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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

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	76-0396023
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

EL PASO BUILDING 1001 LOUISIANA STREET HOUSTON, TEXAS	77002
(Address of Principal Executive Offices)	(Zip Code)

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

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
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 [X] 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 34,042,814 COMMON UNITS OUTSTANDING AS OF MARCH 29, 2001. THE AGGREGATE MARKET VALUE ON SUCH DATE OF THE REGISTRANT'S COMMON UNITS HELD BY NON-AFFILIATES WAS APPROXIMATELY $1,052 MILLION.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

EL PASO ENERGY PARTNERS, L.P.

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

GENERAL

We are one of the largest publicly-traded master limited partnerships in terms of market capitalization and a gatherer of natural gas and oil in the Gulf of Mexico. Formed in 1993, we provide midstream energy services both onshore and offshore in the Gulf of Mexico, including gathering, transportation, storage and other related services for producers of natural gas and oil. Through December 31, 2000, our subsidiaries and joint ventures owned or had interests in (i) twelve natural gas and oil pipeline systems, (ii) seven offshore platforms, including related production, processing, and dehydration facilities, (iii) five producing oil and natural gas properties, (iv) one non-producing oil and natural gas property, and (v) two natural gas storage facilities in Mississippi.

Our pipeline systems have a combined capacity of over 7.3 Bcf/d of natural gas and over 340 MBbls/d of oil and include over 2,000 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. In March 2000, we acquired El Paso Intrastate-Alabama, or EPIA, a natural gas pipeline system in the coal bed methane producing regions of Alabama from a subsidiary of El Paso Corporation. The system consists of over 450 miles of pipeline and has a capacity of approximately 200 MMcf/d. These systems handled an average of approximately 3.4 MMdth/d of natural gas from 1998 to 2000, as well as an average of approximately 176 MBbls/d of oil in 2000, 181 MBbls/d in 1999 and 97 MBbls/d in 1998.

Upon completion of the Prince tension leg platform, or TLP, our multi-purpose offshore platforms will have a product handling capacity of over 710 Mcf/d of natural gas and over 120 MBbls/d of oil and condensate. Through these facilities, we are able to provide a variety of producer and midstream services to enhance deliverability and volumes into our pipeline systems.

Our producing properties have total proved reserves of approximately 11.5 Bcf of natural gas and over 1.2 MMBbls of oil. We also have an overriding royalty interest in the Prince Field, a non-producing property in the Ewing Bank region of the Gulf of Mexico to capitalize on future development efforts in that region.

In August 2000, we acquired salt dome natural gas storage facilities located in Mississippi which are well situated to serve the Northeast, Mid-Atlantic and Southeast natural gas markets. These facilities have a combined working capacity of 6.7 Bcf, and are capable of delivering in excess of 670 MMcf/d of natural gas into three interstate pipelines, Koch Gateway Pipeline, Transcontinental Gas Pipeline, or Transco, and Tennessee Gas Pipeline. Each of these facilities is capable of making deliveries at the high rates necessary to satisfy peaking requirements in the electric generation industry.

- ---------------

As generally used in the energy industry and in this document, the following terms have the following meanings:

Bbl(/d)	= barrel (per day)
BBtu(/d)	= billion British thermal units (per day)
Bcf(/d)	= billion cubic feet (per day)
MBbls(/d)	= thousand barrels (per day)
MMBbls	= million barrels

MMBtu	= million British thermal units
Mcf(/d)	= thousand cubic feet (per day)
MMcf(/d)	= million cubic feet (per day)
MMdth(/d)	= million dekatherms (per day)
Mdth(/d)	= thousand dekatherms (per day)

When we refer to natural gas and oil in "equivalents," we are doing so to compare quantities of oil with quantities of natural gas or to express these different commodities in a common unit. In calculating equivalents, we use a generally recognized standard in which one Bbl of oil is equal to six Mcf of natural gas. Also, when we refer to cubic feet measurements, all measurements are at 14.73 pounds per square inch.

In August 1998, El Paso acquired DeepTech International Inc., the parent company of our General Partner. Following this acquisition, our General Partner became an indirect wholly owned subsidiary of El Paso. Our General Partner and other affiliates of El Paso perform all of our management and operational functions and together own a 27.8 percent interest in our common units consisting of 8,953,764 common units. They also own a one percent general partner interest in us, an approximate one percent non-managing member interest in many of our subsidiaries and $170 million of our Series B preference units. For further information on our Series B preference units, see Item 5, Market for Registrant's Units and Related Unitholder Matters.

BUSINESS STRATEGY

Our objective is to operate as a growth-oriented master limited partnership with a focus on increasing our cash flow and distributions to our unitholders. Our strategy is to combine our position as a provider of midstream services in the deeper water regions of the Gulf of Mexico with an aggressive effort to acquire and develop diversified onshore midstream energy assets. Accordingly, we also expect a substantial portion of our growth to relate to onshore activities and operations. Further, our strategy includes identifying opportunities that create synergies with the other assets and operations of El Paso. We intend to continue de-emphasizing our commodity-based activities, such as exploration and production operations, in the future and concentrate on fee-based operations, which tend to provide more stable cash flows. As part of our business strategy,

- we acquired EPIA, a natural gas pipeline system in the coal bed methane producing regions of Alabama from a subsidiary of El Paso, in March 2000;

- we entered into an agreement with El Paso Production in March 2000 committing all natural gas and oil produced from the Prince Field to a platform we are constructing at Ewing Bank 1003;

- we placed our East Breaks joint venture pipeline system in service in June 2000;

- we acquired the salt dome natural gas storage businesses of Crystal Gas Storage, Inc., a subsidiary of El Paso, in August 2000; and

- we acquired the south Texas fee-based natural gas liquids, or NGL, transportation and fractionation assets from a subsidiary of El Paso in February 2001.

In accordance with a Federal Trade Commission, or FTC, order related to El Paso's merger with The Coastal Corporation, we divested a number of our Gulf of Mexico assets in January 2001. These divestitures allow us to further our plan to diversify and grow our sources of cash flow. For more information on these asset divestitures, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

SEGMENTS

We segregate our business activities into three segments:

- Gathering, Transportation, and Platform Services;

- Oil and Natural Gas Production; and

- Gas Storage Services.

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 11. Each of these segments is discussed more fully below.

GATHERING, TRANSPORTATION, AND PLATFORM SERVICES

Pipeline Systems

We conduct a significant portion of our 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 members' relative ownership interests. The following table and discussions describe our network of subsidiary and joint venture owned natural gas and crude oil pipelines as of December 31, 2000:

			DEEPWATER HOLDINGS					
	VIOSCA KNOLL(1)	EL PASO INTRASTATE-ALABAMA(2)	HIOS	EAST BREAKS(3)	UTOS(4)	STINGRAY(4)	GREEN CANYON(4)	TARPON(4)
Effective ownership interest	100%	100%	50%	50%	50%	50%	100%	100%
Unregulated(U)/ regulated(R)	U	U	R	U	R	R	U	U
Operated(O)/Non-operated(N)	O	O	O(5)	O(5)	O(5)	O	O	O
In-service date	1994	1972	1977	2000	1978	1975	1990	1978
Approximate capacity(7)	1,000	200	1,800	400	1,200	1,120	220	80
Aggregate miles of pipeline	125	450	204	85	30	417	68	40
Average net throughput for the year ended:(8)								
December 31, 2000	612	124	435	56	166	298	59	25
December 31, 1999	558	--	371	--	186	304	90	44
December 31, 1998	319	--	359	--	171	346	139	66

	NEPTUNE AND OCEAN BREEZE			
	MANTA RAY OFFSHORE(4)	NAUTILUS(4)	POSEIDON	ALLEGHENY(3)
Effective ownership interest	25.67%	25.67%	36%	100%
Unregulated(U)/ regulated(R)	U	R	U	U
Operated(O)/Non-operated(N)	N	N	N(6)	O
In-service date	1987	1997	1996	1999
Approximate capacity(7)	755	600	260	80
Aggregate miles of pipeline	225	101	288	43
Average net throughput for the year ended:(8)				
December 31, 2000	105	78	57	18
December 31, 1999	109	75	61	12
December 31, 1998	80	42	35	--

- ---------------

(1) We acquired an additional 49 percent ownership interest in June 1999 and the remaining 1 percent in September 2000 from a subsidiary of El Paso.
(2) We acquired the El Paso Intrastate-Alabama system in March 2000.
(3) The East Breaks system was placed in service in June 2000. The Allegheny system was placed in service in October 1999.
(4) In the first quarter of 2001, we entered into a series of transactions involving the sale of our interests in the Green Canyon, Tarpon, Manta Ray Offshore and Nautilus systems. Additionally, Deepwater Holdings sold their interest in Stingray in the first quarter of 2001 and also agreed to sell their interest in UTOS. Deepwater Holdings expects this sale to close in April 2001. These sales are a result of a FTC order related to El Paso's merger with The Coastal Corporation.
(5) We assumed operation of these systems in June 2000.
(6) We assumed operation of this system in January 2001.
(7) All capacity measures are on a MMcf/d basis except the Poseidon and Allegheny systems which are measured on a MBbls/d basis.
(8) All average net throughput measures are on a Mdth/d basis except the Poseidon and Allegheny systems which are measured on a MBbls/d basis.

Viosca Knoll. Viosca Knoll is a natural gas gathering system designed to serve the Main Pass, Mississippi Canyon and Viosca Knoll areas of the Gulf of Mexico and consists of 125 miles of predominantly 20-inch natural gas pipeline and a 7,000 horsepower compressor. Viosca Knoll 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, we acquired an additional 49 percent interest in Viosca Knoll, and in 2000 we acquired the remaining 1 percent from a subsidiary of El Paso, bringing our total interest in Viosca Knoll to 100 percent.

El Paso Intrastate-Alabama. In March 2000, we acquired EPIA, a natural gas pipeline system in the coal bed methane producing regions of Alabama. The system consists of over 450 miles of pipeline. EPIA also provides marketing services through the purchase and resale of natural gas by purchasing natural gas from regional producers and others, and selling natural gas to local distribution companies and others.

Deepwater Holdings. In June 1999, we acquired additional ownership interests in the High Island Offshore System, or HIOS, U-T Offshore System, or UTOS, and the East Breaks System. In September 1999, we reorganized our interests with ANR Pipeline Company, or ANR, in these and other assets through the formation of Deepwater Holdings, L.L.C. We have a 50 percent ownership interest in Deepwater Holdings. Through El Paso's merger with The Coastal Corporation, ANR became a subsidiary of El Paso. 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.

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

- East Breaks is a natural gas gathering system consisting of 85 miles of 18 to 20-inch diameter pipeline that connects HIOS to the Diana and Hoover fields being developed by subsidiaries of ExxonMobil and BP Amoco plc. Production from the Diana and Hoover properties has been committed to this system. East Breaks began operating in June 2000, and has the ability to expand its throughput capacity further, which would provide HIOS with the ability to compete for the right to gather and transport the substantial reserves associated with properties being, and expected to be, developed in these deepwater frontier regions.

- UTOS is a natural gas transmission system consisting of 30 miles of 42-inch diameter pipeline extending from an interconnection with HIOS at West Cameron Block 167 to the Johnson Bayou production handling facility, owned by UTOS. The Johnson Bayou facility provides primarily natural gas and natural gas liquids separation and dehydration services for natural gas transported on HIOS and UTOS. Under a FTC order, Deepwater Holdings agreed to sell its interest in UTOS. The sale is expected to close in April 2001.

- Stingray is a natural gas gathering system consisting of (i) 361 miles of 6 to 36-inch diameter pipeline that transports natural gas from HIOS, West Cameron, East Cameron and Vermilion lease areas in the Gulf of Mexico to onshore transmission systems in Louisiana, (ii) 43 miles of 16 to 20-inch diameter pipeline connecting platforms and leases in the Garden Banks Blocks 191 and 72 areas to Stingray, and (iii) 13 miles of 16-inch diameter pipeline connecting our platform at East Cameron Block 373 to Stingray at East Cameron Block 338. Under a FTC order, Deepwater Holdings sold its interest in Stingray in January 2001.

Green Canyon. Green Canyon is a natural gas gathering system consisting of 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 of Mexico to Transco's South Lateral in South Marsh Island Block 106. Under a FTC order, we sold our interest in Green Canyon in January 2001.

Tarpon. Tarpon is a natural gas gathering system consisting of 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 in the Gulf of Mexico. Under a FTC order, we sold our interest in Tarpon in January 2001.

Neptune and Ocean Breeze. We own a 25.67 percent interest in both 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. Under a FTC order, we sold our interest in Neptune and Ocean Breeze in January 2001.

- Manta Ray Offshore is a natural gas gathering system consisting of three separate gathering lines in the offshore Louisiana area of the Gulf of Mexico, including 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 149 miles of 14 to 24-inch diameter pipeline 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 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 Manta Ray Offshore is also dedicated to Nautilus.

Poseidon. Poseidon, which we own a 36 percent interest in, 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 of Mexico. Poseidon consists of (i) 117 miles of 16 to 20-inch diameter pipeline extending from our 50 percent owned Garden Banks 72 platform to our platform at Ship Shoal Block 332, (ii) 122 miles of 24-inch diameter pipeline extending from the Ship Shoal 332 platform to Houma, Louisiana, (iii) 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) 17 miles of 16-inch pipeline extending from Garden Banks Block 260 to South Marsh Island Block 205.

Allegheny. Allegheny is a crude oil system consisting of 43 miles of 14-inch diameter pipeline that connects the Allegheny field in the Green Canyon area of the Gulf of Mexico with Poseidon at our Ship Shoal 332 platform. Oil production from the Allegheny field is committed to this system.

Nemo. In August 1999, we formed Nemo Gathering Company L.L.C., or Nemo, with Tejas Offshore Pipeline, L.L.C. to construct, own and operate a natural gas gathering system extending from the Brutus and Glider deepwater development properties to Manta Ray Offshore. Under a FTC order, we sold our interest in Nemo in January 2001.

Offshore Platforms and Related Facilities

Our 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;
- provide an efficient means to perform pipeline maintenance;
- locate compression, separation, production handling and other facilities; and
- conduct drilling operations during the initial development phase of a natural gas and oil property.

In addition to numerous platforms owned by our joint ventures, we own seven strategically-located platforms in the Gulf of Mexico, including six multi-purpose hub-platforms and one TLP in the Prince Field, which is currently under construction. These platforms were specifically designed to be used as deepwater hubs and production handling and pipeline maintenance facilities. The following table and discussions describe our offshore platforms as of December 31, 2000:

	EAST CAMERON 373	GARDEN BANKS 72	SHIP SHOAL 331	VIOSCA KNOLL 817	PRINCE TLP(1)	SHIP SHOAL 332(2)	SOUTH TIMBALIER 292(2)
Ownership interest	100%	50%	100%	100%	100%	100%	100%
In-service date	1998	1995	1994	1995	N/A(1)	1985	1984
Water depth (in feet)	441	518	376	671	1,500	438	283
Acquired (A) or constructed (C)	C	C	A	C	C	A	A
Approximate handling capacity:							
Natural gas (MMcf/d)	110	80	--(3)	140	80	150(3)	150
Oil and condensate (Bbls/d)	5,000	55,000	--(3)	5,000	50,000	12,000(3)	2,500

- ------------------

(1) We plan to place the Prince TLP platform, formerly known as the Ewing Bank 1003 platform, in service by mid 2001.

(2) We sold 50 percent of our interest in Ship Shoal 332 and all of our interest in South Timbalier 292 in January 2001.

(3) 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 Stingray. 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 Stingray and serves as the western-most termination point of Poseidon. The platform serves as a base for landing deepwater production from Enterprise Oil Gulf of Mexico, Inc.'s 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. We also use the platform as the host for our Garden Banks Block 72 production and the landing site for production from our Garden Banks Block 117 lease located in an adjacent lease block.

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 rights to utilize the platform pursuant to a production handling and use of space agreement.

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 ExxonMobil's, Shell Offshore Inc.'s, 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 our Viosca Knoll Block 817 lease.

Prince TLP. Prince TLP, is currently under construction with first production anticipated to commence in mid 2001. The Prince TLP and its related facilities initially will be capable of handling up to 50,000 Bbls/d of oil and 80 MMcf/d of natural gas.

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. Under a FTC order, we sold 50 percent of our interest in Ship Shoal 332 in January 2001.

South Timbalier 292. The South Timbalier 292 platform is located at the easternmost termination point of Manta Ray Offshore and serves as a landing site for natural gas production in the area and provides an interconnection to the Trunkline Gas Pipeline system. Under a FTC order, we sold our interest in South Timbalier 292 in January 2001.

Other Facilities. Through our 50 percent ownership interest in Deepwater Holdings, we also own an interest in the West Cameron dehydration facility located at the northern termination point of Stingray in Louisiana. Under a FTC order, Deepwater Holdings sold its interest in the dehydration facility in January 2001.

Markets and Competition

Each of our natural gas pipeline systems are located at or near natural gas production areas that are served by other pipelines. Our 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 we are. Other competing pipelines, such as long-haul transporters, may have rate design alternatives unavailable to ours. Consequently, those competing pipelines may be able to provide service on more flexible terms and at rates significantly below those we offer.

Our oil pipeline systems were built as a result of the need for additional crude oil capacity to transport new deepwater oil production to shore. Our 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. Our 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 our pipelines to access future reserves will be subject to our ability, or the producers' ability, to fund the significant capital expenditures required to connect to the new production.

A substantial portion of the revenues generated by our offshore pipeline systems are 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 our pipeline systems are depleting assets and will be produced over a finite period. Each of our 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 we charge for our services are dependent on whether the relevant pipeline system is regulated or unregulated, the quality of the service required by the customer, and the amount and term of the reserve commitment by the customer. A majority of our offshore arrangements involve life-of-reserve commitments with both firm and interruptible components. Generally, we receive a price per barrel of oil or water or dekatherm of natural gas handled. Also, for firm arrangements, we often receive a monthly fixed fee which is paid by the customer regardless of the level of throughput, except under individually specified circumstances.

Our platforms are subject to similar competitive factors as our 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 us.

For a discussion of our significant customers see Item 8, Financial Statements and Supplementary Data, Note 10.

Regulatory Environment

Our natural gas pipeline systems are subject to the Natural Gas Pipeline Safety Act of 1968, 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 our offshore 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 of Mexico. All of our pipeline systems are subject to the National Environmental Policy Act and other environmental legislation. Each of the pipeline systems has a continuing program of inspection designed to keep all of our facilities in compliance with pollution control and pipeline safety requirements. We believe that our pipeline systems are in compliance with the applicable requirements of these regulations.

Our 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 pipeline systems operates under separate FERC approved tariffs which establish rates, terms, and conditions under which each pipeline system provides services to its customers. These pipeline systems operate under agreements with their respective customers which provide for rates that have been approved by FERC. Stingray's proposed rates became effective June 1, 1999, subject to refund. A hearing on the merits of Stingray's filing was held in December 1999 and the case was still pending before FERC at the time Deepwater Holdings sold Stingray in January 2001.

Maintenance

Each of our pipeline systems and platforms requires regular and thorough maintenance. The interior of the pipelines is maintained through the regular cleaning of 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. Corrosion protection devices 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, Allegheny and Poseidon pipeline 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, we own interests in five producing and one non-producing oil and natural gas properties located in waters offshore of Louisiana. Production from these properties is gathered, transported, and processed through our pipeline systems and platform facilities, and sold to an affiliate of El Paso. The following is information regarding these properties as of December 31, 2000:

Producing Properties

	GARDEN BANKS BLOCK 72	GARDEN BANKS BLOCK 73(1)	GARDEN BANKS BLOCK 117	VIOSCA KNOLL BLOCK 817(2)	WEST DELTA BLOCK 35(3)
Working interest	50%	--	50%	100%	38%
Net revenue interest	40.2%	2.5%	37.5%	80%	29.8%
In-service date	1996	2000	1996	1995	1993
Net acres	2,880	--	2,880	5,760	1,894
Distance offshore (in miles)	120	115	120	40	10
Water depth (in feet)	518	743	1,000	671	60
Producing wells	5	1	2	7	2
Cumulative production:					
Natural gas (MMcf)	3,979	143	1,886	58,766	1,859
Oil (Bbls)	1,241,884	--	1,036,468	97,035	9,873

- ---------------

(1) We own a 2.5 percent overriding interest in Garden Banks Block 73, which began producing in mid 2000.

(2) Our working interest in Viosca Knoll Block 817 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, 2000, the unpaid portion of the production payment obligation totaled $9.8 million.

(3) The West Delta Block 35 field commenced production in 1993, but our interest in this field was acquired in connection with El Paso's acquisition of our general partner in 1998. Production data is for the period from August 1998.

Acreage and Wells. The following table sets forth our developed and undeveloped oil and natural gas acreage as of December 31, 2000. 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 us. The number of net acres is our fractional ownership of the working interest in the gross acres.

	GROSS	NET
Developed acreage	6,152	3,576
Undeveloped acreage	44,913	18,838
Total acreage	51,065	22,414

Our gross and net ownership in producing wells at December 31, 2000, is as follows:

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

We did not drill any exploratory developmental wells in 1999 or 2000. One developmental oil well was drilled during 1998.

Net Production, Unit Prices, and Production Costs. The following table sets forth information regarding the production volumes of, average unit prices received for, and average production costs for our oil and natural gas properties for the years ended December 31:

	OIL (MBBLS)			NATURAL GAS (MMCF)		
	2000	1999	1998	2000	1999	1998
Net production(1)	306	357	540	6,897	12,211	11,324
Average sales price(1)()	$ 25.26	$ 14.32	$ 15.69	$ 1.86	$ 2.02	$ 2.01
Average production costs(2)()	$ 7.82	$ 2.38	$ 3.04	$ 1.30	$ 0.40	$ 0.51

- ---------------

(1) The information regarding net production and average sales prices excludes overriding royalty interests.

(2) The components of average production costs, which consist of operating expenses per unit of oil or natural gas produced, 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.

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 Property

Ewing Bank 958 Unit (Prince Field). We own a 9 percent net overriding royalty interest in the Prince Field, formerly the Ewing Bank 958 Unit. In November 1999, we entered into an arrangement with El Paso Production to farmout our working interest in the Prince Field in exchange for an overriding royalty interest. Under the terms of the farmout agreement, we may convert our overriding royalty interest in the Prince Field into a 30 percent working interest once El Paso Production recoups the costs associated with its drilling and completion activities on the Prince Field. Although four successful delineation wells have been drilled in the Prince Field, and El Paso Production has expanded the scope and size of the field development, there has been no production to date. Production from the Prince Field is expected to commence in mid 2001 and is committed to our Prince TLP.

Markets and Competition

Our focus is to maximize the production from our 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 our operations. However, the oil and natural gas industry is intensely competitive, and we do 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

Our production and development operations 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 restoring of properties upon which wells are drilled; and

- plugging and abandoning of wells.

Our 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 pooling of oil and natural gas properties.

We presently have 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 the 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

Our 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, we maintain broad insurance coverage with respect to potential losses resulting from these operating hazards.

GAS STORAGE SERVICES

In August 2000, we acquired the natural gas storage businesses of Crystal Gas Storage, Inc. These businesses include the Petal and Hattiesburg salt dome natural gas storage facilities located in Mississippi. These facilities are well situated to serve the Northeast, Mid-Atlantic and Southeast natural gas markets. On a combined basis, these storage facilities currently have a natural gas working capacity of 6.7 Bcf, and are capable of delivering in excess of 670 MMcf/d of natural gas into three interstate pipelines, Koch Gateway Pipeline, Transco and Tennessee Gas Pipeline. Each of the Petal and Hattiesburg facilities is capable of making deliveries at the high rates necessary to satisfy peaking requirements in the electric generation industry. A 6.8 Bcf expansion is underway at these facilities, all of which is contractually dedicated for the next 20 years to a subsidiary of Southern Company, the largest producer of electricity in the United States. The expansion of the storage space and facilities has been approved by the FERC and is currently under construction. Also currently waiting for FERC approval is a 60 mile pipeline addition which will provide interconnects with various customers.

Markets and Competition

Competition for natural gas storage is primarily based on location and the ability to deliver natural gas in a timely and reliable manner. Our Petal and Hattiesburg natural gas storage facilities are located in an area in Mississippi that can effectively service the Northeastern and Southeastern natural gas markets, and have the ability to deliver all of its stored natural gas within a short timeframe. The natural gas storage facilities compete with other forms of natural gas storage including other salt dome storage facilities, depleted reservoir facilities and pipelines.

We believe that the existence of the long-term contracts for storage, proposed expansion of our operations and the location of our natural gas storage facilities should allow us to compete effectively with other companies who provide for natural gas storage services. In addition to long-term contracts, we actively market interruptible storage services at the facilities to enhance our revenue generating ability beyond the firm storage contracts. Once our firm storage contracts have expired, we will experience greater competition for providing storage services. Such competition will be dependent upon the nature of the natural gas storage market existing at that time.

Regulatory Environment

Our Hattiesburg facility is a regulated utility under the jurisdiction of the Mississippi Public Service Commission. Accordingly, the rates charged for natural gas storage services are subject to approval from this agency. The present rates of the firm long-term contracts for natural gas storage in the Hattiesburg facility were approved in 1990. Our Petal facility is subject to regulation under the Natural Gas Act of 1938, as amended, and to the jurisdiction of FERC. The Petal facility currently holds certificates of public convenience and necessity which permit it to charge market based rates. A portion of our natural gas storage business is also subject to a limited jurisdiction certificate issued by FERC. The certificate authorizes us to provide natural gas storage services that may be ultimately consumed outside of Mississippi.

The interstate natural gas industry has historically been heavily regulated by federal and state government and we cannot predict what further actions FERC, state regulators, or federal and state legislators may take in the future.

PURCHASE OF NGL AND FRACTIONATION ASSETS

In February 2001, we purchased NGL transportation and fractionation assets from a subsidiary of El Paso. These assets include more than 600 miles of NGL gathering and transportation pipelines and three fractionation plants located in south Texas. The NGL pipeline system gathers and transports unfractionated and fractionated products. The three fractionation plants have a capacity of approximately 96 MBbls/d. These plants fractionate NGLs into ethane, propane, and butane products, which are used by refineries and petrochemical plants along the Texas Gulf Coast.

MAJOR ENCUMBRANCES

Substantially all of our assets, with the exception of one of our subsidiaries, Argo II, L.L.C., are pledged as collateral under our existing revolving credit facility. Substantially all of Argo's assets are pledged under Argo's project finance loan, which is guaranteed in part by us. In addition, certain of our 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 our credit facilities, see Item 8, Financial Statements and Supplementary Data, Note 5.

ENVIRONMENTAL

A description of our environmental matters is included in Item 8, Financial Statements and Supplementary Data, Note 8.

EMPLOYEES

Employees of El Paso, through our General Partner, perform all of our administrative and operational activities under a management agreement. Therefore, we had no direct employees at December 31, 2000. We reimburse our General Partner for all reasonable general and administrative expenses and other reasonable expenses incurred by our General Partner and its affiliates for, or on our behalf, including, but not limited to, expenses incurred by our General Partner under this management agreement.

ITEM 2. PROPERTIES

A description of our properties is included in Item 1, Business.

We believe we have satisfactory title to the properties owned and used in our 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 the property, or the interests of the property, or the use of such properties in our businesses. We believe that our physical properties are adequate and suitable for the conduct of our business in the future.

ITEM 3. LEGAL PROCEEDINGS

See Item 8, Financial Statements and Supplementary Data, Note 8.

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

Our common units are traded on the New York Stock Exchange under the symbol "EPN". As of March 15, 2001, there were approximately 688 holders of record of common units.

Since 1998, we have given holders of our publicly held preference units the opportunity to convert their preference units into common units, in accordance with our partnership agreement. In October 2000, we redeemed the remainder of our outstanding publicly held preference units.

The following table reflects the high and low sales prices for common units based on the daily composite listing of stock transactions for the New York Stock Exchange and cash distributions declared per common and preference units during those periods.

	COMMON UNITS		DISTRIBUTIONS DECLARED PER UNIT	
	HIGH	LOW	COMMON	PREFERENCE(1)
2000				
Fourth Quarter	$27.7500	$23.0000	$0.5500	$ --
Third Quarter	28.0000	22.5000	0.5375	0.2750
Second Quarter	26.0000	19.5000	0.5375	0.2750
First Quarter	21.3750	18.1250	0.5250	0.2750
1999				
Fourth Quarter	$24.7500	$16.7500	$0.5250	$0.2750
Third Quarter	25.1250	21.8750	0.5250	0.2750
Second Quarter	24.7500	21.3750	0.5250	0.2750
First Quarter	23.1250	19.5000	0.5250	0.2750

- ----------

(1) As of October 2000, all publicly held preference units have been converted into common units or redeemed.

In January 2001, we declared a quarterly distribution of $0.5500 per common unit payable on February 15, 2001, to unitholders of record on January 31, 2001. In addition, we announced in January 2001, an increase of $0.10 per year in our quarterly distributions to common unitholders, resulting in a quarterly distribution of $0.575 per common unit effective for the distribution scheduled to be paid in May 2001.

CASH DISTRIBUTIONS

We make quarterly distributions of 100 percent of our available cash, as defined in the partnership agreement, to our unitholders and to our General Partner. Our available cash consists generally of all cash receipts plus reductions in reserves less all cash disbursements and net additions to reserves. Our General Partner has broad discretion to establish cash reserves that it determines are necessary or appropriate to properly conduct our business. These can include cash reserves for future capital and maintenance expenditures, reserves to stabilize distributions of cash to the unitholders and our General Partner, reserves to reduce debt, or, as necessary, reserves to comply with the terms of any of our agreements or obligations.

The holders of common units and our General Partner are not entitled to arrearages of minimum quarterly distributions. Our distributions are effectively made 98 percent to limited unitholders and 2 percent to our General Partner, subject to the payment of incentive distributions to our General Partner if certain target cash distribution levels to common unitholders are achieved. Incentive distributions to our General Partner increase to 15 percent, 25 percent and 50 percent based on incremental distribution thresholds. Since 1998, quarterly distributions to common unitholders have been in excess of the highest incentive threshold of $0.425 per unit, and as a result, our General Partner has received 50 percent of the incremental amount. For the year ended December 31, 2000, we paid our General Partner incentive distributions totaling $15.5 million and paid an incentive distribution of $4.6 million in February 2001.

PUBLIC OFFERING OF COMMON UNITS

In July 2000, we completed a public offering of 4,600,000 common units that included 600,000 common units to cover over-allotments for the underwriters. We used the net cash proceeds of approximately $101 million from the offering to reduce the balance outstanding under our revolving credit facility. In addition, our General Partner contributed $1.1 million to us in order to satisfy its one percent capital contribution requirement.

In March 2001, we completed a public offering of 2,250,000 common units. We used the net cash proceeds of $66.3 million from the offering to reduce the balance outstanding under our revolving credit facility. In addition, our General Partner contributed $0.7 million to us in order to satisfy its one percent capital contribution requirement. If, within 30 days, the underwriters exercise in full their over-allotment option covering an additional 337,500 common units, we expect to receive approximately $10 million in additional net cash proceeds, all of which would be used to reduce the balance outstanding under our revolving credit facility.

SERIES B PREFERENCE UNITS

In August 2000, we issued to an affiliate of El Paso, $170 million of Cumulative Redeemable Series B preference units in exchange for the Crystal natural gas storage businesses. These newly issued preference units are non-voting and have rights to income allocations on a cumulative basis, compounded semi-annually at an annual rate of 10%. We are not obligated to pay cash distributions on these units until 2010. After 2010, the rate will increase to 12% and distributions will be required to be paid on a current basis. The new preference units contain no mandatory redemption obligation, but may be redeemed at our option at any time. The issuance of these preference units was an exempt transaction under Section 4(2) of the Securities Act of 1933 as amended.

ITEM 6. SELECTED FINANCIAL DATA

	YEAR ENDED DECEMBER 31,				
	2000	1999	1998	1997	1996
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)				
Operating Results Data(1):					
Operating revenues(2).................	$112,415	$63,659	$48,731	$75,435	$71,073
Net income (loss)(3)..................	20,497	18,817	746	(1,138)	38,692
Basic and diluted income (loss) per unit(4)............................	(0.03)	(0.34)	0.02	(0.06)	1.57
Distributions per common unit.........	2.15	2.10	2.075	1.75	1.35
Distributions per preference unit.....	0.825	1.10	1.825	1.75	1.35

	AS OF DECEMBER 31,				
	2000	1999	1998	1997	1996
	(IN THOUSANDS)				
Financial Position Data(1):					
Total assets..........................	$879,259	$583,585	$442,726	$409,842	$453,526
Revolving credit facility.............	318,000	290,000	338,000	238,000	227,000
Project financing(5)..................	45,000	--	--	--	--
Long-term debt........................	175,000	175,000	--	--	--
Partners' capital(6)..................	311,071	96,489	82,896	143,966	192,023

- ----------

(1) Our operating results and financial position reflect the acquisition in March 2000 of EPIA and in August 2000 of the Crystal natural gas storage businesses. These acquisitions were accounted for as purchases and therefore operating results of these acquired entities are included in our results prospectively from the purchase date.

(2) Operating revenues for prior years has been restated to exclude equity investment earnings. The operating revenues in 1998 were effected by lower realized prices on oil and natural gas and inclement weather conditions which decreased production volumes.

(3) 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.

(4)Reflects our adoption, in 1999, of a different accounting method for allocating partnership income to our General Partner and the preference and common unitholders. See Item 8, Financial Statements and Supplementary Data, Note 1, for further information.

(5)Project financing relates to a loan to build the Prince TLP on the Prince Field.

(6)Reflects the issuance of the $170 million Series B Preference Units to an affiliate of El Paso and the issuance of 4.6 million common units in 2000.

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

GENERAL

Over the past three years, our business activities have changed as a result of strategic acquisitions and transactions designed to enhance our ability to compete effectively and improve our overall financial condition. These changes have expanded our operating scope, our ability to generate cash flows and our needs for cash for investment opportunities. Consequently, we have substantially expanded our credit facilities and created other financing structures to meet our needs during this period. Significant milestones over the past three years include:

YEAR	TRANSACTION
1998	Constructed the East Cameron 373 platform;
	Acquired a 100 percent working interest in the Ewing Bank 958 Unit, or the Prince Field;
1999	Increased our ownership interest in Viosca Knoll to 99 percent;
	Increased our ownership interests in HIOS, East Breaks and UTOS to 50 percent;
	Placed the Allegheny oil pipeline system into service;
	Exchanged our working interest in the Prince Field for a 9 percent overriding royalty interest, with a conditional option to convert to a 30 percent working interest;
2000	Acquired the natural gas pipeline system of EPIA;
	Placed the East Breaks joint venture pipeline system in service;
	Acquired the salt dome natural gas storage businesses of Crystal; and
	Increased our ownership interest in Viosca Knoll to 100 percent.

Sale of Gulf of Mexico Assets

In January 2001, we sold several of our offshore Gulf of Mexico assets to third parties. The assets sold include our interests in the Tarpon system and Green Canyon pipeline assets and the Neptune and Ocean Breeze entities, which included our interests in Manta Ray Offshore and Nautilus. Along with these entities we also sold our interests in the Nemo system and the South Timbalier 292 offshore platform as well as 50 percent of our interest in the Ship Shoal 332 offshore platform. These sales occurred as a result of a FTC order relating to El Paso's merger with The Coastal Corporation. El Paso is the indirect parent of our General Partner. We received approximately $108 million in cash from these sales and used the proceeds to pay down our revolving credit facility. We realized losses of approximately $11 million from these sales.

In addition to these sales, Deepwater Holdings, L.L.C., one of our investees, sold its Stingray system and its West Cameron dehydration facility for cash of approximately $50 million and used the proceeds to pay down its credit facility. Our share of the loss realized by Deepwater Holdings on the sale of its assets was approximately $8 million. Additionally, upon FTC approval, Deepwater Holdings will sell its interest in UTOS. We expect this sale to occur in April 2001 and the proceeds to approximate $4 million.

As additional consideration for the above transactions, El Paso will make payments to us totaling $29 million. These payments will be made in quarterly installments of $2.25 million, starting on or before March 31, 2001, for the next three years and $2 million in the first quarter of 2004. From this additional consideration, we will realize income of approximately $25.4 million in the first quarter of 2001.

Following these sales, we will continue to own significant offshore interests and will continue to operate HIOS, East Breaks, Viosca Knoll, Allegheny, and Poseidon.

Purchase of NGL and Fractionation Assets

In February 2001, we purchased NGL transportation and fractionation assets from a subsidiary of El Paso for approximately $133 million. We funded the acquisition of these assets by borrowing from our revolving credit facility. These assets include more than 600 miles of NGL gathering and transportation pipelines. The NGL pipeline system gathers and transports unfractionated and fractionated products. We also acquired three fractionation plants with a capacity of approximately 96 MBbls/d. These plants fractionate NGLs into ethane, propane, and butane products which are used by refineries and petrochemical plants along the Texas Gulf Coast.

Other Matters

In January 2000, an anchor from a submersible drilling rig in tow damaged a section of Poseidon north of our 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 our Ship Shoal 332 platform, and resulted in the shutdown of the system and surrounding facilities in which we have ownership interests. Poseidon's costs to repair the damaged pipeline and clean up the crude oil released into the Gulf of Mexico were approximately $18 million. Poseidon has filed a lawsuit against the rig's owner for these damages. By the end of the first quarter of 2000, the pipeline was repaired and placed back into service. To date, we have received approximately $6.7 million of insurance proceeds for business interruption and property damage.

SEGMENT RESULTS OF OPERATIONS

Our business activities are segregated into three segments: Gathering, Transportation, and Platform Services; Oil and Natural Gas Production; and Gas Storage Services. This structure reflects management's current view of our activities and all historical periods have been presented on the basis of the current segment presentation. Each of our segments is a strategic business unit that offers different services or products, and we manage each of these segments separately as they require different technology and marketing strategies. Since earnings on equity investments can be a significant source of earnings in our segments, we evaluate segment performance based on earnings before interest expense and taxes, or EBIT.

To the extent possible, results of operations have been reclassified to conform to the current business segment presentation, although these results may not be 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 revenues and expenses which are eliminated in consolidation. For a further discussion of the individual segments, see Item 8, Financial Statements and Supplementary Data, Note 11.

In previous years, we have reported equity earnings as part of operating revenues. We have changed this presentation as of December 31, 2000, to include equity earnings as other income. This change has been reflected for all periods presented and does not impact our reported net income.

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

	2000	1999	1998
		(IN THOUSANDS)	
EARNINGS BEFORE INTEREST EXPENSE AND INCOME TAXES			
Gathering, transportation, and platform services	$72,083	$61,070	$ 30,513
Oil and natural gas production	(7,402)	(7,359)	(10,140)
Gas storage services	2,191	--	--
Segment EBIT	66,872	53,711	20,373
Non-segment activity, net	487	191	159
Consolidated EBIT	$67,359	$53,902	$ 20,532

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

GATHERING, TRANSPORTATION, AND PLATFORM SERVICES

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	(IN THOUSANDS)		
Gathering and transportation	$ 37,903	$ 23,005	$ 6,852
Platform services	26,563	23,882	21,141
Natural gas sales	34,531	--	--
Total operating revenues	98,997	46,887	27,993
Purchased natural gas costs	(28,160)	--	--
Operating expenses	(23,745)	(28,932)	(24,806)
Equity earnings	22,931	32,814	26,724
Other income	2,060	10,301	602
EBIT	$ 72,083	$ 61,070	$ 30,513

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

Operating revenues for the year ended December 31, 2000, were $52.1 million higher than 1999, primarily due to revenues from EPIA which was acquired in March 2000. In addition to providing transportation services, EPIA provides marketing services through the purchase of natural gas from regional producers and others, and the sale of natural gas to local distribution companies and others. The revenue from the sale of natural gas is reflected above as "natural gas sales" and the cost of natural gas acquired for resale is reflected as "purchased natural gas costs." Revenues were also higher due to the additional demand charges on our East Cameron 373 platform, a full year of revenues in 2000 from the Allegheny system, which went into service in the fourth quarter of 1999, and the consolidation of Viosca Knoll in June 1999.

Operating expenses for the year ended December 31, 2000, were $5.2 million lower than 1999 due to the favorable resolution of litigation with Transco in the second quarter of 2000 and cost recoveries under our operating agreement with Deepwater Holdings relative to actual costs incurred.

Equity earnings for the year ended December 31, 2000, were $9.9 million lower than 1999, primarily due to consolidating Viosca Knoll beginning in June 1999 and lower earnings from Poseidon due to the pipeline rupture in the first quarter 2000.

Other income for the year ended December 31, 2000, was $8.2 million lower than 1999, primarily due to the $10.1 million gain related to the sale of a portion of our interest in Deepwater Holdings in 1999. This was offset by $1.7 million of business interruption insurance proceeds relating to the Poseidon pipeline rupture in January 2000.

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

Operating revenues for the year ended December 31, 1999, were approximately $18.9 million higher than 1998. The increase in gathering and transportation revenues was primarily due to the consolidation of Viosca Knoll beginning in June 1999 and the Allegheny system which was placed in service 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 was a result of new production processed at our Garden Banks 72 platform and a full year of operations at the East Cameron 373 platform.

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 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.

Equity earnings for the year ended December 31, 1999, were $6.1 million higher than 1998, primarily due to increased throughput on Poseidon, Manta Ray Offshore and Nautilus, partially offset by lower volumes on HIOS, UTOS, and Stingray and the impact of consolidating Viosca Knoll in June 1999.

Other income for the year ended December 31, 1999, includes a gain on the sale of a portion of our interest in Deepwater Holdings of $10.1 million.

OIL AND NATURAL GAS PRODUCTION

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	(IN THOUSANDS)		
Natural gas	$ 12,819	$ 24,829	$ 22,941
Oil, condensate and liquids	7,733	5,136	8,470
Total operating revenues	20,552	29,965	31,411
Operating expenses	(27,954)	(37,324)	(41,551)
EBIT	$ (7,402)	$ (7,359)	$(10,140)
Volumes			
Natural gas sales (MMcf)	7,185	12,211	11,324
Oil, condensate, and liquid sales (MBbls)	295	357	540
Weighted average realized prices			
Natural Gas ($/Mcf)	$ 1.86	$ 2.02	$ 2.01
Oil, condensate, and liquids ($/Bbl)	$ 25.26	$ 14.32	$ 15.69

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

Oil and natural gas sales for the year ended December 31, 2000, were $9.4 million lower than 1999. The decrease was a result of lower oil and natural gas production due to normal production declines of existing reserves, the permanent shut-in of two wells at Viosca Knoll Block 817, the temporary shut-in of Garden Banks Blocks 72 and 117 as a result of the Poseidon rupture, and lower realized prices for natural gas, offset by higher realized prices for oil. Realized prices were affected by hedges in place during the period.

Operating expenses for the year ended December 31, 2000, were $9.4 million lower than 1999 due to lower depletion from lower oil and natural gas production.

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 was primarily due to lower oil production from natural depletion and lower realized oil prices, partially offset by higher natural gas sales from the acquisition of an additional 25 percent working 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.

Operating expenses for the year ended December 31, 1999, were approximately $4.2 million lower than 1998, due to decreased depletion and abandonment rates related to our oil and natural gas wells, and cost reductions associated with the operations of those properties.

GAS STORAGES SERVICES

	YEAR ENDED DECEMBER 31, 2000 (IN THOUSANDS)
Gas storage services	$ 6,205
Total operating revenues	6,205
Operating expenses, net	(4,014)
EBIT	$ 2,191

In August 2000, we acquired the natural gas storage businesses of Crystal Gas Storage Inc. For the four months ended December 31, 2000, the revenues from these businesses consisted primarily of the fixed reservation fees for natural gas storage capacity. Natural gas storage capacity revenues are recognized and due during the month in which capacity is reserved by the customer regardless of the amount of capacity actually used. Operating expenses consist of management and operating fees and depreciation on the storage facilities.

INTEREST AND DEBT EXPENSE

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

Interest and debt expense, net of capitalized interest, for the year ended December 31, 2000, was approximately $11.7 million higher than 1999. The increase is due to higher average interest rates and higher average debt outstanding related to construction activities and the acquisition of EPIA.

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 due to higher average interest rates and higher average debt outstanding related to construction activities and acquisitions during 1999.

LIQUIDITY AND CAPITAL RESOURCES

CASH FROM OPERATING ACTIVITIES

Net cash provided by operating activities was approximately $48.4 million for the year ended December 31, 2000, compared to approximately $50.8 million for the same period in 1999. The decrease was primarily associated with lower distributions from equity investments offset by an increase in earnings.

CASH FROM INVESTING ACTIVITIES

Net cash used in investing activities was approximately $126.2 million for the year ended December 31, 2000. Our investing activities included the acquisition of EPIA, additional expenditures for the Prince TLP and increases in our equity investments.

Funding for capital expenditures, acquisitions, and other investing activities 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 $93.9 million for the year ended December 31, 2000. During 2000, we issued 4.6 million common units in a public offering for approximately $101 million of net proceeds. We also received approximately $70.6 million in net proceeds from a project finance loan and borrowings under our revolving credit facility. During 2000, we made distributions to our unitholders and our General Partner of approximately $79.3 million.

Future funding for long-term debt retirements, distributions, and other financing activities 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

We are in the process of amending and restating our revolving credit facility with a syndicate of commercial banks to increase our available credit from $500 million to $600 million subject to borrowing base limitations. We are also in the process of refinancing Poseidon's revolving credit facility, which matures on April 30, 2001.

We rely on cash generated from internal operations, including distributions from our equity investees, as our primary source of liquidity, supplemented by our available credit facility. The availability of borrowings under our credit agreement is subject to specified conditions, which management believes we currently meet. These conditions include compliance with the financial covenants, 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 our financing arrangements, see Item 8, Financial Statements and Supplementary Data, Note 5.

COMMITMENTS AND CONTINGENCIES

See Item 8, Financial Statements and Supplementary Data, Note 8, for a discussion of our commitments and contingencies.

At December 31, 2000, we had capital and investment commitments of approximately $72.4 million primarily related to the construction of the Prince TLP, which are expected to be funded through internally generated funds and/or incremental borrowings. Our other planned capital and investment projects are discretionary in nature, with no substantial commitments made in advance of the actual expenditures.

OTHER

In January 2001, El Paso merged with The Coastal Corporation, the parent company of ANR Pipeline Company, which is our joint venture partner in Deepwater Holdings. As a result of the merger, ANR has became our affiliate.

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.

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 our 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 information about the holder's nationality, citizenship or other related status. If the record holder fails to furnish the information or if our general partner determines, based on 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, our 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, 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 AND ITS AFFILIATES MAY HAVE CONFLICTS OF INTEREST WITH US

Although El Paso 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 growth vehicle for acquiring and developing midstream onshore and offshore assets and providing related services and solutions, El Paso is not contractually bound to do so and may reconsider at any time, without notice. Additionally, El Paso is not required to pursue a business strategy that will favor our business opportunities over the business opportunities of El Paso or any of its affiliates (or any other competitor of ours acquired by El Paso, including Coastal, with whom El Paso just completed a merger). In fact, El Paso may have financial motives to favor our competitors. El Paso 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 continues to own pipelines and related facilities located in the Gulf, including the Bluewater and Seahawk Shoreline systems. To the extent we continue to acquire interests in oil and natural gas properties, we may compete directly with the exploration, development and marketing activities conducted by El Paso.

We 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 us. Officers of our 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 ours on the other. In addition, we have, and we expect to enter into other, significant business relationships with El Paso, our general partner and their affiliates in which conflicts of interest could arise.

RISKS RELATED TO OUR LEGAL STRUCTURE

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

We are 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, our Argo subsidiary and several of our joint ventures have credit arrangements that contain various restrictive covenants. Among other things, those covenants may limit or restrict such entities' ability to make distributions to us. Further, the entity charter documents typically vest in their management committees sole discretion regarding distributions. We cannot assure you that our Argo subsidiary or our joint ventures will continue to make distributions to us at current levels or at all.

Moreover, pursuant to some of the those credit arrangements, we have conditionally agreed to return a limited amount of the distributions made to us by the applicable entity.

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

Due to the nature of joint ventures, each partner (us included) 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 us.

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 is not restricted from selling the general partner or any of the common units it holds. As a result, El Paso 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, process, and store 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, storage 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, storage, 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, storage, transportation, and processing operations 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, store, 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.

NATURAL GAS PRICE STABILITY COULD HAVE AN ADVERSE EFFECT ON REVENUES AND CASH FLOW FROM OUR STORAGE ASSETS.

Prices for natural gas have historically been seasonal and volatile, which has enhanced demand for our storage services. The storage business has benefited from large price swings and peaking resulting from seasonal price sensitivity through increased withdrawal charges and demand for non-storage hub services. You cannot be certain that the market for natural gas will continue to experience volatility and seasonal price sensitivity in the future at the levels previously seen. If volatility and seasonality in the natural gas industry decrease, because of increased storage capacity throughout the pipeline grid, increased production capacity or otherwise, the demand for our storage services and, therefore, the prices that we will be able to charge for those services, may decline.

PERSONAL INJURY, MECHANICAL FAILURE AND DAMAGE TO THE STORAGE AND RELATED FACILITIES COULD HAVE AN ADVERSE EFFECT ON REVENUES AND CASH FLOW FROM OUR STORAGE ASSETS.

Our storage operations are subject to all of the risks generally associated with the storage of natural gas, a highly volatile product, including personal injuries and damage to storage facilities, related equipment and surrounding properties caused by hurricanes, weather and other acts of God, fires and explosions, subsidence, as well as leakage of natural gas and spills of liquids and condensate. Our storage facilities incorporate certain primary and backup equipment which, in the event of mechanical failure, might take some time to replace. Any prolonged disruption to the operations of our storage facilities, whether due to mechanical failure, labor difficulties, destruction of or damage to such facilities, severe weather conditions, interruption of transportation or utilities service or other reasons, could have a material adverse effect on our business, results of operations and financial condition. Additionally, some of our storage contracts obligate us to indemnify the customer for any damage or injury occurring during the period in which the customer's natural gas is in our possession. In order to minimize the effects of any such incident, we maintain insurance coverage which includes property and business interruption insurance. We believe that this insurance coverage is adequate; however, you cannot be sure that the proceeds of any such insurance would be paid in a timely manner or be in an amount sufficient to meet our needs if such an event were to occur.

OUR STORAGE BUSINESS DEPENDS ON NEIGHBORING PIPELINES TO TRANSPORT NATURAL GAS.

To obtain natural gas, our storage business depends on the pipelines to which it has access. Many of these pipelines are owned by parties not affiliated with us. Any interruption of service on those pipelines or adverse change in their terms and conditions of service could have a material adverse effect on our ability (and the ability of our customers) to transport natural gas to and from our facilities and a corresponding material adverse effect on our storage revenues. In addition, the rates charged by those interconnected pipelines for transportation to and from our facilities affect the utilization and value of our storage services. Significant changes in the rates charged by those pipelines or the rates charged by other pipelines with which the interconnected pipelines compete could also have a material adverse effect on our storage revenues.

THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS COULD RESULT IN FINANCIAL LOSSES

At times, 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 Risk and Item 8, Financial Statements and Supplementary Data, Note 8.

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 8.

OUR ACTIVITIES INVOLVE OPERATING HAZARDS AND UNINSURED RISKS

While we maintain insurance against 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, our revolving credit facility and our project finance loan. 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 agreements 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

We may utilize derivative financial instruments for purposes other than trading to manage market risks associated with energy commodities and interest rates. In accordance with procedures established by our General Partner, we monitor current economic conditions and evaluate our expectations of future prices and interest rates when making decisions with respect to risk management.

COMMODITY PRICE RISK

We occasionally hedge a portion of our oil and natural gas production to reduce our exposure to fluctuations in the market prices of oil and natural gas, and to meet requirements under our revolving credit facility. We use 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 our futures contracts quoted on the New York Mercantile Exchange, or NYMEX, or other indices. We settle 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 we use 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 our price swap contracts is derived from the counterparty to the transaction, typically a major financial institution. We do not require collateral and do not anticipate non-performance by this counterparty, which does not transact a sufficient volume of transactions with us 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. For the years ended December 31, 2000, 1999, and 1998, we recorded a net (loss) gain of $(15.0) million, $(2.3) million and $2.5 million, respectively, from such activities.

At December 31, 1999, we had two outstanding natural gas sales swap transactions for the calendar year 2000. Under one of the swaps, we received a fixed price of $1.6686 on 10,000 MMbtu/d, and paid the monthly natural gas futures contract price on NYMEX. The second swap provided for similar pricing terms, notional quantity and contract period. On January 18, 2000, we fixed the contract under the swap whereby we received $1.8050 on 10,000 MMbtu/d from February to December 2000 and paid monthly NYMEX settlement price.

Each of our derivative instruments expired in December 2000, and we have not entered into any new hedging activities in 2001.

INTEREST RATE RISK

We utilize both fixed and variable rate long-term debt, and are exposed to market risk due to the floating interest rate under our credit facility. Under our amended credit facility, the remaining principal and the final interest payment are due in May 2002. As of December 31, 2000, our credit facility had a principal balance of $318 million with an average floating interest rate of 9.1% per annum. A one percent increase in interest rates would result in a $3.2 million annual increase in interest expense on the existing principal balance. We are exposed to similar risks under the various joint venture credit facilities and loan agreements.

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,		
	2000	1999	1998
Operating revenues			
Gathering and transportation services	$71,806	$ 22,311	$ 6,852
Oil and natural gas sales	20,552	29,965	31,411
Platform services	13,875	11,383	10,468
Gas storage services	6,182	--	--
	112,415	63,659	48,731
Operating expenses			
Purchased natural gas costs	28,842	--	--
Operation and maintenance, net	13,779	22,402	27,558
Depreciation, depletion and amortization	27,743	30,630	29,267
Impairment, abandonment and other	--	--	(1,131)
	70,364	53,032	55,694
Operating income (loss)	42,051	10,627	(6,963)
Other income			
Equity investment earnings	22,931	32,814	26,724
Gain on sale of assets	--	10,103	311
Other	2,377	358	460
	25,308	43,275	27,495
Income before interest, income taxes and other charges	67,359	53,902	20,532
Interest and debt expense	47,072	35,323	20,242
Minority interest	95	197	15
Income before income taxes	20,192	18,382	275
Income tax benefit	305	435	471
Net income	20,497	18,817	746
Net income allocated to General Partner	15,578	12,129	142
Net income allocated to Series B unitholders	5,668	--	--
Net (loss) income allocated to limited partners before accounting change	(749)	6,688	604
Cumulative effect of accounting change	--	(15,427)	--
Net (loss) income allocated to limited partners	$ (749)	$ (8,739)	$ 604
Weighted average basic and diluted units outstanding	29,077	25,928	24,367
Basic and diluted net (loss) income per unit before accounting change	$ (0.03)	$ 0.26	$ 0.02
Cumulative effect of accounting change	--	(0.60)	--
Basic and diluted net (loss) income per unit after accounting change	$ (0.03)	$ (0.34)	$ 0.02

See accompanying notes.

EL PASO ENERGY PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 2000	DECEMBER 31, 1999
ASSETS		
Current assets		
Cash and cash equivalents	$ 20,281	$ 4,202
Accounts receivable, trade	31,132	5,149
Accounts receivable, affiliate	1,602	3,352
Other current assets	633	254
Total current assets	53,648	12,957
Property, plant and equipment, net	631,695	373,759
Equity investments	182,734	185,766
Other noncurrent assets	11,182	11,103
Total assets	$879,259	$583,585
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities		
Accounts payable, trade	$ 16,596	$ 3,588
Accounts payable, affiliate	--	1,827
Accrued interest	3,107	2,753
Other current liabilities	--	2,250
Total current liabilities	19,703	10,418
Revolving credit facility	318,000	290,000
Project financing	45,000	--
Long-term debt	175,000	175,000
Other noncurrent liabilities	12,851	12,164
Total liabilities	570,554	487,582
Commitments and contingencies		
Minority interest	(2,366)	(486)
Partners' capital	311,071	96,489
Total liabilities and partners' capital	$879,259	$583,585

See accompanying notes.

EL PASO ENERGY PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Cash flows from operating activities			
Net income	$ 20,497	$ 18,817	$ 746
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation, depletion and amortization	27,743	30,630	29,267
Gain of sale of assets	--	(10,103)	(311)
Impairment, abandonment and other	--	--	(1,131)
Distributed earnings of equity investees			
Earnings from equity investments	(22,931)	(32,814)	(26,724)
Distributions from equity investments	33,960	46,180	31,171
Litigation reserve	(2,250)	2,250	--
Other noncash items	2,237	4,084	1,682
Working capital changes, net of effects of acquisitions and non-cash transactions			
(Increase) decrease in accounts receivable	(17,351)	2,107	(27)
Decrease in other current assets	1,295	366	406
Increase (decrease) in accounts payable and accrued liabilities	5,210	(10,757)	(9,402)
Net cash provided by operating activities	48,410	50,760	25,677
Cash flows from investing activities			
Acquisition and development of oil and natural gas properties	(172)	(3,218)	(30,548)
Additions to pipelines, platforms and facilities	(90,205)	(30,662)	(27,368)
Investments in equity investees	(8,979)	(59,348)	(8,195)
Cash paid for acquisitions, net of cash acquired	(26,476)	(20,351)	--
Proceeds from sale of assets	--	26,122	487
Distributions related to the formation of Deepwater Holdings	--	20,000	--
Other	(381)	322	--
Net cash used in investing activities	(126,213)	(67,135)	(65,624)
Cash flows from financing activities			
Net proceeds from revolving credit facility	152,043	141,126	128,072
Repayments of revolving credit facility	(125,000)	(226,850)	(29,000)
Net proceeds from issuance of long-term debt	--	168,878	--
Net proceeds from project financing	43,554	--	--
Net proceeds from issuance of common units	100,634	--	--
Redemption of publicly-held preference units	(804)	--	--
Contributions from General Partner	2,785	603	--
Distributions to partners	(79,330)	(66,288)	(62,447)
Net cash provided by financing activities	93,882	17,469	36,625
Net increase (decrease) in cash and cash equivalents	16,079	1,094	(3,322)
Cash and cash equivalents at beginning of year	4,202	3,108	6,430
Cash and cash equivalents at end of year	$ 20,281	$ 4,202	$ 3,108

See accompanying notes.

EL PASO ENERGY PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
(IN THOUSANDS)

	SERIES B PREFERENCE UNITS	SERIES B PREFERENCE UNITHOLDERS	PREFERENCE UNITS	PREFERENCE UNITHOLDERS	COMMON UNITS	COMMON UNITHOLDERS	GENERAL PARTNER(1)	TOTAL
Partners' capital at December 31, 1997.........	--	$ --	18,075	$ 163,426	6,292	$(15,400)	$ (4,060)	$143,966
Net income..................	--	--	--	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..................	--	--	--	919	--	5,769	12,129	18,817
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
Net income (loss)...........	--	5,668	--	241	--	(990)	15,578	20,497
Conversion of preference units into common units...	--	--	(211)	(2,165)	211	2,165	--	--
Redemption of remaining preference units..........	--	--	(79)	(804)	--	--	--	(804)
Issuance of common units....	--	--	--	--	4,600	100,634	--	100,634
General Partner contribution related to the issuance of common units.............	--	--	--	--	--	--	2,785	2,785
Issuance of Series B preference units..........	170,000	170,000	--	--	--	--	--	170,000
Cash distributions..........				(241)	--	(62,284)	(16,005)	(78,530)
Partners' capital at December 31, 2000.........	170,000	$175,668	--	$ --	31,550	$132,802	$ 2,601	$311,071

- ---------------

(1) El Paso Energy Partners Company, a wholly owned subsidiary of El Paso, owns a one percent general partner interest in us.

See accompanying notes.

EL PASO ENERGY PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

We are a publicly held Delaware master limited partnership established in 1993 for the purpose of providing midstream energy services, including natural gas and oil gathering, transportation, storage and other related services, both onshore and offshore in the Gulf of Mexico. In August 1998, El Paso acquired, through a series of transactions, DeepTech International Inc., or DeepTech. As a result, El Paso acquired 100 percent of our General Partner's interest and an overall 27.3 percent effective interest in us. In June 1999, we issued additional common units to El Paso in connection with the acquisition of a portion of the Viosca Knoll system, bringing El Paso's overall effective interest to 34.5 percent. In July 2000, we issued an additional 4.6 million common units in a public offering, bringing El Paso's overall effective interest to 29.8 percent. In August 2000, we issued $170 million of Series B preference units to an affiliate of our General Partner. See Note 2 for further discussion of these transactions.

Basis of Presentation and Principles of Consolidation

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

Use of Estimates

The preparation of our financial statements in conformity with generally accepted accounting principles requires us 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 our financial statements. Our actual results are likely to differ from those estimates.

Cash and Cash Equivalents

We consider short-term investments purchased with an original maturity of less than three months to be cash equivalents.

Allowance for Doubtful Accounts

We have established an allowance for losses on accounts which may become uncollectible. Collectibility is reviewed regularly and the allowance is adjusted as necessary, primarily under the specific identification method. At December 31, 2000, the allowance was $0.4 million. There was no allowance at December 31, 1999.

Property, Plant and Equipment

Gathering pipelines, platforms and related facilities, and natural gas storage facilities and equipment 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, 18 to 30 years for platforms and related facilities and 25 to 30 years for natural gas storage facilities and equipment. Repair and maintenance costs are expensed as incurred, while additions, improvements and replacements are capitalized.

We account for our oil and natural gas exploration and production activities using the successful efforts method of accounting. Under this method, costs of successful exploratory wells, developmental 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 and oil and natural gas properties. Other noncurrent liabilities at December 31, 2000 and 1999, included approximately $12.5 million and $11.7 million 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.

We evaluate impairment of our 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 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. Natural gas storage revenues consist primarily of fixed fees for natural gas storage capacity and are recognized during the month in which the space is reserved by the customer, regardless of how much space is actually used. Interruptible revenues, which are generated by providing excess storage capacity, are variable in nature and are recognized when the service is provided.

In previous years, we have reported equity earnings as part of operating revenues. We have changed this presentation as of December 31, 2000, to include equity earnings as other income. This change has been reflected for all periods presented and does not impact our reported net income.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, to provide guidance for revenue recognition issues and disclosure requirements. SAB No. 101 offers guidelines, examples, and explanations for uncertain matters relating to the recognition of revenue and became effective for us in the fourth quarter of 2000. The adoption of SAB No. 101 did not have a material impact on our financial position, results of operations, or cash flows.

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

We enter into commodity price swap instruments for non-trading purposes to manage our 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 Taxes

With the exception of Tarpon, neither we nor our subsidiaries are taxable entities. However, the taxable income or loss resulting from our operations 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 their acquisition of partnership units. Further, each partner's tax accounting, which is partially dependent upon his 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 share of the net assets reported in the consolidated financial statements. We do not have access to information about each individual partner's tax attributes and the aggregate tax bases cannot be readily determined.

We utilize SFAS No. 109, Accounting for Income Taxes, to account for Tarpon's income taxes subject to federal corporate income taxation. The income tax benefit reported in our Consolidated Statements of Operations for the years ended 2000, 1999, and 1998, 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. In January 2001, we sold our interest in Tarpon as a result of a FTC order. All deferred tax balances were transferred to the buyer at the time of sale.

Income (Loss) per Unit

Basic income (loss) 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. Diluted income (loss) 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 potentially dilutive units had been issued.

Basic income (loss) per unit and diluted income (loss) per unit are the same for the years ended December 31, 2000, 1999 and 1998, as no potentially dilutive units were outstanding during the given periods.

We include 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.

Unit-Based Compensation

We apply the provisions of Accounting Principles Board Opinion (APB) No. 25 and related interpretations in accounting for our unit compensation plans, including options issued to employees of our 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. We use fixed and variable plan accounting for our fixed and variable compensation plans.

Cumulative Effect of Accounting Change

In the fourth quarter of 1999, we changed our method of allocating net income to our partners' capital accounts from a method where we allocated income based on percentage ownership and proportionate share of cash distributions, to a method where income is allocated to the partners based upon the change from period to period in their respective claims on our book value capital. We believe 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 our book value capital at each period end. This change in accounting had no impact on our consolidated net income or our consolidated total partners' capital for any period presented. This change did not impact the declaration of distributions or the individual partner tax basis.

The impact of this change in accounting has been recorded as a cumulative effect adjustment in our 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 year ended December 31, 1998, the loss allocated to limited partners would have been $11.2 million, and basic and diluted net loss per limited partner unit would have been $0.46.

Accounting for Derivative Instruments and Hedging Activities

In June of 1998, the Financial Accounting Standards Board, (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. In June of 1999, the FASB extended the adoption date of SFAS No. 133 through the issuance of SFAS No. 137, Deferral of the Effective Date of SFAS 133. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, which also amended SFAS No. 133. SFAS No. 133, and its amendments and interpretations, establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and derivative instruments used for hedging activities. It requires that we measure all derivative instruments at their fair value, and classify them as either assets or liabilities on our balance sheet, with a corresponding offset to income, or other comprehensive income, depending on their designation, their intended use, or their ability to qualify as hedges under the standard.

We adopted SFAS No. 133 on January 1, 2001. All of our existing derivative instruments expired in December 2000 and accordingly, there was no impact as a result of our adoption.

Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities

In September 2000, the FASB issued SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, which replaces SFAS No. 125. This statement revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but carries over most of the provisions of SFAS No. 125 without reconsideration. This standard has various effective dates, the earliest of which is for fiscal years ending after December 15, 2000. We do not believe the adoption of SFAS No. 140 will have a material impact on our financial position, results of operations, or cash flows.

2. ACQUISITIONS AND DISPOSITIONS

Crystal Gas Storage

In August 2000, we acquired the salt dome natural gas storage businesses of Crystal Gas Storage, Inc., a subsidiary of El Paso, in exchange for $170 million of Series B 10% Cumulative Redeemable Preference Units. We accounted for the acquisition as a purchase and assigned the purchase price to the assets and liabilities acquired based upon the estimated fair value of those assets and liabilities as of the acquisition date. The values assigned are preliminary and may be revised based on additional information. The following is summary information related to the acquisition (in thousands):

Fair value of assets acquired	$170,573
Fair value of liabilities assumed	(573)
Preference units issued	$170,000

El Paso Intrastate-Alabama Pipeline System

In March 2000, we acquired EPIA from a subsidiary of El Paso for $26.5 million in cash. We accounted for the acquisition as a purchase and assigned the purchase price to the assets and liabilities acquired based upon the estimated fair value of those assets and liabilities as of the acquisition date. The following is summary information related to the acquisition (in thousands):

Fair value of assets acquired	$28,261
Fair value of liabilities assumed	(1,785)
Net cash paid	$26,476

The following selected unaudited pro forma information represents our consolidated results of operations on a pro forma basis for the years ended December 31, 2000 and 1999, assuming we acquired EPIA and the Crystal natural gas storage businesses on January 1, 1999:

	2000	1999
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)	
Revenue	$131,426	$105,930
Operating income	$ 45,171	$ 12,484
Net income allocated to limited partners before accounting change	$ 1,887	$ 5,406
Basic and diluted net income per unit before cumulative effect of accounting change	$ 0.06	$ 0.21

Prince Field

In October 1998, we purchased a 100 percent working interest in the Prince Field, formerly known as the Ewing Bank 958 Unit, from a wholly owned indirect subsidiary of El Paso for $12.2 million. In October 1999, we executed an agreement with El Paso Production to farmout our working interest in the Prince Field in exchange for a 9 percent overriding royalty interest. Under the terms of the agreement, we may convert our overriding royalty interest 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.

Deepwater Holdings

In June 1999, we acquired additional interests in the HIOS, East Breaks and UTOS systems through our acquisition of Natoco, Inc. and Naloco, Inc. for $51 million. As part of the transaction, we 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, we formed Deepwater Holdings with ANR to reorganize our interests in various joint ventures. In the transaction, both parties contributed their respective interests in various 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 our contribution, we received a 59.66 percent interest in Deepwater Holdings. We subsequently sold a 9.66 percent members' interest in Deepwater Holdings to ANR for $26.1 million to effect a 50/50 ownership position. We realized a $10.1 million gain associated with the sale. In conjunction with the transaction, we became the full operator of the UTOS, HIOS, and East Breaks systems on June 1, 2000.

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;

- fund a one-time distribution of $20 million to each of the equity partners;

- provide funds for the remaining construction costs of the East Breaks system and any future system expansions; and

- provide for other working capital needs of Deepwater Holdings.

The following selected unaudited pro forma information represents our 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:

	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 before accounting change	$(7,364)	$(2,689)
Basic and diluted net loss per unit before cumulative effect of accounting change	$ (0.28)	$ (0.11)

As a result of El Paso's January 2001 merger with The Coastal Corporation, ANR is now our affiliate and Deepwater Holdings no longer has interests in Stingray or the West Cameron dehydration facility. In addition, Deepwater Holdings expects to sell its interest in UTOS in April 2001.

Viosca Knoll

In June 1999, we acquired an additional 49 percent interest in Viosca Knoll from El Paso Field Services Company. In the transaction, Field Services contributed $33.4 million to Viosca Knoll and then sold a 49 percent interest to us in exchange for $19.9 million and 2,661,870 common units. We paid closing costs of $0.9 million in connection with the acquisition and our General Partner contributed $0.6 million to us in order to maintain its one percent capital account balance. As a result of the acquisition, we 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. 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)
Closing costs paid	(900)
Net cash paid	$ 19,885

The following selected unaudited pro forma information represents our 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:

	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 before accounting change	$ 8,675	$ 5,124
Basic and diluted net income per unit before cumulative effect of accounting change	$ 0.32	$ 0.19

In September 2000, we purchased the remaining one percent of Viosca Knoll from Field Services for approximately $2.0 million bringing our total investment in Viosca Knoll to 100 percent.

3. EQUITY INVESTMENTS

We hold equity investments which are accounted for using the equity method of accounting. As of December 31, 2000, the carrying amount of our equity investments exceeded the underlying equity in net assets by approximately $82 million. This difference is being amortized on a straight-line basis over the estimated lives of the underlying net assets of the respective investee. Summarized financial information for these investments is as follows:

	AS OF OR FOR THE YEAR ENDED DECEMBER 31, 2000					
	MANTA RAY OFFSHORE(a)	NAUTILUS(a)	DEEPWATER HOLDINGS(b)	POSEIDON	OTHER	TOTAL
	(DOLLARS IN THOUSANDS)					
END OF PERIOD OWNERSHIP INTEREST	25.67%	25.67%	50%	36%	50%	
OPERATING RESULTS DATA:						
Operating revenues	$ 16,272	$ 10,206	$ 67,122	$ 66,131	$110	
Other income	2,234	67	532	639	--	
Operating expenses	(3,570)	(1,635)	(25,279)	(25,371)	(51)	
Depreciation	(4,483)	(5,880)	(18,138)	(10,754)	--	
Other expenses	(72)	(360)	(10,711)	(11,683)	(19)	
Net income	$ 10,381	$ 2,398	$ 13,526	$ 18,962	$ 40	
OUR SHARE:						
Allocated income	$ 2,665	$ 616	$ 6,763	$ 6,826	$ 20	
Adjustments(c)	(267)	(91)	507	5,892	--	
Equity earnings	$ 2,398	$ 525	$ 7,270	$ 12,718	$ 20	$22,931
Allocated distributions	$ 4,359	$ 2,519	$ 13,550	$ 13,532	$ --	$33,960
FINANCIAL POSITION DATA:						
Current assets	$ 2,053	$ 2,322	$ 46,128	$126,360	$111	
Noncurrent assets	145,970	101,584	237,416	237,996	--	
Current liabilities	611	812	39,962	264,776	27	
Long-term debt	--	--	157,000	--	--	
Other noncurrent liabilities	--	--	9,517	--	--	

- ---------------

(a) We own indirect investments in these investees. However, because we believe separate data on each of these investees is more meaningful, results have been reflected separately.

(b) In January 2001, Deepwater Holdings sold its Stingray and West Cameron subsidiaries. Deepwater Holdings expects to sell its interest in its UTOS subsidiary in April 2001.

(c) We recorded adjustments primarily for differences from estimated year end 1999 earnings reported in our 1999 Annual Report on Form 10-K and actual earnings reported in the 1999 audited annual reports of our unconsolidated affiliates, and for purchase price adjustments under APB Opinion No. 16, "Business Combinations." The adjustment for Poseidon primarily represents the receipt or expected receipt of insurance proceeds to offset our share of the repair costs related to the January 2000 pipeline rupture.

	AS OF OR FOR THE YEAR ENDED DECEMBER 31, 1999					
	MANTA RAY OFFSHORE(a)	NAUTILUS(a)	VIOSCA KNOLL(b)	DEEPWATER HOLDINGS(c)	STINGRAY(c)	HIOS(c)
	(DOLLARS IN THOUSANDS)					
END OF PERIOD OWNERSHIP INTEREST	25.67%	25.67%	99%	50%	50%	50%
OPERATING RESULTS DATA:						
Operating revenue	$ 16,782	$ 9,838	$12,338	$14,106	$13,322	$27,370
Other income	2,307	21	31	87	1,898	143
Operating expenses	(3,724)	(1,440)	(925)	(8,183)	(7,932)	(13,212)
Depreciation	(5,323)	(5,872)	(1,752)	(4,023)	(5,699)	(3,475)
Other expenses	(57)	(293)	(1,973)	(1,402)	(1,516)	--
Net income	$ 9,985	$ 2,254	$ 7,719	$ 585	$ 73	$10,826
OUR SHARE:						
Allocated income	$ 2,563	$ 579	$ 3,860	$ 293	$ 37	$ 4,780
Adjustments(d)	(784)	(55)	--	(118)	1,223	92
Equity earnings	$ 1,779	$ 524	$ 3,860	$ 175	$ 1,260	$ 4,872
Allocated distributions	$ 4,001	$ 1,905	$ 6,350	$ 4,400	$ 2,501	$ 6,900
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		

	AS OF OR FOR THE YEAR ENDED DECEMBER 31, 1999				
	UTOS(c)	WEST CAMERON DEHY(c)	POSEIDON	OTHER	TOTAL
	(DOLLARS IN THOUSANDS)				
END OF PERIOD OWNERSHIP INTEREST	50%	50%	36%	50%	
OPERATING RESULTS DATA:					
Operating revenue	$3,233	$1,934	$76,160	$ 35	
Other income	52	23	403	--	
Operating expenses	(1,544)	(210)	(8,774)	(18)	
Depreciation	(420)	(12)	(6,172)	--	
Other expenses	--	--	(9,133)	--	
Net income	$1,321	$1,735	$52,484	$ 17	
OUR SHARE:					
Allocated income	$ 614	$ 868	$18,894	$ 8	
Adjustments(d)	(25)	--	(7)	(8)	
Equity earnings	$ 589	$ 868	$18,887	$ --	$32,814
Allocated distributions	$1,000	$ 800	$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) We own indirect investments in these investees. However, because we believe separate data on each of these investees is more meaningful, results have been reflected separately.
(b) The information presented for Viosca Knoll as an equity investment is through May 31, 1999. On June 1, 1999, we began consolidating the results of Viosca Knoll as a result of acquiring an additional 49 percent interest in the system.
(c) Deepwater Holdings was formed in September 1999 and owns 100 percent of Stingray, HIOS, UTOS, and West Cameron Dehy. The operating results provided represent activity for the nine months ended September 30, 1999, subsequent to September 30, 1999, the activity related to these entities is reflected

in Deepwater Holdings.

(d) We recorded adjustments primarily for purchase price adjustments in accordance with APB Opinion No. 16, except for Stingray which resulted from changes in estimates of reserves for uncollectable revenues.

EL PASO ENERGY PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	AS OF OR FOR THE YEAR ENDED DECEMBER 31, 1998								
	MANTA RAY OFFSHORE(a)	NAUTILUS(a)	VIOSCA KNOLL	STINGRAY	HIOS	UTOS	WEST CAMERON DEHY	POSEIDON	TOTAL
	(DOLLARS IN THOUSANDS)								
END OF PERIOD OWNERSHIP INTEREST	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	
OUR 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) We own indirect investments in these investees. However, because we believe separate data for each of these investees is more meaningful, results have been reflected separately.
(b) We recorded adjustments primarily for purchase price adjustments in accordance with APB Opinion No. 16, except for Nautilus which related to a revision of the allowance for funds used during construction, which represents the estimated costs, during the construction period, of funds used for construction purposes.

4. PROPERTY, PLANT AND EQUIPMENT

Our property, plant and equipment consisted of the following:

	DECEMBER 31, 2000	DECEMBER 31, 1999
	(IN THOUSANDS)	
Property, plant and equipment, at cost		
Pipelines	$239,920	$179,588
Platforms and facilities	127,639	120,416
Oil and natural gas properties	156,320	122,222
Natural gas storage facilities	147,294	--
Construction work-in-progress	127,811	92,095
	798,984	514,321
Less accumulated depreciation, depletion and amortization	167,289	140,562
Total property, plant and equipment, net	$631,695..	$373,759

5. FINANCING TRANSACTIONS

Senior Subordinated Notes

In May 1999, we entered into an indenture with Chase Bank of Texas, under which we issued $175 million in aggregate principal amount of Senior Subordinated Notes. We 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 year, payable semi-annually, on June 1 and December 1, and mature on June 1, 2009. Our subsidiaries have guaranteed our obligations under the Subordinated Notes. In addition, we could be required to repurchase the Subordinated Notes if certain circumstances relating to change of control or asset dispositions exist. The sales of some of our Gulf of Mexico assets had no bearing on the Subordinated Notes. The terms of the Subordinated Notes include, among other things, financial tests and covenants, all of which we currently meet. The proceeds from the Subordinated Notes were used to fund the Viosca Knoll acquisition and to pay down our revolving credit facility.

Partnership Credit Facility

In June 2000, we amended and restated our revolving credit facility with a syndicate of commercial banks to provide up to $500 million of available credit subject to borrowing base limitations. As of December 31, 2000, we had $318 million outstanding under this facility and $99.4 million available. The average interest rate for 2000 and 1999 was 9.1% and 9.0%, respectively. We pay a commitment fee of 0.25% per year on the unused and unavailable portion of the credit facility and 0.50% per year on the unused and available portion. Our credit facility matures in May 2002; is guaranteed by us and each of our subsidiaries; and is collateralized by our management agreement, substantially all of our assets (excluding our Argo subsidiary), our General Partner's one percent general partner interest and its approximate one percent nonmanaging interest in certain of our subsidiaries. We may borrow money under this facility for capital expenditures, investment and working capital purposes and, to a limited extent, for capital distributions. We are currently negotiating with a syndicate bank group to increase the size of our credit facility to $600 million and extend the maturity through May 2005.

Project Finance Loan

In August 2000, Argo II, L.L.C., one of our subsidiaries, obtained a $95 million limited recourse project finance loan from a group of commercial lenders. This loan is a syndication of a construction loan that is convertible into a term loan upon completion of the construction project. As of December 31, 2000, Argo had $45 million outstanding, and the average interest rate was 8.4%. This loan finances a substantial portion of the estimated $140.0 million costs of the TLP, pipelines and other facilities that we are installing in the Prince Field.

During the years ended December 31, 2000, 1999 and 1998, we capitalized approximately $4.0 million, $1.8 million, and $1.1 million, respectively, of interest expense in connection with construction projects and drilling activities. At December 31, 2000 and 1999, the unamortized portion of debt issue costs totaled approximately $10.4 million and $11.0 million, respectively.

Other Credit Facilities

Deepwater Holdings and Poseidon Oil Pipeline Company, L.L.C. are parties to credit agreements under which each has outstanding obligations that may restrict their ability to pay distributions to their respective owners.

In 1999, Deepwater Holdings assumed Western Gulf Holdings L.L.C.'s obligations under its $100 million revolving credit facility and amended and restated that facility to, among other things, increase the commitment amount to $175 million. The amended credit facility matures in February 2004. Deepwater

EL PASO ENERGY PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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 Deepwater Holdings, including its ownership in Stingray, UTOS, West Cameron dehydration, and Western Gulf Holdings, and its subsidiaries HIOS and East Breaks Gathering. As of December 31, 2000 and 1999, Deepwater Holdings had $157 million and $122 million, respectively, outstanding under its credit facility, and the average floating interest rate was 8.1% and 7.3% at December 31, 2000 and 1999, respectively. The proceeds from the sale of Stingray and West Cameron dehydration during January 2001 of approximately $50 million were used to reduce the revolving credit facility.

Poseidon has an amended revolving credit facility with a syndicate of commercial banks to provide up to $150 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 Poseidon's assets and matures on April 30, 2001. As of December 31, 2000 and 1999, Poseidon had $150 million outstanding under its credit facility. The average floating interest rate was 7.9% and 7.8% at December 31, 2000 and 1999, respectively. Poseidon is currently negotiating with a syndicate bank group to refinance the credit facility.

In June 1999, the Viosca Knoll revolving credit facility was repaid in the amount of $66.8 million and cancelled concurrent with the closing of our acquisition of the additional interest in Viosca Knoll.

In September 1999, the Stingray credit facility was repaid in the amount of $22.2 million and cancelled concurrent with the formation of Deepwater Holdings. Borrowings from the newly formed Deepwater Holdings credit facility were used to pay off the Stingray credit facility.

6. PARTNERS' CAPITAL

General

As of December 31, 2000, we had 31,550,314 common units outstanding. Common units totaling 22,596,550 are owned by the public, representing a 72.2 percent limited partner interest in us. Our General Partner has an effective 29.8 percent interest in us, consisting of a 27.8 percent limited partner interest in the form of 8,953,764 common units, a one percent general partner interest in us and an approximate one percent non-managing interest in some of our subsidiaries.

Public Offering of Common Units

In July 2000, we completed a public offering of 4,600,000 common units that included 600,000 common units to cover over-allotments for the underwriters. We used the net cash proceeds of $101 million to reduce the balance outstanding under our revolving credit facility. In addition, our General Partner contributed $1.1 million to us in order to satisfy its one percent capital contribution requirement.

In March 2001, we completed a public offering of 2,250,000 common units. We used the net cash proceeds of $66.3 million from the offering to reduce the balance outstanding under our revolving credit facility. In addition, our General Partner contributed $0.7 million to us in order to satisfy its one percent capital contribution requirement.

Conversion and Redemption of Preference Units

In May 1998, 1999 and 2000, we notified the holders of our publicly-held preference units of their opportunity to convert their preference units into an equal number of common units. Total preference units of 211,249 were converted to common units after the 90-day conversion period in 2000 and 78,450 preference units remained. In October 2000, we redeemed the remainder of these preference units for approximately

$0.8 million representing a cash price of $10.25 per unit. For the converted units, we reallocated the partners' capital accounts in the conversion period to reflect these conversions of preference units into common units.

Series B Preference Units

In August 2000, we issued $170 million of Series B preference units to acquire the natural gas storage businesses of Crystal Gas Storage, Inc. These newly issued preference units are non-voting and have rights to income allocations on a cumulative basis, compounded semi-annually at an annual rate of 10%. We are not obligated to pay cash distributions on these units until 2010. After 2010, the rate will increase to 12% and distributions will be required to be paid on a current basis. The new preference units contain no mandatory redemption obligation, but may be redeemed at our option at any time. If our capital was ever liquidated, then these Series B preference units would have priority after our General Partner, but before our outstanding common unitholders.

Cash Distributions

We make quarterly distributions of 100 percent of our available cash, as defined in the partnership agreement, to our unitholders and to our General Partner. Available cash generally consists of all cash receipts plus reductions in reserves less all cash disbursements and net additions to reserves. Our General Partner has broad discretion to establish cash reserves for any proper partnership purpose. These can include cash reserves for future capital and maintenance expenditures, reserves to stabilize distributions of cash to the unitholders and our General Partner, reserves to reduce debt, or, as necessary, reserves to comply with the terms of our agreements or obligations.

Cash distributions on common units and to our General Partner are discretionary in nature and are not entitled to arrearages of minimum quarterly distributions. The following table reflects our per unit cash distributions to our preference and common unitholders and the total incentive distributions paid to our General Partner during the year ended December 31, 2000:

MONTH PAID	PREFERENCE UNIT	COMMON UNIT	GENERAL PARTNER
	(PER UNIT)		(IN MILLIONS)
February	$0.275	$0.5250	$3.2
May	$0.275	$0.5375	$3.6
August	$0.275	$0.5375	$4.1
November	$ --	$0.5500	$5.0

In January 2001, we declared a cash distribution of $0.55 per common unit, or $22.3 million in the aggregate, which we paid on February 15, 2001.

For the year ended December 31, 2000, 1999 and 1998, we paid our General Partner incentive distributions totaling $15.5 million, $12.1 million, and $11.1 million, respectively, and paid an incentive distribution of $4.6 million in February 2001.

Unit Rights Appreciation Plan

Prior to 1998, we maintained a unit rights appreciation plan under which employees of the General Partner were granted a right to market appreciation on our common and/or preference units. A total of 1.2 million of these rights were granted to officers and employees of the General Partner and its affiliates. As a result of the "change in control" occurring upon the closing of El Paso'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. We replaced this plan with the Omnibus Plan discussed below.

Option Plans

In August 1998, we adopted the 1998 Omnibus Compensation Plan, or the Omnibus Plan, to provide our 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. Unit options granted pursuant to the Omnibus Plan are not immediately exercisable. One-half of the unit options were considered vested and exercisable one year after the date of grant and the remaining one-half of the unit options were 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, we adopted the 1998 Unit Option Plan for Non-Employee Directors, or our Director Plan, to provide our 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 of our common units 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 our 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.

The following table summarizes activity under the Omnibus Plan and Director Plan as of and for the years ended December 31, 2000, 1999 and 1998. No unit options were granted by the Partnership prior to August 1998.

	2000		1999		1998	
	# UNITS OF UNDERLYING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	# UNITS OF UNDERLYING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	# UNITS OF UNDERLYING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	937,500	$27.16	933,000	$27.19	--	$ --
Granted	3,000	25.56	4,500	21.58	933,000	27.19
Exercised	--	--	--	--	--	--
Forfeited	7,500	27.19	--	--	--	--
Canceled	7,500	27.19	--	--	--	--
Outstanding at end of year	925,500	$27.15	937,500	$27.16	933,000	$27.19
Options exercisable at end of year	925,500	$27.15	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 following its merger with Sonat Inc. in 1999.

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	2000	1999
Expected term in years	8	8
Expected volatility	27.97%	28.70%
Expected dividends	9.35%	9.20%
Risk-free interest rate	5.35%	6.40%

The Black-Scholes weighted average fair value of options granted during 2000 and 1999 was $2.63 and $3.14 per option, respectively.

Options outstanding as of December 31, 2000, are summarized below:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$20.63 to $27.34	925,500	5.4 years	$27.15	925,500	$27.15

If the compensation expense for our stock-based compensation plans had been determined applying the provisions of SFAS No. 123, Accounting for Stock Based Compensation, using the Black-Scholes weighted average fair value of options granted, our net income allocated to the limited partners and net income per common unit for 2000, 1999 and 1998 would approximate the pro forma amounts below:

	DECEMBER 31, 2000		DECEMBER 31, 1999		DECEMBER 31, 1998	
	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)					
SFAS No. 123 charge, pretax.....	$ --	$ 211	$ --	$ 890	$ --	$1,065
Net (loss) income allocated to the limited partners..........	$ (749)	$ (960)	$(8,739)	$(9,629)	$ 604	$ (461)
Basic and diluted (loss) income per unit......................	$(0.03)	$(0.03)	$ (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.

7. RELATED PARTY TRANSACTIONS

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

	2000	1999	1998
	(IN THOUSANDS)		
Revenues Received from Related Parties:			
Oil and natural gas sales.................................	$20,448	$29,778	$31,225
Gathering, transportation and platform services...........	4,484	990	3,546
	$24,932	$30,768	$34,771
Expenses Paid to Related Parties:			
Purchased natural gas costs...............................	$14,295	$ --	$ --
Operating expenses..	22,817	13,494	14,379
	$37,112	$13,494	$14,379
Reimbursements from Related Parties:			
Operating expenses..	$20,543	$ 2,377	$ 1,524

Revenues Received from Related Parties

We have agreed to sell substantially all of our oil and natural gas production to an affiliate 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 marketing our production. During the years ended December 31, 2000, 1999 and 1998, oil and natural gas sales to the affiliate totaled approximately

$15.7 million, $29.8 million, and $31.2 million, respectively. Beginning in the fourth quarter 2000, we began selling our oil and natural gas ourself.

In March 2000, we acquired EPIA. EPIA's sales of natural gas and transportation services include transactions with affiliates of our General Partner. For the year ended December 31, 2000, EPIA had approximately $4.7 million of natural gas sales and approximately $4.3 million of transportation services to affiliates.

For the year ended December 31, 2000, we received approximately $0.1 million from Manta Ray Offshore Gathering as platform access and processing fees related to our platforms located in South Timbalier 292 and Ship Shoal 332.

For the five months ended May 31, 1999, and the year ended December 31, 1998, we received from Viosca Knoll approximately $1.0 million and $2.4 million, respectively, for expenses and platform fees related to the Viosca Knoll 817 platform. We began consolidating Viosca Knoll following our acquisition of an additional 49 percent ownership interest in June 1999. As a result, revenues after this period were eliminated in consolidation.

For the year ended December 31, 1998, we received approximately $1.1 million from Tatham Offshore as platform access and processing fees related to the Viosca Knoll 817 platform.

Expenses Paid to Related Parties

Purchased Natural Gas Costs. EPIA's purchases of natural gas include transactions with affiliates of our General Partner. For the year ended December 31, 2000, EPIA had approximately $14.3 million of natural gas purchases from affiliates.

Management Fees. Substantially all of the individuals who perform the day-to-day financial, administrative, accounting and operational functions for us, as well as those who are responsible for directing and controlling us, are currently employed by El Paso. Under a management agreement between El Paso and our General Partner, a management fee is charged to our General Partner which is intended to approximate the amount of resources allocated by El Paso in providing various operational, financial, accounting and administrative services on behalf of our General Partner and us. The management agreement expires on June 30, 2002, and may be terminated thereafter upon 90 days notice by either party. Under the terms of the partnership agreement, our General Partner is entitled to reimbursement of all reasonable general and administrative expenses and other reasonable expenses incurred by our General Partner and its affiliates for, or on our behalf, including, but not limited to, amounts payable by our General Partner to El Paso under its management agreement.

In connection with El Paso's acquisition of our General Partner, our General Partner amended its management agreement to provide for a monthly management fee of $775,000. Our General Partner charged us $9.3 million in management fees for each of the years ended December 31, 2000, 1999 and 1998.

Our General Partner is also required to reimburse El Paso, and its predecessor, DeepTech for certain tax liabilities resulting from, among other things, additional taxable income allocated to our General Partner due to (i) the issuance of additional preference units and (ii) the investment of such proceeds in additional acquisitions or construction projects. As of December 2000, all publicly held preference units had been converted to common units or redeemed for cash. In 1998, our General Partner charged us approximately $0.5 million to compensate DeepTech for additional taxable income allocated to our General Partner.

For the five months ended May 31, 1999, and the year ended December 31, 1998, Viosca Knoll charged us approximately $0.8 million and $1.9 million, respectively, for transportation services related to transporting production from the Viosca Knoll Block 817 lease.

In November 1999, we entered into an agreement with Field Services under which they provide personnel to operate Stingray and the West Cameron dehydration facility. During 2000, Field Services also began operating HIOS, UTOS and East Breaks. To operate these subsidiaries under Deepwater Holdings, we charged Deepwater Holdings $6.4 million for the year ended December 31, 2000. We also entered into an agreement during 2000 to operate EPIA and the Crystal storage businesses. For the year ended December 31, 2000, we charged these companies a management fee of approximately $4 million pursuant to their management and operations agreements. All fees paid under these contracts approximate actual costs incurred.

Garden Banks. For the years ended December 31, 2000, 1999 and 1998, Poseidon charged us approximately $0.6 million, $0.9 million, and $1.4 million, respectively, for transportation services related to transporting production from the Garden Banks Block 72 and 117 leases.

Cost Reimbursements. Under a management agreement between us and Viosca Knoll, prior to our purchase of an additional 49 percent interest we charged Viosca Knoll a base fee of $100,000 annually in exchange for our providing financial, accounting and administrative services on behalf of Viosca Knoll. For the five months ended May 31, 1999, and for the year ended December 31, 1998, we charged Viosca Knoll approximately $42,000 and $100,000, respectively, in accordance with this management agreement. In addition, for the year ended December 31, 1998, Viosca Knoll reimbursed us approximately $152,000, for costs incurred by us in connection with the acquisition and installation of a booster compressor on our Viosca Knoll 817 platform.

For the years ended December 31, 2000, 1999 and 1998, we charged Manta Ray Offshore a management fee of approximately $0.2 million, $0.5 million, and $1.3 million, respectively, pursuant to its management and operations agreements.

Pursuant to former non-employee director compensation arrangements, we were obligated to pay each non-employee director 2.5 percent of our General Partner's incentive distribution as a profit participation fee. During 1998, we paid three of our non-employee directors a total of $0.6 million as a profit participation fee. As a result of El Paso's acquisition of Deep Tech, these non-employee directors resigned and these arrangements were terminated.

As a result of becoming the operator of Deepwater Holdings' assets, we began receiving reimbursement from Deepwater Holdings for the cost of operating HIOS, UTOS, East Breaks, Stingray, and West Cameron dehydration. This reimbursement is a fixed monthly amount covering normal operating activities and is recorded as a reduction to our operation and maintenance expense. To the extent our costs are more than the monthly reimbursement, our operating expenses will be higher, and to the extent our costs are lower than the monthly reimbursement, our operating expense will be lower. In addition, due to the timing of actual costs, we may recognize fluctuations in our results of operations throughout the year. For the year ended December 31, 2000, we received approximately $20.3 million from the subsidiaries of Deepwater Holdings pursuant to their respective agreements.

Farmout

In October 1999, we farmed out our working interest in the Prince Field to El Paso Production. Under the terms of the farmout agreement, our net overriding royalty interest in the Prince Field increased to a weighted average of approximately 9 percent. Once El Paso Production recoups the costs associated with its drilling and completion activities on the field, we can convert our royalty interest into a 30 percent undivided working interest.

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, we recorded a charge totaling $21.2 million in the consolidated statements of operations. This charge consisted of approximately $6.4 million to reserve our 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, we abandoned our Ewing Bank flowlines at a cost of $2.9 million and recorded a credit to impairment of $1.1 million, which represented the excess of the accrued costs over the actual costs incurred associated with the abandonment of the flowlines.

8. COMMITMENTS AND CONTINGENCIES

Credit Facilities

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

Hedging Activities

We hedge a portion of our oil and natural gas production to reduce our exposure to fluctuations in the market prices of oil and natural gas and to meet certain requirements under our revolving credit facility. We use 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. We settle 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 we use 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 our price swap contracts is derived from the counterparty to the transaction, typically a major financial institution. We do not require collateral and do not anticipate non-performance by this counterparty, which does not transact a sufficient volume of transactions with us 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, 2000, 1999 and 1998, we recorded a net (loss) gain of $(15.0) million, $(2.3) million and $2.5 million, respectively, from such activities.

As of December 31, 1998, we 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, we received a fixed price and paid a variable price based on monthly natural gas futures contract settlement price as set by NYMEX. In January 1999, we elected to change the term of our 1999 swap to calendar year 2000. In January 1999 and 2000, under the terms of this transaction, we fixed the contract price at $1.6686 per MMbtu and $1.8050 per MMbtu, respectively, for each swap.

Each of our derivative instruments expired in December 2000 and we have not entered into any new hedging activities in 2001.

Legal Proceedings

We are a defendant in a lawsuit filed by Transco in the 157th Judicial District Court, Harris County, Texas in August 1996. Transco alleges that, pursuant to a platform lease agreement entered into in June 1994, it had the right to expand its facilities and operations on the offshore platform by connecting additional pipeline receiving and appurtenant facilities. We 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 our existing and planned activities on the platform. The case went to trial on April 3, 2000, and the jury found that we were not at fault and therefore awarded no damages to Transco. Transco has filed motions related to the jury's findings. We sold the platform relating to this incident in January 2001 and therefore all claims have been dismissed.

In January 2000, an anchor from a submersible drilling rig in tow damaged a section of the Poseidon system north of our 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 our Ship Shoal 332 platform, and resulted in the shutdown of the system and surrounding facilities in which we have ownership interests. Poseidon's costs to repair the damaged pipeline and clean up the crude oil released into the Gulf was approximately $18 million. Poseidon has filed a lawsuit against the rig's owner for damages to the pipeline. By the end of the first quarter 2000, the pipeline was repaired and was placed back into service. To date, we have received approximately $6.7 million of insurance proceeds for business interruption and property damage.

We, along with several subsidiaries of El Paso, 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 under report the heating value as well as the volumes of the natural gas produced from federal and Native American lands, which deprived the U.S. Government of royalties. (In re: Natural Gas Royalties Qui Tam Litigation, U.S. District Court for the District of Wyoming.)

We have also been named a defendant in an action styled Quinque Operating Company, et al v. Gas Pipelines and Their Predecessors, et al filed in 1999 in the District Court of Stevens County, Kansas. This complaint alleges that the defendants have mismeasured natural gas volumes and heating content of natural gas on non-federal and non-Native American lands. The Quinque complaint, once transferred to the same court handling the Grynberg complaint, has been sent back to the Kansas State Court for further proceedings.

We are also a named defendant in numerous lawsuits and a named party in numerous governmental proceedings arising in the ordinary course of our business.

While the outcome of the matters discussed above cannot be predicted with certainty, we do not expect the ultimate resolution of these matters will have a material adverse effect on our financial position, operating results, or cash flows.

Environmental

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

It is possible that new information or future developments could require us to reassess our potential exposure related to environmental matters. We 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 claims for damages to property, employees, other persons and the environment resulting from current or past operations, could result in substantial costs and liabilities in the future. As this information becomes available, or other relevant developments occur, we will make accruals accordingly.

Regulatory Matters

FERC has jurisdiction over Nautilus, Stingray, HIOS, and UTOS and the Petal natural gas storage facility 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.

Each of Nautilus, HIOS, UTOS and Petal are currently operating under agreements with their respective customers that provide for rates that have been approved by FERC. On December 1, 1998, Stingray filed for a general rate increase with 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 and the case was still pending before FERC at the time Deepwater Holdings sold Stingray in January 2001. Our remaining systems are gathering facilities and, as such, are not currently subject to rate and certificate regulation by FERC.

All of our 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 United States Department of the Interior.

9. 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,		
	2000	1999	1998
	(IN THOUSANDS)		
Interest	$46,768	$31,696	$17,608
Taxes	$ --	$ --	$ --

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

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	(IN THOUSANDS)		
Acquisition of Crystal natural gas storage businesses			
Issuance of Series B preference units	$170,000	$ --	$ --
Working capital acquired	220	--	--
Acquisition of EPIA			
Working capital acquired	(1,673)	--	--
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

10. MAJOR CUSTOMERS

As discussed in Note 7, we sell substantially all of our oil and natural gas production to an affiliated company. The percentage of our revenue from our other segment's major customers was as follows:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Alabama Gas Corporation	20%	--	--
Shell Offshore	13%	--	--
Kerr-McGee Corporation	11%	26%	32%
Shell Gas Trading Company	--	21%	--
Viosca Knoll	--	--	13%
Texaco Gas Marketing, Inc		--	10%

11. BUSINESS SEGMENT INFORMATION:

We segregate our business activities into three segments: Gathering, Transportation, and Platform Services; Oil and Natural Gas Production; and Gas Storage Services. As a result of our acquisition of EPIA in March 2000, we began providing marketing services through the purchase and resale of natural gas to our customers. Our marketing activities are recorded in the Gathering, Transportation, and Platform Services segment. As a result of our acquisition of the Crystal storage businesses in August 2000, we began providing natural gas storage services and have shown these activities as a separate segment. Each of our segments are business units that offer different services and products. They are managed separately, as each requires different technology and marketing strategies.

We measure segment performance based on performance cash flows, or an asset's or investment's ability to generate cash flow. We determine performance cash flows by taking earnings before interest, taxes, and depreciation, depletion, and amortization, and adding or subtracting as appropriate, cash distributions from equity investments, earnings attributable to equity investments, and other cash and non-cash items. We use this measure as a supplemental financial measurement in the evaluation of our business, and you should not consider it an alternative to EBIT as an indicator of our operating performance or to cash flows from operating activities as a measure of our liquidity. In addition, it may not be a comparable measurement among different companies. Performance cash flows are presented here to provide you with additional information about our assets and investments. The accounting policies of the individual segments are the same as ours. The following table summarizes certain financial information for our business segments (in thousands):

	GATHERING, TRANSPORTATION AND PLATFORM SERVICES	OIL AND NATURAL GAS PRODUCTION	GAS STORAGE SERVICES	OTHER(1)	TOTAL
	FOR THE YEAR ENDED DECEMBER 31, 2000				
Revenue from external customers	$ 85,681	$ 20,552	$ 6,182	$ --	$112,415
Intersegment revenue	13,316	--	23	(13,339)	--
Depreciation, depletion and amortization	14,707	11,017	1,868	151	27,743
Operating income (loss)	47,091	(7,402)	2,190	172	42,051
Earnings from equity investments	22,931	--	--	--	22,931
EBIT	72,083	(7,402)	2,191	487	67,359
Performance cash flows	100,568	1,838	4,059	639	107,104
Assets	617,315	62,100	176,420	28,424	884,259
	FOR THE YEAR ENDED DECEMBER 31, 1999				
Revenue from external customers	$ 33,694	$ 29,965	$ --	$ --	$ 63,659
Intersegment revenue	13,193	--	--	(13,193)	--
Depreciation, depletion and amortization	12,087	18,543	--	--	30,630
Operating income (loss)	18,336	(7,709)	--	--	10,627
Earnings from equity investments	32,814	--	--	--	32,814
EBIT	61,070	(7,359)	--	191	53,902
Performance cash flows	78,853	12,452	--	--	91,305
Assets	500,720	67,785	--	15,080	583,585
	FOR THE YEAR ENDED DECEMBER 31, 1998				
Revenue from external customers	$ 17,320	$ 31,411	$ --	$ --	$ 48,731
Intersegment revenue	10,673	--	--	(10,673)	--
Depreciation, depletion and amortization	7,266	22,001	--	--	29,267
Operating income (loss)	3,308	(10,271)	--	--	(6,963)
Earnings from equity investments	26,724	--	--	--	26,724
EBIT	30,513	(10,140)	--	159	20,532
Performance cash flows	40,615	11,730	--	--	52,345
Assets	349,237	81,195	--	12,294	442,726

- ---------------

(1) Represents intersegment eliminations and other income or assets not associated with our segment activities.

12. SUBSEQUENT EVENTS:

NGL and Fractionation Assets

In February 2001, we acquired the south Texas fee-based natural gas liquids transportation and fractionation assets owned by an affiliate of our General Partner for approximately $133 million. We funded the acquisition of these assets, which was accounted for as a purchase, by borrowing from our revolving credit facility.

Gulf of Mexico Assets

In accordance with a FTC order related to El Paso's merger with The Coastal Corporation, we, along with Deepwater Holdings, agreed to sell several of our offshore Gulf of Mexico assets to third parties in January 2001. Total consideration paid for these assets was approximately $158 million consisting of approximately $108 million for the assets we sold and approximately $50 million for the assets Deepwater Holdings sold. The offshore assets sold include interests in Stingray, Nautilus, Manta Ray Offshore, Nemo, Green Canyon, and Tarpon, as well as interests in two offshore platforms and one dehydration facility. Additionally, upon FTC approval, Deepwater Holdings will sell its interest in UTOS. We expect this sale to occur, in April 2001 and the proceeds to be approximately $4 million. The net carrying value of the assets sold or to be sold approximated $190 million at December 31, 2000.

As additional consideration for the above transactions, El Paso will make payments to us totaling $29 million. These payments will be made in quarterly installments of $2.25 million, starting on or before March 31, 2001, for the next three years and $2 million in the first quarter of 2004. From this additional consideration, we realized income of approximately $25.4 million in the first quarter of 2001.

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

Oil and Natural Gas Reserves

The following table represents our net interest in estimated quantities of developed and undeveloped reserves of crude oil, condensate and natural gas and changes in such quantities at year end 2000, 1999 and 1998. Estimates of our reserves at December 31, 2000, 1999 and 1998, 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 MBbls	NATURAL GAS MMcf
	(IN THOUSANDS)	
Proved reserves -- January 1, 1998	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
Revision of previous estimates	23	1,171
Production	(295)	(7,185)
Proved reserves -- December 31, 2000	1,201	11,500

- ---------------

(1) Includes our 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 our total proved developed and proved undeveloped reserves of oil and natural gas by producing property as of December 31, 2000.

	OIL (barrels)	NATURAL GAS (Mcf)	
	PROVED DEVELOPED	PROVED DEVELOPED	PROVED UNDEVELOPED
Garden Banks Block 72	209,008	1,771,981	--
Garden Banks Block 73	--	143,245	--
Garden Banks Block 117	933,823	1,626,785	--
Viosca Knoll Block 817	47,845	4,946,589	2,373,676
West Delta Block 35	10,747	637,645	--
Total	1,201,423	9,126,245	2,373,676

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 our reserves is based upon volumetric calculations.

Future Net Cash Flows

The standardized measure of discounted future net cash flows relating to our 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 fixed price contracts in effect, to our 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, 2000, were $23.75 per barrel of oil and $9.39 per Mcf of natural 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 we are 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 our opinion, this standardized measure is not a representative measure of fair market value, and the standardized measure presented for our 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,		
	2000	1999	1998
	(IN THOUSANDS)		
Future cash inflows	$136,658	$ 69,719	$ 53,299
Future production costs	(15,853)	(14,530)	(13,412)
Future development costs	(11,531)	(10,681)	(10,566)
Future net cash flows	109,274	44,508	29,321
Annual discount at 10% rate	(19,525)	(7,990)	(2,649)
Standardized measure of discounted future net cash flows	$ 89,749	$ 36,518	$ 26,672

Estimated future net cash flows for proved developed and proved undeveloped reserves as of December 31, 2000, are as follows:

	PROVED DEVELOPED	PROVED UNDEVELOPED	TOTAL
	(IN THOUSANDS)		
Undiscounted estimated future net cash flows from proved reserves before income taxes	$89,776	$19,498	$109,274
Present value of estimated future net cash flows from proved reserves before income taxes, discounted at 10%	$73,705	$16,044	$ 89,749

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

	2000	1999	1998
Beginning of year	$ 36,518	$ 26,672	$ 67,366
Sales and transfers of oil and natural gas produced, net of production costs	(33,203)	(22,154)	(22,131)
Net changes in prices and production costs	119,457	29,901	(32,129)
Extensions, discoveries and improved recovery, less related costs	--	544	--
Oil and natural gas development costs incurred during the year	172	615	120
Changes in estimated future development costs	(511)	(1,098)	(443)
Revisions of previous quantity estimates	7,846	5,124	1,920
Purchase of reserves in place	--	--	7,573
Accretion of discount	3,652	2,666	6,736
Changes in production rates, timing and other	(44,182)	(5,752)	(2,340)
End of year	$ 89,749	$ 36,518	$ 26,672

Development, Exploration, and Acquisition Expenditures

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

	2000	1999	1998
	(IN THOUSANDS)		
Development costs	$172	$3,018	$17,783
Proved acquisitions	--	--	16,945
Capitalized interest	--	200	328
Total capital expenditures	$172	$3,218	$35,056

Capitalized Costs

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

	2000	1999
	(IN THOUSANDS)	
Oil and natural gas properties		
Proved properties	$ 53,572	$ 41,157
Wells, equipment, and related facilities	102,748	81,065
	156,320	122,222
Less accumulated depreciation, depletion and amortization	101,161	90,677
	$ 55,159	$ 31,545

EL PASO ENERGY PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

14. SUPPLEMENTAL QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

As discussed in Note 1, we changed our 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. In previous years, we have reported equity earnings as part of operating revenues. We have changed this presentation as of December 31, 2000, to include equity earnings as other income. This change has been reflected for all periods presented.

	QUARTER ENDED				
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31	YEAR
	(IN THOUSANDS, EXCEPT PER UNIT DATA)				
2000					
Operating revenue	$ 18,950	$26,812	$29,642	$37,011	$112,415
Operating income	9,394	13,419	10,032	9,206	42,051
Net income	1,939	8,367	4,862	5,329	20,497
Net income allocated to General Partner	3,232	3,622	4,114	4,610	15,578
Net income allocated to Series B preference unitholders	--	--	1,417	4,251	5,668
Net (loss) income allocated to Limited Partners	(1,293)	4,745	(669)	(3,532)	(749)
Basic and diluted net (loss) income per unit	(0.05)	0.18	(0.02)	(0.11)	(0.03)
Distributions declared per common unit	0.525	0.5375	0.5375	0.55	2.150
Distributions declared per preference unit	0.275	0.275	0.275	--	0.825
Weighted average number of units outstanding	27,029	27,029	31,229	31,550	29,077
1999					
Operating revenue	$ 11,178	$14,720	$18,975	$18,786	$ 63,659
Operating (loss) income	(1,264)	2,501	3,192	6,198	10,627
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 (loss) income 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 (loss) income 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

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, 2000 and 1999 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

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

/s/ PricewaterhouseCoopers LLP

Houston, Texas
March 7, 2001

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

We and our General Partner utilize the employees of and management services provided by El Paso under a management agreement. We reimburse our General Partner for reasonable general and administrative expenses, and other reasonable expenses, incurred by our General Partner and its affiliates, on our behalf.

DIRECTORS AND EXECUTIVE OFFICERS OF OUR GENERAL PARTNER

The following table sets forth certain information as of March 24, 2001, regarding the executive officers and directors of our General Partner. Each executive officer of our General Partner serves us in the same office or offices each such officer holds with our General Partner. Directors are elected annually by our 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.

There is no family relationship among any of the executive officers or directors of our 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..........	55	Director and Chairman of the Board
Robert G. Phillips.......	46	Director and Chief Executive Officer
James H. Lytal...........	43	Director and President
H. Brent Austin..........	46	Director and Executive Vice President
Keith B. Forman..........	42	Vice President and Chief Financial Officer
D. Mark Leland...........	39	Senior Vice President and Controller
Michael B. Bracy.........	59	Director
H. Douglas Church........	63	Director
Malcolm Wallop...........	68	Director

Mr. Wise has served as Director and Chairman of the Board of our General Partner since August 1998. He has served as Chief Executive Officer of El Paso since January 1990 and has served as Chairman of El Paso's board of directors from January 1994 until October 1999 and from January 2001 to present. Mr. Wise was President of El Paso from January 1990 to April 1996 and from July 1998 to present. He served as President and Chief Operating Officer of El Paso from April 1989 to December 1989. From March 1987 until April 1989, Mr. Wise was an Executive Vice President of El Paso and a Senior Vice President of El Paso 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 our General Partner since August 1998. He has served as Chief Executive Officer for us and our 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 from September 1995 to April 1996. For more than five years prior, Mr. Phillips was Chief Executive Officer of Eastex Energy, Inc.

Mr. Lytal has served as a Director of our General Partner since August 1994 and as our President and the President of our General Partner since July 1995. He served as Senior Vice President for us and our General Partner from August 1994 to June 1995. Prior to joining us, 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 our General Partner and as Executive Vice President for us and our General Partner since August 1998. Mr. Austin has served as an Executive Vice President and Chief Financial Officer of El Paso since May 1995 and as the Chief Financial Officer of El Paso since April 1992. He served as the Senior Vice President of El Paso 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 Chief Financial Officer for us and our General Partner since January 1992 and served as a Director of our General Partner from July 1992 to August 1998. From 1982 to 1992, Mr. Forman served as Vice President of the Natural Gas Pipeline Group of Manufacturers Hanover Trust Company.

Mr. Leland has served as Senior Vice President and Controller for us and our General Partner since July 2000 and as Vice President of El Paso Field Services Company since September 1997. He served as Vice President and Controller for us and our General Partner from August 1998 to July 2000. 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, Mr. Leland served in various capacities in the finance and accounting functions of El Paso.

Mr. Bracy has served as a Director of our 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, 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. 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 our 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, 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 our General Partner since August 1998 and as a Director of El Paso 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

Non-employee directors of our General Partner are entitled to receive an annual retainer fee of forty-thousand dollars, with the chairman of any board committees entitled to receive an additional fifteen thousand dollars per year. All directors of our 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, we adopted the 1998 Unit Option Plan for Non-Employee Directors, or the Director Plan, to provide our 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 of our common units 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 our 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 our General Partner or its affiliates as the Chairman of the Board may designate.

In 1998, we granted 3,000 unit options to purchase an equal number of common units with an average exercise price of $26.17 per unit and, in 1999, granted 4,500 unit options to purchase an equal number of common units with an average exercise price of $21.58 per unit; and in 2000, we granted 3,000 unit options to purchase an equal number of common units with an exercise price of $25.5625 per unit. At March 15, 2001, all those options remain outstanding.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

We do 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 our General Partner. Employees of El Paso, through our General Partner, are the individuals who work on our matters. Accordingly, the only compensation we addressed relates to issuance of unit options under our various 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 our General Partner nor any of its affiliates, serve as our Audit and Conflicts Committee of the Board of Directors of our General Partner. 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 our General Partner and us. Second, the Audit and Conflicts Committee, at the request of our General Partner, reviews specific matters as to which our General Partner believes there may be a conflict of interest in order to determine if the resolution of such conflict proposed by our General Partner is fair and reasonable to us. 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 our 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 us, (ii) approved by all of our limited partners and (iii) not a breach by our General Partner of any duties it may owe us. However, it is possible that such procedure in itself may constitute a conflict of interest.

COMPENSATION OF OUR GENERAL PARTNER

Our General Partner receives no remuneration in connection with our management other than: (i) distributions on its general and limited partner interests in us and its nonmanaging interest in certain of our subsidiaries; (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, us, including, but not limited to the management fees paid by our General Partner to El Paso under its management agreement.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Our General Partner's directors, officers and beneficial owners of more than 10 percent of a registered class of our 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 our equity securities are also required to furnish us with copies of all such reports that are filed. Based on our review of copies of such forms and amendments, we believe directors, executive officers and greater than 10 percent beneficial owners, with the exception of Mr. Robert Phillips, complied with all filing requirements during the year ended December 31, 2000. Mr. Phillips had one late filing for one transaction during 2000.

ITEM 11. EXECUTIVE COMPENSATION

Our executive officers and the executive officers of our General Partner are compensated by El Paso and do not receive compensation from our General Partner or us for their services in such capacities with the exception of awards pursuant to Omnibus Plan discussed below. However, our General Partner does make payments to El Paso 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 our President and president of our General Partner. 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 has the right to terminate such agreement under a variety of circumstances.

OMNIBUS PLAN

In August 1998, we adopted the 1998 Omnibus Compensation Plan, or the Omnibus Plan, to provide our 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 our 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, we granted 930,000 unit options to employees of our General Partner to purchase an equal number of common units at $27.1875 per unit pursuant to the Omnibus Plan. As of March 15, 2001, 672,500 unit options remain outstanding. No grants of unit options were made in 1999 or 2000.

REPORT FROM COMPENSATION COMMITTEE REGARDING EXECUTIVE COMPENSATION

Because we do not have a compensation committee or another committee performing similar functions, this report is presented by the full Board of Directors of our 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 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 financial goals.

SUMMARY COMPENSATION TABLE

The following table sets forth information concerning the annual compensation earned by our 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, 2000, exceeded $100,000 (collectively, the Named Officers):

		ANNUAL COMPENSATION(1)				LONG-TERM COMPENSATION AWARDS	
NAME/PRINCIPAL POSITION	FISCAL YEAR	SALARY ($)	BONUS ($)	MARKET VALUE OF UNITS ISSUED	OTHER ANNUAL COMPENSATION ($)	OPTIONS (#)	ALL OTHER COMPENSATION ($)
William A. Wise........................	2000	--	--	--	--	--	--
Chairman of the Board	1999	--	--	--	--	--	--
	1998	--	--	--	--	--	--
Robert G. Phillips.....................	2000	--	--	--	--	--	--
Chief Executive Officer	1999	--	--	--	--	--	--
	1998	--	--	--	--	--	--
James H. Lytal.........................	2000	--	--	--	--	--	--
President	1999	--	--	--	--	--	--
	1998	--	--	--	--	215,000(2)	--
Keith B. Forman........................	2000	--	--	--	--	--	--
Chief Financial Officer	1999	--	--	--	--	--	--
	1998	--	--	--	--	215,000(2)	--
D. Mark Leland.........................	2000	--	--	--	--	--	--
Senior Vice President &	1999	--	--	--	--	--	--
Controller	1998	--	--	--	--	--	--

- ---------------

(1) Other than awards made under our incentive arrangements, all other compensation was paid by El Paso or subsidiaries of El Paso.
(2) Issued pursuant 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, 2000.

OPTION EXERCISES AND YEAR-END VALUE TABLE

The following table sets forth information concerning the unit options held by the Named Officers at December 31, 2000 or exercised by the Named Officers during the year then ended:

NAME	SHARES ACQUIRED ON EXERCISE(#)	VALUE REALIZED($)	NUMBER OF EXERCISABLE/ UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END EXERCISABLE/ UNEXERCISABLE
William A. Wise......................	--	--	--/ --	$ --/$--
Robert G. Phillips...................	--	--	--/--	--/ --
James H. Lytal.......................	--	--	215,000/--	$46,763/ --
Keith B. Forman......................	--	--	215,000/--	$46,763/ --
D. Mark Leland.......................	--	--	--/--	--/ --

ITEM 12. SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth, as of March 1, 2001, the beneficial ownership of the outstanding equity securities of us, by (i) each person who is known to us to beneficially own more than 5 percent of our outstanding units, (ii) each director of our General Partner and (iii) all directors and executive officers of our General Partner as a group.

	COMMON UNITS	
BENEFICIAL OWNER	NUMBER	PERCENT
General Partner/El Paso	(1)	(1)
Robert G. Phillips	4,000	*
James H. Lytal	223,016(2)(3)	*
Keith B. Forman	217,000(3)	*
William A. Wise	9,670(4)	*
H. Brent Austin	2,000	*
D. Mark Leland	2,000	*
Michael B. Bracy	8,500(5)	*
H. Douglas Church	3,500(5)	*
Malcolm Wallop	3,500(5)	*
Executive officers and directors of us as a group (9 persons)	473,186	*

- ---------------

* Less than 1 percent.

(1) The address for our General Partner and El Paso is El Paso Building, 1001 Louisiana Street, Houston, Texas 77002. All of our General Partner's outstanding common stock, par value $0.10 per share, is indirectly owned by El Paso. Our General Partner has no other class of capital stock outstanding. El Paso, through its subsidiaries, owns a 27.8 percent interest in us consisting of 8,953,764 common units. They also own a one percent general partner interest in us, an approximate one percent non-managing member interest in some of our subsidiaries and $170 million of our Series B preference units.

(2) The amount reflected for Mr. Lytal excludes 34 common units owned by his son, a minor.

(3) Includes the option to acquire 215,000 common units pursuant to the 1998 Omnibus Plan.

(4) Mr. Wise disclaims beneficial ownership of 2,500 common units held by spouse and 6,900 common units held by daughters.

(5) Includes the option to acquire 3,500 common units pursuant to the Director Plan. See Item 10, Directors and Executive Officers of the Registrant -- Compensation of Directors.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

A discussion of certain agreements, arrangements and transactions between or among us, our General Partner, and certain other related parties is summarized in Part II, Item 8, Financial Statements and Supplementary Data, Notes 2 and 7. 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

Our consolidated financial statements are included in Part II, Item 8 of this report:

The following consolidated financial statements of certain of our equity investments are included on the following pages of this report:

The following financial statements of certain of our subsidiaries which have a 1 percent non-managing interest with our General Partner are included on the following pages of this report:

2. Financial statement schedules and supplementary information required to be submitted.

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.

DEEPWATER HOLDINGS, L.L.C.
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEAR ENDED DECEMBER 31, 2000 AND THE PERIOD FROM INCEPTION
(SEPTEMBER 30, 1999) TO DECEMBER 31, 1999

REPORT OF INDEPENDENT ACCOUNTANTS

To the Members of Deepwater Holdings, L.L.C.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of cash flows and of members' equity present fairly, in all material respects, the financial position of Deepwater Holdings, L.L.C. (a Delaware Limited Liability Company) and its subsidiaries (the "Company") at December 31, 2000 and 1999, and the results of their operations and their cash flows for the year ended December 31, 2000 and the period from inception (September 30, 1999) to December 31, 1999, in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

/s/ PricewaterhouseCoopers LLP
Houston, Texas
March 28, 2001

DEEPWATER HOLDINGS, L.L.C. AND SUBSIDIARIES
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2000 AND 1999
(IN THOUSANDS)

	2000	1999
ASSETS		
Current assets		
Cash and cash equivalents	$ 11,481	$ 9,166
Net accounts receivable, trade	21,385	5,666
Advances to affiliates	303	526
Gas imbalances	9,300	18,545
Gas imbalance cashout	1,962	--
Other current assets	1,697	1,449
Total current assets	46,128	35,352
Property, plant and equipment		
Property, plant and equipment	929,211	890,833
Less: accumulated depreciation and amortization	(695,976)	(677,839)
Property, plant and equipment, net	233,235	212,994
Other noncurrent assets	4,181	5,679
Total assets	$ 283,544	$ 254,025
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable, trade	$ 9,139	$ 3,477
Advances from affiliates	4,357	--
Gas imbalances	8,446	23,105
Current obligation under capital lease	1,073	1,073
Regulatory reserve	7,531	3,587
Accrued expenses and other current liabilities	9,416	1,704
Total current liabilities	39,962	32,946
Obligations under capital lease, less current portion	8,302	8,676
Deferred credits	1,146	--
Long-term debt	157,000	122,000
Other noncurrent liabilities	69	41
Commitments and contingencies		
Members' equity	77,065	90,362
Total liabilities and members' equity	$ 283,544	$ 254,025

See accompanying notes.

DEEPWATER HOLDINGS, L.L.C. AND SUBSIDIARIES
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000 AND
THE PERIOD FROM INCEPTION
(SEPTEMBER 30, 1999) TO DECEMBER 31, 1999
(IN THOUSANDS)

	2000	1999
Revenues		
Transportation services	$ 62,327	$13,461
Liquid transportation services and other	2,339	1,907
Dehydration services	2,456	493
	67,122	15,861
Expenses		
Operations and maintenance	25,377	8,185
Depreciation and amortization	18,138	4,112
Taxes, other than income taxes	(143)	51
Other expenses	45	--
	43,417	12,348
Operating income	23,705	3,513
Other income (expense)		
Interest income	532	104
Interest expense and other financing costs	(10,711)	(1,478)
Net income	$ 13,526	$ 2,139

See accompanying notes.

DEEPWATER HOLDINGS, L.L.C. AND SUBSIDIARIES
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2000 AND
THE PERIOD FROM INCEPTION
(SEPTEMBER 30, 1999) TO DECEMBER 31, 1999
(IN THOUSANDS)

	EL PASO ENERGY DEEPWATER, L.L.C.	ANR PIPELINE COMPANY	TOTAL
Initial capital contributions on September 30, 1999	$ 83,698	$ 53,170	$136,868
Capital contributions	155	--	155
Distributions	(24,400)	(24,400)	(48,800)
Net income	943	1,196	2,139
Balance at December 31, 1999	60,396	29,966	90,362
Capital contributions	277	--	277
Distributions	(13,550)	(13,550)	(27,100)
Net income	6,252	7,274	13,526
Balance at December 31, 2000	$ 53,375	$ 23,690	$ 77,065

See accompanying notes.

DEEPWATER HOLDINGS, L.L.C. AND SUBSIDIARIES
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2000 AND
THE PERIOD FROM INCEPTION
(SEPTEMBER 30, 1999) TO DECEMBER 31, 1999
(IN THOUSANDS)

	2000	1999
Cash flows from operating activities		
Net income	$ 13,526	$ 2,139
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	18,138	4,112
Working capital changes:		
Accounts receivable, net	(15,719)	6,112
Gas imbalances, net	(5,414)	(67)
Other current assets	(248)	708
Other noncurrent assets	1,498	199
Accounts payable	5,662	(7,060)
Gas imbalance cashout	(1,962)	--
Regulatory reserve	3,944	3,587
Accrued expenses and other current liabilities	8,886	407
Net cash provided by operating activities	28,311	10,137
Cash flows from investing activities		
Capital expenditures	(38,379)	(3,679)
Net cash used in investing activities	(38,379)	(3,679)
Cash flows from financing activities		
Proceeds from long-term debt	157,000	122,000
Retirement of long-term debt	(122,000)	(75,267)
Advances to affiliates	223	--
Advances from affiliates	4,357	--
Payment under capital lease obligation	(374)	--
Capital contributions from members	277	156
Distributions to members	(27,100)	(48,800)
Net cash provided by (used in) financing activities	12,383	(1,911)
Increase in cash and cash equivalents	2,315	4,547
Cash and cash equivalents		
Beginning of period	9,166	4,619
End of period	$ 11,481	$ 9,166
Supplemental cash flow information		
Cash paid during the year for interest	$ 8,352	$ 513
Noncash investing and financing activities		
Increase in property, plant and equipment recorded as a capital lease obligation	$ --	$ 9,748

See accompanying notes.

DEEPWATER HOLDINGS, L.L.C. AND SUBSIDIARIES
(A LIMITED LIABILITY COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- ORGANIZATION AND NATURE OF OPERATIONS

Organization

On September 30, 1999, El Paso Energy Partners Deepwater, L.L.C. and ANR Pipeline Company, or ANR, a subsidiary of The Coastal Corporation, formed us (Deepwater Holdings), a Delaware limited liability company, to reorganize their interests in the High Island Offshore System, or HIOS, U-T Offshore System, or UTOS, East Breaks System, or East Breaks, Stingray System, or Stingray, West Cameron dehydration facility, or West Cameron, and other related facilities, or collectively, the Operating Companies. El Paso Energy Partners Deepwater and ANR contributed into us, their respective ownership interests in the Operating Companies at their respective historical carrying values. In exchange for their contributions, El Paso Energy Partners Deepwater received a 59.66 percent membership interest and ANR received a 40.34 percent membership interest. El Paso Energy Partners Deepwater simultaneously sold a 9.66 percent membership interest in us to ANR to achieve a 50/50 ownership position.

In January 2001, El Paso Corporation merged with The Coastal Corporation. Coastal is the parent company of ANR Pipeline Company. In connection with the merger, we sold our Stingray system and our West Cameron dehydration facility to Shell Gas Transmission, LLC and Enterprise Products Operating, LP. From this sale, we received cash of approximately $50 million and used the proceeds to pay down our credit facility. We also entered into an agreement to sell our interest in the UTOS pipeline system for approximately $4 million to be completed upon receipt of all necessary approvals, including final approval by the Federal Trade Commission, or FTC. The sale of UTOS is expected to close in April of 2001. The net carrying value of the assets sold or to be sold was approximately $70 million at December 31, 2000.

Nature of Operations

The following describes our Operating Companies as of December 31, 2000.

High Island Offshore. HIOS is a natural gas transmission system consisting of 204 miles of pipeline, which includes three supply laterals that connect to a 42-inch diameter mainline. HIOS transports natural gas received from fields located in the Galveston, Garden Banks, West Cameron and East Breaks areas of the Gulf of Mexico to a junction platform owned by HIOS located in West Cameron Block 167. El Paso Energy Partners assumed operations of HIOS in June 2000, prior to that date ANR operated HIOS.

U-T Offshore. UTOS is a natural gas transmission system consisting of 30 miles of 42-inch diameter pipeline extending from an interconnection with HIOS at West Cameron Block 167 to the Johnson Bayou processing facility, owned by UTOS. The Johnson Bayou production facility provides primarily natural gas and natural gas liquids separation and natural gas dehydration services for natural gas transported on HIOS and UTOS. El Paso Energy Partners assumed operations of UTOS in June 2000, prior to that date ANR operated UTOS. Under a FTC order, we agreed to sell our interest in UTOS. The sale is expected to close in April 2001.

Stingray. Stingray is a natural gas gathering system consisting of (i) 361 miles of 6 to 36-inch diameter pipeline that transports natural gas from HIOS, West Cameron, East Cameron and Vermilion lease areas in the Gulf of Mexico to onshore transmission systems in Louisiana, (ii) 43 miles of 16 to 20-inch diameter pipeline connecting platforms and leases in the Garden Banks Block 191 and 72 areas to Stingray, and (iii) 13 miles of 16-inch diameter pipeline connecting El Paso Energy Partners' platform at East Cameron Block 373 to Stingray at East Cameron Block 338. El Paso Energy Partners began operating the Stingray system effective November 1, 1999. Under a FTC order, we sold our interest in Stingray in January 2001.

West Cameron. The West Cameron dehydration facility is located at the northern terminus of the Stingray system. This onshore Louisiana facility provides dehydration services for natural gas transported on the Stingray system. El Paso Energy Partners began operating West Cameron and related facilities effective November 1, 1999. Under a FTC order, we sold our interest in West Cameron in January 2001.

East Breaks. East Breaks is a natural gas gathering system consisting of 85 miles of 18 to 20-inch diameter pipeline that connects HIOS to the Diana and Hoover fields being developed by subsidiaries of ExxonMobil and BP Amoco plc. Production from the Diana and Hoover properties has been committed to this system. East Breaks began operating in June 2000, and has the ability to expand its throughput capacity further, which would provide HIOS and UTOS 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.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of all wholly owned subsidiaries after the elimination of all significant intercompany balances and transactions. Our consolidated financial statements for previous periods include reclassifications that were made to conform to the current year presentation. Those reclassifications have no impact on the reported net income or partners' capital.

Cash and Cash Equivalents

We consider short-term investments purchased with an original maturity of less than three months to be cash equivalents.

Allowance for Doubtful Accounts

We have established an allowance for losses on accounts which may become uncollectible. Collectibility is reviewed regularly and the allowance is adjusted as necessary, primarily under the specific identification method. The allowance was approximately $1.9 million and $1.6 million at December 31, 2000 and 1999.

Property, Plant and Equipment

Our regulated property, plant and equipment is subject to oversight by the Federal Energy Regulatory Commission, or FERC. The objectives of this regulation are to ensure the proper recovery of capital investments in rates. Such recovery is generally accomplished by allowing a return of that investment through inclusion of depreciation expense in the cost of service. Rates also allow for a return on the net unrecovered rate base. Specific procedures are prescribed by FERC to control capitalized costs, depreciation, and the disposal of assets. Statement of Financial Accounting Standards (SFAS) No. 71, Accounting for the Effects of Certain Types of Regulation, specifically acknowledges the obligation of regulated companies to comply with regulated accounting procedures, even when they conflict with other generally accepted accounting principle pronouncements.

Regulated property, plant and equipment is recorded at original cost of construction or, on acquisition, the cost to the first party committing the asset to utility service. Construction cost includes direct labor and materials, as well as indirect charges, such as overhead and an allowance for both debt and equity funds used during construction. Replacements or betterments of major units of property are capitalized, while replacement or additions of minor units of property are expensed.

Depreciation for regulated property, plant and equipment is calculated using the composite method. Assets with similar economic characteristics are grouped. The depreciation rate prescribed in the rate settlement is applied to the gross investment for the group until net book value of the group is equal to the

DEEPWATER HOLDINGS, L.L.C. AND SUBSIDIARIES
(A LIMITED LIABILITY COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

salvage value. Currently, depreciation rates vary from 0.90 percent to 2.65 percent, inclusive of a provision for negative salvage ranging from 0.20 percent to 0.35 percent. Depreciation rates are reevaluated in conjunction with the rate making process.

When regulated property, plant and equipment is retired, due to abandonment or replacement, the original cost, plus the cost of retirement, less salvage, is charged to accumulated depreciation and amortization. No gain or loss is recognized unless an entire operating unit, as defined by FERC, has been retired. Gains or losses on dispositions of operating units are included in income.

The cost of our non-regulated property, plant and equipment is based on the original cost of construction or, on acquisition, the fair value of the assets acquired. Construction costs include all direct costs of the project, as well as indirect charges including capitalized interest costs on debt. Depreciation on these properties is provided using the straight-line method which, in the opinion of management, is adequate to allocate the cost of properties over their estimated useful lives. Non-regulated properties have expected useful lives of 30 years for the gathering pipelines and 44 years for platforms and related facilities. Retirements, sales and disposals of assets are recorded by eliminating the related costs and accumulated depreciation and amortization of the disposed assets with any resulting gain or loss reflected in income.

Leased property, plant and equipment are capitalized, as appropriate, and the present value of the related lease payments are recorded as a liability. Amortization of capitalized leased assets are computed on a straight-line method over the term of the lease and recorded as a component of depreciation expense.

The purchase price associated with El Paso Energy Partners' and ANR's original acquisition of the Operating Companies in excess of their net book value was approximately $98 million at September 30, 1999 and has been assigned to property, plant and equipment. This excess purchase price is being amortized on a straight-line basis over a thirty-year period. As of December 31, 2000 and 1999, the accumulated amortization was approximately $4.0 million and $0.8 million.

We evaluate impairment of our regulated and non-regulated property and equipment in accordance with SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of.

Gas Imbalances

Gas transportation imbalance receivables and payables reflect natural gas volumes owed to Stingray, HIOS or UTOS, or collectively the Regulated Pipelines, or to their customers and are valued at an average monthly index price of $5.28 for Stingray for the month ended December 31, 2000, and $2.295 for the month ended December 31, 1999. Imbalances are settled in kind through a fuel gas and unaccounted for gas tracking mechanism, negotiated cash-outs between parties, or are subject to a cash-out procedure included in the respective regulated pipelines' tariffs. The gas imbalance cashout asset and liability reflect either cash paid or received by the regulated pipelines' pursuant to their tariff and due from or to others under various operational balancing agreements.

Capitalization of Interest

Interest and other financing costs are capitalized in connection with construction 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.

DEEPWATER HOLDINGS, L.L.C. AND SUBSIDIARIES
(A LIMITED LIABILITY COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Fair Value of Financial Instruments

The estimated fair values of all financial instruments approximate their carrying amounts in the accompanying balance sheet.

Revenue Recognition

Revenue from pipeline transportation of hydrocarbons is recognized upon receipt of the hydrocarbons into the pipeline systems. Revenue from dehydration services are recorded on the accrual basis, including an estimate for natural gas dehydrated but unbilled at the end of each accounting period.

Environmental Costs

Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Expenditures that rebate 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.

Income Taxes

We and our subsidiaries are not taxable entities. However, the taxable income or loss resulting from our operations will ultimately be included in the federal and state income tax returns of our members.

Management's Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements, and the related reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions include those regarding: (i) FERC regulations, (ii) estimated useful lives of depreciable assets and (iii) potential abandonment, dismantlement, restoration and environmental liabilities. Actual results could differ from those estimates. Management believes that its estimates are reasonable.

Recent Pronouncements

In June of 1998, the Financial Accounting Standards Board, (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. In June of 1999, the FASB extended the adoption date of SFAS No. 133 through the issuance of SFAS No. 137, Deferral of the Effective Date of SFAS 133. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, which also amended SFAS No. 133. SFAS No. 133 and its amendments and interpretations, establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and derivative instruments used for hedging activities. It will require that we measure all derivative instruments at their fair value, and classify them as either assets or liabilities on our balance sheet, with corresponding offset to income or other comprehensive income depending on their designation, their intended use, or their ability to qualify as hedges under the standard.

We have adopted SFAS No. 133 beginning January 1, 2001, and have determined there is no impact on us at this time. However, if we enter into any derivative contracts, these transactions may have an impact on our financial statements.

DEEPWATER HOLDINGS, L.L.C. AND SUBSIDIARIES
(A LIMITED LIABILITY COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 3 -- PROPERTY, PLANT AND EQUIPMENT

Our property, plant and equipment consists of the following:

	DECEMBER 31, 2000	DECEMBER 31, 1999
	(IN THOUSANDS)	
Property, plant and equipment, at cost		
Pipelines and equipment	$ 919,193	$ 829,680
Pipelines under construction	240	51,375
Pipeline under capital lease	9,778	9,778
	929,211	890,833
Less accumulated depreciation and amortization	(695,976)	(677,839)
Property, plant and equipment, net	$ 233,235	$ 212,994

Accumulated amortization of assets under capital lease was approximately $260 thousand at December 31, 2000 and $22 thousand at December 31, 1999.

NOTE 4 -- REGULATORY MATTERS

Regulatory Environment

The FERC has jurisdiction under the Natural Gas Act of 1938 and the Natural Gas Policy Act of 1978 over the regulated pipelines 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 other matters.

Rate Cases

On December 1, 1998, Stingray filed a rate case with the FERC (Docket No. RP99-166) which reflected a proposed annual revenue increase of $3.5 million. The timing of the rate case filing was in accordance with the requirements of Stingray's previous rate case settlement in Docket No. RP94-301. The FERC issued an order on December 30, 1998 which suspended the rates to be effective, subject to refund, until June 1, 1999. As of December 31, 2000 and 1999, Stingray has recorded a reserve of approximately $7.5 million and $3.6 million, respectively, for rates subject to refund. Major issues in the rate case included throughput levels used in the design of rates, levels of depreciation rates, return on investment and the overall cost of service, which included a management fee. Settlement discussions with parties to the rate case are underway. This matter is currently pending the Administrative Law Judge's initial decision with regard to the hearing held in December 1999.

On September 18, 1995, by letter order, the FERC approved the settlement of HIOS' and UTOS' rate filings (Docket No. RP94-162 and RP94-161, respectively) which required that HIOS and UTOS file a new rate case within three years. On October 8, 1998, the FERC granted a request for an extension of time for the filing of their 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.

NOTE 5 -- INDEBTEDNESS

We are a party to credit agreements under which we have outstanding obligations that may restrict our ability to pay distributions to our respective owners.

We have a revolving credit facility with a syndicate of commercial banks to provide up to $175 million of available credit, subject to incurrence limitations. At our election, interest under our credit facility is determined by reference to the reserve-adjusted London interbank offer rate, the prime rate or the 90-day average certificate of deposit. As of December 31, 2000, we had $157 million outstanding under our credit facility bearing interest at approximately 8.15% per year, and as of December 31, 1999, we had $122 million outstanding under our credit facility bearing interest at approximately 7.27% per year. A commitment fee is charged on the unused and available to be borrowed portion of our credit facility. This fee was 0.475 percent per year at December 31, 2000 and 1999. Amounts advanced under our credit facility were used to finance capital expenditures, including the construction of East Breaks, the repayment of the Stingray credit facility and the $40 million distribution in 1999 to our members. Amounts remaining under our credit facility are available to us for general corporate purposes, including financing capital expenditures and for working capital. Our credit facility can also be utilized to issue letters of credit as may be required from time to time; however, no letters of credit are currently outstanding. The Credit Facility matures in February 2004; is guaranteed by us and is collateralized by substantially all of our assets.

Interest and other financing costs totaled approximately $9.6 million at the year ended December 31, 2000 and $1.3 million for the period from inception (September 30, 1999) to December 31, 1999 net of capitalized interest of $2.5 million and $0.8 million, respectively. As of December 31, 2000 and 1999, the unamortized portion of debt issue costs totaled $0.6 million and $0.7 million, respectively.

NOTE 6 -- CAPITAL LEASE

Stingray leases a 36-inch pipeline from Natural Gas Pipeline Company, or NGPL, that connects the Stingray pipeline system to onshore Louisiana. In June 1999, Stingray extended its lease agreement with NGPL for an additional 14 years beginning December 1, 1999 through November 30, 2013, with an option to purchase the asset at the expiration of the lease. Stingray has accounted for this lease as a capital lease. Rental payments are based on NGPL's regulatory costs of service associated with the leased assets. Contingent rentals are paid based on the natural gas volumes transported through the leased assets. Rent expense totaled $1.1 million, including contingent rentals of approximately $49 thousand and $92 thousand for the year ended December 31, 2000 and the period from inception (September 30, 1999) to December 31, 1999, respectively. The present value of Stingray's lease payments under the capital lease are recorded as other current and noncurrent liabilities in the accompanying consolidated balance sheet.

Future minimum lease payments under capital leases are as follows:

YEAR ENDED DECEMBER 31,	(IN THOUSANDS)
2001	$ 1,073
2002	1,073
2003	1,073
2004	1,073
2005	1,073
Thereafter	8,583
Total minimum lease payments	13,948
Less amount representing interest	(4,573)
Present value of net minimum lease payments, including current maturities of $1,073	$ 9,375

DEEPWATER HOLDINGS, L.L.C. AND SUBSIDIARIES
(A LIMITED LIABILITY COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 7 -- RELATED PARTY TRANSACTIONS

Transportation and dehydration revenues derived from affiliated companies were $2.3 million for the year ended December 31, 2000 and $1.5 million for the period from inception (September 30, 1999) to December 31, 1999. In addition several of the operating companies have entered into operations agreements with affiliates for various operational, financial, accounting and administrative services. Total fees billed to the operating companies under these agreements were $20.3 million for the year ended December 31, 2000 and $5.6 million for the period from inception (September 30, 1999) to December 31, 1999.

NOTE 8 -- COMMITMENTS AND CONTINGENCIES

We are party to a credit agreement under which we may be restricted from paying distributions to our members.

We are involved from time to time in various claims, actions, lawsuits, and regulatory matters that have arisen in the ordinary course of business, including various rate cases and other proceedings before the FERC.

We, along with several subsidiaries of El Paso, 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 under report the heating value as well as the volumes of the natural gas produced from federal and Native American lands, which deprived the U.S. Government of royalties. (In re: Natural Gas Royalties Qui Tam Litigation, U.S. District Court for the District of Wyoming.)

We have also been named a defendant in an action styled Quinque Operating Company, et al v. Gas Pipelines and Their Predecessors, et al filed in 1999 in the District Court of Stevens County, Kansas. This class action complaint alleges that the defendants have mismeasured natural gas volumes and heating content of natural gas on non-federal and non-Native American lands. The Quinque complaint, once transferred to the same court handling the Grynberg complaint, has been sent back to the Kansas State Court for further proceedings.

We are also a named defendant in numerous lawsuits and a named party in numerous governmental proceedings arising in the ordinary course of our business.

While the outcome of the matters discussed above cannot be predicted with certainty, we do not expect the ultimate resolution of these matters to have a material adverse effect on our financial position, results of operations, or cash flows.

POSEIDON OIL PIPELINE COMPANY, L.L.C.

Financial Statements
As of December 31, 2000
Together With Auditors' Report

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, 2000 and 1999, and the related statements of income, members' equity and cash flows for each of the three years in the period ended December 31, 2000. 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, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Houston, Texas
March 16, 2001

POSEIDON OIL PIPELINE COMPANY, L.L.C.

BALANCE SHEETS -- DECEMBER 31, 2000 AND 1999

	2000	1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,532,264	$ 2,052,631
Crude oil receivables-		
Related parties	53,291,170	58,360,962
Other	66,916,843	110,674,707
Construction advances to operator	--	4,452
Materials, supplies and other	3,619,508	626,961
Total current assets	126,359,785	171,719,713
DEBT RESERVE FUND (Notes 2 and 4)	6,239,109	4,783,461
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation (Note 3)	231,756,592	239,187,586
Total assets	$ 364,355,486	$415,690,760
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable-		
Related parties	$ 2,071,571	$ 565,586
Other	7,586,954	5,647,090
Crude oil payables-		
Related parties	50,210,479	51,743,958
Other	54,907,404	101,309,853
Other	--	92,919
Current maturities of long-term debt (Note 4)	150,000,000	--
Total current liabilities	264,776,408	159,359,406
COMMITMENTS AND CONTINGENCIES (Note 7)	1,296,762	322,242
LONG-TERM DEBT (Note 4)	--	150,000,000
MEMBERS' EQUITY (Note 1):		
Capital contributions	118,899,320	107,999,320
Capital distributions	(124,818,654)	(87,230,323)
Retained earnings	104,201,650	85,240,115
Total members' equity	98,282,316	106,009,112
Total liabilities and members' equity	$ 364,355,486	$415,690,760

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, 2000, 1999 AND 1998

	2000	1999	1998
CRUDE OIL SALES	$ 1,467,059,427	$ 1,108,446,271	$370,431,640
CRUDE OIL PURCHASES	(1,400,928,376)	(1,034,329,971)	(325,909,477)
Net sales margin	66,131,051	74,116,300	44,522,163
OPERATING COSTS:			
Transportation costs	1,793,324	3,451,676	1,636,162
Operating expenses	5,459,827	4,509,621	3,127,134
Repair expenses (Note 3)	18,117,902	--	--
Depreciation	10,754,293	6,171,803	8,846,395
Total operating costs	36,125,346	14,133,100	13,609,691
OPERATING INCOME	30,005,705	59,983,200	30,912,472
OTHER INCOME (EXPENSE):			
Interest income	639,224	403,507	290,745
Interest expense	(11,683,394)	(9,133,367)	(8,671,250)
NET INCOME	$ 18,961,535	$ 51,253,340	$ 22,531,967

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, 2000, 1999 AND 1998

	MARATHON OIL COMPANY (28%)	POSEIDON PIPELINE COMPANY, L.L.C. (36%)	EQUILON ENTERPRISES L.L.C. (36%)	TOTAL
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
Net income......................	5,309,229	6,826,153	6,826,153	18,961,535
Cash contributions.............	3,052,000	3,924,000	3,924,000	10,900,000
Cash distributions.............	(10,524,733)	(13,531,799)	(13,531,799)	(37,588,331)
BALANCE, December 31, 2000........	$ 27,519,048	$ 35,381,634	$ 35,381,634	$ 98,282,316

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, 2000, 1999 AND 1998

	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 18,961,535	$ 51,253,340	$ 22,531,967
Adjustments to reconcile net income to net cash provided by operating activities-			
Depreciation	10,754,293	6,171,803	8,846,395
Changes in operating assets and liabilities-			
Crude oil receivables	48,827,656	(128,639,893)	(11,350,080)
Materials, supplies and other	(2,992,547)	395,489	23,487
Accounts payable	3,445,849	(898,322)	(1,007,689)
Contingent revenue	974,520	322,242	--
Crude oil payables	(47,935,928)	120,628,777	4,750,982
Other current liabilities	(92,919)	(504,671)	526,668
Net cash provided by operating activities	31,942,459	48,728,765	24,321,730
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(3,323,299)	(16,606,479)	(15,261,547)
Construction advances to operator, net	4,452	1,230,015	(1,234,467)
Net cash used in investing activities	(3,318,847)	(15,376,464)	(16,496,014)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of debt	--	20,000,000	32,000,000
Repayments of long-term debt	--	(1,000,000)	(21,500,000)
Cash contributions	10,900,000	--	--
Cash distributions	(37,588,331)	(50,531,003)	(18,700,000)
Increase in debt reserve fund	(1,455,648)	(454,207)	(611,627)
Net cash used in financing activities	(28,143,979)	(31,985,210)	(8,811,627)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	479,633	1,367,091	(985,911)
CASH AND CASH EQUIVALENTS, beginning of year	2,052,631	685,540	1,671,451
CASH AND CASH EQUIVALENTS, end of year	$ 2,532,264	$ 2,052,631	$ 685,540
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest, net of amounts capitalized	$ 11,683,394	$ 8,729,860	$ 8,596,583

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

POSEIDON OIL PIPELINE COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000, 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 L.L.C. (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 margin 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, which is a component of property, plant and equipment.

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.

POSEIDON OIL PIPELINE COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000, 1999 AND 1998

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, 2000, the balance in the account totaled approximately $6,239,000 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, 2000, approximates the carrying value.

POSEIDON OIL PIPELINE COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000, 1999 AND 1998

3. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consisted of the following at December 31, 2000 and 1999:

	2000	1999
Rights-of-way	$ 3,218,788	$ 3,218,788
Line-fill	11,395,022	11,350,466
Line pipe, line pipe fittings and pipeline construction	222,961,355	222,380,927
Pumping and station equipment	27,793,687	22,011,496
Office furniture, vehicles and other equipment	210,553	202,035
Construction work in progress	581,770	3,681,556
	266,161,175	262,845,268
Less- Accumulated depreciation	(34,404,583)	(23,657,682)
	$231,756,592	$239,187,586

In January 2000, an anchor from a semisubmersible drilling unit of Transocean 96 (Transocean) allegedly ruptured the Company's 24-inch crude oil pipeline. The cost of $18.1 million to repair the pipeline and clean up the released crude has been charged to repair expenses. The Company has filed a lawsuit against Transocean to recover these costs.

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." Management believes no impairment of assets exists as of December 31, 2000.

During 2000 and 1999, 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, 2000, was $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 (7.81 percent at December 31, 2000). These borrowings can then be renewed assuming no event of default exists. Alternatively, the Company may elect to borrow under a base interest rate arrangement, calculated in accordance with the credit agreement.

The revolving credit facility matures on April 30, 2001. The Company is negotiating with a group of banks to refinance its revolving credit facility. Management is confident that the entire balance will be refinanced to extend the maturity date beyond January 1, 2002.

At December 31, 2000, 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 net revenue from its members and other related parties. The Company generated approximately $29,996,600, $40,782,000 and $37,688,000 in affiliated net sales for 2000, 1999 and 1998, respectively.

The Company paid to Equilon approximately $1,076,000, $1,203,000 and $558,000 in 2000, 1999 and 1998, respectively, for management, administrative and general overhead. In 2000, 1999 and 1998, the Company paid construction management fees of $-, $- and $2,134,000, respectively, to Equilon in connection with the completion of Phase II and Phase III. During 2000, the Company paid Equilon an additional management fee of approximately $1,710,000 associated with the repair of the pipeline.

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 have a significant adverse effect on 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 $1,296,762 at December 31, 2000.

8. SUBSEQUENT EVENT (UNAUDITED):

Effective January 1, 2001, Manta Ray Gathering Company, L.L.C., a subsidiary of El Paso Energy Partners, L.P., became the operator of the Company.

NEPTUNE PIPELINE COMPANY
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

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 statement 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. (the Company) and its subsidiaries at December 31, 2000 and 1999, 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 of America. 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 of America, 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 our opinion.

/s/ PRICEWATERHOUSECOOPERS

Houston, Texas
March 29, 2001

NEPTUNE PIPELINE COMPANY, L.L.C.

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2000 AND 1999

	2000	1999
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,026,289	$ 2,891,072
Transportation receivable	2,069,894	2,436,194
Owing from related parties	1,067,346	2,265,383
Other assets	384,478	260,052
Total current assets	4,548,007	7,852,701
Pipelines and equipment	281,507,487	268,055,626
Less: accumulated depreciation	33,770,593	22,891,850
	247,736,894	245,163,776
Total assets	$252,284,901	$253,016,477
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,302,691	$ 402,923
Owing to related parties	372,216	4,419,136
Deferred income	37,742	25,000
Total current liabilities	1,712,649	4,847,059
Commitments and contingencies		
Minority interest	2,287,775	1,996,843
Members' equity	248,284,477	246,172,575
Total liabilities and members' equity	$252,284,901	$253,016,477

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, 2000 AND 1999

	2000	1999
Operating revenue		
Transportation revenue	$26,435,457	$26,620,248
Other gas revenue, net	1,925,373	1,837,584
Total revenues	28,360,830	28,457,832
Operating expenses		
Operating and maintenance	3,310,779	3,362,429
Administrative and general	1,525,075	1,398,209
Depreciation and amortization	11,041,020	10,721,566
Property taxes	426,300	348,800
Total operating expenses	16,303,174	15,831,004
Net operating income	12,057,656	12,626,828
Other income (expense)		
Other expense	(50,000)	(100,000)
Interest income	285,614	262,252
Total other income, net	235,614	162,252
Net income before minority interest	12,293,270	12,789,080
Minority interest in income of subsidiaries	123,293	128,059
Net income	$12,169,977	$12,661,021

The accompanying notes are an integral part of these statements.

NEPTUNE PIPELINE COMPANY, L.L.C.

STATEMENT OF MEMBERS' CAPITAL
AS OF DECEMBER 31, 2000 AND 1999

	SHELL GAS TRANSMISSION LLC/ SHELL SEAHORSE COMPANY	MARATHON GAS TRANSMISSION INC.	SAILFISH PIPELINE COMPANY LLC	TOTAL
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
Members' contributions	8,437,755	4,037,936	4,260,330	16,736,021
Net income	6,084,988	2,960,956	3,124,033	12,169,977
Distributions	(13,397,045)	(6,519,005)	(6,878,046)	(26,794,096)
Capital account balances at December 31, 2000	$124,020,738	$59,663,341	$64,600,398	$248,284,477

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, 2000 AND 1999

	2000	1999
Cash flows from operating activities		
Net income	$ 12,169,977	$ 12,661,021
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,041,020	10,721,566
Minority interest in income of subsidiaries	123,293	128,059
Changes in working capital:		
Transportation receivables	366,300	(1,156,789)
Owing from related parties	1,198,037	615,281
Other assets	(286,703)	(29,589)
Accounts payable and accrued liabilities	899,768	(561,838)
Owing to related parties	(28,956)	(4,569,270)
Deferred income	12,742	25,000
Net cash provided by operating activities	25,495,478	17,833,441
Cash flows from investing activities		
Capital expenditures	(17,469,826)	(2,777,039)
Proceeds from property sales and salvage		29,830
Net cash used for investing activities	(17,469,826)	(2,747,209)
Cash flows from financing activities		
Members' contributed capital	16,736,021	4,801,285
Minority interest contributed capital	167,640	(4,175)
Distributions	(26,794,096)	(23,009,111)
Net cash used for financing activities	(9,890,435)	(18,212,001)
Decrease in cash and cash equivalents	$ (1,864,783)	$ (3,125,769)
Reconciliation of beginning and ending balances		
Cash and cash equivalents -- beginning of year	$ 2,891,072	6,016,841
Decrease in cash and cash equivalents	(1,864,783)	(3,125,769)
Cash and cash equivalents -- end of year	$ 1,026,289	$ 2,891,072

The accompanying notes are an integral part of these statements.

NEPTUNE PIPELINE COMPANY, L.L.C.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 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: Shell Gas Transmission, LLC (Shell), formerly 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.

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, 2000 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 assets 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. As of December 2000, 21 miles of 20-inch pipeline called the Hickory pipeline was added to the system, connecting from the GI116 platform to the ST292 platform.

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 near the outlet of Exxon Mobil Corporation's Garden City Gas Processing Plant in St. Mary Parish, Louisiana. The 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.

NEPTUNE PIPELINE COMPANY L.L.C.

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 cost when originally devoted to service. 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 the 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, 2000 and 1999 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 that 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 for each counterparty, as a payable or a receivable, as appropriate.

NEPTUNE PIPELINE COMPANY L.L.C.

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 or 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 Agreement

Substantially all construction on the Nautilus and Manta Ray Systems has been performed under Construction Management Agreements with affiliates. On March 26, 1999, Manta Ray entered into a Construction Management Agreement with Shell under which Shell agreed to construct the Grand Isle 116 Lateral Facility. As of December 31, 2000 and 1999, Manta Ray had incurred costs of $16,323,968 and $4,396,792, respectively, under this agreement. On September 1, 1999, Manta Ray entered into a Construction Management Agreement with Manta Ray Gathering Company, L.L.C. (Manta Ray Gathering), a subsidiary of El Paso Energy Partners, L.P., under which Manta Ray Gathering agreed to construct the ST292 Hickory Facilities. As of December 31, 2000 and 1999, Manta Ray had incurred costs of $989,662 and $25,000, respectively, under this agreement. At December 31, 2000 and 1999, $151,374 and $4,204,304, respectively, were recorded as liabilities to affiliates, relating to these agreements.

Transportation Services

During 2000 and 1999, $14,404,701 and $17,681,454, respectively, of Neptune's transportation revenues were derived from related parties. All transactions were at negotiated rates or rates pursuant to the existing FERC tariff. At December 31, 2000 and 1999 respectively, Neptune had affiliate receivables of $1,067,346 and $2,265,383 relating to transportation and gas imbalances.

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.

NEPTUNE PIPELINE COMPANY L.L.C.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Effective January 17, 1997 and subsequently amended and restated on April 1, 2000, Manta Ray entered into an agreement to lease usage of offshore platform space located at Ship Shoal Block 332 and South Timbalier Block 292 from Manta Ray Gathering. The term of the lease is for the life of the platform subject to certain early termination conditions. Total expenses incurred under the agreement were $150,000 annually at the Ship Shoal Block 332 platform and $50,000 annually at the South Timbalier Block 292 platform.

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, Marathon, and Shell, all of which are affiliates of the Companies. Substantially all operating and administrative expenses were incurred through services provided under these agreements. At December 31, 2000 and 1999, respectively, Neptune had affiliate payables of $220,842 and $214,832, relating to these agreements.

4. PIPELINES AND EQUIPMENT

Pipelines and equipment at December 31, 2000 and 1999 was comprised of the following (in thousands):

	2000	1999
Pipelines and equipment	$273,198	$256,014
Land	1,077	1,077
AFUDC	6,430	6,430
Construction in progress	802	4,535
Subtotal	281,507	268,056
Accumulated depreciation	33,770	22,892
Total	$247,737	$245,164

At December 31, 2000 and 1999, construction in progress included $186,339 and $4,204,304, respectively, of accrued liabilities.

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, 2000 and 1999 was $72,361 and $157,174, respectively, 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 $237,594 and $137,171 was paid to the FERC for fiscal year 2000 and 1999, respectively. This charge, to be recovered from customers through rates, was recorded as a regulatory asset and will be amortized over twelve months. During 2000 and 1999, $162,277 and $34,293, respectively, were recorded as amortization expense.

NEPTUNE PIPELINE COMPANY L.L.C.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

6. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Companies are subject to various laws and regulations, including regulations of the FERC for Nautilus. 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 the Company did not complete an interconnect between the Manta Ray System and the system operated by Trunkline Gas Pipeline Company by May 31, 1998 or by May 31 of the two subsequent years. Under the provision, Manta Ray incurred $50,000 in 2000 and $100,000 in 1999, which were recorded in Other Expense. No further amounts are due under the agreement.

7. SUBSEQUENT EVENTS

A change of ownership occurred on January 29, 2001, when Sailfish sold its interest in Neptune to Enterprise Products Operating LP.

MANTA RAY GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

REPORT OF INDEPENDENT ACCOUNTANTS

To the Members of Manta Ray Gathering Company, L.L.C.:

In our opinion, the accompanying balance sheets and the related statements of operations, of cash flows and of members' capital present fairly, in all material respects, the financial position of Manta Ray Gathering Company, L.L.C. (the "Company") at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

Houston, Texas
March 28, 2001

MANTA RAY GATHERING COMPANY, LLC
(A LIMITED LIABILITY COMPANY)

BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 2000	DECEMBER 31, 1999
ASSETS		
Current assets		
Accounts receivable, trade	$ 2,261	$ 902
Total current assets	2,261	902
Property, plant and equipment		
Pipelines	36,023	36,023
Platforms and facilities	11,620	11,620
Construction work in progress	2,735	1,652
	50,378	49,295
Less: accumulated depreciation	11,758	10,057
Property, plant and equipment, net	38,620	39,238
Total assets	$ 40,881	$ 40,140
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities		
Accounts payable, trade	$ 12	$ 21
Advances from affiliate	57,949	56,996
Accrued expenses	820	985
Total current liabilities	58,781	58,002
Commitments and contingencies		
Members' capital	(17,900)	(17,862)
Total liabilities and members' capital	$ 40,881	$ 40,140

See accompanying notes.

MANTA RAY GATHERING COMPANY, LLC
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Operating revenues			
Transportation services	$ 8,308	$ 2,029	$ 59
Platform fees	271	189	--
Oil and natural gas sales	223	104	162
	8,802	2,322	221
Operating expenses			
Operation and maintenance, net	2,103	3,624	4,174
Depreciation	1,701	2,034	1,005
	3,804	5,658	5,179
Operating income (loss)	4,998	(3,336)	(4,958)
Other income (expense)			
Interest expense	(4,246)	(1,830)	(946)
Other income	--	--	298
Net income (loss)	$ 752	$(5,166)	$(5,606)

See accompanying notes.

MANTA RAY GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF MEMBERS' CAPITAL
(IN THOUSANDS)

	EL PASO ENERGY PARTNERS, L.P.	EL PASO ENERGY PARTNERS COMPANY	TOTAL
Members' capital at January 1, 1998	$ (6,870)	$ (63)	$ (6,933)
Net loss	(5,549)	(57)	(5,606)
Distributions to members	(155)	(2)	(157)
Members' capital at December 31, 1998	(12,574)	(122)	(12,696)
Net loss	(5,113)	(53)	(5,166)
Members' capital at December 31, 1999	(17,687)	(175)	(17,862)
Net income	743	9	752
Distributions to members	(784)	(6)	(790)
Members' capital at December 31, 2000	$(17,728)	$(172)	$(17,900)

See accompanying notes.

MANTA RAY GATHERING COMPANY, LLC
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Cash flows from operating activities:			
Net income (loss)	$ 752	$(5,166)	$ (5,606)
Adjustments to reconcile net income to cash provided by (used in) operating activities:			
Depreciation	1,701	2,034	1,005
Working capital changes:			
Accounts receivable, trade	(1,359)	(868)	(4)
Accounts payable, trade	(9)	21	(1,895)
Accrued expenses	(165)	985	--
Other current liabilities	--	(215)	(787)
Net cash provided by (used in) operating activities	920	(3,209)	(7,287)
Cash flows from investing activities:			
Capital expenditures	(1,083)	(9,774)	(13,934)
Net cash used in investing activities	(1,083)	(9,774)	(13,934)
Cash flows from financing activities:			
Advances from affiliate, net	953	12,983	21,378
Distributions to members	(790)	--	(157)
Net cash provided by financing activities	163	12,983	21,221
Change in cash and cash equivalents:	--	--	--
Cash and cash equivalents:			
Beginning of period	--	--	--
End of period	$ --	$ --	$ --

See accompanying notes.

MANTA RAY GATHERING COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- ORGANIZATION AND NATURE OF BUSINESS

Manta Ray Gathering Company, L.L.C. is a Delaware limited liability company established in 1993 for the purpose of owning a crude oil gathering system and two offshore platforms. We completed and placed into service the Allegheny crude oil pipeline system in October 1999. Allegheny consists of 43 miles of 14-inch diameter pipeline that connects the Allegheny field in the Green Canyon area of the Gulf of Mexico with the Poseidon system at our Ship Shoal 332 platform. Oil production from the Allegheny field is committed to the Allegheny system. 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. 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.

El Paso Energy Partners, L.P. owns a 99 percent managing partner interest in us and El Paso Energy Partners Company, an indirect wholly-owned subsidiary of El Paso Corporation, owns a one percent non-managing interest in us. Our managing partner changed its name to El Paso Energy Partners, L.P. in December 1999 from Leviathan Gas Pipeline Partners, L.P. El Paso Corporation is Energy Partners' general partner and owns 27.8 percent of Energy Partners' common units consisting of 8,953,764 units.

In connection with a Federal Trade Commission order relating to El Paso Corporation's merger with The Coastal Corporation, we sold 50 percent of our interest in the Ship Shoal 332 platform and 100 percent of our interest in the South Timbalier 292 platform in January 2001 for approximately $7.3 million. The carrying value of the assets sold was approximately $8.5 million at December 31, 2000. Simultaneously, we abandoned an extension to the Manta Ray Offshore system, since our managing partner sold its interest in this system. We recorded a charge of $3.9 million in January 2001 related to this abandonment.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. Our financial statements for previous periods include reclassifications that were made to conform to the current year presentation. Such reclassifications have no impact on reported net income or members' capital.

Cash and Cash Equivalents

We consider short-term investments purchased with an original maturity of less than three months to be cash equivalents.

Affiliated Receivables and Payables

Our managing partner collects cash and makes disbursements on our behalf as part of our operating activities. Additionally, our managing partner may make advances to us for purposes of our capital investment. Such advances are classified as current liabilities in the accompanying balance sheets given they are payable on demand. Historically, our managing partner has not demanded repayment of these amounts. Interest costs are allocated to us based on the average balance of our affiliated payables times our managing partner's average interest rate, which was 9.1% and 9.0% at December 31, 2000 and 1999, respectively.

MANTA RAY GATHERING COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Allowance for Doubtful Accounts

Collectibility of accounts receivable is reviewed regularly and an allowance is recorded as necessary, primarily under the specific identification method. At December 31, 2000 and 1999, no allowance for doubtful accounts was recorded.

Property, Plant 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 approximates 30 years for the gathering pipelines and from 25 to 30 years for platforms and related facilities. Repair and maintenance costs are expensed as incurred, while additions, improvements and replacements are capitalized.

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

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

We evaluate impairment of our 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.

Revenue Recognition

Revenue from pipeline transportation of hydrocarbons is recognized upon receipt of the hydrocarbons into the pipeline systems. Revenue from platform and processing services is recognized in the period the services are provided.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, to provide guidance for revenue recognition issues and disclosure requirements. SAB No. 101 offers guidelines, examples, and explanations for uncertain matters relating to the recognition of revenue and became effective for us in the fourth quarter of 2000. The adoption of SAB No. 101 did not have a material impact on our financial position, results of operations, or cash flows.

Income Taxes

We are organized as a Delaware limited liability company and are treated as a partnership for income tax purposes, and as a result, our income or loss for income tax purposes is includable in the tax returns of each member. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Fair Value of Financial Instruments

The estimated fair value of all financial instruments approximates their carrying amounts in the accompanying balance sheets due to the short-term maturity of these instruments.

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. No environmental liabilities existed at December 31, 2000 and 1999.

Management's 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 amount of 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.

Cash Distributions and Income Allocation

We make quarterly distributions of 100 percent of available cash, as defined in our limited liability company agreement, to our members in accordance with their respective membership interest. Available cash generally consists of all cash receipts plus reductions in reserves less all cash disbursements and net additions to reserves. Our managing partner has broad discretion to establish reserves. Net income (loss) is allocated to our members in accordance with their respective membership interests, subject to limitations on the allocation of losses as defined in our limited liability company agreement.

Recent Pronouncements

In June of 1998, the Financial Accounting Standards Board, (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. In June of 1999, the FASB extended the adoption date of SFAS No. 133 through the issuance of SFAS No. 137, Deferral of the Effective Date of SFAS 133. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, which also amended SFAS No. 133. SFAS No. 133 and its amendments and interpretations, establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and derivative instruments used for hedging activities. It will require that we measure all derivative instruments at their fair value, and classify them as either assets or liabilities on our balance sheet, with a corresponding offset to income, or other comprehensive income, depending on their designation, their intended use, or their ability to qualify as hedges under the standard.

We have adopted SFAS No. 133 beginning January 1, 2001, and have determined there is no impact on us at this time. However, if we enter into any derivative contracts, these transactions may have an impact on our financial statements.

NOTE 3 -- MAJOR CUSTOMERS

Transportation service revenues, platform fees and oil and natural gas sales realized from major customers and their respective percent of total revenues were as follows (in thousands):

	FOR THE YEAR ENDED DECEMBER 31,					
	2000		1999		1998	
	AMOUNT	% OF TOTAL REVENUES	AMOUNT	% OF TOTAL REVENUES	AMOUNT	% OF TOTAL REVENUES
British Borneo	$7,260	82.5%	$2,044	88.0%	$ --	--
Chieftain International (U.S.), Inc.	--	--	--	--	83	37.6%
Enron Oil and Gas Company	--	--	--	--	74	33.5%
Pogo Gulf Coast, Ltd	--	--	--	--	59	26.7%
	$7,260	82.5%	$2,044	88.0%	$216	97.8%

The loss of British Borneo as a customer would have a material adverse effect on us.

MANTA RAY GATHERING COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 4 -- RELATED PARTY TRANSACTIONS

Revenues Received from Related Parties

For the year ended December 31, 2000, we received approximately $0.1 million from Manta Ray Offshore Gathering as platform and processing fees related to our platforms located in South Timbalier 292 and Ship Shoal 332. We did not receive any fees in 1999 and 1998.

Management Fees

Substantially all of the individuals who perform the day-to-day financial, administrative, accounting and operational functions for us, as well as those who are responsible for directing and controlling us, are currently employed by El Paso Corporation. Under a management agreement between El Paso and our managing partner, a management fee is charged to our managing partner which is intended to approximate the amount of resources allocated by El Paso in providing various operational, financial, accounting and administrative services on behalf of our managing partner and us. The management fee totaled $0.3 million, $0.9 million and $1.2 million for the years ended December 31, 2000, 1999 and 1998, respectively. The management agreement expires on June 30, 2002, and may be terminated thereafter upon 90 days notice by either party. Under the terms of our managing partners' partnership agreement, our managing partner is entitled to reimbursement of all reasonable general and administrative expenses and other reasonable expenses incurred by our managing partner and its affiliates for, or on our behalf, including, but not limited to, amounts payable by our managing partner to El Paso under its management agreement.

Costs Reimbursements

For the years ended December 31, 2000, 1999 and 1998, we charged Manta Ray Offshore Gathering a management fee of approximately $0.2 million, $0.5 million, and $1.3 million, respectively, pursuant to its management and operations agreements. These reimbursements have been recorded as a reduction to operations and maintenance expense in the accompanying statements of operations.

NOTE 5 -- COMMITMENTS AND CONTINGENCIES

Financing Transactions

Our managing partner has $175 million of Senior Subordinated Notes and a $500 million revolving credit facility. As a subsidiary of our managing partner, we, along with our affiliates, and our one percent non-managing partner guarantee both the Senior Subordinated Notes and the credit facility.

Legal Proceedings

We are a defendant in a lawsuit filed by Transcontinental Gas Pipeline, or Transco, in the 157th Judicial District Court, Harris County, Texas in August 1996. Transco alleges that, pursuant to a platform lease agreement entered into in June 1994, it had the right to expand its facilities and operations on the offshore platform by connecting additional pipeline receiving and appurtenant facilities. We 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 our existing and planned activities on the platform. The case went to trial in April 2000, and the jury found that we were not at fault and therefore awarded no damages to Transco. Transco has filed motions related to the jury's findings. We sold the platform relating to this incident in January 2001 and therefore all claims have been dismissed.

We, along with several subsidiaries of El Paso, have been named defendants in actions brought by Jack Grynberg on behalf of the United States Government under the False Claims Act. Generally, the complaints allege an industry-wide conspiracy to under report the heating value as well as the volumes of the natural gas produced from federal and Native American lands, which deprived the United States Government of royalties. (In re: Natural Gas Royalties Qui Tam Litigation, U.S. District Court for the District of Wyoming.)

We have also been named a defendant in an action styled, Quinque Operating Company, et al, v. Gas Pipelines and their Predecessor, et al, filed in 1999 in the District Court of Stevens County, Kansas. This complaint alleges that the defendants have mismeasured natural gas volumes and heating content of natural gas on non-federal and non-Native American lands. The Quinque complaint, once transferred to the same court handling the Grynberg complaint, has been sent back to the Kansas State Court for further proceedings.

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

EWING BANK GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

REPORT OF INDEPENDENT ACCOUNTANTS

To the Members of Ewing Bank Gathering Company, L.L.C.:

In our opinion, the accompanying balance sheets and the related statements of operations, of cash flows and of members' capital present fairly, in all material respects, the financial position of Ewing Bank Gathering Company, L.L.C. (the "Company") at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

/s/ PricewaterhouseCoopers LLP
Houston, Texas
March 28, 2001

EWING BANK GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 2000	DECEMBER 31, 1999
ASSETS		
Oil and natural gas properties	$ 100	$ 100
Total assets	$ 100	$ 100
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities		
Advances from affiliate	$ 12,376	$ 12,376
Total current liabilities	12,376	12,376
Commitments and contingencies		
Members' capital	(12,276)	(12,276)
Total liabilities and members' capital	$ 100	$ 100

See accompanying notes.

EWING BANK GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Operating revenues	$ --	$--	$ --
Operating expenses			
Operation and maintenance	--	2	622
Impairment, abandonment, and other	--	--	(1,131)
	--	2	(509)
Operating (loss) income	--	(2)	509
Net (loss) income	$ --	$(2)	$ 509

See accompanying notes.

EWING BANK GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF MEMBERS' CAPITAL
(IN THOUSANDS)

	EL PASO ENERGY PARTNERS, L.P.	EL PASO ENERGY PARTNERS COMPANY	TOTAL
Members' capital at January 1, 1998	$(12,654)	$(129)	$(12,783)
Net income	504	5	509
Members' capital at December 31, 1998	(12,150)	(124)	(12,274)
Net loss	(2)	--	(2)
Members' capital at December 31, 1999	(12,152)	(124)	(12,276)
Net income	--	--	--
Members' capital at December 31, 2000	$(12,152)	$(124)	$(12,276)

See accompanying notes.

EWING BANK GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Cash flows from operating activities			
Net (loss) income	$ --	$ (2)	$ 509
Adjustments to reconcile net income to cash used in operating activities:			
Impairment, abandonment, and other	--	--	(1,131)
Net cash used in operating activities	--	(2)	(622)
Cash flows from financing activities			
Advances from affiliate	--	2	622
Net cash provided by financing activities	--	2	622
Change in cash and cash equivalents	--	--	--
Cash and cash equivalents			
Beginning of period	--	--	--
End of period	$ --	$ --	$ --

See accompanying notes.

EWING BANK GATHERING COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- ORGANIZATION AND NATURE OF BUSINESS

Ewing Bank Gathering Company, L.L.C. is a limited liability company established in 1993 for the purpose of owning oil and natural gas properties. We own a 5.3 percent overriding royalty interest in Ewing Bank Blocks 958 and 959. Although four successful delineation wells have been drilled in the Prince Field, which consists of Ewing Bank Blocks 958, 959, 1002 and 1003, and El Paso Production has expanded the scope and size of the field development, there has been no production to date. Accordingly, we have recorded no operating revenues during the three years in the period ended December 31, 2000.

El Paso Energy Partners, L.P. owns a 99 percent managing partner interest in us and El Paso Energy Partners Company, an indirect wholly-owned subsidiary of El Paso Corporation, owns a one percent non-managing interest in us. Our managing partner performs all of our management and operational functions. Our managing partner changed its name to El Paso Energy Partners, L.P. in December 1999 from Leviathan Gas Pipeline Partners, L.P. El Paso Corporation is Energy Partners' general partner and owns 27.8 percent of Energy Partners' common units consisting of 8,953,764 units.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. Our 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 members' capital.

Cash and Cash Equivalents

We consider short-term investments purchased with an original maturity of less than three months to be cash equivalents.

Affiliated Receivables and Payables

Our managing partner collects cash and makes disbursements on our behalf as part of our operating activities. Additionally, our managing partner may make advances to us for purposes of our capital investment. Such advances are classified as current liabilities in the accompanying balance sheets given they are payable on demand. Historically, our managing partner has not demanded repayment of these amounts.

Property, Plant and Equipment

We account for our oil and natural gas exploration and production activities using the successful efforts method of accounting. Under this method, costs of successful exploratory wells, developmental 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 and amortization expense.

Depreciation 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 and oil and natural gas properties.

EWING BANK GATHERING COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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

We evaluate impairment of our 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.

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. No environmental liabilities existed at December 31, 2000 and 1999.

Income Taxes

We are organized as a Delaware limited liability company and are treated as a partnership for income tax purposes, and as a result, our income or loss for income tax purposes is includable in the tax returns of each member. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Fair Value of Financial Instruments

The estimated fair value of all financial instruments approximates their carrying amounts in the accompanying balance sheets due to the short-term maturity of these instruments.

Management's 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 amount of 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.

Cash Distributions and Income Allocation

We make quarterly distributions of 100 percent of available cash, as defined in our limited liability company agreement, to our members in accordance with their respective membership interest. Available cash generally consists of all cash receipts plus reductions in reserves less all cash disbursements and net additions to reserves. Our managing partner has broad discretion to establish reserves. Net income (loss) is allocated to our members in accordance with their respective membership interests, subject to limitations on the allocation of losses as defined in our limited liability company agreement.

Recent Pronouncements

In June of 1998, the Financial Accounting Standards Board, (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. In June of 1999, the FASB extended the adoption date of SFAS No. 133 through the issuance of SFAS No. 137, Deferral of the Effective Date of SFAS 133. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, which also amended SFAS No. 133. SFAS No. 133 and its amendments and interpretations, establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and derivative instruments used for hedging activities. It will require that we measure all derivative instruments at their fair value, and classify them as either assets or liabilities on our balance sheet, with a corresponding offset to income, or other comprehensive income, depending on their designation, their intended use, or their ability to qualify as hedges under the standard.

We have adopted SFAS No. 133 beginning January 1, 2001, and have determined there is no impact on us at this time. However, if we enter into any derivative contracts, these transactions may have an impact on our financial statements.

NOTE 3 -- RELATED PARTY TRANSACTIONS

Management Fees

Substantially all of the individuals who perform the day-to-day financial, administrative, accounting and operational functions for us, as well as those who are responsible for directing and controlling us, are currently employed by El Paso Corporation. Under a management agreement between El Paso and our managing partner, a management fee is charged to our managing partner which is intended to approximate the amount of resources allocated by El Paso in providing various operational, financial, accounting and administrative services on behalf of our managing partner and us. For the year ended December 31, 1998, the management fee totaled $0.5 million. There were no management fees charged to us during the years ended December 31, 2000 and 1999. The management agreement expires on June 30, 2002, and may be terminated thereafter upon 90 days notice by either party. Under the terms of our managing partners' partnership agreement, our managing partner is entitled to reimbursement of all reasonable general and administrative expenses and other reasonable expenses incurred by our managing partner and its affiliates for, or on our behalf, including, but not limited to, amounts payable by our managing partner to El Paso under its management agreement.

Other

In 1997, Tatham Offshore, a former affiliate of our managing partner, announced its intent to reserve its remaining costs associated with certain of its wells as a result of production problems. Accordingly, in 1997 we reserved our investment in our gathering facilities associated with these properties for $4.0 million. During 1998, we abandoned our 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.

NOTE 4 -- COMMITMENTS AND CONTINGENCIES

Financing Transactions

Our managing partner has $175 million of Senior Subordinated Notes and a $500 million revolving credit facility. As a subsidiary of our managing partner, we, along with our affiliates, and our one percent non-managing partner, guarantee both the Senior Subordinated Notes and the credit facility.

Legal Proceedings

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

EL PASO ENERGY PARTNERS OPERATING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEAR ENDED DECEMBER 31, 2000 AND THE PERIOD FROM INCEPTION
(NOVEMBER 1, 1999) TO DECEMBER 31, 1999

REPORT OF INDEPENDENT ACCOUNTANTS

To the Members of El Paso Energy Partners Operating Company, L.L.C.:

In our opinion, the accompanying balance sheets and the related statements of operations, of cash flows and of members' capital present fairly, in all material respects, the financial position of El Paso Energy Partners Operating Company, L.L.C. (the "Company") at December 31, 2000 and 1999, and the results of its operations and its cash flows for the year ended December 31, 2000 and the period from inception (November 1, 1999) to December 31, 1999 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

/s/ PricewaterhouseCoopers LLP
Houston, Texas
March 28, 2001

EL PASO ENERGY PARTNERS OPERATING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 2000	DECEMBER 31, 1999
ASSETS		
Current assets		
Net accounts receivable, trade	$1,531	$ 918
Accounts receivable, affiliate	4,718	508
Total current assets	6,249	1,426
Other noncurrent assets	878	--
Total assets	$7,127	$1,426
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities		
Accounts payable, trade	$ 394	$ --
Advances from affiliate	5,907	1,670
Accrued expenses	17	591
Total current liabilities	6,318	2,261
Commitments and contingencies		
Members' capital	809	(835)
Total liabilities and members' capital	$7,127	$1,426

See accompanying notes.

EL PASO ENERGY PARTNERS OPERATING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 2000	PERIOD FROM INCEPTION (NOVEMBER 1, 1999) TO DECEMBER 31, 1999
Operating revenues	$20,343	$1,820
Operation and maintenance expense	18,699	2,656
Net income (loss)	$ 1,644	$ (836)

See accompanying notes.

EL PASO ENERGY PARTNERS OPERATING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF MEMBERS' CAPITAL
(IN THOUSANDS)

	EL PASO ENERGY PARTNERS, L.P.	EL PASO ENERGY PARTNERS COMPANY	TOTAL
Initial capital contribution on November 1, 1999	$ 1	$--	$ 1
Net loss	(828)	(8)	(836)
Members' capital at December 31, 1999	(827)	(8)	(835)
Net income	1,628	16	1,644
Members' capital at December 31, 2000	$ 801	$ 8	$ 809

See accompanying notes.

EL PASO ENERGY PARTNERS OPERATING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 2000	PERIOD FROM INCEPTION (NOVEMBER 1, 1999) TO DECEMBER 31, 1999
Cash flows from operating activities		
Net income (loss)	$ 1,644	$ (836)
Adjustments to reconcile net income to cash used in operating activities:		
Working capital changes		
Accounts receivable, trade	(613)	(918)
Accounts receivable, affiliate	(4,210)	(508)
Accounts payable, trade	394	--
Accrued expenses	(574)	591
Other noncurrent assets	(878)	--
Net cash used in operating activities	(4,237)	(1,671)
Cash flows from financing activities		
Advances from affiliate, net	4,237	1,671
Net cash provided by financing activities	4,237	1,671
Change in cash and cash equivalents	--	--
Cash and cash equivalents		
Beginning of period	--	--
End of period	$ --	$ --

See accompanying notes.

EL PASO ENERGY PARTNERS OPERATING COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- ORGANIZATION AND NATURE OF BUSINESS

El Paso Energy Partners Operating Company, L.L.C. is a limited liability company established in November 1999 for the purpose of managing and operating Deepwater Holdings L.L.C. and its subsidiaries. Deepwater Holdings owns 100 percent of High Island Offshore System, or HIOS, U-T Offshore System, or UTOS, East Breaks Gathering System, or East Breaks, and Stingray system, as well as 100 percent of the West Cameron dehydration facility.

Under a Federal Trade Commission order, Deepwater Holdings sold its interest in the Stingray system and the West Cameron dehydration facility in January 2001. Under this same order, Deepwater Holdings has entered into an agreement to sell its interest in UTOS. The sale of UTOS is expected to close in April 2001. This order related to El Paso Corporation's merger with The Coastal Corporation. Subsequent to these sales, we will continue to provide operational functions for East Breaks and HIOS.

El Paso Energy Partners, L.P. owns a 99 percent managing partner interest in us and El Paso Energy Partners Company, an indirect wholly-owned subsidiary of El Paso Corporation, owns a one percent non-managing interest in us. El Paso Corporation is Energy Partners' general partner and owns 27.8 percent of Energy Partners' common units consisting of 8,953,764 units.

We changed our name from Leviathan Operating Company, L.L.C. to El Paso Energy Partners Operating Company, L.L.C. in December 1999. Also in December 1999, our managing partner changed its name from Leviathan Gas Pipeline Partners, L.P. to El Paso Energy Partners, L.P.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. Our 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 members' capital.

Cash and Cash Equivalents

We consider short-term investments purchased with an original maturity of less than three months to be cash equivalents.

Affiliated Receivables and Payables

Our managing partner collects cash and makes disbursements on our behalf as part of our operating activities. Additionally, our managing partner may make advances to us for purposes of our capital investment. Such advances are classified as current liabilities in the accompanying balance sheets given they are payable on demand. Historically, our managing partner has not demanded repayment of these amounts.

Allowance for Doubtful Accounts

Collectibility of accounts receivable is reviewed regularly and an allowance is recorded as necessary, primarily under the specific identification method. At December 31, 2000 and 1999, no allowance for doubtful accounts was recorded. At December 31, 2000, the allowance was approximately $0.4 million. There was no allowance at December 31, 1999.

EL PASO ENERGY PARTNERS OPERATING COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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. No environmental liabilities existed at December 31, 2000 and 1999.

Income Taxes

We are organized as a Delaware limited liability company and are treated as a partnership for income tax purposes, and as a result, our income or loss for income tax purposes is includable in the tax returns of our members. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Fair Value of Financial Instruments

The estimated fair value of all financial instruments approximates their carrying amounts in the accompanying balance sheets due to the short-term maturity of these instruments.

Management's 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 amount of 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.

Cash Distributions and Income Allocations

We make quarterly distributions of 100 percent of available cash, as defined in our limited liability company agreement, to our members in accordance with their respective membership interest. Available cash generally consists of all cash receipts plus reductions in reserves less all cash disbursements and net additions to reserves. Our managing partner has broad discretion to establish reserves. Net income (loss) is allocated to our members in accordance with their respective membership interests, subject to limitations on the allocation of losses as defined in our limited liability company agreement.

Recent Pronouncements

In June of 1998, the Financial Accounting Standards Board, (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. In June of 1999, the FASB extended the adoption date of SFAS No. 133 through the issuance of SFAS No. 137, Deferral of the Effective Date of SFAS 133. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, which also amended SFAS No. 133. SFAS No. 133 and its amendments and interpretations, establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and derivative instruments used for hedging activities. It will require that we measure all derivative instruments at their fair value, and classify them as either assets or liabilities on our balance sheet, with a corresponding offset to income, or other comprehensive income, depending on their designation, their intended use, or their ability to qualify as hedges under the standard.

We have adopted SFAS No. 133 beginning January 1, 2001, and have determined there is no impact on us at this time. However, if we enter into any derivative contracts, these transactions may have an impact on our financial statements.

NOTE 3 -- RELATED PARTY TRANSACTIONS

Management Fees

Substantially all of the individuals who perform the day-to-day financial, administrative, accounting and operational functions for us, as well as those who are responsible for directing and controlling us, are currently employed by El Paso Corporation. Under a management agreement between El Paso and our managing partner, a management fee is charged to our managing partner which is intended to approximate the amount of resources allocated by El Paso in providing various operational, financial, accounting and administrative services on behalf of our managing partner and us. For the year ended December 31, 2000 and the period from inception (November 1, 1999) to December 31, 1999, the management fee totaled $5.7 million and $1.4 million, respectively. The management agreement expires on June 30, 2002, and may be terminated thereafter upon 90 days notice by either party. Under the terms of our managing partners' partnership agreement, our managing partner is entitled to reimbursement of all reasonable general and administrative expenses and other reasonable expenses incurred by our managing partner and its affiliates for, or on our behalf, including, but not limited to, amounts payable by our managing partner to El Paso under its management agreement.

In November 1999, we entered into an agreement with El Paso Field Services Company under which they provide personnel to operate Stingray and West Cameron. During 2000, Field Services also began operating HIOS, UTOS and East Breaks. To operate these subsidiaries under Deepwater Holdings, Field Services charged us $6.4 million for the year ended December 31, 2000. We did not incur any charges related to this agreement in 1999.

Management Fees Received

We receive management fees from the subsidiaries of Deepwater Holdings for operating HIOS, UTOS, East Breaks, Stingray, and the West Cameron dehydration facility. These fees are a fixed monthly amount intended to cover normal operating activities and are recorded as operating revenues in the accompanying statements of operations. For the year ended December 31, 2000 and the period from inception (November 1, 1999) to December 31, 1999, we received approximately $20.3 million and $1.8 million, respectively, from the subsidiaries of Deepwater Holdings pursuant to their respective agreements.

NOTE 4 -- COMMITMENTS AND CONTINGENCIES

Financing Transactions

Our managing partner has $175 million of Senior Subordinated Notes and a $500 million revolving credit facility. As a subsidiary of our managing partner, we, along with our affiliates, and our one percent non-managing partner, guarantee both the Senior Subordinated Notes and the credit facility.

Legal Proceedings

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

VK -- MAIN PASS GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

REPORT OF INDEPENDENT ACCOUNTANTS

To the Members of VK-Main Pass Gathering Company, L.L.C.:

In our opinion, the accompanying balance sheets and the related statements of operations, of cash flows and of members' capital present fairly, in all material respects, the financial position of VK-Main Pass Gathering Company, L.L.C. (the "Company") at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

/s/ PricewaterhouseCoopers LLP
Houston, Texas
March 28, 2001

VK -- MAIN PASS GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 2000	DECEMBER 31, 1999
ASSETS		
Current assets		
Accounts receivable, trade	$ 448	$ 301
Accounts receivable, affiliate	4,601	1,133
Total current assets	5,049	1,434
Property, plant and equipment		
Platforms and related facilities	51,631	51,631
Construction work in progress	180	193
	51,811	51,824
Less: accumulated depreciation	10,764	8,559
Property, plant and equipment, net	41,047	43,265
Total assets	$46,096	$44,699
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities		
Advances from affiliate	$41,895	$38,234
Total current liabilities	41,895	38,234
Commitments and contingencies		
Members' capital	4,201	6,465
Total liabilities and members' capital	$46,096	$44,699

See accompanying notes.

VK -- MAIN PASS GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Operating revenues			
Platform access fees	$10,368	$10,811	$10,903
Operating expenses			
Operation and maintenance	539	1,219	2,108
Depreciation	2,205	2,205	2,101
	2,744	3,424	4,209
Operating income	7,624	7,387	6,694
Other income (expense)			
Interest expense	(5,128)	(4,189)	(3,647)
Other income	--	--	80
Net income	$ 2,496	$ 3,198	$ 3,127

See accompanying notes.

VK -- MAIN PASS GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF MEMBERS' CAPITAL
(IN THOUSANDS)

	EL PASO ENERGY PARTNERS, L.P.	EL PASO ENERGY PARTNERS COMPANY	TOTAL
Members' capital at January 1, 1998	$ 9,961	$102	$10,063
Net income	3,095	32	3,127
Distributions to members	(6,307)	(64)	(6,371)
Members' capital at December 31, 1998	6,749	70	6,819
Net income	3,167	31	3,198
Distributions to members	(3,516)	(36)	(3,552)
Members' capital at December 31, 1999	6,400	65	6,465
Net income	2,471	25	2,496
Distributions to members	(4,712)	(48)	(4,760)
Members' capital at December 31, 2000	$ 4,159	$ 42	$ 4,201

See accompanying notes.

VK -- MAIN PASS GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Cash flows from operating activities			
Net income	$ 2,496	$ 3,198	$ 3,127
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	2,205	2,205	2,101
Working capital changes			
Accounts receivable, trade	(147)	(22)	(27)
Accounts payable, trade	--	--	(401)
Net cash provided by operating activities	4,554	5,381	4,800
Cash flows from investing activities			
Capital expenditures, net of salvage	--	(110)	(4,522)
Other	13	--	--
Net cash provided by (used in) investing activities	13	(110)	(4,522)
Cash flows from financing activities			
Advances from affiliate, net	193	(1,719)	6,093
Distributions to members	(4,760)	(3,552)	(6,371)
Net cash used in financing activities	(4,567)	(5,271)	(278)
Change in cash and cash equivalents	--	--	--
Cash and cash equivalents			
Beginning of period	--	--	--
End of period	$ --	$ --	$ --

See accompanying notes.

VK -- MAIN PASS GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- ORGANIZATION AND NATURE OF BUSINESS

VK -- Main Pass Gathering, L.L.C. is a limited liability company established in 1994 for the purpose of providing midstream energy services in the Gulf of Mexico. We own the Viosca Knoll 817 platform which is centrally located on the Viosca Knoll system. The platform serves as a base for landing deepwater production in the area, including ExxonMobil's, Shell Offshore Inc.'s 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 Flextrend Development Company's Viosca Knoll 817 lease.

El Paso Energy Partners, L.P. owns a 99 percent managing partner interest in us and El Paso Energy Partners Company, an indirect wholly-owned subsidiary of El Paso Corporation, owns a one percent non-managing interest in us. Our managing partner changed its name to El Paso Energy Partners, L.P. in December 1999 from Leviathan Gas Pipeline Partners, L.P. El Paso Corporation is Energy Partners' general partner and owns 27.8 percent of Energy Partners' common units consisting of 8,953,764 units.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. Our 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 members' capital.

Cash and Cash Equivalents

We consider short-term investments purchased with an original maturity of less than three months to be cash equivalents.

Affiliated Receivables and Payables

Our managing partner collects cash and makes disbursements on our behalf as part of our operating activities. Additionally, our managing partner may make advances to us for purposes of our capital investment. Such advances are classified as current liabilities in the accompanying balance sheets given they are payable on demand. Historically, our managing partner has not demanded repayment of these amounts. Interest costs are allocated to us based on the average balances of our affiliated payables times our managing partner's average interest rate, which was 9.1% and 9.0% at December 31, 2000 and 1999, respectively.

Allowance for Doubtful Accounts

Collectibility of accounts receivable is reviewed regularly and an allowance is recorded as necessary, primarily under the specific identification method. At December 31, 2000 and 1999, no allowance for doubtful accounts was recorded.

Property, Plant and Equipment

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 approximates 30 years. Repair and maintenance costs are expensed as incurred, while additions, improvements and replacements are capitalized.

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

VK -- MAIN PASS GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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

We evaluate impairment of our 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.

Revenue Recognition

Revenue from platform access fees are recognized in the period the services are provided. In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, to provide guidance for revenue recognition issues and disclosure requirements. SAB No. 101 offers guidelines, examples, and explanations for uncertain matters relating to the recognition of revenue and became effective for us in the fourth quarter of 2000. The adoption of SAB No. 101 did not have a material impact on our financial position, results of operations, or cash flows.

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. No environmental liabilities existed at December 31, 2000 and 1999.

Income Taxes

We are organized as a Delaware limited liability company and are treated as a partnership for income tax purposes, and as a result, our income or loss for income tax purposes is includable in the tax returns of each member. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Fair Value of Financial Instruments

The estimated fair value of all financial instruments approximate their carrying amounts in the accompanying balance sheets due to the short-term maturity of these instruments.

Management's 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 amount of 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.

Cash Distributions and Income Allocation

We make quarterly distributions of 100 percent of available cash, as defined in our limited liability company agreement, to our members in accordance with their respective membership interest. Available cash generally consists of all cash receipts plus reductions in reserves less all cash disbursements and net additions to reserves. Our managing partner has broad discretion to establish reserves. Net income (loss) is allocated to our members in accordance with their respective membership interests, subject to limitations on the allocation of losses as defined in our limited liability company agreement.

VK -- MAIN PASS GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Recent Pronouncements

In June of 1998, the Financial Accounting Standards Board, (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. In June of 1999, the FASB extended the adoption date of SFAS No. 133 through the issuance of SFAS No. 137, Deferral of the Effective Date of SFAS 133. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, which also amended SFAS No. 133. SFAS No. 133 and its amendments and interpretations, establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and derivative instruments used for hedging activities. It will require that we measure all derivative instruments at their fair value, and classify them as either assets or liabilities on our balance sheet, with a corresponding offset to income, or other comprehensive income, depending on their designation, their intended use, or their ability to qualify as hedges under the standard.

We have adopted SFAS No. 133 beginning January 1, 2001, and have determined there is no impact on us at this time. However, if we enter into any derivative contracts, these transactions may have an impact on our financial statements.

NOTE 3 -- MAJOR CUSTOMERS

Platform access fees realized from major customers and their respective percent of total revenues were as follows (in thousands):

	FOR THE YEAR ENDED DECEMBER 31,					
	2000		1999		1998	
	AMOUNT	% OF TOTAL REVENUES	AMOUNT	% OF TOTAL REVENUES	AMOUNT	% OF TOTAL REVENUES
Flextrend Development Company, L.L.C.	$ 6,650	64.1%	$ 6,976	64.5%	$6,064	55.6%
Viosca Knoll Gathering Company	1,880	18.1%	1,980	18.3%	2,297	21.1%
Walters Oil and Gas	1,478	14.3%	1,333	12.3%	1,195	11.0%
	$10,008	96.5%	$10,289	95.1%	$9,556	87.7%

NOTE 4 -- RELATED PARTY TRANSACTIONS

Revenues From Related Parties

We receive platform access fees from Viosca Knoll Gathering Company and Flextrend Development Company, both of which are affiliates of our managing partner. For the year ended December 31, 1998, we received approximately $1.1 million from Tatham Offshore, a former affiliate of our managing partner as platform access fees related to the Viosca Knoll 817 platform.

Management Fees

Substantially all of the individuals who perform the day-to-day financial, administrative, accounting and operational functions for us, as well as those who are responsible for directing and controlling us, are currently employed by El Paso Corporation. Under a management agreement between El Paso and our managing partner, a management fee is charged to our managing partner which is intended to approximate the amount of resources allocated by El Paso in providing various operational, financial, accounting and administrative services on behalf of our managing partner and us. The management fee totaled $0.3 million, $0.7 million and $0.9 million for the years ended December 31, 2000, 1999 and 1998, respectively. The management agreement expires on June 30, 2002, and may be terminated thereafter upon 90 days notice by either party. Under the

VK -- MAIN PASS GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

terms of our managing partners' partnership agreement, our managing partner is entitled to reimbursement of all reasonable general and administrative expenses and other reasonable expenses incurred by our managing partner and its affiliates for, or on our behalf, including, but not limited to, amounts payable by our managing partner to El Paso under its management agreement.

NOTE 5 -- COMMITMENTS AND CONTINGENCIES

Financing Transactions

Our managing partner has $175 million of Senior Subordinated Notes and a $500 million revolving credit facility. As a subsidiary of our managing partner, we, along with our affiliates, and our one percent non-managing partner guarantee both the Senior Subordinated Notes and the credit facility.

Legal Proceedings

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

EL PASO ENERGY PARTNERS DEEPWATER, L.L.C.
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

REPORT OF INDEPENDENT ACCOUNTANTS

To the Members of El Paso Energy Partners Deepwater, L.L.C.:

In our opinion, the accompanying balance sheets and the related statements of operations, of cash flows and of members' capital present fairly, in all material respects, the financial position of El Paso Energy Partners Deepwater, L.L.C. (the "Company") at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

/s/ PricewaterhouseCoopers LLP
Houston, Texas
March 28, 2001

EL PASO ENERGY PARTNERS DEEPWATER, L.L.C.
(A LIMITED LIABILITY COMPANY)

BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 2000	DECEMBER 31, 1999
ASSETS		
Investment in unconsolidated affiliate	$53,043	$59,260
Total assets	$53,043	$59,260
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities		
Advances from affiliate	$41,594	$28,564
Total current liabilities	41,594	28,564
Commitments and contingencies		
Members' capital	11,449	30,696
Total liabilities and members' capital	$53,043	$59,260

See accompanying notes.

EL PASO ENERGY PARTNERS DEEPWATER, L.L.C.
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Operating revenue	$ --	$ --	$ --
Operation and maintenance expenses	429	565	606
Operating loss	(429)	(565)	(606)
Other income (expense)			
Equity investment earnings (loss)	7,270	1,436	(255)
Gain on sale, net	--	10,103	--
Interest expense	(2,352)	(984)	(12)
	4,918	10,555	(267)
Net income (loss)	$ 4,489	$ 9,990	$(873)

See accompanying notes.

EL PASO ENERGY PARTNERS DEEPWATER, L.L.C.
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF MEMBERS' CAPITAL
(IN THOUSANDS)

	EL PASO ENERGY PARTNERS, L.P.	EL PASO ENERGY PARTNERS COMPANY	TOTAL
Members' capital at January 1, 1998	$ (3,575)	$ (20)	$ (3,595)
Net loss	(864)	(9)	(873)
Distributions to members	(1,264)	(13)	(1,277)
Members' capital at December 31, 1998	(5,703)	(42)	(5,745)
Net income	9,889	101	9,990
Contributions from members	39,421	--	39,421
Distributions to members	(12,748)	(222)	(12,970)
Members' capital at December 31, 1999	30,859	(163)	30,696
Net income	4,454	35	4,489
Contributions from members	63	--	63
Distributions to members	(23,559)	(240)	(23,799)
Members' capital at December 31, 2000	$ 11,817	$(368)	$ 11,449

See accompanying notes.

EL PASO ENERGY PARTNERS DEEPWATER, L.L.C.
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Cash flows from operating activities			
Net income (loss)	$ 4,489	$ 9,990	$ (873)
Adjustments to reconcile net income to cash provided by operating activities			
Gain on sale, net	--	(10,103)	--
Distributed earnings of equity investments			
(Earnings) loss from equity investments	(7,270)	(1,436)	255
Distributions from equity investments	13,550	6,901	1,000
Working capital changes			
Deferred credit	--	(82)	--
Net cash provided by operating activities	10,769	5,270	382
Cash flows from investing activities			
Investment in unconsolidated affiliate	(63)	(3,978)	(299)
Proceeds from sale of investment in unconsolidated affiliates	--	26,122	--
Distributions related to the formation of Deepwater Holdings	--	20,000	--
Net cash provided by (used in) investing activities	(63)	42,144	(299)
Cash flows from financing activities			
Advances from (to) affiliate, net	13,030	(34,444)	1,194
Contributions from members	63	--	--
Distributions to members	(23,799)	(12,970)	(1,277)
Net cash used in financing activities	(10,706)	(47,414)	(83)
Change in cash and cash equivalents	--	--	--
Cash and cash equivalents			
Beginning of period	--	--	--
End of period	$ --	$ --	$ --
Noncash investing activity:			
Contribution of equity investments as follows:			
Investments in unconsolidated subsidiary		$ 69,484	
Capital contributions		$ 39,421	
Advances from affiliate		$ 30,063	

See accompanying notes.

EL PASO ENERGY PARTNERS DEEPWATER, L.L.C.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- ORGANIZATION AND NATURE OF BUSINESS

El Paso Energy Partners Deepwater, L.L.C. is a limited liability company established in 1993 for the purpose of providing midstream energy services, including natural gas gathering, transportation and other related services primarily in the Gulf of Mexico. We changed our name in September 1999 from Stingray Holding Company, L.L.C. in connection with the formation of Deepwater Holdings L.L.C. Prior to that date, we held a 50 percent investment in Stingray Pipeline Company, which owns the Stingray system described below. In September 1999, we acquired interests in High Island Offshore System, or HIOS, East Breaks Gathering System, or East Breaks, U-T Offshore System, or UTOS, and the West Cameron dehydration facility, through a series of transactions with our managing partner. Also in September 1999, we and ANR Pipeline Company, or ANR, formed Deepwater Holdings L.L.C. Collectively, we and ANR owned 100 percent of the interests in HIOS, East Breaks, UTOS, Stingray and West Cameron. All of the interests in these assets were contributed to Deepwater Holdings, of which we have a 50 percent ownership interest.

El Paso Energy Partners, L.P. owns a 99 percent managing partner interest in us and El Paso Energy Partners Company, an indirect wholly-owned subsidiary of El Paso Corporation, owns a one percent non-managing interest in us. Our managing partner changed its name to El Paso Energy Partners, L.P. in December 1999 from Leviathan Gas Pipeline Partners, L.P. El Paso Corporation is Energy Partners' general partner and owns 27.8 percent of Energy Partners' common units consisting of 8,953,764 units.

In accordance with a Federal Trade Commission order related to El Paso Corporation's merger with The Coastal Corporation, Deepwater Holdings divested a number of Gulf of Mexico assets in January 2001. As a result of the merger, ANR, whose parent company was The Coastal Corporation, has become our affiliate.

Following is a description of Deepwater Holdings' assets:

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

- East Breaks is a natural gas gathering system consisting of 85 miles of 18 to 20-inch diameter pipeline that connects HIOS to the Diana and Hoover fields being developed by subsidiaries of ExxonMobil and BP Amoco plc. Production from the Diana and Hoover properties has been committed to this system. East Breaks began operating in June 2000.

- UTOS is a natural gas transmission system consisting of 30 miles of 42-inch diameter pipeline extending from an interconnection with HIOS at West Cameron Block 167 to the Johnson Bayou production handling facility, owned by UTOS. The Johnson Bayou facility provides primarily natural gas and liquids separation and natural gas dehydration services for natural gas transported on HIOS and UTOS. Under a Federal Trade Commission, or FTC, order, Deepwater Holdings has agreed to sell its interest in UTOS. The transaction is expected to close in April 2001.

- Stingray is a natural gas gathering system consisting of (i) 361 miles of 6 to 36-inch diameter pipeline that transports natural gas from HIOS, West Cameron, East Cameron and Vermilion lease areas in the Gulf of Mexico to onshore transmission systems in Louisiana, (ii) 43 miles of 16 to 20-inch diameter pipeline connecting platforms and leases in the Garden Banks Block 191 and 72 areas to Stingray, and (iii) 13 miles of 16-inch diameter pipeline connecting our platform at East Cameron Block 373 to Stingray at East Cameron Block 338. Under a FTC order, Deepwater Holdings sold its interests in Stingray in January 2001.

- The West Cameron dehydration facility is located at the northern terminus of the Stingray system. This onshore Louisiana facility provides dehydration services for natural gas transported on the

Stingray system. El Paso Energy Partners, L.P. began operating West Cameron and related facilities effective November 1, 1999. Under a FTC order, Deepwater Holdings sold its interest in West Cameron in January 2001.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. Our 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 members' capital.

Cash and Cash Equivalents

We consider short-term investments purchased with an original maturity of less than three months to be cash equivalents.

Affiliated Receivables and Payables

Our managing partner collects cash and makes disbursements on our behalf as part of our operating activities. Additionally, our managing partner may make advances to us for purposes of our capital investment. Such advances are classified as current liabilities in the accompanying balance sheets given they are payable on demand. Historically, our managing partner has not demanded repayment of these amounts. Interest costs are allocated to us based on the average balance of our affiliated payables times our managing partner's average interest rate, which was 9.1% and 9.0% at December 31, 2000 and 1999, respectively.

Investment in Unconsolidated Affiliates

We account for investments in companies where we have the ability to exert significant influence over, but not control over operating and financial policies, using the equity method with our proportionate share of net income(loss) of the investee included in the accompanying statements of operations. Any difference between the carrying amount of investment and the underlying equity in net assets of the investee is considered to be goodwill and amortized on a straight-line basis over the estimated lives of the underlying net assets of the investee.

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. No environmental liabilities existed at December 31, 2000 and 1999.

Income Taxes

We are organized as a Delaware limited liability company and are treated as a partnership for income tax purposes, and as a result, our income or loss for income tax purposes is includable in the tax returns of each member. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Fair Value of Financial Instruments

The estimated fair value of all financial instruments approximate their carrying amounts in the accompanying balance sheets due to the short-term maturity of these instruments.

Management's 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 amount of 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.

Cash Distributions and Income Allocation

We make quarterly distributions of 100 percent of available cash, as defined in our limited liability company agreement, to our members in accordance with their respective membership interest. Available cash generally consists of all cash receipts plus reductions in reserves less all cash disbursements and net additions to reserves. Our managing partner has broad discretion to establish reserves. Net income (loss) is allocated to our members in accordance with their respective membership interests, subject to limitations on the allocation of losses as defined in our limited liability company agreement.

Recent Pronouncements

In June of 1998, the Financial Accounting Standards Board, (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. In June of 1999, the FASB extended the adoption date of SFAS No. 133 through the issuance of SFAS No. 137, Deferral of the Effective Date of SFAS 133. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, which also amended SFAS No. 133. SFAS No. 133 and its amendments and interpretations, establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and derivative instruments used for hedging activities. It will require that we measure all derivative instruments at their fair value, and classify them as either assets or liabilities on our balance sheet, with a corresponding offset to income, or other comprehensive income, depending on their designation, their intended use, or their ability to qualify as hedges under the standard.

We have adopted SFAS No. 133 beginning January 1, 2001, and have determined there is no impact on us at this time. However, if we enter into any derivative contracts, these transactions may have an impact on our financial statements.

NOTE 3 -- ACQUISITIONS AND DISPOSITIONS

Deepwater Holdings

In September 1999, our managing partner contributed its interests in HIOS, East Breaks, UTOS and the West Cameron dehydration facility to us and we formed Deepwater Holdings with ANR, to reorganize our interests in various joint ventures. In the transaction, we and ANR contributed our respective interests in various pipeline systems and facilities to Deepwater Holdings. Following this reorganization, Deepwater Holdings owned 100 percent of East Breaks, HIOS, UTOS and Stingray, along with the West Cameron dehydration facility. In exchange for our contribution, we received a 59.66 percent interest in Deepwater Holdings. We simultaneously sold a 9.66 percent members' interest in Deepwater Holdings to ANR for $26.1 million to effect a 50/50 ownership position. We realized a $10.1 million gain associated with the sale. In conjunction with the transaction, we became the full operator of the UTOS, HIOS and East Breaks systems on June 1, 2000.

NOTE 4 -- EQUITY INVESTMENTS

As of December 31, 2000, the carrying amount of our equity investments exceeded the underlying equity in net assets by approximately $62.1 million. The difference is being amortized on a straight-line basis over the estimated life of the affiliate's underlying net assets. Summarized financial information for our investment is as follows:

	AS OF AND FOR THE YEAR ENDED DECEMBER 31,			
	2000	1999		1998
	DEEPWATER HOLDINGS, L.L.C.	DEEPWATER HOLDINGS, L.L.C.(A)	STINGRAY PIPELINE CO. L.L.C.(A)	STINGRAY PIPELINE CO. L.L.C.
	(IN THOUSANDS)			
Operating results data				
Operating revenues	$ 67,122	$ 14,106	$13,322	$ 23,008
Other income	532	87	1,898	670
Operating expenses	(25,279)	(8,183)	(7,932)	(16,814)
Depreciation	(18,138)	(4,023)	(5,699)	(6,852)
Other expenses	(10,711)	(1,402)	(1,516)	(1,668)
Net income (loss)	$ 13,526	$ 585	$ 73	$ (1,656)
Our share				
Allocated income (loss)	$ 6,763	$ 293	$ 37	$ (828)
Adjustments(b)	507	(118)	1,224	573
Earnings from equity investments	$ 7,270	$ 175	$ 1,261	$ (255)
Allocated distributions	$ 13,550	$ 4,400	$ 2,501	$ 1,000
Financial position data				
Current assets	$ 46,128	$ 34,334	$ --	$ 17,892
Noncurrent assets	237,012	208,939	--	50,109
Current liabilities	39,962	32,727	--	18,960
Long-term debt	157,000	122,000	--	20,583
Other noncurrent liabilities	9,517	41	--	12,924

- ---------------

(a) We owned a 50 percent interest in Stingray Pipeline Company L.L.C. through September 1999. In September 1999, we contributed our interest in Stingray Pipeline Company to Deepwater Holdings L.L.C. in exchange for a 50 percent equity interest.

(b) We record adjustments primarily for purchase price adjustments in accordance with APB Opinion No. 16, except for Stingray Pipeline Company which resulted from changes in estimates of reserves for uncollectible revenues.

NOTE 6 -- RELATED PARTY TRANSACTIONS

Management Fees

Substantially all of the individuals who perform the day-to-day financial, administrative, accounting and operational functions for us, as well as those who are responsible for directing and controlling us, are currently employed by El Paso Corporation. Under a management agreement between El Paso and our managing partner, a management fee is charged to our managing partner which is intended to approximate the amount of resources allocated by El Paso in providing various operational, financial, accounting and administrative services on behalf of our managing partner and us. For each of the three years ended December 31, 2000, 1999 and 1998, the management fee was $0.3 million. The management agreement expires on June 30, 2002, and may be terminated thereafter upon 90 days notice by either party. Under the terms of our managing partners' partnership agreement, our managing partner is entitled to reimbursement of all reasonable general and administrative expenses and other reasonable expenses incurred by our managing partner and its affiliates for, or on our behalf, including, but not limited to, amounts payable by our managing partner to El Paso under its management agreement.

NOTE 7 -- COMMITMENTS AND CONTINGENCIES

Financing Transactions

Our managing partner has $175 million of Senior Subordinated Notes and a $500 million revolving credit facility. As a subsidiary of our managing partner, we, along with our affiliates, and our one percent non-managing partner, guarantee both the Senior Subordinated Notes and the credit facility.

Deepwater Holdings has a $175 million revolving credit facility that matures in February 2004. 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 Deepwater Holdings, including Deepwater Holdings' ownership in Stingray, UTOS, West Cameron, HIOS and East Breaks. As of December 31, 2000, Deepwater Holdings had $157 million outstanding under its credit facility at an average floating interest rate of 8.1% and had $18 million available as a result of its borrowing base limitations. The proceeds from the sale of Stingray and West Cameron in January 2001 of approximately $50 million were used to reduce the credit facility. This facility may restrict the ability of Deepwater Holdings to pay distributions to us.

Legal Proceedings

We, along with several subsidiaries of El Paso, have been named defendants in actions brought by Jack Grynberg on behalf of the United States Government under the False Claims Act. Generally, the complaints allege an industry-wide conspiracy to under report the heating value as well as the volumes of the natural gas produced from federal and Native American lands, which deprived the U.S. Government of royalties. (In re: Natural Gas Royalties Qui Tam Litigation, U.S. District Court for the District of Wyoming.)

We have also been named a defendant in an action styled Quinque Operating Company, et al v. Gas Pipelines and Their Predecessors, et al filed in 1999 in the District Court of Stevens County, Kansas. This class action complaint alleges that the defendants have mismeasured natural gas volumes and heating content of natural gas on non-federal and non-Native American lands. The Quinque complaint, once transferred to the same court handling the Grynberg complaint, has been sent back to the Kansas State Court for further proceedings.

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

Regulatory Matters

In December 1998, Stingray filed for a general rate increase with the Federal Energy Regulatory Commission, or FERC. Pursuant to an order issued by FERC in December 1998, the increased rates became effective in June 1999, subject to refund. A hearing on the merits of Stingray's filing was held in December 1999 and the case is still pending before FERC. HIOS and UTOS currently operate under agreements with their respective customers that provide for rates that have been approved by FERC. Our remaining systems are gathering facilities and, as such, are not currently subject to rate and certificate regulation by FERC.

EL PASO ENERGY PARTNERS DEEPWATER, L.L.C.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 8 -- SUBSEQUENT EVENTS

In January 2001, Deepwater Holdings sold its interest in Stingray and West Cameron. Deepwater received cash of approximately $50 million and used the proceeds to pay down its credit facility. Deepwater also entered into an agreement to sell its interest in UTOS for approximately $4 million to be completed upon receipt of all necessary approvals, including final approval by the FTC. The sale of UTOS is expected to close during April 2001. The carrying value of our investment in Stingray, West Cameron and UTOS was approximately $70.3 million at December 31, 2000.

DELOS OFFSHORE COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

REPORT OF INDEPENDENT ACCOUNTANTS

To the Members of Delos Offshore Company:

In our opinion, the accompanying balance sheets and the related statements of operations, of cash flows and of members' capital present fairly, in all material respects, the financial position of Delos Offshore Company, L.L.C. (the "Company") at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

/s/ PricewaterhouseCoopers LLP
Houston, Texas
March 28, 2001

DELOS OFFSHORE COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 2000	DECEMBER 31, 1999
ASSETS		
Current assets		
Accounts receivable, trade	$ 830	$ 280
Total current assets	830	280
Property, plant and equipment		
Platforms and facilities	34,832	30,250
Construction work in process	2,000	12,787
	36,832	43,037
Less: accumulated depreciation	3,054	1,859
Property, plant and equipment, net	33,778	41,178
Total assets	$34,608	$41,458
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities		
Accounts payable, trade	$ --	$ 633
Advances from affiliate	38,988	44,501
Accrued expenses	131	131
Total current liabilities	39,119	45,265
Commitments and contingencies		
Members' capital	(4,511)	(3,807)
Total liabilities and members' capital	$34,608	$41,458

See accompanying notes.

DELOS OFFSHORE COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Operating revenues			
Platform fees	$10,070	$ 8,238	$ 5,517
Operating expenses			
Operation and maintenance	1,074	1,842	1,968
Depreciation	1,195	1,066	794
	2,269	2,908	2,762
Operating income	7,801	5,330	2,755
Interest expense	(3,745)	(2,377)	(1,873)
Net income	$ 4,056	$ 2,953	$ 882

See accompanying notes.

DELOS OFFSHORE COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF MEMBERS' CAPITAL
(IN THOUSANDS)

	EL PASO ENERGY PARTNERS, L.P.	EL PASO ENERGY PARTNERS COMPANY	TOTAL
Members' capital at January 1, 1998	$ (708)	$ (7)	$ (715)
Net income	873	9	882
Distributions to members	(2,049)	(21)	(2,070)
Members' capital at December 31, 1998	(1,884)	(19)	(1,903)
Net income	2,923	30	2,953
Distributions to members	(4,808)	(49)	(4,857)
Members' capital at December 31, 1999	(3,769)	(38)	(3,807)
Net income	4,015	41	4,056
Distributions to members	(4,712)	(48)	(4,760)
Members' capital at December 31, 2000	$(4,466)	$(45)	$(4,511)

See accompanying notes.

DELOS OFFSHORE COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Cash flows from operating activities			
Net income	$ 4,056	$ 2,953	$ 882
Adjustments to reconcile net income to cash provided by (used in) operating activities			
Depreciation	1,195	1,066	794
Working capital changes			
Accounts receivable, trade	(550)	(57)	(223)
Accounts payable, trade	(633)	633	(2,915)
Accrued expenses	--	130	--
Other noncurrent liabilities	--	(38)	(4,738)
Net cash provided by (used in) operating activities	4,068	4,687	(6,200)
Cash flows from investing activities			
Capital expenditures	(43,446)	(12,723)	(7,854)
Proceeds from sale of asset to affiliate	49,651	--	--
Net cash provided by (used in) investing activities	6,205	(12,723)	(7,854)
Cash flows from financing activities			
Advances from affiliate	(5,513)	12,893	16,124
Distributions to members	(4,760)	(4,857)	(2,070)
Net cash provided by (used in) financing activities	(10,273)	8,036	14,054
Change in cash and cash equivalents	--	--	--
Cash and cash equivalents			
Beginning of period	--	--	--
End of period	$ --	$ --	$ --

See accompanying notes.

DELOS OFFSHORE COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- ORGANIZATION AND NATURE OF BUSINESS

Delos Offshore Company, L.L.C. is a limited liability company established in 1997 for the purpose of providing platform services. 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.

El Paso Energy Partners, L.P. owns a 99 percent managing partner interest in us and El Paso Energy Partners Company, an indirect wholly-owned subsidiary of El Paso Corporation, owns a one percent non-managing interest in us. Our managing partner changed its name to El Paso Energy Partners, L.P. in December 1999 from Leviathan Gas Pipeline Partners, L.P. El Paso Corporation is Energy Partners' general partner and owns 27.8 percent of Energy Partners' common units consisting of 8,953,764 units.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. Our 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 members' capital.

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 amount of 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.

Cash and Cash Equivalents

We consider short-term investments purchased with an original maturity of less than three months to be cash equivalents.

Affiliated Receivables and Payables

Our managing partner collects cash and makes disbursements on our behalf as part of our operating activities. Additionally, our managing partner may make advances to us for purposes of our capital investment. Such advances are classified as current liabilities in the accompanying balance sheets given they are payable on demand. Historically, our managing partner has not demanded repayment of these amounts. Interest costs are allocated to us based on the average balances of our affiliated payables times our managing partner's average interest rate, which was 9.1% and 9.0% at December 31, 2000 and 1999, respectively.

Allowance for Doubtful Accounts

Collectibility of accounts receivable is reviewed regularly and an allowance is recorded as necessary, primarily under the specific identification method. At December 31, 2000 and 1999, no allowance for doubtful accounts was recorded.

Property, Plant and Equipment

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 approximates 30 years. Repair and maintenance costs are expensed as incurred, while additions, improvements and replacements are capitalized.

DELOS OFFSHORE COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

In 1999, we began constructing the Prince TLP, or tension-leg platform, for El Paso Production Company. In 2000, our managing partner successfully negotiated a project-finance loan on behalf of Argo, an affiliate of our managing partner. As a condition of the financing, the asset being constructed was required to be owned by Argo. As a result, we transferred the asset to Argo in September 2000 at its cost-to-date of $49.7 million.

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

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

We evaluate impairment of our 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.

Revenue Recognition

Revenue from platform services is recognized in the period the services are provided. In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, to provide guidance for revenue recognition issues and disclosure requirements. SAB No. 101 offers guidelines, examples, and explanations for uncertain matters relating to the recognition of revenue and became effective for us in the fourth quarter of 2000. The adoption of SAB No. 101 did not have a material impact on our financial position, results of operations, or cash flows.

Income Taxes

We are organized as a Delaware limited liability company and are treated as a partnership for income tax purposes, and as a result, our income or loss for income tax purposes is includable in the tax returns of each member. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Fair Value of Financial Instruments

The estimated fair value of all financial instruments approximates their carrying amounts in the accompanying balance sheets due to the short-term maturity of these instruments.

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. No environmental liabilities existed at December 31, 2000 and 1999.

Cash Distributions and Income Allocation

We make quarterly distributions of 100 percent of available cash, as defined in our limited liability company agreement, to our members in accordance with their respective membership interest. Available cash generally consists of all cash receipts plus reductions in reserves less all cash disbursements and net additions to reserves. Our managing partner has broad discretion to establish reserves. Net income (loss) is allocated to our members in accordance with their respective membership interests, subject to limitations on the allocation of losses as defined in our limited liability company agreement.

Recent Pronouncements

In June of 1998, the Financial Accounting Standards Board, (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. In June of 1999, the FASB extended the adoption date of SFAS No. 133 through the issuance of SFAS No. 137, Deferral of the Effective Date of SFAS 133. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, which also amended SFAS No. 133. SFAS No. 133 and its amendments and interpretations, establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and derivative instruments used for hedging activities. It will require that we measure all derivative instruments at their fair value, and classify them as either assets or liabilities on our balance sheet, with a corresponding offset to income, or other comprehensive income, depending on their designation, their intended use, or their ability to qualify as hedges under the standard.

We have adopted SFAS No. 133 beginning January 1, 2001, and have determined there is no impact on us at this time. However, if we enter into any derivative contracts, these transactions may have an impact on our financial statements.

NOTE 3 -- MAJOR CUSTOMER

We are party to a platform agreement with Kerr-McGee Corporation, which is our only customer. Under the terms of this agreement, Kerr-McGee is charged a fee for processing natural gas, condensate, water, and dehydration. Platform fees and accounts receivable for the years ended December 31, 2000, 1999, and 1998 consist solely of revenues from Kerr-McGee. The loss of Kerr-McGee as a customer would have a material adverse effect on us.

NOTE 4 -- RELATED PARTY TRANSACTIONS

Management Fees

Substantially all of the individuals who perform the day-to-day financial, administrative, accounting and operational functions for us, as well as those who are responsible for directing and controlling us, are currently employed by El Paso Corporation. Under a management agreement between El Paso and our managing partner, a management fee is charged by our managing partner which is intended to approximate the amount of resources allocated by El Paso in providing various operational, financial, accounting and administrative services on behalf of our managing partner and us. The management fee totaled $0.3 million, $0.7 million and $1.1 million for the years ended December 31, 2000, 1999 and 1998, respectively. The management agreement expires on June 30, 2002, and may be terminated thereafter upon 90 days notice by either party. Under the terms of our managing partners' partnership agreement, our managing partner is entitled to reimbursement of all reasonable general and administrative expenses and other reasonable expenses incurred by our managing partner and its affiliates for, or on our behalf, including, but not limited to, amounts payable by our managing partner to El Paso under it management agreement.

NOTE 5 -- COMMITMENTS AND CONTINGENCIES

Financing Transactions

Our managing partner has $175 million of Senior Subordinated Notes and a $500 million revolving credit facility. As a subsidiary of our managing partner, we, along with our affiliates, and our one percent non-managing partner guarantee both the Senior Subordinated Notes and the credit facility.

DELOS OFFSHORE COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Legal Proceedings

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

VK DEEPWATER GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

REPORT OF INDEPENDENT ACCOUNTANTS

To the Members of VK Deepwater Gathering Company, L.L.C.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of cash flows and of members' capital present fairly, in all material respects, the financial position of VK Deepwater Gathering Company, L.L.C. and its subsidiaries (the "Company") at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

/s/ PricewaterhouseCoopers LLP
Houston, Texas
March 28, 2001

VK DEEPWATER GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 2000	DECEMBER 31, 1999
ASSETS		
Current assets		
Cash and cash equivalents	$ --	$ 481
Accounts receivable, trade	4,355	4,018
Materials and supplies	232	232
Total current assets	4,587	4,731
Property, plant and equipment		
Pipelines and equipment	147,203	141,183
Construction work in progress	190	5,237
	147,393	146,420
Less: accumulated depreciation	21,526	16,233
Property, plant and equipment, net	125,867	130,187
Total assets	$130,454	$134,918
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities		
Gas imbalance	$ 4,532	$ 1,425
Advances from affiliate	141,113	147,726
Total current liabilities	145,645	149,151
Commitments and contingencies		
Minority interest	--	1,092
Members' capital	(15,191)	(15,325)
Total liabilities and members' capital	$130,454	$134,918

See accompanying notes.

VK DEEPWATER GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Operating revenues	$26,653	$16,195	$ --
Operating expenses			
Operation and maintenance	3,084	2,738	1,687
Depreciation	5,293	3,147	69
	8,377	5,885	1,756
Operating income (loss)	18,276	10,310	(1,756)
Other income (expense)			
Equity investment earnings	--	3,859	9,113
Interest expense	(9,336)	(5,095)	(12)
Other income	2	49	100
	(9,334)	(1,187)	9,201
Minority interest	(82)	(109)	--
Net income	$ 8,860	$ 9,014	$ 7,445

See accompanying notes.

VK DEEPWATER GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED STATEMENTS OF MEMBERS' CAPITAL
(IN THOUSANDS)

	EL PASO ENERGY PARTNERS, L.P.	EL PASO ENERGY PARTNERS COMPANY	TOTAL
Members' capital at January 1, 1998	$ (6,860)	$ (70)	$ (6,930)
Net income	7,370	75	7,445
Distributions to members	(11,541)	(118)	(11,659)
Members' capital at December 31, 1998	(11,031)	(113)	(11,144)
Net income	8,923	91	9,014
Distributions to members	(13,062)	(133)	(13,195)
Members' capital at December 31, 1999	(15,170)	(155)	(15,325)
Net income (loss)	8,771	89	8,860
Distributions to members	(8,638)	(88)	(8,726)
Members' capital at December 31, 2000	$(15,037)	$ (154)	$(15,191)

See accompanying notes.

VK DEEPWATER GATHERING COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Cash flows from operating activities			
Net income	$ 8,860	$ 9,014	$ 7,445
Adjustments to reconcile net income to cash provided by operating activities			
Depreciation	5,293	3,147	69
Distributed earnings in equity investments			
Earnings from equity investments	--	(3,859)	(9,113)
Distributions from equity investments	--	6,350	10,350
Minority interest income	82	109	--
Working capital changes, net of effects of acquisitions and non-cash transactions:			
Accounts receivable, trade	(337)	(4,018)	53
Materials and supplies	--	(232)	--
Gas imbalance	3,105	1,427	--
Net cash provided by operating activities	17,003	11,938	8,804
Cash flows from investing activities			
Purchase of additional interest in Viosca Knoll Gathering Company	(973)	(80,143)	--
Investment in unconsolidated affiliates	--	(700)	--
Net cash used in investing activities	(973)	(80,843)	--
Cash flows from financing activities			
Advances from affiliate, net	(6,611)	82,581	2,855
Acquisition of minority interest	(1,174)	--	--
Distributions to members	(8,726)	(13,195)	(11,659)
Net cash provided by (used in) financing activities	(16,511)	69,386	(8,804)
Change in cash and cash equivalents	(481)	481	--
Cash and cash equivalents			
Beginning of period	481	--	--
End of period	$ --	$ 481	$ --
Non-Cash Investing Activity			
Conversion of equity investment to consolidated subsidiary	$ --	$ (36,372)	$ --

See accompanying notes.

VK DEEPWATER GATHERING COMPANY, L.L.C.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- ORGANIZATION AND NATURE OF BUSINESS

VK Deepwater Gathering Company, L.L.C. is a limited liability company formed in 1994 for the purpose of owning and operating an interest in the Viosca Knoll Gathering Company (Viosca Knoll). Viosca Knoll is a natural gas gathering system consisting of 125 miles of predominately 20-inch natural gas pipeline and a 7,000 horsepower compressor. Through June 1999, we held a 50 percent interest in Viosca Knoll. In June 1999, we acquired an additional 49 percent interest, and in September 2000, we acquired the remaining one percent interest from a subsidiary of El Paso Corporation, bringing our total interest in Viosca Knoll to 100 percent.

El Paso Energy Partners, L.P. owns a 99 percent managing partner interest in us and El Paso Energy Partners Company, an indirect wholly-owned subsidiary of El Paso Corporation, owns a one percent non-managing interest in us. Our managing partner changed its name to El Paso Energy Partners, L.P. in December 1999 from Leviathan Gas Pipeline Partners, L.P. El Paso Corporation is Energy Partners' general partner and owns 27.8 percent of Energy Partners' common units consisting of 8,953,764 units.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

Our financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. Our 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 member's capital.

Our consolidated financial statements include the accounts of all majority-owned, controlled subsidiaries after the elimination of all significant intercompany accounts and transactions. We account for investments in companies where we have the ability to exert significant influence over, but not control over operating and financial policies, using the equity method. During 1999 and 2000, a subsidiary of El Paso Corporation had a one percent ownership interest in our subsidiary which represents the minority interest in our consolidated financial statements.

Cash and Cash Equivalents

We consider short-term investments purchased with an original maturity of less than three months to be cash equivalents.

Affiliated Receivables and Payables

Our managing partner collects cash and makes disbursements on our behalf as part of our operating activities. Additionally, our managing partner may make advances to us for purposes of our capital investment. Such advances are classified as current liabilities in the accompanying balance sheets given they are payable on demand. Historically, our managing partner has not demanded repayment of these amounts. Interest costs are allocated to us based on the average balance of our affiliated payables times our managing partner's average interest rate, which was 9.1% and 9.0% at December 31, 2000 and 1999, respectively.

Allowance for Doubtful Accounts

Collectibility of accounts receivable is reviewed regularly and an allowance is recorded as necessary, primarily under the specific identification method. At December 31, 2000 and 1999, no allowance for doubtful accounts was recorded.

VK DEEPWATER GATHERING COMPANY, L.L.C.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Property, Plant and Equipment

Gathering pipelines and equipment are recorded at cost and are depreciated on a straight-line basis over the estimated useful lives of the assets which approximate 30 years. Repair and maintenance costs are expensed as incurred, while additions, improvements and replacements are capitalized.

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

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

We evaluate impairment of our 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.

Investment in Unconsolidated Affiliates

We account for our investment in companies where we have the ability to exert significant influence over, but not control over operating and financial policies, using the equity method with our proportionate share of net income (loss) of the investee included in the accompanying statements of operations. Any difference between the carrying amount of the investment and the underlying equity in net assets of the investee is considered to be goodwill and amortized on a straight-line basis over the estimated lives of the underlying net assets of the respective investee.

Revenue Recognition

Revenue from pipeline transportation of hydrocarbons is recognized upon receipt of the hydrocarbons into the pipeline system. In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, to provide guidance for revenue recognition issues and disclosure requirement. SAB No. 101 offers guidelines, examples, and explanations for uncertain matters relating to the recognition of revenue and became effective for us in the fourth quarter of 2000. The adoption of SAB No. 101 did not have a material impact on our financial position, results of operations, or cash flows.

Cash Distributions and Income Allocation

We make quarterly distributions of 100 percent of available cash, as defined in our limited liability company agreement, to our members in accordance with their respective membership interest. Available cash generally consists of all cash receipts plus reductions in reserves less all cash disbursements and net additions to reserves. Our managing partner has broad discretion to establish reserves. Net income (loss) is allocated to our members in accordance with their respective membership interests, subject to limitations on the allocation of losses as defined in our limited liability company agreement.

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. No environmental liabilities existed at December 31, 2000 and 1999.

VK DEEPWATER GATHERING COMPANY, L.L.C.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Income Taxes

We are organized as a Delaware limited liability company and are treated as a partnership for income tax purposes, and as a result, our income or loss for income tax purposes is includable in the tax returns of each member. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Fair Value of Financial Instruments

The estimated fair value of all financial instruments approximate their carrying amounts in the accompanying balance sheets due to the short-term maturity of these instruments.

Recent Pronouncements

In June of 1998, the Financial Accounting Standards Board, (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. In June of 1999, the FASB extended the adoption date of SFAS No. 133 through the issuance of SFAS No. 137, Deferral of the Effective Date of SFAS 133. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, which also amended SFAS No. 133. SFAS No. 133 and its amendments and interpretations, establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and derivative instruments used for hedging activities. It will require that we measure all derivative instruments at their fair value, and classify them as either assets or liabilities on our balance sheet, with a corresponding offset to income, or other comprehensive income, depending on their designation, their intended use, or their ability to qualify as hedges under the standard.

We have adopted SFAS No. 133 beginning January 1, 2001, and have determined there is no impact on us at this time. However, if we enter into any derivative contracts, these transactions may have an impact on our financial statements.

Management's 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 amount of 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.

NOTE 3 -- ACQUISITIONS

In June 1999, we acquired an additional 49 percent in Viosca Knoll from an affiliate of El Paso Corporation for consideration totaling $80.6 million. This was accomplished through a series of transactions effected by our managing partner. As a result of the acquisition, we began consolidating Viosca Knoll in June 1999.

Our 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. 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

The following selected unaudited pro forma information represents our 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:

	1999	1998
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)	
Revenue	$16,195	$29,334
Operating income	$ 9,721	$19,411
Net income	$ 6,612	$19,474

In September 2000, we purchased the remaining one percent of Viosca Knoll from an affiliate of El Paso Corporation for approximately $2.0 million bringing our total investment in Viosca Knoll to 100 percent.

NOTE 4 -- EQUITY INVESTMENTS

Through June 1999, we held a 50 percent equity investment in Viosca Knoll, which was accounted for using the equity method of accounting. Information on Viosca Knoll is through May 31, 1999. On June 1, 1999, we began consolidating Viosca Knoll as a result of acquiring an additional 49 percent ownership interest.

	FOR THE YEAR ENDED DECEMBER 31,	
	1999	1998
	(IN THOUSANDS)	
Operating results data:		
Operating revenues	$12,338	$29,334
Other income	31	50
Operating expenses	(925)	(3,031)
Depreciation	(1,752)	(3,860)
Other expenses	(1,973)	(4,267)
Net Income	$ 7,719	$18,226
Our share:		
Earnings from equity investments	$ 3,860	$ 9,113
Allocated distributions	$ 6,350	$10,350
Financial position data:		
Current assets	$ --	$ 5,451
Noncurrent assets	--	97,758
Current liabilities	--	1,021
Long-term debt	--	66,700
Other noncurrent liabilities	--	340

NOTE 5 -- MAJOR CUSTOMERS

Transportation revenues from major customers were as follows (in thousands):

	FOR THE YEAR ENDED DECEMBER 31,			
	2000		1999	
	AMOUNT	% OF TOTAL REVENUES	AMOUNT	% OF TOTAL REVENUES
Shell Offshore	$11,424	42.7%	$ 6,690	41.3%
Amoco Production	3,617	13.5%	2,129	13.1%
ExxonMobil	3,617	13.5%	2,258	13.9%
Synder Oil Corporation	--	--	1,648	10.1%
	$18,658	69.7%	$12,725	78.4%

NOTE 6 -- RELATED PARTY TRANSACTIONS

Revenues Received from and Expenses Paid to Related Parties

For the year ended December 31, 2000 and the seven months ended December 31, 1999, Viosca Knoll received approximately $0.6 million and $0.7 million, respectively, from Flextrend Development Company, L.L.C. for transportation fees and approximately $0.1 million for both time periods for compression fees. For the year ended December 31, 2000 and the seven months ended December 31, 1999, we paid VK-Main Pass Gathering Company, L.L.C. approximately $1.9 million and $1.2 million, respectively, for expenses and platform access fees related to the Viosca Knoll 817 platform. We began consolidating Viosca Knoll following our acquisition of an additional 49 percent ownership interest in June 1999. As a result, revenues after this period were eliminated in consolidation.

Management Fees

Substantially all of the individuals who perform the day-to-day financial, administrative, accounting and operational functions for us, as well as those who are responsible for directing and controlling us, are currently employed by El Paso Corporation. Under a management agreement between El Paso Corporation and our managing partner, a management fee is charged to our managing partner which is intended to approximate the amount of resources allocated by El Paso Corporation in providing various operational, financial, accounting and administrative services on behalf of our managing partner and us. The management fee was $0.8 million, $0.8 million and $0.9 million for the years ended December 31, 2000, 1999 and 1998. The management agreement expires on June 30, 2002, and may be terminated thereafter upon 90 days notice by either party. Under the terms of our managing partners' partnership agreement, our managing partner is entitled to reimbursement of all reasonable general and administrative expenses and other reasonable expenses incurred by our managing partner and its affiliates for, or on our behalf, including, but not limited to, amounts payable by our managing partner to El Paso Corporation under its management agreement.

NOTE 7 -- COMMITMENTS AND CONTINGENCIES

Financing Transactions

Our managing partner has $175 million of Senior Subordinated Notes and a $500 million revolving credit facility. As a subsidiary of our managing partner, we, along with our affiliates and our one percent non-managing partner, guarantee both the Senior Subordinated Notes and the credit facility.

Legal Proceedings

We, along with several subsidiaries of El Paso, 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 under report the heating value as well as the volumes of the natural gas produced from federal and Native American lands, which deprived the U.S. Government of royalties. (In re: Natural Gas Royalties Qui Tam Litigation, U.S. District Court for the District of Wyoming.)

We have also been named a defendant in an action styled Quinque Operating Company, et al v. Gas Pipelines and Their Predecessors, et al filed in 1999 in the District Court of Stevens County, Kansas. This class action complaint alleges that the defendants have mismeasured natural gas volumes and heating content of natural gas on non-federal and non-Native American lands. The Quinque complaint, once transferred to the same court handling the Grynberg complaint, has been sent back to the Kansas State Court for further proceedings.

Viosca Knoll is named a defendant in the Samedan Oil Corporation suit in which the plaintiff alleges that we wrongfully utilized space and facilities on the platform on Block 261, Main Pass Area, offshore Alabama. We utilize the space and facilities on the platform under a continuing license agreement with Snyder Oil Corporation. We have notified Snyder that the suit falls within the scope of contractual indemnity provisions for with they are liable to us. We have demanded that they indemnify and defend us against all liability arising from this suit, as well as pay all costs of our defense.

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

EL PASO ENERGY PARTNERS OIL TRANSPORT, L.L.C.
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

REPORT OF INDEPENDENT ACCOUNTANTS

To the Members of El Paso Energy Partners Oil Transport, L.L.C.:

In our opinion, the accompanying balance sheets and the related statements of operations, of cash flows and of members' capital present fairly, in all material respects, the financial position of El Paso Energy Partners Oil Transport, L.L.C. (the "Company") at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

/s/ PricewaterhouseCoopers LLP
Houston, Texas
March 28, 2001

EL PASO ENERGY PARTNERS OIL TRANSPORT, LLC
(A LIMITED LIABILITY COMPANY)

BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 2000	DECEMBER 31, 1999
ASSETS		
Accounts receivable, trade	$ 7	$ --
Accounts receivable, affiliate	97	104
Total assets	$104	$104
LIABILITIES AND MEMBERS' CAPITAL		
Advances from affiliate	$103	$103
Commitments and contingencies		
Members' capital	1	1
Total liabilities and members' capital	$104	$104

See accompanying notes.

EL PASO ENERGY PARTNERS OIL TRANSPORT, LLC
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Operating revenues	$1,581	$1,261	$1,001
Operation and maintenance expense	(1,581)	(1,261)	(1,001)
Net income	$ --	$ --	$ --

See accompanying notes.

EL PASO ENERGY PARTNERS OIL TRANSPORT, L.L.C.
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF MEMBERS' CAPITAL
(IN THOUSANDS)

	EL PASO ENERGY PARTNERS, L.P.	EL PASO ENERGY PARTNERS COMPANY	TOTAL
Members' capital at January 1, 1998	$ 1	$ --	$ 1
Net income	--	--	--
Members' capital at December 31, 1998	1	--	1
Net income	--	--	--
Members' capital at December 31, 1999	1	--	1
Net income	--	--	--
Members' capital at December 31, 2000	$ 1	$ --	$ 1

See accompanying notes.

EL PASO ENERGY PARTNERS OIL TRANSPORT, LLC
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Cash flows from operating activities:			
Net income	$--	$ --	$ --
Adjustments to reconcile net income to cash provided by (used in) operating activities:			
Working capital changes:			
Accounts receivable, trade	(7)	24	(24)
Other current liabilities	--	--	58
Net cash provided by (used in) operating activities	(7)	24	34
Cash flows from financing activities:			
Advances to (from) affiliate, net	7	(24)	(34)
Net cash provided by (used in) financing activities	7	(24)	(34)
Change in cash and cash equivalents:	--	--	--
Cash and cash equivalents:			
Beginning of period	--	--	--
End of period	$--	$ --	$ --

See accompanying notes.

EL PASO ENERGY PARTNERS OIL TRANSPORT, L.L.C.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- ORGANIZATION AND NATURE OF BUSINESS

El Paso Energy Partners Oil Transport, L.L.C., formerly Leviathan Oil Transport, L.L.C., is a limited liability company established in 1994 for the purpose of managing and operating the Ship Shoal 332, Garden Banks 72 and Viosca Knoll 817 platforms, all owned by affiliates. We provide these services at cost.

El Paso Energy Partners, L.P. owns a 99 percent managing partner interest in us and El Paso Energy Partners Company, an indirect wholly-owned subsidiary of El Paso Corporation, owns a one percent non-managing interest in us. Our managing partner changed its name to El Paso Energy Partners, L.P. in December 1999 from Leviathan Gas Pipeline Partners, L.P. El Paso Corporation is Energy Partners' general partner and owns 27.8 percent of Energy Partners' common units of 8,953,764 units.

In connection with a Federal Trade Commission order relating to El Paso Corporation's merger with The Coastal Corporation, our managing partner sold 50 percent of its interest in the Ship Shoal 332 platform.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. Our financial statements for previous periods include reclassifications that were made to conform to the current year presentation. Such reclassifications have no impact on reported net income or members' capital.

Cash and Cash Equivalents

We consider short-term investments purchased with an original maturity of less than three months to be cash equivalents.

Affiliated Receivables and Payables

Our managing partner collects cash and makes disbursements on our behalf as part of our operating activities. Additionally, our managing partner may make advances to us for purposes of our capital investment. Such advances are classified as current liabilities in the accompanying balance sheets given they are payable on demand. Historically, our managing partner has not demanded repayment of these amounts.

Allowance for Doubtful Accounts

Collectibility of accounts receivable is reviewed regularly and an allowance is recorded as necessary, primarily under the specific identification method. At December 31, 2000 and 1999, no allowance for doubtful accounts was recorded.

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. No environmental liabilities existed at December 31, 2000 and 1999.

Cash Distributions and Income Allocation

We make quarterly distributions of 100 percent of available cash, as defined in our limited liability company agreement, to our members in accordance with their respective membership interest. Available cash generally consists of all cash receipts plus reductions in reserves less all cash disbursements and net additions to reserves. Our managing partner has broad discretion to establish reserves. Net income (loss) is allocated to our members in accordance with their respective membership interests, subject to limitations on the allocation of losses as defined in our limited liability company agreement.

Income Taxes

We are organized as a Delaware limited liability company and are treated as a partnership for income tax purposes, and as a result, our income or loss for income tax purposes is includable in the tax returns of each member. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Fair Value of Financial Instruments

The estimated fair value of all financial instruments approximates their carrying amounts in the accompanying balance sheets due to the short-term maturity of these instruments.

Management's 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 amount of 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.

Recent Pronouncements

In June of 1998, the Financial Accounting Standards Board, (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. In June of 1999, the FASB extended the adoption date of SFAS No. 133 through the issuance of SFAS No. 137, Deferral of the Effective Date of SFAS 133. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, which also amended SFAS No. 133. SFAS No. 133 and its amendments and interpretations, establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and derivative instruments used for hedging activities. It will require that we measure all derivative instruments at their fair value, and classify them as either assets or liabilities on our balance sheet, with a corresponding offset to income, or other comprehensive income, depending on their designation, their intended use, or their ability to qualify as hedges under the standard.

We have adopted SFAS No. 133 beginning January 1, 2001, and have determined there is no impact on us at this time. However, if we enter into any derivative contracts, these transactions may have an impact on our financial statements.

NOTE 3 -- COMMITMENTS AND CONTINGENCIES

Financing Transactions

Our managing partner has $175 million of Senior Subordinated Notes and a $500 million revolving credit facility. As a subsidiary of our managing partner, we, along with our affiliates, and our one percent non-managing partner guarantee both the Senior Subordinated Notes and the credit facility.

Legal Proceedings

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

POSEIDON PIPELINE COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying balance sheets and the related statements of operations, of cash flows and of members' capital present fairly, in all material respects, the financial position of Poseidon Pipeline Company, L.L.C. (the "Company") at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

/s/ PricewaterhouseCoopers LLP
Houston, Texas
March 28, 2001

POSEIDON PIPELINE COMPANY, LLC
(A LIMITED LIABILITY COMPANY)

BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 2000	DECEMBER 31, 1999
ASSETS		
Current assets		
Accounts receivable, trade	$ 70	$ --
Accounts receivable, affiliate	9,615	2,652
Total current assets	9,685	2,652
Property, plant and equipment		
Platforms and related facilities	2,222	2,222
Less: accumulated depreciation	340	275
Net property, plant and equipment	1,882	1,947
Investment in unconsolidated affiliate	38,372	41,830
Total assets	$ 49,939	$46,429
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities		
Accounts payable, trade	$ --	$ 382
Advances from affiliate	67,161	48,793
Total current liabilities	67,161	49,175
Commitments and contingencies		
Members' capital	(17,222)	(2,746)
Total liabilities and members' capital	$ 49,939	$46,429

See accompanying notes.

POSEIDON PIPELINE COMPANY, LLC
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Operating revenues	$ --	$ --	$ --
Operating expenses			
Operations and maintenance	394	603	764
Depreciation	65	73	74
	459	676	838
Operating loss	(459)	(676)	(838)
Other income (expense)			
Equity investment earnings	12,718	18,887	7,991
Interest expense	(4,665)	(3,838)	(3,408)
Other income	1,728	91	126
	9,781	15,140	4,709
Net income	$ 9,322	$14,464	$ 3,871

See accompanying notes.

POSEIDON PIPELINE COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF MEMBERS' CAPITAL
(IN THOUSANDS)

	EL PASO ENERGY PARTNERS, L.P.	EL PASO ENERGY PARTNERS COMPANY	TOTAL
Members' capital at January 1, 1998	$ (3,502)	$ (36)	$ (3,538)
Net income	3,832	39	3,871
Distributions to members	(4,997)	(51)	(5,048)
Members' capital at December 31, 1998	(4,667)	(48)	(4,715)
Net income	14,318	146	14,464
Distributions to members	(12,369)	(126)	(12,495)
Members' capital at December 31, 1999	(2,718)	(28)	(2,746)
Net income	9,229	93	9,322
Distributions to members	(23,559)	(239)	(23,798)
Members' capital at December 31, 2000	$(17,048)	$(174)	$(17,222)

See accompanying notes.

POSEIDON PIPELINE COMPANY, LLC
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 2000	1999	1998
Cash flows from operating activities			
Net income	$ 9,322	$14,464	$ 3,871
Adjustments to reconcile net income to cash provided by operating activities			
Depreciation	65	73	74
Distributed earnings of equity investments			
Earnings from equity investees	(12,718)	(18,887)	(7,991)
Distributions from equity investments	13,532	18,191	6,732
Other	--	--	(46)
Working capital changes			
Accounts receivable, trade	(70)	--	(6)
Accounts payable, trade	(382)	382	--
Net cash provided by operating activities	9,749	14,223	2,634
Cash flows from investing activities			
Investment in equity investee	2,645	--	--
Net cash provided by investing activities	2,645	--	--
Cash flows from financing activities			
Advances from affiliate, net	11,404	(1,728)	2,414
Distributions to members	(23,798)	(12,495)	(5,048)
Net cash used in financing activities	(12,394)	(14,223)	(2,634)
Change in cash and cash equivalents	--	--	--
Cash and cash equivalents			
Beginning of period	--	--	--
End of period	$ --	$ --	$ --

See accompanying notes.

POSEIDON PIPELINE COMPANY, LLC
(A LIMITED LIABILITY COMPANY)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- ORGANIZATION AND NATURE OF BUSINESS

Poseidon Pipeline Company, L.L.C. is a limited liability company established in 1995 for the purpose of providing midstream energy services, including oil transportation and other related services. Through our 36 percent interest in the Poseidon Oil Pipeline Company, L.L.C., or Poseidon, we have an interest in the Poseidon system, which is a major sour crude oil pipeline system consisting of approximately 280 miles of pipelines and an offshore platform.

El Paso Energy Partners, L.P. owns a 99 percent managing partner interest in us and El Paso Energy Partners Company, an indirect wholly-owned subsidiary of El Paso Corporation, owns a one percent non-managing interest in us. Our managing partner changed its name to El Paso Energy Partners, L.P. in December 1999 from Leviathan Gas Pipeline Partners, L.P. El Paso Corporation is Energy Partners' general partner and owns 27.8 percent of Energy Partners' common units consisting of 8,953,764 units.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. Our 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 members' capital.

Cash and Cash Equivalents

We consider short-term investments purchased with an original maturity of less than three months to be cash equivalents.

Affiliated Receivables and Payables

Our managing partner collects cash and makes disbursements on our behalf as part of our operating activities. Additionally, our managing partner may make advances to us for purposes of our capital investment. Such advances are classified as current liabilities in the accompanying balance sheets given they are payable on demand. Historically, our managing partner has not demanded repayment of these amounts. Interest costs are allocated to us based on the average balance of our affiliated payables times our managing partner's average interest rate, which was 9.1% and 9.0% at December 31, 2000 and 1999, respectively.

Allowance for Doubtful Accounts

Collectibility of accounts receivable is reviewed regularly and an allowance is recorded as necessary, primarily under the specific identification method. At December 31, 2000 and 1999, no allowance for doubtful accounts was recorded.

Property, Plant and Equipment

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 approximates 30 years. Repair and maintenance costs are expensed as incurred, while additions, improvements and replacements are capitalized.

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

POSEIDON PIPELINE COMPANY, LLC
(A LIMITED LIABILITY COMPANY)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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

We evaluate impairment of our 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.

Investment in Unconsolidated Affiliates

We account for our investment in companies where we have the ability to exert significant influence over, but not control over operating and financial policies, using the equity method with our proportionate share of net income (loss) of the investee included in the accompanying statements of operations. Any difference between the carrying amount of the investment and the underlying equity in net assets of the investee is considered to be goodwill and amortized on a straight-line basis over the estimated lives of the underlying net assets of the respective investee.

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. No environmental liabilities existed at December 31, 2000 and 1999.

Cash Distributions and Income Allocation

We make quarterly distributions of 100 percent of available cash, as defined in our limited liability company agreement, to our members in accordance with their respective membership interest. Available cash generally consists of all cash receipts plus reductions in reserves less all cash disbursements and net additions to reserves. Our managing partner has broad discretion to establish reserves. Net income (loss) is allocated to our members in accordance with their respective membership interests, subject to limitations on the allocation of losses as defined in our limited liability company agreement.

Income Taxes

We are organized as a Delaware limited liability company and are treated as a partnership for income tax purposes, and as a result, our income or loss for income tax purposes is includable in the tax returns of each member. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Fair Value of Financial Instruments

The estimated fair value of all financial instruments approximate their carrying amounts in the accompanying balance sheets due to the short-term maturity of these instruments.

Management's 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 amount of 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.

Recent Pronouncements

In June of 1998, the Financial Accounting Standards Board, (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and hedging Activities. In June of 1999, the FASB extended the adoption date of SFAS No. 133 through the issuance of SFAS No. 137, Deferral of the Effective Date of SFAS 133. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, which also amended SFAS No. 133. SFAS No. 133 and its amendments and interpretations, establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and derivative instruments used for hedging activities. It will require that we measure all derivative instruments at their fair value, and classify them as either assets or liabilities on our balance sheet, with a corresponding offset to income, or other comprehensive income, depending on their designation, their intended use, or their ability to qualify as hedges under the standard.

We have adopted SFAS No. 133 beginning January 1, 2001, and have determined there is no impact on us at this time. However, if we enter into any derivative contracts, these transactions may have an impact on our financial statements.

NOTE 3 -- EQUITY INVESTMENTS

We hold a 36 percent equity investment in Poseidon, which is accounted for using the equity method of accounting. As of December 31, 2000, the carrying amount of our equity investment exceeded the underlying equity in the assets by approximately $3.1 million. The difference is being amortized on a straight-line basis over the estimated life of Poseidon's underlying net assets. Summarized financial information for our investment is as follows:

	AS OF OR FOR THE YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	(IN THOUSANDS)		
Operating results data			
Operating revenues	$ 66,131	$ 76,160	$44,522
Other income	639	403	290
Operating expenses	(25,371)	(8,774)	(4,763)
Depreciation	(10,754)	(6,172)	(8,846)
Other expenses	(11,683)	(9,133)	(8,671)
Net income	$ 18,962	$ 52,484	$22,532
Our share			
Allocated income	$ 6,826	$ 18,894	$ 8,111
Adjustments(1)	5,892	(7)	(120)
Earnings from equity investments	$ 12,718	$ 18,887	$ 7,991
Allocated distributions	$ 13,532	$ 18,191	$ 6,732
Financial position data			
Current assets	$126,360	$171,720	$43,338
Noncurrent assets	237,996	243,971	233,082
Current liabilities(2)	264,776	159,359	40,134
Long-term debt	--	150,000	131,000
Other noncurrent liabilities	--	322	--

----

(1) We record adjustments primarily for differences from estimated year end earnings reported and actual earnings in the audited annual reports of our equity investment. For the year ended December 31, 2000, the adjustment of approximately $5.9 million primarily relates to insurance proceeds we received or expect to receive to offset our share of the repair costs of the pipeline damaged in January 2000. (See Note 5).

(2) Current liabilities include the $150 million credit facility which matures April 2001. (See Note 5).

POSEIDON PIPELINE COMPANY, LLC
(A LIMITED LIABILITY COMPANY)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 4 -- RELATED PARTY TRANSACTIONS

Management Fees

Substantially all of the individuals who perform the day-to-day financial, administrative, accounting and operational functions for us, as well as those who are responsible for directing and controlling us, are currently employed by El Paso Corporation. Under a management agreement between El Paso and our managing partner, a management fee is charged to our managing partner which is intended to approximate the amount of resources allocated by El Paso in providing various operational, financial, accounting and administrative services on behalf of our managing partner and us. The management fee totaled $0.3 million for each of the years ended December 31, 2000, 1999 and 1998, respectively. The management agreement expires on June 30, 2002, and may be terminated thereafter upon 90 days notice by either party. Under the terms of our managing partners' partnership agreement, our managing partner is entitled to reimbursement of all reasonable general and administrative expenses and other reasonable expenses incurred by our managing partner and its affiliates for, or on our behalf, including, but not limited to, amounts payable by our managing partner to El Paso under its management agreement.

Transportation Services Agreement

For the years ended December 31, 2000, 1999 and 1998, Poseidon charged Flextrend Development Company, L.L.C. approximately $0.6 million, $0.9 million, and $1.4 million, respectively, for transportation services related to transporting production from the Garden Banks Block 72 and 117 leases.

NOTE 5 -- COMMITMENTS AND CONTINGENCIES

Financing Transactions

Our managing partner has $175 million of Senior Subordinated Notes and a $500 million revolving credit facility. As a subsidiary of our managing partner, we, along with our affiliate, and our one percent non-managing partner, guarantee both the Senior Subordinated Notes and the credit facility.

Poseidon has an amended revolving credit facility with a syndicate of commercial banks to provide up to $150 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 Poseidon's assets and matures on April 30, 2001. Poseidon is working with a syndicated bank group to refinance the revolving credit facility. As of December 31, 2000 and 1999, Poseidon had $150 million outstanding under its credit facility. The average interest rate was 7.9% and 7.8% at December 31, 2000 and 1999, respectively. This facility may restrict the ability of Poseidon to pay distributions to its owners.

Legal Proceedings

In January 2000, an anchor from a submersible drilling rig in tow damaged a section of the Poseidon system. The accident resulted in the release of approximately 2,200 barrels of crude oil in the waters surrounding the system, and resulted in the shutdown of the system. Poseidon's costs to repair the damaged pipeline and clean up the crude oil released into the Gulf of Mexico was approximately $18 million. Poseidon has filed a lawsuit against the rig's owner for damages to the pipeline. By the end of the first quarter 2000, the pipeline was repaired and was placed back into service. To date, we have received insurance proceeds totaling approximately $5.0 million for property damage and approximately $1.7 million for business interruption. Proceeds for business interruption have been recorded as other income in the accompanying statement of operations.

POSEIDON PIPELINE COMPANY, LLC
(A LIMITED LIABILITY COMPANY)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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

FLEXTREND DEVELOPMENT COMPANY, L.L.C.
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

REPORT OF INDEPENDENT ACCOUNTANTS

To the Members of Flextrend Development Company, L.L.C.:

In our opinion, the accompanying balance sheets and the related statements of operations, of cash flows and of members' capital present fairly, in all material respects, the financial position of Flextrend Development Company, L.L.C. (the "Company") at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

/s/ PricewaterhouseCoopers LLP

Houston, Texas
March 28, 2001

FLEXTREND DEVELOPMENT COMPANY, LLC
(A LIMITED LIABILITY COMPANY)

BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 2000	DECEMBER 31, 1999
ASSETS		
Current assets		
Accounts receivable, trade	$ 7,420	$ 2,621
Accounts receivable, affiliate	2,506	2,790
Total current assets	9,926	5,411
Property, plant and equipment		
Oil and natural gas properties	156,222	122,301
Platform and related facilities	7,024	7,024
Construction work in progress	--	33,746
	163,248	163,071
Less: accumulated depreciation, depletion and amortization	110,792	99,712
Property, plant and equipment, net	52,454	63,359
Total assets	$ 62,380	$ 68,770
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities		
Accounts payable, trade	$ --	$ 478
Advances from affiliate	149,874	129,471
Accrued expenses	270	1,881
Total current liabilities	150,144	131,830
Commitments and contingencies		
Members' capital	(87,764)	(63,060)
Total liabilities and members' capital	$ 62,380	$ 68,770

See accompanying notes.

FLEXTREND DEVELOPMENT COMPANY, LLC
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Operating revenues			
Oil and natural gas sales	$ 20,119	$ 29,831	$ 31,248
Operating expenses			
Operation and maintenance	17,214	18,779	19,548
Depreciation, depletion and amortization	11,280	18,894	22,133
	28,494	37,673	41,681
Operating loss	(8,375)	(7,842)	(10,433)
Interest expense	(11,569)	(11,303)	(6,296)
Net loss	$(19,944)	$(19,145)	$(16,729)

See accompanying notes.

FLEXTREND DEVELOPMENT COMPANY, LLC
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF MEMBERS' CAPITAL
(IN THOUSANDS)

	EL PASO ENERGY PARTNERS, L.P.	EL PASO ENERGY PARTNERS COMPANY	TOTAL
Members' capital at January 1, 1998	$ (6,838)	$ (214)	$ (7,052)
Net loss	(16,560)	(169)	(16,729)
Distributions to members	(14,443)	(147)	(14,590)
Members' capital at December 31, 1998	(37,841)	(530)	(38,371)
Net loss	(18,952)	(193)	(19,145)
Distributions to members	(5,490)	(54)	(5,544)
Members' capital at December 31, 1999	(62,283)	(777)	(63,060)
Net loss	(19,745)	(199)	(19,944)
Distributions to members	(4,711)	(49)	(4,760)
Members' capital at December 31, 2000	$(86,739)	$(1,025)	$(87,764)

See accompanying notes.

FLEXTREND DEVELOPMENT COMPANY, LLC
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 2000	1999	1998
Cash flows from operating activities			
Net loss	$(19,944)	$(19,145)	$(16,729)
Adjustments to reconcile net income to cash provided by (used in) operating activities			
Depreciation, depletion and amortization	11,280	18,894	22,133
Working capital changes:			
Accounts receivable, trade	(4,799)	(2,353)	311
Other current assets	--	33	12
Accounts payable, trade	(478)	344	(3,141)
Accrued expenses	(1,611)	1,881	--
Net cash provided by (used in) operating activities	(15,552)	(346)	2,586
Cash flows from investing activities			
Capital expenditures	(375)	(3,367)	(38,078)
Net cash used in investing activities	(375)	(3,367)	(38,078)
Cash flows from financing activities			
Advances from affiliate net	20,687	9,257	50,082
Distributions to members	(4,760)	(5,544)	(14,590)
Net cash provided by financing activities	15,927	3,713	35,492
Change in cash and cash equivalents	--	--	--
Cash and cash equivalents			
Beginning of period	--	--	--
End of period	$ --	$ --	$ --

See accompanying notes.

FLEXTREND DEVELOPMENT COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- ORGANIZATION AND NATURE OF BUSINESS

Flextrend Development Company, L.L.C. is a limited liability company established in 1995 for the purpose of exploration and production of natural gas and oil. We have a working interest in four producing properties and an overriding royalty interest in one producing and one non-producing property. Additionally, we own one offshore platform.

In November 1999, we entered into an arrangement with El Paso Production to farmout our working interest in a non-producing property in exchange for an overriding royalty interest. Under the terms of the farmout agreement, we may convert our overriding royalty interest in the property into a 30 percent working interest once El Paso Production recoups the costs associated with its drilling and completion activities.

El Paso Energy Partners, L.P. owns a 99 percent managing partner interest in us and El Paso Energy Partners Company, an indirect wholly-owned subsidiary of El Paso Corporation, owns a one percent non-managing interest in us. Our managing partner changed its name to El Paso Energy Partners, L.P. in December 1999 from Leviathan Gas Pipeline Partners, L.P. El Paso Corporation is Energy Partners' general partner and owns 27.8 percent of Energy Partners' common units consisting of 8,953,764 units.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. Our financial statements for previous periods include reclassifications that were made to conform to the current year presentation. Such reclassifications have no impact on reported net income or members' capital.

Cash and Cash Equivalents

We consider short-term investments purchased with an original maturity of less than three months to be cash equivalents.

Affiliated Receivables and Payables

Our managing partner collects cash and makes disbursements on our behalf as part of our operating activities. Additionally, our managing partner may make advances to us for purposes of our capital investment. Such advances are classified as current liabilities in the accompanying balance sheets given they are payable on demand. Historically, our managing partner has not demanded repayment of these amounts. Interest costs are allocated to us based on the average balance of our affiliated payables times our managing partner's average interest rate, which was 9.1% and 9.0% at December 31, 2000 and 1999, respectively.

Allowance for Doubtful Accounts

Collectibility of accounts receivable is reviewed regularly and an allowance is recorded as necessary, primarily under the specific identification method. At December 31, 2000 and 1999, no allowance for doubtful accounts was recorded.

Property, Plant and Equipment

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 approximates 20 years. We account for our oil and natural gas exploration and production activities using the successful efforts method of accounting. Under this method, costs of successful exploratory wells, developmental 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 platforms and related facilities and oil and natural gas properties.

Retirement, 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 of loss reflected in income.

We evaluate impairment of our 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.

Revenue Recognition

Revenue from oil and natural gas sales is recognized upon delivery in the period of production.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, to provide guidance for revenue recognition issues and disclosure requirement. SAB No. 101 offers guidelines, examples, and explanations for uncertain matters relating to the recognition of revenue and became effective for us in the fourth quarter of 2000. The adoption of SAB No. 101 did not have a material impact on our financial position, results of operations, or cash flows.

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. No environmental liabilities existed at December 31, 2000 and 1999.

Income Taxes

We are organized as a Delaware limited liability company and are treated as a partnership for income tax purposes, and as a result, our income or loss for income tax purposes is includable in the tax returns of each member. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Fair Value of Financial Instruments

The estimated fair value of all financial instruments approximate their carrying amounts in the accompanying balance sheets due to the short-term maturity of these instruments.

FLEXTREND DEVELOPMENT COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Management's 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 amount of 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.

Cash Distributions and Income Allocation

We make quarterly distributions of 100 percent of available cash, as defined in our limited liability company agreement, to our members in accordance with their respective membership interest. Available cash generally consists of all cash receipts plus reductions in reserves less all cash disbursements and net additions to reserves. Our managing partner has broad discretion to establish reserves. Net income (loss) is allocated to our members in accordance with their respective membership interests, subject to limitations on the allocation of losses as defined in our limited liability company agreement.

Recent Pronouncements

In June of 1998, the Financial Accounting Standards Board, (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. In June of 1999, the FASB extended the adoption date of SFAS No. 133 through the issuance of SFAS No. 137, Deferral of the Effective Date of SFAS 133. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, which also amended SFAS No. 133. SFAS No. 133 and its amendments and interpretations, establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and derivative instruments used for hedging activities. It will require that we measure all derivative instruments at their fair value, and classify them as either assets or liabilities on our balance sheet, with a corresponding offset to income, or other comprehensive income, depending on their designation, their intended use, or their ability to qualify as hedges under the standard.

We have adopted SFAS No. 133 beginning January 1, 2001, and have determined there is no impact on us at this time. However, if we enter into any derivative contracts, these transactions may have an impact on our financial statements.

NOTE 3 -- MAJOR CUSTOMERS

Oil and natural gas sales revenues realized from major customers and their respective percent of total revenues were as follows (in thousands):

	FOR THE YEAR ENDED DECEMBER 31,					
	2000		1999		1998	
	AMOUNT	% OF TOTAL REVENUES	AMOUNT	% OF TOTAL REVENUES	AMOUNT	% OF TOTAL REVENUES
Offshore Gas Marketing, Inc.	$15,722	44.7%	$29,778	99.8%	$31,225	99.9%
Williams Energy Services Co........	8,947	25.4%	--	--	--	--
	$24,669	70.1%	$29,778	99.8%	$31,225	99.9%

NOTE 4 -- RELATED PARTY TRANSACTIONS

Management Fees

Substantially all of the individuals who perform the day-to-day financial, administrative, accounting and operational functions for us, as well as those who are responsible for directing and controlling us, are currently employed by El Paso Corporation. Under a management agreement between El Paso and our managing partner, a management fee is charged to our managing partner which is intended to approximate the amount of resources allocated by El Paso in providing various operational, financial, accounting and administrative services on behalf of our managing partner and us. The management fee was $0.6 million, $0.9 million and $1.2 million for the years ended December 31, 2000, 1999 and 1998. The management agreement expires on June 30, 2002, and may be terminated thereafter upon 90 days notice by either party. Under the terms of our managing partners' partnership agreement, our managing partner is entitled to reimbursement of all reasonable general and administrative expenses and other reasonable expenses incurred by our managing partner and its affiliates for, or on our behalf, including, but not limited to, amounts payable by our managing partner to El Paso under it management agreement.

Revenues from Related Parties

We receive oil and natural gas sales revenues from Offshore Gas Marketing, Inc., an indirect subsidiary of El Paso Corporation (See Note 3).

Expenses Paid to Related Parties

For the years ended December 31, 2000, 1999 and 1998, we paid Green Canyon Pipeline Company, L.L.C. approximately $4.2 million, $4.3 million and $4.7 million, respectively, for platform and processing fees. For the years ended December 31, 2000, 1999 and 1998, we paid VK-Main Pass Gathering Company, L.L.C. approximately $6.7 million, $7.0 million and $6.0 million, respectively, for platform access and processing fees.

NOTE 5 -- COMMITMENTS AND CONTINGENCIES

Hedging Activities

We hedge a portion of our oil and natural gas production to reduce our exposure to fluctuations in market prices of oil and natural gas and to meet certain requirements under our managing partner's revolving credit facility. We use 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 future contracts quoted on the New York Mercantile Exchange, NYMEX, or certain other indices. We settle 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 we use differ from future contracts in that there is no contractual obligation which requires or allows for the future delivery of the product. The credit risk from our price swap contracts is derived from the counterparty to the transaction, typically a major financial institution. We do not require collateral and do not anticipate non-performance by this counterparty, which does not transact a sufficient volume of transactions with us 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, 2000, 1999 and 1998, we recorded a net gain (loss) of $(15.0) million, $(2.3) million and $2.5 million, respectively, from such activities.

As of December 31, 1998, we 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 million british thermal units per day or MMbtu/d. Under these transactions, we receive a fixed price and pay a variable price based on monthly natural gas futures contract settlement price as set by NYMEX. In January 1999, we elected to change the term of our 1999 swap to calendar year 2000. In January 1999 and 2000, under the terms of this transaction, we fixed our contract price at $1.6686 per MMbtu/d and $1.8050 per MMbtu/d, respectively, for each swap.

Each of our derivative instruments expired in December 2000 and we have not entered into any new hedging activities in 2001.

FLEXTREND DEVELOPMENT COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Financing Activities

Our managing partner has $175 million of Senior Subordinated Notes and a $500 million revolving credit facility. As a subsidiary of our managing partner, we, along with our affiliates and our one percent non-managing partner, guarantee both the Senior Subordinated Notes and the credit facility.

Legal Proceedings

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

NOTE 6 -- SUPPLEMENTAL OIL AND NATURAL GAS INFORMATION (UNAUDITED):

Oil and Natural Gas Reserves

The following table represents our net interest in estimated quantities of developed and undeveloped reserves of crude oil, condensate and natural gas and changes in such quantities at year end 2000, 1999 and 1998. Estimates of our reserves at December 31, 2000, 1999 and 1998, 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 MBBLS	NATURAL GAS MMCF
	(IN THOUSANDS)	
Proved reserves -- January 1, 1998	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
Revision of previous estimates	23	1,171
Production	(295)	(7,185)
Proved reserves -- December 31, 2000	1,201	11,500

- ---------------

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

As generally used in the energy industry and in this document, the following terms have the following meanings:

MBbls = thousand barrels

MMcf = million cubic feet

Mcf = thousand cubic feet

FLEXTREND DEVELOPMENT COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The following are estimates of our total proved developed and proved undeveloped reserves of oil and natural gas by producing property as of December 31, 2000.

	OIL (barrels)	NATURAL GAS (Mcf)	
	PROVED DEVELOPED	PROVED DEVELOPED	PROVED UNDEVELOPED
Garden Banks Block 72	209,008	1,771,981	--
Garden Banks Block 73	--	143,245	--
Garden Banks Block 117	933,823	1,626,785	--
Viosca Knoll Block 817	47,845	4,946,589	2,373,676
West Delta Block 35	10,747	637,645	--
Total	1,201,423	9,126,245	2,373,676

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 our reserves is based upon volumetric calculations.

Future Net Cash Flows

The standardized measure of discounted future net cash flows relating to our 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 fixed price contracts in effect, to our 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, 2000, were $23.75 per barrel of oil and $9.39 per Mcf of natural 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 we are 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 our opinion, this standardized measure is not a representative measure of fair market value, and the standardized measure presented for our proved oil and natural gas reserves is not representative of the reserve

FLEXTREND DEVELOPMENT COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

value. The standardized measure is intended only to assist financial statement users in making comparisons between companies.

	DECEMBER 31, 2000	DECEMBER 31, 1999	DECEMBER 31, 1998
	(IN THOUSANDS)		
Future cash inflows	$136,658	$ 69,719	$ 53,299
Future production costs	(15,853)	(14,530)	(13,412)
Future development costs	(11,531)	(10,681)	(10,566)
Future net cash flows	109,274	44,508	29,321
Annual discount at 10% rate	(19,525)	(7,990)	(2,649)
Standardized measure of discounted future net cash flows	$ 89,749	$ 36,518	$ 26,672

Estimated future net cash flows for proved developed and proved undeveloped reserves as of December 31, 2000, are as follows:

	PROVED DEVELOPED	PROVED UNDEVELOPED	TOTAL
	(IN THOUSANDS)		
Undiscounted estimated future net cash flows from proved reserves before income taxes	$89,776	$19,498	$109,274
Present value of estimated future net cash flows from proved reserves before income taxes, discounted at 10%	$73,705	$16,044	$ 89,749

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

	2000	1999	1998
Beginning of year	$ 36,518	$ 26,672	$ 67,366
Sales and transfers of oil and natural gas produced, net of production costs	(33,203)	(22,154)	(22,131)
Net changes in prices and production costs	119,457	29,901	(32,129)
Extensions, discoveries and improved recovery, less related costs	--	544	--
Oil and natural gas development costs incurred during the year	172	615	120
Changes in estimated future development costs	(511)	(1,098)	(443)
Revisions of previous quantity estimates	7,846	5,124	1,920
Purchase of reserves in place	--	--	7,573
Accretion of discount	3,652	2,666	6,736
Changes in production rates, timing and other	(44,182)	(5,752)	(2,340)
End of year	$ 89,749	$ 36,518	$ 26,672

FLEXTREND DEVELOPMENT COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Development, Exploration, and Acquisition Expenditures

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

	2000	1999	1998
	(IN THOUSANDS)		
Development costs	$172	$3,018	$17,783
Proved acquisitions	--	--	16,945
Capitalized interest	--	200	328
Total capital expenditures	$172	$3,218	$35,056

Capitalized Costs

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

	2000	1999
	(IN THOUSANDS)	
Oil and natural gas properties		
Proved properties	$ 53,474	$ 41,030
Wells, equipment, and related facilities	102,748	81,271
	156,222	122,301
Less accumulated depreciation, depletion and amortization	101,161	90,677
	$ 55,061	$ 31,642

CRYSTAL HOLDING, L.L.C.
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FROM INCEPTION (SEPTEMBER 1, 2000) TO DECEMBER 31, 2000

REPORT OF INDEPENDENT ACCOUNTANTS

To the Members of Crystal Holding, L.L.C.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of cash flows and of members' capital present fairly, in all material respects, the financial position of Crystal Holding, L.L.C. and its subsidiaries (the "Company") at December 31, 2000 and the results of their operations and their cash flows for the period from inception (September 1, 2000) to December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

/s/ PricewaterhouseCoopers LLP

Houston, Texas
March 28, 2001

CRYSTAL HOLDING, L.L.C.
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED BALANCE SHEET
(IN THOUSANDS)

	DECEMBER 31, 2000
ASSETS	
Current assets	
Accounts receivable, trade	$ 1,223
Gas storage imbalance	3,748
Total current assets	4,971
Property, plant and equipment	
Natural gas storage facilities	147,294
Construction work in progress	25,320
	172,614
Less: accumulated depreciation	1,868
Property, plant and equipment, net	170,746
Total assets	$175,717
LIABILITIES AND MEMBERS' CAPITAL	
Current liabilities	
Advances from affiliate	$171,416
Gas storage imbalance	1,348
Property taxes payable	494
Other current liabilities	267
Total current liabilities	173,525
Commitments and contingencies	
Members' capital	2,192
Total liabilities and members' capital	$175,717

See accompanying notes.

CRYSTAL HOLDING, L.L.C.
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED STATEMENT OF OPERATIONS
(IN THOUSANDS)

	FROM INCEPTION (SEPTEMBER 1, 2000) TO DECEMBER 31, 2000
Natural gas storage revenues	$6,182
Operating expenses	
Cost of sales	582
Operation and maintenance	1,542
Depreciation	1,868
	3,992
Operating income	2,190
Other income	1
Net income	$2,191

See accompanying notes.

CRYSTAL HOLDING, L.L.C.
(A LIMITED LIABILITY COMPANY)

STATEMENT OF MEMBERS' CAPITAL
(IN THOUSANDS)

	EL PASO ENERGY PARTNERS, L.P.	EL PASO ENERGY PARTNERS COMPANY	TOTAL
Members' capital at inception (September 1, 2000)	$ 1	$--	$ 1
Net income	2,191	--	2,191
Members' capital at December 31, 2000	$2,192	$--	$2,192

See accompanying notes.

CRYSTAL HOLDING, L.L.C.
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
(IN THOUSANDS)

	FROM INCEPTION (SEPTEMBER 1, 2000) TO DECEMBER 31, 2000
Cash flows from operating activities:	
Net income	$ 2,191
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation	1,868
Working capital changes	
Accounts receivable, trade	(1,223)
Gas storage imbalance	(2,400)
Property taxes payable	494
Other current liabilities	267
Net cash provided by operating activities	1,197
Cash flows from investing activities:	
Capital expenditures	(2,613)
Net cash used in investing activities	(2,613)
Cash flows from financing activities:	
Advances from affiliate	1,416
Net cash provided by financing activities	1,416
Change in cash and cash equivalents:	--
Cash and cash equivalents:	
Beginning of period	--
End of period	$ --
Non cash investing activity:	
Acquisition of natural gas storage facilities offset by an increase in advances from affiliate	$170,000

See accompanying notes.

CRYSTAL HOLDING, L.L.C.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- ORGANIZATION AND NATURE OF BUSINESS

Crystal Holding, L.L.C. is a limited liability company established in 2000 for the purpose of owning natural gas storage facilities located in Mississippi. Our Petal and Hattiesburg salt dome facilities currently have a natural gas working capacity of 6.7 billion cubic feet (Bcf) on a combined basis, and are capable of delivering in excess of 670 million cubic feet per day (MMcf/d) of natural gas into three interstate pipelines, Koch Gateway Pipeline, Transcontinental Gas Pipeline, or Transco, and Tennessee Gas Pipeline. A 6.8 Bcf expansion is underway at these facilities, all of which is contractually dedicated for the next 20 years to a subsidiary of Southern Company. The expansion of the storage space and facilities has been approved by the Federal Energy Regulatory Commission or, FERC, and is currently under construction. Also currently waiting for FERC approval is a 60 mile pipeline addition which will provide new interconnects with various customers.

El Paso Energy Partners, L.P. owns a 99 percent managing partner interest in us and El Paso Energy Partners Company, an indirect wholly-owned subsidiary of El Paso Corporation, owns a one percent non-managing interest in us. Our managing partner changed its name to El Paso Energy Partners, L.P. in December 1999 from Leviathan Gas Pipeline Partners, L.P. El Paso Corporation is Energy Partners' general partner and owns 27.8 percent of Energy Partners' common units consisting of 8,953,764 units.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

Our consolidated financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States and include the accounts of all majority owned, controlled subsidiaries after the elimination of all significant intercompany accounts and transactions.

Cash and Cash Equivalents

We consider short-term investments purchased with an original maturity of less than three months to be cash equivalents.

Affiliated Receivables and Payables

Our managing partner collects cash and makes disbursements on our behalf as part of our operating activities. Additionally, our managing partner may make advances to us for purposes of our capital investment. Such advances are classified as current liabilities in the accompanying balance sheets given they are payable on demand. Historically, our managing partner has not demanded repayment of these amounts.

Allowance for Doubtful Accounts

Collectibility of accounts receivable is reviewed regularly and an allowance is recorded as necessary, primarily under the specific identification method. At December 31, 2000, no allowance for doubtful accounts was recorded.

Gas Imbalances

Gas imbalance receivables and payables reflect natural gas volumes owed to Hattiesburg and Petal, or to their customers and are valued at an average monthly index. Imbalances will be settled in kind through a fuel gas and unaccounted for gas tracking mechanism, negotiated cash-outs between parties, or are subject to a cash-out procedure.

Property, Plant and Equipment

Natural gas storage facilities are recorded at cost and are depreciated on a straight-line basis over the estimated useful lives of the assets which approximates 30 years. Repair and maintenance costs are expensed as incurred, while additions, improvements and replacements are capitalized.

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

We evaluate impairment of our 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.

Revenue Recognition

Natural gas storage revenues consist primarily of fixed fees for natural gas storage capacity and are recognized during the month in which the space is reserved by the customer, regardless of how much space is actually used. Interruptible revenues, which are generated by providing excess storage capacity, are variable in nature and are recognized when the service is provided.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, to provide guidance for revenue recognition issues and disclosure requirements. SAB No. 101 offers guidelines, examples, and explanations for uncertain matters relating to the recognition of revenue and became effective for us in the fourth quarter of 2000. The adoption of SAB No. 101 did not have a material impact on our financial position, results of operations, or cash flows.

Income Taxes

We are organized as a Delaware limited liability company and are treated as a partnership for income tax purposes, and as a result, our income or loss for income tax purposes is includable in the tax returns of each member. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Fair Value of Financial Instruments

The estimated fair value of all financial instruments approximates their carrying amounts in the accompanying balance sheets due to the short-term maturity of these instruments.

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. No environmental liabilities existed at December 31, 2000 and 1999.

Management's 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 amount of 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.

Cash Distributions and Income Allocation

We make quarterly distributions of 100 percent of available cash as defined in our limited liability company agreement, to our members in accordance with their respective membership interest. Available cash generally consists of all cash receipts plus reductions in reserves less all cash disbursements and net additions to reserves. Our managing partner has broad discretion to establish reserves. Net income (loss) is allocated to our members in accordance with their respective membership interests, subject to limitations on the allocation of losses as defined in our limited liability company agreement.

Recent Pronouncements

In June of 1998, the Financial Accounting Standards Board, (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. In June of 1999, the FASB extended the adoption date of SFAS No. 133 through the issuance of SFAS No. 137, Deferral of the Effective Date of SFAS 133. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, which also amended SFAS No. 133. SFAS No. 133 and its amendments and interpretations, establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and derivative instruments used for hedging activities. It will require that we measure all derivative instruments at their fair value, and classify them as either assets or liabilities on our balance sheet, with a corresponding offset to income, or other comprehensive income, depending on their designation, their intended use, or their ability to qualify as hedges under the standard.

We have adopted SFAS No. 133 beginning January 1, 2001, and have determined there is no impact on us at this time. However, if we enter into any derivative contracts, these transactions may have an impact on our financial statements.

NOTE 3 -- MAJOR CUSTOMERS

Natural gas storage revenues realized from major customers and their respective percent of total revenues were as follows (in thousands):

	FROM INCEPTION (SEPTEMBER 1, 2000) TO DECEMBER 31, 2000	
	AMOUNT	% OF TOTAL REVENUES
El Paso Merchant Energy	$1,211	19.6%
NGC/Dynegy	763	12.3%
	$1,974	31.9%

NOTE 4 -- RELATED PARTY TRANSACTIONS

Management Fees

Substantially all of the individuals who perform the day-to-day financial, administrative, accounting and operational functions for us, as well as those who are responsible for directing and controlling us, are currently employed by El Paso Corporation. Under a management agreement between El Paso and us, a management fee is charged to us which is intended to approximate the amount of resources allocated by El Paso in providing various operational, financial, accounting and administrative services on behalf of us. The management fee was $1.3 million for the period from inception (September 1, 2000) to December 31, 2000.

CRYSTAL HOLDING, L.L.C.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Revenues from Related Parties

Our Petal and Hattiesburg salt dome facilities provided interruptible storage services to El Paso Merchant Energy, an affiliate of our non-managing partner, during the four month period ended December 31, 2000.

NOTE 5 -- COMMITMENTS AND CONTINGENCIES

Financing Transactions

Our managing partner has $175 million of Senior Subordinated Notes and a $500 million revolving credit facility. As a subsidiary of our managing partner, we, along with our affiliates, and our one percent non-managing partner guarantee both the Senior Subordinated Notes and the credit facility.

Legal Proceedings

We are named a defendant in a suit alleging that our managing partner acquired us for excessive consideration. Brickell Partners v. William A. Wise et al. seeks an accounting from us and an award of costs and attorneys fees. We filed a motion to dismiss and provided opposing counsel with documentation surrounding the transaction. We believe this case to be without merit.

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

GREEN CANYON PIPELINE COMPANY, L.P.
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

REPORT OF INDEPENDENT ACCOUNTANTS

To the Members of Green Canyon Pipeline Company, L.P.:

In our opinion, the accompanying balance sheets and the related statements of operations, of cash flows and of members' capital present fairly, in all material respects, the financial position of Green Canyon Pipeline Company, L.P. (the "Company") at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

/s/ PricewaterhouseCoopers LLP
Houston, Texas
March 28, 2001

GREEN CANYON PIPELINE COMPANY, LLC
(A LIMITED LIABILITY COMPANY)

BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 2000	DECEMBER 31, 1999
ASSETS		
Current assets		
Net accounts receivable, trade	$ 8,614	$ 1,077
Notes receivable	50	--
Materials and supplies inventory	159	--
Other current assets	212	--
Total current assets	9,035	1,077
Property, plant and equipment		
Pipelines	42,999	24,579
Platform equipment	23,773	23,564
Construction work in progress	6,653	206
	73,425	48,349
Less: accumulated depreciation	15,368	12,145
Property, plant and equipment, net	58,057	36,204
Investments in unconsolidated affiliates	47	(131)
Total assets	$67,139	$37,150
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities		
Accounts payable, trade	$ 3,654	$ 288
Advances from affiliate	27,446	36,015
Accrued expenses	6,396	--
Other current liabilities	78	35
Total current liabilities	37,574	36,338
Commitments and contingencies		
Members' capital	29,565	812
Total liabilities and members' capital	$67,139	$37,150

See accompanying notes.

GREEN CANYON PIPELINE COMPANY, LLC
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Operating revenues			
Transportation services	$ 3,392	$ 3,889	$ 5,376
Platform access fees	5,854	4,645	4,721
Natural gas sales	34,531	--	--
	43,777	8,534	10,097
Operating expenses			
Purchased natural gas costs	28,842	--	--
Operation and maintenance	2,054	1,476	2,354
Depreciation	3,484	2,681	2,576
	34,380	4,157	4,930
Operating income	9,397	4,377	5,167
Other income (expense)			
Equity investment earnings	21	868	1,304
Interest expense	(2,819)	(2,317)	(1,893)
Other income	309	--	--
	(2,489)	(1,449)	(589)
Net income	$ 6,908	$ 2,928	$ 4,578

See accompanying notes.

GREEN CANYON PIPELINE COMPANY, LLC
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF MEMBERS' CAPITAL
(IN THOUSANDS)

	EL PASO ENERGY PARTNERS, L.P.	EL PASO ENERGY PARTNERS COMPANY	TOTAL
Members' capital at January 1, 1998	$ 4,902	$ 60	$ 4,962
Net income	4,532	46	4,578
Distributions to members	(7,478)	(76)	(7,554)
Members' capital at December 31, 1998	1,956	30	1,986
Net income	2,898	30	2,928
Distributions to members	(4,061)	(41)	(4,102)
Members' capital at December 31, 1999	793	19	812
Net income	6,840	68	6,908
Contribution from member	22,448	--	22,448
Distributions to members	(785)	(8)	(793)
Other	190	--	190
Members' capital at December 31, 2000	$29,486	$ 79	$29,565

See accompanying notes.

GREEN CANYON PIPELINE COMPANY, LLC
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 2000	1999	1998
Cash flows from operating activities:			
Net income	$ 6,908	$ 2,928	$ 4,578
Adjustments to reconcile net income to cash provided by operating activities			
Depreciation	3,484	2,681	2,576
Earnings from equity investments	(21)	(868)	(1,304)
Distributions from equity investments	--	932	1,100
Other	(309)	--	--
Working capital changes, net of effects of acquisitions and non-cash distributions			
Accounts receivable, trade	(5,035)	(645)	423
Notes receivable	4	--	--
Materials and supplies inventory	53	--	--
Accounts payable, trade	7,217	283	(409)
Other current liabilities	43	--	(12)
Net cash provided by operating activities	12,344	5,311	6,952
Cash flows from investing activities:			
Capital expenditures	(676)	(2,137)	(645)
Proceeds from sale of equity investment	--	808	--
Net cash used in investing activities	(676)	(1,329)	(645)
Cash flows from financing activities:			
Advances from affiliate, net	(11,065)	120	1,247
Distributions to members	(793)	(4,102)	(7,554)
Other	190	--	--
Net cash provided by (used in) financing activities	(11,668)	(3,982)	(6,307)
Change in cash and cash equivalents:	--	--	--
Cash and cash equivalents:			
Beginning of period	--	--	--
End of period	$ --	$ --	$ --
Non-cash investing activity:			
Contribution of EPIA	$ 22,448	--	--

See accompanying notes.

GREEN CANYON PIPELINE COMPANY, L.P.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- ORGANIZATION AND NATURE OF BUSINESS

Green Canyon Pipeline Company, L.P. is a limited partnership established in 1993 for the purpose of gathering and transporting natural gas. Our system is a natural gas gathering system consisting of 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 of Mexico to Transcontinental Gas Pipeline Company's, or Transco's, South Lateral in South Marsh Island Block 106. In March 2000, El Paso Intrastate-Alabama, or EPIA, was contributed to us by our managing member. EPIA is a natural gas pipeline system in the coal bed methane producing regions of Alabama. The system consists of over 450 miles of pipeline. EPIA also provides marketing services through the purchase and resale of natural gas by purchasing natural gas from regional producers and others and selling natural gas to local distribution companies and others.

El Paso Energy Partners, L.P. owns a 99 percent managing partner interest in us and El Paso Energy Partners Company, an indirect wholly-owned subsidiary of El Paso Corporation, owns a one percent non-managing interest in us. Our managing partner changed its name to El Paso Energy Partners, L.P. in December 1999 from Leviathan Gas Pipeline Partners, L.P. El Paso Corporation is Energy Partners' general partner and owns 27.8 percent of Energy Partners' common units consisting of 8,953,764 units.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. Our 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 members' capital.

Cash and Cash Equivalents

We consider short-term investments purchased with an original maturity of less than three months to be cash equivalents.

Allowance for Doubtful Accounts

We have established an allowance for losses on accounts which may become uncollectible. Collectibility is reviewed regularly and the allowance is adjusted as necessary, primarily under the specific identification method. At December 31, 2000, the allowance was $0.4 million. There was no allowance at December 31, 1999. Historically, our managing partner has not demanded repayment of these amounts.

Affiliated Receivables and Payables

Our managing partner collects cash and makes disbursements on our behalf as part of our operating activities. Additionally, our managing partner may make advances to us for purposes of our capital investment. Such advances are classified as current liabilities in the accompanying balance sheets given they are payable on demand. Interest costs are allocated to us based on the average balance of our affiliated payables times our managing partner's average interest rate, which was 9.1% and 9.0% at December 31, 2000 and 1999, respectively.

Property, Plant 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 approximates 30 years for the gathering pipelines and 20 years for platforms and related facilities. Repair and maintenance costs are expensed as incurred, while additions, improvements and replacements are capitalized.

Estimated dismantlement, restoration and abandonment costs and estimated residual salvage values are taken into account in determining depreciation provisions of gathering pipelines, platforms, related facilities and oil and natural gas properties.

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

We evaluate impairment of our 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.

Investment in Unconsolidated Affiliates

We account for our investment in companies where we have the ability to exert significant influence over, but not control over operating and financial policies, using the equity method with our proportionate share of net income (loss) of the investee included in the accompanying statements of operations. Any difference between the carrying amount of the investment and the underlying equity in net assets of the investee is considered to be goodwill and amortized on a straight-line basis over the estimated lives of the underlying net assets of the respective investee.

Revenue Recognition

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

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, to provide guidance for revenue recognition issues and disclosure requirements. SAB No. 101 offers guidelines, examples, and explanations for uncertain matters relating to the recognition of revenue and became effective for us in the fourth quarter of 2000. The adoption of SAB No. 101 did not have a material impact on our financial position, results of operations, or cash flows.

Income Taxes

We are organized as a Delaware limited liability company and are treated as a partnership for income tax purposes, and as a result, our income or loss for income tax purposes is includable in the tax returns of each member. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Fair Value of Financial Instruments

The estimated fair value of all financial instruments approximate their carrying amounts in the accompanying balance sheets due to the short-term maturity of these instruments.

Cash Distributions and Income Allocation

We make quarterly distributions of 100 percent of available cash, as defined in our limited liability company agreement, to our members in accordance with their respective membership interest. Available cash generally consists of all cash receipts plus reductions in reserves less all cash disbursements and net additions to reserves. Our managing partner has broad discretion to establish reserves. Net income (loss) is allocated to our members in accordance with their respective membership interests, subject to limitations on the allocation of losses as defined in our limited liability company agreement.

Management's 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 amount of 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.

Recent Pronouncements

In June of 1998, the Financial Accounting Standards Board, (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. In June of 1999, the FASB extended the adoption date of SFAS No. 133 through the issuance of SFAS No. 137, Deferral of the Effective Date of SFAS 133. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, which also amended SFAS No. 133. SFAS No. 133 and its amendments and interpretations, establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and derivative instruments at their fair value, and classify them as either assets or liabilities on our balance sheet, with a corresponding offset to income, or other comprehensive income, depending on their designation, their intended use, or their ability to qualify as hedges under the standard.

We have adopted SFAS No. 133 beginning January 1, 2001, and have determined there is no impact on us at this time. However, if we enter into any derivative contracts, these transactions may have an impact on our financial statements.

NOTE 3 -- CONTRIBUTION FROM MANAGING PARTNER

In March 2000, the El Paso Intrastate-Alabama pipeline system, or EPIA, was contributed to us by our managing partner. We accounted for the acquisition as a purchase and assigned the purchase price to the assets and liabilities acquired based upon the estimated fair value of those assets as of the acquisition date. The following is summary information related to the acquisition (in thousands):

Fair value of assets acquired	$28,261
Fair value of liabilities assumed	(1,785)
Net cash paid	$26,476

The following information represents our results of operations on a proforma basis for the years ended December 31, 2000 and 1999, as if we acquired EPIA on January 1, 1999:

	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999
	(IN THOUSANDS)	
Revenue	$52,260	$36,775
Operating income	$10,340	$ 642
Net income	$ 7,358	$(3,422)

GREEN CANYON PIPELINE COMPANY, L.P.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 4 -- EQUITY INVESTMENTS

We hold equity investments, which are accounted for using the equity method of accounting. We held a 50 percent interest in West Cameron Dehydration through September 1999. At that time, it was sold to our managing partner, who then contributed it to Deepwater Holdings, a joint venture with ANR Pipeline Company. In June 1999, we purchased a 50 percent interest in Gulf Processing Partners. Summarized financial information for our investments is as follows:

	2000	1999		1999
	GULF PROCESSING PARTNERS	WEST CAMERON DEHYDRATION	GULF PROCESSING PARTNERS	WEST CAMERON DEHYDRATION
Ownership interest	50.00%	50.00%	50.00%	50.00%
		(IN THOUSANDS)		
Operating results data:				
Operating revenues	$ 110	$1,934	$ 35	$2,796
Other income	--	23	--	11
Operating expenses	(51)	(210)	(18)	(183)
Depreciation	--	(12)	--	(16)
Other expenses	(19)	--	--	--
Net Income	$ 40	$1,735	$ 17	$2,608
Our Share:				
Allocated income	$ 20	$ 868	$ 8	$1,304
Adjustments	--	--	(8)	--
Earnings from equity investments	$ 20	$ 868	$ --	$1,304
Allocated distributions	$ --	$ 800	$ 132	$1,100
Financial position data:				
Current assets	$ 111	$ --	$ 376	$ 848
Non-current assets	--	--	--	647
Current liabilities	27	--	44	13
Long-term debt	--	--	--	--
Other non-current liabilities	--	--	--	--

NOTE 5 -- MAJOR CUSTOMERS

Transportation services revenues and platform access fees realized from major customers and their respective percent of total revenues were as follows:

	FOR THE YEAR ENDED DECEMBER 31,					
	2000		1999		1998	
	AMOUNT	% OF TOTAL REVENUES	AMOUNT	% OF TOTAL REVENUES	AMOUNT	% OF TOTAL REVENUES
Alabama Gas Corporation	$17,371	39.7%	$ --	--	$ --	--
El Paso Merchant Energy	4,900	11.2%	--	--	--	--
Flextrend Development Company, L.L.C.	4,158	9.5%	4,295	50.3%	4,720	46.8%
Texaco Gas Marketing, Inc.	--	--	1,187	13.9%	1,667	16.5%
	$26,429	60.4%	$5,482	64.2%	$6,387	63.3%

NOTE 6 -- RELATED PARTY TRANSACTIONS

Revenues Received from Related Parties

EPIA's sales of natural gas and transportation services include transactions with affiliates of our non-managing partner, including El Paso Merchant Energy, and Flextrend Development Company, an affiliate of our managing partner. For the year ended December 31, 2000, EPIA had approximately $4.7 million of natural gas sales and approximately $4.3 million of transportation services to affiliates.

For the years ended December 31, 2000, 1999 and 1998, we received revenue of approximately $4.2 million, $4.3 million and $4.7 million, respectively, from Flextrend Development Company for platform access and processing fees.

Purchased Natural Gas Costs

EPIA's purchases of natural gas include transactions with El Paso Merchant Energy. For the year 2000, EPIA had approximately $14.3 million in natural gas purchases from affiliates.

Management Fees

Substantially all of the individuals who perform the day-to-day financial, administrative, accounting and operational functions for us, as well as those who are responsible for directing and controlling us, are currently employed by El Paso Corporation. Under a management agreement between El Paso and our managing partner, a management fee is charged to our managing partner which is intended to approximate the amount of resources allocated by El Paso in providing various operational, financial, accounting and administrative services on behalf of our managing partner and us. For each of the years ended December 31, 2000, 1999 and 1998, the management fee was $0.3 million, $0.7 million and $0.5 million, respectively. The management agreement expires on June 30, 2002, and may be terminated thereafter upon 90 days notice by either party. Under the terms of our managing partners' agreement our managing partner is entitled to reimbursement of all reasonable general and administrative expenses and other reasonable expenses incurred by our managing partner and its affiliates for, or on our behalf, including, but not limited to, amounts payable by our managing partner to El Paso under it management agreement.

We also entered into an agreement with El Paso Field Services Company during 2000 to operate EPIA. For the year ended December 31, 2000, we were charged a management fee of approximately $2.7 million pursuant to our management and operations agreements. All fees paid under these contracts approximate actual costs incurred.

NOTE 7 -- COMMITMENTS AND CONTINGENCIES

Financing Transactions

Our managing partner has $175 million of Senior Subordinated Notes and a $500 million revolving credit facility. As a subsidiary of our managing partner, we, along with our affiliates, and our one percent non-managing partner guarantee both the Senior Subordinated Notes and the credit facility.

Legal Proceedings

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

EL PASO ENERGY PARTNERS, L.P.

EXHIBIT LIST
DECEMBER 31, 2000

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 our Registration Statement on Form S-1, File No. 33-55642).
3.2	-- Second Amended and Restated Agreement of Limited Partnership effective as of August 31, 2000 (titled as Exhibit 3.8 to our Current Report on Form 8-K dated March 6, 2001).
3.3	-- Amendment Number 3 to the Amended and Restated Agreement of Limited Partnership of El Paso Energy Partners (filed as Exhibit 3.2 to our Current Report on Form 8-K dated March 31, 2000).
3.4	-- Second Amended and Restated Agreement of Limited Partnership effective as of August 31, 2000 (filed as Exhibit 3.B to our Current Report on Form 8-K dated March 6, 2001).
4.1	-- 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 our Registration Statement on Form S-4, filed on June 21, 1999, File No. 333-81143).
4.2	-- 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 our 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 our Amendment No. 1 to Registration Statement on Form S-4, filed August 27, 1999, File No. 333-81143); Third Supplemental Indenture dated as of March 21, 2000, to the Indenture dated as of May 27, 1999, among El Paso Energy Partners, L.P., El Paso Energy Partners Finance Corporation, as the issuers, and the subsidiaries party thereto, as subsidiary guarantors, and Chase Bank of Texas, N.A., as trustee (filed as Exhibit 4.7.1 of our 2000 Second Quarter 10-Q).
4.3*	-- Registration Rights Agreement dated as of August 28, 2000 by and between Crystal Gas Storage, Inc. and El Paso Energy Partners, L.P.

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 our 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 our 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 our 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 our 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 our 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	-- Fourth Amended and Restated Credit Agreement dated June 30, 2000, among El Paso Energy Partners L.P., El Paso Energy Partners Finance Corporation, Credit Lyonnais, as Syndication Agent, BankBoston N.A., as Documentation Agent, the Chase Manhattan Bank, as Administrative Agent, and, as applicable, the banks and other institutions parties thereto (filed as Exhibit 10.1 to our Current Report on Form 8-K dated July 14, 2000).
10.2.1*	-- First Amendment to Fourth Amended and Restated Credit Agreement dated as of January 8, 2001 by and among El Paso Energy Partners, El Paso Energy Partners Finance Corporation, El Paso Energy Partners Company, each of the Subsidiary Guarantors, Credit Lyonnais, as Syndication Agent, BankBoston, N.A., as Documentation Agent, The Chase Manhattan Bank, as Administrative Agent, and the several banks and other financial institutions signatories thereto.
10.3	-- 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 our 1998 Third Quarter 10-Q).
10.4	-- Contribution Agreement between El Paso Energy Partners and El Paso Field Services Company (filed as Exhibit A to our Schedule 14A (Rule 14A-101) Proxy Statement effective February 9, 1998).
+10.5	-- El Paso Energy Partners 1998 Unit Option Plan for Non-Employee Directors Effective as of August 14, 1998 (filed as Exhibit 10.2 to our 1998 Third Quarter Form 10-Q); Amendment No. 1 to the El Paso Energy Partners, L.P. 1998 Unit Option Plan for Non-Employee Directors (filed as Exhibit 10.7.1. to our 2000 Second Quarter 10-Q).
+10.6	-- El Paso Energy Partners 1998 Omnibus Compensation Plan, Amended and Restated, effective as of January 1, 1999 (filed as Exhibit 10.9 to our 1998 10-K, filed on March 29, 1999, File No. 1-11680); Amendment No. 1 to the El Paso Energy Partner's 1998 Omnibus Compensation Plan (filed as Exhibit 10.8.1 to our 2000 Second Quarter 10-Q).

EXHIBIT NUMBER	DESCRIPTION
10.7	-- 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 our Registration Statement on Form S-4, filed on June 21, 1999, File No. 333-81143).
10.8	-- Purchase and Sale Agreement between Natural Gas Pipeline Company of America as Seller and us as Buyer dated as of June 30, 1999 (filed as Exhibit 10.1 to our Current Report on Form 8-K, filed on July 15, 1999, File No. 1-11680).
10.9	-- 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 our Current Report on Form 8-K, filed on November 15, 1999, File No. 1-11680).
10.10	-- 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. (filed as Exhibit 10.13 to our 1999 Form 10-K).
10.11	-- Limited Liability Company Agreement for Poseidon Oil Pipeline Company, L.L.C. dated February 14, 1996; First Amendment to the Limited Liability Company Agreement for Poseidon Oil Pipeline Company, L.L.C. dated February 14, 1996 (filed as Exhibit 10.14 to our 2000 Second Quarter 10-Q).
10.12	-- Limited Liability Company Agreement of Neptune Pipeline Company, L.L.C. dated January 17, 1997 (filed as Exhibit 10.15 to our 2000 Second Quarter 10-Q).
10.13	-- Limited Liability Company Agreement of Ocean Breeze Pipeline Company, L.L.C. dated January 17, 1997 (filed as Exhibit 10.16 to our 2000 Second Quarter 10-Q).
10.14	-- Limited Liability Company Agreement of Nemo Gathering Company, L.L.C. dated July 26, 1999 (filed as Exhibit 10.17 to our 2000 Second Quarter 10-Q).
10.15	-- Limited Liability Company Agreement of Deepwater Holdings, L.L.C. dated September 30, 1999 (filed as Exhibit 10.18 to our 2000 Second Quarter 10-Q).
10.16	-- Purchase and Sale Agreement dated as of September 30, 1999 between Leviathan Deepwater, L.L.C. and ANR Western Gulf Holdings, L.L.C. (filed as Exhibit 10.19 to our 2000 Second Quarter 10-Q).
10.17	-- Fabrication Agreement dated as of July 16, 1999 by and between Delos Offshore Company and MODEC International LLC; Amendment No. 1 to the Fabrication Agreement dated as of August 31, 1999 by and between Delos Offshore Company and MODEC International LLC (filed as Exhibit 10.20 to our 2000 Second Quarter 10-Q).
10.18	-- Credit Agreement dated as of August 23, 2000 by and among Argo, L.L.C., the lenders party thereto, the Chase Manhattan Bank, as administrative agent, First Union National Bank, as syndication agent, Bank One, N.A., as documentation agent, and Chase Securities Inc., as arranger (filed as Exhibit 10.14 to our Third Quarter 10-Q).
10.19	-- Sponsor Agreement dated as of August 23, 2000, by El Paso Energy Partners, L.P., and the Chase Manhattan Bank, as administrative agent. (filed as Exhibit 10.15 to our 2000 Third Quarter 10-Q).

EXHIBIT NUMBER	DESCRIPTION
10.20	-- Agreement and Plan of Merger dated as of August 28, 2000 by and among El Paso Energy Partners, L.P., as Parent, El Paso Partners Acquisition, L.L.C., Crystal Holding, Inc., and Crystal Gas Storage, Inc. (filed as Exhibit 10.16 to our 2000 Third Quarter 10-Q).
10.21*	-- Purchase and Sale Agreement dated as of December 8, 2000 by and among El Paso Energy Partners, Green Canyon Pipe Line Company, L.P., and Williams Field Services-Gulf Coast Company, L.P.
10.22*	-- Purchase and Sale Agreement dated as of December 8, 2000 by and among Deepwater Holdings, L.L.C., Enterprise Products Operating L.P., Shell Gas Transmission, LLC and Starfish Pipeline Company, L.L.C.
10.23*	-- Purchase and Sale Agreement dated as of December 8, 2000 by and among El Paso Energy Partners, El Paso Energy Partners Company and Enterprise Products Operating L.P.
21*	-- List of Subsidiaries of El Paso Energy Partners.
23*	-- Consent of Independent Accountants.

(b) REPORTS ON FORM 8-K

We filed a Current Report on Form 8-K, dated July 14, 2000, with regard to our pending acquisition of the natural gas storage businesses of Crystal Gas Storage, Inc. and the amendment of our senior secured revolving credit facility.

We filed a Current Report on Form 8-K, dated July 20, 2000, reporting unaudited pro forma condensed combined financial statements reflecting our pending acquisition of the natural gas storage businesses of Crystal Gas Storage, Inc.

We filed a Current Report on Form 8-K, dated July 27, 2000, regarding the underwriting agreement related to our public offering of common units that closed on July 28, 2000.

We filed a Current Report on Form 8-K dated September 11, 2000, updating pro forma financial statements relating to the acquisition of the salt dome natural gas storage business of Crystal Gas Storage Inc.

We filed a Current Report on Form 8-K, dated January 29, 2001, announcing the divestiture of various Gulf of Mexico assets.

We filed a Current Report on Form 8-K/A dated February 13, 2001, providing pro forma financial statements relating to the divestiture of various Gulf of Mexico assets.

We filed a Current Report on Form 8-K dated March 15, 2001, announcing the purchase of natural gas liquids transportation and fractionation assets.

We filed a Current Report on Form 8-K dated March 21, 2001, providing additional risk factors relating to our new fractionation and storage businesses.

We filed a Current Report on Form 8-K dated March 27, 2001, providing the underwriting agreement for our March 2001 prospectus supplement.

UNDERTAKING

We hereby undertake, pursuant to Regulation S-K, Item 601(b), paragraph (4)(iii), to furnish to the Securities and Exchange Commission upon request all constituent instruments defining the rights of holders of our long-term debt and our consolidated subsidiaries not filed herewith for the reason that the total amount of securities authorized under any of such instruments does not exceed 10 percent of our total consolidated assets.

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 30th day of March 2001.

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	
/s/ ROBERT G. PHILLIPS Robert G. Phillips	Chief Executive Officer and Director	
/s/ KEITH B. FORMAN Keith B. Forman	Chief Financial Officer and Vice President	
/s/ JAMES H. LYTAL James H. Lytal	President and Director	
/s/ D. MARK LELAND D. Mark Leland	Senior Vice President and Controller (Chief Accounting Officer)	
/s/ H. BRENT AUSTIN H. Brent Austin	Executive Vice President and Director	
/s/ MICHAEL B. BRACY Michael B. Bracy	Director	
/s/ H. DOUGLAS CHURCH H. Douglas Church	Director	
/s/ MALCOLM WALLOP Malcolm Wallop	Director	

EL PASO ENERGY PARTNERS, L.P.

INDEX TO EXHIBITS
DECEMBER 31, 2000

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 our Registration Statement on Form S-1, File No. 33-55642).
3.2	-- Second Amended and Restated Agreement of Limited Partnership effective as of August 31, 2000 (titled as Exhibit 3.8 to our Current Report on Form 8-K dated March 6, 2001).
3.3	-- Amendment Number 3 to the Amended and Restated Agreement of Limited Partnership of El Paso Energy Partners (filed as Exhibit 3.2 to our Current Report on Form 8-K dated March 31, 2000).
3.4	-- Second Amended and Restated Agreement of Limited Partnership effective as of August 31, 2000 (filed as Exhibit 3.B to our Current Report on Form 8-K dated March 6, 2001).
4.1	-- 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 our Registration Statement on Form S-4, filed on June 21, 1999, File No. 333-81143).
4.2	-- 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 our 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 our Amendment No. 1 to Registration Statement on Form S-4, filed August 27, 1999, File No. 333-81143); Third Supplemental Indenture dated as of March 21, 2000, to the Indenture dated as of May 27, 1999, among El Paso Energy Partners, L.P., El Paso Energy Partners Finance Corporation, as the issuers, and the subsidiaries party thereto, as subsidiary guarantors, and Chase Bank of Texas, N.A., as trustee (filed as Exhibit 4.7.1 of our 2000 Second Quarter 10-Q).
4.3*	-- Registration Rights Agreement dated as of August 28, 2000 by and between Crystal Gas Storage, Inc. and El Paso Energy Partners, L.P.

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 our 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 our 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 our 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 our 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 our 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	-- Fourth Amended and Restated Credit Agreement dated June 30, 2000, among El Paso Energy Partners L.P., El Paso Energy Partners Finance Corporation, Credit Lyonnais, as Syndication Agent, BankBoston N.A., as Documentation Agent, the Chase Manhattan Bank, as Administrative Agent, and, as applicable, the banks and other institutions parties thereto (filed as Exhibit 10.1 to our Current Report on Form 8-K dated July 14, 2000).
10.2.1*	-- First Amendment to Fourth Amended and Restated Credit Agreement dated as of January 8, 2001 by and among El Paso Energy Partners, El Paso Energy Partners Finance Corporation, El Paso Energy Partners Company, each of the Subsidiary Guarantors, Credit Lyonnais, as Syndication Agent, BankBoston, N.A., as Documentation Agent, The Chase Manhattan Bank, as Administrative Agent, and the several banks and other financial institutions signatories thereto.
10.3	-- 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 our 1998 Third Quarter 10-Q).
10.4	-- Contribution Agreement between El Paso Energy Partners and El Paso Field Services Company (filed as Exhibit A to our Schedule 14A (Rule 14A-101) Proxy Statement effective February 9, 1998).
+10.5	-- El Paso Energy Partners 1998 Unit Option Plan for Non-Employee Directors Effective as of August 14, 1998 (filed as Exhibit 10.2 to our 1998 Third Quarter Form 10-Q); Amendment No. 1 to the El Paso Energy Partners, L.P. 1998 Unit Option Plan for Non-Employee Directors (filed as Exhibit 10.7.1. to our 2000 Second Quarter 10-Q).
+10.6	-- El Paso Energy Partners 1998 Omnibus Compensation Plan, Amended and Restated, effective as of January 1, 1999 (filed as Exhibit 10.9 to our 1998 10-K, filed on March 29, 1999, File No. 1-11680); Amendment No. 1 to the El Paso Energy Partner's 1998 Omnibus Compensation Plan (filed as Exhibit 10.8.1 to our 2000 Second Quarter 10-Q).

EXHIBIT NUMBER	DESCRIPTION
10.7	-- 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 our Registration Statement on Form S-4, filed on June 21, 1999, File No. 333-81143).
10.8	-- Purchase and Sale Agreement between Natural Gas Pipeline Company of America as Seller and us as Buyer dated as of June 30, 1999 (filed as Exhibit 10.1 to our Current Report on Form 8-K, filed on July 15, 1999, File No. 1-11680).
10.9	-- 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 our Current Report on Form 8-K, filed on November 15, 1999, File No. 1-11680).
10.10	-- 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. (filed as Exhibit 10.13 to our 1999 Form 10-K).
10.11	-- Limited Liability Company Agreement for Poseidon Oil Pipeline Company, L.L.C. dated February 14, 1996; First Amendment to the Limited Liability Company Agreement for Poseidon Oil Pipeline Company, L.L.C. dated February 14, 1996 (filed as Exhibit 10.14 to our 2000 Second Quarter 10-Q).
10.12	-- Limited Liability Company Agreement of Neptune Pipeline Company, L.L.C. dated January 17, 1997 (filed as Exhibit 10.15 to our 2000 Second Quarter 10-Q).
10.13	-- Limited Liability Company Agreement of Ocean Breeze Pipeline Company, L.L.C. dated January 17, 1997 (filed as Exhibit 10.16 to our 2000 Second Quarter 10-Q).
10.14	-- Limited Liability Company Agreement of Nemo Gathering Company, L.L.C. dated July 26, 1999 (filed as Exhibit 10.17 to our 2000 Second Quarter 10-Q).
10.15	-- Limited Liability Company Agreement of Deepwater Holdings, L.L.C. dated September 30, 1999 (filed as Exhibit 10.18 to our 2000 Second Quarter 10-Q).
10.16	-- Purchase and Sale Agreement dated as of September 30, 1999 between Leviathan Deepwater, L.L.C. and ANR Western Gulf Holdings, L.L.C. (filed as Exhibit 10.19 to our 2000 Second Quarter 10-Q).
10.17	-- Fabrication Agreement dated as of July 16, 1999 by and between Delos Offshore Company and MODEC International LLC; Amendment No. 1 to the Fabrication Agreement dated as of August 31, 1999 by and between Delos Offshore Company and MODEC International LLC (filed as Exhibit 10.20 to our 2000 Second Quarter 10-Q).
10.18	-- Credit Agreement dated as of August 23, 2000 by and among Argo, L.L.C., the lenders party thereto, the Chase Manhattan Bank, as administrative agent, First Union National Bank, as syndication agent, Bank One, N.A., as documentation agent, and Chase Securities Inc., as arranger (filed as Exhibit 10.14 to our Third Quarter 10-Q).
10.19	-- Sponsor Agreement dated as of August 23, 2000, by El Paso Energy Partners, L.P., and the Chase Manhattan Bank, as administrative agent. (filed as Exhibit 10.15 to our 2000 Third Quarter 10-Q).

EXHIBIT NUMBER	DESCRIPTION
10.20	-- Agreement and Plan of Merger dated as of August 28, 2000 by and among El Paso Energy Partners, L.P., as Parent, El Paso Partners Acquisition, L.L.C., Crystal Holding, Inc., and Crystal Gas Storage, Inc. (filed as Exhibit 10.16 to our 2000 Third Quarter 10-Q).
10.21*	-- Purchase and Sale Agreement dated as of December 8, 2000 by and among El Paso Energy Partners, Green Canyon Pipe Line Company, L.P., and Williams Field Services-Gulf Coast Company, L.P.
10.22*	-- Purchase and Sale Agreement dated as of December 8, 2000 by and among Deepwater Holdings, L.L.C., Enterprise Products Operating L.P., Shell Gas Transmission, LLC and Starfish Pipeline Company, L.L.C.
10.23*	-- Purchase and Sale Agreement dated as of December 8, 2000 by and among El Paso Energy Partners, El Paso Energy Partners Company and Enterprise Products Operating L.P.
21*	-- List of Subsidiaries of El Paso Energy Partners.
23*	-- Consent of Independent Accountants.

UNDERTAKING

We hereby undertake, pursuant to Regulation S-K, Item 601(b), paragraph (4)(iii), to furnish to the Securities and Exchange Commission upon request all constituent instruments defining the rights of holders of our long-term debt and our consolidated subsidiaries not filed herewith for the reason that the total amount of securities authorized under any of such instruments does not exceed 10 percent of our total consolidated assets.

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement dated as of August 28, 2000 (this "Agreement") is by and between Crystal Gas Storage, Inc., a Delaware corporation (the "Company"), and El Paso Energy Partners, L.P., a Delaware limited partnership ("Parent").

WHEREAS, the Company is acquiring certain Series B 10% Cumulative Redeemable Preference Units (the "Units") to be issued by Parent pursuant to that certain Agreement and Plan of Merger dated as of August 28, 2000 by and among Parent, El Paso Partners Acquisition, L.L.C., Crystal Holding, Inc., a Delaware corporation and the Company;

WHEREAS, the ability of the Company to freely trade the Units may be limited by applicable United States federal securities laws; and

WHEREAS, in order to improve the transferability of the Units, Parent is willing to provide certain registration rights with respect thereto.

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 stipulate and agree as follows:

1. Securities Subject to this Agreement.

a. "Registrable Securities" means the Units, as adjusted in the event of unit splits, unit dividends or similar transactions (and shall include any common units of Parent issued in redemption of the Units).

b. "Restricted Securities" means each Registrable Security until (i) a registration statement covering such Registrable Security has been declared effective and it has been disposed of pursuant to such effective registration statement, (ii) it has been distributed pursuant to Rule 144 (or any similar provisions then in force) under the Securities Act of 1933 (as amended from time to time, the "Act") or (iii) it has been otherwise transferred and Parent has delivered a new certificate or other evidence of ownership for it is not subject to any legal or other restriction on transfer under the Act or under state securities laws and is not bearing the following legend (or one substantially similar thereto):

> The securities represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933, as amended, or the securities laws of any state. Without such registration, such securities may not be sold, pledged, hypothecated, or otherwise transferred, except upon delivery to the Company of an opinion of counsel satisfactory to the Company that registration is not required for such transfer or the submission to the Company of such other evidence as may be satisfactory to the Company to the effect that any such transfer shall not be in

violation of the Securities Act of 1933, as amended, or applicable state securities laws or any rule or regulation promulgated thereunder.

2. Demand Registration.

a. Request for Registration. Subject to the limitations contained in this Agreement (including, but not limited to, Section 5), at any time on or after the date of issuance of the Registrable Securities, any holder or holders of a majority in aggregate number of Restricted Securities then outstanding may make a written request to Parent for registration under the Act pursuant to this Section 2 of all or part of its or their Restricted Securities (a "Demand Registration"). Such request will specify the aggregate number of Restricted Securities proposed to be sold and will also specify the intended method of disposition thereof. Within 10 days after receipt of such request, Parent will give written notice of such registration request to all other holders of the Restricted Securities and include in such registration all Restricted Securities with respect to which Parent has received written requests for inclusion therein within 10 days after the receipt by the applicable holder of Parent's notice. Each such request will also specify the aggregate number of Restricted Securities to be registered and the intended method of disposition thereof. No other party, including Parent (but excluding another holder of a Restricted Security) shall be permitted to offer securities under any such Demand Registration unless (i) holders of a majority of the Restricted Securities requesting to participate in the Demand Registration shall consent in writing or (ii) Parent has an obligation to include such securities in such registration.

b. Required Registrations. Subject to Section 5, Parent is obligated to effect only three (3) Demand Registrations pursuant to this Section 2 (in addition to any registration in which holders of Restricted Securities may participate pursuant to the other provisions of this Agreement).

c. Effective Registration and Expenses. A registration will not count as a Demand Registration for the purposes of Section 2(b) until it has become effective. In any registration initiated as a Demand Registration, Parent will pay all Registration Expenses (as hereinafter defined) in connection therewith, whether or not it becomes effective; provided, however, that if (i) one (1) Demand Registration has previously become effective with respect to any Registrable Securities and (ii) a subsequent registration is initiated as a Demand Registration with respect to any Restricted Securities and such Demand Registration could have become effective but does not solely because of holders withdrawing their Restricted Securities, such withdrawing holders shall pay the Registration Expenses (pro rata on the basis of the Restricted Securities being withdrawn by each). Notwithstanding the first sentence of this Section 2(c), any such noneffective registration shall not constitute a Demand Registration for the purposes of Section 2(b) unless each holder of Restricted Securities then outstanding (whether or not included in such registration) consents to such noneffective registration counting as a Demand Registration, in which case Parent shall pay the Registration Expenses.

d. Priority on Demand Registrations. If the holders of a majority in aggregate number of Restricted Securities to be registered in a Demand Registration so elect, the offering of such Restricted Securities pursuant to such Demand Registration shall be in the form of an underwritten offering. In such event, if the managing underwriter or underwriters of such offering advise Parent and the holders in writing that in their opinion the aggregate number of Restricted Securities requested to be included in such offering is sufficiently large to materially and adversely affect the success or offering price of such offering, Parent will include in such registration the aggregate number of such Restricted Securities which in the opinion of such managing underwriter or underwriters can be sold without any such material adverse effect, and such securities shall be allocated pro rata among the holders of Restricted Securities on the basis of the number of Restricted Securities requested to be included in such registration by their holders.

e. Selection of Underwriters. If any Demand Registration is in the form of an underwritten offering, the holders of a majority in aggregate number of Restricted Securities to be registered will select and obtain the investment banker or investment bankers and manager or managers that will administer the offering; provided, however, that such investment bankers and managers must be reasonably satisfactory to Parent.

f. Periods Where no Registration is Required. Notwithstanding anything to the contrary in this Section 2, Parent will not be required to register any Restricted Securities pursuant to this Section 2: (i) during a reasonable period of time, not to exceed 90 days, following the distribution of other securities pursuant to a registered underwritten public offering if such offering was commenced prior to the time Parent receives the request contemplated by Section 2(a) or (ii) during a reasonable period of time, not to exceed 60 days, after which the Board of Directors of El Paso Energy Partners Company, a Delaware corporation and the general partner of Parent (the "General Partner"), acting in its capacity as general partner, has determined that a registration of Restricted Securities pursuant to this Section 2 would adversely affect Parent because of a material non-public acquisition or other material transaction that is pending at the time Parent receives the request contemplated by Section 2(a).

3. Piggy-Back Registration. Subject to the limitations contained in this Agreement (including, but not limited to, Section 5), if Parent proposes to file a registration statement under the Act with respect to an offering by it for its own account of any class of security (other than a registration statement on Form S-4 or S-8 or successor forms thereto or filed in connection with an exchange offer or an offering of securities solely to Parent's existing unitholders), then Parent shall in each case give written notice of such proposed filing to the holders of Restricted Securities at least 30 days before the anticipated filing date, and such notice shall offer such holders the opportunity to register such number of Restricted Securities as each such holder may request. Upon the written request of any holder of Restricted Securities made within 15 days of receipt of such notice, Parent shall use its Best Efforts (as hereinafter defined) to cause the managing underwriter or underwriters of a proposed underwritten offering to permit the holders of Restricted Securities requested to be included in the registration of such offering to include such securities in such offering on the same terms and conditions as any similar securities of Parent included therein. Notwithstanding the foregoing, if in the managing

underwriter's or underwriters' opinion, the total amount or kind of securities which the holders of Restricted Securities, Parent and any other persons or entities intend to include in such offering is sufficiently large to materially and adversely affect the success or offering price of such offering, then the amount or kind of securities to be offered for the accounts of holders of Restricted Securities shall be reduced pro rata to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing underwriter; provided, however, that if securities are being offered for the account of other persons or entities as well as Parent, such reduction shall not represent a greater fraction of the number of securities intended to be offered by holders of Restricted Securities than the fraction of similar reductions imposed on such other persons or entities other than Parent over the amount of securities they intended to offer. In connection with a piggyback registration pursuant to this Section 3, Parent will bear all Registration Expenses; provided, however, that Parent will not have any obligation pursuant to this sentence to persons or entities who do not hold Restricted Securities. "Best Efforts" as used herein means best efforts in accordance with reasonable commercial practice and without the incurrence of unreasonable expense.

4. Holdback Agreement.

a. Restrictions on Sale by Holder of Registrable Securities.

(i) Each holder of Registrable Securities agrees not to sell, transfer or otherwise dispose of any Registrable Securities in violation of the Act, or any other applicable securities law.

(ii) To the extent not inconsistent with applicable law, each holder of Registrable Securities whose securities are included in a registration statement agrees not to effect any sale or distribution of the securities being registered or a similar security of Parent, or any securities convertible into or exchangeable or exercisable for such securities, including a sale pursuant to Rule 144 under the Act, during the 14 days prior to, and during the 90 day period beginning on, the effective date of such registration statement (except as part of such registration), if and to the extent requested by Parent in the case of a non-underwritten public offering or if and to the extent requested by the managing underwriter or underwriters in the case of an underwritten public offering.

b. Restrictions on Sale by Parent and Others. Parent agrees not to effect any sale or distribution of any securities similar to those being registered, or any securities convertible into or exchangeable or exercisable for such securities (other than any such sale or distribution of such securities in connection with any merger, conversion or consolidation by Parent or any subsidiary thereof or the acquisition by Parent or a subsidiary thereof of the capital stock or other equity or all or substantially all of the assets or any other person or entity or in connection with an employee stock option or benefit plan), during the 14 days prior to, and during the 90 day period beginning on, the effective date of any registration statement in which the holders of Registrable Securities are participating (except as part of such registration), if and to the extent requested by the holders in the case of a non-underwritten public offering or if and to the extent requested by the managing underwriter or underwriters in the case of an underwritten public offering.

5. Registration Procedures. Whenever the holders of Restricted Securities have requested that any Restricted Securities be registered pursuant to Section 2 or Section 3 of this Agreement, Parent will use its Best Efforts to effect the registration of such Restricted Securities upon the terms and conditions hereof to permit the sale of such Restricted Securities by holders thereof in accordance with the intended method of disposition thereof as quickly as practicable, and in connection with any such request, Parent will as expeditiously as possible:

a. in connection with a request pursuant to Section 2, prepare and file with the Securities and Exchange Commission (the "Commission"), not later than 45 days after receipt of a request to file a registration statement with respect to such Restricted Securities, a registration statement on any form for which Parent then qualifies or which counsel for Parent shall deem appropriate and which form shall be available for the sale of such Restricted Securities in accordance with the intended method of distribution thereof, and use their Best Efforts to cause such registration statement to become effective as promptly as practicable thereafter; provided, however, that if Parent shall furnish to the holders making such a request a certificate signed by the Chief Executive Officer of Parent stating that in the good faith judgment of the Board of Directors of the General Partner it would be significantly disadvantageous to Parent and its unitholders for such a registration statement to be filed on or before the date filing would be required or would become effective, Parent shall have an additional period of not more than 30 days within which to file (or before which they request the effectiveness of) such registration statement; and, provided further, that not less than 5 days before filing a registration statement or prospectus or any amendments or supplements thereto, Parent will (i) furnish to one (1) counsel selected by the holders of a majority in aggregate number of the Restricted Securities covered by such registration statement copies of all such documents proposed to be filed and (ii) notify each seller of Restricted Securities of any stop order issued or threatened by the Commission and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

b. in connection with a registration pursuant to Section 2, prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 90 days or such shorter period which will terminate when all Restricted Securities covered by such registration statement have been sold (but not before the expiration of the 90 day period referred to in Section 4(3) of the Act and Rule 174 thereunder, if applicable), and comply with the provisions of the Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement;

c. as soon as reasonably possible, furnish to each seller of Restricted Securities to be included in a registration statement copies of such registration statement as filed and each amendment and supplement thereto (in each case including all exhibits thereto), the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such seller may reasonably request in order to facilitate the disposition of the Restricted Securities owned by such seller;

d. use its Best Efforts to register or qualify such Restricted Securities under such other securities or blue sky laws of such jurisdictions as any seller reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Restricted Securities owned by such seller; provided, however, that Parent will not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 5(d), (ii) subject itself to taxation in any such jurisdiction or (iii) consent to general service of process in any such jurisdiction;

e. use its Best Efforts to cause the Restricted Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of Parent to enable the seller or sellers thereof to consummate the disposition of such Restricted Securities;

f. notify each seller of such Restricted Securities at any time when a prospectus relating thereto is required to be delivered under the Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein in light of the circumstances being made not misleading, and Parent will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Restricted Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein in light of the circumstances being made not misleading;

g. enter into customary agreements (including an underwriting agreement in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of such Restricted Securities;

h. use its Best Efforts to make available for inspection by any seller of Restricted Securities, any underwriter participating in any disposition pursuant to such registration statement, and any attorney, accountant or other agent retained by any such seller or underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of Parent (collectively, the "Records"), and cause Parent's officers and employees to supply all information reasonably requested by any such Inspector, as shall be reasonably necessary to enable them to exercise their due diligence responsibility, in connection with such registration statement. Records or other information which Parent determines, in good faith, to be confidential and which it notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records or other information is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such Records or other information is ordered pursuant to a subpoena or other order from a court of competent jurisdiction. The seller of Restricted Securities agrees that it will, upon learning that disclosure of such Records or other information is sought in a court or competent jurisdiction, give notice to Parent and allow Parent, at Parent's expense, to undertake appropriate action to prevent disclosure of the Records or other information deemed confidential;

i. use its Best Efforts to obtain a comfort letter from Parent's independent public accountants in customary form and covering such matters of the type customarily covered by comfort letters as the holders of a majority in aggregate number of Restricted Securities being sold reasonably request;

j. otherwise use its Best Efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering a period of 12 months, beginning within 3 months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Act;

k. if underwritten, use its Best Efforts to make appropriate officers of Parent available to the underwriters for meetings with prospective purchasers of the Restricted Securities and prepare and present to potential investors customary "road show" material in a manner consistent with other new issuances of other securities similar to the Restricted Securities; and

l. if so required by applicable listing requirements, cause all such Restricted Securities to be listed on each securities exchange on which similar securities issued by Parent are then listed, provided that the applicable listing requirements are satisfied.

(i) Parent may require each seller of Restricted Securities as to which any registration is being effected to furnish to Parent such information regarding the distribution of such securities as Parent may from time to time reasonably request in writing.

(ii) Each holder of Restricted Securities agrees that, upon receipt of any notice from Parent of the happening of any event of the kind described in Section

5(f), such holder will forthwith discontinue disposition of such Restricted Securities pursuant to the registration statement covering such Restricted Securities until such holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 5(f), and, if so directed by Parent, such holder will deliver to Parent (at Parent's expense) all copies, other than permanent file copies then in such holder's possession, of the prospectus covering such Restricted Securities current at the time of receipt of such notice. If Parent shall give any such notice, Parent shall extend the period during which such registration statement shall be maintained effective pursuant to this Agreement (including the period referred to in Section 5(b)) by the number of days during the period from and including the date of the giving of such notice pursuant to Section 5(f) to and including the date when each seller of Restricted Securities covered by such registration statement shall have received the copies of the supplemented or amended prospectus contemplated by Section 5(f).

6. Expiration. The obligation of Parent to register any Restricted Securities pursuant to this Agreement shall expire on December 31, 2010 with respect to Demand Registrations and on December 31, 2010 with respect to piggyback registrations.

7. Registration Expenses. All expenses incident to Parent's performance of or compliance with this Agreement, including, without limitation, all registration and filing fees, fees and expenses of compliance with securities or blue sky laws (including fees and disbursements of Parent's counsel in connection with blue sky qualifications of the Restricted Securities), rating agency fees, printing expenses, messenger and delivery expenses, internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the fees and expenses incurred in connection with the listing of the securities to be registered on each securities exchange on which similar securities issued by Parent are then listed, and fees and disbursements of counsel for Parent and its independent certified public accountants (including the expenses of any special audit or "comfort" letters required by or incident to such performance), securities acts liability insurance (if Parent elects to obtain such insurance), the fees and expenses of any special experts retained by Parent in connection with such registration, fees and expenses of other persons retained by Parent, reasonable fees and expenses of one (1) counsel (who shall be reasonably acceptable to Parent) for the holders of Restricted Securities incurred in connection with each registration hereunder (but not including any underwriting discounts or commissions or transfer taxes attributable to the sale of Restricted Securities) and any reasonable out-of-pocket expenses of the holders of Restricted Securities (or the agents who manage their accounts) excluding fees of counsel other than those fees specifically referred to in this Section 7 and excluding travel expenses (all such expenses being herein called "Registration Expenses"), will be borne by Parent.

8. Indemnification; Contribution.

a. Indemnification by Parent. Parent agrees to RELEASE, DEFEND, INDEMNIFY, PROTECT AND HOLD HARMLESS, to the full extent permitted by law, each holder of Registrable Securities, its officers, directors and agents and each person or entity who controls such holder (within the meaning of the Act) against all losses, claims, damages, liabilities and expenses caused by any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in case of a prospectus or preliminary prospectus, in the light of the circumstances under which they were made) not misleading, except insofar as the same are caused by or contained in any information with respect to such holder furnished in writing to Parent by such holder expressly for use therein or by such holder's failure to deliver a copy of the registration statement or prospectus or any amendments or supplements thereto after Parent's compliance with Section 5(c) hereof. Parent will also indemnify any underwriters of the Registrable Securities, their officers and directors and each person or entity who controls such underwriters (within the meaning of the Act) to the same extent as provided above with respect to the indemnification of the holders of Registrable Securities.

b. Indemnification by Holder of Restricted Securities. In connection with any registration statement in which a holder of Restricted Securities is participating, each such holder will furnish to Parent in writing such information with respect to such holder as is required to be included therein for use in connection with any such registration statement or prospectus and agrees to RELEASE, DEFEND, INDEMNIFY, PROTECT AND HOLD HARMLESS, to the extent permitted by law, Parent, the General Partner, and each of their (as applicable), directors and officers, and affiliates of any of them (within the meaning of the Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of a material fact or any omission or alleged omission of a material fact required to be stated in the registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto or necessary to make the statements therein (in the case of a prospectus or preliminary prospectus, in the light of the circumstances under which they were made) not misleading, to the extent, but only to the extent, that such untrue statement or omission is contained in any information with respect to such holder so furnished in writing by such holder, provided, however, that the aggregate amount which any such holder shall be required to pay pursuant to this Section 8(b) and Section 8(c) shall in no case be greater than the amount of the net proceeds received by such person upon the sale of the Restricted Securities pursuant to the registration statement giving rise to such claim.

c. Conduct of Indemnification Proceedings. Any person or entity entitled to indemnification hereunder agrees to give prompt written notice to the indemnifying party after the receipt by such person or entity of any written notice of the commencement of any action, suit, proceeding or investigation or threat thereof made in writing for which such person or entity will claim indemnification or contribution pursuant to this Agreement and, unless in the reasonable judgment of such indemnified party a conflict of interest may exist between such indemnified party and the indemnifying party with respect to such claim, permit the indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to such indemnified party. Whether or not such defense is assumed by the indemnifying party, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent will not be unreasonably withheld). No indemnifying party will consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation. If the indemnifying party is not entitled to, or elects not to, assume the defense of a claim, it will not be obligated to pay the fees and expenses of more than one (1) counsel with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim, in which event the indemnifying party shall be obligated to pay the fees and expenses of such additional counsel or counsels.

d. Contribution. If for any reason the indemnity provided for in this Section 8 is unavailable to, or is insufficient to hold harmless, an indemnified party, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such losses, claims, damages, liabilities or expenses (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party on the one hand and the indemnified party on the other or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, or provides a lesser sum to the indemnified party than the amount hereinafter calculated, in such proportion as is appropriate to reflect not only the relative benefits received by the indemnifying party on the one hand and the indemnified party on the other but also the relative fault of the indemnifying party and the indemnified party as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified parties shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, such indemnifying party or indemnified parties; and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid or payable by a party as a result of the losses, claims, damages, abilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 8(c), any legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. No person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person or entity who was not guilty of such fraudulent misrepresentation.

If indemnification is available under this Section 8, the indemnifying parties shall indemnify each indemnified party to the full extent provided in Section 8(a) and Section 8(b) without regard to the relative fault of said indemnifying party or indemnified party or any other equitable consideration provided for in this Section 8(d). Notwithstanding anything in this Section 8(d) to the contrary, no indemnifying party (other than the Company) shall be required pursuant to this Section 8(d) to contribute any amount in excess of the net proceeds received by such indemnifying party for the sale of Restricted Securities in the offering to which the losses, claims, damages or liabilities of the indemnified parties relate, less the amount of any indemnification payment made by such indemnifying party pursuant to Sections 8(b) and (c)

9. Participation in Underwritten Registrations. No person or entity may participate in any underwritten registration hereunder unless such person or entity (a) agrees to sell such person's or entity's securities on the basis provided in any underwriting arrangements approved by the persons or entities entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

10. Representations and Warranties. The Company hereby represents and warrants to Parent as follows:

a. It is a "sophisticated investor" as such term is contemplated by applicable securities laws (including the related jurisprudence);

b. The Registrable Securities are being acquired solely for its own account for investment and not with a view toward, or for resale in connection with, any "distribution" (as such term is used in the Act and the rules and regulations thereunder) of all or any portion thereof;

c. It understands and agrees that the Registrable Securities may not be sold, pledged, hypothecated or otherwise transferred unless they are registered under the Act and applicable state securities laws or an exemption from such registration is available;

d. It has adequate means of providing for its current needs and possible contingencies. It is able to bear the economic risks of this investment and has a sufficient net worth to sustain a loss of its entire investment in Parent if such loss should occur;

e. It has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in Parent; and

f. It has made its own inquiry and investigation into and based thereon has formed an independent judgment concerning Parent and the Registrable Securities, and has been furnished with or given adequate access to such information about Parent and the Registrable Securities as it has requested.

11. Rule 144. If the Units are registered under the Act, from and after such date of registration, Parent covenants that it will use its Best Efforts to file the reports required to be filed by it under the Act and the Exchange Act and the rules and regulations adopted by the Commission thereunder; and it will take such further action as any holder of Restricted Securities may reasonably request, all to the extent required from time to time to enable such holder to sell Restricted Securities without registration under the Act within the limitation of the exemptions provided by (a) Rule 144 under the Act, as such Rule may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the Commission. Upon the request of any holder of Restricted Securities, Parent will deliver to such holder a written statement as to whether it has complied with such requirements.

12. Assignment of Registration Rights. The rights of the Company under this Agreement with respect to any Restricted Securities may be assigned to any person or entity who acquires all or a portion of such Restricted Securities. Any assignment of registration rights pursuant to this Section 12 shall be effective upon receipt by Parent of (i) written notice from the assignor (A) stating the name and address of any assignee, (B) describing the manner in which the assignee acquired the Restricted Securities from the assignor and (C) identifying the Restricted Securities with respect to which the rights under this Agreement are being assigned, (ii) a certificate signed by the assignee assuming all obligations of the assignor under this Agreement and (iii) any other certificate or document that Parent might reasonably require.

13. Miscellaneous.

a. Entire Agreement. This Agreement and the other agreements executed in connection and contemporaneously herewith constitute the entire agreement and supersede all prior (oral and written) or contemporaneous proposals or agreements, all previous negotiations and all other communications or understandings between the parties hereto with respect to the subject matter hereof.

b. Parties Bound by Agreement. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and, subject to Section 12, their respective successors and assigns.

c. 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.

d. Governing Law. 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 DELAWARE, EXCLUDING ANY CONFLICT OF LAWS PRINCIPLES WHICH, IF APPLIED, MIGHT PERMIT OR REQUIRE THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

e. No Inconsistent Agreements. Parent will not hereafter enter into any agreement with respect to its securities which is inconsistent with the rights granted to the holders of Registrable Securities in this Agreement.

f. Remedies. Each holder of Registrable Securities, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. Parent agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agree to waive (to the extent permitted by law) the defense in any action for specific performance that a remedy of law would be adequate.

g. Amendments and Waivers. Except as otherwise provided herein, the provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given unless Parent has obtained the written consent of holders of at least a majority in aggregate number of Restricted Securities then outstanding affected by such amendment, modification, supplement, waiver or departure.

h. Further Assurances. Subject to the terms and conditions set forth in this Agreement, each of the parties hereto agrees to use all reasonable 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. If, 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 hereto shall take or cause to be taken all such necessary action.

i. 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 or 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.

j. Waivers. Neither action taken (including, without limitation, any investigation by or on behalf of either party hereto) 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 hereto 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.

k. No Third Party Beneficiaries. Except to the extent a third party is expressly given rights herein, any agreement herein contained, expressed or implied, shall be only for the benefit of the parties hereto and their respective legal representatives and permitted successors and assigns, and such agreements shall not inure to the benefit of any other person whomsoever, it being the intention of the parties hereto 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.

l. Termination. This Agreement shall terminate on December 31, 2010.

m. Notices. All notices and other communications provided or permitted hereunder shall be made by hand-delivery or registered first-class mail:

(i) if to the Company:

Crystal Gas Storage, Inc.
1001 Louisiana Street
Houston, Texas 77002
Telephone: (713) 420-2131
Facsimile: (713) 420-6969
Attention: President

(ii) if to a permitted successor holder of Restricted Securities at the most current address, and with a copy to be sent to each additional address, given by such holder to Parent, in writing; and

(ii) if to Parent:

El Paso Energy Partners, L.P.
1001 Louisiana Street
Houston, Texas 77002
Telephone: (713) 420-2131
Facsimile: (713) 420-6969
Attention: President

[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: --------------------------------

CRYSTAL GAS STORAGE, INC.

By: --------------------------------

Name: --------------------------------

Title: --------------------------------

FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT dated as of January 8, 2001 TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT (this "First Amendment"), is by and among EL PASO ENERGY PARTNERS, L.P., a Delaware limited partnership (formerly known AS LEVIATHAN GAS PIPELINE PARTNERS, L.P., the "Borrower"), EL PASO ENERGY PARTNERS FINANCE CORPORATION, a Delaware corporation (formerly known as LEVIATHAN FINANCE CORPORATION, the "Co-Borrower"), EL PASO ENERGY PARTNERS COMPANY, a Delaware corporation and the general partner of the Borrower ("EPEPC" or the "General Partner"), each of the SUBSIDIARY GUARANTORS (as defined herein), CREDIT LYONNAIS, as Syndication Agent, BANKBOSTON, N.A., as Documentation Agent, THE CHASE MANHATTAN BANK, a New York banking corporation, as Administrative Agent, and the several banks and other financial institutions signatories hereto, and shall amend each of the following documents:

A. FOURTH AMENDED AND RESTATED CREDIT AGREEMENT, dated as of March 23, 1995, as amended and restated through June 30, 2000 (as amended, supplemented or otherwise modified prior to the date hereof, the "Credit Agreement"), among the Borrower, the Co-Borrower, the several banks and other financial institutions (the "Lenders") parties thereto, Credit Lyonnais, as Syndication Agent for the Lenders, BankBoston, N.A., as Documentation Agent for the Lenders, and The Chase Manhattan Bank, a New York banking corporation, as Administrative Agent for the Lenders;

B. AMENDED AND RESTATED SECURITY AND PLEDGE AGREEMENT, dated as of March 23, 1995, as amended and supplemented prior to the date hereof, made by the Borrower, in favor of the Administrative Agent for the Lenders (the "Borrower Pledge Agreement");

C. AMENDED AND RESTATED SECURITY AND PLEDGE AGREEMENT (LLC), dated as of March 23, 1995, as amended and supplemented prior to the date hereof, made by EPEPC in favor of the Administrative Agent for the Lenders (the "EPEPC Pledge Agreement (LLC)");

D. AMENDED AND RESTATED SUBSIDIARIES GUARANTEE, dated as of March 23, 1995, as amended and supplemented prior to the date hereof, by each of the corporations, limited liability companies and other entities, as the case may be, that are from time to time signatories thereto (the "Subsidiary Guarantors") in favor of the Administrative Agent for the Lenders (the "Subsidiaries Guarantee"); and

E. AMENDED AND RESTATED SECURITY AGREEMENT, dated as of March 23, 1995, as amended and supplemented prior to the date hereof, by each of the Subsidiary Guarantors in favor of the Administrative Agent for the Lenders (the "Subsidiary Security Agreement");

(each as further amended, supplemented, waived, conformed or otherwise modified from time to time, including this First Amendment, and collectively, the "Amended Loan Documents"). Unless otherwise defined herein, capitalized terms used herein shall have the respective meanings assigned to them in the Credit Agreement and the other Loan Documents (as defined in the Credit Agreement).

WHEREAS, the Borrower and certain of its affiliates are contemplating a series of transactions that would effect the following:

(i) the Borrower would sell all of the outstanding stock of Tarpon Transmission Company ("Tarpon"), a Subsidiary Guarantor, and Green Canyon Pipe Line Company, L.P. ("Green Canyon"), a Subsidiary Guarantor, would sell the natural gas gathering system generally known as the Green Canyon Gathering System and certain related facilities (the "Green Canyon Assets"), in each case on the terms (including purchase price) previously described to the Administrative Agent (collectively, the "Green Canyon/Tarpon Transaction");

(ii) the Borrower and the General Partner would sell a 100% membership interest in each of Sailfish Pipeline Company, L.L.C. ("Sailfish"), a Subsidiary Guarantor, and Moray Pipeline Company, L.L.C. ("Moray"), a Subsidiary Guarantor, in each case on the terms (including purchase price) previously described to the Administrative Agent (collectively, the "Sailfish/Moray Transaction");

(iii) Manta Ray Gathering Company, L.L.C. ("Manta Ray Gathering"), a Subsidiary Guarantor, would sell 100% of the South Timbalier Block 292 Platform and would effectively sell 50% of the Ship Shoal Block 332 Platform, whether by sale, contribution or otherwise (collectively, the "Manta Ray Gathering Assets"), in each case on the terms (including purchase price) previously described to the Administrative Agent (collectively, the "Platform Transaction");

(iv) the Borrower and The Coastal Corporation ("Coastal") would cause Deepwater Holdings, L.L.C. ("Deepwater"), a Delaware limited liability company owned equally (50/50) by the Borrower and Coastal, to (a) sell a 100% membership interest in each of West Cameron Dehydration Company, L.L.C., Stingray Pipeline Company, L.L.C., and East Breaks Gathering Company, L.L.C. ("East Breaks"), including the replacement of the Borrower as the operator of the related pipeline systems, (b) sell a 100% membership interest in U-T Offshore System, L.L.C., and (c) amend its credit agreement to permit such transactions, in each case on the terms (including purchase price) previously described to the Administrative Agent (collectively, the "Deepwater Transaction"); and

(v) the Borrower and El Paso Energy Corporation ("El Paso Energy") would enter into an agreement (the "El Paso Energy Agreement") substantially in the form of the agreement attached hereto as Exhibit "A" (it being agreed that the material provisions thereof may only be amended with the consent of the Administrative Agent) regarding certain arrangements between the Borrower and El Paso Energy and its affiliates, including: (a) El Paso Energy would make cash payments to the Borrower in an aggregate amount of $29 million payable over a four-year period, (b) the Borrower would purchase from El Paso Field Services Company, a subsidiary of El Paso Energy, certain designated transportation and fractionation assets (the "GTT T&F Assets"), or acceptable replacement assets as described in the El Paso Energy Agreement, and (c) El Paso Energy would reimburse the Borrower for all legal, accounting, financial advisor (including payments due to the Lenders hereunder) and similar out-of-pocket costs and expenses relating to the transactions described in subsections (i)-(v) of this First Amendment (collectively, the "El Paso Energy Transaction");

(the Green Canyon/Tarpon Transaction, Sailfish/Moray Transaction, Platform Transaction, Deepwater Transaction and El Paso Energy Transaction being collectively referred to herein as the "El Paso Transactions");

WHEREAS, the Borrower has requested that the Lenders (i) modify and amend the Amended Loan Documents as more fully described herein, (ii) consent to the El Paso Transactions, (iii) waive any and all violations of or breaches of the Loan Documents or Defaults or Events of Default to the extent necessary to permit the El Paso Transactions, and (iv) release certain Restricted Subsidiaries and Subsidiary Guarantors and their assets from the obligations and conditions applicable to such Restricted Subsidiaries and Subsidiary Guarantors under the Credit Agreement and all other Loan Documents, as more fully described herein;

WHEREAS, the Lenders are willing to agree to the amendments, consents, waivers and releases being requested by the Borrower, but only on the terms and subject to the conditions set forth in this First Amendment; and

WHEREAS, each of the signatories hereto is a party to one or more of the Amended Loan Documents.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, the Administrative Agent, the Lenders and each of the other signatories hereto hereby agree as follows:

1. Amendments. The Amended Loan Documents are hereby amended as follows:

(i) Section 4.13 of the Credit Agreement is amended to add the following subsection (c):

(c) El Paso Transactions. The consummation by the Borrower and its Subsidiaries of the El Paso Transactions (as defined in the First Amendment dated as of January 8, 2001 to this Agreement).

(ii) Notwithstanding any provision in the Loan Documents, the Incurrence Limitation in effect on the First Amendment Effective Date (herein defined) shall remain in effect until the earlier to occur of the closing date of the purchase by Restricted Subsidiaries of the Borrower of the GTT T&F Assets or acceptable replacement assets as described in the El Paso Energy Agreement, as the case may be, or March 31, 2001; and

(iii) Effective upon the consummation of each of the various transactions included in the El Paso Transactions, with no further action required by the Lenders, each of the Credit Agreement, Borrower Pledge Agreement, EPEPC

Pledge Agreement (LLC), Subsidiaries Guarantee, Subsidiary Security Agreement and any other Loan Document where appropriate, will be amended to effectively exclude and remove, including, without limitation, from all representations, warranties and covenants, all references to Tarpon and all of its assets, the Green Canyon Assets, Sailfish and all of its assets, Moray and all of its assets, and the Manta Ray Gathering Assets (collectively, the "Released Companies and Assets").

2. General Terms.

(i) Notwithstanding Section 1 of this First Amendment, the Borrower and its Subsidiaries will not consummate any of the El Paso Transactions until El Paso Energy has an unconditional obligation to make $29 million in payments to the Borrower on terms as described in the El Paso Energy Agreement.

(ii) One or more Restricted Subsidiaries of the Borrower shall purchase the GTT T&F Assets, or acceptable replacement assets as described in the El Paso Energy Agreement, on or prior to March 31, 2001 (and the failure to purchase such assets by such date shall constitute an Event of Default), which, upon acquisition by such Restricted Subsidiaries, shall become subject to the terms of, and become Collateral under, the Loan Documents to the extent required thereby.

3. Release of Liens. The Lenders hereby agree that, effective upon the consummation of each of the various transactions included in the El Paso Transactions, with no further action required by the Lenders, the Lenders will (i) automatically release the Released Companies and Assets from all of the guarantees, liens and security interests created by any of the Loan Documents, except to the extent of any proceeds received by the Borrower, the General Partner or any of the Borrower's continuing Subsidiaries in consideration for such Released Companies and Assets, which proceeds shall continue to be subject to the terms of the applicable Loan Documents; and (ii) authorize and instruct the Administrative Agent, at the Borrower's sole expense, to (x) execute, record and file such instruments and perform such acts as are necessary to evidence of record such release of guarantees, liens and security interests affecting the Released Companies and Assets, including, without limitation, the execution and delivery of releases of guarantees and liens and UCC-3's, and (y) deliver to the Borrower all certificates of membership interests and stock certificates that are held by the Administrative Agent as collateral security for the obligations under the Credit Agreement or any other Loan Document relating to any of the Released Companies and Assets.

4. Consent and Waiver. The Lenders hereby (i) consent for all purposes to each of the Borrower, the General Partner, Sailfish, Moray, Tarpon, Green Canyon, Manta Ray Gathering and their applicable Affiliates consummating the El Paso Transactions and (ii) waive any and all violations of or breaches of the Loan Documents or Defaults or Events of Default to the extent necessary to permit the El Paso Transactions.

5. El Paso Energy Agreement. The occurrence of any of the following shall constitute an Event of Default under the Credit Agreement:

(a) the El Paso Energy Agreement shall not have been executed by the parties thereto and become effective on or prior to March 31, 2001;

(b) the failure of El Paso Energy to make any payment to the Borrower when due under Section 2 of the El Paso Energy Agreement;

(c) El Paso Energy or the Borrower shall default in any of its other material obligations under the El Paso Energy Agreement and such default shall not be cured within 30 days; and

(d) following the execution of the El Paso Energy Agreement by the parties thereto, the El Paso Energy Agreement shall be amended, modified or waived and such amendment, modification or waiver shall not have been approved by the Administrative Agent.

6. Conditions to Effectiveness. This First Amendment shall become effective on the date (the "First Amendment Effective Date") on which all of the following conditions precedent have been satisfied or waived: (i) the Borrower, the Co-Borrower, the Administrative Agent and the Required Lenders shall have executed and delivered to the Administrative Agent this First Amendment, (ii) the signatories thereto shall have executed and delivered to the Administrative Agent the attached Acknowledgment approving this First Amendment, and (iii) the Administrative Agent and the Lenders shall have received payment of all fees and costs payable by the Borrower on or before the First Amendment Effective Date in connection with this First Amendment, including a work fee of $15,000 payable to each Lender which delivers an executed copy of this First Amendment to the Administrative Agent on or before the First Amendment Effective Date.

7. Miscellaneous.

(i) Representations and Warranties. After giving effect to the effectiveness of this First 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 First 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 First Amendment Effective Date and no Default or Event of Default will have occurred and be continuing.

(ii) 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 First 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.

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

(iv) Governing Law. 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.

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

****

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

EL PASO ENERGY PARTNERS, L.P.

By: ___________________________________
Name: ___________________________________
Title: ___________________________________

EL PASO ENERGY FINANCE CORPORATION

By: ___________________________________
Name: ___________________________________
Title: ___________________________________

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

By: ___________________________________
Name: ___________________________________
Title: ___________________________________

[Signature Page of First Amendment]

CREDIT LYONNAIS NEW YORK BRANCH,
as Syndication Agent and as a Lender

By: ____________________________________
Name:

Title:

FLEET NATIONAL BANK,
as Documentation Agent and as a Lender

By: ______________________________________
Name:

Title:

ARAB BANKING CORPORATION (B.S.C.)

By: ____________________________________
Name:

Title:

THE BANK OF NOVA SCOTIA

By: ___________________________________

Name: -----------------------------------

Title: -----------------------------------

THE BANK OF SCOTLAND

By: ___________________________________

Name: -----------------------------------

Title: -----------------------------------

BANK ONE, NA (MAIN OFFICE-CHICAGO)
(fka The First National Bank of Chicago)

By: ___________________________________
Name: ___________________________________
Title: ___________________________________

BANK OF AMERICA, N.A.

By: ___________________________________
Name:

Title:

CREDIT AGRICOLE INDOSUEZ

By: ___________________________________
Name:

Title:

By: ___________________________________
Name:

Title:

CIBC, INC.

By: ___________________________________
Name:

Title:

CREDIT SUISSE FIRST BOSTON

By: ___________________________________
Name:

Title:

By: ___________________________________
Name:

Title:

THE FUJI BANK, LIMITED

By: ___________________________________

Name:

Title:

HIBERNIA NATIONAL BANK

By: ___________________________________
Name:

Title:

FIRST UNION NATIONAL BANK

By: ___________________________________

Name: -----------------------------------

Title: -----------------------------------

FORTIS CAPITAL CORP.

By: ____________________________________
Name:

Title:

By: ____________________________________
Name:

Title:

KBC BANK N.V.

By: ___________________________________
Name:

Title:

By: ___________________________________
Name:

Title:

WELLS FARGO BANK (TEXAS), N.A.

By: ___________________________________
Name:

Title:

PNC BANK, NATIONAL ASSOCIATION

By: ___________________________________
Name:

Title:

BNP PARIBAS

By: ___________________________________
Name:

Title:

SUNTRUST BANK

By: ___________________________________

Name: -----------------------------------

Title: -----------------------------------

RZB FINANCE LLC

By: ___________________________________
Name:

Title:

By: ___________________________________
Name:

Title:

NATEXIS BANQUES POPULAIRES

By: ___________________________________

Name:

Title:

ACKNOWLEDGMENT

The undersigned hereby consent and agree to the foregoing First Amendment and confirm that their respective obligations under the Loan Documents, including to the extent affected by this First Amendment, remain in full force and effect.

EL PASO ENERGY PARTNERS COMPANY
ARGO II, L.L.C.
CRYSTAL HOLDINGS, L.L.C.
DELOS OFFSHORE COMPANY, L.L.C.
EWING BANK GATHERING COMPANY, L.L.C.
EL PASO ENERGY PARTNERS DEEPWATER, L.L.C.
EL PASO ENERGY PARTNERS OIL TRANSPORT, L.L.C.
EL PASO ENERGY PARTNERS OPERATING COMPANY, L.L.C.
FLEXTREND DEVELOPMENT COMPANY, L.L.C.
GREEN CANYON PIPE LINE COMPANY, L.P.
MANTA RAY GATHERING COMPANY, L.L.C.
MORAY PIPELINE COMPANY, L.L.C.
POSEIDON PIPELINE COMPANY, L.L.C.
SAILFISH PIPELINE COMPANY, L.L.C.
TARPON TRANSMISSION COMPANY
VK DEEPWATER GATHERING COMPANY, L.L.C.
VK-MAIN PASS GATHERING COMPANY, L.L.C.

By: --
Name: Keith Forman
Title: Chief Financial Officer of Each Such Entity

PURCHASE AND SALE AGREEMENT

By and Among

El Paso Energy Partners, L.P. and
Green Canyon Pipe Line Company, L.P.
(Sellers)

and

Williams Field Services-Gulf Coast Company, L.P.
(Buyer)

Covering the Acquisition of

The Stock of Tarpon Transmission Company
(Acquired Company)

and

The Assets Constituting the Green Canyon Gathering System
(Acquired Assets)

December 8, 2000

TABLE OF CONTENTS

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") dated as of December 8, 2000 is by and between El Paso Energy Partners, L.P., a Delaware limited partnership (the "Partnership"), Green Canyon Pipe Line Company, L.P., a Delaware limited partnership ("Green Canyon" together with the Partnership, the "Sellers") and Williams Field Services-Gulf Coast Company, L.P., a Delaware limited partnership (the "Buyer"). The Partnership, Green Canyon and the Buyer are sometimes referred to collectively herein as the "Parties" and individually as a "Party."

RECITALS

WHEREAS, the Partnership owns all of the outstanding shares of capital stock (the "Acquired Company Shares") of Tarpon Transmission Company, a Texas corporation (the "Acquired Company");

WHEREAS, the Partnership and its subsidiaries own a 1% general partnership interest and a 97.9899% limited partnership interest in Green Canyon;

WHEREAS, the Partnership's general partner, El Paso Energy Partners Company, a Delaware corporation (the "General Partner), owns a 1.0101% limited partnership interest in Green Canyon;

WHEREAS, Green Canyon owns, among other assets, the Green Canyon Acquired Assets (herein defined), which comprise the natural gas gathering system generally known as the Green Canyon Gathering System and the related facilities and contracts (the Green Canyon Acquired Assets together with the Acquired Company Shares being the "Acquired Interest"); and

WHEREAS, this Agreement contemplates a transaction in which the Buyer will purchase, and each of the Partnership and Green Canyon will sell, all of its respective rights, title and interests in and to the Acquired Interest in return for the consideration specified herein.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows:

1. Definitions.

"Acquired Company" has the meaning set forth in the Recitals.

"Acquired Company Excluded Assets" has the meaning set forth in Section 2(h).

"Acquired Company Insurance Policies" means those material policies of insurance which the Partnership, the General Partner, or the Acquired Company or any of their Affiliates, maintains for the Acquired Company with respect to its assets and operations, all of which policies are listed on Schedule 1(a).

"Acquired Company Obligations" has the meaning set forth in Section 2(e).

"Acquired Company Shares" has the meaning set forth in the Recitals.

"Acquired Interest" has the meaning set forth in the Recitals.

"Adverse Consequences" means all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, dues, penalties, fines, costs, amounts paid in settlement, liabilities, obligations, Taxes, liens, losses, expenses, and fees, including court costs and attorneys' fees and expenses, but excluding punitive, exemplary, special or consequential damages.

"Adverse Environmental Event" means (1) any breach of any representation or warranty of the Partnership or Green Canyon contained in Section 4(k), or (2) any breach or violation of Environmental Law with respect to the Subject Assets arising as a result of events occurring or facts or circumstances arising or existing on or prior to the Closing Date.

"Adverse Event" means (1) any breach of any representation, warranty or covenant of the Partnership or Green Canyon contained herein (other than the covenants in Section 2 and the representations and warranties in Sections 3(a), 4(d)(ii), 4(d)(iii) and 4(k)) and (2) any tort claim for the personal injury or death of any person with respect to the Subject Assets arising as a result of events occurring on or prior to the Closing Date.

"Affiliate" has the meaning set forth in Rule 12b-2 of the regulations promulgated under the Securities Exchange Act.

"Agreement" has the meaning set forth in the preface.

"Balance Sheet Date" has the meaning set forth in Section 4(e).

"Buyer" has the meaning set forth in the preface.

"Buyer Indemnitees" means, collectively, the Buyer and its Affiliates and its and their officers, directors, employees, agents and representatives.

"Closing" has the meaning set forth in Section 2(c).

"Closing Date" has the meaning set forth in Section 2(c).

"Closing Date Statement" has the meaning set forth in Section 2(g)(i).

"Code" means the Internal Revenue Code of 1986, as amended, or any successor Law.

"Commitment" means (a) options, warrants, convertible securities, exchangeable securities, subscription rights, conversion rights, exchange rights or other contracts that could require a Person to issue any of its Equity Interests or to sell any Equity Interests it owns in another Person; (b) any other securities convertible into, exchangeable or exercisable for, or representing the right to subscribe for any Equity Interest of a Person or owned by a Person;

(c) statutory pre-emptive rights or pre-emptive rights granted under a Person's Organizational Documents; and (d) stock appreciation rights, phantom stock, profit participation, or other similar rights with respect to a Person.

"Confidentiality Agreement" means the Confidentiality Agreement between the Buyer and the Partnership dated October 10, 2000.

"Construction Fund Letter Agreement" means an agreement substantially in the form of Exhibit C.

"El Paso Energy Marks" means the name "El Paso Energy" and other trademarks, service marks, and trade names owned by El Paso Energy Corporation and its respective Affiliates.

"Encumbrance" means any mortgage, pledge, lien, encumbrance, charge, other security interest or defect in title.

"Environmental Law" or "Environmental Laws" has the meaning set forth in Section 4(k).

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

"Financial Data" has the meaning set forth in Section 4(e).

"FTC" has the meaning set forth in Section 3(a)(ii).

"GAAP" means generally accepted accounting principles in the United States.

"General Partner" has the meaning set forth in the Recitals.

"Governmental Authority" means the United States and any state, county, city or other political subdivision, agency, court or instrumentality.

"Green Canyon" has the meaning set forth in the preface.

"Green Canyon Acquired Assets" means (1) the gathering system, related facilities, rights of way and other assets described on Exhibit A, which are the assets that comprise the natural gas gathering system known as the Green Canyon Gathering System and (2) all rights, title and interest in, and Obligations under, the Green Canyon Assumed Contracts to the extent arising, accruing or otherwise related to the period on, including and after the Closing Date. The Green Canyon Acquired Assets do not include the Green Canyon Excluded Assets.

"Green Canyon Acquired Assets Assignment" means the assignment and assumption agreement in the form of Exhibit B.

"Green Canyon Assumed Contracts" has the meaning set forth in Section 4(i)(ii).

"Green Canyon Assumed Obligations" has the meaning set forth in Section 2(f).

"Green Canyon Excluded Assets" means, to the extent it is not specifically and expressly included in the term "Green Canyon Acquired Asset," each and every right, title, interest and other asset owned by, or in any way accruing to the benefit of, Green Canyon, including, without limitation, any and all (i) rights, title, interests and assets relating to the Green Canyon Acquired Assets and constituting (1) receivables, including, manufacturers warranty receivables, notes, accounts receivable, trade account receivables and insurance proceeds receivables, (2) cash and cash equivalents and investments, whether short-term or long-term, including certificates of deposit, treasury bills and securities, and (3) claims, suits and choses in action, or (ii) rights, title, interests and assets not relating to the Green Canyon Acquired Assets.

"Hazardous Substances" means all materials, substances and wastes which are regulated under any Environmental Law or which may form the basis for liability under any Environmental Law.

"Indemnified Party" has the meaning set forth in Section 8(d).

"Indemnifying Party" has the meaning set forth in Section 8(d).

"Knowledge" means, in the case of the Partnership, the actual knowledge of the individuals listed on Schedule 1(b) hereto without independent investigation or inquiry and, in the case of the Buyer, the actual knowledge of the individuals listed on Schedule 1(c) hereto without independent investigation or inquiry.

"Laws" means any statute, code, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any applicable Governmental Authority.

"Material Adverse Effect" means any change or effect that, individually or in the aggregate with other changes or effects, is materially adverse to the businesses, operations and properties of the Green Canyon Acquired Assets and the Acquired Company taken as a whole, provided that in determining whether a Material Adverse Effect has occurred, changes or effects relating to (i) the natural gas pipeline industry generally (including, but not limited to, the price of natural gas and the costs associated with the drilling and/or production of natural gas), (ii) United States or global economic conditions or financial markets in general, or (iii) the transactions contemplated by this Agreement, shall not be considered.

"Merger Agreement" means that certain Agreement and Plan of Merger dated as of January 17, 2000 by and between El Paso Energy Corporation, El Paso Merger Company and The Coastal Corporation, as amended, restated, supplemented or otherwise modified from time to time.

"Net Decrease Amount" has the meaning set forth in Section 2(b)(ii).

"Net Increase Amount" has the meaning set forth in Section 2(b)(ii).

"Obligations" means duties, liabilities and obligations, whether vested, absolute or contingent, known or unknown, asserted or unasserted, accrued or unaccrued, liquidated or unliquidated, due or to become due, and whether contractual, statutory or otherwise.

"Ordinary Course of Business" means the ordinary course of business consistent with the affected party's past custom and practice (including with respect to quantity and frequency).

"Organizational Documents" means the articles of incorporation, certificate of incorporation, charter, bylaws, articles or certificate of formation, regulations, operating agreement, certificate of limited partnership, partnership agreement, and all other similar documents, instruments or certificates executed, adopted, or filed in connection with the creation, formation, or organization of a Person, including any amendments thereto.

"Partnership" has the meaning set forth in the preface.

"Partnership Loan Documents" means (i) the Fourth Amended and Restated Credit Agreement among the Partnership, El Paso Energy Partners Finance Corporation, The Chase Manhattan Bank, as Administrative Agent, and the several lenders from time to time parties thereto, dated as of March 23, 1995, as amended and restated through June 30, 2000, and all agreements, documents and instruments executed or delivered in connection therewith or otherwise related thereto and (ii) the Indenture among the Partnership, El Paso Energy Partners Finance Corporation (formerly Leviathan Finance Corporation), the subsidiaries party thereto and Chase Bank of Texas, as Trustee, dated as of May 27, 1999 as amended, and all agreements, documents and instruments executed or delivered in connection therewith or otherwise related thereto.

"Party" and "Parties" have the meanings set forth in the preface.

"Permits" has the meaning set forth in Section 4(l).

"Permitted Encumbrances" means any of the following: (i) any liens for Taxes and assessments not yet delinquent or, if delinquent, that are being contested in good faith in the Ordinary Course of Business; (ii) any obligations or duties reserved to or vested in any municipality or other Governmental Authority to regulate any Subject Asset in any manner including all applicable Laws; (iii) any Encumbrances created pursuant to operating, farmout, construction, operation and maintenance, space lease or similar agreements or the Organizational Documents of the Acquired Company; and (iv) easements, rights-of-way, restrictions and other similar encumbrances incurred in the Ordinary Course of Business which, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the property subject thereto as it is currently being used or materially interfere with the ordinary conduct of the business.

"Person" means an individual or entity, including, without limitation, any partnership, corporation, association, joint stock company, trust, joint venture, limited liability company, unincorporated organization, or governmental entity (or any department, agency or political subdivision thereof).

"Post-Closing Tax Period" means any Tax period beginning after the Closing Date.

"Post-Closing Tax Return" means any Tax Return that is required to be filed by any Acquired Company with respect to a Post-Closing Tax Period.

"Pre-Closing Tax Period" means any Tax periods or portions thereof ending on or before the Closing Date.

"Pre-Closing Tax Return" means any Tax Return that is required to be filed with respect to any Acquired Company with respect to a Pre-Closing Tax Period.

"Proposed Closing Date Statement" has the meaning set forth in Section 2(g)(i).

"Purchase Price" has the meaning set forth in Section 2(b).

"Purchase Price Decreases" means the following: (a) the amount, if any, of all current liabilities of the Acquired Company as of the Closing Date, as determined and calculated in accordance with GAAP and (b) the amount, if any, of all indebtedness for borrowed money of the Acquired Company as of the Closing Date.

"Purchase Price Increases" means the following: (a) the amount, if any, of all current assets (excluding inventory of parts and materials) of the Acquired Company as of the Closing Date, determined and calculated in accordance with GAAP and (b) the amount, if any, of Reimbursable Capital Expenditures.

"Records" has the meaning set forth in Section 6(d).

"Reimbursable Capital Expenditures" means all capital expenditures, determined in accordance with GAAP, made by the Acquired Company or Green Canyon, with respect to the Green Canyon Acquired Assets, between the date of this Agreement and the Closing Date that (a) are permitted pursuant to Section 5(c) and (b) not incurred to repair or replace damaged, destroyed or worn out equipment or facilities.

"Retained E-Mail" means all electronic mail and other computer based communications stored on any electronic, digital, or other storage or back up media and retained in the Ordinary Course of Business by the Partnership, the General Partner, the Acquired Company or any Affiliate of any such Person.

"Securities Act" means the Securities Act of 1933, as amended.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Seller" and "Sellers" has the meaning set forth in the preface.

"Seller Indemnitees" means, collectively, the Partnership and its Affiliates (other than the Acquired Company) and its and their officers, directors, employees, agents, and representatives.

"Settlement Agreement and Mutual Release" means an agreement substantially in the form of Exhibit D.

"Straddle Period" means a Tax period or year commencing before and ending after the Closing Date.

"Straddle Return" means a Tax Return for a Straddle Period.

"Subject Asset(s)" means (i) any or all of the assets of the Acquired Company other than the Acquired Company Excluded Assets and (ii) any or all of the Green Canyon Acquired Assets.

"Subsidiary" means, with respect to any relevant Person, any other Person that is (directly or indirectly) controlled and more than 90%-owned (directly or indirectly) by the relevant Person.

"Tax" or "Taxes" means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code ss.59A), custom duties, capital stock, franchise, profits, withholding, social security (or similar excises), unemployment, disability, ad valorem, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

"Tax Return" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Third Party Claim" has the meaning set forth in Section 8(d).

2. Purchase and Sale.

(a) Sale of Acquired Interest. Subject to the terms and conditions of this Agreement, (i) the Partnership agrees to sell to the Buyer, and the Buyer agrees to purchase from the Partnership, all of the Partnership's right, title and interest in and to the Acquired Interest, and (ii) Green Canyon agrees to sell to the Buyer, and the Buyer agrees to purchase from Green Canyon, all of Green Canyon's right, title and interest in and to the Acquired Interest, which Acquired Interest consists of:

(x) all of the Partnership's right, title and interest in and to the Acquired Company Shares, which are evidenced by Certificate No. 100; and

(y) all of Green Canyon's right, title and interest in and to the Green Canyon Acquired Assets.

(b) Purchase Price.

(i) In consideration for the sale of the Acquired Interest, the Buyer agrees to pay to the Partnership at the Closing $20,000,000 (as adjusted in Section 2(b)(ii), the "Purchase Price") payable by wire transfer of immediately available funds.

(ii) The Purchase Price shall be (x) increased by the amount, if any, by which Purchase Price Increases as set forth in the Proposed Closing Date Statement exceed Purchase Price Decreases as set forth on the Proposed Closing Date Statement (any such amount, the "Net Increase Amount"), or (y) decreased by the amount, if any, by which Purchase Price Decreases as set forth on the Proposed Closing Date Statement exceed Purchase Price Increases as set forth on the Proposed Closing Date Statement (any such amount, the "Net Decrease Amount").

(iii) The Purchase Price (prior to any adjustments) is allocated between the Acquired Company Shares and the Green Canyon Acquired Assets as set forth on the Allocation Schedule attached hereto as Schedule 2(b)(iii). The Partnership and Green Canyon will allocate the Purchase Price among themselves.

(c) The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of the Partnership, commencing at 10:00 a.m. local time on the second business day following the satisfaction or waiver of all conditions to the obligations of the Parties to consummate the transactions contemplated hereby (other than conditions with respect to actions each Party will take at the Closing itself), or such other date as the Buyer and the Partnership may mutually determine (the "Closing Date").

(d) Deliveries at the Closing. At the Closing, (i) the Sellers will deliver to the Buyer the various certificates, instruments, and documents referred to in Sections 7(a) and 9(o), (ii) the Buyer will deliver to the Partnership the various certificates, instruments, and documents referred to in Section 7(b), (iii) the Partnership will execute and deliver to the Buyer such instruments of assignment and transfer as shall be necessary to transfer to the Buyer all of the Partnership's right, title and interest in and to the Acquired Company Shares, (iv) Green Canyon will execute and deliver to the Buyer the Green Canyon Acquired Assets Assignment, (v) the Buyer will execute and deliver to the Partnership and Green Canyon the Green Canyon Acquired Assets Assignment, (vi) the Buyer will deliver to the Partnership the Purchase Price, (vii) the Partnership will cause El Paso Energy Corporation to, and the Buyer will, execute and deliver to each other the Construction Fund Letter Agreement, (viii) the Partnership will, and will cause its applicable Affiliates to, execute and deliver to the Buyer the Settlement Agreement and Mutual Release, and (ix) the Buyer will, and will cause its applicable Affiliates to, execute and deliver to the Partnership the Settlement Agreement and Mutual Release.

(e) Acquired Company Obligations Assumption. The Buyer acknowledges and agrees that, following the Closing, the Acquired Company shall remain obligated for its Obligations (the "Acquired Company Obligations"), and the Acquired Company shall fully and timely pay, perform, and discharge in accordance with their terms the Acquired Company Obligations from and after the Closing.

(f) Green Canyon Assumed Obligations. On the Closing Date, the Buyer will assume and will be obligated to fully and timely pay, perform, and discharge in accordance with their terms, the Obligations (the "Green Canyon Assumed Obligations") relating to:

(i) any and all Obligations of Green Canyon under the Green Canyon Assumed Contracts to the extent existing, arising, accruing or otherwise related to the period on, including and after the Closing Date; and

(ii) any and all Obligations in any way relating to abandoning, decommissioning, or removing any Green Canyon Acquired Assets or restoring or reconditioning the lands and seabeds affected thereby.

(g) Post-Closing Adjustment.

(i) At least three business days prior to the Closing Date, the Partnership shall cause to be prepared and delivered to the Buyer a statement (the "Proposed Closing Date Statement") setting forth the Partnership's good faith estimate of the Purchase Price Increases and the Purchase Price Decreases. As soon as practicable, but in any event no later than 60 days following the Closing Date, the Partnership shall cause to be prepared and delivered to the Buyer a statement of Purchase Price Increases and the Purchase Price Decreases as of the close of business on the Closing Date (such statement, as it may be adjusted pursuant to Section 2(g)(ii), the "Closing Date Statement").

(ii) Upon receipt of the Closing Date Statement, the Buyer and the Buyer's independent accountants shall be permitted during the succeeding 30-day period to examine the work papers used or generated in connection with the preparation of the Closing Date Statement and such other documents as the Buyer may reasonably request in connection with its review of the Closing Date Statement. Within 30 days of receipt of the Closing Date Statement, the Buyer shall deliver to the Partnership a written statement describing in reasonable detail its objections (if any) to any amounts or items set forth on the Closing Date Statement. If the Buyer does not raise objections within such period, the Closing Date Statement shall become final and binding upon all Parties at the end of such period. If the Buyer does raise objections, the Parties shall negotiate in good faith to resolve any such objections. If the Parties are unable to resolve any disputed item within 60 days after the Buyer's receipt of the Closing Date Statement, any such disputed item shall be submitted to a nationally recognized independent accounting firm mutually agreeable to the Buyer and the Partnership who shall be instructed to resolve such disputed item within 30 days. The resolution of disputes by the accounting firm so selected shall be set forth in writing and shall be conclusive, binding and non-appealable upon the parties and the Closing Date Statement shall become final and binding upon the date of such resolution. The fees and expenses of such accounting firm shall be paid one-half by the Buyer and one-half by the Partnership.

(iii) If the Net Increase Amount as set forth on the Closing Date Statement exceeds Net Increase Amount as set forth on the Proposed Closing Date Statement, the Buyer shall pay the Partnership the amount of such excess. If the Net Increase Amount as set forth on the Proposed Closing Date Statement exceeds the Net Increase Amount as set forth on the Closing Date Statement, the Partnership shall pay the Buyer the amount of such excess. If the Net Decrease Amount as set forth on the Closing Date Statement exceeds the Net Decrease Amount set forth on the Proposed Closing Date Statement, the Partnership shall pay the Buyer the amount of such excess. If the Net Decrease Amount as set forth on the Proposed Closing Date Statement exceeds the Net Decrease Amount as set forth on the Closing Date Statement, the Buyer shall pay the Partnership the amount of such excess. After giving effect to the foregoing adjustments, any amount to be paid by the Buyer to the Partnership, or to be paid by the Partnership to the Buyer, as the case may be, shall be paid in the manner and with interest as provided in Section 2(g)(iv) at a mutually convenient time and place within five business days after the later of acceptance of the Closing Date Statement or the resolution of the Buyer's objections thereto, pursuant to Section 2(g)(ii).

(iv) Any payments pursuant to this Section 2(g) shall be made by causing such payments to be credited in immediately available funds to such account or accounts of the Buyer or the Partnership, as the case may be, as may be designated by the Buyer or the Partnership, as the case may be. If payment is being made after the fifth business day referred to in Section 2(g)(iii), the amount of the payment to be made pursuant to this Section 2(g) shall bear interest from and including such fifth business day to, but excluding, the date of payment at a rate per annum equal to 10%. Such interest shall be payable at the same time as the payment to which it relates and shall be calculated on the basis of a year of 365 days and the actual number of days for which due.

(v) The Buyer agrees that, following the Closing, it shall not take any actions with respect to the Acquired Company's accounting books, records, policies and procedures that would obstruct or prevent the preparation of the Closing Date Statement as provided in this Section 2(g). The Buyer shall cooperate in the preparation of the Closing Date Statement, including providing customary certifications to the Partnership, or, if requested, to the Partnership's independent accountants or the accounting firm selected by mutual agreement of the parties pursuant to Section 2(g)(ii).

(vi) Except as set forth in Section 2(g)(ii), the Buyer and the Partnership shall each bear its own expenses incurred in connection with the preparation and review of the Closing Date Statement.

(h) Acquired Company Excluded Assets. Notwithstanding any other provision of this Agreement, the transactions contemplated by this Agreement exclude, and prior to the Closing Date the Partnership may cause the Acquired Company to transfer to the Partnership, any of its Affiliates or any third party (other than the Acquired Company) without consideration, the following (all of which are referred to as the "Acquired Company Excluded Assets"):

(i) the assets listed or described on Schedule 2(h);

(ii) except to the extent contemplated in Section 11(b), all insurance policies and rights under any insurance policies in respect to any and all claims made under such policies whether such claims are asserted before or after the Closing Date and all rights to any proceeds payable under any such policy;

(iii) Retained E-Mail;

(iv) the El Paso Energy Marks; and

(v) all books, records, work papers, Tax Returns, etc. relating to Taxes.

Notwithstanding anything to the contrary provided elsewhere in this Agreement, the Partnership's representations, warranties and covenants shall not apply to any of the items described in clauses (i) through (v) of the immediately preceding sentence.

(i) Alternative Structure. Notwithstanding any other provision of this Agreement, at the Buyer's option, the Buyer may elect, in lieu of selling the Acquired Company Shares, to effect the sale of the Acquired Company Shares by causing the Acquired Company to merge with and into the Buyer or a wholly-owned subsidiary of the Buyer in accordance with applicable state law in exchange for the Purchase Price allocable to the Acquired Company Shares as set forth on Schedule 2(b)(iii) (as adjusted by the Net Increase Amount or the Net Decrease Amount, as applicable, allocable to the Acquired Company Shares).

3. Representations and Warranties Concerning the Transaction.

(a) Representations and Warranties Concerning the Partnership, Green Canyon and the General Partner. The Sellers hereby represent and warrant to the Buyer as follows:

(i) Organization of the Sellers. The Partnership is a limited partnership, Green Canyon is a limited partnership, and the General Partner is a corporation, each of which is duly organized, validly existing, and in good standing under the Laws of the state of Delaware. Green Canyon is in good standing under the laws of each jurisdiction which requires such qualification.

(ii) Authorization of Transaction. The Partnership and Green Canyon each have full power and authority (including full company power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of the Partnership and Green Canyon, enforceable in accordance with its terms and conditions, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally, and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Except as set forth on Schedule 3(a)(ii), the Partnership and Green Canyon need not give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Authority or any other Person in order to consummate the transactions contemplated by this Agreement, except for the prior approval of the Federal Trade Commission ("FTC"), if applicable.

(iii) Noncontravention. Except for the need to obtain prior approval (which has not been obtained) of the FTC (if applicable) and filings specified in Schedule 3(a)(ii) or as set forth in Schedule 3(a)(iii), neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (A) violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Authority to which either the Partnership, Green Canyon or the General Partner is subject or any provision of its Organizational Documents or (B) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which any of the Partnership, Green Canyon or the General Partner is a party or by which it is bound or to which any of its assets is subject, except for such violations, defaults, breaches, or other occurrences that do not, individually or in the aggregate, have a material adverse effect on the ability of either the Partnership or Green Canyon to consummate the transactions contemplated by this Agreement.

(iv) Brokers' Fees. None of the Partnership, the General Partner or Green Canyon have any liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Buyer could become liable or obligated.

(v) Capitalization of the Acquired Company. The Partnership owns of record and beneficially all of the Equity Interest in the Acquired Company, as denominated below:

Owner	Shares of Common Stock, $.10 Par Value	Percentage of Issued and Outstanding Shares
Partnership	80	100%

The Acquired Company Shares constitute all of the issued and outstanding Equity Interest of the Acquired Company and have been duly authorized, and are validly issued and fully paid and non-assessable. Except to the extent created under the Securities Act, state securities Laws, limited liability company Laws and general corporation Laws of the Acquired Company's jurisdiction of formation, and as created by the Organizational Documents of the Acquired

Company, and liens created by the Partnership Loan Documents, (x) the Acquired Company Shares are held of record as set forth above, free and clear of restrictions on transfer and Encumbrances and (y) there are no Commitments with respect to any Equity Interest of the Acquired Company. The Partnership is not a party to any voting trust, proxy, or other agreement or understanding with respect to voting any Equity Interest of the Acquired Company.

(b) Representations and Warranties of the Buyer. The Buyer hereby represents and warrants to the Sellers as follows:

(i) Organization of the Buyer. The Buyer is a limited partnership duly organized, validly existing, and in good standing under the Laws of the state of Delaware.

(ii) Authorization of Transaction. The Buyer has full power and authority (including full company power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of the Buyer, enforceable in accordance with its terms and conditions, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium, or similar Laws affecting creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). The Buyer need not give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Authority or any other Person in order to consummate the transactions contemplated by this Agreement, except for the prior approval of the FTC, if applicable.

(iii) Noncontravention. Except for the need to obtain prior approval (which has not been obtained) of the FTC (if applicable) or as set forth in Schedule 3(b)(iii), neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (A) violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Authority to which the Buyer is subject or any provision of its Organizational Documents or (B) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any Party the right to accelerate, terminate, modify, or cancel, or require any notice, approval or consent under any agreement, contract, lease, license, instrument, or other arrangement to which the Buyer is a party or by which it is bound or to which any of its assets is subject, except for such violations, defaults, breaches, or other occurrences that do not, individually or in the aggregate, have a material adverse effect on the ability of the Buyer to consummate the transactions contemplated by this Agreement.

(iv) Brokers' Fees. The Buyer has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Sellers could become liable or obligated.

(v) Investment. The Buyer is not acquiring the Acquired Company Shares with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act. The Buyer, together with its directors and executive officers and advisors, is familiar with investments of the nature of the Acquired Company Shares, understands that this investment involves substantial risks, has adequately investigated the Acquired Company and the Acquired Company Shares, and has substantial knowledge and experience in financial and business matters such that it is capable of evaluating, and has evaluated, the merits and risks inherent in purchasing the Acquired Company Shares, and is able to bear the economic risks of such investment.

(vi) Financing. The Buyer has sufficient immediately available funds (excluding financing tied specifically to or secured primarily by any of the Acquired Interest) to enable it to make payment of the Purchase Price at Closing without encumbrance or delay and without causing the Buyer to become insolvent or to declare insolvency.

(vii) Partnership's or Green Canyon's Breach of Representation or Warranty. To the Buyer's Knowledge as of the date of this Agreement, there is no fact or circumstance that would cause the Partnership or Green Canyon to be in material breach of any representation or warranty set forth in this Agreement.

4. Representations and Warranties Concerning the Acquired Company and the Green Canyon Acquired Assets. The Sellers hereby represent and warrant to the Buyer as follows:

(a) Organization, Qualification, Company Power, Capitalization. The Acquired Company (x) is a corporation duly organized and validly existing, under the Laws of the jurisdiction of its formation; (y) is duly authorized to conduct business and is in good standing under the Laws of each jurisdiction where such qualification is required, except where the lack of such qualification would not have a Material Adverse Effect; and (z) has full power and authority to carry on the businesses in which it is engaged and to own and use the properties owned and used by it.

(b) Noncontravention. Except for the need to obtain prior approval (which has not been obtained) of the FTC or as set forth in Schedule 4(b), neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (i) violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Authority to which the Acquired Company is subject or to which any Subject Asset is subject or any provision of the Organizational Documents of the Acquired Company or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or trigger any rights to payment or other compensation under any agreement, contract, lease, license, instrument, or other arrangement (x) to which the Acquired Company is a party or by which it is bound, (y) to which any Subject Asset is subject or (z) which constitutes part of the Green Canyon Acquired Assets (or result in the imposition of any Encumbrance upon any of the Subject Assets), except where the violation, conflict, breach, default, acceleration, termination, modification, cancellation, failure to give notice, right to payment or other compensation, or Encumbrance would not have a Material Adverse Effect, or would not materially adversely affect the ability of the Partnership or Green Canyon to consummate the transactions contemplated by this Agreement. Except for the prior approval of the FTC (if applicable), the Acquired Company does not need to give notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Authority in order for the Parties to consummate the transactions contemplated by this Agreement, except where the failure to give notice, to file, or to obtain any authorization, consent, or approval would not have a Material Adverse Effect or would not materially adversely affect the ability of the Partnership or Green Canyon to consummate the transactions contemplated by this Agreement.

(c) Brokers' Fees. The Acquired Company does not have any liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

(d) Title to and Condition of Tangible Assets.

(i) The Acquired Company has good and defensible title to all of the Subject Assets other than the Green Canyon Acquired Assets, and Green Canyon has good and defensible title to all of the Green Canyon Acquired Assets, in each such case free and clear of all Encumbrances, except for (a) Permitted Encumbrances, (b) the Encumbrances disclosed in Schedule 4(d) and (c) Encumbrances which do not have a Material Adverse Effect.

(ii) Except as disclosed in Schedule 4(d), the Subject Assets have been operated during the period in which the Sellers have owned them in compliance with the standards which the Partnership operates its other offshore pipelines, are in good operating condition and repair (normal wear and tear excepted), are adequate to be used consistent with prior conduct and are not in need of maintenance or repairs except for ordinary, routine maintenance and repairs.

(iii) The Acquired Company has good and defensible title against any Person claiming by, through or under the Acquired Company (except for any act of the Acquired Company after the Closing), but not otherwise, to all of the Subject Assets other than the Green Canyon Acquired Assets, and Green Canyon has good and defensible title against any Person claiming by, through or under Green Canyon, but not otherwise, to all of the Green Canyon Acquired Assets, except for (a) Permitted Encumbrances, (b) the Encumbrances disclosed in Schedule 4(d) and (c) Encumbrances which do not have a Material Adverse Effect.

(e) Financial Statements. Schedule 4(e) sets forth (i) an unaudited balance sheet of the Acquired Company as of December 31, 1999; (ii) an unaudited statement of income for the Acquired Company for the twelve month period ended December 31,1999; (iii) an unaudited balance sheet of the Acquired Company as of June 30, 2000 (the "Balance Sheet Date"); (iv) an unaudited statement of income for the Green Canyon Acquired Assets for the twelve month period ended December 31, 1999; and (v) an unaudited statement of income for the Green Canyon Acquired Assets for the nine month period ended September 30, 2000 (collectively, the "Financial Data"). The Financial Data was prepared in accordance with GAAP (except as expressly stated therein and except for the absence of year-end adjustments and footnotes) fairly presents, in all material respects, the financial position and income for the Acquired Company and the Green Canyon Acquired Assets as of the dates and for the periods indicated.

(f) Material Change. Except as set forth in Schedule 4(f), since the Balance Sheet Date:

(i) to the Partnership's Knowledge, there has not been any Material Adverse Effect;

(ii) the Subject Assets have been operated and maintained in the Ordinary Course of Business;

(iii) to the Partnership's Knowledge, there has not been any material damage, destruction or loss to any material portion of the Subject Assets, whether or not covered by insurance;

(iv) there has been no issuance by the Acquired Company of any of its Equity Interests, or any repurchase or redemption by the Acquired Company of any of its Equity Interests;

(v) there has been no merger or consolidation of the Acquired Company with any other Person or acquisition by the Acquired Company of the Equity Interest or business of any other Person, nor any purchase, sale or lease of material assets included in the Subject Assets;

(vi) there has been no borrowing of funds, agreement to borrow funds or guaranty by the Acquired Company except for those under the Partnership Loan Documents and except for intercompany loans and transactions that will be satisfied or terminated pursuant to Section 5(e);

(vii) to the Partnership's Knowledge, there has been no change in the relationship of the Acquired Company or affecting any of the Subject Assets, with any customers, licensors, suppliers, distributors or sales representatives, except for changes that do not have a Material Adverse Effect; and

(viii) there is no contract, commitment or agreement to do any of the foregoing, except as expressly permitted hereby.

(g) Legal Compliance. To the Partnership's Knowledge, the Acquired Company (and Green Canyon with respect to the Green Canyon Acquired Assets) has complied with all applicable Laws of all Governmental Authorities (including the applicable regulations promulgated under Order No. 639, issued by the Federal Energy Regulatory Commission on April 10, 2000), except where the failure to comply would not have a Material Adverse Effect. The Sellers make no representations or warranties in this Section 4(g) with respect to Taxes or Environmental Laws, for which the sole representations and warranties of the Sellers are set forth in Sections 4(h) and 4(k), respectively.

(h) Tax Matters. Except as set forth in Schedule 4(h) or as would not have a Material Adverse Effect:

(i) The Acquired Company has filed all material Tax Returns that it was required to file and such Tax Returns are accurate in all material respects. All Taxes shown as due from the Acquired Company on any such Tax Returns have been paid.

(ii) There is no material dispute or claim concerning any Tax liability of the Acquired Company claimed or raised by any authority in writing.

(iii) There are no outstanding agreements or waivers extending the statutory period of limitations applicable to any material Tax Returns required to be filed by or with respect to the Acquired Company and for which the Buyer may be responsible.

(iv) Green Canyon has filed all material Tax Returns with respect to the Green Canyon Acquired Assets that it was required to file and such Tax Returns (with respect to the Green Canyon Acquired Assets) are accurate in all material respects. All Taxes shown as due with respect to the Green Canyon Acquired Assets on any such Tax Returns have been paid.

(v) If the Buyer elects to use either the Alternative Structure described in Section 2(i) or to make an election under Section 338(g) of the Code with respect to the Acquired Company, then the Partnership shall represent to the Buyer that the net operating loss carryover of the Acquired Company shall be at least $4,682,276 at the time of the deemed asset sale and such amount shall be available to the Buyer to offset, for federal income tax purposes, any gain realized by the Buyer pursuant to either the Alternative Structure or an election under Section 338(g) of the Code.

(i) Contracts and Commitments.

(i) Schedule 4(i)(i) includes a list of all material contracts and commitments (including, without limitation, any contract, lease, agreement or commitment, written or oral, providing for receipt or payment, contingent or otherwise, of $100,000 or more or which may not be terminated without payment or penalty, or restricting the ability of the Acquired Company to engage in any line of business in any geographic area, or containing any indemnity obligation, or relating to indebtedness or guarantee obligations, or creating an Encumbrance upon any of the assets of the Acquired Company, or any commitment, agreement, note, loan, evidence of indebtedness, purchase order, letter of credit or guarantee of indebtedness that involves aggregate payments of more than $100,000 within the remaining term of such agreement, or any pending sale of real or personal property in excess of $100,000, or any contract requiring a capital expenditure or a commitment for a capital expenditure in excess of $100,000, or any agreement relating to commodity hedging, derivatives or swaps) to which the Acquired Company is a party, and each such contract is in full force and effect, except where the failure to be in full force and effect would not have a Material Adverse Effect and except for contracts related to the Partnership Loan Documents. The Acquired Company has performed all material obligations required to be performed by it to date under the contracts, and is not in default under any material obligation of any such contracts, except when such default would not have a Material Adverse Affect. To the Partnership's Knowledge, no other party to any such contract is in default thereunder.

(ii) Schedule 4(i)(ii) contains a list of all the contracts, agreements, rights-of-way, licenses, permits, and other documents and instruments included in the Green Canyon Acquired Assets (the "Green Canyon Assumed Contracts"), and each such contract, agreement, right-of-way, license, permit and other document and instrument is in full force and effect, except where the failure to be in full force and effect would not have a Material Adverse Effect. Green Canyon has performed all material obligations required to be performed by it to date under the Green Canyon Assumed Contracts, and is not in default under any material obligation of any such contracts, except when such default would not have a Material Adverse Affect. To the Partnership's Knowledge, no other party to any such contract is in default thereunder.

(j) Litigation. Schedule 4(j) sets forth each instance in which the Acquired Company or any of the Subject Assets (i) is subject to any outstanding injunction, judgment, order, decree, ruling, or charge or (ii) is a party to or the subject of any action, suit, proceeding, hearing, or investigation of, in, or before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction, or is the subject of any pending or, to the Partnership's Knowledge, threatened claim, demand, or notice of violation or liability from any Person, except where any of the foregoing would not have a Material Adverse Effect.

(k) Environmental Matters. Except as set forth in Schedule 4(k):

(i) The Acquired Company (and, with respect to the Green Canyon Acquired Assets, Green Canyon) is in compliance with all applicable federal, state and local Laws (including common law) relating to the protection of the environment, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. section 9601, et seq. ("CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended, 42 U.S.C. section 6901, et seq., the Clean Air Act, as amended, 42 U.S.C. section 7401, et seq., the Federal Water Pollution Control Act, as amended, 33 U.S.C. section 1251, et seq., and the Oil Pollution Act of 1990, 33 U.S.C. section 2701, et seq. (collectively, the "Environmental Laws" and individually an "Environmental Law"), except for such instances of noncompliance that individually or in the aggregate do not have a Material Adverse Effect.

(ii) The Acquired Company (and, with respect to the Green Canyon Acquired Assets, Green Canyon) has obtained all permits, licenses, franchises, authorities, consents, and approvals, and has made all filings and maintained all material information, documentation, and records, as necessary under applicable Environmental Laws for operating its assets and business as it is presently conducted, and all such permits, licenses, franchises, authorities, consents, approvals, and filings remain in full force and effect, except for such matters that individually or in the aggregate do not have a Material Adverse Effect.

(iii) Except as do not have a Material Adverse Effect, (x) there are no pending or threatened claims, demands, actions, administrative proceedings or lawsuits against the Acquired Company (or, with respect to the Green Canyon Acquired Assets, Green Canyon), and (y) the Acquired Company is not, and none of the Subject Assets, are subject to any outstanding injunction, judgment, order, decree or ruling, under any Environmental Laws.

(iv) None of the real property presently or formerly owned or operated by the Acquired Company is listed on the National Priorities List or any similar state list of sites requiring remedial action.

(v) The Partnership has not received any written notice that the Acquired Company (or, with respect to the Green Canyon Acquired Assets, Green Canyon) is or may be a potentially responsible party under CERCLA or any analogous state law in connection with any site actually or allegedly containing or used for the treatment, storage or disposal of Hazardous Substances.

(vi) All hazardous substances or solid wastes generated, transported, handled, stored, treated or disposed by, in connection with or as a result of the operation or possession of the Sellers or the conduct of the Sellers, have been transported only by carriers maintaining valid authorizations under applicable Environmental Laws and treated, stored, disposed of or otherwise handled only at facilities maintaining valid authorizations under applicable Environmental Laws and such carriers and facilities have been and are operating in compliance with such authorizations and are not the subject of any existing, pending or threatened action, investigation or inquiry by any Governmental Authority or other Person in connection with any of the Environmental Laws.

The Sellers make no representation or warranty regarding any compliance or failure to comply with, or any actual or contingent liability under, any Environmental Law, except as expressly set forth in this Section 4(k).

(l) Permits. Except as set forth in Schedule 4(l), the Acquired Company owns or holds all franchises, licenses, permits, consents, approvals, and authorizations of all

Governmental Authorities necessary for the conduct of its business (collectively, the "Permits"), except for Permits whose absence would not have a Material Adverse Effect. To the Partnership's Knowledge, each Permit is in full force and effect, and the Acquired Company is in compliance with all of its obligations with respect to each Permit, except where the failure to be in full force and effect or to be in compliance would not have a Material Adverse Effect, and to the Sellers' Knowledge, no event has occurred that permits, or upon the giving of notice or the lapse of time or otherwise would permit, revocation or termination of any Permit except such as would not have a Material Adverse Effect.

(m) Employee Matters. The Acquired Company does not have any employees and has had no employee for the entire period of time in which the Partnership has owned the Acquired Company.

(n) Books and Records. The books of account, minute books, stock record books, and other records of the Acquired Company, all of which have been made available to Buyer, are complete and correct and have been maintained in accordance with industry standards and sound business practices, including the maintenance of an adequate system of internal controls. The minute books of the Acquired Company contain accurate and complete records of all meetings held of, and action taken by, the directors and shareholders of the Acquired Company in such capacities, and no meeting of any such directors or shareholders has been held for which minutes have not been prepared and are not contained in such minute books. At the Closing, all of such books and records of the Acquired Company will be in the possession of the Acquired Company.

(o) Preferential Purchase Rights. Except as set forth on Schedule 4(o), there are no preferential purchase rights, options or other rights held by any Person not a party to this Agreement to purchase or acquire any interest in the Acquired Company or the Green Canyon Acquired Assets, in whole or in part, as a result of the transactions contemplated by this Agreement.

(p) Completeness of Green Canyon Acquired Assets. The Green Canyon Acquired Assets and the Green Canyon Assumed Contracts comprise all of the assets (i) comprising the natural gas gathering system commonly known as the Green Canyon Gathering System as such assets have been operated during the last 18 months, (ii) reflected in the Financial Data or (iii) that produced the income reflected in the Financial Data.

(q) Disclaimer of Representations and Warranties Concerning Personal Property, Equipment, and Fixtures. The Buyer acknowledges that (a) it has had and pursuant to this Agreement will have before Closing access to the Partnership, the Acquired Company and the Subject Assets, and the officers and employees of the Partnership and (b) in making the decision to enter into this Agreement and consummate the transactions contemplated hereby, the Buyer has relied solely on the basis of its own independent investigation and upon the express representations, warranties, covenants, and agreements set forth in this Agreement. Accordingly, the Buyer acknowledges that, except as expressly set forth in this Agreement, none of the Sellers have made, and THE SELLERS MAKE NO AND DISCLAIM ANY REPRESENTATION OR WARRANTY, WHETHER EXPRESS OR IMPLIED, AND WHETHER BY COMMON LAW, STATUTE, OR OTHERWISE, REGARDING (i) THE QUALITY, CONDITION, OR OPERABILITY OF ANY PERSONAL PROPERTY, EQUIPMENT, OR FIXTURES, (ii) ITS MERCHANTABILITY, (iii) ITS FITNESS FOR ANY PARTICULAR PURPOSE, (iv) ITS CONFORMITY TO MODELS, SAMPLES OF MATERIALS OR MANUFACTURER DESIGN, OR (v) AS TO WHETHER ANY SUBJECT ASSET IS YEAR 2000 COMPLIANT, AND ALL PERSONAL PROPERTY AND EQUIPMENT IS DELIVERED "AS IS, WHERE IS" IN THE CONDITION IN WHICH THE SAME EXISTS.

5. Pre-Closing Covenants. The Parties agree as follows with respect to the period between the date of this Agreement and the Closing:

(a) General. Each Party will use its best efforts to take all action and to do all things necessary, proper, or advisable in order to consummate and make effective the transactions contemplated by this Agreement.

(b) Notices and Consents. The Partnership will give any notices to third parties, and will use its commercially reasonable efforts to obtain the third party consents, listed on Schedule 5(b). Each of the Parties will give any notices to, make any filings with, and use its best efforts to obtain any authorizations, consents, and approvals of Governmental Authorities in connection with the matters referred to in Section 3(a)(ii), 3(a)(iii), 3(b)(ii), 3(b)(iii) and 4(b) so as to permit the Closing to occur not later than March 16, 2001. Without limiting the generality of the foregoing, the Buyer agrees to work in good faith with the FTC in order to consummate the transactions contemplated hereby as soon as reasonably practicable, but in no event later than March 16, 2001; provided, that, notwithstanding anything to the contrary contained herein, this sentence shall not obligate the Buyer to divest or hold separate any assets or enter into any agreement not contemplated by this Agreement or modify this Agreement.

(c) Operation of Business. The Partnership will not, without the consent of the Buyer (which consent shall not be unreasonably withheld or delayed), except as expressly contemplated by this Agreement or as contemplated by Schedule 5(c), cause or permit the Acquired Company, or, with respect to the Green Canyon Acquired Assets, Green Canyon (as applicable) to engage in any practice, take any action, or enter into any transaction outside the Ordinary Course of Business. Without limiting the generality of the foregoing, the Partnership will not, without the consent of the Buyer (which consent shall not be unreasonably withheld or delayed), except as expressly contemplated by this Agreement or as contemplated by Schedule 5(c), cause or permit the Acquired Company, or, with respect to the Green Canyon Acquired Assets, Green Canyon (as applicable) to do any of the following:

(i) amend or otherwise change the Acquired Company's Organizational Documents;

(ii) issue, sell, pledge, dispose of, grant, encumber, or authorize the issuance, sale, pledge, disposition, or grant of any Equity Interest of the Acquired Company, or any Commitments with respect to any Equity Interest of the Acquired Company;

(iii) cause or allow any of the Subject Assets to become subject to an Encumbrance, except for Permitted Encumbrances, other Encumbrances identified in Sections 3(a)(v) and 4(d) and mechanic's, materialman's and similar liens arising in connection with capital expenditures allowed under Section 5(c)(viii) or approved by the Buyer;

(iv) with respect only to the Acquired Company: (A) acquire (including, without limitation, by merger, consolidation or acquisition of stock or assets) any corporation, partnership, or other business organization or any division thereof or any material amount of assets except for acquisitions of assets in the Ordinary Course of Business; (B) incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee, endorse, or otherwise as an accommodation become responsible for, the obligations of any Person, or make any loans or advances except for borrowing in the Ordinary Course of Business; (C) sell, lease or otherwise dispose of any property or assets, other than (x) sales of goods or services in the Ordinary Course of Business and (y) those properties and assets which constitute Acquired Company Excluded Assets; or (D) enter into or amend a contract, agreement, commitment, or arrangement with respect to any matter set forth in this paragraph (iv); provided that notwithstanding any provision of this Agreement, the Acquired Company shall be entitled to dividend and/or distribute to its Equity Interest holders, at any time, and from time to time, such cash generated by such company's business to which such Equity Interest holder would otherwise be entitled (other than cash arising from borrowings by such company or sales of assets by such company outside of the Ordinary Course of Business);

(v) change the Acquired Company's accounting practices in any material respect with the exception of any changes in accounting methodologies that have already been agreed upon by such company's Equity Interest holders, consistent with such company's Organizational Documents;

(vi) amend in any material respect any contract or agreement material to the Acquired Company (or any Green Canyon Assumed Contract material to the Green Canyon Acquired Assets), taken as a whole, or terminate any such material contract or agreement before the expiration of the term thereof other than to the extent any such material contract or agreement terminates or is terminable pursuant to its terms in the Ordinary Course of Business;

(vii) except as required by Law, make, change or revoke any Tax election relevant to the Acquired Company; or

(viii) make any individual capital expenditure in excess of $200,000 except for expenditures made in connection with any emergency or other force majeure event.

(d) Full Access. Green Canyon, with respect to the Green Canyon Acquired Assets, will permit, and the Partnership will permit and will cause the Acquired Company to permit, representatives of the Buyer to have full access at all reasonable times, and in a manner so as not to interfere with the normal business operations of the Acquired Company or Green Canyon, to all premises, properties, personnel, books, records (including Tax records), contracts, and documents of or pertaining to the Subject Assets and the Acquired Company. Any information obtained by the Buyer, its employees, representatives, consultants, attorneys, agents, lenders and other advisors under this Section 5(d) shall be subject to the confidentiality and use restrictions contained in the Confidentiality Agreement. All "due diligence" activities of the Buyer shall be conducted in accordance with applicable Laws and the Buyer shall indemnify the Partnership, Green Canyon and their Affiliates from and against all damages, losses and liabilities incurred as a result of such activities.

(e) Intercompany Transactions. Immediately before the Closing, all outstanding receivables and payables between the Partnership and its Subsidiaries, on the one hand, and the Acquired Company, on the other hand, shall be satisfied and discharged, without any post-Closing liability or expense to the Acquired Company, except to the extent such receivables and payables relate to or arise under any agreement listed on Schedule 5(e) between the Partnership and the Acquired Company which will not be terminated prior to, or at, the Closing. Except for those listed on Schedule 5(e), all other intercompany transactions or arrangements between the Acquired Company, on the one hand, and the Partnership or any of its Subsidiaries, on the other hand, shall be terminated as of the Closing, in such manner as the Partnership shall specify, without imposing liabilities upon the Buyer, and none of the parties shall have any further liability or obligation in respect of any such transaction or arrangement.

(f) Partnership Loan Document Obligations and Liens. Prior to the Closing, the Partnership shall obtain (i) a release of all obligations of the Acquired Company under the Partnership Loan Documents and (ii) a release of all liens and other Encumbrances created under the Partnership Loan Documents on any portion of the Acquired Interest and the Subject Assets, without any post-Closing liability or expense to the Acquired Company or the Buyer.

(g) Construction Fund. The Sellers covenant and agree that they will not advocate or support to the FTC (i) a reduction in the amount of the construction fund or (ii) more restrictive limitations on the use of such construction fund than as reflected in theform of Construction Fund Letter Agreement attached hereto as Exhibit C.

6. Post-Closing Covenants. The Parties agree as follows:

(a) General. In case at any time after the Closing any further action is necessary to carry out the purposes of this Agreement, each of the Parties will take such further action (including the execution and delivery of such further instruments and documents) as the other Parties reasonably may request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor under Section 8).

(b) Litigation Support. In the event and for so long as any Party actively is contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or before the Closing Date involving the Acquired Company or the Subject Assets, the other Parties shall cooperate with the contesting or defending Party and its counsel in the defense or contest, make available its personnel, and provide such testimony and access to its books and records (other than books and records which are subject to privilege or to confidentiality restrictions) as shall be necessary in connection with the defense or contest, all at the sole cost and expense of the contesting or defending Party (unless the contesting or defending Party is entitled to indemnification therefor under Section 8).

(c) Surety Bonds; Guarantees. The Buyer agrees to be substituted as the surety or guarantor of any surety bonds or guarantees issued by the Partnership or any of its Affiliates with respect to the Acquired Company or the Subject Assets, including, but not limited to the surety bonds and guarantees listed on Schedule 6(c). The Buyer and the Partnership shall cooperate to effect all such substitutions and the Buyer shall indemnify and hold the Partnership harmless from and against any Adverse Consequences arising from the failure of the Buyer to be so substituted. The Buyer shall use commercially reasonable efforts to obtain a release of the Partnership from any surety or guaranty obligations with respect to the Acquired Company or the Subject Assets.

(d) Delivery and Retention of Records. On or before the Closing Date, the Partnership will deliver or cause to be delivered to the Buyer, at the Buyer's request, copies of Tax records relating to the Acquired Company and the Subject Assets, which are relevant to post-Closing Tax periods and all other files, records, information and data relating to the Acquired Company and the Subject Assets (other than Tax records) that are in the possession or control of the Partnership, Green Canyon and the Acquired Company (the "Records"). The Buyer agrees to (i) hold the Records and not to destroy or dispose of any thereof for a period of ten years from the Closing Date or such longer time as may be required by Law, provided that, if it desires to destroy or dispose of such Records during such period, it will first offer in writing at least 60 days before such destruction or disposition to surrender them to the Partnership and if the Partnership does not accept such offer within 20 days after receipt of such offer, the Buyer may take such action and (ii) following the Closing Date to afford the Partnership, its accountants, and counsel, during normal business hours, upon reasonable request, at any time, full access to the Records and to the Buyer's employees to the extent that such access may be requested for any legitimate purpose at no cost to the Partnership (other than for reasonable out-of-pocket expenses); provided that such access will not be construed to require the disclosure of Records that would cause the waiver of any attorney-client, work product or like privilege; provided, further, that in the event of any litigation nothing herein shall limit any Party's rights of discovery under applicable Law. The Buyer shall have the same rights, and the Partnership shall have the same obligations, as are set forth in this Section with respect to any copies of the Records of the Partnership pertaining to the assets that are retained by the Partnership, with the exception of Tax Returns retained by the Partnership, provided that such access will not be construed to require the disclosure of Records that would cause the waiver of any attorney-client, work product, or like privilege.

(e) Pipeline Markers and Locks.

(i) Removal of Decals, Logos and Signs. Within 90 days after the Closing, the Buyer shall remove from each marker along the route of the pipelines constituting a portion of the Subject Assets any decal, logo or sign indicating that such pipeline is owned or operated by the Partnership or any of its Affiliates or El Paso Energy Corporation or any of its Affiliates (including signs displaying the Partnership's or its Affiliate's emergency contact telephone number). As promptly as practical after the Closing, the Buyer shall post the Buyer's emergency contact telephone numbers in place of any of the Partnership's or its Affiliate's emergency contact telephone numbers.

(ii) Return of Locks and Keys. On such date or dates as the Partnership and the Buyer may agree, but not later than 90 days after the Closing, the Buyer shall return to the Partnership all locks which were affixed to such pipeline on the Closing Date and the keys thereto.

(f) Governmental Approvals. If the FTC before its order becomes final notifies the Sellers (x) that the Buyer is not an acceptable purchaser of any part, or all, of the Acquired Interest or (y) that the manner in which (i) the sale of the Acquired Interest or (ii) the transactions contemplated hereby were accomplished, is not acceptable to the FTC, then the Sellers shall have the unilateral right to immediately rescind the sale of the Acquired Interest and other transactions contemplated hereby. In the event any such rescission is required, the Buyer agrees to cooperate fully with the Sellers in order to promptly effect such rescission.

7. Conditions to Obligation to Close.

(a) Conditions to Obligation of the Buyer. The obligation of the Buyer to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties of the Sellers contained in Section 3(a) and Section 4 shall be true and correct when made and at Closing (except for those which refer to a specific date, which shall be true and correct as of such date), except (i) to the extent that any failures of such representations and warranties to be so true and correct would not have a Material Adverse Effect and (ii) any mechanic's, materialman's or other similar lien arising after the date of this Agreement in accordance with Section 5(c)(viii) shall not cause the representations and warranties in Section 4(d) not to be true at Closing; provided, that for purposes of this subsection 7(a)(i), any representation or warranty qualified by "materiality" or "Material Adverse Effect" will be treated as though not so qualified;

(ii) the Partnership and Green Canyon shall have performed and complied with all of its covenants hereunder through the Closing except to the extent that any failure to perform or comply would not have a Material Adverse Effect;

(iii) there shall not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement or any suit or action pending by a Governmental Authority to enjoin the consummation of any of the transactions contemplated by this Agreement;

(iv) the Partnership shall have delivered to the Buyer a certificate to the effect that each of the conditions specified in subsections 7(a)(i)-(ii) is satisfied in all respects; and

(v) the FTC shall have accepted the proposed consent agreement for public comment, in connection with the Merger Agreement, pursuant to Rule 2.34 of the FTC Rules of Practice, 16 C.F.R. 2.34, as amended, and such consent agreement shall contain a consent order requiring the disposition of all, or any portion of, the Acquired Interest.

The Buyer may waive any condition specified in this Section 7(a) if it executes a writing so stating at or before the Closing. As such term is used in this Section 7(a), "Material Adverse Effect" means any change or effect that both (i) falls within the definition of such term in Section 1 and (ii) individually, or in the aggregate, with other changes and effects, has an adverse effect having a value of $1,000,000 or more.

(b) Conditions to Obligation of the Partnership and Green Canyon. The obligation of the Partnership and Green Canyon to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties of the Buyer contained in Section 3(b) shall be true and correct when made and at Closing (except for those which refer to a specific date, which shall be true and correct as of such date), except to the extent that any failures of such representations and warranties to be so true and correct would not have a material adverse effect on the Partnership or Green Canyon or on the ability of the Buyer to consummate the transactions contemplated hereby; provided, that for purposes of this subsection 7(b)(i), any representation or warranty qualified by "materiality" or "Material Adverse Effect" will be treated as though not so qualified;

(ii) the Buyer shall have performed and complied with all of its covenants hereunder through the Closing except to the extent any failure to perform or comply would not have a material adverse effect on the Partnership or Green Canyon or on the ability of the Buyer to consummate the transactions contemplated hereby;

(iii) there shall not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement or any suit or action pending by a Governmental Authority to enjoin the consummation of any of the transactions contemplated by this Agreement;

(iv) the Buyer shall have delivered to the Partnership a certificate to the effect that each of the conditions specified in subsections 7(b)(i)-(ii) is satisfied in all respects;

(v) the FTC shall have accepted the proposed consent agreement for public comment, in connection with the Merger Agreement, pursuant to Rule 2.34 of the FTC Rules of Practice, 16 C.F.R. 2.34, as amended, and such consent agreement shall contain a consent order requiring the disposition of all, or any portion of, the Acquired Interest; and

(vi) the merger of El Paso Energy Corporation and The Coastal Corporation shall have closed.

The Partnership and Green Canyon may waive any condition specified in this Section 7(b) if it executes a writing so stating at or before the Closing. As such term is used in this Section 7(b), "material adverse effect" means any change or effect that individually, or in the aggregate, with other changes and effects, has an adverse effect having a value of $1,000,000 or more.

8. Remedies for Breaches of this Agreement.

(a) Survival of Representations, Warranties and Certain Covenants. (i) All of the representations and warranties of the Sellers contained in Sections 3 and 4 (other than Sections 3(a)(v), 4(h), 4(d)(i), 4(d)(ii), 4(d)(iii) and 4(k)) shall survive the Closing hereunder for a period of eighteen months after the Closing Date; (ii) the representations and warranties in Section 4(h) shall survive the Closing with respect to any given claim that would constitute a breach of such representation or warranty until the expiration of the statute of limitations applicable to the underlying Tax matter giving rise to that claim; (iii) the representations and warranties in Sections 3(a)(v) and 4(d)(iii) shall survive the Closing forever; (iv) the representations and warranties in Section 4(d)(ii) shall survive the Closing hereunder for a period of six months after the Closing Date; and (v) the representations and warranties in Section 4(d)(i) shall survive the Closing hereunder for a period of twenty-four months after the Closing Date. The representations and warranties of the Buyer contained in Section 3 shall survive the Closing for a period of eighteen months after the Closing Date. The indemnity obligations of the Partnership contained in Section 8(b)(v), and the representations and warranties of the Sellers contained in Section 4(k), shall survive the Closing for a period of ten years after the Closing Date. The indemnity obligations of the Partnership contained in Section 8(b)(vii) shall survive the Closing for a period of eighteen months after the Closing Date. The indemnity obligations of the Partnership contained in Section 8(b)(vi) shall survive the Closing indefinitely. The covenants contained in this Agreement to be performed after the Closing shall survive the Closing indefinitely.

(b) Indemnification Provisions for Benefit of the Buyer.

(i) In the event: (x) the Partnership or Green Canyon breaches any of its representations, warranties, or covenants contained herein (other than the covenants in Section 2 and the representations and warranties in Sections 3(a), 4(d)(ii), 4(d)(iii) and 4(k)); (y) there is an applicable survival period pursuant to Section 8(a); and (z) the Buyer makes a written claim for indemnification against the Partnership pursuant to Section 11(h) within such survival period, then the Partnership agrees to indemnify the Buyer Indemnitees from and against any Adverse Consequences to the extent they are caused proximately by the breach and suffered by such Buyer Indemnitees; provided, that the Partnership shall not have any obligation to indemnify any Buyer Indemnitees from and against any such Adverse Consequences (A) until the Buyer Indemnitees, in the aggregate, have suffered Adverse Consequences by reason of all Adverse Events and all Adverse Environmental Events in excess of an aggregate deductible amount equal to 1% of the Purchase Price (after which point the Partnership will be obligated only to indemnify the Buyer Indemnitees from and against further such Adverse Consequences) or thereafter (B) (1) to the extent the Adverse Consequences the Buyer Indemnitees, in the aggregate, have suffered by reason of all Adverse Events exceeds an aggregate ceiling amount equal to 50% of the Purchase Price (after which point the Partnership will have no obligation to indemnify the Buyer Indemnitees from and against further such Adverse Consequences), or (2) if the Adverse Consequences the Buyer Indemnitees, in the aggregate, have suffered by reason of all Adverse Events do not exceed an aggregate ceiling amount equal to 50% of the Purchase Price, then to the extent the Adverse Consequences the Buyer Indemnitees, in the aggregate, have suffered by reason of all Adverse Events and all Adverse Environmental Events exceeds an aggregate ceiling amount equal to 100% of the Purchase Price (after which point the Partnership will have no obligation to indemnify the Buyer Indemnitees from and against further such any representation, warranty or covenant qualified by "materiality" or "Material Adverse Effect" will be treated as though not so qualified.

(ii) In the event: (x) the Partnership or Green Canyon breaches any of its covenants in Section 2 or any of its representations and warranties in Section 3(a); (y) there is an applicable survival period pursuant to Section 8(a); and (z) the Buyer makes a written claim for indemnification against the Partnership pursuant to Section 11(h) within such survival period, then the Partnership agrees to indemnify the Buyer Indemnitees from and against the entirety of any Adverse Consequences caused proximately by the breach and suffered by the Buyer Indemnitees; provided, that for purposes of indemnification hereunder, any representation, warranty or covenant qualified by "materiality" or "Material Adverse Effect" will be treated as though not so qualified.

(iii) In the event: (x) the Partnership or Green Canyon breaches any of its representations and warranties in Section 4(d)(ii); (y) there is an applicable survival period pursuant to Section 8(a); and (z) the Buyer makes a written claim for indemnification against the Partnership pursuant to Section 11(h) within such survival period, then the Partnership agrees to repair the damaged assets the condition of which constituted the breach; provided, that the Partnership shall not have any obligation to repair any such assets to the extent the costs suffered by the Partnership, in the aggregate, in connection with all such repairs exceeds an aggregate ceiling amount equal to $2,000,000 (after which point the Partnership will have no obligation to repair any such assets), and further provided, that the Partnership's sole responsibility under this subsection (iii) shall be to repair the applicable assets and the Partnership shall have no indemnity or other obligations in connection herewith, and further provided, that for purposes of indemnification hereunder, any representation, warranty or covenant qualified by "materiality" or "Material Adverse Effect" will be treated as though not so qualified. If the Partnership is obligated to perform and does perform any repairs pursuant to this Section 8(b)(iii) and the Buyer (or any of its Affiliates including, after the Closing, the Acquired Company) has a claim for any Adverse Consequences against any Person in connection with any occurrence, event or circumstance which causes (in whole or in part) the need for such repairs, then, as between the Buyer (or any of its Affiliates including, after the Closing, the Acquired Company) and the Partnership, the Partnership shall be subrogated to the rights of the Buyer and such Affiliates or otherwise be given the right to pursue such Person with respect to any such Adverse Consequences.

(iv) The Partnership will indemnify and hold harmless the Buyer Indemnitees (including the Acquired Company) against joint and several liability with the Partnership arising by reason of the Acquired Company having been a member of a "controlled group of corporations," under "common control" or a member of an "affiliated service group" with the Partnership within the meaning of Sections 414(c) or (m) of the Code, or having been required to be aggregated with the Partnership under Section 414(o) of the Code, or having been under "common control" with the Partnership, within the meaning of Section 4001(a)(14) of ERISA.

(v) In the event there is an applicable survival period pursuant to Section 8(a) and the Buyer makes a written claim for indemnification against the Partnership pursuant to Section 11(h) within such survival period, then the Partnership agrees to indemnify the Buyer Indemnitees from and against the entirety of any Adverse Consequences caused proximately by, and suffered by the Buyer Indemnitees with respect to, any Adverse Environmental Event; provided, that the Partnership shall not have any obligation to indemnify any Buyer Indemnitees from and against any such Adverse Consequences (A) until the Buyer Indemnitees, in the aggregate, have suffered Adverse Consequences by reason of all Adverse Events and all Adverse Environmental Events in excess of an aggregate deductible amount equal to 1% of the Purchase Price (after which point the Partnership will be obligated only to indemnify the Buyer Indemnitees from and against further such Adverse Consequences) or thereafter (B) to the extent the Adverse Consequences the Buyer Indemnitees, in the aggregate, have suffered by reason of all Adverse Events and all

Adverse Environmental Events exceeds an aggregate ceiling amount equal to 100% of the Purchase Price (after which point the Partnership will have no obligation to indemnify the Buyer Indemnitees from and against further such Adverse Consequences), and further provided, that for purposes of indemnification hereunder, any representation or warranty in Section 4(k) qualified by "materiality" or "Material Adverse Effect" will be treated as though not so qualified.

(vi) The Partnership agrees to indemnify the Buyer Indemnitees from and against the entirety of any Adverse Consequences caused proximately by, and suffered by the Buyer Indemnitees with respect to, any litigation to which the Acquired Company is party pending on the Closing Date.

(vii) In the event there is an applicable survival period pursuant to Section 8(a) and the Buyer makes a written claim for indemnification against the Partnership pursuant to Section 11(h) within such survival period, then the Partnership agrees to indemnify the Buyer Indemnitees from and against the entirety of any Adverse Consequences caused proximately by, and suffered by the Buyer Indemnitees with respect to, any tort claim for the personal injury or death of any person with respect to the Subject Assets arising as a result of events occurring on or prior to the Closing Date; provided, that the Partnership shall not have any obligation to indemnify any Buyer Indemnitees from and against any such Adverse Consequences (A) until the Buyer Indemnitees, in the aggregate, have suffered Adverse Consequences by reason of all Adverse Events and all Adverse Environmental Events in excess of an aggregate deductible amount equal to 1% of the Purchase Price (after which point the Partnership will be obligated only to indemnify the Buyer Indemnitees from and against further such Adverse Consequences) or thereafter (B) (x) to the extent the Adverse Consequences the Buyer Indemnitees, in the aggregate, have suffered by reason of all Adverse Events exceeds an aggregate ceiling amount equal to 50% of the Purchase Price (after which point the Partnership will have no obligation to indemnify the Buyer Indemnitees from and against further such Adverse Consequences) or (y) if the Adverse Consequences the Buyer Indemnitees, in the aggregate, have suffered by reason of all Adverse Events do not exceed an aggregate ceiling amount equal to 50% of the Purchase Price, then to the extent the Adverse Consequences the Buyer Indemnitees, in the aggregate, have suffered by reason of all Adverse Events and all Adverse Environmental Events exceeds an aggregate ceiling amount equal to 100% of the Purchase Price (after which point the Partnership will have no obligation to indemnify the Buyer Indemnitees from and against further such Adverse Consequences).

(viii) The Partnership agrees to indemnify the Buyer Indemnitees from and against any Adverse Consequences to the extent they are caused proximately by the breach of any of the representations or warranties contained in Section 4(d)(iii) and suffered by such Buyer Indemnitees; provided, that the Partnership shall not have any obligation to indemnify any Buyer Indemnitees from and against any such Adverse Consequences (x) to the extent the

Adverse Consequences the Buyer Indemnitees, in the aggregate, have suffered by reason of all Adverse Events exceeds an aggregate ceiling amount equal to 50% of the Purchase Price (after which point the Partnership will have no obligation to indemnify the Buyer Indemnitees from and against further such Adverse Consequences) or (y) if the Adverse Consequences the Buyer Indemnitees, in the aggregate, have suffered by reason of all Adverse Events do not exceed an aggregate ceiling amount equal to 50% of the Purchase Price, then to the extent the Adverse Consequences the Buyer Indemnitees, in the aggregate, have suffered by reason of all Adverse Events and all Adverse Environmental Events exceeds an aggregate ceiling amount equal to 100% of the Purchase Price (after which point the Partnership will have no obligation to indemnify the Buyer Indemnitees from and against further such Adverse Consequences).

(ix) Except for the rights of indemnification provided in this Section 8, the Buyer hereby waives any claim or cause of action pursuant to common or statutory law or otherwise against any Seller Indemnitees regarding Obligations of any nature whatsoever that are attributable to the Subject Assets, the Acquired Company Shares, or the ownership and operation of the Acquired Company, whether arising before or after the Closing Date.

(c) Indemnification Provisions for Benefit of the Sellers.

(i) In the event: (x) the Buyer breaches any of its representations, warranties and covenants contained herein; (y) there is an applicable survival period pursuant to Section 8(a); and (z) any Seller makes a written claim for indemnification against the Buyer pursuant to Section 11(h) within such survival period, then the Buyer agrees to indemnify the Seller Indemnitees from and against the entirety of any Adverse Consequences caused proximately by the breach and suffered by such Seller Indemnitees through and after the date of the claim for indemnification; provided, that for purposes of indemnification hereunder, any representation, warranty or covenant qualified by "materiality" or "Material Adverse Effect" will be treated as though not so qualified.

(ii) Except for those liabilities for which the Partnership has agreed to indemnify the Buyer Indemnitees pursuant to Section 8(b), the Buyer agrees to indemnify the Seller Indemnitees from and against the entirety of any Adverse Consequences relating in any way to the Acquired Company Shares, the Acquired Company, the Green Canyon Acquired Assets or the ownership and operation of the Acquired Company or the Green Canyon Acquired Assets, whether arising before or after the Closing Date.

(d) Matters Involving Third Parties.

(i) If any third party shall notify any Party (the "Indemnified Party") with respect to any matter (a "Third Party Claim") that may give rise to a claim for indemnification against any other Party (the "Indemnifying Party") under this Section 8, then the

Indemnified Party shall promptly (and in any event within five business days after receiving notice of the Third Party Claim) notify the Indemnifying Party thereof in writing.

(ii) The Indemnifying Party will have the right to assume and thereafter conduct the defense of the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party; provided, however, that the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party (not to be withheld unreasonably) unless the judgment or proposed settlement involves only the payment of money damages and does not impose an injunction or other equitable relief upon the Indemnified Party.

(iii) Unless and until the Indemnifying Party assumes the defense of the Third Party Claim as provided in subsection 8(d)(ii), the Indemnified Party may defend against the Third Party Claim in any manner it reasonably may deem appropriate.

(iv) In no event will the Indemnified Party consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party which consent shall not be withheld unreasonably.

(e) Determination of Amount of Adverse Consequences. The Adverse Consequences giving rise to any indemnification obligation hereunder shall be limited to the actual loss suffered by the Indemnified Party (i.e., reduced by any insurance proceeds or other payment or recoupment received, realized or retained by the Indemnified Party as a result of the events giving rise to the claim for indemnification net of any expenses related to the receipt of such proceeds, payment or recoupment, including retrospective premium adjustments, if any), but not any reduction in Taxes of the Indemnified Party (or the affiliated group of which it is a member) occasioned by such loss or damage. The amount of the actual loss and the amount of the indemnity payment shall be computed by taking into account the timing of the loss or payment, as applicable, using a 10% interest or discount rate, as appropriate. Upon the request of the Indemnifying Party, the Indemnified Party shall provide the Indemnifying Party with information sufficient to allow the Indemnifying Party to calculate the amount of the indemnity payment in accordance with this Section 8(e). An Indemnified Party shall take all reasonable steps to mitigate damages in respect of any claim for which it is seeking indemnification and shall use reasonable efforts to avoid any costs or expenses associated with such claim and, if such costs and expenses cannot be avoided, to minimize the amount thereof.

(f) Tax Treatment of Indemnity Payments. All indemnification payments made under this Agreement, including any payment made under Section 9 hereof, shall be treated as purchase price adjustments for Tax purposes.

9. Tax Matters.

(a) Post-Closing Tax Returns. The Buyer shall prepare or cause to be prepared and file or cause to be filed any Post-Closing Tax Returns of the Acquired Company or with respect to the Green Canyon Acquired Assets. The Buyer shall pay (or shall cause to be paid) any Taxes due with respect to such Tax Returns.

(b) Pre-Closing Tax Returns. The Sellers shall prepare or cause to be prepared and file or cause to be filed all Pre-Closing Tax Returns for the Acquired Company and the Green Canyon Acquired Assets. The Sellers shall pay (or cause to be paid) any Taxes due with respect to such Tax Returns.

(c) Straddle Periods. The Buyer shall be responsible for Taxes of the Acquired Company and the Green Canyon Acquired Assets related to the portion of any Straddle Period occurring after the Closing Date. The Sellers shall be responsible for Taxes of the Acquired Company and the Green Canyon Acquired Assets relating to the portion of any Straddle Period occurring before the Closing Date. With respect to any Straddle Period, to the extent permitted by applicable Law, the Sellers or the Buyer shall elect to treat the Closing Date as the last day of the Tax period. If applicable Law will not permit the Closing Date to be the last day of a period, then (i) real or personal property Taxes of the Acquired Company and the Green Canyon Acquired Assets shall be allocated based on the number of days in the partial period before and after the Closing Date, (ii) in the case of all other Taxes based on or in respect of income, the Tax computed on the basis of the taxable income or loss of the Acquired Company and attributable to Green Canyon Acquired Assets for each partial period as determined from their books and records, and (iii) in the case of all other Taxes, on the basis of the actual activities or attributes of the Acquired Company and Green Canyon Acquired Assets for each partial period as determined from their books and records.

(d) Straddle Returns. With respect to any Straddle Return, the Buyer shall deliver, at least 45 days prior to the due date for filing such Straddle Return (including any extension) to the Sellers a statement setting forth the amount of Tax that the Sellers owe, including the allocation of taxable income and Taxes under Section 9(c), and copies of such Straddle Return. The Sellers shall have the right to review such Straddle Returns and the allocation of taxable income and liability for Taxes and to suggest to the Buyer any reasonable changes to such Straddle Returns no later than 15 days prior to the date for the filing of such Straddle Returns. The Sellers and the Buyer agree to consult and to attempt to resolve in good faith any issue arising as a result of the review of such Straddle Returns and allocation of taxable income and liability for Taxes and mutually to consent to the filing as promptly as possible of such Straddle Returns. Not later than 5 days before the due date for the payment of Taxes with respect to such Straddle Returns, the Sellers shall pay or cause to be paid to the Buyer an amount equal to the Taxes as agreed to by the Buyer and the Sellers as being owed by the Sellers. If the Buyer and the Sellers cannot agree on the amount of Taxes owed by the Sellers with respect to a Straddle Return, the Sellers shall pay to the Buyer the amount of Taxes reasonably determined by the Sellers to be owed by the Sellers. Within 10 days after such payment, the Sellers and the Buyer shall refer the matter to an independent "Big-Five" accounting firm agreed to by the Buyer and the Sellers to arbitrate the dispute. The Sellers and the Buyer shall equally share the fees and expenses of such accounting firm and its determination as to the amount owing by the Sellers with respect to a Straddle Return shall be binding on both the Sellers and the Buyer. Within five days after the determination by such accounting firm, if necessary, the appropriate Party shall pay the other Party any amount which is determined by such accounting firm to be owed. The Sellers shall be entitled to reduce its obligation to pay Taxes with respect to a Straddle Return by the amount of any estimated Taxes paid with respect to such Taxes on or before the Closing Date.

(e) Claims for Refund. The Buyer shall not, and shall cause the Acquired Company and any of its Affiliates not, to file any claim for refund of taxes with respect to the Acquired Company and the Green Canyon Acquired Assets for whole or partial taxable periods on or before the Closing Date.

(f) Indemnification. The Buyer agrees to indemnify the Sellers against all Taxes of or with respect to the Acquired Company or the Green Canyon Acquired Assets for any Post-Closing Tax Period and the portion of any Straddle Period occurring after the Closing Date. The Sellers agree to indemnify the Buyer against all Taxes of or with respect to the Acquired Companies or the Green Canyon Acquired Assets for any Pre-Closing Tax Period and the portion of any Straddle Period occurring on or before the Closing Date.

(g) Cooperation on Tax Matters.

(i) The Buyer and the Sellers shall cooperate fully, as and to the extent reasonably requested by the other parties, in connection with the filing of Tax Returns pursuant to this Section and any audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Buyer and the Sellers shall (A) retain all books and records with respect to Tax matters pertinent to the Acquired Company relating to any whole or partial taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by the Buyer or any Seller, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority, and (B) give the other party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the other party so requests, the Buyer or any Seller, as the case may be, shall allow the other party to take possession of such books and records.

(ii) The Buyer and the Sellers further agree, upon request, to use their best efforts to obtain any certificate or other document from any Governmental Authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereby).

(iii) The Buyer and the Sellers agree, upon request, to provide the other party with all information that either party may be required to report pursuant to Section 6043 of the Code and all Treasury Department Regulations promulgated thereunder.

(h) Certain Taxes. The Sellers will file all necessary Tax Returns and other documentation with respect to all transfer, documentary, sales, use, stamp, registration and other Taxes and fees, and, if required by applicable Law, the Buyer will, and will cause its Affiliates to, join in the execution of any such Tax Returns and other documentation. Notwithstanding anything set forth in this Agreement to the contrary, the Buyer will pay to the Sellers, on or before the date such payments are due from the Sellers, any transfer, documentary, sales, use, stamp, registration and other Taxes and fees incurred in connection with this Agreement and the transactions contemplated hereby.

(i) Confidentiality. Any information shared in connection with Taxes shall be kept confidential, except as may otherwise be necessary in connection with the filing of Tax Returns or reports, refund claims, tax audits, tax claims and tax litigation, or as required by Law.

(j) Audits. The Sellers and the Buyer shall provide prompt written notice to the others of any pending or threatened tax audit, assessment or proceeding that it becomes aware of related to the Acquired Company and the Green Canyon Acquired Assets for whole or partial periods for which it is indemnified by the other party hereunder. Such notice shall contain factual information (to the extent known) describing the asserted tax liability in reasonable detail and shall be accompanied by copies of any notice or other document received from or with any tax authority in respect of any such matters. If an indemnified party has knowledge of an asserted tax liability with respect to a matter for which it is to be indemnified hereunder and such party fails to give the indemnifying party prompt notice of such asserted tax liability, then (I) if the indemnifying party is precluded by the failure to give prompt notice from contesting the asserted tax liability in any forum, the indemnifying party shall have no obligation to indemnify the indemnified party for any Taxes arising out of such asserted tax liability, and (II) if the indemnifying party is not so precluded from contesting, but such failure to give prompt notice results in a detriment to the indemnifying party, then any amount which the indemnifying party is otherwise required to pay the indemnified party pursuant to this Section shall be reduced by the amount of such detriment, provided, the indemnified party shall nevertheless be entitled to full indemnification hereunder to the extent, and only to the extent, that such party can establish that the indemnifying party was not prejudiced by such failure. This Section 9(j) shall control the procedure for Tax indemnification matters to the extent it is inconsistent with any other provision of this Agreement.

(k) Control of Proceedings. The party responsible for the Tax under this Agreement shall control audits and disputes related to such Taxes (including action taken to pay, compromise or settle such Taxes). The Sellers and the Buyer shall jointly control, in good faith with each other, audits and disputes relating to Straddle Periods. Reasonable out of pocket expenses with respect to such contests shall be borne by the Sellers and the Buyer in proportion to their responsibility for such Taxes as set forth in this Agreement. Except as otherwise provided by this Agreement, the noncontrolling party shall be afforded a reasonable opportunity to participate in such proceedings at its own expense.

(l) Powers of Attorney. The Buyer, the Acquired Company, and their Affiliates shall provide the Sellers and their Affiliates with such powers of attorney or other authorizing documentation as are reasonably necessary to empower them to execute and file returns they are responsible for hereunder, file refund and equivalent claims for Taxes they are responsible for, and contest, settle, and resolve any audits and disputes that they have control over under Section 9(k) hereof (including any refund claims which turn into audits or disputes).

(m) Remittance of Refunds. If the Buyer or any Affiliate of the Buyer (including the Acquired Company) receives a refund of any Taxes that either Seller is responsible for hereunder, or if either Seller or any Affiliate of either Seller (other than the Acquired Company) receives a refund of any Taxes that the Buyer is responsible for hereunder, the party receiving such refund shall, within thirty days after receipt of such refund, remit it to the party who has responsibility for such Taxes hereunder. For the purpose of this Section 9(m), the term "refund" shall include a reduction in Tax and the use of an overpayment as a credit or other tax offset, and receipt of a refund shall occur upon the filing of a return or an adjustment thereto using such reduction, overpayment or offset or upon the receipt of cash.

(n) Purchase Price Allocation. Green Canyon and the Buyer agree that the Purchase Price allocable to the Green Canyon Acquired Assets pursuant to Schedule 2(b)(iii) (as adjusted by the Net Increase Amount or the Net Decrease Amount, as applicable, allocable to the Green Canyon Acquired Assets) and the Green Canyon Assumed Obligations will be allocated to the Green Canyon Acquired Assets for all purposes (including Tax and financial accounting purposes) as jointly agreed between the Buyer and Green Canyon within ninety (90) days after the Closing Date. The Buyer, Green Canyon and their applicable Affiliates will file all Tax Returns (including amended Tax Returns and claims for refund) and information reports in a manner consistent with such allocation. If the Parties exercise their election pursuant to Section 2(i) to effectuate the Alternative Structure, the Partnership and the Buyer agree that the Purchase Price allocable to the Acquired Company Shares pursuant to Schedule 2(b)(iii) (as adjusted by the Net Increase Amount or the Net Decrease Amount, as applicable, allocable to the Acquired Company Shares) and the Acquired Company Obligations will be allocated to the assets described in clause (i) of the definition of Subject Assets for all purposes (including Tax and financial accounting purposes) as jointly agreed between the Buyer and the Partnership within ninety (90) days after the Closing Date. The Buyer, the Partnership and their applicable Affiliates will file all Tax Returns (including amended Tax Returns and claims for refund) and information reports in a manner consistent with such allocation.

(o) Closing Tax Certificate. At the Closing, each of the Sellers shall deliver to the Buyer a certificate signed under penalties of perjury (i) stating that it is not a foreign corporation, foreign partnership, foreign trust or foreign estate, (ii) providing its U.S. Employer Identification Number and (iii) providing its address, all pursuant to Section 1445 of the Code.

(p) Like-Kind Exchanges. The Buyer shall cooperate fully, as and to the extent reasonably requested by the Sellers, in connection with enabling the transactions contemplated herein to qualify in whole or in part as a "like-kind" exchange pursuant to Section 1031 of the Code. The Sellers agree to indemnify the Buyer against any and all costs and expenses the Buyer shall incur with respect to cooperating with the Sellers in enabling the transactions contemplated herein to qualify in whole or in part as a "like-kind exchange" pursuant to Section 1031 of the Code.

10. Termination.

(a) Termination of Agreement. The Parties may terminate this Agreement, as provided below:

(i) the Buyer, the Partnership and Green Canyon may terminate this Agreement by mutual written consent at any time before the Closing;

(ii) the Buyer may terminate this Agreement by giving written notice to the Partnership at any time before Closing (A) in the event the Partnership or Green Canyon has breached any representation, warranty or covenant contained in this Agreement in any material respect, the Buyer has notified the Partnership of the breach, the breach has continued without cure for a period of 10 days after the notice of breach and such breach would result in a failure to satisfy a condition to the terminating Party's obligation to consummate the transactions contemplated hereby; or (B) if the Closing shall not have occurred on or before March 16, 2001 (unless the failure results primarily from the Buyer itself breaching any representation, warranty or covenant contained in this Agreement);

(iii) the Partnership may terminate this Agreement by giving written notice to the Buyer at any time before the Closing (A) in the event the Buyer has breached any representation, warranty or covenant contained in this Agreement in any material respect, the Partnership has notified the Buyer of the breach, the breach has continued without cure for a period of 10 days after the notice of breach and such breach would result in a failure to satisfy a condition to the terminating party's obligation to consummate the transactions contemplated hereby; (B) if the Closing shall not have occurred on or before March 16, 2001 (unless the failure results primarily from the Partnership, or Green Canyon, itself breaching any representation, warranty or covenant contained in this Agreement); (C) if the transactions contemplated hereby do not receive all required approvals of the FTC; (D) if the FTC does not accept the proposed consent agreement for public comment, in connection with the Merger Agreement, pursuant to Rule 2.34 of the FTC Rules of Practice, 16 C.F.R. 2.34, as amended; or (E) if such consent agreement does not require the disposition by the Sellers of at least some portion of the Acquired Interest; and

(iv) the Buyer or the Partnership may terminate this Agreement if any court of competent jurisdiction or any governmental, administrative or regulatory authority, agency or body shall have issued an order, decree or ruling or shall have taken any other action permanently enjoining, restraining or otherwise prohibiting the transactions contemplated hereby and such order, decree, ruling or other action shall have become final and nonappealable.

(b) Effect of Termination. If any Party terminates this Agreement pursuant to Section 10(a), all rights and obligations of the Parties hereunder with respect to any Acquired Interest not theretofore sold to the Buyer hereunder shall terminate without any liability of any

Party to any other Party (except for any liability of any Party then in breach); provided that the confidentiality provisions contained in the Confidentiality Agreement shall survive termination.

11. Miscellaneous.

(a) Use of El Paso Energy Marks. El Paso Energy Marks will appear on some of the assets of the Acquired Company and on the Green Canyon Acquired Assets, including on signage throughout the real property of the Acquired Company and on the Green Canyon Acquired Assets, and on supplies, materials, stationery, brochures, advertising materials, manuals and similar consumable items of the Acquired Company and of the Green Canyon Acquired Assets. The Buyer acknowledges and agrees that it obtains no right, title, interest, license or any other right whatsoever to use the El Paso Energy Marks. In furtherance thereof, the Buyer shall, (i) within 180 days after the Closing Date, remove the El Paso Energy Marks from the assets of the Acquired Company, including signage on the real and personal property of the Acquired Company and of the Green Canyon Acquired Assets, and, if required by the Partnership in writing, provide written verification thereof to the Partnership promptly after completing such removal and (ii) within two weeks after the Closing Date, return or destroy (with proof of destruction) all other assets of the Acquired Company that contain any El Paso Energy Marks that are not removable. The Buyer agrees never to challenge the Partnership or any of its Affiliates' ownership or El Paso Energy Corporation or any of its Affiliates' ownership of the El Paso Energy Marks or any application for registration thereof or any registration thereof or any rights of the Partnership or its Affiliates or El Paso Energy Corporation or its Affiliates therein as a result, directly or indirectly, of its ownership of the Acquired Company. The Buyer will not do any business or offer any goods or services under the El Paso Energy Marks. The Buyer will not send, or cause to be sent, any correspondence or other materials to any Person on any stationery that contains any El Paso Energy Marks or otherwise operate the Acquired Company in any manner which would or might confuse any Person into believing that the Buyer has any right, title, interest, or license to use the El Paso Energy Marks.

(b) Insurance. The Buyer acknowledges and agrees that, following the Closing, the Acquired Company Insurance Policies shall be terminated or modified to exclude coverage of all or any portion of the Acquired Company by the Partnership or El Paso Energy Corporation or their Affiliates (but no such termination shall adversely affect any claims of the Acquired Company existing at the Closing), and, as a result, the Buyer shall be obligated at or before Closing to obtain at its sole cost and expense replacement insurance, including insurance required by any third party to be maintained by the Acquired Company. The Buyer further acknowledges and agrees that the Buyer may need to provide to certain Governmental Authorities and third parties evidence of such replacement or substitute insurance coverage for the continued operations of the businesses of the Acquired Company following the Closing. Notwithstanding Section 2(h)(ii), if any claims are made or losses occur prior to the Closing Date that relate solely to the business activities of the Acquired Company and such claims, or the claims associated with such losses, properly may be made against the policies retained by the Partnership or its Affiliates pursuant to Section 2(h)(ii) or under policies otherwise retained by the Partnership or its Affiliates after the Closing, then the Partnership shall use its reasonable commercial efforts so that the Acquired Company can file, notice, and otherwise continue to pursue these claims pursuant to the terms of such policies; however nothing in this Agreement shall require the Partnership to maintain or to refrain from asserting claims against or exhausting any retained policies.

(c) Press Releases and Public Announcements. No Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement before the Closing without the prior written approval of the other Parties, which approval shall not be unreasonably withheld or delayed.

(d) No Third Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

(e) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other Parties, except that the Buyer or any Seller may assign either this Agreement or any of its respective rights, interests or obligations hereunder to an Affiliate without the prior written approval of the other Parties; provided, however, that no such assignment will relieve either the Buyer or any Seller from any of its respective obligations or liabilities under this Agreement.

(f) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but which together will constitute one and the same instrument.

(g) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(h) Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given two business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to the Buyer:	Williams Field Services-Gulf Coast Company, L.P. Attn: Vice President - Gathering and Processing 1800 South Baltimore Tulsa, Oklahoma 74119
If to the Partnership:	El Paso Energy Partners, L.P. El Paso Energy Building Attn: President 1001 Louisiana Houston, Texas 77002 (713)420-2131

If to Green Canyon: Green Canyon Pipe Line Company, L.L.C.
El Paso Energy Building
Attn: President
1001 Louisiana
Houston, Texas 77002
(713)420-2131

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the addresses set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

(i) Governing Law. This Agreement shall be governed by and construed in accordance with the domestic Laws of the state of Texas without giving effect to any choice or conflict of law provision or rule (whether of the state of Texas or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the state of Texas.

(j) Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the Buyer, the Partnership and Green Canyon. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

(k) Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(l) Transaction Expenses. Each of the Buyer, the Partnership and Green Canyon will bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby.

(m) Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation.

(n) Incorporation of Exhibits and Schedules. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

(o) Entire Agreement. THIS AGREEMENT (INCLUDING THE DOCUMENTS REFERRED TO HEREIN) CONSTITUTES THE ENTIRE AGREEMENT AMONG THE PARTIES AND SUPERSEDES ANY PRIOR UNDERSTANDINGS, AGREEMENTS, OR REPRESENTATIONS BY OR AMONG THE PARTIES, WRITTEN OR ORAL, TO THE EXTENT THEY HAVE RELATED IN ANY WAY TO THE SUBJECT MATTER HEREOF.

(p) FTC Authorization. The Parties acknowledge that unless the FTC approves all of the transactions under the terms contemplated in this Agreement, the Parties will either (i) mutually agree to modify the terms of this Agreement pursuant to requests made by the FTC or (ii) terminate this Agreement in accordance with Section 10(a)(i).

*****

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

WILLIAMS FIELD SERVICES-GULF COAST COMPANY, L.P.

By: WILLIAMS FIELD SERVICES COMPANY, its General Partner

By:

Title:

EL PASO ENERGY PARTNERS, L.P.

By:

Title:

GREEN CANYON PIPE LINE COMPANY, L.P.

By:

Title:

[Signature Page of Purchase and Sale Agreement]

PURCHASE AND SALE AGREEMENT

By and Among

Deepwater Holdings, L.L.C.
(Seller)

and

Enterprise Products Operating L.P.,

Shell Gas Transmission, LLC,

and

Starfish Pipeline Company, LLC
(Buyers)

Covering the Acquisition of

Stingray Pipeline Company, L.L.C.,

West Cameron Dehydration Company, L.L.C.

and

East Breaks Gathering Company, L.L.C.
(Acquired Companies)

December 8, 2000

TABLE OF CONTENTS

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") dated as of December 8, 2000 is by and among Deepwater Holdings, L.L.C., a Delaware limited liability company (the "Seller"), Enterprise Products Operating L.P., a Delaware limited partnership ("Enterprise"), Shell Gas Transmission, LLC, a Delaware limited liability company ("Shell"), and Starfish Pipeline Company, LLC, a Delaware limited liability company ("Starfish" together with Enterprise and Shell, the "Buyers" and individually, a "Buyer"). The Seller and each of the Buyers are sometimes referred to collectively herein as the "Parties" and individually as a "Party."

RECITALS

WHEREAS, the Seller owns a 100% membership interest (the "Acquired Interest") in each of Stingray Pipeline Company, L.L.C., a Delaware limited liability company ("Stingray"), West Cameron Dehydration Company, L.L.C., a Delaware limited liability company ("West Cameron"), and indirectly in East Breaks Gathering Company, L.L.C. ("East Breaks" together with Stingray and West Cameron, each an "Acquired Company");

WHEREAS, Enterprise and Shell each own a 50% membership interest in Starfish; and

WHEREAS, this Agreement contemplates a transaction in which Enterprise and Shell will cause Starfish to purchase, and the Seller will sell, all of the Seller's rights, title and interests in and to the Acquired Interest in return for the consideration specified herein.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows:

1. Definitions.

"Acquired Company" has the meaning set forth in the Recitals.

"Acquired Company Excluded Assets" has the meaning set forth in Section 2(g).

"Acquired Company Obligations" has the meaning set forth in Section 2(e).

"Acquired Interest" has the meaning set forth in the Recitals.

"Adverse Consequences" means all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, dues, penalties, fines, costs, amounts paid in settlement, liabilities, obligations, Taxes, liens, losses, expenses, and fees, including court costs and attorneys' fees and expenses, but excluding punitive (except as provided in Section 8 of this Agreement), exemplary, special or consequential damages.

"Adverse Environmental Event" means any breach of any representation or warranty of (i) the Seller contained in Section 4(k) herein and (ii) the Partnership contained in Section 4(k) of the Sailfish/Moray Purchase Agreement.

"Adverse Event" means any breach of any representation, warranty or covenant of (i) the Seller contained herein (other than the covenants in Section 2 and the representations and warranties in Sections 3(a), 4(k), 4(o) and 4(p)) and (ii) the Partnership or El Paso Energy Partners Company contained in the Sailfish/Moray Purchase Agreement (other than the covenants in Section 2 and the representations and warranties in Sections 3(a) and 4(k)).

"Affiliate" has the meaning set forth in Rule 12b-2 of the regulations promulgated under the Securities Exchange Act. For purposes of this Agreement, each of the Partnership and its Affiliates and ANR and its Affiliates are, and are deemed to be, Affiliates of the Seller.

"Aggregate Purchase Price" means an amount equal to the sum of the Purchase Price as defined in this Agreement and the "Purchase Price" as defined in the Sailfish/Moray Purchase Agreement.

"Agreement" has the meaning set forth in the preface.

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

"ANR Marks" means the names "ANR Pipeline" and "Coastal" and other trademarks, service marks, and trade names owned by The Coastal Corporation and its respective Affiliates.

"Assigned Interest" has the meaning set forth in Section 5(g).

"Assignment of Membership Interest" means the assignment of membership interest in the form of Exhibit C.

"Balance Sheet Date" has the meaning set forth in Section 4(e).

"Buyer" or "Buyers" has the meaning set forth in the preface.

"Buyer Indemnitees" means, collectively, the Buyers and their Affiliates and their officers (or persons performing similar functions), directors (or persons performing similar functions), employees, agents and representatives.

"Closing" has the meaning set forth in Section 2(c).

"Closing Date" has the meaning set forth in Section 2(c).

"Closing Statement" has the meaning set forth in Section 2(f)(i).

"Code" means the Internal Revenue Code of 1986, as amended, or any successor Law.

"Commitment" means (a) options, warrants, convertible securities, exchangeable securities, subscription rights, conversion rights, exchange rights or other contracts that could require a Person to issue any of its Equity Interests or to sell any Equity Interests it owns in another Person; (b) any other securities convertible into, exchangeable or exercisable for, or representing the right to subscribe for any Equity Interest of a Person or owned by a Person; (c) statutory pre-emptive rights or pre-emptive rights granted under a Person's Organizational Documents; and (d) stock appreciation rights, phantom stock, profit participation, or other similar rights with respect to a Person.

"Confidentiality Agreement" means collectively the Confidentiality Agreement between Enterprise and the Partnership dated October 16, 2000, and the Confidentiality Agreement between Shell and the Partnership dated October 27, 2000.

"Deductible Amount" means an aggregate amount equal to 1% of the Aggregate Purchase Price.

"East Breaks" has the meaning set forth in the Recitals.

"El Paso Energy Marks" means the name "El Paso Energy" and other trademarks, service marks, and trade names owned by El Paso Energy Corporation and its respective Affiliates.

"Encumbrance" means any mortgage, pledge, lien, charge, security interest, option, right of first refusal, preferential purchase right, easement or right-of-way.

"Enterprise" has the meaning set forth in the preface.

"Environmental Law" or "Environmental Laws" has the meaning set forth in Section 4(k).

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

"Financial Data" has the meaning set forth in Section 4(e).

"FTC" has the meaning set forth in Section 3(a)(ii).

"GAAP" means generally accepted accounting principles in the United States consistently applied.

"Governmental Authority" means the United States and any state, county, city or other political subdivision, agency, court or instrumentality.

"Hazardous Substances" means all materials, substances and wastes which are regulated under any Environmental Law or which may form the basis for liability under any Environmental Law.

"Indebtedness for Borrowed Money" means other than Permitted Encumbrances, the Seller Loan Documents and the Stingray Lease, all obligations of Stingray or West Cameron to third persons for borrowed money relating to (a) any capital lease obligation, (b) any obligation (whether fixed or contingent) to reimburse any bank or other Person in respect of amounts paid or payable under a standby letter of credit (other than obligations under standby letters of credit securing performance under contracts or agreements of the Seller or its Affiliates), or (c) any guarantee with respect to indebtedness for borrowed money (of the kind otherwise described in this definition) of another Person, but excluding indebtedness among the Seller, its members or their Affiliates on the one hand, and Stingray or West Cameron, on the other.

"Indemnified Party" has the meaning set forth in Section 8(d).

"Indemnifying Party" has the meaning set forth in Section 8(d).

"Key Employees" has the meaning set forth in Section 5(h).

"Knowledge" means, in the case of the Seller, the actual knowledge of the individuals listed on Schedule 1(b) hereto without independent investigation or inquiry and, in the case of the Buyers, the actual knowledge of the individuals listed on Schedule 1(c) hereto without independent investigation or inquiry.

"Laws" means any statute, code, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any applicable Governmental Authority.

"Legal Right" means the legal authority and right (without risk of liability, criminal, civil or otherwise), such that the contemplated conduct would not, to the extent arising from, related to or in any way connected with any of the NGPL Assets, including, without limitation, any contracts, agreements or arrangements related thereto, constitute a violation, termination or breach of, or require any payment or termination under, any contract or agreement, applicable Law, fiduciary, quasi-fiduciary or similar duty or any other obligation of or by any (i) of the Partnership, ANR, the Seller, or any Acquired Company or (ii) Affiliate of any Person described in (i) above.

"Manta Ray Agreement" means the certain Letter Agreement Regarding Platforms at Ship Shoal Block 332 and South Timbalier Block 292 among Manta Ray Gathering Company, L.L.C., Shell Seahorse Company, Shell, Marathon Gas Transmission Inc. and Manta Ray Offshore Gathering Company, L.L.C., dated as of the date of this Agreement, as the same may be amended from time to time.

"Material Adverse Effect" means any change or effect that, individually or in the aggregate with other changes or effects, is materially adverse to the businesses, operations and properties of each Acquired Company taken as a whole, provided that in determining whether a Material Adverse Effect has occurred, changes or effects relating to (i) the natural gas pipeline industry generally (including, but not limited to, the price of natural gas and the costs associated with the drilling and/or production of natural gas), (ii) United States or global economic conditions or financial markets in general, or (iii) the transactions contemplated by this Agreement, shall not be considered.

"Merger Agreement" means that certain Agreement and Plan of Merger dated as of January 17, 2000 by and between El Paso Energy Corporation, El Paso Merger Company and The Coastal Corporation, as amended, restated, supplemented or otherwise modified from time to time.

"NGPL" means Natural Gas Pipeline Company of America, a Delaware corporation.

"NGPL Assets" means the assets to be acquired by East Breaks pursuant to the terms of the NGPL Purchase Agreement.

"NGPL Lateral Operating Agreement" means that certain Lateral Operating Agreement dated as of June 30, 1999, by and between NGPL and Stingray.

"NGPL Purchase Agreement" means that certain Purchase and Sale Agreement dated as of June 30, 1999, by and between NGPL and Stingray, as amended on April 27, 2000, and May 11, 2000.

"Net Decrease Amount" has the meaning set forth in Section 2(b)(ii).

"Net Increase Amount" has the meaning set forth in Section 2(b)(ii).

"Obligations" means duties, liabilities and obligations, whether vested, absolute or contingent, known or unknown, asserted or unasserted, accrued or unaccrued, liquidated or unliquidated, due or to become due, and whether contractual, statutory or otherwise.

"Ordinary Course of Business" means the ordinary course of business consistent with the affected party's past custom and practice (including with respect to quantity and frequency).

"Organizational Documents" means the articles of incorporation, certificate of incorporation, charter, bylaws, articles or certificate of formation, regulations, operating agreement, certificate of limited partnership, partnership agreement, and all other similar documents, instruments or certificates executed, adopted, or filed in connection with the creation, formation, or organization of a Person, including any amendments thereto.

"Partnership" means El Paso Energy Partners, L.P., a Delaware limited partnership.

"Party" and "Parties" have the meanings set forth in the preface.

"Permits" has the meaning set forth in Section 4(l).

"Permitted Encumbrances" means any of the following: (i) any liens for Taxes and assessments not yet delinquent or, if delinquent, that are being contested in good faith in the Ordinary Course of Business, provided that adequate reserve accounts have been established in accordance with GAAP; (ii) any obligations or duties reserved to or vested in any municipality or other Governmental Authority to regulate any Subject Asset in any manner including all applicable Laws; (iii) mechanic's, materialmen's, and similar liens; (iv) any liens or other Encumbrances created pursuant to operating, farmout, construction, operation and maintenance, space lease or similar agreements or the Organizational Documents of any Acquired Company; and (v) easements, rights-of-way, restrictions and other similar encumbrances incurred in the Ordinary Course of Business which, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the property subject thereto as it is currently being used or materially interfere with the ordinary conduct of the business.

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

"Post-Closing Tax Period" means any Tax period beginning after the Closing Date.

"Post-Closing Tax Return" means any Tax Return that is required to be filed by any Acquired Company with respect to a Post-Closing Tax Period.

"Pre-Closing Tax Period" means any Tax periods or portions thereof ending on or before the Closing Date.

"Pre-Closing Tax Return" means any Tax Return that is required to be filed with respect to any Acquired Company with respect to a Pre-Closing Tax Period.

"Proposed Closing Statement" has the meaning set forth in Section 2(f)(i).

"Purchase Price" has the meaning set forth in Section 2(b).

"Purchase Price Adjustment Date" means the last day of the month immediately preceding the month in which the Closing occurs.

"Purchase Price Decreases" means the following: (i) the amount, if any, of all current liabilities of each of Stingray and West Cameron as of the Purchase Price Adjustment Date, as determined and calculated in accordance with GAAP (excluding any amounts related to the Stingray Lease), (ii) the amount, if any, of all Indebtedness for Borrowed Money as of the Purchase Price Adjustment Date, (iii) the amount, if any, of all dividends and/or distributions made by each Acquired Company to its Equity Interest holders between the Purchase Price Adjustment Date and the Closing Date, and (iv) the amount, if any, of all outstanding current receivables of any Acquired Company from the Seller or any of its Subsidiaries which must be satisfied and discharged prior to Closing pursuant to Section 5(e).

"Purchase Price Increases" means the following: (i) the amount, if any, of all current assets of each of Stingray and West Cameron as of the Purchase Price Adjustment Date, as determined and calculated in accordance with GAAP, (ii) the amount, if any, of Reimbursable Capital Expenditures, (iii) the amount, if any, of all outstanding current payables of any Acquired Company to the Seller or any of its Subsidiaries which must be satisfied and discharged prior to

Closing pursuant to Section 5(e), and (iv) interest at a rate of 10% per annum compounded daily on the Purchase Price amount from the Purchase Price Adjustment Date through the Closing Date.

"Records" has the meaning set forth in Section 6(d).

"Reimbursable Capital Expenditures" means all capital expenditures, as determined in accordance with GAAP, made by each Acquired Company between September 30, 2000 and the Purchase Price Adjustment Date that (i) are permitted pursuant to Section 5(c), and (ii) are not incurred to repair or replace damaged, destroyed or worn out equipment or facilities.

"Reorganization" has the meaning set forth in Section 5(g).

"Retained E-Mail" means all electronic mail and other computer based communications stored on any electronic, digital, or other storage or back up media and retained in the Ordinary Course of Business by the Seller, any Acquired Company, the Partnership, El Paso Energy Corporation, The Coastal Corporation, ANR or any Affiliate of any such Person.

"Sailfish/Moray Purchase Agreement" means that certain Purchase and Sale Agreement, by and among the Partnership, El Paso Energy Partners Company and Enterprise, dated as of the date of this Agreement, relating to the acquisition of Sailfish Pipeline Company, L.L.C. and Moray Pipeline Company, L.L.C., as the same may be amended from time to time.

"Securities Act" means the Securities Act of 1933, as amended.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Seller" has the meaning set forth in the preface.

"Seller Indemnitees" means, collectively, the Seller, the Partnership, El Paso Energy Corporation, The Coastal Corporation, ANR and each of their respective Affiliates (other than each Acquired Company) and each of their respective officers (or persons performing similar functions), directors (or persons performing similar functions), employees, agents, and representatives.

"Seller Loan Documents" means the Amended and Restated Credit Agreement by and among the Seller, the lenders party thereto, and The Chase Manhattan Bank individually, and as administrative agent, dated as of September 30, 1999, as amended and restated through May 31, 2000, and all agreements, documents and instruments executed or delivered in connection therewith or otherwise related thereto.

"Shell" has the meaning set forth in the preface.

"Sponsor Agreement and Performance Guaranty" means the sponsor agreement and performance guaranty in the form of Exhibit A.

"Starfish" has the meaning set forth in the preface.

"Stingray" has the meaning set forth in the Recitals.

"Stingray Lease" means that certain Lease Agreement between NGPL and Stingray, as amended on September 17, 1974, November 29, 1994, and June 30, 1999.

"Straddle Period" means a Tax period or year commencing before and ending after the Closing Date.

"Straddle Return" means a Tax Return for a Straddle Period.

"Subject Asset(s)" means any or all of the assets of each Acquired Company other than the Acquired Company Excluded Assets.

"Subject Insurance Policies" means those material policies of insurance, the current policies of which are listed on Schedule 1(a), which the Seller, each of its members, each Acquired Company, or any Affiliate of any of the foregoing maintain (i) for each Acquired Company with respect to its assets and operations, or (ii) covering any of the Subject Assets.

"Subsidiary" means, with respect to any relevant Person, any other Person that is (directly or indirectly) controlled and more than 90%-owned (directly or indirectly) by the relevant Person.

"Tax" or "Taxes" means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code ss.59A), custom duties, capital stock, franchise, profits, withholding, social security (or similar excises), unemployment, disability, ad valorem, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

"Tax Records" means all Tax Returns and Tax-related work papers relating to each Acquired Company and the Subject Assets.

"Tax Return" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Third Party Claim" has the meaning set forth in Section 8(d).

"Transaction Documents" has the meaning set forth in Section 3(a)(ii).

"Transition Services Agreement" means the transition services agreement in the form of Exhibit B.

"West Cameron" has the meaning set forth in the Recitals.

2. Purchase and Sale.

(a) Sale of Acquired Interest. Subject to the terms and conditions of this Agreement, the Seller agrees to sell to Starfish, and Enterprise and Shell agree to cause Starfish to purchase from the Seller, all of the Seller's right, title and interest in and to the Acquired Interest, which Acquired Interest consists of:

(i) a 100% membership interest in Stingray, which is not evidenced by a certificate;

(ii) a 100% membership interest in West Cameron, which is not evidenced by a certificate; and

(iii) a 100% membership interest in East Breaks, which is not evidenced by a certificate.

(b) Purchase Price.

(i) In consideration for the sale of the Acquired Interest, the Buyers agree to pay to the Seller at the Closing $50 million (the "Purchase Price") payable by wire transfer of immediately available funds to one or more bank accounts designated in a written notice by the Seller to the Buyers at least three business days prior to the Closing Date.

(ii) At the Closing, (x) an additional payment will be made by the Buyers to the Seller of the amount, if any, by which Purchase Price Increases as set forth on the Proposed Closing Statement exceed Purchase Price Decreases as set forth on the Proposed Closing Statement (any such amount, the "Net Increase Amount") and (y) a payment will be made by the Seller to the Buyers of the amount, if any, by which Purchase Price Decreases as set forth on the Proposed Closing Statement exceed Purchase Price Increases as set forth on the Proposed Closing Statement (any such amount, the "Net Decrease Amount").

(c) The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of the Seller, commencing at 10:00 a.m. local time on the third business day following the satisfaction or waiver of all conditions to the obligations of the Parties to consummate the transactions contemplated hereby (other than conditions with respect to actions each Party will take at the Closing itself), or such other date as the Buyers and the Seller may mutually determine (the "Closing Date").

(d) Deliveries at the Closing. At the Closing, (i) the Seller will deliver to the Buyers the various certificates, instruments, and documents referred to in Sections 7(a) and 9(o), (ii) the Buyers will deliver to the Seller the various certificates, instruments, and documents referred to in Section 7(b), (iii) the Seller will execute and deliver to Starfish, and will cause Western Gulf Holdings, L.L.C. to execute and deliver to Starfish, an Assignment of Membership Interest, (iv) Starfish will execute and deliver to the Seller an Assignment of Membership Interest,

(v) the Seller will deliver to the Buyers an executed Sponsor Agreement and Performance Guaranty from each of the Partnership and ANR, (vi) the Seller will cause the Partnership to execute and deliver to the Buyers, and the Buyers will execute and deliver to the Seller, (A) the Transition Services Agreement, which agreement sets forth the fees that will be paid for the transition services provided to the Buyers, and (B) a letter agreement, dated the Closing Date, terminating the Confidentiality Agreement as of the Closing Date, (vii) the Buyers will deliver to the Seller the Net Increase Amount, if any, set forth on the Proposed Closing Statement, and (viii) the Seller will deliver to the Buyers the Net Decrease Amount, if any, set forth on the Proposed Closing Statement.

(e) Acquired Company Obligations Assumption. Each Buyer acknowledges and agrees that, following the Closing, each Acquired Company shall remain obligated for its Obligations (the "Acquired Company Obligations"), and each Acquired Company shall fully and timely pay, perform, and discharge in accordance with its terms the Acquired Company Obligations from and after the Closing. Notwithstanding the foregoing sentence, nothing in this Section 2(e) is intended to limit or in any way restrict the indemnity rights of the Buyers provided under Section 8.

(f) Post-Closing Adjustment.

(i) At least three business days prior to the Closing Date, the Seller shall cause to be prepared and delivered to the Buyers a statement (the "Proposed Closing Statement"), as prepared and determined in accordance with GAAP to the extent applicable, setting forth the Seller's good faith estimate of the Purchase Price Increases and the Purchase Price Decreases. As soon as practicable, but in any event no later than 60 days following the Closing Date, the Seller shall cause to be prepared and delivered to the Buyers a statement of the actual Purchase Price Increases and Purchase Price Decreases as of the Purchase Price Adjustment Date (such statement, as it may be adjusted pursuant to Section 2(f)(ii), the "Closing Statement").

(ii) Upon receipt of the Closing Statement, the Buyers and the Buyers' independent accountants shall be permitted during the succeeding 30-day period to examine the work papers used or generated in connection with the preparation of the Closing Statement and such other documents as the Buyers may reasonably request in connection with its review of the Closing Statement. Within 30 days of receipt of the Closing Statement, the Buyers shall deliver to the Seller a written statement describing in reasonable detail its objections (if any) to any amounts or items set forth on the Closing Statement. If the Buyers do not raise objections within such period, the Closing Statement shall become final and binding upon all Parties at the end of such period. If the Buyers do raise objections, the Parties shall negotiate in good faith to resolve any such objections. If the Parties are unable to resolve any disputed item within 60 days after the Buyers' receipt of the Closing Statement, any such disputed item shall be submitted to a nationally recognized independent accounting firm mutually agreeable to the Buyers and the Seller who shall be instructed to resolve such disputed item within 30 days. The resolution of disputes by the accounting firm so selected shall be set forth in writing and shall be conclusive, binding and non-appealable upon the Parties and the Closing Statement shall become final and binding upon the date of such resolution. The fees and expenses of such accounting firm shall be paid one-half by the Buyers and one-half by the Seller.

(iii) If the Net Increase Amount as set forth on the Closing Statement exceeds the Net Increase Amount as set forth on the Proposed Closing Statement, the Buyers shall pay the Seller the amount of such excess. If the Net Increase Amount as set forth on the Proposed Closing Statement exceeds the Net Increase Amount as set forth on the Closing Statement, the Seller shall pay the Buyers the amount of such excess. If the Net Decrease Amount as set forth on the Closing Statement exceeds the Net Decrease Amount set forth on the Proposed Closing Statement, the Seller shall pay the Buyers the amount of such excess. If the Net Decrease Amount as set forth on the Proposed Closing Statement exceeds the Net Decrease Amount as set forth on the Closing Statement, the Buyers shall pay the Seller the amount of such excess. After giving effect to the foregoing adjustments, any amount to be paid by the Buyers to the Seller, or to be paid by the Seller to the Buyers, as the case may be, shall be paid in the manner and with interest as provided in Section 2(f)(iv) at a mutually convenient time and place within five business days after the later of acceptance of the Closing Statement or the resolution of the Buyers' objections thereto, pursuant to Section 2(f)(ii).

(iv) Any payments pursuant to this Section 2(f) shall be made by causing such payments to be credited in immediately available funds to such account or accounts of the Buyers or the Seller, as the case may be, as may be designated by the Buyers or the Seller, as the case may be. If payment is being made after the fifth business day referred to in Section 2(f)(iii), the amount of the payment to be made pursuant to this Section 2(f) shall bear interest from and including such fifth business day to, but excluding, the date of payment at a rate per annum equal to 10%. Such interest shall be payable at the same time as the payment to which it relates and shall be calculated on the basis of a year of 365 days and the actual number of days for which due.

(v) The Buyers agree that, following the Closing, it shall not take any actions with respect to any Acquired Company's accounting books, records, policies and procedures that would obstruct or prevent the preparation of the Closing Statement as provided in this Section 2(f). The Buyers shall cooperate in the preparation of the Closing Statement, including providing customary certifications to the Seller, or, if requested, to the Seller's independent accountants or the accounting firm selected by mutual agreement of the Parties pursuant to Section 2(f)(ii).

(vi) Except as set forth in Section 2(f)(ii), the Buyers and the Seller shall each bear its own expenses incurred in connection with the preparation and review of the Closing Statement.

(g) Acquired Company Excluded Assets. Notwithstanding any other provision of this Agreement, the transactions contemplated by this Agreement exclude, and prior to the Closing Date the Seller may cause any Acquired Company to transfer to the Seller, any of its Affiliates or any other Person (other than any Acquired Company) without consideration, the following (all of which are referred to as the "Acquired Company Excluded Assets"):

(i) the assets listed or described on Schedule 2(g);

(ii) except to the extent contemplated in Section 11(b), all insurance policies and rights under any insurance policies in respect to any and all claims made under such policies whether such claims are asserted before or after the Closing Date and all rights to any proceeds payable under any such policy;

(iii) Retained E-Mail;

(iv) the El Paso Energy Marks;

(v) the ANR Marks;

(vi) the assets to be assigned by East Breaks to an Affiliate pursuant to, and as contemplated by, the Reorganization; and

(vii) all Tax Records.

Notwithstanding anything to the contrary provided elsewhere in this Agreement, the Seller's representations, warranties and covenants shall not apply to any of the items described in clauses (i) through (vi) of the immediately preceding sentence.

3. Representations and Warranties Concerning the Transaction.

(a) Representations and Warranties Concerning the Seller. The Seller hereby represents and warrants to the Buyers as follows:

(i) Organization of the Seller. The Seller is a limited liability company, duly organized, validly existing, and in good standing under the Laws of the state of Delaware with all requisite power and authority to carry on its business as it is now conducted.

(ii) Authorization of Transaction. The Seller has full power and authority (including full company power and authority) to execute and deliver this Agreement and the related documents (the "Transaction Documents") to which it is a party and to perform its obligations hereunder and thereunder. The Transaction Documents to which it is a party constitute the valid and legally binding obligation of the Seller, enforceable against it in accordance with their terms and conditions, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally, and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Except as set forth on Schedule 3(a)(ii), the Seller need not give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Authority in order to consummate the transactions contemplated by this Agreement, except for the prior approval of the Federal Trade Commission ("FTC"), if applicable.

(iii) Noncontravention. Except for prior approval of the FTC (if applicable) and filings specified in Schedule 3(a)(ii) or as set forth in Schedule 3(a)(iii), neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (A) violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Authority to which the Seller is subject or any provision of its Organizational Documents or (B) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which the Seller is a party or by which it is bound or to which any of its assets is subject, except for such violations, defaults, breaches, or other occurrences that do not, individually or in the aggregate, have a material adverse effect on the ability of the Seller to consummate the transactions contemplated by this Agreement.

(iv) Brokers' Fees. The Seller has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Buyers could become liable or obligated.

(v) Capitalization of each Acquired Company. The Seller owns of record and beneficially all of the Equity Interest in each Acquired Company. The Acquired Interest constitutes 100% of the issued and outstanding Equity Interest of each Acquired Company and has been duly authorized, and is validly issued and fully paid and non-assessable. Except to the extent created under the Securities Act, state securities Laws, limited liability company Laws and general corporation Laws of each Acquired Company's jurisdiction of formation, and as created by the Organizational Documents of each Acquired Company, and liens created by the Seller Loan Documents, (x) the Acquired Interest is held of record as set forth above, free and clear of restrictions on transfer and Encumbrances and (y) there are no Commitments with respect to any Equity Interest of any Acquired Company. The Seller is not a party to any voting trust, proxy, or other agreement or understanding with respect to voting any Equity Interest of any Acquired Company.

(b) Representations and Warranties of the Buyers. Each Buyer hereby represents and warrants to the Seller as follows:

(i) Organization of the Buyers. Enterprise is a limited partnership duly organized, validly existing, and in good standing under the Laws of the state of Delaware with all requisite power and authority to carry on its business as it is now conducted. Shell is a limited liability company duly organized, validly existing, and in good standing under the Laws of the state of Delaware with all requisite power and authority to carry on its business as it is now conducted. Starfish is a limited liability company duly organized, validly existing, and in good standing under the Laws of the state of Delaware with all requisite power and authority to carry on its business as it is now conducted.

(ii) Authorization of Transaction. Each Buyer has full power and authority (including full company power and authority) to execute and deliver the Transaction Documents to which it is a party and to perform its obligations hereunder and thereunder. The Transaction Documents to which each Buyer is a party constitute the valid and legally binding obligation of such Buyer, enforceable against such Buyer in accordance with their terms and conditions, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium, or similar Laws affecting creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). No Buyer need give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Authority in order to consummate the transactions contemplated by this Agreement, except for the prior approval of the FTC, if applicable.

(iii) Noncontravention. Except for the prior approvals of the FTC (if applicable) or as set forth in Schedule 3(b)(iii), neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (A) violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Authority to which any Buyer is subject or any provision of its Organizational Documents or (B) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice, approval or consent under any agreement, contract, lease, license, instrument, or other arrangement to which any Buyer is a party or by which it is bound or to which any of its assets is subject, except for such violations, defaults, breaches, or other occurrences that do not, individually or in the aggregate, have a material adverse effect on the ability of any Buyer to consummate the transactions contemplated by this Agreement.

(iv) Brokers' Fees. No Buyer has any liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Seller could become liable or obligated.

(v) Investment. No Buyer is acquiring the Acquired Interest with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act. Each Buyer, together with its directors and executive officers and advisors, is familiar with investments of the nature of the Acquired Interest, understands that this investment involves substantial risks, has adequately investigated each Acquired Company and the Acquired Interest, and has substantial knowledge and experience in financial and business matters such that it is capable of evaluating, and has evaluated, the merits and risks inherent in purchasing the Acquired Interest, and is able to bear the economic risks of such investment.

(vi) Financing. Each Buyer has sufficient immediately available funds (excluding financing tied specifically to or secured primarily by any of the Acquired Interest or the Subject Assets) to enable it to make payment of the Purchase Price at Closing without encumbrance or delay and without causing such Buyer to become insolvent or to declare insolvency.

4. Representations and Warranties Concerning each Acquired Company. The Seller hereby represents and warrants to the Buyers as follows:

(a) Organization, Qualification, Company Power, Capitalization. Each Acquired Company (x) is a limited liability company duly organized and validly existing, under the Laws of the jurisdiction of its formation; (y) is duly authorized to conduct business and is in good standing under the Laws of each jurisdiction where such qualification is required, except where the lack of such qualification would not have a Material Adverse Effect; and (z) has full power and authority to carry on the businesses in which it is engaged and to own and use the properties owned and used by it. The copies of the limited liability company agreements of each Acquired Company provided to the Buyers by the Seller are full and complete copies of such agreements as in effect on the date of this Agreement.

(b) Noncontravention. Except for the prior approval of the FTC or as set forth in Schedule 4(b), neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (i) violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Authority to which any Acquired Company is subject or to which any Subject Asset or NGPL Asset is subject or any provision of the Organizational Documents of any Acquired Company or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or trigger any rights to payment or other compensation under any agreement, contract, lease, license, instrument, or other arrangement (x) to which any Acquired Company is a party or by which it is bound, or (y) to which any Subject Asset or NGPL Asset is subject (or result in the imposition of any Encumbrance upon any of the Subject Assets or NGPL Assets), except where the violation, conflict, breach, default, acceleration, termination, modification, cancellation, failure to give notice, right to payment or other compensation, or Encumbrance would not have a Material Adverse Effect, or would not materially adversely affect the ability of the Seller to consummate the transactions contemplated by this Agreement. Except for the prior approval of the FTC (if applicable), no Acquired Company need give notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Authority in order for the Parties to consummate the transactions contemplated by this Agreement, except where the failure to give notice, to file, or to obtain any authorization, consent, or approval would not have a Material Adverse Effect or would not materially adversely affect the ability of the Seller to consummate the transactions contemplated by this Agreement.

(c) Brokers' Fees. No Acquired Company has any liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

(d) Title to Tangible Assets. The Subject Assets are free and clear of all Encumbrances, except for (i) Permitted Encumbrances, (ii) the Encumbrances disclosed in Schedule 4(d)(i) and (iii) Encumbrances which do not have a Material Adverse Effect. Schedule 4(d)(ii) contains a summary description of certain of the principal tangible assets included in the Subject Assets and in the NGPL Assets.

(e) Financial Statements. Schedule 4(e) sets forth (i) an unaudited statement of income for each of Stingray and West Cameron for the twelve month period ended December 31, 1999; (ii) an unaudited statement of income for each of Stingray and West Cameron for the nine month period ended September 30, 2000; (iii) an unaudited balance sheet of each of Stingray and West Cameron as of December 31, 1999; (iv) an unaudited balance sheet of each of Stingray and West Cameron as of September 30, 2000 (the "Balance Sheet Date"); (v) an unaudited statement of cash flow for each of Stingray and West Cameron for the twelve month period ended December 31, 1999; and (vi) an unaudited statement of cash flow for each of Stingray and West Cameron for the nine month period ended September 30, 2000 (collectively, the "Financial Data"). The Financial Data was prepared in accordance with GAAP (except as expressly set forth therein, the absence of footnotes (other than to the extent footnotes are included in Schedule 4(e)), and normal year-end adjustments) and fairly presents, in all material respects, the financial position and income and cash flow for each of Stingray and West Cameron as of the dates and for the periods indicated. The Financial Data does not omit to state any liability required to be stated therein in accordance with GAAP (except as expressly set forth therein, the absence of footnotes (other than to the extent footnotes are included in Schedule 4(e)), and normal year-end adjustments). None of the Acquired Companies has, or has had any lease obligations (other than the Stingray Lease) or contingent liabilities which, if the Financial Data relating to the Acquired Companies had contained footnotes, would have been required by GAAP to have been disclosed or reflected in such footnotes.

(f) Material Change. Except as set forth in Schedule 4(f), since the Balance Sheet Date:

(i) there has not been any Material Adverse Effect;

(ii) the Subject Assets or NGPL Assets operated by the Seller and its Affiliates have been operated and maintained in the Ordinary Course of Business in compliance with the standards which the Seller operates its other offshore pipelines;

(iii) there has not been any damage, destruction or loss to any material portion of the Subject Assets, whether or not covered by insurance, that would have a Material Adverse Effect;

(iv) there has been no issuance by any Acquired Company of any of its Equity Interests, or any repurchase or redemption by any Acquired Company of any of its Equity Interests;

(v) there has been no merger or consolidation of any Acquired Company with any other Person or acquisition by any Acquired Company of the Equity Interest or business of any other Person, nor any purchase, sale or lease of material assets included in the Subject Assets or, to the Seller's Knowledge, the NGPL Assets;

(vi) there has been no borrowing of funds, agreement to borrow funds or guaranty by any Acquired Company except in the Ordinary Course of Business and except for intercompany loans and transactions that will be satisfied or terminated pursuant to Section 5(e);

(vii) (A) neither the Seller nor any Acquired Company has received any written notices from any customers, licensors, suppliers, distributors or sales representatives informing the Seller or any Acquired Company that there has been a change in the relationship of any Acquired Company or affecting any of the Subject Assets or NGPL Assets, except for changes that do not have a Material Adverse Effect, and (B) to the Seller's Knowledge, there has been no change in the relationship of any Acquired Company or affecting any of the Subject Assets or NGPL Assets, with any customers, licensors, suppliers, distributors or sales representatives, except for changes that do not have a Material Adverse Effect; and

(viii) there is no contract, commitment or agreement to do any of the foregoing, except as expressly permitted hereby.

(g) Legal Compliance. Each Acquired Company has complied with all applicable Laws of all Governmental Authorities, except where the failure to comply would not have a Material Adverse Effect. The Seller makes no representations or warranties in this Section 4(g) with respect to Taxes or Environmental Laws, for which the sole representations and warranties of the Seller are set forth in Sections 4(h) and 4(k), respectively.

(h) Tax Matters. Except as set forth in Schedule 4(h) or as would not have a Material Adverse Effect:

(i) The Acquired Companies have filed, or have had filed on their behalf, all Tax Returns that they were required to file, and such Tax Returns are accurate in all respects. All Taxes shown as due from each Acquired Company on any such Tax Returns have been paid.

(ii) There is no dispute or claim concerning any Tax liability of any Acquired Company claimed or raised by any authority in writing.

(iii) There are no outstanding agreements or waivers extending the statutory period of limitations applicable to any Tax Returns required to be filed by or with respect to any Acquired Company and for which the Buyers may be responsible.

(iv) The Acquired Companies have not, at anytime prior to the Closing Date, filed an election under Treasury Regulations ss. 301.7701-3 to be classified as a corporation for federal income Tax purposes.

(v) Each Acquired Company since its inception has been and is disregarded as an entity separate from the Seller for federal income tax purposes under Treasury Regulations ss.ss. 301.7701-2 and -3 and any comparable provision of applicable state or local Tax law that permits such treatment.

(i) Contracts and Commitments. Schedule 4(i) includes a list of all material contracts and commitments (including, without limitation, any contract, lease, agreement or commitment, written or oral, providing for receipt or payment, contingent or otherwise, of $200,000 or more or which may not be terminated without payment or penalty, or restricting the ability of any Acquired Company to engage in any line of business in any geographic area, or containing any indemnity obligation, or relating to indebtedness or guarantee obligations) to which any Acquired Company is a party, and each such contract is in full force and effect, except where the failure to be in full force and effect would not have a Material Adverse Effect and except for contracts related to the Seller Loan Documents. Each Acquired Company has performed all material obligations required to be performed by it to date under the contracts, and is not in default under any material obligation of any such contracts, except when such default would not have a Material Adverse Affect. To the Seller's Knowledge, no other party to any such contract is in default thereunder.

(j) Litigation. Schedule 4(j) sets forth each instance in which any Acquired Company or any of the Subject Assets or, with respect to the time period during which Stingray has operated the NGPL Assets, any of the NGPL Assets or, with respect to the time period during which Stingray did not operate the NGPL Assets, to the Seller's Knowledge, any of the NGPL Assets, (i) is subject to any outstanding injunction, judgment, order, decree, ruling, or charge or (ii) is a party to or the subject of any action, suit, proceeding, hearing, or investigation of, in, or before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction, or is the subject of any pending or, to the Seller's Knowledge, threatened claim, demand, or notice of violation or liability from any Person, except where any of the foregoing would not have a Material Adverse Effect.

(k) Environmental Matters. Except as set forth in Schedule 4(k):

(i) Each Acquired Company is in compliance with all applicable federal, state and local Laws (including common law) relating to the protection of the environment, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. section 9601, et seq. ("CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended, 42 U.S.C. section 6901, et seq., the Clean Air Act, as amended, 42 U.S.C. section 7401, et seq., the Federal Water Pollution Control Act, as amended, 33 U.S.C. section 1251, et seq., and the Oil Pollution Act of 1990, 33 U.S.C. section 2701, et seq. (collectively, the "Environmental Laws" and individually an "Environmental Law"), except for such instances of noncompliance that individually or in the aggregate do not, and will not, have a Material Adverse Effect. A complete list of all environmental audits covering any of the Subject Assets is attached hereto as Schedule 4(k)(i).

(ii) Each Acquired Company has obtained all permits, licenses, franchises, authorities, consents, and approvals, and has made all filings and maintained all material information, documentation, and records, as necessary under applicable Environmental Laws for operating its assets and business as it is presently conducted, and all such permits, licenses, franchises, authorities, consents, approvals, and filings remain in full force and effect, except for such matters that individually or in the aggregate do not, and will not, have a Material Adverse Effect. To the Seller's Knowledge, Schedule 4(k)(ii) sets forth a complete list of all permits, licenses, franchises, authorities, consents, and approvals, as necessary under applicable Environmental Laws for operating each Acquired Company's assets and business as it is presently conducted, each of which is held by and in the name of an Acquired Company.

(iii) Except as do not, and will not, have a Material Adverse Effect, (x) there are no pending or threatened claims, demands, actions, administrative proceedings or lawsuits against any Acquired Company, and (y) no Acquired Company is, and none of the Subject Assets or, with respect to the time period during which Stingray has operated the NGPL Assets, none of the NGPL Assets or, with respect to the time period during which Stingray did not operate the NGPL Assets, to the Seller's Knowledge, none of the NGPL Assets are, subject to any outstanding injunction, judgment, order, decree or ruling, under any Environmental Laws and, to the Seller's Knowledge, there is no basis for such claims, demands, actions, proceedings or lawsuits.

(iv) None of the real property presently or formerly owned or operated by any Acquired Company is listed on the National Priorities List or any similar state list of sites requiring remedial action.

(v) The Seller has not received any written notice that any Acquired Company is or may be a potentially responsible party under CERCLA or any analogous state law in connection with any site actually or allegedly containing or used for the treatment, storage or disposal of Hazardous Substances.

(vi) No Acquired Company is subject to any liability, contingent or otherwise, arising from the release or threatened release of any Hazardous Substances, except for such liabilities that individually or in the aggregate do not, and will not, have a Material Adverse Effect.

The Seller makes no representation or warranty regarding any compliance or failure to comply with, or any actual or contingent liability under, any Environmental Law, except as expressly set forth in this Section 4(k).

(l) Permits. Except as set forth in Schedule 4(l), each Acquired Company owns or holds all franchises, licenses, permits, consents, approvals, and authorizations of all Governmental Authorities necessary for the conduct of its business (collectively, the "Permits"), except for Permits whose absence would not have a Material Adverse Effect. Each Permit is in full force and effect, and each Acquired Company is in compliance with all of its obligations with respect to each Permit, except where the failure to be in full force and effect or to be in compliance would not have a Material Adverse Effect, and to the Seller's Knowledge, no event has occurred that permits, or upon the giving of notice or the lapse of time or otherwise would permit, revocation or termination of any Permit except such as would not have a Material Adverse Effect.

(m) Employee Matters. No Acquired Company has any employees.

(n) Disclaimer of Representations and Warranties Concerning Personal Property, Equipment, and Fixtures. Each Buyer acknowledges that (a) it has had and pursuant to this Agreement will have before Closing access to the Seller, each Acquired Company and the Subject Assets, and the officers and employees of the Seller and (b) in making the decision to enter into this Agreement and consummate the transactions contemplated hereby, each Buyer has relied solely on the basis of its own independent investigation and upon the express representations, warranties, covenants, and agreements set forth in this Agreement. Accordingly, each Buyer acknowledges that, except as expressly set forth in this Agreement, the Seller has not made, and THE SELLER MAKES NO AND DISCLAIMS ANY REPRESENTATION OR WARRANTY, WHETHER EXPRESS OR IMPLIED, AND WHETHER BY COMMON LAW, STATUTE, OR OTHERWISE, REGARDING (i) THE QUALITY, CONDITION, OR OPERABILITY OF ANY PERSONAL PROPERTY, EQUIPMENT, OR FIXTURES, (ii) ITS MERCHANTABILITY, (iii) ITS FITNESS FOR ANY PARTICULAR PURPOSE, (iv) ITS CONFORMITY TO MODELS, SAMPLES OF MATERIALS OR MANUFACTURER DESIGN, OR (v) AS TO WHETHER ANY SUBJECT ASSET IS YEAR 2000 COMPLIANT, AND ALL PERSONAL PROPERTY AND EQUIPMENT IS DELIVERED "AS IS, WHERE IS" IN THE CONDITION IN WHICH THE SAME EXISTS.

(o) East Breaks Obligations. Except for the rights, title and interest in, and Obligations under, the NGPL Purchase Agreement, following the Reorganization, East Breaks shall have no assets, Obligations or operations.

(p) West Cameron Operations. West Cameron was formed to own and operate dehydration facilities and related assets and facilities. Since its formation, West Cameron has had no other operations except as related to dehydration facilities and related assets and facilities.

5. Pre-Closing Covenants. The Parties agree as follows with respect to the period between the date of this Agreement and the Closing:

(a) General. Each Party will use its best efforts to take all action and to do all things necessary, proper, or advisable in order to consummate and make effective the transactions contemplated by this Agreement.

(b) Notices and Consents. The Seller will give any notices to third parties, and will use its commercially reasonable efforts to obtain the third party consents, listed on Schedule 5(b). Each of the Parties will give any notices to, make any filings with, and use its best efforts to obtain any authorizations, consents, and approvals of Governmental Authorities it is required to obtain in connection with the matters referred to in Section 3(a)(ii), 3(a)(iii), 3(b)(iii) and 4(b) so as to permit the Closing to occur not later than 5:00 p.m. (Houston time) on March 16, 2001. Without limiting the generality of the foregoing, the Buyers and the Seller agree to work in good faith with the FTC in order to consummate the transactions contemplated hereby as soon as reasonably practicable, but in no event later than 5:00 p.m. (Houston time) on March 16, 2001; provided, that, notwithstanding anything to the contrary contained herein, this sentence shall not obligate any Buyer to divest or hold separate any assets or enter into any agreement not contemplated by this Agreement or modify this Agreement.

(c) Operation of Business. The Seller will not, without the consent of the Buyers, except as expressly contemplated by this Agreement or as contemplated by Schedule 5(c), cause or permit any Acquired Company to engage in any practice, take any action, or enter into any transaction outside the Ordinary Course of Business. Without limiting the generality of the foregoing, the Seller will not, without the consent of the Buyers, except as expressly contemplated by this Agreement or as contemplated by Schedule 5(c), cause or permit any Acquired Company to do any of the following:

(i) amend or otherwise change any Acquired Company's Organizational Documents;

(ii) issue, sell, pledge, dispose of, grant, encumber, or authorize the issuance, sale, pledge, disposition, or grant of any Equity Interest of any Acquired Company, or any Commitments with respect to any Equity Interest of any Acquired Company;

(iii) cause or allow any of the Subject Assets or, to the extent within the Seller's Legal Right, the NGPL Assets, to become subject to an Encumbrance, except for Permitted Encumbrances and other Encumbrances identified in Sections 3(a)(v) and 4(d);

(iv) (A) acquire (including, without limitation, by merger, consolidation or acquisition of stock or assets) any corporation, partnership, or other business organization or any division thereof or any material amount of assets except for acquisitions of assets in the Ordinary Course of Business; (B) incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee, endorse, or otherwise as an accommodation become responsible for, the obligations of any Person except for the Seller Loan Documents, or make any loans or advances except for intercompany borrowing in the Ordinary Course of Business; (C) sell, lease or otherwise dispose of any property or assets, other than (x) sales of goods or services in the Ordinary Course of Business and (y) those properties and assets which constitute Acquired Company Excluded Assets; or (D) enter into or amend a contract, agreement, commitment, or arrangement with respect to any matter set forth in this paragraph (iv); provided that notwithstanding any provision of this Agreement, each Acquired Company shall be entitled to dividend and/or distribute to its Equity Interest holders, at any time, and from time to time, such cash generated by such company's business to which such Equity Interest holder would otherwise be entitled (other than cash arising from borrowings by such company or sales of assets by such company outside of the Ordinary Course of Business);

(v) change any Acquired Company's accounting practices in any material respect with the exception of any changes in accounting methodologies that have already been agreed upon by such company's Equity Interest holders, consistent with such company's Organizational Documents;

(vi) amend in any material respect any contract or agreement material to any Acquired Company, taken as a whole, or terminate any such material contract or agreement before the expiration of the term thereof other than to the extent any such material contract or agreement terminates or is terminable pursuant to its terms in the Ordinary Course of Business;

(vii) except as required by Law, make, change or revoke any Tax election relevant to any Acquired Company; or

(viii) initiate or settle any litigation, complaint, rate filing or administration proceeding, including without limitation, the potential settlement of Stingray's ongoing Section 4 general rate case in FERC Docket No. RP99-166.

The Buyers agree that with respect to their consent of any of the matters described in subsections (iii), (iv)(C), (iv)(D), (vi) and (viii) above, such consent shall not be unreasonably withheld or delayed.

(d) Full Access. The Seller will permit and will cause each Acquired Company to permit, representatives of the Buyers to have full access at all reasonable times, and in a manner so as not to interfere with the normal business operations of each Acquired Company, to all premises, properties, personnel, books, records (including Tax records), contracts, and documents of or pertaining to the Subject Assets or, to the extent within the Seller's Legal Right, the NGPL Assets, and each Acquired Company. Any information obtained by each Buyer, its employees, representatives, consultants, attorneys, agents, lenders and other advisors under this Section 5(d) shall be subject to the confidentiality and use restrictions contained in the Confidentiality Agreement. All "due diligence" activities of the Buyers shall be conducted in accordance with applicable Laws and each Buyer shall indemnify the Seller and its Affiliates from and against all personal injury or property damages incurred as a result of any Buyer's negligence in connection with such activities.

(e) Intercompany Transactions. Immediately before the Closing, all outstanding receivables and payables between the Seller and its Subsidiaries, on the one hand, and any Acquired Company, on the other hand, shall be satisfied and discharged, without any post-Closing liability or expense to any Acquired Company, except to the extent such receivables and payables relate to or arise under any agreement listed on Schedule 5(e) between the Seller or any of its Subsidiaries and any Acquired Company which will not be terminated prior to, or at, the Closing. Except for those listed on Schedule 5(e), all other intercompany transactions or arrangements between any Acquired Company, on the one hand, and the Seller or any of its Subsidiaries, on the other hand, shall be terminated as of the Closing, in such manner as the Seller shall specify, without imposing liabilities upon the Buyers, and none of the parties shall have any further liability or obligation in respect of any such transaction or arrangement.

(f) Seller Loan Document Obligations and Liens. Prior to the Closing, the Seller shall obtain (i) a release of all obligations of each Acquired Company under the Seller Loan Documents and (ii) a release of all liens and other Encumbrances created under the Seller Loan Documents on any portion of the Acquired Interest and the Subject Assets, without any post-Closing liability or expense to any Acquired Company or the Buyers.

(g) Reorganization. Prior to the Closing, the Seller shall cause (i) East Breaks to assign all of its rights, title and interest in, and Obligations under, and delegate all of its Obligations and duties related to, any and all rights, interest and other assets and liabilities other than its rights, title and interest in, and Obligations under, the NGPL Purchase Agreement, to an Affiliate of either the Seller or its members (such assigned and/or delegated rights, title, interest, Obligations, duties, assets and liabilities being herein referred to collectively as the "Assigned Interests"), (ii) such assignee to assume all of the Assigned Interests, and (iii) East Breaks to change its name from "East Breaks Gathering Company, L.L.C." to a name as designated by the Buyers. The Parties acknowledge and agree that (x) the sale of the membership interest in East Breaks as contemplated by this Agreement shall mean a sale of the membership interest in the entity formerly known as "East Breaks Gathering Company, L.L.C." following the Reorganization, (y) the Buyers will obtain no right, title, interest, license or any other right whatsoever to use the name "East Breaks Gathering Company, L.L.C." or "East Breaks" following the Closing, and that the Seller shall retain the rights to such names for all purposes, and (z) the Reorganization and all actions required by or in any way related thereto are approved and agreed to for all purposes and shall in no way result in a breach or violation of any representation, warranty, covenant or other provision of this Agreement.

(h) Key Employees. Schedule 5(h) contains a list of all of the Seller's and its Affiliates' employees (the "Key Employees") currently working full-time on the natural gas pipeline system and related facilities owned by the Acquired Companies, including each such employee's name and job title. The Buyers shall have the right, but not the obligation, to enter into an employment contract with each Key Employee. In order that the Buyers may evaluate the possible employment of the Key Employees, the Buyers, upon prior notice to the Seller, shall be entitled (a) to inspect the personnel files and other documentation relating to each Key Employee, to the extent permissible under applicable Laws (such files and documentation which shall be made available to the Buyers within 10 days after the date of this Agreement), (b) during normal business hours, to consult with the Key Employees; such consultation which will be scheduled to reasonably accommodate the schedules of both the Key Employee and the Seller. The Seller and its applicable Affiliates shall pay a bonus to each Key Employee who accepts an offer of employment on or prior to the termination date under the Transition Services Agreement and remains employed by the Buyers for a period of 12 months (such bonus which shall be paid to such Key Employee at the end of such 12 month period), such bonus which shall be in an amount equal to 25% of such Key Employee's current annual salary and commissions (including any annual bonuses), if any, as of November 1, 2000. The Seller and its applicable Affiliates (x) shall not interfere with the employment by the Buyers of any Key Employee, (y) not offer any incentive to any Key Employee to decline employment with the Buyers, and (z) shall remove any contractual impediments with the Seller and its applicable Affiliates that may deter any Key Employee from accepting employment with the Buyers, including, but not limited to, any non-compete or confidentiality provisions of employment or other contracts with the Seller or its applicable Affiliates that would affect the ability of the Key Employee to be employed by the Buyers. Notwithstanding anything to the contrary contained in this Agreement, (A) the Buyers shall not be obligated to hire any Key Employees, and (B) if, in their sole discretion, the Buyers elect to hire any Key Employees, all such hired Key Employees shall remain the employees of the Seller or its applicable Affiliates through the transition period under the Transition Services Agreement, and shall become the employees of the Buyers effective upon the termination date of the Transition Services Agreement. For a period of one year following the date of the final FTC Decision and Order issued by the FTC relating to the merger of El Paso Energy Corporation and The Coastal Corporation, none of the Seller, the Partnership, ANR or any of their Affiliates shall directly or indirectly hire or enter into any agreement for the services of any Key Employee that is employed by the Buyers after the Closing, unless such employee's employment has been terminated by the Buyers without such employee's consent. For purposes of this Section 5(h) , each use of the term "Buyers" shall be deemed to include each of the Buyers and their respective Affiliates.

6. Post-Closing Covenants. The Parties agree as follows:

(a) General. In case at any time after the Closing any further action is necessary to carry out the purposes of this Agreement, each of the Parties will take such further action (including the execution and delivery of such further instruments and documents) as the other Parties reasonably may request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor under Section 8).

(b) Litigation Support. In the event and for so long as any Party actively is contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or before the Closing Date involving any Acquired Company or the Subject Assets or NGPL Assets, the other Parties shall cooperate with the contesting or defending Party and its counsel in the defense or contest, make available its personnel, and provide such testimony and access to its books and records (other than books and records which are subject to privilege or to confidentiality restrictions) as shall be necessary in connection with the defense or contest, all at the sole cost and expense of the contesting or defending Party (unless the contesting or defending Party is entitled to indemnification therefor under Section 8).

(c) Surety Bonds; Guarantees. The Buyers agree to replace each of the surety bonds and guarantees that are listed on Schedule 6(c), each of which has been issued by the Seller or one or more of its Affiliates with respect to any Acquired Company or the Subject Assets. The Buyers and the Seller shall cooperate to effect all such replacements and the Buyers shall indemnify and hold the Seller and its applicable Affiliates harmless from and against any Adverse Consequences arising from the failure of the Buyers to be so replaced. The Buyers shall use commercially reasonable efforts to obtain a release of the Seller and any of its Affiliates from any surety or guaranty obligations with respect to each Acquired Company or the Subject Assets that arise from any of the surety bonds or guarantees listed on Schedule 6(c).

(d) Delivery and Retention of Records. On or before the Closing Date, the Seller will deliver or cause to be delivered to the Buyers, at the Buyers' request, copies of Tax Records, which are relevant to Post-Closing Tax Periods and all other files, books, records, information and data relating to each Acquired Company, the Subject Assets and NGPL Assets (other than Tax Records) that are in the possession or control of the Seller, any Acquired Company or any of their applicable Affiliates (the "Records"). Each Buyer agrees to (i) hold the Records and not to destroy or dispose of any portion thereof for a period of time as may be required by Law, and (ii) at any time, upon reasonable request, provide the Seller with copies of, or full access to, any of the Records, and access to the Buyers' employees to the extent that such access may be requested for any legitimate purpose at no cost to the Seller (other than for reasonable out-of-pocket expenses); provided, that such access will not be construed to require the disclosure of Records that would cause the waiver of any attorney-client, work-product or like privilege; provided further, that in the event of any litigation nothing herein shall limit any Party's rights of discovery under applicable Law. The Buyers shall have the same rights, and the Seller shall have the same obligations, as are set forth in this Section with respect to any copies of the Records retained by the Seller and access to the Seller's (and its applicable Affiliate's) employees; provided, that such access will not be construed to require the disclosure of Records that would cause the waiver of any attorney-client, work product, or like privilege; provided further, that in the event of any litigation nothing herein shall limit any Party's rights of discovery under applicable Law.

(e) Removal of Decals, Logos and Signs. Within 90 days after the date of termination of the Transition Services Agreement, the Buyers shall remove from each marker along the route of the pipelines constituting a portion of the Subject Assets any decal, logo or sign indicating that such pipeline is owned or operated by (a) the Seller, (b) the Partnership, (c) El Paso Energy Corporation, (d) ANR, (e) The Coastal Corporation, or (f) any Affiliate of the Persons listed in (a)-(e) (including signs displaying the emergency contact telephone number of any such Person). As promptly as practical after the Closing, the Buyers shall post the Buyers' emergency contact telephone numbers in place of any of the emergency contact telephone numbers of the Persons listed in (a)-(f) above.

(f) Governmental Approvals. If the FTC before its order becomes final notifies the Seller (x) that any Buyer is not an acceptable purchaser of any part, or all, of the Acquired Interest or (y) that the manner in which (i) the sale of the Acquired Interest or (ii) the transactions contemplated hereby were accomplished, is not acceptable to the FTC, then any Party shall have the unilateral right to immediately rescind the sale of the Acquired Interest and other transactions contemplated hereby and terminate this Agreement. In the event any such rescission is required, each Buyer agrees to cooperate fully with the Seller in order to promptly effect such rescission.

7. Conditions to Obligation to Close.

(a) Conditions to Obligation of the Buyers. The obligation of the Buyers to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties of the Seller contained in Section 3(a) and Section 4 shall be true and correct in all material respects when made and at Closing (except for those which refer to a specific date, which shall be true and correct as of such date);

(ii) the Seller shall have obtained all consents and approvals listed on Schedule 5(b);

(iii) the Seller shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;

(iv) there shall not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement;

(v) the Seller shall have delivered to the Buyers a certificate to the effect that each of the conditions specified in subsections 7(a)(i)-(iv) is satisfied in all respects; and

(vi) all of the transactions contemplated under the Sailfish/Moray Purchase Agreement shall close simultaneously with, or prior to, the Closing.

The Buyers may waive any condition specified in this Section 7(a) if it executes a writing so stating at or before the Closing.

(b) Conditions to Obligation of the Seller. The obligation of the Seller to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties of the Buyers contained in Section 3(b) shall be true and correct in all material respects when made and at Closing (except for those which refer to a specific date, which shall be true and correct as of such date);

(ii) the Buyers shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;

(iii) there shall not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement;

(iv) the Buyers shall have delivered to the Seller a certificate to the effect that each of the conditions specified in subsections 7(b)(i)-(iii) is satisfied in all respects;

(v) all of the transactions contemplated under the Sailfish/Moray Purchase Agreement shall close simultaneously with, or prior to, the Closing;

(vi) the FTC shall have accepted the proposed consent agreement for public comment, in connection with the Merger Agreement, pursuant to Rule 2.34 of the FTC Rules of Practice, 16 C.F.R. 2.34, as amended, and such consent agreement shall contain a consent order requiring the disposition of all, or any portion of, the Acquired Interest; and

(vii) the merger of El Paso Energy Corporation and The Coastal Corporation shall have closed.

The Seller may waive any condition specified in this Section 7(b) if it executes a writing so stating at or before the Closing.

8. Remedies for Breaches of this Agreement.

(a) Survival of Representations, Warranties and Certain Covenants. (i) All of the representations and warranties of the Seller contained in Sections 3 and 4 and the certificates delivered at closing pursuant to Section 7(a)(v) (other than Sections 3(a)(v), 4(h), 4(k), 4(o) and 4(p)) shall survive the Closing hereunder for a period of 18 months after the Closing Date; (ii) the representations and warranties in Section 4(h) shall survive the Closing with respect to any given claim that would constitute a breach of such representation or warranty until the expiration of the statute of limitations applicable to the underlying Tax matter giving rise to that claim; (iii) the representations and warranties in Sections 3(a)(v), 4(o) and 4(p) shall survive the Closing forever; and (iv) the representations and warranties in Section 4(k) shall survive the Closing for a period of 24 months after the Closing Date. The representations and warranties of each Buyer contained in Section 3 shall survive the Closing for a period of 18 months after the Closing Date. The covenants contained in Section 6 of this Agreement and all other covenants contained in this Agreement to be performed after the Closing shall survive the Closing indefinitely.

(b) Indemnification Provisions for Benefit of the Buyers.

(i) In the event: (x) the Seller breaches any of its representations, warranties, or covenants contained herein (other than the covenants in Sections 2 and 6 and any other covenants to be performed after the Closing, and the representations and warranties in Sections 3(a), 4(k), 4(o) and 4(p)); (y) there is an applicable survival period pursuant to Section 8(a); and (z) the Buyers make a written claim for indemnification against the Seller pursuant to Section 11(h) within such survival period, then the Seller agrees to indemnify the Buyer Indemnitees from and against any Adverse Consequences by reason of all Adverse Events to the extent they are caused proximately by the breach and suffered by such Buyer Indemnitees; provided, that the Seller shall not have any obligation to indemnify any Buyer Indemnitees from and against any such Adverse Consequences by reason of all Adverse Events (A) until the Buyer Indemnitees, in the aggregate, have suffered Adverse Consequences by reason of all Adverse Events and all Adverse Environmental Events in excess of the Deductible Amount (after which point the Seller will be obligated only to indemnify the Buyer Indemnitees from and against further such Adverse Consequences) or thereafter (B) to the extent the Adverse Consequences the Buyer Indemnitees, in the aggregate, have suffered by reason of all Adverse Events and all Adverse Environmental Events exceeds an aggregate ceiling amount equal to 20% of the Aggregate Purchase Price (after which point the Seller will have no obligation to indemnify the Buyer Indemnitees from and against further such Adverse Consequences).

(ii) In the event: (x) the Seller breaches any of its covenants in Sections 2 or 6 or any other covenants to be performed after the Closing, or any of its representations and warranties in Sections 3(a), 4(o) and 4(p); (y) there is an applicable survival period pursuant to Section 8(a) (which, as to the covenants in Sections 2 and 6 and any other covenants to be performed after the Closing, or as to any of the representations and warranties in Sections 3(a)(v), 4(o) and 4(p) shall be forever); and (z) the Buyers make a written claim for indemnification against the Seller pursuant to Section 11(h) within such survival period, then the Seller agrees to indemnify the Buyer Indemnitees from and against the entirety of any Adverse Consequences caused proximately by the breach and suffered by the Buyer Indemnitees. In addition, the Seller agrees to indemnify the Buyer Indemnitees from and against the entirety of any Adverse Consequences caused proximately by any Third Party Claim regarding Obligations assigned or intended to be assigned by East Breaks to an Affiliate of either the Seller or its members in connection with the Reorganization.

(iii) In the event: (x) the Seller breaches any of its representations and warranties in Section 4(k)); (y) there is an applicable survival period pursuant to Section 8(a); and (z) the Buyers make a written claim for indemnification against the Seller pursuant to Section 11(h) within such survival period, then the Seller agrees to indemnify the Buyer Indemnitees from and against 50% of the first $1,000,000 of any Adverse Consequences by reason of all Adverse Environmental Events to the extent they are caused proximately by the breach and suffered by such Buyer Indemnitees, in the aggregate; and thereafter, 100% of any Adverse Consequences by reason of all Adverse Environmental Events to the extent they are caused proximately by the breach and suffered by such Buyer Indemnitees, in the aggregate; provided, that the Seller shall not have any obligation to indemnify any Buyer Indemnitees from and against any such Adverse Consequences by reason of all Adverse Environmental Events to the extent the Adverse Consequences the Buyer Indemnitees, in the aggregate, have suffered by reason of all Adverse Events and all Adverse Environmental Events exceeds an aggregate ceiling amount equal to 20% of the Aggregate Purchase Price (after which point the Seller will have no obligation to indemnify the Buyer Indemnitees from and against further such Adverse Consequences).

(iv) The Seller will indemnify and hold harmless the Buyer Indemnitees (including each Acquired Company) against (A) joint and several liability with the Seller arising by reason of any Acquired Company having been a member of a "controlled group of partnerships," under "common control" or a member of an "affiliated service group" with the Seller within the meaning of Sections 414(c) or (m) of the Code, or having been required to be aggregated with the Seller under Section 414(o) of the Code, or having been under "common control" with the Seller, within the meaning of Section 4001(a)(14) of ERISA; (B) any Adverse Consequences to the extent they are caused proximately by and suffered by such Buyer Indemnitees as a direct result of Stingray's involvement as a named defendant in the action brought by Jack J. Grynberg that is described on Schedule 4(j).

(v) To the extent any Buyer Indemnitee becomes liable to, and is ordered to and does pay to any third party, punitive damages proximately caused by a material breach by the Seller of any representation, warranty or covenant contained in this Agreement, then such punitive damages shall be deemed actual damages to such Buyer Indemnitee and included within the definition of Adverse Consequences for purposes of this Section 8.

(vi) Except for the rights of indemnification provided in this Section 8, the Buyers hereby waive any claim or cause of action pursuant to common or statutory law or otherwise against the Seller arising from any breach by the Seller of any of its representations, warranties or covenants under this Agreement or the transactions contemplated hereby.

(c) Indemnification Provisions for Benefit of the Seller.

(i) In the event: (x) any Buyer breaches any of its representations, warranties and covenants contained herein; (y) there is an applicable survival period pursuant to Section 8(a); and (z) any Seller makes a written claim for indemnification against any Buyer pursuant to Section 11(h) within such survival period, then Enterprise and Shell agree to indemnify the Seller Indemnitees from and against the entirety of any Adverse Consequences caused proximately by the breach and suffered by such Seller Indemnitees.

(ii) Except for those liabilities for which the Seller has agreed to indemnify the Buyer Indemnitees pursuant to Section 8(b), Enterprise and Shell agree to indemnify the Seller Indemnitees from and against the entirety of any Adverse Consequences relating in any way to the Acquired Interest, any Acquired Company, the Subject Assets, or the ownership and operation of any Acquired Company, whether arising before or after the Closing Date.

(iii) To the extent any Seller Indemnitee becomes liable to, and is ordered to and does pay to any third party, punitive damages proximately caused by a material breach by any Buyer of any representation, warranty or covenant contained in this Agreement, then such punitive damages shall be deemed actual damages to such Buyer Indemnitee and included within the definition of Adverse Consequences for purposes of this Section 8.

(iv) With respect to any and all indemnification payments for which Enterprise and Shell are liable under this Agreement, each such Party shall be responsible and liable for 50% of the aggregate amount of each such payment, and the liability of Enterprise and Shell shall be several, and not joint and several. The indemnification obligations of Enterprise and Shell are absolute, present and continuing obligations and are in no way conditional or contingent upon any other action, occurrence or circumstance whatsoever. It shall not be necessary for the Seller, in order to enforce such indemnification obligations of Enterprise and Shell, first to institute suit or exhaust its remedies against Starfish or any other Person with respect to the indemnity obligations.

(v) Except for the rights of indemnification provided in this Sections 8 and 9(f), the Seller hereby waives any claim or cause of action pursuant to common or statutory law or otherwise against the Buyers arising from any breach by any Buyer of any of its representations, warranties or covenants under this Agreement or the transactions contemplated hereby.

(d) Matters Involving Third Parties.

(i) If any third party shall notify any Party (the "Indemnified Party") with respect to any matter (a "Third Party Claim") that may give rise to a claim for indemnification against any other Party (the "Indemnifying Party") under this Section 8, then the Indemnified Party shall promptly (and in any event within five business days after receiving notice of the Third Party Claim) notify the Indemnifying Party thereof in writing (although the failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party from any liability that the Indemnifying Party may have under this Section 8(d) except to the extent that such failure prejudices the Indemnifying Party).

(ii) The Indemnifying Party will have the right to assume and thereafter conduct the defense of the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party; provided, however, that the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party (not to be withheld unreasonably) unless the judgment or proposed settlement involves only the payment of money damages and does not impose an injunction or other equitable relief upon the Indemnified Party and provides a clear and unconditional release of the Indemnified Party.

(iii) Unless and until the Indemnifying Party assumes the defense of the Third Party Claim as provided in subsection 8(d)(ii), the Indemnified Party may defend against the Third Party Claim in any manner it reasonably may deem appropriate.

(iv) In no event will the Indemnified Party consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party which consent shall not be withheld or delayed unreasonably.

(e) Determination of Amount of Adverse Consequences. The Adverse Consequences giving rise to any indemnification obligation hereunder shall be limited to the actual loss suffered by the Indemnified Party (i.e. reduced by any insurance proceeds or other payment or recoupment received from any non-Affiliated third party insurance company (not to include captive Subsidiary insurance carriers), realized or retained by the Indemnified Party as a result of the events giving rise to the claim for indemnification net of any expenses related to the receipt of such proceeds, payment or recoupment, including retrospective premium adjustments, if any), and any reduction in Taxes of the Indemnified Party (or the affiliated group of which it is a member) occasioned by such loss or damage. The amount of the actual loss and the amount of the indemnity payment shall be computed by taking into account the timing of the loss or payment, as applicable, using a 10% interest or discount rate, as appropriate. Upon the request of the Indemnifying Party, the Indemnified Party shall provide the Indemnifying Party with information sufficient to allow the Indemnifying Party to calculate the amount of the indemnity payment in accordance with this Section 8(e). An Indemnified Party shall take all commercially reasonable steps to mitigate damages in respect of any claim for which it is seeking indemnification and shall use reasonable efforts to avoid any costs or expenses associated with such claim and, if such costs and expenses cannot be avoided, to minimize the amount thereof.

(f) Tax Treatment of Indemnity Payments. All indemnification payments made under this Agreement, including any payment made under Section 9(f) hereof, shall be treated as purchase price adjustments for Tax purposes.

9. Tax Matters.

(a) Post-Closing Tax Returns. The Buyers shall prepare or cause to be prepared and file or cause to be filed any Post-Closing Tax Returns of the Acquired Companies. The Buyers shall pay (or shall cause to be paid) any Taxes due with respect to such Tax Returns.

(b) Pre-Closing Tax Returns. The Seller shall prepare or cause to be prepared and file or cause to be filed all Pre-Closing Tax Returns for the Acquired Companies. The Seller shall pay (or shall cause to be paid) any Taxes due with respect to such Tax Returns.

(c) Straddle Periods. The Buyers shall be responsible for Taxes of the Acquired Companies related to the portion of any Straddle Period commencing after the Closing Date. The Seller shall be responsible for Taxes of the Acquired Companies relating to the portion of any Straddle Period commencing before and ending on the Closing Date. With respect to any Straddle Period, to the extent permitted by applicable Law, the Seller or the Buyers shall elect to treat the Closing Date as the last day of the Tax period. If applicable Law will not permit the Closing Date to be the last day of a period, then (i) real or personal property Taxes of the Acquired Companies shall be allocated based on the number of days in the partial period before and after the Closing Date, (ii) in the case of all other Taxes based on or in respect of income, the Tax computed on the basis of the taxable income or loss of the Acquired Companies for each partial period as determined from their books and records, and (iii) in the case of all other Taxes, on the basis of the actual activities or attributes of the Acquired Companies for each partial period as determined from their books and records.

(d) Straddle Returns. With respect to any Straddle Return, the Seller shall deliver, at least 45 days prior to the due date for filing such Straddle Return (including any extension) to the Buyers a Straddle Return, together with a statement setting forth the amount of Tax that the Seller owes, including the allocation of taxable income and Taxes under Section 9(c) and copies of such Straddle Return. The Buyers shall review such Straddle Returns and the allocation of taxable income and liability for Taxes and shall have the right to make any reasonable changes to such Straddle Returns. The Buyers shall notify the Seller of any changes to the Straddle Return no later than 15 days prior to the date for the filing of such Straddle Returns. The Seller and the Buyers agree to consult and to attempt to resolve in good faith any issue arising as a result of the review of such Straddle Returns and allocation of taxable income and liability for Taxes and mutually to consent to the filing as promptly as possible of such Straddle Returns. Not later than five days before the due date for the payment of Taxes with respect to such Straddle Returns, the Seller shall pay or cause to be paid to the Buyers an amount equal to the Taxes as agreed to by the Buyers and the Seller as being owed by the Seller. If the Buyers and the Seller cannot agree on the amount of Taxes owed by the Seller with respect to a Straddle Return, the Seller shall pay to the Buyers the amount of Taxes reasonably determined by the Seller to be owed by the Seller. Within 10 days after such payment, the Seller and the Buyers shall refer the matter to an independent "Big-Five" accounting firm agreed to by the Buyer and the Seller to arbitrate the dispute. The Seller and the Buyers shall equally share the fees and expenses of such accounting firm and its determination as to the amount owing by the Seller with respect to a Straddle Return shall be binding on both the Seller and the Buyers. Within five days after the determination by such accounting firm, if necessary, the appropriate

Parties shall pay the other Parties any amount which is determined by such accounting firm to be owed. The Seller shall be entitled to reduce its obligation to pay Taxes with respect to a Straddle Return by the amount of any estimated Taxes paid with respect to such Taxes on or before the Closing Date.

(e) Claims for Refund. The Buyers shall not, and shall cause the Acquired Companies and any of its Affiliates not, to file any claim for refund of taxes with respect to the Acquired Companies for whole or partial taxable periods on or before the Closing Date.

(f) Indemnification. Each Buyer agrees to indemnify the Seller against all Taxes of or with respect to the Acquired Companies for any Post-Closing Tax Period and the portion of any Straddle Period ending after the Closing Date. The Seller agrees to indemnify the Buyers against all Taxes of or with respect to the Acquired Companies for any Pre-Closing Tax Period and the portion of any Straddle Period ending on or before the Closing Date.

(g) Cooperation on Tax Matters.

(i) The Buyers and the Seller shall cooperate fully, as and to the extent reasonably requested by the other Parties, in connection with the filing of Tax Returns pursuant to this Section and any audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Buyers and the Seller shall (A) retain all books and records with respect to Tax matters pertinent to the Acquired Companies relating to any whole or partial taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by the Buyers or the Seller, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority, and (B) give the other Parties reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the other Parties so requests, the Buyers or the Seller as the case may be, shall allow the other Parties to take possession of such books and records.

(ii) The Buyers and the Seller further agree, upon request, to use their best efforts to obtain any certificate or other document from any Governmental Authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereby).

(iii) The Buyers and the Seller agree, upon request, to provide the other Parties with all information that any Party may be required to report pursuant to Section 6043 of the Code and all Treasury Department Regulations promulgated thereunder.

(h) Certain Taxes. The Seller will file all necessary Tax Returns and other documentation with respect to all transfer, documentary, sales, use, stamp, registration and other Taxes and fees, and, if required by applicable Law, the Buyers will, and will cause their Affiliates to, join in the execution of any such Tax Returns and other documentation.

(i) Confidentiality. Any information shared in connection with Taxes shall be kept confidential, except as may otherwise be necessary in connection with the filing of Tax Returns or reports, refund claims, tax audits, tax claims and tax litigation, or as required by Law.

(j) Audits. The Seller and the Buyers shall provide prompt written notice to the others of any pending or threatened tax audit, assessment or proceeding that it becomes aware of related to the Acquired Companies for whole or partial periods for which it is indemnified by the other Parties hereunder. Such notice shall contain factual information (to the extent known) describing the asserted tax liability in reasonable detail and shall be accompanied by copies of any notice or other document received from or with any tax authority in respect of any such matters. If an indemnified party has knowledge of an asserted tax liability with respect to a matter for which it is to be indemnified hereunder and such party fails to give the indemnifying party prompt notice of such asserted tax liability, then (I) if the indemnifying party is precluded by the failure to give prompt notice from contesting the asserted tax liability in any forum, the indemnifying party shall have no obligation to indemnify the indemnified party for any Taxes arising out of such asserted tax liability, and (II) if the indemnifying party is not so precluded from contesting, but such failure to give prompt notice results in a detriment to the indemnifying party, then any amount which the indemnifying party is otherwise required to pay the indemnified party pursuant to this Section shall be reduced by the amount of such detriment, provided, the indemnified party shall nevertheless be entitled to full indemnification hereunder to the extent, and only to the extent, that such party can establish that the indemnifying party was not prejudiced by such failure. This Section 9(j) shall control the procedure for Tax indemnification matters to the extent it is inconsistent with any other provision of this Agreement.

(k) Control of Proceedings. The Party responsible for the Tax under this Agreement shall control audits and disputes related to such Taxes (including action taken to pay, compromise or settle such Taxes). The Seller and the Buyers shall jointly control, in good faith with each other, audits and disputes relating to any Straddle Periods. Reasonable out of pocket expenses with respect to such contests shall be borne by the Seller and the Buyers in proportion to their responsibility for such Taxes as set forth in this Agreement. Except as otherwise provided by this Agreement, the noncontrolling Parties shall be afforded a reasonable opportunity to participate in such proceedings at its own expense.

(l) Powers of Attorney. The Buyers, the Acquired Companies, and their Affiliates shall provide the Seller and its Affiliates with such powers of attorney or other authorizing documentation as are reasonably necessary to empower them to execute and file returns they are responsible for hereunder, file refund and equivalent claims for Taxes they are responsible for, and contest, settle, and resolve any audits and disputes that they have control over under Section 9(k) hereof (including any refund claims which turn into audits or disputes).

(m) Remittance of Refunds. If the Buyers or any Affiliate of the Buyers (including the Acquired Companies) receives a refund of any Taxes that the Seller is responsible for hereunder, or if the Seller or any Affiliate of the Seller (other than the Acquired Companies) receives a refund of any Taxes that the Buyers are responsible for hereunder, the Party receiving such refund shall, within thirty days after receipt of such refund, remit it to the Party who has responsibility for such Taxes hereunder. For the purpose of this Section 9(m), the term "refund" shall include a reduction in Tax and the use of an overpayment as a credit or other tax offset, and receipt of a refund shall occur upon the filing of a return or an adjustment thereto using such reduction, overpayment or offset or upon the receipt of cash.

(n) Purchase Price Allocation. The Seller and the Buyers agree that the Purchase Price (as adjusted by the Net Increase Amount or the Net Decrease Amount, as applicable) and the Acquired Company Obligations will be allocated among the Subject Assets for all purposes (including Tax and financial accounting purposes) as jointly agreed between the Buyers and the Seller within ninety (90) days after the Closing Date. The Buyers, the Seller and their applicable Affiliates will file all Tax Returns (including amended Tax Returns and claims for refund) and information reports in a manner consistent with such allocation.

(o) Closing Tax Certificate. At the Closing, the Seller shall deliver to the Buyers a certificate signed under penalties of perjury (i) stating that it is not a foreign corporation, foreign partnership, foreign trust or foreign estate, (ii) providing its U.S. Employer Identification Number and (iii) providing its address, all pursuant to Section 1445 of the Code.

(p) Like-Kind Exchanges. The Buyers shall cooperate fully, as and to the extent reasonably requested by the Seller, in connection with enabling the transactions contemplated herein to qualify in whole or in part as a "like-kind" exchange pursuant to Section 1031 of the Code.

10. Termination.

(a) Termination of Agreement. The Parties may terminate this Agreement, as provided below:

(i) the Buyers and the Seller may terminate this Agreement by mutual written consent at any time before the Closing;

(ii) the Buyers may terminate this Agreement by giving written notice to the Seller at any time before Closing (A) in the event the Seller has breached any representation, warranty or covenant contained in this Agreement in any material respect, the Buyers have notified the Seller of the breach, the breach has continued without cure for a period of 10 days after the notice of breach and such breach would result in a failure to satisfy a condition to the Buyers' obligation to consummate the transactions contemplated hereby; (B) if the Closing shall not have occurred on or before 5:00 p.m. (Houston time) on March 16, 2001 (unless the failure results primarily from any Buyer itself breaching any representation, warranty or covenant contained in this Agreement); or (C) if any of the consents and approvals referred to in Schedule 5(b) are denied;

(iii) the Seller may terminate this Agreement by giving written notice to the Buyers at any time before the Closing (A) in the event any Buyer has breached any representation, warranty or covenant contained in this Agreement in any material respect, the Seller has notified such Buyer of the breach, the breach has continued without cure for a period of 10 days after the notice of breach and such breach would result in a failure to satisfy a condition to the Seller's obligation to consummate the transactions contemplated hereby; (B) if the Closing shall not have occurred on or before 5:00 p.m. (Houston time) on March 16, 2001 (unless the failure results primarily from the Seller itself breaching any representation, warranty or covenant contained in this Agreement); (C) if the Seller believes in its reasonable good faith judgment that the transactions contemplated hereby will not receive all required approvals of the FTC; (D) if the Seller believes in its reasonable good faith judgment that the FTC will not accept the proposed consent agreement for public comment, in connection with the Merger Agreement, pursuant to Rule 2.34 of the FTC Rules of Practice, 16 C.F.R. 2.34, as amended; (E) in the event the FTC fails to accept a consent agreement containing a consent order requiring the disposition by the Seller of at least some portion of the Acquired Interest; or (F) if either the Sailfish/Moray Purchase Agreement or the Manta Ray Agreement has terminated for any reason; and

(iv) the Buyers or the Seller may terminate this Agreement if any court of competent jurisdiction or any governmental, administrative or regulatory authority, agency or body shall have issued an order, decree or ruling or shall have taken any other action permanently enjoining, restraining or otherwise prohibiting the transactions contemplated hereby and such order, decree, ruling or other action shall have become final and nonappealable.

(b) Effect of Termination. If any Party terminates this Agreement pursuant to Section 10(a), all rights and obligations of the Parties hereunder with respect to any Acquired Interest not theretofore sold to the Buyers hereunder shall terminate without any liability of any Party to any other Party (except for any liability of any Party then in breach); provided that the confidentiality provisions contained in the Confidentiality Agreement shall survive termination.

11. Miscellaneous.

(a) Use of El Paso Energy and ANR Marks. El Paso Energy Marks and ANR Marks will appear on some of the assets of each Acquired Company, including on signage throughout the real property of each Acquired Company, and on supplies, materials, stationery, brochures, advertising materials, manuals and similar consumable items of each Acquired Company. Each Buyer acknowledges and agrees that it obtains no right, title, interest, license or any other right whatsoever to use the El Paso Energy Marks or the ANR Marks. In furtherance thereof, the Buyers shall, (i) within 180 days after the date of termination of the Transition Services Agreement, remove the El Paso Energy Marks and the ANR Marks from the assets of each Acquired Company, including signage on the real and personal property of each Acquired Company, and, if required by the Seller in writing, provide written verification thereof to the Seller promptly after completing such removal and (ii) within 90 days after the date of termination of the Transition Services Agreement, return or destroy (with proof of destruction) all other assets of each Acquired Company that contain any El Paso Energy Marks or any ANR Marks that are not removable; provided, that if the return or destruction of any assets as described in subsection (ii) above is not physically possible or commercially reasonable, then the Buyers agree to use all commercially reasonable efforts to cover, replace or conceal all El Paso Energy Marks and ANR Marks on all such retained assets. Each Buyer agrees never to challenge the Seller or any of its Affiliates' ownership or El Paso Energy Corporation or The Coastal Corporation or any of their Affiliates' ownership of the El Paso Energy Marks or the ANR Marks, respectively, or any application for registration thereof or any registration thereof or any rights of the Seller or its Affiliates or El Paso Energy Corporation or The Coastal Corporation or their Affiliates therein as a result, directly or indirectly, of its ownership of each Acquired Company. The Buyers will not do any business or offer any goods or services under the El Paso Energy Marks or the ANR Marks. The Buyers will not send, or cause to be sent, any correspondence or other materials to any Person on any stationery that contains any El Paso Energy Marks or any ANR Marks or otherwise operate any Acquired Company in any manner which would or might confuse any Person into believing that such Buyer has any right, title, interest, or license to use the El Paso Energy Marks or the ANR Marks.

(b) Insurance. The Buyers acknowledge and agree that, following the Closing, any Subject Insurance Policies shall be terminated or modified to exclude coverage of all or any portion of any Acquired Company and any of the Subject Assets, by the Seller or El Paso Energy Corporation or The Coastal Corporation or any of their respective Affiliates (but no such termination shall adversely affect any claims of any Acquired Company existing at the Closing), and, as a result, the Buyers shall be obligated to obtain as of the Closing Date at their sole cost and expense replacement insurance, including insurance required by any third party to be maintained by any Acquired Company or covering any of the Subject Assets. The Buyers further acknowledge and agree that the Buyers may need to provide to certain Governmental Authorities and third parties evidence of such replacement or substitute insurance coverage for the continued operations of the businesses of each Acquired Company or any of the Subject Assets following the Closing. Notwithstanding Section 2(g)(ii), if any claims are made or losses occur as a result of actions or events occurring prior to the Closing Date that relate solely to the business activities of any Acquired Company and such claims, or the claims associated with such losses, properly may be made against the policies retained by the Seller or its Affiliates pursuant to Section 2(g)(ii) or under policies otherwise retained by the Seller or its Affiliates after the Closing, then the Seller shall use its reasonable commercial efforts so that each Acquired Company can file, notice, and otherwise continue to pursue these claims pursuant to the terms of such policies; provided, however, nothing in this Agreement shall require the Seller to maintain or to refrain from asserting claims against or exhausting any retained policies; provided further, that, to the extent any Acquired Company files, notices, or otherwise continues to pursue any claims under policies retained by the Seller or its Affiliates after the Closing as described above, the Buyers agree that none of the Seller or its Affiliates shall be responsible or liable for any deductible amount or other payment associated with such claims and that, if any such amounts are paid by the Seller or its Affiliates, the Buyers shall be liable to the Seller for all such amounts, including, but not limited to, from self-insurance retention or a Subsidiary insurance carrier of the Seller or any of its Affiliates. The Seller acknowledges that the Buyers shall have full rights to any insurance proceeds received after the Closing Date from any insurance policy in which any Acquired Company is listed as a named insured for claims that are made or losses that occur whether or not reported prior to the Closing Date and provided that such claims or losses are applicable to the Acquired Companies.

(c) Press Releases and Public Announcements. Until the earlier to occur of (i) January 1, 2001 and (ii) the date of consummation of the merger of El Paso Energy Corporation and The Coastal Corporation, no Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of the other Parties; provided however, that no Party shall unreasonably withhold or delay its approval to any Party's request to make a public disclosure that such requesting Party believes in good faith is required by applicable Law or any listing or trading agreement concerning its publicly traded securities; and provided further however, that the Parties agree that, notwithstanding the provisions of the Confidentiality Agreement, Enterprise shall be permitted to confidentially disclose to Standard & Poor's, Moody's or any other rating agency, the potential acquisition that is the subject of this Agreement, but only if the confidential nature of such information is disclosed to such rating agency. After the earlier to occur of (i) the date of consummation of the merger of El Paso Energy Corporation and The Coastal Corporation and (ii) January 1, 2001, notwithstanding the terms of the Confidentiality Agreement, any Party may make any public disclosure it, in its sole discretion, wishes relating to the potential acquisition that is the subject of this Agreement (in which case the disclosing Party will advise the other Parties before making the disclosure).

(d) No Third Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

(e) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. The Seller or any Buyer may assign either this Agreement or any of its respective rights, interests or obligations hereunder to an Affiliate without the prior written approval of the other Parties; provided, that no such assignment will relieve the Seller or any Buyer from any of its respective obligations or liabilities hereunder. Except as provided in the foregoing sentence, neither of the Buyers nor the Seller may assign either this Agreement or any of its respective rights, interests or obligations hereunder without the prior written approval of the other Parties.

(f) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but which together will constitute one and the same instrument.

(g) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(h) Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given two business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to the Enterprise by Mail:	Enterprise Products Operating L.P. P.O. Box 4324 Houston, Texas 77210-4324 Attn: President Phone: (713) 880-6500 Fax: (713) 880-6570
If to the Enterprise by hand-delivery:	Enterprise Products Operating L.P. 2727 North Loop West, Suite 700 Houston, Texas 77008 Attn: President Phone: (713) 880-6500 Fax: (713) 880-6570
If to Shell:	Shell Gas Transmission, LLC 1301 McKinney, Suite 700 Attn: President Houston, Texas 77010 Phone: (713) 230-3107 Fax: (713) 265-3107
If to Starfish:	Starfish Pipeline Company, LLC c/o Shell Gas Transmission, LLC 1301 McKinney, Suite 700 Attn: President Houston, Texas 77010 Phone: (713) 230-3107 Fax: (713) 265-3107 with a copy to: Enterprise Products Operating L.P. P.O. Box 4324 Houston, Texas 77210-4324 Attn: President Phone: (713) 880-6500 Fax: (713) 880-6570

If to the Seller: Deepwater Holdings, L.L.C.

El Paso Energy Building
Attn: President
1001 Louisiana
Houston, Texas 77002
(713)420-2131

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the addresses set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

(i) Governing Law. This Agreement shall be governed by and construed in accordance with the domestic Laws of the state of Texas without giving effect to any choice or conflict of law provision or rule (whether of the state of Texas or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the state of Texas .

(j) Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the Buyers and the Seller. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

(k) Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(l) Transaction Expenses. Each of the Buyers and the Seller will bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby.

(m) Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation.

(n) Incorporation of Exhibits and Schedules. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

(o) Entire Agreement. THIS AGREEMENT (INCLUDING THE DOCUMENTS REFERRED TO HEREIN) CONSTITUTES THE ENTIRE AGREEMENT AMONG THE PARTIES AND SUPERSEDES ANY PRIOR UNDERSTANDINGS, AGREEMENTS, OR REPRESENTATIONS BY OR AMONG THE PARTIES, WRITTEN OR ORAL, TO THE EXTENT THEY HAVE RELATED IN ANY WAY TO THE SUBJECT MATTER HEREOF.

(p) FTC Authorization. The Parties acknowledge that unless the FTC approves all of the transactions under the terms contemplated in this Agreement, the Parties will either (i) mutually agree to modify the terms of this Agreement pursuant to requests made by the FTC or (ii) terminate this Agreement in accordance with Section 10(a)(i).

*****

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

ENTERPRISE PRODUCTS OPERATING L.P.

By: ENTERPRISE PRODUCTS GP, LLC,
its General Partner

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

SHELL GAS TRANSMISSION, LLC

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

STARFISH PIPELINE COMPANY, LLC

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

DEEPWATER HOLDINGS, L.L.C.

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

[Signature Page of Purchase and Sale Agreement]

PURCHASE AND SALE AGREEMENT

By and Among

El Paso Energy Partners, L.P.

and

El Paso Energy Partners Company
(Sellers)

and

Enterprise Products Operating L.P.
(Buyer)

Covering the Acquisition of

Sailfish Pipeline Company, L.L.C. and Moray Pipeline Company, L.L.C.
(Acquired Companies)

Relating to the Acquisition of an Interest in

Manta Ray Offshore Gathering Company, L.L.C.,
Nautilus Pipeline Company, L.L.C.,
Neptune Pipeline Company, L.L.C.,
Ocean Breeze Pipeline Company, L.L.C., and
Nemo Gathering Company, L.L.C.
(Operating Companies)

December 8, 2000

TABLE OF CONTENTS

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") dated as of December 8, 2000 is by and among El Paso Energy Partners, L.P., a Delaware limited partnership (the "Partnership"), El Paso Energy Partners Company, a Delaware corporation (the "General Partner" and, together with the Partnership, the "Sellers") and Enterprise Products Operating L.P., a Delaware limited partnership (the "Buyer"). The Partnership, the General Partner and the Buyer are sometimes referred to collectively herein as the "Parties" and individually as a "Party."

RECITALS

WHEREAS, the Partnership owns a 98.9899% membership interest (the "Partnership Membership Interest") in each of Sailfish Pipeline Company, L.L.C., a Delaware limited liability company ("Sailfish"), and Moray Pipeline Company, L.L.C., a Delaware limited liability company ("Moray" and Sailfish, each an "Acquired Company");

WHEREAS, the General Partner, owns a 1.0101% membership interest (the "General Partner Membership Interest" and, together with the Partnership Membership Interest, the "Acquired Interest") in each Acquired Company;

WHEREAS, Sailfish owns a 25.67% membership interest in each of Neptune Pipeline Company, L.L.C. ("Neptune"), a Delaware limited liability company, and Ocean Breeze Pipeline Company, L.L.C. ("Ocean Breeze"), a Delaware limited liability company, which together own a 100% membership interest in each of Manta Ray Offshore Gathering Company, L.L.C. ("Manta Ray"), a Delaware limited liability company, and Nautilus Pipeline Company, L.L.C. ("Nautilus"), a Delaware limited liability company;

WHEREAS, Moray owns a 33.92% membership interest in Nemo Gathering Company, L.L.C., a Delaware limited liability company ("Nemo" and Neptune, Ocean Breeze, Manta Ray and Nautilus, each an "Operating Company"); and

WHEREAS, this Agreement contemplates a transaction in which the Buyer will purchase, and each of the Partnership and the General Partner will sell, all of its respective rights, title and interests in and to the Acquired Interest in return for the consideration specified herein.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows:

1. Definitions.

"Acquired Company" has the meaning set forth in the Recitals.

"Acquired Company Excluded Assets" has the meaning set forth in Section 2(g).

"Acquired Company Obligations" has the meaning set forth in Section 2(e).

"Acquired Interest" has the meaning set forth in the Recitals.

"Adverse Consequences" means all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, dues, penalties, fines, costs, amounts paid in settlement, liabilities, obligations, Taxes, liens, losses, expenses, and fees, including court costs and attorneys' fees and expenses, but excluding punitive (except as provided in Section 8 of this Agreement), exemplary, special or consequential damages.

"Adverse Environmental Event" means any breach of any representation or warranty of (i) the Partnership contained in Section 4(k) herein and (ii) the Holding Company contained in Section 4(k) of the Stingray/West Cameron Purchase Agreement.

"Adverse Event" means any breach of any representation, warranty or covenant of (i) the Sellers contained herein (other than the covenants in Section 2 and the representations and warranties in Sections 3(a), 4(k) and 4(p)) and (ii) the Holding Company contained in the Stingray/West Cameron Purchase Agreement (other than the covenants in Section 2 and the representations and warranties in Sections 3(a), 4(k) and 4(p)).

"Affiliate" has the meaning set forth in Rule 12b-2 of the regulations promulgated under the Securities Exchange Act.

"Aggregate Purchase Price" means an amount equal to the sum of the Purchase Price as defined in this Agreement and the "Purchase Price" as defined in the Stingray/West Cameron Purchase Agreement.

"Agreement" has the meaning set forth in the preface.

"Assignment of Membership Interest" means the assignment of membership interest in the form of Exhibit A.

"Audited Financial Statements" has the meaning set forth in Section 4(e).

"Balance Sheet Date" has the meaning set forth in Section 4(e).

"Buyer" has the meaning set forth in the preface.

"Buyer Indemnitees" means, collectively, the Buyer and its Affiliates and its and their officers (or persons performing similar functions), directors (or persons performing similar functions), employees, agents and representatives.

"Closing" has the meaning set forth in Section 2(c).

"Closing Date" has the meaning set forth in Section 2(c).

"Closing Statement" has the meaning set forth in Section 2(f)(i).

"Code" means the Internal Revenue Code of 1986, as amended, or any successor Law.

"Commitment" means (a) options, warrants, convertible securities, exchangeable securities, subscription rights, conversion rights, exchange rights or other contracts that could require a Person to issue any of its Equity Interests or to sell any Equity Interests it owns in another Person; (b) any other securities convertible into, exchangeable or exercisable for, or representing the right to subscribe for any Equity Interest of a Person or owned by a Person; (c) statutory pre-emptive rights or pre-emptive rights granted under a Person's Organizational Documents; and (d) stock appreciation rights, phantom stock, profit participation, or other similar rights with respect to a Person.

"Confidentiality Agreement" means the Confidentiality Agreement between the Buyer and the Partnership dated October 16, 2000.

"Deductible Amount" means an aggregate amount equal to 1% of the Aggregate Purchase Price.

"EBITDA" means earnings before interest, taxes, depreciation and amortization, as determined and calculated in accordance with GAAP.

"El Paso Energy Marks" means the name "El Paso Energy" and other trademarks, service marks, and trade names owned by El Paso Energy Corporation and its respective Affiliates.

"Encumbrance" means any mortgage, pledge, lien, charge, security interest, option, right of first refusal, preferential purchase right, easement or right-of-way.

"Environmental Law" or "Environmental Laws" has the meaning set forth in Section 4(k).

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

"Financial Data" has the meaning set forth in Section 4(e).

"FTC" has the meaning set forth in Section 3(a)(ii).

"GAAP" means generally accepted accounting principles in the United States consistently applied.

"General Partner" has the meaning set forth in the preface.

"General Partner Membership Interest" has the meaning set forth in the Recitals.

"Governmental Authority" means the United States and any state, county, city or other political subdivision, agency, court or instrumentality.

"Guaranty" means the guaranty in the form of Exhibit B.

"Hazardous Substances" means all materials, substances and wastes which are regulated under any Environmental Law or which may form the basis for liability under any Environmental Law.

"Holding Company" means Deepwater Holdings, L.L.C., a Delaware limited liability company.

"Indebtedness for Borrowed Money" means other than Permitted Encumbrances and the Partnership Loan Documents, all obligations of Sailfish or Moray to third persons for borrowed money relating to (a) any capital lease obligation, (b) any obligation (whether fixed or contingent) to reimburse any bank or other Person in respect of amounts paid or payable under a standby letter of credit (other than obligations under standby letters of credit securing performance under contracts or agreements of the Sellers or their Affiliates), or (c) any guarantee with respect to indebtedness for borrowed money (of the kind otherwise described in this definition) of another Person, but excluding indebtedness among the Sellers, their partners or their Affiliates on the one hand, and Sailfish or Moray on the other.

"Indemnified Party" has the meaning set forth in Section 8(d).

"Indemnifying Party" has the meaning set forth in Section 8(d).

"Knowledge" means, in the case of the Partnership, the actual knowledge of the individuals listed on Schedule 1(b) hereto without independent investigation or inquiry and, in the case of the Buyer, the actual knowledge of the individuals listed on Schedule 1(c) hereto without independent investigation or inquiry.

"Laws" means any statute, code, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any applicable Governmental Authority.

"Legal Right" means the legal authority and right (without risk of liability, criminal, civil or otherwise), such that the contemplated conduct would not, to the extent arising from, related to or in any way connected with any Operating Company, including, without limitation, any Organizational Documents thereof or contracts, agreements or arrangements related thereto, constitute a violation, termination or breach of, or require any payment or termination under, any contract or agreement, applicable Law, fiduciary, quasi-fiduciary or similar duty or any other obligation of or by any (i) of the Partnership, any Acquired Company or the General Partner or (ii) Affiliate of any Person described in (i) above.

"Manta Ray" has the meaning set forth in the Recitals.

"Manta Ray Agreement" means the certain Letter Agreement Regarding Platforms at Ship Shoal Block 332 and South Timbalier Block 292 among Manta Ray Gathering Company, L.L.C., Shell Seahorse Company, Shell Gas Transmission, LLC, Marathon Gas Transmission Inc. and Manta Ray, dated as of the date of this Agreement, as the same may be amended from time to time.

"Material Adverse Effect" means any change or effect that, individually or in the aggregate with other changes or effects, is materially adverse to the businesses, operations and properties of each Acquired Company and Operating Company taken as a whole, provided that in determining whether a Material Adverse Effect has occurred, changes or effects relating to (i) the natural gas pipeline industry generally (including, but not limited to, the price of natural gas and the costs associated with the drilling and/or production of natural gas), (ii) United States or global economic conditions or financial markets in general, or (iii) the transactions contemplated by this Agreement, shall not be considered.

"Merger Agreement" means that certain Agreement and Plan of Merger dated as of January 17, 2000 by and between El Paso Energy Corporation, El Paso Merger Company and The Coastal Corporation, as amended, restated, supplemented or otherwise modified from time to time.

"Moray" has the meaning set forth in the Recitals.

"Nautilus" has the meaning set forth in the Recitals.

"Nemo" has the meaning set forth in the Recitals.

"Neptune" has the meaning set forth in the Recitals.

"Net Decrease Amount" has the meaning set forth in Section 2(b)(ii).

"Net Increase Amount" has the meaning set forth in Section 2(b)(ii).

"Obligations" means duties, liabilities and obligations, whether vested, absolute or contingent, known or unknown, asserted or unasserted, accrued or unaccrued, liquidated or unliquidated, due or to become due, and whether contractual, statutory or otherwise.

"Ocean Breeze" has the meaning set forth in the Recitals.

"Operating Company" has the meaning set forth in the Recitals.

"Ordinary Course of Business" means the ordinary course of business consistent with the affected party's past custom and practice (including with respect to quantity and frequency).

"Organizational Documents" means the articles of incorporation, certificate of incorporation, charter, bylaws, articles or certificate of formation, regulations, operating agreement, certificate of limited partnership, partnership agreement, and all other similar documents, instruments or certificates executed, adopted, or filed in connection with the creation, formation, or organization of a Person, including any amendments thereto.

"Partnership" has the meaning set forth in the preface.

"Partnership Loan Documents" means (i) the Fourth Amended and Restated Credit Agreement among the Partnership, El Paso Energy Partners Finance Corporation, The Chase

Manhattan Bank, as Administrative Agent, and the several lenders from time to time parties thereto, dated as of March 23, 1995, as amended and restated through June 30, 2000, and all agreements, documents and instruments executed or delivered in connection therewith or otherwise related thereto, and (ii) the Indenture among the Partnership, El Paso Energy Partners Finance Corporation (formerly Leviathan Finance Corporation), the subsidiaries party thereto and Chase Bank of Texas, as Trustee, dated as of May 27, 1999 as amended, and all agreements, documents and instruments executed or delivered in connection therewith or otherwise related thereto.

"Partnership Membership Interest" has the meaning set forth in the Recitals.

"Party" and "Parties" have the meanings set forth in the preface.

"Permits" has the meaning set forth in Section 4(l).

"Permitted Encumbrances" means any of the following: (i) any liens for Taxes and assessments not yet delinquent or, if delinquent, that are being contested in good faith in the Ordinary Course of Business, provided that adequate reserve accounts have been established in accordance with GAAP; (ii) any obligations or duties reserved to or vested in any municipality or other Governmental Authority to regulate any Subject Asset in any manner including all applicable Laws; (iii) mechanic's, materialmen's, and similar liens; (iv) any liens or other Encumbrances created pursuant to operating, farmout, construction, operation and maintenance, space lease or similar agreements or the Organizational Documents of any Acquired Company or Operating Company; and (v) easements, rights-of-way, restrictions and other similar encumbrances incurred in the Ordinary Course of Business which, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the property subject thereto as it is currently being used or materially interfere with the ordinary conduct of the business.

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

"Post-Closing Tax Period" means any Tax period beginning after the Closing Date.

"Post-Closing Tax Return" means any Tax Return that is required to be filed by any Acquired Company with respect to a Post-Closing Tax Period.

"Pre-Closing Tax Period" means any Tax periods or portions thereof ending on or before the Closing Date.

"Pre-Closing Tax Return" means any Tax Return that is required to be filed with respect to any Acquired Company with respect to a Pre-Closing Tax Period.

"Proportionate Share" means (i) with respect to Sailfish, 25.67% for each Operating Company other than Nemo and (ii) with respect to Moray, 33.9% for Nemo.

"Proposed Closing Statement" has the meaning set forth in Section 2(f)(i).

"Purchase Price" has the meaning set forth in Section 2(b).

"Purchase Price Adjustment Date" means the last day of the month immediately preceding the month in which the Closing occurs.

"Purchase Price Decreases" means the following: (i) the amount, if any, of all current liabilities of each Acquired Company as of the Purchase Price Adjustment Date, as determined and calculated in accordance with GAAP, (ii) the amount, if any, of all Indebtedness for Borrowed Money of each Acquired Company as of the Purchase Price Adjustment Date, (iii) the amount, if any, of all dividends and/or distributions made by each Acquired Company to its Equity Interest holders between the Purchase Price Adjustment Date and the Closing Date, (iv) the amount, if any, of all outstanding current receivables of any Acquired Company from the Sellers and any of their Subsidiaries which must be satisfied and discharged prior to Closing pursuant to Section 5(e), and (v) the negative difference, if any, between the aggregate amount of capital expenditures made by either the Partnership or any of its Affiliates either into Moray (which capital expenditures are contributed by Moray into Nemo), or directly into Nemo, minus $9 million.

"Purchase Price Increases" means the following: (i) the amount, if any, of all current assets of each Acquired Company as of the Purchase Price Adjustment Date, as determined and calculated in accordance with GAAP, (ii) the amount, if any, of Reimbursable Capital Expenditures, (iii) the amount, if any, of all outstanding current payables of any Acquired Company to the Sellers or any of their Subsidiaries which must be satisfied and discharged prior to Closing pursuant to Section 5(e), (iv) the amount, if any, of each Acquired Company's Proportionate Share of each Operating Company's EBITDA from September 30, 2000 through the Purchase Price Adjustment Date, (v) the amount, if any, of any capital expenditures made by either the Partnership or any of its Affiliates either into Moray (which capital expenditures are contributed by Moray into Nemo), or directly into Nemo, in excess of an aggregate $9 million, and (vi) interest at a rate of 10% per annum compounded daily on the Purchase Price amount from the Purchase Price Adjustment Date through the Closing Date.

"Records" has the meaning set forth in Section 6(d).

"Reimbursable Capital Expenditures" means all capital expenditures, as determined in accordance with GAAP, made by Sailfish between September 30, 2000 and the Purchase Price Adjustment Date that (i) are permitted pursuant to Section 5(c), and (ii) are not incurred to repair or replace damaged, destroyed or worn out equipment or facilities.

"Retained E-Mail" means all electronic mail and other computer based communications stored on any electronic, digital, or other storage or back up media and retained in the Ordinary Course of Business by the Partnership, the General Partner, El Paso Energy Corporation, any Acquired Company or any Affiliate of any such Person.

"Rights of First Refusal" means, to the extent they apply to any transaction under this Agreement, the rights granted to the members of (i) each of Neptune and Ocean Breeze under Section 3.6 of each of the respective Organizational Documents of such company and (ii) Nemo under Section 3.5 of the Organizational Documents of such company.

"Securities Act" means the Securities Act of 1933, as amended.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Seller" and "Sellers" has the meaning set forth in the preface.

"Seller Indemnitees" means, collectively, the Sellers, El Paso Energy Corporation, and each of their respective Affiliates (other than each Acquired Company and Operating Company) and each of their respective officers (or persons performing similar functions), directors (or persons performing similar functions), employees, agents, and representatives.

"Stingray/West Cameron Purchase Agreement" means that certain Purchase and Sale Agreement, by and among the Holding Company, the Buyer and Shell Gas Transmission, LLC, dated as of the date of this Agreement, relating to the acquisition of Stingray Pipeline Company, L.L.C., West Cameron Dehydration Company, L.L.C., and East Breaks Gathering Company, L.L.C., as the same may be amended from time to time.

"Straddle Period" means a Tax period or year commencing before and ending after the Closing Date.

"Straddle Return" means a Tax Return for a Straddle Period.

"Subject Asset(s)" means (i) any or all of the assets of each Acquired Company other than the Acquired Company Excluded Assets, and (ii) any or all of the assets of each Operating Company, excluding the Ship Shoal Block 332 Platform and the South Timbalier Block 292 Platform.

"Subject Insurance Policies" means those material policies of insurance, the current policies of which are listed on Schedule 1(a), which the Partnership, the General Partner, any Acquired Company or any Affiliates of any of the foregoing maintain (i) for any Acquired Company or Operating Company with respect to its assets and operations, or (ii) covering any of the Subject Assets.

"Subsidiary" means, with respect to any relevant Person, any other Person that is (directly or indirectly) controlled and more than 90%-owned (directly or indirectly) by the relevant Person.

"Tax" or "Taxes" means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code ss.59A), custom duties, capital stock, franchise, profits, withholding, social security (or similar excises), unemployment, disability, ad valorem, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

"Tax Records" means all Tax Returns and Tax-related work papers relating to each Acquired Company; and to the extent in the possession of any Acquired Company or the Sellers, each Operating Company and the Subject Assets.

"Tax Return" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Third Party Claim" has the meaning set forth in Section 8(d).

"Transaction Documents" has the meaning set forth in Section 3(a)(ii).

2. Purchase and Sale.

(a) Sale of Acquired Interest. Subject to the terms and conditions of this Agreement, (i) the Partnership agrees to sell to the Buyer, and the Buyer agrees to purchase from the Partnership, all of the Partnership's right, title and interest in and to the Acquired Interest, and (ii) the General Partner agrees to sell to the Buyer, and the Buyer agrees to purchase from the General Partner, all of the General Partner's right, title and interest in and to the Acquired Interest, which Acquired Interest consists of:

(x) all of the Partnership's right, title and interest in and to the Partnership Membership Interest, which membership interest is evidenced by Certificate No. 2 (representing the membership interest in Sailfish) and Certificate No. 1 (representing the membership interest in Moray) and which represents the sole managing membership interest of each Acquired Company, and

(y) all of the General Partner's right, title and interest in and to the General Partner Membership Interest, which membership interest is evidenced by Certificate No. 1 (representing the membership interest in Sailfish) and Certificate No. 2 (representing the membership interest in Moray).

(b) Purchase Price.

(i) In consideration for the sale of the Acquired Interest, the Buyer agrees to pay to the Partnership at the Closing $87 million (the "Purchase Price") payable by wire transfer of immediately available funds to one or more bank accounts designated in a written notice by the Partnership to the Buyer at least three business days prior to the Closing Date. The Partnership and the General Partner will share the Purchase Price among themselves.

(ii) At the Closing, (x) an additional payment will be made by the Buyer to the Partnership of the amount, if any, by which Purchase Price Increases as set forth on the Proposed Closing Statement exceed Purchase Price Decreases as set forth on the Proposed Closing Statement (any such amount, the "Net Increase Amount") and (y) a payment will be made by the Partnership to the Buyer of the amount, if any, by which Purchase Price Decreases as set forth on the Proposed Closing Statement exceed Purchase Price Increases as set forth on the Proposed Closing Statement (any such amount, the "Net Decrease Amount").

(c) The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of the Partnership, commencing at 10:00 a.m. local time on the third business day following the satisfaction or waiver of all conditions to the obligations of the Parties to consummate the transactions contemplated hereby (other than conditions with respect to actions each Party will take at the Closing itself), or such other date as the Buyer and the Partnership may mutually determine (the "Closing Date").

(d) Deliveries at the Closing. At the Closing, (i) the Partnership will deliver to the Buyer the various certificates, instruments, and documents referred to in Sections 7(a) and 9(o), (ii) the Buyer will deliver to the Partnership the various certificates, instruments, and documents referred to in Section 7(b), (iii) the Partnership and the Buyer will execute and deliver to each other the Assignment of Membership Interest covering the Partnership Membership Interest, (iv) the General Partner and the Buyer will execute and deliver to each other the Assignment of Membership Interest covering the General Partner Membership Interest, (v) the Partnership and the Buyer shall execute a letter agreement, dated as of the Closing Date, terminating the Confidentiality Agreements as of the Closing Date, (vi) the Buyer will execute and deliver to the Partnership the Guaranty, (vii) the Buyer will deliver to the Partnership the Purchase Price, (viii) the Buyer will deliver to the Partnership the Net Increase Amount, if any, set forth on the Proposed Closing Statement, and (ix) the Partnership will deliver to the Buyer the Net Decrease Amount, if any, set forth on the Proposed Closing Statement.

(e) Acquired Company Obligations Assumption. The Buyer acknowledges and agrees that, following the Closing, each Acquired Company shall remain obligated for its Obligations (the "Acquired Company Obligations"), and each Acquired Company shall fully and timely pay, perform, and discharge in accordance with its terms the Acquired Company Obligations from and after the Closing. Notwithstanding the foregoing sentence, nothing in this Section 2(e) is intended to limit or in any way restrict the indemnity rights of the Buyer provided under Section 8.

(f) Post-Closing Adjustment.

(i) At least three business days prior to the Closing Date, the Partnership shall cause to be prepared and delivered to the Buyer a statement (the "Proposed Closing Statement"), as prepared and determined in accordance with GAAP to the extent applicable, setting forth the Partnership's good faith estimate of the Purchase Price Increases and the Purchase Price Decreases. As soon as practicable, but in any event no later than 60 days following the Closing Date, the

Partnership shall cause to be prepared and delivered to the Buyer a statement of the actual Purchase Price Increases and Purchase Price Decreases as of the Purchase Price Adjustment Date (such statement, as it may be adjusted pursuant to Section 2(f)(ii), the "Closing Statement").

(ii) Upon receipt of the Closing Statement, the Buyer and the Buyer's independent accountants shall be permitted during the succeeding 30-day period to examine the work papers used or generated in connection with the preparation of the Closing Statement and such other documents as the Buyer may reasonably request in connection with its review of the Closing Statement. Within 30 days of receipt of the Closing Statement, the Buyer shall deliver to the Partnership a written statement describing in reasonable detail its objections (if any) to any amounts or items set forth on the Closing Statement. If the Buyer does not raise objections within such period, the Closing Statement shall become final and binding upon all Parties at the end of such period. If the Buyer does raise objections, the Parties shall negotiate in good faith to resolve any such objections. If the Parties are unable to resolve any disputed item within 60 days after the Buyer's receipt of the Closing Statement, any such disputed item shall be submitted to a nationally recognized independent accounting firm mutually agreeable to the Buyer and the Partnership who shall be instructed to resolve such disputed item within 30 days. The resolution of disputes by the accounting firm so selected shall be set forth in writing and shall be conclusive, binding and non-appealable upon the parties and the Closing Statement shall become final and binding upon the date of such resolution. The fees and expenses of such accounting firm shall be paid one-half by the Buyer and one-half by the Partnership.

(iii) If the Net Increase Amount as set forth on the Closing Statement exceeds Net Increase Amount as set forth on the Proposed Closing Statement, the Buyer shall pay the Partnership the amount of such excess. If the Net Increase Amount as set forth on the Proposed Closing Statement exceeds the Net Increase Amount as set forth on the Closing Statement, the Partnership shall pay the Buyer the amount of such excess. If the Net Decrease Amount as set forth on the Closing Statement exceeds the Net Decrease Amount set forth on the Proposed Closing Statement, the Partnership shall pay the Buyer the amount of such excess. If the Net Decrease Amount as set forth on the Proposed Closing Statement exceeds the Net Decrease Amount as set forth on the Closing Statement, the Buyer shall pay the Partnership the amount of such excess. After giving effect to the foregoing adjustments, any amount to be paid by the Buyer to the Partnership, or to be paid by the Partnership to the Buyer, as the case may be, shall be paid in the manner and with interest as provided in Section 2(f)(iv) at a mutually convenient time and place within five business days after the later of acceptance of the Closing Statement or the resolution of the Buyer's objections thereto, pursuant to Section 2(f)(ii).

(iv) Any payments pursuant to this Section 2(f) shall be made by causing such payments to be credited in immediately available funds to such account or accounts of the Buyer or the Partnership, as the case may be, as may be designated by the Buyer or the Partnership, as the case may be. If payment is being made after the fifth business day referred to in Section 2(f)(iii), the amount of the payment to be made pursuant to this Section 2(f) shall bear interest from and including such fifth business day to, but excluding, the date of payment at a rate per annum equal to 10%. Such interest shall be payable at the same time as the payment to which it relates and shall be calculated on the basis of a year of 365 days and the actual number of days for which due.

(v) The Buyer agrees that, following the Closing, it shall not take any actions with respect to any Acquired Company's accounting books, records, policies and procedures that would obstruct or prevent the preparation of the Closing Statement as provided in this Section 2(f). The Buyer shall cooperate in the preparation of the Closing Statement, including providing customary certifications to the Partnership, or, if requested, to the Partnership's independent accountants or the accounting firm selected by mutual agreement of the Parties pursuant to Section 2(f)(ii).

(vi) Except as set forth in Section 2(f)(ii), the Buyer and the Partnership shall each bear its own expenses incurred in connection with the preparation and review of the Closing Statement.

(g) Acquired Company Excluded Assets. Notwithstanding any other provision of this Agreement, the transactions contemplated by this Agreement exclude, and prior to the Closing Date the Partnership may cause any Acquired Company to transfer to the Partnership, any of its Affiliates or any other Person (other than any Acquired Company) without consideration, the following (all of which are referred to as the "Acquired Company Excluded Assets"):

(i) the assets listed or described on Schedule 2(g);

(ii) except to the extent contemplated in Section 11(a), all insurance policies and rights under any insurance policies in respect to any and all claims made under such policies whether such claims are asserted before or after the Closing Date and all rights to any proceeds payable under any such policy;

(iii) Retained E-Mail;

(iv) the El Paso Energy Marks; and

(v) all Tax Records.

Notwithstanding anything to the contrary provided elsewhere in this Agreement, the Partnership's representations, warranties and covenants shall not apply to any of the items described in clauses (i) through (iv) of the immediately preceding sentence.

3. Representations and Warranties Concerning the Transaction.

(a) Representations and Warranties Concerning the Partnership and the General Partner. The Partnership hereby represents and warrants to the Buyer as follows:

(i) Organization of the Sellers. The Partnership is a limited partnership and the General Partner is a corporation, each of which is duly organized, validly existing, and in good standing under the Laws of the state of Delaware with all requisite power and authority to carry on its business as it is now conducted.

(ii) Authorization of Transaction. Each of the Partnership and the General Partner has full power and authority (including full company power and authority) to execute and deliver this Agreement and the related documents (the "Transaction Documents") to which it is a party and to perform its obligations hereunder and thereunder. The Transaction Documents to which it is a party constitute the valid and legally binding obligation of each of the Partnership and the General Partner, enforceable against it in accordance with their terms and conditions, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally, and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Except as set forth on Schedule 3(a)(ii), the Partnership and the General Partner need not give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Authority in order to consummate the transactions contemplated by this Agreement, except for the prior approval of the Federal Trade Commission ("FTC"), if applicable.

(iii) Noncontravention. Except for prior approval of the FTC (if applicable) and filings specified in Schedule 3(a)(ii) or as set forth in Schedule 3(a)(iii), neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (A) violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Authority to which either the Partnership or the General Partner is subject or any provision of its Organizational Documents or (B) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which either the Partnership or the General Partner is a party or by which it is bound or to which any of its assets is subject, except for such violations, defaults, breaches, or other occurrences that do not, individually or in the aggregate, have a material adverse effect on the ability of either the Partnership or the General Partner to consummate the transactions contemplated by this Agreement.

(iv) Brokers' Fees. Neither the Partnership nor the General Partner has any liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Buyer could become liable or obligated.

(v) Capitalization of each Acquired Company. The Partnership and the General Partner own of record and beneficially all of the Acquired Interest, which interests are denominated below:

In each Acquired Company:

Partnership	98.9899%	sole managing member membership interest
General Partner	1.0101%	sole non-managing member membership interest
Total	100.0000%	membership interest

The Acquired Interest constitutes 100% of the issued and outstanding Equity Interest of each Acquired Company and has been duly authorized, and is validly issued and fully paid and non-assessable. Except to the extent created under the Securities Act, state securities Laws, limited liability company Laws and general corporation Laws of each Acquired Company's jurisdiction of formation, and as created by the Organizational Documents of each Acquired Company, and liens created by the Partnership Loan Documents, (x) the Acquired Interest is held of record as set forth above, free and clear of restrictions on transfer and Encumbrances and (y) there are no Commitments with respect to any Equity Interest of any Acquired Company. The Partnership is not a party to any voting trust, proxy, or other agreement or understanding with respect to voting any Equity Interest of any Acquired Company.

(b) Representations and Warranties of the Buyer. The Buyer hereby represents and warrants to the Sellers as follows:

(i) Organization of the Buyer. The Buyer is a limited partnership duly organized, validly existing, and in good standing under the Laws of the state of Delaware with all requisite power and authority to carry on its business as it is now conducted.

(ii) Authorization of Transaction. The Buyer has full power and authority (including full company power and authority) to execute and deliver the Transaction Documents to which it is a party and to perform its obligations hereunder and thereunder. The Transaction Documents to which the Buyer is a party constitute the valid and legally binding obligation of the Buyer, enforceable against the Buyer in accordance with their terms and conditions, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium, or similar Laws affecting creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). The Buyer need not give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Authority in order to consummate the transactions contemplated by this Agreement, except for the prior approval of the FTC, if applicable.

(iii) Noncontravention. Except for the prior approvals of the FTC (if applicable) or as set forth in Schedule 3(b)(iii), neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (A) violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Authority to which the Buyer is subject or any provision of its Organizational Documents or (B) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice, approval or consent under any agreement, contract, lease, license, instrument, or other arrangement to which the Buyer is a party or by which it is bound or to which any of its assets is subject, except for such violations, defaults, breaches, or other occurrences that do not, individually or in the aggregate, have a material adverse effect on the ability of the Buyer to consummate the transactions contemplated by this Agreement.

(iv) Brokers' Fees. The Buyer has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Sellers could become liable or obligated.

(v) Investment. The Buyer is not acquiring the Acquired Interest with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act. The Buyer, together with its directors and executive officers and advisors, is familiar with investments of the nature of the Acquired Interest, understands that this investment involves substantial risks, has adequately investigated each Acquired Company, Operating Company and the Acquired Interest, and has substantial knowledge and experience in financial and business matters such that it is capable of evaluating, and has evaluated, the merits and risks inherent in purchasing the Acquired Interest, and is able to bear the economic risks of such investment.

(vi) Financing. The Buyer has sufficient immediately available funds (excluding financing tied specifically to or secured primarily by any of the Acquired Interest or the Subject Assets) to enable it to make payment of the Purchase Price at Closing without encumbrance or delay and without causing the Buyer to become insolvent or to declare insolvency.

(vii) Partnership's Breach of Representation or Warranty. To the Buyer's Knowledge, there is no fact or circumstance that would cause the Partnership to be in material breach of any representation or warranty set forth in this Agreement.

4. Representations and Warranties Concerning each Acquired Company and Operating Company. The Partnership hereby represents and warrants to the Buyer as follows:

(a) Organization, Qualification, Company Power, Capitalization.

(i) Organization, Qualification and Company Power. Each Acquired Company (x) is a limited liability company duly organized and validly existing, under the Laws of the jurisdiction of its formation; (y) is duly authorized to conduct business and is in good standing under the Laws of each jurisdiction where such qualification is required, except where the lack of such qualification would not have a Material Adverse Effect; and (z) has full power and authority to carry on the businesses in which it is engaged and to own and use the properties owned and used by it. The copies of the limited liability company agreements of each Acquired Company provided to the Buyer by the Partnership are full and complete copies of such agreements as in effect on the date of this Agreement.

(ii) Capitalization. Set forth on Schedule 4(a) for each Operating Company is (x) its name and jurisdiction of formation, and (y) the classes and holder(s) of Equity Interests created under its Organizational Documents. The Equity Interest in each Operating Company that is held by each Acquired Company has been duly authorized and is validly issued. Except to the extent created under the Securities Act, state securities Laws, limited liability company Laws and general corporation Laws of each Acquired Company's jurisdiction of formation, as created by the Organizational Documents of each Operating Company, and liens created by the Partnership Loan Documents, and as described in Schedule 4(a)(ii), with respect to the Equity Interest in each Operating Company that is held by each Acquired Company, (A) it is held of record by such Acquired Company free and clear of restrictions on transfer and Encumbrances; and (B) there are no Commitments with respect to such Equity Interest, and (C) no Acquired Company is a party to any voting trust, proxy, or other agreement or understanding with respect to the voting or transfer of any such Equity Interest.

(iii) Organization, Qualification and Company Power of each Operating Company. Each Operating Company (x) is a limited liability company duly organized and validly existing, under the Laws of the jurisdiction of its formation; (y) is duly authorized to conduct business and is in good standing under the Laws of each jurisdiction where such qualification is required, except where the lack of such qualification would not have a Material Adverse Effect; and (z) has full power and authority to carry on the businesses in which it is engaged and to own and use the properties owned and used by it.

(b) Noncontravention. Except for the prior approval of the FTC or as set forth in Schedule 4(b), neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (i) violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Authority (x) to which any Acquired Company or, to the Partnership's Knowledge, any Operating Company is subject or (y) to which any Subject Asset of any Acquired Company or, to the Partnership's Knowledge, any Subject Asset of any Operating Company is subject or any provision of the Organizational Documents of any Acquired Company or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or trigger any rights to payment or other compensation under any agreement, contract, lease, license, instrument, or other arrangement (a) to which any Acquired Company or, to the Partnership's Knowledge, any Operating Company is a party or by which it is bound or (b) to which any Subject Asset of any Acquired Company or, to the Partnership's Knowledge, any Subject Asset of any Operating Company is subject (or result in the imposition of any Encumbrance upon any of the Subject Assets of any Acquired Company or, to the Partnership's Knowledge, any of the Subject Assets of any Operating Company), except where the violation, conflict, breach, default, acceleration, termination, modification, cancellation, failure to give notice, right to payment or other compensation, or Encumbrance would not have a Material Adverse Effect, or would not materially adversely affect the ability of the Partnership or the General Partner to consummate the transactions contemplated by this Agreement. Except for the prior approval of the FTC (if applicable), no Acquired Company or, to the Partnership's Knowledge, any Operating Company need give notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Authority in order for the Parties to consummate the transactions contemplated by this Agreement, except where the failure to give notice, to file, or to obtain any authorization, consent, or approval would not have a Material Adverse Effect or would not materially adversely affect the ability of the Partnership or the General Partner to consummate the transactions contemplated by this Agreement.

(c) Brokers' Fees. No Acquired Company has any liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

(d) Title to Tangible Assets. The Subject Assets of any Acquired Company, and, to the Partnership's Knowledge, the Subject Assets of any Operating Company, are free and clear of all Encumbrances, except for (i) Permitted Encumbrances, (ii) the Encumbrances disclosed in Schedule 4(d)(i) and (iii) Encumbrances which do not have a Material Adverse Effect. To the Partnership's Knowledge, Schedule 4(d)(ii) contains a summary description of certain of the principal tangible assets included in the Subject Assets of each Operating Company.

(e) Financial Statements. Schedule 4(e) sets forth (i) audited financial statements for each of Neptune, Ocean Breeze and Nemo for the twelve month period ended December 31, 1999; (ii) an audited statement of income and cash flow for each of Manta Ray and Nautilus for the twelve month period ended December 31, 1999; (iii) an audited balance sheet for each of Manta Ray and Nautilus as of December 31, 1999 (the statements referred to in clauses (i) and (iii) are the "Audited Financial Statements"); (iv) an unaudited statement of income for each Acquired Company for the twelve month period ended December 31, 1999; (v) an unaudited balance sheet of each Acquired Company and Nemo as of September 30, 2000 (the "Balance Sheet Date"); (vi) an unaudited balance sheet for each of Neptune, Ocean Breeze, Manta Ray and Nautilus as of September 30, 2000; (vii) an unaudited statement of income of each Acquired Company for the nine month period ended September 30, 2000; (viii) an unaudited statement of income and cash flow for each of Manta Ray and Nautilus for the nine month period ended

September 30, 2000; (ix) unaudited statements of income and cash flow of Nemo for the nine month period ended September 30, 2000; and (x) unaudited statements of income and cash flow for each of Neptune and Ocean Breeze for the nine month period ended September 30, 2000 (collectively, the "Financial Data"). The Financial Data was prepared in accordance with GAAP (except as expressly set forth therein, the absence of footnotes (other than to the extent footnotes are included in Schedule 4(e)), and normal year-end adjustments) and fairly presents, in all material respects, the financial position and income, cash flows and owner's equity for each Acquired Company and Operating Company as of the dates and for the periods indicated. The Financial Data does not omit to state any liability required to be stated therein in accordance with GAAP (except as expressly set forth therein, the absence of footnotes (other than to the extent footnotes are included in Schedule 4(e)), and normal year-end adjustments). None of the Acquired Companies has, or has had any lease obligations or contingent liabilities which, if the Financial Data relating to the Acquired Companies had contained footnotes, would have been required by GAAP to have been disclosed or reflected in such footnotes.

(f) Material Change. Except as set forth in Schedule 4(f), since the Balance Sheet Date:

(i) there has not been any Material Adverse Effect;

(ii) the Subject Assets operated by the Partnership and its Affiliates have been operated and maintained in the Ordinary Course of Business in compliance with the standards which the Partnership operates its other offshore pipelines;

(iii) there has not been any damage, destruction or loss to any material portion of the Subject Assets of any Acquired Company or, to the Partnership's Knowledge, the Subject Assets of any Operating Company, whether or not covered by insurance, that would have a Material Adverse Effect;

(iv) there has been no issuance by any Acquired Company of any of its Equity Interests, or any repurchase or redemption by any Acquired Company of any of its Equity Interests;

(v) there has been no merger or consolidation of any Acquired Company with any other Person or acquisition by any Acquired Company of the Equity Interest or business of any other Person, nor any purchase, sale or lease of material assets included in the Subject Assets of any Acquired Company or, to the Partnership's Knowledge, the Subject Assets of any Operating Company;

(vi) there has been no borrowing of funds, agreement to borrow funds or guaranty by any Acquired Company except in the Ordinary Course of Business and except for under the Partnership Loan Documents and intercompany loans and transactions that will be satisfied or terminated pursuant to Section 5(e);

(vii) (A) neither the Partnership nor any Acquired Company has received any written notices from any customers, licensors, suppliers, distributors or sales representatives informing the Partnership or any Acquired Company that there has been a change in the relationship of any Acquired Company or Operating Company affecting any of the Subject Assets, except for changes that do not have a Material Adverse Effect, and (B) to the Partnership's Knowledge, there has been no change in the relationship of any Acquired Company or Operating Company or affecting any of the Subject Assets, with any customers, licensors, suppliers, distributors or sales representatives, except for changes that do not have a Material Adverse Effect; and

(viii) there is no contract, commitment or agreement to do any of the foregoing, except as expressly permitted hereby.

(g) Legal Compliance. Each Acquired Company and, to the Partnership's Knowledge, each Operating Company has complied with all applicable Laws of all Governmental Authorities, except where the failure to comply would not have a Material Adverse Effect. The Partnership makes no representations or warranties in this Section 4(g) with respect to Taxes or Environmental Laws, for which the sole representations and warranties of the Partnership are set forth in Sections 4(h) and 4(k), respectively.

(h) Tax Matters. Except as set forth in Schedule 4(h) or as would not have a Material Adverse Effect:

(i) The Acquired Companies have filed all Tax Returns that they were required to file, and such Tax Returns are accurate in all respects. All Taxes shown as due from each Acquired Company on any such Tax Returns have been paid.

(ii) There is no dispute or claim concerning any Tax liability of any Acquired Company claimed or raised by any authority in writing.

(iii) There are no outstanding agreements or waivers extending the statutory period of limitations applicable to any Tax Returns required to be filed by or with respect to any Acquired Company and for which the Buyer may be responsible.

(iv) The Acquired Companies have not, at anytime prior to the Closing Date, filed an election under Treasury Regulations ss. 301.7701-3 to be classified as a corporation for federal income Tax purposes.

(v) To the Partnership's Knowledge, each Operating Company has filed or will file an election pursuant to Section 754 of the Code.

(vi) Each Acquired Company and, to the Partnership's Knowledge, each Operating Company, since its inception has been and is treated and classified as a partnership for federal income tax purposes under Treasury Regulations ss.ss.

301.7701-2 and -3 and any comparable provision of applicable state or local Tax law that permits such treatment.

(i) Contracts and Commitments. Schedule 4(i) includes a list of all material contracts and commitments (including, without limitation, any contract, lease, agreement or commitment, written or oral, providing for receipt or payment, contingent or otherwise, of $200,000 or more or which may not be terminated without payment or penalty, or restricting the ability of any Acquired Company or, to the Partnership's Knowledge, any Operating Company to engage in any line of business in any geographic area, or containing any indemnity obligation, or relating to indebtedness or guarantee obligations) to which any Acquired Company or, to the Partnership's Knowledge, any Operating Company is a party, and each such contract (including, to the Partnership's Knowledge, those to which any Operating Company is a party) is in full force and effect, except where the failure to be in full force and effect would not have a Material Adverse Effect and except for contracts related to the Partnership Loan Documents. Each Acquired Company and, to the Partnership's Knowledge, each Operating Company has performed all material obligations required to be performed by it to date under the contracts, and is not in default under any material obligation of any such contracts, except when such default would not have a Material Adverse Affect. To the Partnership's Knowledge, no other party to any such contract is in default thereunder.

(j) Litigation. Schedule 4(j) sets forth each instance in which any Acquired Company or any Subject Asset of any Acquired Company or, to the Partnership's Knowledge, any Operating Company or any Subject Asset of any Operating Company (i) is subject to any outstanding injunction, judgment, order, decree, ruling, or charge or (ii) is a party to or the subject of any action, suit, proceeding, hearing, or investigation of, in, or before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction, or is the subject of any pending or, to the Partnership's Knowledge, threatened claim, demand, or notice of violation or liability from any Person, except where any of the foregoing would not have a Material Adverse Effect.

(k) Environmental Matters. Except as set forth in Schedule 4(k):

(i) Each Acquired Company and, to the Partnership's Knowledge, each Operating Company is in compliance with all applicable federal, state and local Laws (including common law) relating to the protection of the environment, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. section 9601, et seq. ("CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended, 42 U.S.C. section 6901, et seq., the Clean Air Act, as amended, 42 U.S.C. section 7401, et seq., the Federal Water Pollution Control Act, as amended, 33 U.S.C. section 1251, et seq., and the Oil Pollution Act of 1990, 33 U.S.C. section 2701, et seq. (collectively, the "Environmental Laws" and individually an "Environmental Law"), except for such instances of noncompliance that individually or in the aggregate do not, and will not, have a Material Adverse Effect. A complete list of all environmental audits covering any of the Subject

Assets of any Acquired Company and, to the Partnership's Knowledge, the Subject Assets of any Operating Company is attached hereto as Schedule 4(k)(i).

(ii) Each Acquired Company and, to the Partnership's Knowledge, each Operating Company has obtained all permits, licenses, franchises, authorities, consents, and approvals, and has made all filings and maintained all material information, documentation, and records, as necessary under applicable Environmental Laws for operating its assets and business as it is presently conducted, and all such permits, licenses, franchises, authorities, consents, approvals, and filings remain in full force and effect, except for such matters that individually or in the aggregate do not, and will not, have a Material Adverse Effect.

(iii) Except as do not, and will not, have a Material Adverse Effect, (x) there are no pending or threatened claims, demands, actions, administrative proceedings or lawsuits against any Acquired Company or, to the Partnership's Knowledge, any Operating Company, and (y) no Acquired Company or Subject Asset of any Acquired Company or, to the Partnership's Knowledge, no Operating Company or Subject Asset of any Operating Company, is subject to any outstanding injunction, judgment, order, decree or ruling, under any Environmental Laws and there is no basis for such claims, demands, actions, proceedings or lawsuits.

(iv) None of the real property presently or formerly owned or operated by any Acquired Company or, to the Partnership's Knowledge, any Operating Company is listed on the National Priorities List or any similar state list of sites requiring remedial action.

(v) The Partnership has not received any written notice that any Acquired Company or Operating Company is or may be a potentially responsible party under CERCLA or any analogous state law in connection with any site actually or allegedly containing or used for the treatment, storage or disposal of Hazardous Substances.

(vi) No Acquired Company or, to the Partnership's Knowledge, no Operating Company is subject to any liability, contingent or otherwise, arising from the release or threatened release of any Hazardous Substances, except for such liabilities that individually or in the aggregate do not, and will not, have a Material Adverse Effect.

The Partnership makes no representation or warranty regarding any compliance or failure to comply with, or any actual or contingent liability under, any Environmental Law, except as expressly set forth in this Section 4(k).

(l) Permits. Except as set forth in Schedule 4(l), each Acquired Company and, to the Partnership's Knowledge, each Operating Company owns or holds all franchises, licenses, permits, consents, approvals, and authorizations of all Governmental Authorities necessary for the conduct of its business (collectively, the "Permits"), except for Permits whose absence would not have a Material Adverse Effect. Each Permit is in full force and effect (including, to the Partnership's Knowledge, each Permit of any Operating Company), and each Acquired Company and, to the Partnership's Knowledge, each Operating Company is in compliance with all of its obligations with respect to each Permit, except where the failure to be in full force and effect or to be in compliance would not have a Material Adverse Effect, and to the Partnership's Knowledge, no event has occurred that permits, or upon the giving of notice or the lapse of time or otherwise would permit, revocation or termination of any Permit except such as would not have a Material Adverse Effect.

(m) Employee Matters. No Acquired Company or, to the Partnership's Knowledge, Operating Company, has any employees.

(n) Disclaimer of Representations and Warranties Concerning Personal Property, Equipment, and Fixtures. The Buyer acknowledges that (a) it has had and pursuant to this Agreement will have before Closing access to the Partnership, each Acquired Company and the Subject Assets, and the officers and employees of the Partnership and (b) in making the decision to enter into this Agreement and consummate the transactions contemplated hereby, the Buyer has relied solely on the basis of its own independent investigation and upon the express representations, warranties, covenants, and agreements set forth in this Agreement. Accordingly, the Buyer acknowledges that, except as expressly set forth in this Agreement, the Sellers have not made, and THE SELLERS MAKE NO AND DISCLAIM ANY REPRESENTATION OR WARRANTY, WHETHER EXPRESS OR IMPLIED, AND WHETHER BY COMMON LAW, STATUTE, OR OTHERWISE, REGARDING (i) THE QUALITY, CONDITION, OR OPERABILITY OF ANY PERSONAL PROPERTY, EQUIPMENT, OR FIXTURES, (ii) ITS MERCHANTABILITY, (iii) ITS FITNESS FOR ANY PARTICULAR PURPOSE, (iv) ITS CONFORMITY TO MODELS, SAMPLES OF MATERIALS OR MANUFACTURER DESIGN, OR (v) AS TO WHETHER ANY SUBJECT ASSET IS YEAR 2000 COMPLIANT, AND ALL PERSONAL PROPERTY AND EQUIPMENT IS DELIVERED "AS IS, WHERE IS" IN THE CONDITION IN WHICH THE SAME EXISTS.

(o) Operator. Schedule 4(o) lists the Operators of each Operating Company.

(p) Acquired Company Operations. Except for the membership interests in each of Neptune, Ocean Breeze and Nemo, and the rights, title and interest in, and Obligations under the Organization Documents of, Neptune, Ocean Breeze and Nemo, each of the Acquired Companies have and, since the date of their respective formations, has had no other assets or operations.

5. Pre-Closing Covenants. The Parties agree as follows with respect to the period between the date of this Agreement and the Closing:

(a) General. Each Party will use its best efforts to take all action and to do all things necessary, proper, or advisable in order to consummate and make effective the transactions contemplated by this Agreement.

(b) Notices and Consents. The Partnership will give any notices to third parties, and will use its commercially reasonable efforts to obtain the third party consents, listed on Schedule 5(b). Each of the Parties will give any notices to, make any filings with, and use its best efforts to obtain any authorizations, consents, and approvals of Governmental Authorities it is required to obtain in connection with the matters referred to in Sections 3(a)(ii), 3(a)(iii), 3(b)(ii), 3(b)(iii) and 4(b) so as to permit the Closing to occur not later than 5:00 p.m. (Houston time) on March 16, 2001. Without limiting the generality of the foregoing, the Buyer and the Sellers agree to work in good faith with the FTC in order to consummate the transactions contemplated hereby as soon as reasonably practicable, but in no event later than 5:00 p.m. (Houston time) on March 16, 2001; provided, that, notwithstanding anything to the contrary contained herein, this sentence shall not obligate the Buyer to divest or hold separate any assets or enter into any agreement not contemplated by this Agreement or modify this Agreement.

(c) Operation of Business. To the extent the Partnership has the Legal Right, the Partnership will not, without the consent of the Buyer, except as expressly contemplated by this Agreement or as contemplated by Schedule 5(c), cause or permit any Acquired Company or Operating Company (as applicable) to engage in any practice, take any action, or enter into any transaction outside the Ordinary Course of Business. Without limiting the generality of the foregoing, to the extent the Partnership has the Legal Right, the Partnership will not, without the consent of the Buyer, except as expressly contemplated by this Agreement or as contemplated by Schedule 5(c), cause or permit any Acquired Company or Operating Company (as applicable) to do any of the following:

(i) amend or otherwise change any Acquired Company's Organizational Documents;

(ii) issue, sell, pledge, dispose of, grant, encumber, or authorize the issuance, sale, pledge, disposition, or grant of any Equity Interest of any Acquired Company, or any Commitments with respect to any Equity Interest of any Acquired Company;

(iii) cause or allow any of the Subject Assets to become subject to an Encumbrance, except for Permitted Encumbrances and other Encumbrances identified in Sections 3(a)(v), 4(a)(ii) and 4(d) and, with respect to each Operating Company, Encumbrances of which the Partnership has no Knowledge;

(iv) (A) acquire (including, without limitation, by merger, consolidation or acquisition of stock or assets) any corporation, partnership, or other business organization or any division thereof or any material amount of assets except for acquisitions of assets in the Ordinary Course of Business; (B) incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee, endorse, or otherwise as an accommodation become responsible for, the obligations of any Person except for the Partnership Loan Documents, or make any loans or advances except for intercompany borrowing in the Ordinary Course of Business; (C) sell, lease or otherwise dispose of any property or assets, other than (x) sales of goods or services in the Ordinary Course of Business and (y) those properties and assets which constitute Acquired Company Excluded Assets; or (D) enter into or amend a contract, agreement, commitment, or arrangement with respect to any matter set forth in this paragraph (iv); provided that notwithstanding any provision of this Agreement, (x) each Acquired Company and Operating Company shall be entitled to dividend and/or distribute to its Equity Interest holders, at any time, and from time to time, such cash generated by such company's business to which such Equity Interest holder would otherwise be entitled (other than cash arising from borrowings by such company or sales of assets by such company outside of the Ordinary Course of Business) and (y) each Operating Company may make or incur capital expenditures in accordance with the terms of its Organizational Documents;

(v) change any Acquired Company's accounting practices in any material respect with the exception of any changes in accounting methodologies that have already been agreed upon by such company's Equity Interest holders, consistent with such company's Organizational Documents;

(vi) amend in any material respect any contract or agreement material to any Acquired Company or Operating Company, taken as a whole, or terminate any such material contract or agreement before the expiration of the term thereof other than to the extent any such material contract or agreement terminates or is terminable pursuant to its terms in the Ordinary Course of Business;

(vii) except as required by Law, make, change or revoke any Tax election relevant to any Acquired Company or Operating Company; or

(viii) initiate or settle any litigation, complaint, rate filing or administration proceeding.

The Buyer agrees that with respect to its consent of any of the matters described in subsections (iii), (iv)(C), (iv)(D), (vi) and (viii) above, such consent shall not be unreasonably withheld or delayed.

(d) Full Access. To the extent it has the Legal Right, the Partnership will permit and will cause each Acquired Company and each Operating Company to permit, representatives of the Buyer to have full access at all reasonable times, and in a manner so as not to interfere with the normal business operations of each Acquired Company and each Operating Company, to all premises, properties, personnel, books, records (including Tax records), contracts, and documents of or pertaining to the Subject Assets and each Acquired Company and Operating Company. Any information obtained by the Buyer, its employees, representatives, consultants, attorneys, agents, lenders and other advisors under this Section 5(d) shall be subject to the confidentiality and use restrictions contained in the Confidentiality Agreement. All "due diligence" activities of the Buyer shall be conducted in accordance with applicable Laws and the Buyer shall indemnify the Partnership, the General Partner and their Affiliates from and against all personal injury or property damages incurred as a result of the Buyer's negligence in connection with such activities.

(e) Intercompany Transactions. Immediately before the Closing, all outstanding receivables and payables between the Sellers and their Subsidiaries, on the one hand, and any Acquired Company, on the other hand, shall be satisfied and discharged, without any post-Closing liability or expense to any Acquired Company, except to the extent such receivables and payables relate to or arise under any agreement listed on Schedule 5(e) between the Sellers or any of their Subsidiaries and any Acquired Company which will not be terminated prior to, or at, the Closing. Except for those listed on Schedule 5(e), all other intercompany transactions or arrangements between any Acquired Company, on the one hand, and the Sellers or any of their Subsidiaries, on the other hand, shall be terminated as of the Closing, in such manner as the Sellers shall specify, without imposing liabilities upon the Buyer, and none of the parties shall have any further liability or obligation in respect of any such transaction or arrangement.

(f) Partnership Loan Document Obligations and Liens. Prior to the Closing, the Partnership shall obtain (i) a release of all obligations of each Acquired Company under the Partnership Loan Documents and (ii) a release of all liens and other Encumbrances created under the Partnership Loan Documents on any portion of the Acquired Interest and the Subject Assets, without any post-Closing liability or expense to any Acquired Company or the Buyer.

6. Post-Closing Covenants. The Parties agree as follows:

(a) General. In case at any time after the Closing any further action is necessary to carry out the purposes of this Agreement, each of the Parties will take such further action (including the execution and delivery of such further instruments and documents) as the other Parties reasonably may request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor under Section 8).

(b) Litigation Support. In the event and for so long as any Party actively is contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or before the Closing Date involving any Acquired Company or the Subject Assets, the other Parties shall cooperate with the contesting or defending Party and its counsel in the defense or contest, make available its personnel, and provide such testimony and access to its books and records (other than books and records which are subject to privilege or to confidentiality restrictions) as shall be necessary in connection with the defense or contest, all at the sole cost and expense of the contesting or defending Party (unless the contesting or defending Party is entitled to indemnification therefor under Section 8).

(c) Surety Bonds; Guarantees. The Buyer agrees to replace each of the surety bonds and guarantees that are listed on Schedule 6(c), each of which has been issued by the Partnership or one or more of its Affiliates with respect to any Acquired Company, any Operating Company or the Subject Assets. The Buyer and the Partnership shall cooperate to effect all such replacements and the Buyer shall indemnify and hold the Partnership and its applicable Affiliates harmless from and against any Adverse Consequences arising from the failure of the Buyer to be so replaced. The Buyer shall use commercially reasonable efforts to obtain a release of the Sellers and any of their Affiliates from any surety or guaranty obligations with respect to each Acquired Company, Operating Company or the Subject Assets that arise from any of the surety bonds or guarantees listed on Schedule 6(c).

(d) Delivery and Retention of Records. On or before the Closing Date, the Partnership will deliver or cause to be delivered to the Buyer, at the Buyer's request, copies of Tax Records, which are relevant to Post-Closing Tax Periods and all other files, books, records, information and data relating to each Acquired Company and the Subject Assets (other than Tax Records) that are in the possession or control of the Partnership, the General Partner or any Acquired Company (the "Records"). The Buyer agrees to (i) hold the Records and not to destroy or dispose of any portion thereof for a period of time as may be required by Law, and (ii) at any time, upon reasonable request, provide the Partnership with copies of, or full access to, any of the Records, and access to the Buyer's employees to the extent that such access may be requested for any legitimate purpose at no cost to the Partnership (other than for reasonable out-of-pocket expenses); provided, that such access will not be construed to require the disclosure of Records that would cause the waiver of any attorney-client, work-product or like privilege; provided further, that in the event of any litigation nothing herein shall limit any Party's rights of discovery under applicable Law. The Buyer shall have the same rights, and the Partnership shall have the same obligations, as are set forth in this Section with respect to any copies of the Records retained by the Partnership, provided, that such access will not be construed to require the disclosure of Records that would cause the waiver of any attorney-client, work product, or like privilege; provided further, that in the event of any litigation nothing herein shall limit any Party's rights of discovery under applicable Law.

(e) Removal of Decals, Logos and Signs. Within 90 days after the Closing, the Buyer shall remove from each marker along the route of the pipelines constituting a portion of the Subject Assets any decal, logo or sign indicating that such pipeline is owned or operated by (a) the Partnership, (b) El Paso Energy Corporation, or (c) any Affiliate of the Persons listed in (a) and (b) (including signs displaying the emergency contact telephone number of any such Person). As promptly as practical after the Closing, the Buyer shall post the Buyer's emergency contact telephone numbers in place of any of the emergency contact telephone numbers of the Persons listed in (a) through (c) above.

(f) Governmental Approvals. If the FTC before its order becomes final notifies the Sellers (x) that the Buyer is not an acceptable purchaser of any part, or all, of the Acquired Interest or (y) that the manner in which (i) the sale of the Acquired Interest or (ii) the transactions contemplated hereby were accomplished, is not acceptable to the FTC, then any Party shall have the unilateral right to immediately rescind the sale of the Acquired Interest and other transactions contemplated hereby and terminate this Agreement. In the event any such rescission is required, the Buyer agrees to cooperate fully with the Sellers in order to promptly effect such rescission.

7. Conditions to Obligation to Close.

(a) Conditions to Obligation of the Buyer. The obligation of the Buyer to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties of the Partnership contained in Section 3(a) and Section 4 shall be true and correct in all material respects when made and at Closing (except for those which refer to a specific date, which shall be true and correct as of such date);

(ii) the Seller shall have obtained all consents and approvals listed on Schedule 5(b);

(iii) the Partnership and the General Partner shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;

(iv) there shall not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement;

(v) the Partnership shall have delivered to the Buyer a certificate to the effect that each of the conditions specified in subsections 7(a)(i)-(iv) is satisfied in all respects; and

(vi) all of the transactions contemplated under the Stingray/West Cameron Purchase Agreement shall close simultaneously with, or prior to, the Closing.

The Buyer may waive any condition specified in this Section 7(a) if it executes a writing so stating at or before the Closing.

(b) Conditions to Obligation of the Sellers. The obligation of the Sellers to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties of the Buyer contained in Section 3(b) shall be true and correct in all material respects when made and at Closing (except for those which refer to a specific date, which shall be true and correct as of such date);

(ii) the Buyer shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;

(iii) there shall not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement;

(iv) the Buyer shall have delivered to the Partnership a certificate to the effect that each of the conditions specified in subsections 7(b)(i)-(iii) is satisfied in all respects;

(v) all of the transactions contemplated under the Stingray/West Cameron Purchase Agreement shall close simultaneously with, or prior to, the Closing;

(vi) the FTC shall have accepted the proposed consent agreement for public comment, in connection with the Merger Agreement, pursuant to Rule 2.34 of the FTC Rules of Practice, 16 C.F.R. 2.34, as amended, and such consent agreement shall contain a consent order requiring the disposition of all, or any portion of, the Acquired Interest;

(vii) the Rights of First Refusal shall have expired or been exercised or waived; and

(viii) the merger of El Paso Energy Corporation and The Coastal Corporation shall have closed.

The Sellers may waive any condition specified in this Section 7(b) if it executes a writing so stating at or before the Closing.

8. Remedies for Breaches of this Agreement.

(a) Survival of Representations, Warranties and Certain Covenants. (i) All of the representations and warranties of the Partnership contained in Sections 3 and 4 and the certificates delivered at closing pursuant to Section 7(a)(v) (other than Sections 3(a)(v), 4(a)(ii), 4(h), 4(k) and 4(p)) shall survive the Closing hereunder for a period of 18 months after the Closing Date; (ii) the representations and warranties in Section 4(h) shall survive the Closing with respect to any given claim that would constitute a breach of such representation or warranty until the expiration of the statute of limitations applicable to the underlying Tax matter giving rise to that claim; (iii) the representations and warranties in Sections 3(a)(v), 4(a)(ii) and 4(p) shall survive the Closing forever; and (iv) the representations and warranties in Section 4(k) shall survive the Closing for a period of 24 months after the Closing Date. The representations and warranties of the Buyer contained in Section 3 shall survive the Closing for a period of 18 months after the Closing Date. The covenants contained in Section 6 of this Agreement and all other covenants contained in this Agreement to be performed after the Closing shall survive the Closing indefinitely.

(b) Indemnification Provisions for Benefit of the Buyer.

(i) In the event: (x) the Partnership or the General Partner breaches any of its representations, warranties, or covenants contained herein (other than the covenants in Sections 2 and 6 and any other covenants to be performed after the Closing, and the representations and warranties in Sections 3(a), 4(a)(ii), 4(k) and 4(p)); (y) there is an applicable survival period pursuant to Section 8(a); and (z) the Buyer makes a written claim for indemnification against the Partnership pursuant to Section 11(g) within such survival period, then the Partnership agrees to indemnify the Buyer Indemnitees from and against any Adverse Consequences by reason of all Adverse

Events to the extent they are caused proximately by the breach and suffered by such Buyer Indemnitees; provided, that the Partnership shall not have any obligation to indemnify any Buyer Indemnitees from and against any such Adverse Consequences by reason of all Adverse Events (A) until the Buyer Indemnitees, in the aggregate, have suffered Adverse Consequences by reason of all Adverse Events and all Adverse Environmental Events in excess of the Deductible Amount (after which point the Partnership will be obligated only to indemnify the Buyer Indemnitees from and against further such Adverse Consequences) or thereafter (B) to the extent the Adverse Consequences the Buyer Indemnitees, in the aggregate, have suffered by reason of all Adverse Events and all Adverse Environmental Events exceeds an aggregate ceiling amount equal to 20% of the Aggregate Purchase Price (after which point the Partnership will have no obligation to indemnify the Buyer Indemnitees from and against further such Adverse Consequences).

(ii) In the event: (x) the Partnership or the General Partner breaches any of its covenants in Sections 2 or 6 or any other covenants to be performed after the Closing, or any of its representations and warranties in Sections 3(a), 4(a)(ii) or 4(p); (y) there is an applicable survival period pursuant to Section 8(a) (which, as to the covenants in Sections 2 and 6 and any other covenants to be performed after the Closing, or as to any of the representations and warranties in Sections 3(a)(v), 4(a)(ii) and 4(p) shall be forever); and (z) the Buyer makes a written claim for indemnification against the Partnership pursuant to Section 11(g) within such survival period, then the Partnership agrees to indemnify the Buyer Indemnitees from and against the entirety of any Adverse Consequences caused proximately by the breach and suffered by the Buyer Indemnitees.

(iii) In the event: (x) the Partnership breaches any of its representations and warranties in Section 4(k); (y) there is an applicable survival period pursuant to Section 8(a); and (z) the Buyer makes a written claim for indemnification against the Partnership pursuant to Section 11(g) within such survival period, then the Partnership agrees to indemnify the Buyer Indemnitees from and against 50% of the first $1,000,000 of any Adverse Consequences by reason of all Adverse Environmental Events to the extent they are caused proximately by the breach and suffered by such Buyer Indemnitees, in the aggregate; and thereafter, 100% of any Adverse Consequences by reason of all Adverse Environmental Events to the extent they are caused proximately by the breach and suffered by such Buyer Indemnitees, in the aggregate; provided, that the Partnership shall not have any obligation to indemnify any Buyer Indemnitees from and against any such Adverse Consequences by reason of all Adverse Environmental Events to the extent the Adverse Consequences the Buyer Indemnitees, in the aggregate, have suffered by reason of all Adverse Events and all Adverse Environmental Events exceeds an aggregate ceiling amount equal to 20% of the Aggregate Purchase Price (after which point the Partnership will have no obligation to indemnify the Buyer Indemnitees from and against further such Adverse Consequences).

(iv) The Partnership will indemnify and hold harmless the Buyer Indemnitees (including each Acquired Company) against joint and several liability with the Partnership arising by reason of any Acquired Company having been a member of a "controlled group of partnerships," under "common control" or a member of an "affiliated service group" with the Partnership within the meaning of Sections 414(c) or (m) of the Code, or having been required to be aggregated with the Partnership under Section 414(o) of the Code, or having been under "common control" with the Partnership, within the meaning of Section 4001(a)(14) of ERISA.

(v) To the extent any Buyer Indemnitee becomes liable to, and is ordered to and does pay to any third party, punitive damages proximately caused by a material breach by the Partnership of any representation, warranty or covenant contained in this Agreement, then such punitive damages shall be deemed actual damages to such Buyer Indemnitee and included within the definition of Adverse Consequences for purposes of this Section 8.

(vi) Except for the rights of indemnification provided in this Section 8, the Buyer hereby waives any claim or cause of action pursuant to common or statutory law or otherwise against the Sellers arising from any breach by the Partnership of any of its representations, warranties or covenants under this Agreement or the transactions contemplated hereby.

(c) Indemnification Provisions for Benefit of the Sellers.

(i) In the event: (x) the Buyer breaches any of its representations, warranties and covenants contained herein; (y) there is an applicable survival period pursuant to Section 8(a); and (z) any Seller makes a written claim for indemnification against the Buyer pursuant to Section 11(g) within such survival period, then the Buyer agrees to indemnify the Seller Indemnitees from and against the entirety of any Adverse Consequences caused proximately by the breach and suffered by such Seller Indemnitees.

(ii) Except for those liabilities for which the Partnership has agreed to indemnify the Buyer Indemnitees pursuant to Section 8(b), the Buyer agrees to indemnify the Seller Indemnitees from and against the entirety of any Adverse Consequences relating in any way to the Subject Assets, the Acquired Interest, any Acquired Company, or the ownership and operation of any Acquired Company and Operating Company, whether arising before or after the Closing Date.

(iii) To the extent any Seller Indemnitee becomes liable to, and is ordered to and does pay to any third party, punitive damages proximately caused by a material breach by the Buyer of any representation, warranty or covenant contained in this Agreement, then such punitive damages shall be deemed actual damages to such Buyer Indemnitee and included within the definition of Adverse Consequences for purposes of this Section 8.

(iv) Except for the rights of indemnification provided in this Sections 8 and 9(f), the Sellers hereby waive any claim or cause of action pursuant to common or statutory law or otherwise against the Buyer arising from any breach by the Buyer of any of its representations, warranties or covenants under this Agreement or the transactions contemplated hereby.

(d) Matters Involving Third Parties.

(i) If any third party shall notify any Party (the "Indemnified Party") with respect to any matter (a "Third Party Claim") that may give rise to a claim for indemnification against any other Party (the "Indemnifying Party") under this Section 8, then the Indemnified Party shall promptly (and in any event within five business days after receiving notice of the Third Party Claim) notify the Indemnifying Party thereof in writing (although the failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party from any liability that the Indemnifying Party may have under this Section 8(d) except to the extent that such failure prejudices the Indemnifying Party).

(ii) The Indemnifying Party will have the right to assume and thereafter conduct the defense of the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party; provided, however, that the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party (not to be withheld unreasonably) unless the judgment or proposed settlement involves only the payment of money damages and does not impose an injunction or other equitable relief upon the Indemnified Party and provides a clear and unconditional release of the Indemnified Party.

(iii) Unless and until the Indemnifying Party assumes the defense of the Third Party Claim as provided in subsection 8(d)(ii), the Indemnified Party may defend against the Third Party Claim in any manner it reasonably may deem appropriate.

(iv) In no event will the Indemnified Party consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party which consent shall not be withheld or delayed unreasonably.

(e) Determination of Amount of Adverse Consequences. The Adverse Consequences giving rise to any indemnification obligation hereunder shall be limited to the actual loss suffered by the Indemnified Party (i.e. reduced by any insurance proceeds or other payment or recoupment received from any non-Affiliated third party insurance company (not to include captive Subsidiary insurance carriers), realized or retained by the Indemnified Party as a result of the events giving rise to the claim for indemnification net of any expenses related to the receipt of such proceeds, payment or recoupment, including retrospective premium adjustments, if any), and any reduction in Taxes of the Indemnified Party (or the affiliated group of which it is a member) occasioned by such loss or damage. The amount of the actual loss and the amount of the indemnity payment shall be computed by taking into account the timing of the loss or payment, as applicable, using a 10% interest or discount rate, as appropriate. Upon the request of the Indemnifying Party, the Indemnified Party shall provide the Indemnifying Party with information sufficient to allow the Indemnifying Party to calculate the amount of the indemnity payment in accordance with this Section 8(e). An Indemnified Party shall take all commercially reasonable steps to mitigate damages in respect of any claim for which it is seeking indemnification and shall use reasonable efforts to avoid any costs or expenses associated with such claim and, if such costs and expenses cannot be avoided, to minimize the amount thereof.

(f) Tax Treatment of Indemnity Payments. All indemnification payments made under this Agreement, including any payment made under Section 9(f) hereof, shall be treated as purchase price adjustments for Tax purposes.

9. Tax Matters.

(a) Post-Closing Tax Returns. The Buyer shall prepare or cause to be prepared and file or cause to be filed any Post-Closing Tax Returns of the Acquired Companies. The Buyer shall pay (or shall cause to be paid) any Taxes due with respect to such Tax Returns.

(b) Pre-Closing Tax Returns. The Sellers shall prepare or cause to be prepared and file or cause to be filed all Pre-Closing Tax Returns for the Acquired Companies. The Sellers shall pay (or shall cause to be paid) any Taxes due with respect to such Tax Returns.

(c) Straddle Periods. The Buyer shall be responsible for Taxes of the Acquired Companies related to the portion of any Straddle Period commencing after the Closing Date. The Sellers shall be responsible for Taxes of the Acquired Companies relating to the portion of any Straddle Period commencing before and ending on the Closing Date. With respect to any Straddle Period, to the extent permitted by applicable Law, the Sellers or the Buyer shall elect to treat the Closing Date as the last day of the Tax period. If applicable Law will not permit the Closing Date to be the last day of a period, then (i) real or personal property Taxes of the Acquired Companies shall be allocated based on the number of days in the partial period before and after the Closing Date, (ii) in the case of all other Taxes based on or in respect of income, the Tax computed on the basis of the taxable income or loss of the Acquired Companies for each partial period as determined from their books and records, and (iii) in the case of all other Taxes, on the basis of the actual activities or attributes of the Acquired Companies for each partial period as determined from their books and records.

(d) Straddle Returns. With respect to any Straddle Return, the Sellers shall deliver, at least 45 days prior to the due date for filing such Straddle Return (including any extension) to the Buyer a Straddle Return, together with a statement setting forth the amount of Tax that the Sellers owe, including the allocation of taxable income and Taxes under Section 9(c), and copies of such Straddle Return. The Buyer shall review such Straddle Returns and the allocation of taxable income and liability for Taxes and shall have the right to make any reasonable changes to such Straddle Returns. The Buyer shall notify the Sellers of any changes to the Straddle Return no later than 15 days prior to the date for the filing of such Straddle Returns.

The Sellers and the Buyer agree to consult and to attempt to resolve in good faith any issue arising as a result of the review of such Straddle Returns and allocation of taxable income and liability for Taxes and mutually to consent to the filing as promptly as possible of such Straddle Returns. Not later than five days before the due date for the payment of Taxes with respect to such Straddle Returns, the Sellers shall pay or cause to be paid to the Buyer an amount equal to the Taxes as agreed to by the Buyer and the Sellers as being owed by the Sellers. If the Buyer and the Sellers cannot agree on the amount of Taxes owed by the Sellers with respect to a Straddle Return, the Sellers shall pay to the Buyer the amount of Taxes reasonably determined by the Sellers to be owed by the Sellers. Within 10 days after such payment, the Sellers and the Buyer shall refer the matter to an independent "Big-Five" accounting firm agreed to by the Buyer and the Sellers to arbitrate the dispute. The Sellers and the Buyer shall equally share the fees and expenses of such accounting firm and its determination as to the amount owing by the Sellers with respect to a Straddle Return shall be binding on both the Sellers and the Buyer. Within five days after the determination by such accounting firm, if necessary, the appropriate Party shall pay the other Parties any amount which is determined by such accounting firm to be owed. The Sellers shall be entitled to reduce their obligation to pay Taxes with respect to a Straddle Return by the amount of any estimated Taxes paid with respect to such Taxes on or before the Closing Date.

(e) Claims for Refund. The Buyer shall not, and shall cause the Acquired Companies and any of their Affiliates not, to file any claim for refund of taxes with respect to the Acquired Companies for whole or partial taxable periods on or before the Closing Date.

(f) Indemnification. The Buyer agrees to indemnify the Sellers against all Taxes of or with respect to the Acquired Companies for any Post-Closing Tax Period and the portion of any Straddle Period ending after the Closing Date. The Sellers agree to indemnify the Buyer against all Taxes of or with respect to the Acquired Companies for any Pre-Closing Tax Period and the portion of any Straddle Period ending on or before the Closing Date.

(g) Cooperation on Tax Matters.

(i) The Buyer and the Sellers shall cooperate fully, as and to the extent reasonably requested by the other Parties, in connection with the filing of Tax Returns pursuant to this Section and any audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Buyer and the Sellers shall (A) retain all books and records with respect to Tax matters pertinent to the Acquired Companies relating to any whole or partial taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by the Buyer or any Seller, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority, and (B) give the other Parties reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the other Parties so requests, the Buyer or any Seller, as the case may be, shall allow the other Parties to take possession of such books and records.

(ii) The Buyer and the Sellers further agree, upon request, to use their best efforts to obtain any certificate or other document from any Governmental Authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereby).

(iii) The Buyer and the Sellers agree, upon request, to provide the other Parties with all information that any Party may be required to report pursuant to Section 6043 of the Code and all Treasury Department Regulations promulgated thereunder.

(h) Certain Taxes. The Sellers will file all necessary Tax Returns and other documentation with respect to all transfer, documentary, sales, use, stamp, registration and other Taxes and fees, and, if required by applicable Law, the Buyer will, and will cause its Affiliates to, join in the execution of any such Tax Returns and other documentation.

(i) Confidentiality. Any information shared in connection with Taxes shall be kept confidential, except as may otherwise be necessary in connection with the filing of Tax Returns or reports, refund claims, tax audits, tax claims and tax litigation, or as required by Law.

(j) Audits. The Sellers and the Buyer shall provide prompt written notice to the others of any pending or threatened tax audit, assessment or proceeding that it becomes aware of related to the Acquired Companies for whole or partial periods for which it is indemnified by the other Parties hereunder. Such notice shall contain factual information (to the extent known) describing the asserted tax liability in reasonable detail and shall be accompanied by copies of any notice or other document received from or with any tax authority in respect of any such matters. If an indemnified party has knowledge of an asserted tax liability with respect to a matter for which it is to be indemnified hereunder and such party fails to give the indemnifying party prompt notice of such asserted tax liability, then (I) if the indemnifying party is precluded by the failure to give prompt notice from contesting the asserted tax liability in any forum, the indemnifying party shall have no obligation to indemnify the indemnified party for any Taxes arising out of such asserted tax liability, and (II) if the indemnifying party is not so precluded from contesting, but such failure to give prompt notice results in a detriment to the indemnifying party, then any amount which the indemnifying party is otherwise required to pay the indemnified party pursuant to this Section shall be reduced by the amount of such detriment, provided, the indemnified party shall nevertheless be entitled to full indemnification hereunder to the extent, and only to the extent, that such party can establish that the indemnifying party was not prejudiced by such failure. This Section 9(j) shall control the procedure for Tax indemnification matters to the extent it is inconsistent with any other provision of this Agreement.

(k) Control of Proceedings. The Party responsible for the Tax under this Agreement shall control audits and disputes related to such Taxes (including action taken to pay, compromise or settle such Taxes). The Sellers and the Buyer shall jointly control, in good faith with each other, audits and disputes relating to any Straddle Periods. Reasonable out of pocket expenses with respect to such contests shall be borne by the Sellers and the Buyer in proportion to their responsibility for such Taxes as set forth in this Agreement. Except as otherwise provided by this Agreement, the noncontrolling Parties shall be afforded a reasonable opportunity to participate in such proceedings at its own expense.

(l) Powers of Attorney. The Buyer, the Acquired Companies and their Affiliates shall provide the Sellers and their Affiliates with such powers of attorney or other authorizing documentation as are reasonably necessary to empower them to execute and file returns they are responsible for hereunder, file refund and equivalent claims for Taxes they are responsible for, and contest, settle, and resolve any audits and disputes that they have control over under Section 9(k) hereof (including any refund claims which turn into audits or disputes).

(m) Remittance of Refunds. If the Buyer or any Affiliate of the Buyer (including the Acquired Companies) receives a refund of any Taxes that either Seller is responsible for hereunder, or if either Seller or any Affiliate of either Seller (other than the Acquired Companies) receives a refund of any Taxes that the Buyer is responsible for hereunder, the Party receiving such refund shall, within thirty days after receipt of such refund, remit it to the Party who has responsibility for such Taxes hereunder. For the purpose of this Section 9(m), the term "refund" shall include a reduction in Tax and the use of an overpayment as a credit or other tax offset, and receipt of a refund shall occur upon the filing of a return or an adjustment thereto using such reduction, overpayment or offset or upon the receipt of cash.

(n) Purchase Price Allocation. The Sellers and the Buyer agree that the Purchase Price (as adjusted by the Net Increase Amount or the Net Decrease Amount, as applicable) and the liabilities of the Acquired Companies (plus other relevant items) will first be allocated between the Acquired Interests and thereafter will be allocated to the Operating Companies for all purposes (including Tax and financial accounting purposes) as jointly agreed between the Buyer and the Sellers within ninety (90) days after the Closing Date. The Buyer, the Acquired Companies, the Sellers and their applicable Affiliates will file all Tax Returns (including amended Tax Returns and claims for refund) and information reports in a manner consistent with such allocation.

(o) Closing Tax Certificate. At the Closing, each of the Sellers shall deliver to the Buyer a certificate signed under penalties of perjury (i) stating that it is not a foreign corporation, foreign partnership, foreign trust or foreign estate, (ii) providing its U.S. Employer Identification Number and (iii) providing its address, all pursuant to Section 1445 of the Code.

10. Termination.

(a) Termination of Agreement. The Parties may terminate this Agreement, as provided below:

(i) the Buyer, the Partnership and the General Partner may terminate this Agreement by mutual written consent at any time before the Closing;

(ii) the Buyer may terminate this Agreement by giving written notice to the Partnership at any time before Closing (A) in the event the Partnership or the General Partner has breached any representation, warranty or covenant contained in this Agreement in any material respect, the Buyer has notified the Partnership of the breach, the breach has continued without cure for a period of 10 days after the notice of breach and such breach would result in a failure to satisfy a condition to the Buyer's obligation to consummate the transactions contemplated hereby; (B) if the Closing shall not have occurred on or before 5:00 p.m. (Houston time) on March 16, 2001 (unless the failure results primarily from the Buyer itself breaching any representation, warranty or covenant contained in this Agreement); or (C) if any of the consents and approvals referred to in Schedule 5(b) are denied;

(iii) the Partnership may terminate this Agreement by giving written notice to the Buyer at any time before the Closing (A) in the event the Buyer has breached any representation, warranty or covenant contained in this Agreement in any material respect, the Partnership has notified the Buyer of the breach, the breach has continued without cure for a period of 10 days after the notice of breach and such breach would result in a failure to satisfy a condition to the Seller's obligation to consummate the transactions contemplated hereby; (B) if the Closing shall not have occurred on or before 5:00 p.m. (Houston time) on March 16, 2001 (unless the failure results primarily from the Partnership or the General Partner itself breaching any representation, warranty or covenant contained in this Agreement); (C) if the Partnership believes in its reasonable good faith judgment that the transactions contemplated hereby will not receive all required approvals of the FTC; (D) if the Partnership believes in its reasonable good faith judgment that the FTC will not accept the proposed consent agreement for public comment, in connection with the Merger Agreement, pursuant to Rule 2.34 of the FTC Rules of Practice, 16 C.F.R. 2.34, as amended; (E) if all Rights of First Refusal are exercised; (F) in the event the FTC fails to accept a consent agreement containing a consent order requiring the disposition by the Sellers of at least some portion of the Acquired Interest; or (G) if either the Stingray/West Cameron Purchase Agreement or the Manta Ray Agreement has terminated for any reason; and

(iv) the Buyer, the Partnership or the General Partner may terminate this Agreement if any court of competent jurisdiction or any governmental, administrative or regulatory authority, agency or body shall have issued an order, decree or ruling or shall have taken any other action permanently enjoining, restraining or otherwise prohibiting the transactions contemplated hereby and such order, decree, ruling or other action shall have become final and nonappealable.

(b) Effect of Termination. If any Party terminates this Agreement pursuant to Section 10(a), all rights and obligations of the Parties hereunder with respect to any Acquired Interest not theretofore sold to the Buyer hereunder shall terminate without any liability of any Party to any other Party (except for any liability of any Party then in breach); provided that the confidentiality provisions contained in the Confidentiality Agreement shall survive termination.

11. Miscellaneous.

(a) Insurance. The Buyer acknowledges and agrees that, following the Closing, any Subject Insurance Policies shall be terminated or modified to exclude coverage of all or any portion of any Acquired Company or Operating Company and any of the Subject Assets by the Partnership or El Paso Energy Corporation or their Affiliates (but no such termination shall adversely affect any claims of any Acquired Company or Operating Company existing at the Closing), and, as a result, the Buyer shall be obligated to obtain as of the Closing Date at its sole cost and expense replacement insurance, including insurance required by any third party to be maintained by any Acquired Company or covering any of the Subject Assets. The Buyer further acknowledges and agrees that the Buyer may need to provide to certain Governmental Authorities and third parties evidence of such replacement or substitute insurance coverage for the continued operations of the businesses of each Acquired Company and Operating Company or any of the Subject Assets following the Closing. Notwithstanding Section 2(g)(ii), if any claims are made or losses occur as a result of actions or events occurring prior to the Closing Date that relate solely to the business activities of any Acquired Company or Operating Company and such claims, or the claims associated with such losses, properly may be made against the policies retained by the Partnership or its Affiliates pursuant to Section 2(g)(ii) or under policies otherwise retained by the Partnership or its Affiliates after the Closing, then the Partnership shall use its reasonable commercial efforts so that each Acquired Company or Operating Company can file, notice, and otherwise continue to pursue these claims pursuant to the terms of such policies; provided, however, nothing in this Agreement shall require the Partnership to maintain or to refrain from asserting claims against or exhausting any retained policies; provided further, that, to the extent any Acquired Company or Operating Company files, notices, or otherwise continues to pursue any claims under policies retained by the Partnership or its Affiliates after the Closing as described above, the Buyer agrees that none of the Partnership or its Affiliates shall be responsible or liable for any deductible amount or other payment associated with such claims and that, if any such amounts are paid by the Partnership or its Affiliates, the Buyer shall be liable to the Partnership and its Affiliates for all such amounts, including, but not limited to, from self-insurance retention or a Subsidiary insurance carrier of the Partnership or any of its Affiliates. The Partnership acknowledges that the Buyer shall have full rights to any insurance proceeds received after the Closing Date from any insurance policy in which any Acquired Company or Operating Company is listed as a named insured for claims that are made or losses that occur whether or not reported prior to the Closing Date and provided that such claims or losses are applicable to the Acquired Companies or Operating Companies, respectively.

(b) Press Releases and Public Announcements. Until the earlier to occur of (i) January 1, 2001 and (ii) the date of consummation of the merger of El Paso Energy Corporation and The Coastal Corporation, no Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of the other Parties; provided however, that no Party shall unreasonably withhold or delay its approval to any Party's request to make a public disclosure that such requesting Party believes in good faith is required by applicable Law or any listing or trading agreement concerning its publicly traded securities; and provided further however, that the Parties agree that, notwithstanding the provisions of the Confidentiality Agreement, Enterprise shall be permitted to confidentially disclose to Standard & Poor's, Moody's or any other rating agency, the potential acquisition that is the subject of this Agreement, but only if the confidential nature of such information is disclosed to such rating agency. After the earlier to occur of (i) the date of consummation of the merger of El Paso Energy Corporation and The Coastal Corporation and (ii) January 1, 2001, notwithstanding the terms of the Confidentiality Agreement, any Party may make any public disclosure it, in its sole discretion, wishes relating to the potential acquisition that is the subject of this Agreement (in which case the disclosing Party will advise the other Parties before making the disclosure). Notwithstanding anything to the contrary contained in this Section 11(c), the Buyer understands and accepts that the Partnership is obligated to present to the other members of Neptune, Ocean Breeze and Nemo this Agreement in its entirety so that the other members may decide whether to exercise their Rights of First Refusal.

(c) No Third Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

(d) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. Either of the Sellers or the Buyer may assign either this Agreement or any of its respective rights, interests or obligations hereunder to an Affiliate without the prior written approval of the other Parties; provided, that no such assignment will relieve either of the Sellers or the Buyer from any of its respective obligations or liability hereunder. Except as provided in the foregoing sentence, neither of the Sellers nor the Buyer may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the Sellers.

(e) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but which together will constitute one and the same instrument.

(f) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(g) Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given two business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

<u>If to the Buyer by Mail:</u>	Enterprise Products Operating L.P. P.O. Box 4324 Houston, Texas 77210-4324 Attn: President Phone: (713) 880-6500 Fax: (713) 880-6570
<u>If to the Buyer by hand-delivery:</u>	Enterprise Products Operating L.P. 2727 North Loop West, Suite 700 Houston, Texas 77008 Attn: President Phone: (713) 880-6500 Fax: (713) 880-6570

If to the Partnership:

El Paso Energy Partners, L.P.
El Paso Energy Building
Attn: President
1001 Louisiana
Houston, Texas 77002
(713)420-2131

If to the General Partner:

El Paso Energy Partners Company
El Paso Energy Building
Attn: President
1001 Louisiana
Houston, Texas 77002
(713)420-2131

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the addresses set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

(h) Governing Law. This Agreement shall be governed by and construed in accordance with the domestic Laws of the state of Texas without giving effect to any choice or conflict of law provision or rule (whether of the state of Texas or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the state of Texas.

(i) Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the Buyer, the Partnership and the General Partner. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

(j) Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(k) Transaction Expenses. Each of the Buyer, the Partnership and the General Partner will bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby.

(l) Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation.

(m) Incorporation of Exhibits and Schedules. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

(n) Entire Agreement. THIS AGREEMENT (INCLUDING THE DOCUMENTS REFERRED TO HEREIN) CONSTITUTES THE ENTIRE AGREEMENT AMONG THE PARTIES AND SUPERSEDES ANY PRIOR UNDERSTANDINGS, AGREEMENTS, OR REPRESENTATIONS BY OR AMONG THE PARTIES, WRITTEN OR ORAL, TO THE EXTENT THEY HAVE RELATED IN ANY WAY TO THE SUBJECT MATTER HEREOF.

(o) FTC Authorization. The Parties acknowledge that unless the FTC approves all of the transactions under the terms contemplated in this Agreement, the Parties will either (i) mutually agree to modify the terms of this Agreement pursuant to requests made by the FTC or (ii) terminate this Agreement in accordance with Section 10(a)(i).

*****

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

ENTERPRISE PRODUCTS OPERATING L.P.

BY: ENTERPRISE PRODUCTS GP, LLC,
its General Partner

By: ---------------------------------

Name: ---------------------------------

Title: ---------------------------------

EL PASO ENERGY PARTNERS, L.P.

By: ---------------------------------

Name: ---------------------------------

Title: ---------------------------------

EL PASO ENERGY PARTNERS COMPANY

By: ---------------------------------

Name: ---------------------------------

Title: ---------------------------------

[Signature Page of Purchase and Sale Agreement]

EXHIBIT 21

OWNERSHIP LIST
AS OF 12/31/00

ENTITY NAME	OWNER	%
Argo, L.L.C. (DE)	Argo I, L.L.C.	100
Argo I, L.L.C. (DE)	Argo II, L.L.C.	100
Argo II, L.L.C. (DE)	El Paso Energy Partners Company	1.0101
	El Paso Energy Partners, L.P.	98.9899
Crystal Properties & Trading, L.L.C. (DE)	Crystal Holding, L.L.C. (DE)	100
Petal Gas Storage, L.L.C.(DE)	Crystal Holding, L.L.C. (DE)	100
First Reserve Gas, L.L.C. (DE)	Crystal Holding, L.L.C. (DE))	100
Stingray Pipeline Company, L.L.C. (DE)	Deepwater Holdings, L.L.C.	100
U-T Offshore System (DE GP)	Deepwater Holdings, L.L.C.	100
West Cameron Dehydration Company, L.L.C. (DE)	Deepwater Holdings, L.L.C.	100
Western Gulf Holdings, L.L.C. (DE)	Deepwater Holdings, L.L.C.	100
Delos Offshore Company, L.L.C. (DE)	El Paso Energy Partners Company	1.0101
	El Paso Energy Partners, L.P.	98.9899
El Paso Energy Partners Deepwater, L.L.C. (DE)	El Paso Energy Partners Company	1.0101
	El Paso Energy Partners, L.P.	98.9899
El Paso Energy Partners Oil Transport, L.L.C. (DE)	El Paso Energy Partners Company	1.0101
	El Paso Energy Partners, L.P.	98.9899
El Paso Energy Partners, L.P.	El Paso Energy Partners Company	8.09
	Sabine River Investors I, L.L.C.	7.798
	Publicly Traded	65.51
Ewing Bank Gathering Company, L.L.C. (DE)	El Paso Energy Partners Company	1.0101
	El Paso Energy Partners, L.P.	98.9899
Flextrend Development Company, L.L.C. (DE)	El Paso Energy Partners Company	1.0101
	El Paso Energy Partners, L.P.,	98.9899
Green Canyon Pipe Line Company, L.P. (DE)	El Paso Energy Partners Company (LP)	1.0101
	El Paso Energy Partners, L.P. (LP)	97.9899
	El Paso Energy Partners Oil Transport, L.L.C. (GP)	1.00
Deepwater Holdings, L.L.C. (DE)	El Paso Energy Partners Deepwater, L.L.C.	50
	Unaffiliated Parties	50
Argo II, L.L.C. (DE)	El Paso Energy Partners, L.P.	100
El Paso Energy Partners Finance Corporation (DE)	El Paso Energy Partners, L.P.	100
Manta Ray Gathering Company, L.L.C. (DE)	El Paso Energy Partners, L.P.	98.9899
	El Paso Energy Partners Company	1.0101
Tarpon Transmission Company (TX)	El Paso Energy Partners, L.P.	100
VK Deepwater Gathering Company, L.L.C. (DE)	El Paso Energy Partners, L.P.	98.9899
	El Paso Energy Partners Company	1.0101
VK-Main Pass Gathering Company, L.L.C. (DE)	El Paso Energy Partners, L.P.	98.9899
	El Paso Energy Partners Company	1.0101
Crystal Holding, L.L.C. (DE)	El Paso Energy Partners, L.P. (DE)	100
El Paso Energy Partners Operating Company, L.L.C. (DE)	El Paso Energy Partners, L.P.,	98.9899
	El Paso Energy Partners Company	1.0101
Moray Pipeline Company, L.L.C. (DE)	El Paso Energy Partners, L.P.,	98.9899
	El Paso Energy Partners Company	1.0101
Poseidon Pipeline Company, L.L.C. (DE)	El Paso Energy Partners, L.P.,	98.9899
	El Paso Energy Partners Company	1.0101
Sailfish Pipeline Company, L.L.C. (DE)	El Paso Energy Partners, L.P.,	98.9899
	El Paso Energy Partners Company	1.0101
Hattiesburg Gas Storage Company (DE)	First Reserve Gas, L.L.C. (DE)	50
	Hattiesburg Industrial Gas Sales, L.L.C. (DE)	50
Hattiesburg Industrial Gas Sales, L.L.C. (DE)	First Reserve Gas, L.L.C. (DE)	100
Nemo Gathering Company, L.L.C. (DE)	Moray Pipeline Company, L.L.C.	33.9
	Unaffiliated Parties	76.1

Manta Ray Offshore Gathering Company, L.L.C. (DE)	Neptune Pipeline Company, L.L.C.	99
	Ocean Breeze Pipeline Company, L.L.C.	1
Poseidon Oil Pipeline Company, L.L.C. (DE)	Poseidon Pipeline Company, L.L.C.	36
	Unaffiliated parties	64
Neptune Pipeline Company, L.L.C. (DE)	Sailfish Pipeline Company, L.L.C.	25.67
	Unaffiliated parties	74.33

ENTITY NAME	OWNER	%
Ocean Breeze Pipeline Company, L.L.C. (DE)	Sailfish Pipeline Company, L.L.C.	25.67
	Unaffiliated Parties	74.33
Viosca Knoll Gathering Company (TX JV)	VK Deepwater Gathering Company, L.L.C.	100
East Breaks Gathering Company, L.L.C. (DE)	Western Gulf Holdings, L.L.C.	100
High Island Offshore System, L.L.C. (DE)	Western Gulf Holdings, L.L.C.	100

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3, as amended, (No. 333-85987) of El Paso Energy Partners, L.P., (the "Partnership") of (i) our report dated March 07, 2001 relating to the consolidated financial statements of the Partnership and subsidiaries and (ii) our report dated March 28, 2001 relating to the consolidated financial statements of Deepwater Holdings, L.L.C., (iii) our report dated March 29, 2001 relating to the consolidated financial statements of Neptune Pipeline Company, L.L.C., (iv) our report dated March 28, 2001 relating to the financial statements of Manta Ray Gathering Company, L.L.C., (v) our report dated March 28, 2001 relating to the financial statements of Ewing Bank Gathering Company, L.L.C., (vi) our report dated March 28, 2001 relating to the financial statements of El Paso Energy Partners Operating Company, L.L.C., (vii) our report dated March 28, 2001 relating to the financial statements of VK - Main Pass Gathering Company, L.L.C., (viii) our report dated March 28, 2001 relating to the financial statements of El Paso Energy Partners Deepwater, L.L.C., (ix) our report dated March 28, 2001 relating to the financial statements of Delos Offshore Company, L.L.C., (x) our report dated March 28, 2001 relating to the consolidated financial statements of VK - Deepwater Gathering Company, L.L.C., (xi) our report dated March 28, 2001 relating to the financial statements of El Paso Energy Partners Oil Transport, L.L.C., (xii) our report dated March 28, 2001 relating to the financial statements of Poseidon Pipeline Company, L.L.C., (xiii) our report dated March 28, 2001 relating to the financial statements of Flextrend Development Company, L.L.C., (xiv) our report dated March 28, 2001 relating to the consolidated financial statements of Green Canyon Pipeline Company, L.P., which appear in this Form 10-K.

Houston, Texas
April 2, 2001