/01
 MoR-WIN DEVELOPMENT CO.
 o 3086, 1984/07/31, SEE MWJ PRODUCING COMPANY, FAYETTE & LAMAR COUNTIES,
 ALABAMA
 o 3118, 1986/08/01, SEE MWJ PRODUCING COMPANY, WATSON CREEK, EAST
 MARATHON OIL COMPANY
 o ALSO SEE LOMAK PRODUCTION CO. 11/18/85
 o SEE BROWNING & WELCH
 o SEE TXO PRODUCTION CORP. 11/5/90
 MARCUM, DALE
 o 3035, 1983/07/19, SEE HUGHES & HUGHES, LITTLE HELL'S CREEK
 MARSHALL & WINSTON, INC.
 o 3086, 1984/07/31, SEE MWJ PRODUCING COMPANY, FAYETTE & LAMAR COUNTIES,
 ALABAMA
 o 3118, 1986/08/01, SEE MWJ PRODUCING COMPANY, WATSON CREEK, EAST
 3143, 1990/04/01, SEE MWJ PRODUCING COMPANY, FAYETTE CO., ALABAMA
 MARTIN, WILLIAM H.
 o 3086, 1984/07/31, SEE MWJ PRODUCING COMPANY, FAYETTE & LAMAR COUNTIES,
 ALABAMA
 o 3118, 1988/08/01, SEE MWJ PRODUCING COMPANY, WATSON CREEK, EAST
 MAS TRUST
 o 3034, 1981/01/01, SEE HUGHES & HUGHES
 MASON, DICK B., III
 o 3035, 1983/07/19, SEE HUGHES & HUGHES, LITTLE HELL'S CREEK
 MATTER, J.E., ESTATE OF
 o 1982/04/07, SEE FINK, DARRELL M.
 MAY ENERGY PARTNERS OPERATING PARTNERSHIP LTD
 o 3063, 1981/01/01, SEE LADD PETROLEUM CO.
 MAYEUAX, J.A.
 o 3048, 1978/05/01
 MBB TRUST
 o 3034, 1981/01/01, SEE HUGHES & HUGHES
 MCCAULEY OPERATING CO., INC.
 o 3204, 1998/01/01
 MCCULLISS RESOURCES COMPANY, INC.
 o 3181, 1993/12/01

MCDONALD, ALLAN
 o 3049, 1981/01/01, SEE O'REAR, WILLIAM G.
 MCDONALD, WILLIAM
 o 3051, 1981/01/01, SEE O'REAR, WILLIAM
 MCTIERNAN, FRANCIS
 o 3092, 1984/10/01, SEE HODGES, LEONARD I., DR. (4/1/81 RAT.)
 MEDALLION EXPLORATION
 o WELLS NOT IDENTIFIED ON WORKSHEET-NOT SURE WHICH CONTRACT FILE RELATED
 MERIDIAN OIL TRADING INC.
 o 3426, 1989/12/12
 MERRIMAC ENERGY CORP.
 o 3169, 1992/09/01, BLOWHORN CREEK (JENKINS 34-16)
 MICHIGAN OIL COMPANY
 o 3052, 1982/03/22, ASGN TO LOMAK PROD. 11/18/85
 o 3053, 1983/07/06, SEE #3128, 11/18/85
 o 3053, 1985/11/18, CONTRACT # ASSIGNED IN ERROR, SEE #3129 LOMAK
 o 3129, 1985/11/18
 MIDCOAST ENERGY RESOURCES, INC.
 o 4053-96, 1998/11/01
 MIDDLE BAY OIL COMPANY
 o 3000, 1982/04/08, SEE MIX, HUGH C.
 MILLER, R. LAMAR
 o 3035, 1983/07/19, SEE HUGHES & HUGHES, LITTLE HELL'S CREEK
 MINGES, JOHN T.
 o 3055, 1981/01/01
 MINGES, EDWIN L.
 o 3054, 1981/01/01, SEE CARLESS RESOURCES, INC.
 MISCELLANEOUS
 o ALLOCATIONS, PIPELINE
 o CONTRACTS OF OTHERS
 o GENERAL
 o LETTERS TO PRODUCERS, ET AL.
 o WORKING INTEREST OWNERSHIP
 MIX ENERGY LTD., I
 o 1982/04/08, SEE MIX, HUGH C.
 MIX ENERGY LTD., II
 o 3103, 1985/05/10
 MIX, HUGH C.
 o 3000, 1982/04/08
 o 3103, 1985/05/10, SEE MIX ENERGY LTD., II
 MOHAN, DONA M.
 o 3080, 1981/01/01, SEE ANDERMAN, GEORGE G.
 o 3081, 1981/08/04, SEE ANDERMAN OIL CORPORATION
 o 3117, 1986/08/01, SEE ANDERMAN OIL CORPORATION, WATSON CREEK EAST
 MONVALE ENERGY II, INC.
 o 3115, 1986/10/01, SEE PETRUS OIL COMPANY, L.P. (PER 10/15/86 RAT.)
 MOON-HINES-TIGRETT OPERATING CO., INC.
 o 3201-00, 1995/05/05
 MOON AND HINES
 o 3056, 1981/01/01

MORROW OIL & GAS COMPANY

- o 3076, 1982/04/19, TERMINATED 10/1/87, BLOOMING GROVE & MCCRACKEN MOUNTAIN
- o 3077, 1983/07/25, TERMINATED 10/1/87, BLOOMING GROVE & MCCRACKEN MOUNTAIN
- o 3078, 1983/06/30, TERMINATED 10/1/87, BLOOMING GROVE & MCCRACKEN MOUNTAIN
- o 3079, 1981/11/01, SEE TERRA RESOURCES, INC. (3/16/81 RAT.)
- o 3096, 1984/07/25, FORMERLY SNG CONTRACT #928, BLOOMING GROVE & MCCRACKEN MOUNTAIN
- o 3104, 1984/07/25, FORMERLY SNG CONTRACT #929, BEAVER CREEK
- o 3207-00, 1998/05/01

MORROW, W.E.

- o 3079, 1981/01/01, SEE TERRA RESOURCES, INC. (PER 3/16/81 RAT.)

MOSS, BARBARA A.

- o 3057, 1981/01/01, SEE HODGES, LEONARD I., DR. (1/1/81 RAT.)

MOSS, JOSHUA M.

- o 3057, 1981/01/01, SEE HODGES, LEONARD I., DR. (1/1/81 RAT.)

MOUSE RIVER, LTD.

- o 3035, 1983/07/19, SEE HUGHES & HUGHES, LITTLE HELL'S CREEK

MUNOCO COMPANY L.C.

- o 4017-98, 1998/07/01, BIRMINGHAM, AL

MWJ PRODUCING COMPANY

- o 3086, 1984/07/31, FORMERLY SNG CONTRACT #932, FAYETTE & LAMAR COUNTIES, ALABAMA
- o 3118, 1986/08/01, FORMERLY SNGI GAS SUPPLY CONTRACT #3407, WATSON CREEK, EAST
- o 3143, 1990/04/01, FAYETTE CO., ALABAMA
- o 3417, 1988/09/01, X
- o 3417, 1988/08/01 X

NATURAL GAS & OIL, INC.

- o 3137, 1988/10/01, SEE TAURUS EXPLORATION INC.
- o 3154, 1991/05/01, BLOOMING GROVE
- o 4064-96, 1996/11/01

NATURAL RESOURCES CORPORATION

- o 3088, 1981/01/01, SEE TERRA RESOURCES, INC.
- o 3091, 1984/08/19, SEE GLOBAL NATURAL RESOURCES CORP. OF NEVADA
- o 3091, 1979/11/02, SEE CORONADO TRANSMISSION CO. AGMT. 9/1/78, (RATIFICATION OF CORONADO TRANS. AGMT.)

NELSON, JOHN H.

- o 3058, 1977/06/01, INCLUDES 1/1/81 AGREEMENT

NICKELL ENVIRONMENTAL

- o 320402, SEE MCCAULEY OPERATING CO. INC. 3204

NORTH CENTRAL ENTERPRISES, INC.

- o 4028-97, 1997/05/01

NORTHWEST ALABAMA GAS & OIL, LTD.

- o 3032, 1981/01/01, SEE HODGES, LEONARD I., DR.

NO. 1 1984 EXPLORATION PARTNERSHIP

- o 3113, 1986/05/01

NSD TRUST

- o 3034, 1981/01/01, SEE HUGHES & HUGHES

O'REAR, JANE JOHNSON, EXECUTRIX

- o 3080, 1981/01/01, SEE O'REAR, WILLIAM G.

O'REAR, WILLIAM G.

- o CONTRACTS - 1981-

- o CONTRACTS THROUGH 1980

o CONTRACTS, SUPERSEDED
 o CORRESPONDENCE
 o PRICE LETTERS
 OCEAN RESOURCES INC.
 o 320401, SEE MCCAULEY OPERATING CO. INC. 3204
 OGP OPERATING INC.
 o 3153, 1991/04/01, PETERSON COAL DEGASIFICATION
 OLTCHICK, SAMUEL
 o 3059, 1981/01/01, SEE HODGES, LEONARD I., DR. (1/1/81 RAT.)
 ORION-SMITH OIL PROPERTIES, LTD.
 o 3093-03, 1994/01/01
 PACIFIC ENTERPRISES
 o 3165, 1992/03/01
 PACIFIC ENTERPRISES OIL COMPANY
 o 3164, 1992/03/01, ALSO SEE FLARE INC.
 PACIFIC ENTERPRISES OIL COMPANY (USA)
 o 3088, 1981/01/01, ACQ'D INT. FROM TERRA RESOURCES 4/24/89
 o 3415, 1988/04/01
 PARKER, WALTER E., DR.
 o 3081, 1981/01/01, SEE O'REAR, WILLIAM G.
 PARKER, W.E.
 o SOLD INTEREST TO R. KING & J. DALE 11/89
 PARKS & LUTTRELL, INC.
 o 4029-98, 1998/11/01
 o 4059-96, SEE ESPERO ENERGY CORP.
 PARTNERSHIP PROPERTIES
 o 3052, 1981/01/01, PARTIAL ASGN. TO VINTAGE PETRO. EFF. 10/1/84
 PATRICK PETROLEUM CORPORATION
 o 3063, 1977/08/23, INCLUDES 1/1/81 AGREEMENT SEE LADD PETROLEUM
 PATRICK PETROLEUM CORPORATION OF MICHIGAN
 o 3078, 1981/01/01, SEE PATRICK PETROLEUM CORPORATION
 PATTON, BERNICE W.
 o 3080, 1981/01/01, SEE O'REAR, WILLIAM G.
 PATTON, JOHN J.
 o 3080, 1981/01/01, SEE O'REAR, WILLIAM G. (NO CONTRACT RECEIVED)
 PENSACOLA OIL, LTD.
 o 3035, 1983/07/19, SEE HUGHES & HUGHES, LITTLE HELL'S CREEK
 PERSON, CLAUDE
 o 3132-04, 1994/03/01
 PETRUS OIL COMPANY
 o 3116, 1986/10/01
 PETRUS OIL COMPANY, L.P.
 o 3411, 1987/03/01, X
 PETRUS OPERATING COMPANY, INC.
 o 3115, 1986/10/01, SEE PETRUS OIL COMPANY, L.P. (PER 10/15/85 RAT.)
 PGC GAS COMPANY
 o SEE SPINDLETOP DRILLING COMPANY
 PHILLIPS PETROLEUM COMPANY
 o 3108, 1985/11/18

PLANT, WALTER S.
 o 3117, 1986/08/01, SEE ANDERMAN OIL CORPORATION, WATSON CREEK, EAST
 POINT CLEAR II
 o 3035, 1983/07/19, SEE HUGHES & HUGHES, LITTLE HELL'S CREEK
 POOLE, VICTOR
 o 3085, 1981/01/01, SEE O'REAR, WILLIAM G. (PER 1/1/81 RAT.)
 o 3089, 1981/01/01, SEE O'REAR, WILLIAM G. (PER 1/1/81 RAT.)
 PRAIRIE PRODUCING COMPANY
 o SEE HUGHES EASTERN CORP.
 PREMIER GAS COMPANY
 o 3200-00, 1995/05/01
 o 3418, 1988/09/01 X
 o SEE GPC MARKETING CO.
 PRIDE ENERGY COMPANY
 o WELLS NOT IDENTIFIED ON WORKSHEET-NOT SURE WHICH CONTRACT FILE RELATED
 TO
 PRUET PRODUCTION COMPANY
 o 3183-00, 1994/01/01
 o 3184-00, 1994/01/01
 o 3206-00, 1996/03/01
 QUINOCO PETROLEUM, INC.
 o 1981/01/01, SEE LADD PETROLEUM
 RAMSING TRUST, THOR H.
 o SEE AHS L.L.C, 3147-02 (4-1-94)
 RCB TRUST
 o 3034, 1981/01/01, SEE HUGHES & HUGHES
 REDCLIFF RESOURCES, L.C.
 o 3132-06, 1994/02/01
 REDFLOWER INC.
 o 3112, 1988/05/01, SEE GRACE
 RHIMA'S OIL PROPERTIES
 o 3093-07, 1994/03/01
 RICHARD, ROBERT
 o 3066, 1981/01/01, SEE O'REAR, WILLIAM G.
 RODGERS, H. GERRY
 o 3060, 1981/01/01, SEE O'REAR, WILLIAM G.
 ROEMER OIL COMPANY
 o 1981/01/01, SEE PATRICK PETROLEUM CORPORATION (PER 11/1/88)
 ROEMER, LAMAR B., DR.
 o 1981/01/01, SEE LADD PETROLEUM
 ROUNDTREE & ASSOCIATES, INC.
 o 3093, 1984/08/01, SEE HOWELL
 o 3164, 1992/03/01, SEE FLARE, INC.
 o 3187-00, 1994/06/01
 o 3193, 1994/04/01
 o 3209, 1996/05/01
 o 4036-98, 1998/12/01
 o 4059-98, 1998/11/01, SEE ESPERO ENERGY CORP.
 RUSH OIL COMPANY, INC.
 o 3068, 1981/01/01
 RUSH, EUNICE H.
 o 3068, 1981/01/01, SEE RUSH OIL COMPANY, INC.

RUSH, L.P.
o 3068, 1981/01/01, SEE RUSH OIL COMPANY, INC.
SAMS ENERGY INC.
o 320402, SEE MCCAULEY OPERATING CO. INC. 3204
SAMSON NATURAL GAS COMPANY
o 3112, 1986/05/01
SAMSON PRODUCTION SERVICES CORP
o 3103, 1985/05/10, SEE MIX ENERGY LTD. II (PER 7/1/96 RAT.)
o 3147, 1989/03/01, SEE SNG MARKETING COMPANY (PER 1/1/96 RAT.)
SAMSON RESOURCES COMPANY
o 3101, 1985/04/10, SEE ALABAMA DRILLING CO. (PER 8/24/99 ASSIGN.)
o 3208, 1998/05/01
SANFORD OIL & GAS CO., INC.
o 3156, 1991/08/01
o 3182, 1994/01/01
o 3195, 1995/01/01
o 4072-96, 1997/12/01
SANFORD, EMMETT C., JR.
o 3084, 1980/05/21, SEE CHERRY & ASSOC., (PER 12/29/83 RAT.)
o 3087, 1984/07/06, SEE CHERRY & ASSOC., (PER 7/6/84 RAT.)
o 3125, 1987/01/01
o 3148, 1990/10/18, OLD #3430
o 3158, 1991/08/01
o 3429, 1990/07/01 X
o 3430, 1990/10/18, ASSIGNED TO SIA 1/28/91 X
o 3432, 1991/08/01, ASSIGNED TO #3156
SCHAFFARZICK, MARGARET K.
o 3069, 1981/01/01, SEE O'REAR, WILLIAM G.
SCHALAGAL, JOHN L.
o 3086, 1984/07/31, SEE MWJ PRODUCING COMPANY, FAYETTE & LAMAR COUNTIES,
ALABAMA
o 3118, 1986/08/01, SEE MWJ PRODUCING COMPANY, WATSON CREEK EAST,
o 3143, 1990/04/01, SEE MWJ PRODUCING COMPANY, FAYETTE CO., ALABAMA
SCURLOCK, C. RAY
o 3086, 1984/07/31, SEE MWJ PRODUCING COMPANY, FAYETTE & LAMAR COUNTIES,
ALABAMA
o 3118, 1986/08/01, SEE MWJ PRODUCING COMPANY, WATSON CREEK EAST,
o 3143, 1990/04/01, SEE MWJ PRODUCING COMPANY, FAYETTE CO., ALABAMA
SEALE, LEON, JR.
o 1981/01/01, SEE O'REAR, WILLIAM G. (PER 1/1/81 RATIFICATION)
SHEARMAN, THOMAS B.
o 3034, 1981/01/01, SEE HUGHES & HUGHES
SHEARMAN, WILLIAM HUGH
o 3034, 1981/01/01, SEE HUGHES & HUGHES
SHENANDOAH OIL CORPORATION
o 1977/09/17, SEE PARTNERSHIP PROPERTIES CO.
SHOOK RESOURCES, INC.
o 3101, 1985/01/01, SEE ALABAMA DRILLING CO. PER 11/20/85 ASSIGNMENT
SIS TRUST
o 3034, 1981/01/01, SEE HUGHES & HUGHES

SMITH, RALPH H.
o 3117, 1986/08/01, SEE ANDERMAN OIL CORPORATION, WATSON CREEK, EAST
SMITH, RALPH H. (PARTNER IN SUNRISE EXPL.)
o 3080, 1981/01/01, SEE ANDERMAN, GEORGE G.
o 3081, 1981/08/04, SEE ANDERMAN OIL CORPORATION
SNG MARKETING COMPANY
o 3147, 1989/03/01, CONTRACTS
o 3147, 1989/03/01, CORRESPONDENCE
o 3147, 1989/03/01, PRICE LETTERS
SNYDER OIL CORP.
o ALSO SEE LOMAK 11/18/85
SOKOL, CHARLES
o 3114, 1981/01/01, SEE HODGES, LEONARD I., DR. (1/1/81 RAT.)
SONAT MARKETING COMPANY L.P.
o 3158-00, 1991/11/08, TERMINATED 1-1-97
o 3203-00, 1995/04/01
o N/A, 1995/00/00
SOUTHERN LAND & EXPLORATION CO., INC.
o 4045-97, 1997/10/01
SOUTHERN NATURAL GAS COMPANY
o 3190-00, 1994/08/15
SOUTHLAND PIPELINE COMPANY
o 3400, 1984/08/19, TERMINATED 9/1/87 X
o 3408, 1986/07/14 X
SOUTHLAND ROYALTY COMPANY
o 3408, 1986/07/14, ASSIGN TO SOUTHLAND PIPELINE CO. 7/14/86, X
SOUTHWEST ROYALTIES, INC.
o 4059-96, 1996/11/01, SEE ROUNDTREE & ASSOCIATES, INC.
SPINDLETOP DRILLING COMPANY
o 3177, 1993/12/01
STAGHORN RESOURCES LLC
o 4032-98, 1998/10/01
STEPHENS, JAMES
o SEE LADD, ET AL.
STETELMAN, BETTY R.
o 3068, 1981/01/01, SEE RUSH OIL COMPANY, INC.
STOVER, HOWARD E.
o 3108, 1986/01/01, SEE DRAKE, JERRY M.
STRATAUS ENERGY INC.
o 1981/01/01, NO EXECUTED AGREEMENT RECEIVED
STRIPER OIL INC.
o 3211, 1996/07/01
ST. MARY PARISH LAND COMPANY
o 3080, 1981/01/01, SEE ANDERMAN, GEORGE G.
o 3081, 1981/08/04, SEE ANDERMAN OIL CORPORATION
o 3117, 1986/08/01, SEE ANDERMAN OIL CORPORATION, WATSON CREEK, EAST
ST. PAUL ENERGY, L.P.
o N/A, SEE BOWMAN, INC., FRED CONTRACT #3147-03
SUMMERLAND, LTD.
o 3035, 1983/07/19, SEE HUGHES & HUGHES, LITTLE HELL'S CREEK

SUNRISE EXPLORATION

- o 3080, 1981/01/01, SEE ANDERMAN, GEORGE G.
- o 3081, 1981/08/04, SEE ANDERMAN OIL CORPORATION

SYRACUSE, LTD.

- o 3035, 1983/07/19, SEE HUGHES & HUGHES, LITTLE HELL'S CREEK

TAURUS EXPLORATION, INC.

- o 3092, 1984/10/01, SEE TXO PRODUCTION CORP. (4/1/86 AGMT.)
- o 3137-00, 1989/10/01, NAME CHANGED ENERGEN RESOURCES CORPORATION, FAYETTE & LAMAR COS, AL.

TERRA RESOURCES NATURAL RESOURCES CORP.

- o 1979/11/02, SEE CORONADO TRANSMISSION CO. AGMT. 9/1/78, (RATIFICATION OF CORONADO TRANS. AGMT.)

TERRA RESOURCES, INC.

- o 3088, 1981/01/01, ASSIGN. TO PACIFIC ENTERPRISES 4/24/89
- o 3092, 1984/10/01, SEE TXO PRODUCTION CORP.
- o 3097, 1984/12/28, FORMERLY SNG CONTRACT #935, TERMINATED 4/17/86
- o 3415, 1988/04/01, ASSIGN TO PACIFIC ENTERPRISES OIL CO. 4/24/89 X

TEXAS AMERICAN BANK

- o SEE AMBROSE PROPERTIES INC.

THOMPSON, SAMUEL G.

- o 1981/01/01, SEE LADD PETROLEUM

THOMSON-MONTIETH

- o 3115, 1986/10/01, SEE PETRUS OIL COMPANY, L.P. (10/15/86 RAT.)

TORCH-COENERGY L.L.C.

- o 3171-00, 1992/11/01, FORMERLY TORCH ENERGY MARKETING INC.
- o 3194-00, 1994/12/01, FORMERLY TORCH ENERGY MARKETING INC. AND TORCH GAS, L.C.

TORCH ENERGY MARKETING, INC.

- o 3171-00, 1992/11/01, NAME CHANGED TORCH-COENERGY L.L.C.
- o 3194-00, 1994/12/01, FORMERLY TORCH GAS, L.C. NAME CHANGED 12/18/96 NOW SEE TORCH-COENERGY L.L.C.

TORCH GAS, L.C.

- o 3194-00, 1994/12/01, NAME CHANGED TORCH ENERGY MARKETING, INC.

TRAFALGAR HOUSE OIL AND GAS INC.

- o 3115, 1986/10/01, SEE HARDY OIL & GAS USA INC. (NAME CHANGED)

TRATON OPERATING COMPANY

- o 4030-98, 1998/11/01

TRIANGLE OPERATING COMPANY

- o 3199-00, 1995/04/01

TRICE, HARRELL

- o 3088, 1981/01/01, SEE TERRA RESOURCES, INC. (3/3/81 RAT.)

TRIDENT OIL CORP.

- o SEE ASH L.L.C. 3147-02 (4-1-94)

TRUSTMARK NATIONAL BANK, TRUSTEE

- o 3068, 1981/01/01, SEE RUSH OIL COMPANY, INC.

TUCKER OPERATING COMPANY

- o 3403, 1986/06/24

TUCKER, WILLIAM E.

- o 3088, 1981/01/01, SEE TERRA RESOURCES, INC. (4/11/77 ASSIGN).

TXO PRODUCTION CORPORATION

- o 3088, 1981/01/01, SEE TERRA RESOURCES, INC. (7/29/83 ASSIGN)

o 3092, 1984/10/01, FOMERLY SIGNIFICANTLY CONTRACT #936
 UTC HOLDING & FINANCE, INC.
 o 3132-10, 1984/04/01
 VAUGHN, JAMES H.
 o 3022, 1981/01/01, SEE HODGES, LEONARD I. DR. (1/1/81 RAT.)
 VAUGHT, GEORGE G., JR.
 o 3180, 1993/12/01
 VENUS EXPLORATION, INC.
 o 3176, 1993/10/01, FORMERLY LOMACK PETROLEUM, INC.
 VINTAGE GAS INC.
 o SEE PARTNERHSIP PROP. & VINTAGE PET.
 VINTAGE PETROLEUM, INC.
 o 3062, 1981/01/01, SEE PARTNERSHIP PROPERTIES (PER 12/18/84 LETTER),
 VIOLA PRODUCTION, INC.
 o 3132-09, 1994/02/01
 VOLUNTEER ENERGY CORP.
 o 3159, 1991/12/01, FAYETTE & RUSCALOOSA
 WARRIOR BASIN GAS & OIL, LTD.
 o 3032, 1981/01/01, SEE HODGES, LEONARD I., DR.
 WEYERHAEUSER COMPANY
 o 3107, 1985/12/01
 WHEATLEY, ALLEN MAY
 o 3073, 1986/01/09, SEE WHEATLEY, J.C. (PER 1/9/86 RAT.)
 WHEATLEY, J.C.
 o 3073, 1977/06/01, 1/1/81 AGREEMENT NOT FULLY EXECUTED
 WHEATLEY, KEITH C.
 o 3074, 1977/17/08, 1/1/81 AGREEMENT NOT FULLY EXECUTED
 WHEATLEY, KEITH C.
 o 3074, 1977/17/08, 1/1/81 AGREEMENT NOT REC'D. BY RECORDS
 WHS TRUST
 o 3034, 1981/01/01, SEE HUGHES & HUGHES
 WILLIAMS, R. KEN
 o 3086, 1984/07/31, SEE MWJ PRODUCING COMPANY, FAYETTE & LAMAR COUNTIES,
 ALABAMA
 o 3118, 1986/08/01, SEE MWJ PRODUCING COMPANY, WATSON CREEK, EAST
 WINTERSHALL OIL & GAS CORPORATION
 o 927, 1984/07/13, SEE CARLESS RESOURCES, INC.
 WOODHATCH, MAYNARD M.
 o 3034, 1981/01/01, SEE HUGHES & HUGHES
 WOODWARD MARKETING, INC.
 o 3142, 1990/04/01, FAYETTE CO., AL.
 o 3427, 1990/05/01, FAYETTE CO., AL.
 WWS TRUST
 o 3034, 1981/01/01, SEE HUGHES & HUGHES
 YARBERRY, E.E.
 YARBROUGH, JAMES F.
 o 3086, 1984/07/31, SEE MWJ PRODUCING COMPNAY, FAYETTE & LAMAR COUNTIES,
 ALABAMA
 o 3118, 1986/08/01, SEE MWJ PRODUCING COMPANY, WATSON CREEK, EAST

YOUNG, CLING
 o SEE PETRUS OIL COMPANY
 GAS PURCHASE SALES
 DYNEGY MARKETING AND TRADE
 o 3112-98, 1988/12/01, (98-55-00324)
 GAS SALES
 ALABAMA GAS CORPORATION
 o 2014-00, 1995/12/01
 o 1976/09/09. CONTRACTS THROUGH 1980
 o 1976/09/09, CORRESPONDENCE
 o 1976/09/09
 o 1987/04/16
 o 1988/04/04
 o 1989/01/01
 o 1990/12/01
 o 1991/11/01
 ALAGASCO PIPELINE COMPANY
 o 1976/09/09, SEE ALABAMA GAS CORPORATION
 AVERY GAS RESOURCES, INC.
 o 1984/05/05
 BERRY, ALABAMA
 o 0211-98, 1998/11/01
 o 1987/12/21, TERMINATED 10-31-96
 BRISTOL RESOURCES CORP.
 o 2010, 1994/02/01
 o 2016-00, 1996/0/01
 BUNN CONSTRUCTION CO., INC., S.T.
 o 0156-96, 1996/10/01
 BUNN CONSTRUCTION, INC., S.T.
 o 1984/03/30
 CARBON HILL, ALABAMA
 o N/A
 CHAMPION INTERNATIONAL INC.
 o 1992/07/01
 CMW OIL COMPANY
 o 1988/09/01
 CORONADO TRANSMISSION COMPANY
 o 1983/06/29
 CTC GAS MARKETING INC.
 o 1988/07/01, TERMINATED 8/1/90
 o 1990/12/01
 DECATUR, ALABAMA
 o 2015-00, 1996/01/01
 ENCINA GAS MARKETING, ICN.
 o 2008-00, 1993/12/01
 ENERGEN RESOURCES CORPORATION
 o 000-97, 1997/02/01, FORMERLY TAURUS EXPLORATION U.S.A., INC.
 FAYETE, ALABAMA
 o 0085-98, 1998/10/01
 o 2003-01, 1995/10/01
 o 1984/12/01
 o 1992/10/01

GERMANY OIL COMPANY
o 2011-00, 1994/01/01
GOODRICH COMPANY, B.F.
o 1985/03/15, SEE UNIROYAL GOODRICH TIRE COMAPNY
o 1988/06/09
HOWELL GAS MANAGEMENT COMPANY
o 1987/03/01
o 1989/03/28
o 1989/12/01
HOWELL PIPELINE COMPANY, INC.
o 1984/07/25
HUGHES EASTERN CORPORATION
o 2009-00, 1994/02/01
HUNT OIL COMPANY
o 1985/01/30
JENKINS BRICK COMPANY
o 1985/07/18
MCGOWAN, JOHN W.
o 1987/12/01
MISCELLANEOUS
NORTHWEST ALABAMA GAS DISTRICT
o 1982/11/17
o 1987/11/01
o 1990/11/01
PICKENS COUNTY NATURAL GAS DISTRICT
o 9186/11/01
SNGTRADING INC.
o SEE SONAT MARKETING COMPANY
SONAT MARKETING COMPANY
o 2007-00, 1993/11/01, SMC #4761-93
SONAT MARKETING COMPANY L.P.
o 2013-00, 1995/09/01, SMC #4126-95
o 1988/06/27
SOUTHERN NATURAL GAS COMPANY
o 1984/09/18, TERMINATED 10/1/87
o 1984/10/01, TERMINATED
o 1984/11/01, TERMINATED 4/1/89
o 1985/05/01, TERMINATED 4/1/89
TAURUS EXPLORATION U.S.A. INC.
o 0002-97, 1997/02/01, NAME CHANGED ENERGEN RESOURCES CORPORATION
TAURUS EXPLORATION, INC.
o 2012-00, 1994/05/01
UNION CAMP CORPORATION
o 1985/06/28
UNIROYAL GOODRICH TIRE COMPANY
o 1985/03/15
o 1986/06/09, SEE GOODRICH COMPANY, B.,F.
VICTORY RESOURCES INC.
o 1992/04/01

VOLUNTEER ENERGY CORP.
o 1991/06/01
GAS TRANSPORTATION
ALABAMA INTRASTATE SUPPLY
o 3600, 1984/10/01
o 8611, 1987/06/01
ALAGASCO ENERGY COMPANY
o 3623, 1983/11/30
ANDERMAN/SMITH OPERATING COMPANY
o 3602, 1986/08/01
o 1983/11/21
o 1987/04/01, PROPOSED RATIFICATION SEE PACIFIC ENTERPRISES.
ARCO NATURAL GAS MARKETING, INC.
o 3640, 1991/02/01
ARCO OIL & GAS COMPANY
o 1990/08/30
ASSOCIATED NATURAL GAS, INC.
o 1989/12/01
SEE GALAXY ENERGIES, INC.
BRISTOL RESOURCES CORP.
o 3665-00, 1996/01/01
BROWNING & WELCH, INC.
o 3608, 1988/11/01
o 1989/12/01
CARLESS RESOURCES, INC.
o 3610, 1987/06/01
o 3614, 1987/12/01
o 3624, 1988/12/01
CHAMPION INTERNATIONAL CORPORATION
o 1988/10/01
o 1998/12/01
CHEVRON U.S.A. PRODUCTION
o 3652, 1993/05/01
o 3653, 1993/05/01
o 3654, 1993/05/20
o 3655, 1993/05/20
CTC GAS MARKETING INC.
o 3646, 1992/02/12, NAME CHANGE ENCINA
DOMINION RESERVES
o 3643, 1991/11/01
ELDRIDGE GASTHERING SYSTEM, INC.
o 1997/07/06
EMERALD GAS COMPANY
o 3643, 1991/11/01, SEE RIVER GAS CORP.
ENCINA GAS MARKETING
o 3646, 1992/02/12
o 3649, 1992/11/28
FAYETTE, ALABAMA
o 1984/04/12

FLARE INC.
 o 3645, 1992/02/01
 GALAXY ENERGIES, INC.
 o 3601, 1985/01/24, REPLACES 1/20/84 AGREEMENT
 o 3601, 1985/01/24
 o 1984/01/20
 o 1989/12/01, SEE ASSOCIATED NATURAL GAS INC.
 GERMANY OIL COMPANY
 o 3609-01, 1994/01/01
 HOWELL PETROLEUM CORPORATION
 o 3522, 1987/12/01
 HOWELL PIPELINE COMPANY, INC.
 o 1984/08/24
 HUGHES EASTERN CORPORATION
 o 3612, 1987/09/04
 o 3618, 1988/01/27
 HUGHES & HUGHES
 o 3812, 1987/09/04, SEE HUGHES EASTERN CORPORATION
 JIM WALTER RESOURCES, INC.
 o 3663, 1995/11/01, SEE SONAT EXPLORATION CO. - BROOKWOOD
 LIGHTHOUSE GAS MARKETING COMPANY
 o 1991/01/01
 MARATHON OIL COMPANY
 o 3629, 1989/10/01, MCCONNELLS STATION
 o 3647, 1992/02/15, ASSOCIATED NATURAL GAS, INC.
 o 1989/10/01, MOORE'S BRIDGE
 o SEE TXD PRODUCTION CORP. 11/5/90
 MERIDIAN OIL INC.
 o 3636, 1990/07/12
 MICHIGAN OIL COMPANY
 o 3617, 1988/01/27
 MIDCOAST ENERGY RESOURCES, INC.
 o 3668-00, 1996/09/01
 MISCELLANEOUS
 o ECONOMIC BENEFITS
 o NOMINATIONS, PIPELINE
 MOON-HINES-TIGRETT OPERATING CO., INC.
 o 1990/03/26, O&M
 MORROW OIL & GAS COMPANY
 o 3613, 1987/10/01, REDELIVERY ALA GAS, ET AL.
 o 3620, 1987/12/01, REDELIVERY CORONADO
 o 1989/08/21, HODGES ESTATES 27-2 WELL CONNECTION
 o 1989/08/21, HODGES ESTATE 27-2
 o 1990/11/20, WEYERHAEUSER 22-8 WELL
 MWJ PRODUCING COMPANY
 o 3604, 1986/08/01
 o 3619, 1987/11/01
 o 3631, 1989/11/01
 NATURAL GAS & OIL, INC.
 o 1991/04/30

NORTHWEST ALABAMA GAS DISTRICT
 o 3603, 1988/07/01
 o 1983/05/01
 o 1992/07/01
 OGP OPERATING INC.
 o 3841, 1991/02/01, SNG
 o 3642, 1991/02/01, TENNESSEE GAS PIPELINE CO.
 PACIFIC ENTERPRISES OIL COMPANY (USA)
 o 3608, 1987/04/01
 o 3609, 1987/05/01
 o 3627, 1989/10/01, MOORE'S BRIDGE
 PARKS & LUTRELL, INC.
 o SEE GERMANY OIL COMPANY
 PERRY GAS COMPANIES, INC.
 o 3664-00, 1995/12/01
 PRAIRIE PRODUCING COMPANY
 o SEE HUGHES EASTERN CORP.
 PRUET PRODUCTION COMPANY
 o 3628, 1989/08/01
 o 1989/01/24
 o 1989/02/22
 REDFLOWER INC.
 o SEE GRACE 5/1/86
 RIVER GAS CORPORATION & EMERALD GAS CO.
 o 3643, 1991/11/01, NAME CHANGE DOMINION RESERVES
 SAMSON HYDROCARBONS COMPANY
 o
 SANFORD RESOURCES CORPORATION
 o 3848, 1992/10/01
 o 1991/06/17
 SANFORD, EMMETT, JR.
 o 1991/06/17
 SNG INTRASTATE GAS SUPPLY INC.
 o 3615, 1987/11/01
 o 3616, 1988/01/04
 o 3625, 1988/04/01
 SNG INTRASTATE PIPELINE INC.
 o SEE SONAT INTRASTATE-ALABAMA INC.
 SONAT EXPLORATION COMPANY
 o 3681-00, 1985/08/22, WHITE OAK CREEK
 o 3683-00, 1995/11/01, BROOKWOOD
 SONAT INTRASTATE-ALABAMA INC.
 o 3641, 1991/05/01, SEE SONAT INTRASTATE-ALABAMA, X
 o 1987/11/01 X
 o 1988/01/04 X
 o 1988/04/01 X
 SONAT INTRASTATE SUPPLY INC.
 o 3641, 1991/08/01
 SONAT MARKETING COMPANY L.P.
 o 3605, 1986/09/01, LOCAL DISTRIBUTION COMPANIES, VARIOUS
 o 3613-01, 1995/08/01

0 3633, 1990/06/01, TERMINATED, BLACK WARRIOR BASIN
 0 3637, 1990/09/01, TERMINATED, BLACK WARRIOR BASIN
 0 3638, 1991/01/01, TERMINATED, NORTHWEST ALABAMA GAS DISTRICT
 0 3651, 1993/05/01, TERMINATED 3/1/97
 0 3656, 1993/05/01, TERMINATED 3/1/97
 0 3657, 1993/10/01
 0 3658, 1993/05/01, TERMINATED 3/1/97
 0 3660, 1995/04/01
 0 3552, 1995/08/01
 0 1998/11/01
 SOUTHWEST ALABAMA GAS DISTRICT
 0 1985/07/22
 SOUTHEAST GAS ACQUISITION & SUPPLY ASSN. INC.
 0 3607, 1987/01/26
 SOUTHERN NATURAL GAS COMPANY
 0 3632, 1990/01/01 CEDAR COVE
 0 845670, 1988/01/20 X
 0 847550, 1988/05/11, MCCONNELLS COMPRESSOR STATION, BROWNWOOD PRESERVE
 0 847550, 1991/04/25, SEE SNG - 847550 (BROWNWOOD PRESERVE), MCCONNELLS
 COMPRESSOR STATION MODIFICATION
 0 847550, 1991/04/25, SEE SNG - 847550 (BROWNWOOD PRESERVE), MCCONNELLS
 COMPRESSOR STATION MODIFICATION
 0 929150, 1998/11/01
 0 1982/11/01
 0 1982/06/01, FAYETTE & LAMAR COUNTIES
 0 1989/11/07, D&M, BLUE CREEK
 0 1992/06/01, FAYETTE & LAMAR COUNTY
 0 1993/10/15, AGENCY
 0 1996/01/01, BALANCING AGREEMENT
 0 1997/03/14, MERCEDES-BENZ PLANT
 0 MISCELLANEOUS
 SOUTHLAND GATHERING COMPANY
 0 3650, 1992/10/01
 TENNESSEE GAS PIPELINE COMPANY
 0 21005, 1997/08/01
 0 21025, 1997/09/01, BALANCING AGREEMENT
 0 3466, 1993/09/01, OBA
 0 1987/04/01, SEE PACIFIC ENTERPRISES OIL REDELIVERY - ANGI
 0 SEE PRUET PRODUCTION COMPANY
 TERRA RESOURCES, INC.
 0 SEE PACIFIC ENTERPRISES OIL COMPANY (USA)
 TRANSCO ENERGY MARKETING COMPANY
 0 3634-00, 1990/03/01, ASSIGNED TO WILLIAMS ENERGY SERVICES COMPANY
 EFFECTIVE 5/1/97, CEDAR COVE
 TRANSCONTINENTAL GAS PIPE LINE CORPORATION
 0 3659, 1994/04/01
 TXO PRODUCTION COMPANY
 0 MCCONNELLS STATION
 TXO PRODUCTION CORPORATION
 0 3628, 1989/10/01, SEE MARATHON OIL COMPANY, MOORE'S BRIDGE
 0 3629, 1989/10/01, SEE MARATHON OIL COMPANY, MCCONNELLS STATION

VOLUNTEER ENERGY CORP.

- o 3644, 1991/12/01

WILLIAMS ENERGY SERVICES COMPANY

- o 3634-00, 1990/03/01, FORMERLY TRANSCO ENERGY MARKETING COMPANY

WOODWARD MARKETING

- o 3635, 1990/08/01

MISCELLANEOUS

ALABAMA GAS CORPORATION

- o HEARTLINE STORAGE FIELD PROJECT

COASTAL FLOW MEASUREMENT

- o 1998/04/08, CHART CALCULATION SOFTWARE

FOSTER & ASSOCIATES, CHARLEY

- o 1990/01/24

HALLIBURTON RESOURCE MANAGEMENT

- o ,

HOWELL PETROLEUM CORPORATION

- o SEE LAND FILES, PARK PLACE TOWER (RADIO TOWER)

LAMOREAUX AND ASSOCIATES, INC., P.E.

- o 1989/08/08

PATE 69 SOUTH CENTER, INC.

- o 1998/09/21, ENCROACHMENT AND REIMBURSEMENT AGREEMENT

REAGAN EQUIPMENT CO.

- o ,

SOUTHERN NATURAL GAS COMPANY

- o 1997/08/01, GUARANTY AGREEMENT

TENNESSEE GAS PIPELINE COMPANY

- o 1992/08/01, ELECTRONIC CUSTODY TRANSFER

- o 1993/05/30, TENN-SPEED

- o 1998/11/05, ELECTRONIC MEASUREMENT DATA

TIDEWATER COMPRESSION SERVICE, INC.

- o ,

TRANSFERS

- o MATTHEWS, W.E., IV

UNIVERSITY OF ALABAMA

- o 1990/05/11, ARCHEOLOGICAL SERVICES

- o 1990/05/11, ENDANGERED & THREATENED SPECIES

VERNON JANITORIAL & MAINTENANCE

- o 1989/08/11

TAX RETURNS

The following income tax returns have been filed by El Paso Intrastate-Alabama, Inc. (formerly Sonat Intrastate-Alabama Inc.)

FEDERAL

Sonat Intrastate-Alabama Inc. was included in the Sonat Inc. and Subsidiaries' consolidated federal income tax returns for 1997 and 1998. Sonat Intrastate-Alabama Inc. will also be included in the 10 month 1999 Sonat Inc. and Subsidiaries' consolidated federal income tax return and the 2 month 1999 El Paso Energy Corporation and Subsidiaries' consolidated federal income tax return.

The 1989-1995 federal income tax returns of Sonat Inc. and Subsidiaries are currently under audit.

STATE

Sonat Intrastate Alabama Inc. filed Alabama income tax returns for 1997 and 1998. Sonat Intrastate-Alabama Inc. will be included in the Sonat Inc. Alabama Consolidated Income Tax Return for the 10 month period ending October 31, 1999 and in the El Paso Energy Corporation Alabama Consolidated Income Tax Return for the 2 month period ending December 31, 1999.

SCHEDULE 3.1.13.3

WAIVERS OF STATUTE OF LIMITATIONS

El Paso Intrastate-Alabama Inc. has not waived any statute of limitations or agreed to any extensions of time. Sonat Inc. and Subsidiaries have extended the federal income tax statute of limitations for the 1989-1995 return years through December 31, 2000.

SCHEDULE 3.1.13.4

TAX ALLOCATION OR SHARING AGREEMENTS

Sonat Intrastate-Alabama Inc. was covered by the Sonat Inc. and Subsidiaries tax allocation agreement through October 31, 1999 and the El Paso Energy Corporation and Subsidiaries tax sharing policy from November 1, 1999 through the Closing Date.

SCHEDULE 3.1.18

PERMITS

NPDES (National Pollutant Discharge Elimination System) for the following areas:
Fayette, Lamar, Tuscaloosa, Jefferson Counties

ADEM (Alabama Department of Environmental Management) ADEM Air Permits For the following Compressor Facilities:

White Oak #1, #2, #3 (Title 5 Permit applications have been filed for White Oak)
Fayco
Mt. Zion
Highway 35
Nalls Header
Morgan Header

Highway 35 SPCC Plan (Spill Prevention Control & CounterMeasure)
White Oak SPCC Plan

SCHEDULE 3.1.19

OWNERSHIP INTERESTS IN CUSTOMERS AND SUPPLIERS

None.

EXHIBIT A
FORM OF CERTIFICATE OF MERGER

[See Attached]

CERTIFICATE OF MERGER
OF
EL PASO INTRASTATE-ALABAMA, INC.
(A DELAWARE CORPORATION)

WITH AND INTO

GREEN CANYON PIPE LINE COMPANY, L.P.
(A DELAWARE LIMITED PARTNERSHIP)

Pursuant to the provisions of Section 17-211 of the Delaware Revised Uniform Limited Partnership Act and Section 263 of the Delaware General Corporation Law (collectively, the "Applicable Merger Acts"), Green Canyon Pipe Line Company, L.P., a Delaware limited partnership, hereby executes and adopts this Certificate of Merger as of [_____], 2000 and certifies as follows:

1. El Paso Intrastate-Alabama, Inc. ("Merged Company") is a Delaware corporation, and Green Canyon Pipe Line Company, L.P. ("Surviving Company") is a Delaware limited partnership.
2. Merged Company and Surviving Company are parties to an Merger Agreement dated as of March [___], 2000 (the "Merger Agreement") that has been approved, adopted, certified, executed and acknowledged by the parties thereto in accordance with the Applicable Merger Acts.
3. Surviving Company shall be the surviving limited partnership of the Merger.
4. An executed copy of the Merger Agreement is on file at the principal place of business of Surviving Company, which address is:

Green Canyon Pipe Line Company, L.P.
c/o El Paso Energy Partners, L.P.
Attn.: Chief Financial Officer
1001 Louisiana
Houston, Texas 77002
5. A copy of the Merger Agreement will be furnished by Surviving Company, on written request and without cost, to any stockholder of Merged Company or partner of Surviving Company.
6. This Certificate of Merger will be effective upon filing.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the General Partner of the Surviving Company has executed this Certificate of Merger as of the day and year first written above.

ARTICLE I. [EL PASO ENERGY PARTNERS OIL TRANSPORT, L.L.C.]

By: -----
Name: -----
Title: -----

EXHIBIT B
FORM OF OPERATING AGREEMENT

[See Attached]

EXHIBIT C
THE PROPERTY

1. The system consists of approximately 451 miles of pipe, sized as follows:

16"	15.123	miles
12"	38.698	miles
10"	109.383	miles
8"	19.127	miles
6"	57.308	miles
4"	96.166	miles
3"	35.336	miles
2"	45.383	miles

	406.524	Total miles active pipeline
8"	9.630	MIC Loop Pipeline
12"	35.246	

	44.876	Total miles inactive pipeline

Total miles pipeline on books: 451.4 miles

2. The system utilizes the following compression facilities:

A.	White Oak #1 Station		
	Comp #1	Ajax 600	540 H.P. Leased
	Comp #2	Ajax 800	800 H.P. Owned
	Comp #3	Ajax 800	800 H.P. Owned
	Comp.#4	Ajax 800	800 H.P. Owned
	Comp.#8	Waukesha 7042 - KOC	1,215 H.P. Owned
	Comp.#9	Waukesha 7042 - KOC	1,215 H.P. Owned
	Comp.#18	Waukesha 7044 - VPD	1,680 H.P. Owned
B.	White Oak #2 Station		
	Comp.#10	Waukesha 7042 - KOC	1,215 H.P. Owned
	Comp.#11	Waukesha 7042 - KOC	1,215 H.P. Owned
	Comp.#12	Waukesha 7042 - KOC	1,215 H.P. Owned
	Comp.#13	Waukesha 7042 - KOC	1,215 H.P. Owned
	Comp.#14	CAT 3516 - VIP	1,340 H.P. Owned
	Comp.#15	Waukesha 7044 - VPD	1,680 H.P. Leased
C.	White Oak #3 Station		
	Comp.#16	Waukesha 7044 - VPD	1,680 H.P. Owned
	Comp.#17	Waukesha 7044 - VPD	1,680 H.P. Owned

White Oak Comp. owned:	16,070 H.P.
White Oak Comp. leased:	2,220 H.P.

Total White Oak H.P.	18,290

System Compression continued:

D.	Fayco Compression Station (inactive)		
	Clark HB - 10	2,650 H.P.	Owned
	Ajax 800	800 H.P.	Owned
E.	Mt. Zion Station (inactive)		
	Ajax 600 #1	540 H.P.	Owned
	Ajax 600 #2	540 H.P.	Owned
F.	Morgan Header Station (inactive)		
	Ajax 360	360 H.P.	Owned
G.	Nalls Header Station (inactive)		
	LRE 55	55 H.P.	
H.	Hwy. 35 Yard (inactive)		
	LRE 165	165 H.P.	Owned
	CAT KOA 379	379 H.P.	Owned

Conventional Field Compression = 5,489 H.P.

3. Meters and related measurement facilities:

Owns and operates:	95	Receipt Meters
Owns and operates	30	Delivery Meters

	125	Total Meters

4. Dehydration Units:

Moores Bridge	1-EA	10.0 MMCFD	inactive
Blowhorn Sta.	1-EA	10.0 MMCFD	inactive
Bluff Station	1-EA	0.5 MMCFD	inactive
(In Stock)	2-EA	16.0 MMCFD	inactive
White Oak #1	3-EA	34.0 MMCFD	active
White Oak #2	3-EA	30.0 MMCFD	active
White Oak #3	2-EA	20.0 MMCFD	active

5. Sales Points with related measurement facilities:

A.	Tennessee Gas Pipeline (Receipt or Delivery)	2-EA	4" meter runs	12,000	MCFD ea.
B.	Sonat (SNG) Pipeline				
	McConnell Station	3-EA	6" meter runs	20,000	MCFD ea.
	Duncanville	3-EA	8" meter runs	44,000	MCFD ea.
	White Oak #1	2-EA	6" meter runs	20,000	MCFD ea.
	White Oak #3	1-EA	8" meter run	40,000	MCFD ea.
C.	Midcoast (Magnolia Pipeline)	2-EA	8" meter runs	40,000	MCFD ea.
D.	City of Fayette				
	Cedar Hill	1 EA	3" meter run	6,000	MCFD
	Hollis Collins	1-EA	3" meter run	6,000	MCFD
	Benton	1-EA	2" meter run	5,000	MCFD
E.	City of Berry	1-EA	2" meter run	5,000	MCFD
F.	Alagasco				
	Moore's Bridge	2-EA	6" meter runs	20,000	MCFD ea.
	Mercedes	1-EA	8" meter run	44,000	MCFD
	Brookwood	1-EA	2" meter run	5,000	MCFD
G.	N/W Gas District				
	Blowhorn	1-EA	6" meter run	20,000	MCFD
	Bluff	1-EA	6" meter run	20,000	MCFD
	171	2-EA	4" meter runs	12,000	MCFD ea.
H.	Taurus C/C Fuel				
	Comp. Fuel				
	Redelivery	9-EA	2" meter runs	5,000	MCFD ea.
I.	River Gas C/C Fuel				
	Comp. Fuel				
	Redelivery	2-EA	2" meter runs	5,000	MCFD ea.
J.	North Fairview				
	St. Mary	1-EA	2" meter run	5,000	MCFD
K.	South Blowhorn				
	Hughes Eastern	1-EA	2" meter run	5,000	MCFD

6. Real Estate:
- | | | |
|----------------|-----------|--|
| Fayette Office | 1.5 acres | |
| Fayco Comp. | 1.0 acre | |
| Hwy. 35 Yard | 1.0 acre | |
7. Other related equipment:
- | | | | |
|----|------------------------------|----------|----------|
| A. | Process Separators - | 12 total | |
| B. | Storage Tanks | | |
| | 1) 210 BBL | - | 8 total |
| | 2) 100 BBL | - | 9 total |
| | 3) 50 BBL | - | 3 total |
| C. | Regulator Stations | - | 21 total |
| D. | Vehicles: | | |
| | 2 Ford Taurus | | |
| | 3 Ford F-150 Styleside 4 X 4 | | |
| | 3 Ford F-150 Styleside | | |
| | 2 Ford F-150 Extended Cab | | |
| | 1 Ford F-350 C & C | | |
| | 1 Ford F-800 1 1/2 Ton C & C | | |
| | 1 Chevy Blazer 4 x 4 | | |
| | 1 Chevy C-1500 Extended Cab | | |
| | 1 Chevy C-1500 Wideside | | |
| | 1 Chevy-1 ton flat bed | | |
| | 1 Chevy C-70 1 1/2 ton C & C | | |
| | ----- | | |
| | 17 Total | | |

EL PASO ENERGY PARTNERS, L.P. AND
SUBSIDIARIES AND AFFILIATES

AS OF DECEMBER 31, 1999

El Paso Energy Partners, L.P.	
Delos Offshore Company, L.L.C. (Delaware LLC).....	98.9899
(El Paso Energy Partners, L.P. owns 98.9899%; El Paso Energy Partners Company owns 1.0101%)	
Ewing Bank Gathering Company, L.L.C. (Delaware LLC).....	98.9899
(El Paso Energy Partners, L.P. owns 98.9899%; El Paso Energy Partners Company owns 1.0101%)	
Flextrend Development Company, L.L.C. (Delaware LLC).....	98.9899
(El Paso Energy Partners, L.P., owns 98.9899%; El Paso Energy Partners Company owns 1.0101%)	
Green Canyon Pipe Line Company, L.L.C. (Delaware LLC).....	98.9899
(El Paso Energy Partners, L.P., owns 98.9899%; El Paso Energy Partners Company owns 1.0101%)	
El Paso Energy Partners Deepwater, L.L.C. (Delaware LLC).....	98.9899
(El Paso Energy Partners, L.P., owns 98.9899%; El Paso Energy Partners Company owns 1.0101%)	
Deepwater Holdings, L.L.C. (Delaware LLC).....	50
(El Paso Energy Partners Deepwater, L.L.C. owns 50%; unaffiliated parties own 50%.)	
Stingray Pipeline Company, L.L.C. (Louisiana).....	100
U-T Offshore System (Delaware GP).....	100
West Cameron Dehydration Company, L.L.C. (Delaware LLC).....	100
Western Gulf Holdings, L.L.C. (Delaware LLC).....	100
East Breaks Gathering Company, L.L.C. (Delaware LLC).....	100
High Island Offshore System (Delaware GP).....	100
El Paso Energy Partners Finance Corporation (Delaware).....	100
El Paso Energy Partners Oil Transport Systems, L.L.C. (Delaware LLC).....	98.9899
(El Paso Energy Partners, L.P., owns 98.9899%; El Paso Energy Partners Company owns 1.0101%)	
El Paso Partners Operating Company, L.L.C. (Delaware LLC).....	98.9899
(El Paso Energy Partners, L.P., owns 98.9899%; El Paso Energy Partners Company owns 1.0101%)	
Manta Ray Gathering Company, L.L.C. (Delaware LLC).....	98.9899
(El Paso Energy Partners, L.P., owns 98.9899%; El Paso Energy Partners Company owns 1.0101%)	
Moray Pipeline Company, L.L.C. (Delaware LLC).....	98.9899
(El Paso Energy Partners, L.P., owns 98.9899%; El Paso Energy Partners Company owns 1.0101%)	
Nemo Gathering Company, L.L.C. (Delaware LLC).....	33.9
(Moray Pipeline Company, L.L.C. owns 33.9%; unaffiliated parties own 76.1%)	
Poseidon Pipeline Company, L.L.C. (Delaware LLC).....	98.9899
(El Paso Energy Partners, L.P., owns 98.9899%; El Paso Energy Partners Company owns 1.0101%)	
Poseidon Oil Pipeline Company, L.L.C. (Delaware LLC).....	36
(Poseidon Pipeline Company, L.L.C. owns 36%; Unaffiliated parties own 64%)	
Sailfish Pipeline Company, L.L.C. (Delaware LLC).....	98.9899
(El Paso Energy Partners, L.P., owns 98.9899%; El Paso Energy Partners Company owns 1.0101%)	
Neptune Pipeline Company, L.L.C. (Delaware LLC).....	25.67
(Sailfish Pipeline Company, L.L.C. owns 25.67%; unaffiliated parties own 74.33%)	
Manta Ray Offshore Gathering Company, L.L.C. (Delaware LLC).....	99
(Neptune Pipeline Company, L.L.C. owns 99%; Ocean Breeze Pipeline Company, L.L.C. owns 1%)	
Nautilus Pipeline Company, L.L.C. (Delaware LLC).....	99
(Neptune Pipeline Company, L.L.C. owns 99%; Ocean Breeze Pipeline Company, L.L.C. owns 1%)	
Ocean Breeze Pipeline Company, L.L.C. (Delaware LLC).....	25.67
(Sailfish Pipeline Company, L.L.C. owns 25.67%; unaffiliated parties own 74.33%)	
Manta Ray Offshore Gathering Company, L.L.C. (Delaware LLC).....	1
(Neptune Pipeline Company, L.L.C. owns 99%; Ocean Breeze Pipeline Company, L.L.C. owns 1%)	
Nautilus Pipeline Company, L.L.C. (Delaware LLC).....	1
(Neptune Pipeline Company, L.L.C. owns 99%; Ocean Breeze Pipeline Company, L.L.C. owns 1%)	
Tarpon Transmission Company (Texas).....	100
VK Deepwater Gathering Company, L.L.C. (Delaware LLC).....	98.9899
(El Paso Energy Partners, L.P., owns 98.9899%; El Paso Energy Partners Company owns 1.0101%)	
Viosca Knoll Gathering Company (Delaware JV).....	99
(VK Deepwater Gathering Company, L.L.C. owns 99.0%; El Paso Energy Partners, L.P. holds a 1% option)	
VK-Main Pass Gathering Company, L.L.C. (Delaware LLC).....	98.9899
(El Paso Energy Partners, L.P., owns 98.9899%; El Paso Energy Partners Company owns 1.0101%)	

March 24, 2000

Board of Directors
El Paso Energy Partners, L.P.
1001 Louisiana Street
Houston, Texas 77002

Dear Directors:

We are providing this letter to you for inclusion as an exhibit to your Form 10-K filing pursuant to Item 601 of Regulation S-K.

We have audited the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and issued our report thereon dated March 24, 2000. Note 1 to the financial statements describes a change in accounting principle from one income allocation method whereby net income is allocated to partners based upon percentage ownership and proportionate share of cash distributions to another income allocation method whereby net income is allocated to partners based upon the change from period to period in their respective claims on the Company's book value capital. It should be understood that the preferability of one acceptable method of accounting over another for allocating income to partners in a limited partnership has not been addressed in any authoritative accounting literature, and in expressing our concurrence below we have relied on management's determination that this change in accounting principle is preferable. Based on our reading of management's stated reasons and justification for this change in accounting principle in the Form 10-K, and our discussions with management as to their judgment about the relevant business planning factors relating to the change, we concur with management that such change represents, in the Company's circumstances, the adoption of a preferable accounting principle in conformity with Accounting Principles Board Opinion No. 20.

Very truly yours,

PricewaterhouseCoopers LLP

12-MOS			
	DEC-31-1999		
	JAN-01-1999		
	DEC-31-1999		
		4,202	
		0	
	8,501		
		0	
		0	
	12,957		
		373,759	
		0	
	583,585		
10,418		465,000	
		0	
		0	
		96,489	
583,585			
		0	
	96,473		
		0	
		0	
	53,032		
		0	
		0	
	35,323		
	18,382		
	(435)		
6,688			
		0	
		0	
		(15,427)	
		(8,739)	
		(0.34)	
		(0.34)	

Not separately identified in the consolidated financial statements or
accompanying notes thereto
Income tax benefit
Allocated to limited partners