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

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1999

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NO. 1-11680

LEVIATHAN GAS PIPELINE 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 ENERGY BUILDING 1001 LOUISIANA STREET HOUSTON, TEXAS	77002
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (713) 420-2131

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 [ ]

The registrant had 26,737,465 Common Units and 291,299 Preference Units outstanding as of November 12, 1999.

GLOSSARY

The following abbreviations, acronyms or defined terms used in this Form 10-Q are defined below:

ANR........................	ANR Pipeline Company, a subsidiary of The Coastal Corporation
Bcf........................	Billion cubic feet
Deepwater Holdings.........	Deepwater Holdings, L.L.C., a Delaware limited liability company in which Leviathan owns a 50 percent member interest
East Breaks................	East Breaks Gathering Company, L.L.C., a Delaware limited liability company and wholly owned subsidiary of Western Gulf Holdings, L.L.C.
El Paso Energy.............	El Paso Energy Corporation, a Delaware Corporation and the indirect parent of the General Partner
EPFS.......................	El Paso Field Services Company, a Delaware Corporation and wholly owned subsidiary of El Paso Energy Corporation
Equity Investees...........	Collectively refers to POPCO, Manta Ray Offshore, Nautilus, Nemo, and Deepwater Holdings and its subsidiaries including East Breaks, Stingray, West Cameron Dehy, HIOS and UTOS, and prior to June 1, 1999, Viosca Knoll
Ewing Bank 958 Unit........	A non-producing oil and natural gas property comprised of Ewing Bank Blocks 958, 959, 1002 and 1003, formerly referred to as the Sunday Silence property
General Partner............	Leviathan Gas Pipeline Company, a Delaware corporation and wholly owned indirect subsidiary of El Paso Energy Corporation and general partner of Leviathan
Gulf.......................	Gulf of Mexico
HIOS.......................	High Island Offshore System, L.L.C., a Delaware limited liability company and wholly owned subsidiary of Western Gulf Holdings, L.L.C.
Leviathan..................	Leviathan Gas Pipeline Partners, L.P., a publicly held Delaware master limited partnership, and its subsidiaries, unless the context otherwise requires
Manta Ray Offshore.........	Manta Ray Offshore Gathering Company, L.L.C., a Delaware limited liability company in which Leviathan owns an indirect 25.67 percent member interest
Mcf........................	Thousand cubic feet
MMcf.......................	Million cubic feet
MMbtu......................	Million British thermal units
Nautilus...................	Nautilus Pipeline Company, L.L.C., a Delaware limited liability company in which Leviathan owns an indirect 25.67 percent member interest
Nemo.......................	Nemo Gathering Company, LLC, a Delaware limited liability company in which Leviathan owns a 33.92 percent member interest
NYMEX......................	New York Mercantile Exchange
POPCO......................	Poseidon Oil Pipeline Company, L.L.C., a Delaware limited liability company in which Leviathan owns a 36 percent member interest

Stingray....................	Stingray Pipeline Company, L.L.C., a Delaware limited liability company, wholly owned by Deepwater Holdings, L.L.C.
UTOS.......................	U-T Offshore System, L.L.C., a Delaware limited liability company, wholly owned by Deepwater Holdings, L.L.C.
West Cameron Dehy..........	West Cameron Dehydration Company, L.L.C., a Delaware limited liability company, wholly owned by Deepwater Holdings, L.L.C.
Western Gulf...............	Western Gulf Holdings, L.L.C., a Delaware limited liability company, wholly owned by Deepwater Holdings, L.L.C.
Viosca Knoll...............	Viosca Knoll Gathering Company, a Delaware general partnership in which Leviathan owns a 99 percent member interest

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)
(UNAUDITED)

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
Revenue	$ 25,617	$18,230	$ 71,467	$54,317
Costs and expenses				
Operating expenses	2,405	3,013	7,429	8,558
Depreciation, depletion and amortization	7,967	7,052	21,694	21,897
Impairment, abandonment and other	--	(1,131)	--	(1,131)
General and administrative expenses and management fee	5,412	6,433	11,321	13,937
	15,784	15,367	40,444	43,261
Operating income	9,833	2,863	31,023	11,056
Gain on sale of assets	10,103	311	10,103	311
Other	39	84	306	241
Interest and other financing costs	(10,799)	(5,281)	(24,667)	(13,711)
Minority interest	(97)	15	(176)	12
Income (loss) before income taxes	9,079	(2,008)	16,589	(2,091)
Income tax benefit	178	202	355	371
Net income (loss)	$ 9,257	$(1,806)	$ 16,944	$(1,720)
Weighted average number of units outstanding	27,029	24,367	25,556	24,367
Basic and diluted net income (loss) per unit	$ 0.28	$ (0.06)	$ 0.54	$ (0.06)

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)
(UNAUDITED)

ASSETS

	SEPTEMBER 30, 1999	DECEMBER 31, 1998
Current assets		
Cash and cash equivalents	$ 9,156	$ 3,108
Accounts receivable	6,981	8,588
Other current assets	291	247
Total current assets	16,428	11,943
Property and equipment, net	375,286	241,992
Equity investments	190,178	186,079
Other noncurrent assets	11,762	2,712
Total assets	$593,654	$442,726

LIABILITIES AND PARTNERS' CAPITAL

	SEPTEMBER 30, 1999	DECEMBER 31, 1998
Current liabilities		
Accounts payable and accrued liabilities	$ 22,669	$ 11,167
Notes payable	--	338,000
Total current liabilities	22,669	349,167
Notes payable	272,000	--
Long-term debt	175,000	--
Other noncurrent liabilities	12,223	11,661
Total liabilities	481,892	360,828
Commitments and contingencies		
Minority interest	(328)	(998)
Partners' capital	112,090	82,896
Total liabilities and partners' capital	$593,654	$442,726

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 1998
Cash flows from operating activities		
Net income (loss)	$ 16,944	$ (1,720)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization	21,694	21,897
Gain on sale of assets	(10,103)	(311)
Impairment, abandonment and other	--	(1,131)
Distributions in excess of equity earnings	8,339	1,699
Other noncash items	3,454	484
Working capital changes, net of effects of acquisitions	7,700	(9,281)
Net cash provided by operating activities	48,028	11,637
Cash flows from investing activities		
Additions to pipelines, platforms and facilities	(23,267)	(15,437)
Investments in Equity Investees	(4,899)	(4,516)
Acquisition of additional interests in Equity Investees	(53,835)	--
Net cash flow impact of acquisition of Viosca Knoll	(19,900)	--
Proceeds from sale of interest in Deepwater Holdings	26,122	--
Distributions related to the formation of Deepwater Holdings	20,000	--
Acquisition and development of oil and natural gas properties	(3,224)	(828)
Other	(115)	650
Net cash used in investing activities	(59,118)	(20,131)
Cash flows from financing activities		
Net proceeds from issuance of notes payable	113,126	86,073
Net proceeds from issuance of long-term debt	168,896	--
Repayments of notes payable	(216,850)	(34,000)
Distributions to partners	(48,637)	(46,818)
General Partner's contribution	603	--
Net cash provided by financing activities	17,138	5,255
Increase (decrease) in cash and cash equivalents	6,048	(3,239)
Cash and cash equivalents		
Beginning of period	3,108	6,430
End of period	$ 9,156	$ 3,191

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
(IN THOUSANDS)

	PREFERENCE UNITS	PREFERENCE UNITHOLDERS	COMMON UNITS	COMMON UNITHOLDERS	GENERAL PARTNER	TOTAL
Partners' capital at December 31, 1998....................	1,017	$ 7,351	23,350	$ 90,972	$(15,427)	$ 82,896
Net income for the nine months ended September 30, 1999 (unaudited).................	--	174	--	13,534	3,236	16,944
Issuance of common units for acquisition of additional interest in Viosca Knoll (unaudited).................	--	--	2,662	59,792	--	59,792
General Partner contribution related to issuance of common units (unaudited)....	--	--	--	--	603	603
Conversion of preference units into common units (unaudited).................	(726)	(4,740)	726	4,740	--	--
Cash distributions (unaudited).................	--	(839)	--	(38,174)	(9,132)	(48,145)
Partners' capital at September 30, 1999 (unaudited)........	291	$ 1,946	26,738	$130,864	$(20,720)	$112,090

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 -- ORGANIZATION AND BASIS OF PRESENTATION:

Leviathan provides integrated energy services, including natural gas and oil gathering, transportation, midstream and other related services in the Gulf. Through its subsidiaries and joint ventures, Leviathan owns interests in (i) nine natural gas pipeline systems (the "Gas Pipelines"), (ii) two oil pipeline systems, (iii) six multi-purpose platforms, (iv) production handling and dehydration facilities, (v) four producing oil and natural gas properties and (vi) an overriding royalty interest in the Ewing Bank 958 Unit. The General Partner performs all management and operational functions for Leviathan and its subsidiaries.

As of September 30, 1999, Leviathan had 26,737,465 common units and 291,299 preference units outstanding. The public owns 291,299 preference units and 17,783,701 common units representing an effective 65.5 percent limited partner interest in Leviathan. El Paso Energy, through its subsidiaries, owns an effective 34.5 percent economic interest in Leviathan, consisting of 8,953,764 common units, a one percent general partner interest and its approximate one percent nonmanaging member interest in certain subsidiaries of Leviathan.

The 1998 Annual Report on Form 10-K for Leviathan includes a summary of significant accounting policies and other disclosures and should be read in conjunction with this Quarterly Report on Form 10-Q. The condensed consolidated financial statements at September 30, 1999, and for the quarters and nine months ended September 30, 1999 and 1998, are unaudited. The condensed consolidated balance sheet at December 31, 1998, is derived from audited consolidated financial statements at that date. These financial statements do not include all disclosures required by generally accepted accounting principles, but have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission. In the opinion of management, all material adjustments necessary to present fairly the consolidated financial position and results of operations for such periods have been included. All such adjustments are of a normal recurring nature. Results of operations for any interim period are not necessarily indicative of the results of operations for the entire year due to the seasonal nature of Leviathan's businesses. Financial statements for the previous periods include certain reclassifications which were made to conform to the current presentation. Such reclassifications have no effect on reported net income, cash flows or partners' capital. See the glossary on pages 2 and 3 for a listing of defined terms used in this Quarterly Report.

NOTE 2 -- ACQUISITIONS AND DISPOSITIONS:

Viosca Knoll

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

The acquisition of Viosca Knoll was accounted for as a purchase and the purchase price was assigned to the assets and liabilities acquired based upon the estimated fair value of those assets and liabilities as of the

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

acquisition date. These fair value allocations are preliminary and may be revised after the completion of an independent appraisal. The following is summary information related to the acquisition (in thousands):

Fair value of assets acquired	$ 83,105
Cash acquired	434
Fair value of liabilities assumed	(2,962)
Total purchase price	80,577
Issuance of common units	(59,792)
Net cash paid	$ 20,785

The following selected unaudited pro forma information represents Leviathan's consolidated results of operations on a pro forma basis for the nine month periods ended September 30, 1999 and 1998, assuming the Viosca Knoll acquisition had occurred on January 1, 1998:

	NINE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 1998
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)	
Revenue	$79,946	$68,885
Operating income	$36,292	$19,844
Net income	$19,598	$ 2,227
Basic and diluted net income per unit	$ 0.59	$ 0.07

Deepwater Holdings

In September 1999, Leviathan and ANR formed Deepwater Holdings to reorganize their interests in certain joint venture pipelines. As a result of the reorganization, Deepwater Holdings owns 100 percent of UTOS, West Cameron Dehy, Stingray, and Western Gulf, which owns 100 percent of HIOS and East Breaks, all of which were contributed by Leviathan and ANR. Leviathan initially held a 59.66 percent interest in Deepwater Holdings and subsequently sold 9.66 percent of its member interest to ANR for $26.1 million to effect a 50/50 ownership position. Leviathan realized a $10.1 million gain associated with the sale. In conjunction with the transaction, Leviathan will become the operator of UTOS, HIOS, and East Breaks no later than July 1, 2000.

In connection with its formation, Deepwater Holdings established a $175 million credit facility to retire existing Stingray and Western Gulf debt, 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.

In June 1999, Leviathan acquired all of the outstanding stock of Natoco, Inc. and Naloco, Inc., along with an ownership interest in certain lateral pipelines located in the Gulf, for approximately $51 million. The acquired entities held interests in the HIOS, East Breaks and UTOS systems and the acquisition increased Leviathan's interests therein. As part of the transaction, Leviathan also assumed operations of Stingray, 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 will be amortized on a straight line basis over 30 years.

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following selected unaudited pro forma information represents Leviathan's consolidated results of operations on a pro forma basis for the nine month periods ended September 30, 1999 and 1998, assuming the transactions related to Deepwater Holdings discussed above had occurred on January 1, 1998.

	NINE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 1998
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)	
Revenue	$68,575	$52,887
Operating income	$27,834	$ 9,329
Net income (loss)	$ 3,158	$(4,606)
Basic and diluted net income (loss) per unit	$ 0.10	$ (0.15)

NOTE 3 -- PROPERTY AND EQUIPMENT:

Property and equipment consists of the following (in thousands):

	SEPTEMBER 30, 1999	DECEMBER 31, 1998
Property and equipment, at cost		
Pipelines	$218,089	$ 64,464
Platforms and facilities	132,869	123,912
Oil and natural gas properties	155,974	152,750
	506,932	341,126
Less accumulated depreciation, depletion, amortization and impairment	131,646	99,134
Property and equipment, net	$375,286	$241,992

NOTE 4 -- EQUITY INVESTMENTS:

In August 1999, Leviathan and Tejas Offshore Pipelines, LLC ("Tejas"), a subsidiary of Shell Oil Company, formed Nemo, a joint venture owned 66.08 percent by Tejas and 33.92 percent by Leviathan, to construct, own and operate a natural gas gathering system. The Nemo system will deliver natural gas production from the Shell-operated Brutus and Glider deepwater development properties to Manta Ray Offshore. As of September 30, 1999, Leviathan had contributed $0.3 million to Nemo for the construction of this pipeline which is anticipated to be in service in late 2001.

Summarized historical operating results relating to Leviathan's ownership interest in each of the Equity Investees is included in the summarized financial information that follows (in thousands):

	NINE MONTHS ENDED SEPTEMBER 30, 1999					
	HIOS(a)	UTOS(a)	VIOSCA KNOLL(b)	STINGRAY(a)	WEST CAMERON DEHY(a)	POPCO
Operating revenue........	$27,370	$3,233	$12,338	$13,322	$1,934	$54,884
Other income.............	143	52	31	1,898	23	273
Operating expenses.......	(13,212)	(1,544)	(925)	(7,932)	(210)	(5,935)
Depreciation.............	(3,475)	(420)	(1,752)	(5,699)	(12)	(4,231)
Interest expense.........	--	--	(1,973)	(1,516)	--	(6,584)
Net earnings (loss)......	$10,826	$1,321	$ 7,719	$ 73	$1,735	$38,407
Leviathan's share........	$ 4,780	$ 614	$ 3,860	$ 37	$ 868	$13,827
Adjustments(c)...........	92	(25)	--	1,223	--	(90)
Equity in earnings.......	$ 4,872	$ 589	$ 3,860	$ 1,260	$ 868	$13,737
Distributions............	$ 6,900	$1,000	$ 6,350	$ 2,501	$ 800	$12,971
End of period ownership interest................	50%	50%	99%	50%	50%	36%

	NINE MONTHS ENDED SEPTEMBER 30, 1999			
	MANTA RAY OFFSHORE(A)	NAUTILUS(A)	DEEPWATER HOLDINGS	TOTAL
Operating revenue........	$11,926	$6,927	$ --	
Other income.............	1,804	(82)	--	
Operating expenses.......	(2,805)	(1,034)	--	
Depreciation.............	(3,832)	(4,417)	--	
Interest expense.........	(37)	(289)	(26)	
Net earnings (loss)......	$ 7,056	$1,105	$(26)	
Leviathan's share........	$ 1,811	$ 284	$(13)	
Adjustments(c)...........	(617)	(57)	--	
Equity in earnings.......	$ 1,194	$ 227	$(13)	$26,594
Distributions............	$ 3,324	$1,087	$ --	$34,933
End of period ownership interest................	25.67%	25.67%	50%	

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(a) These investments are indirect investees of Leviathan. However, because Leviathan believes separate data on each of these investees is more meaningful, results have been reflected separately.

(b) Information on Viosca Knoll is through May 31, 1999. On June 1, 1999, Leviathan began consolidating Viosca Knoll as a result of acquiring an additional 49 percent interest therein.

(c) Adjustments result primarily from purchase price adjustments made in accordance with Accounting Principles Board ("APB") Opinion No. 16, "Business Combinations," except for $0.9 million on Stingray which results from changes in prior period estimates of reserves for uncollectible revenue.

	NINE MONTHS ENDED SEPTEMBER 30, 1998								
	HIOS	UTOS	VIOSCA KNOLL	STINGRAY	WEST CAMERON DEHY	POPCO	MANTA RAY OFFSHORE(a)	NAUTILUS(a)	TOTAL
Operating revenue.......	$ 31,801	$ 3,840	$21,216	$ 17,237	$1,945	$30,477	$ 7,039	$ 3,992	
Other income............	180	86	34	606	7	245	219	57	

Operating expenses......	(13,249)	(1,893)	(1,916)	(11,517)	(136)	(3,066)	(2,671)	(1,284)	
Depreciation............	(3,576)	(419)	(2,907)	(5,131)	(12)	(6,590)	(3,235)	(4,369)	
Interest expense........	--	--	(3,131)	(1,083)	--	(6,552)	--	--	
Net earnings (loss).....	$ 15,156	$ 1,614	$13,296	$ 112	$1,804	$14,514	$ 1,352	$(1,604)	
Leviathan's share.......	$ 6,062	$ 537	$ 6,648	$ 56	$ 902	$ 5,225	$ 347	$ (412)	
Adjustments(b)..........	493	38	--	402	3	(90)	(261)	(769)	
Equity in earnings (loss)................	$ 6,555	$ 575	$ 6,648	$ 458	$ 905	$ 5,135	$ 86	$(1,181)	$19,181
Distributions...........	$ 7,640	$ 333	$ 7,450	$ 1,000	$ 825	$ 3,132	$ 500	$ --	$20,880
End of period ownership interest..............	40%	33.3%	50%	50%	50%	36%	25.67%	25.67%	

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(a) These investments are indirect investees of Leviathan. However, because Leviathan believes separate data on each of these investees is more meaningful, results have been reflected separately.

(b) Adjustments result from purchase price adjustments made in accordance with APB Opinion No. 16, except for the $0.8 million reduction on Nautilus related to a revision of the allowance for funds used during construction ("AFUDC") which represents the estimated costs, during the construction period, of funds used for construction purposes.

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 5 -- BUSINESS SEGMENT INFORMATION:

The following table summarizes certain financial information for each business segment (in thousands):

	GATHERING, TRANSPORTATION AND PLATFORM SERVICES	OIL AND NATURAL GAS	EQUITY INVESTMENTS	TOTAL
QUARTER ENDED SEPTEMBER 30, 1999:				
Revenue from external customers.........	$ 10,847	$ 8,129	$ 6,641	$ 25,617
Intersegment revenue....................	3,635	--	--	3,635
Depreciation, depletion and amortization.........................	(4,323)	(3,644)	--	(7,967)
Operating income (loss).................	6,013	(567)	4,387	9,833
Net cash flows..........................	12,586	3,077	8,571	24,234
Segment assets..........................	305,983	74,588	192,091	572,662
QUARTER ENDED SEPTEMBER 30, 1998:				
Revenue from external customers.........	$ 5,084	$ 6,536	$ 6,610	$ 18,230
Intersegment revenue....................	2,656	--	--	2,656
Depreciation, depletion and amortization.........................	(1,904)	(5,148)	--	(7,052)
Impairment, abandonment and other.......	1,131	--	--	1,131
Operating income (loss).................	2,238	(3,629)	4,254	2,863
Net cash flows..........................	3,012	1,519	5,226	9,757
Segment assets..........................	147,524	60,371	187,514	395,409
NINE MONTHS ENDED SEPTEMBER 30, 1999:				
Revenue from external customers.........	$ 21,645	$ 23,228	$ 26,594	$ 71,467
Intersegment revenue....................	9,645	--	--	9,645
Depreciation, depletion and amortization.........................	(8,566)	(13,128)	--	(21,694)
Operating income (loss).................	13,655	(4,610)	21,978	31,023
Net cash flows..........................	24,471	8,518	30,317	63,306
Segment assets..........................	305,983	74,588	192,091	572,662
NINE MONTHS ENDED SEPTEMBER 30, 1998:				
Revenue from external customers.........	$ 12,866	$ 22,270	$ 19,181	$ 54,317
Intersegment revenue....................	7,731	--	--	7,731
Depreciation, depletion and amortization.........................	(5,423)	(16,474)	--	(21,897)
Impairment, abandonment and other.......	1,131	--	--	1,131
Operating income (loss).................	5,367	(8,738)	14,427	11,056
Net cash flows..........................	9,659	7,736	16,125	33,520
Segment assets..........................	147,524	60,371	187,514	395,409

NOTE 6 -- FINANCING TRANSACTIONS:

Senior Subordinated Notes

In May 1999, Leviathan entered into an indenture with Chase Bank of Texas, under which it issued $175 million in aggregate principal amount of Senior Subordinated Notes (the "Subordinated Notes"). Leviathan capitalized $6.1 million of debt issue costs related to the issuance and registration of the Subordinated Notes. The Subordinated Notes bear interest at a rate of 10 3/8% per annum, payable semi-annually, on June 1 and December 1, and mature on June 1, 2009. Leviathan's subsidiaries have guaranteed the obligations under the Subordinated Notes. In addition, Leviathan could be required to repurchase the Subordinated Notes under certain circumstances. The terms of the Subordinated Notes include, among other things, certain financial tests and covenants, all of which Leviathan currently meets. In

September 1999, Leviathan exchanged all of its Subordinated Notes for registered debt securities with identical terms.

Leviathan Credit Facility

In September 1999, Leviathan amended and restated its $375 million credit facility (the "Leviathan Credit Facility") to, among other things, extend its maturity to May 2002. Leviathan incurred approximately $3.1 million of costs related to the amendment and restatement of the credit facility. The Leviathan Credit Facility provides for up to $375 million of available credit, subject to certain limitations and financial conditions that Leviathan currently meets. The Leviathan Credit Facility is guaranteed by the General Partner and each of Leviathan's subsidiaries, and is collateralized by (i) the management agreement between the General Partner and a subsidiary of El Paso Energy, (ii) substantially all of the assets of Leviathan and its subsidiaries and (iii) the General Partner's one percent general partner interest and an approximate one percent nonmanaging member interest in certain subsidiaries of Leviathan. The Leviathan Credit Facility has no scheduled amortization prior to maturity in May 2002. As of September 30, 1999, Leviathan had $272.0 million outstanding under its credit facility bearing interest at an average floating rate of 7.9% per annum and $74.5 million available.

NOTE 7 -- PARTNERS' CAPITAL INCLUDING CASH DISTRIBUTIONS:

Cash distributions

Leviathan paid cash distributions of $0.275 per preference unit and $0.525 per common unit in February 1999, May 1999 and August 1999, for each of the quarters ended December 31, 1998, March 31, 1999 and June 30, 1999, respectively. The General Partner received incentive distributions of $3.2 million and $8.8 million for the quarter and nine months ended September 30, 1999, respectively. At the current distribution rates, the General Partner receives approximately 19 percent of total cash distributions paid by Leviathan. On October 19, 1999, Leviathan declared a cash distribution of $0.275 per preference unit and $0.525 per common unit for the quarter ended September 30, 1999, which was paid on November 12, 1999, to holders of record as of October 29, 1999.

Conversion of Preference Units into Common Units

On May 14, 1999, Leviathan notified its preference unitholders of their opportunity to submit 1,016,906 outstanding preference units for conversion into an equal number of common units. During the conversion period, 725,607 preference units were converted into common units. The remaining 291,299 preference units will retain their distribution preferences until each preference unitholder has received the minimum quarterly distribution of $0.275 per unit plus any arrearages. Holders of the common units and the General Partner are entitled to distributions in excess of $0.275 per unit, if any. Preference units are not entitled to any such excess distributions. Holders of preference units will have a final conversion opportunity in May 2000. Thereafter, any remaining preference units may, in certain circumstances, be subject to mandatory redemption at below market trading prices.

Deficit Capital Account Balances

Pursuant to the terms of Leviathan's partnership agreement, no partner will have any obligation to restore a negative balance in its capital account upon liquidation of Leviathan. Therefore, any net proceeds from the liquidation of Leviathan's assets would be allocated first to any then-outstanding deficit capital account balance before any of the remaining net proceeds would be distributed to the partners in accordance with the partnership agreement.

NOTE 8 -- NET INCOME (LOSS) PER UNIT:

Basic and diluted net income (loss) per unit is presented below (in thousands, except per unit amounts):

	QUARTER ENDED SEPTEMBER 30,					
	1999			1998		
	LIMITED PARTNERS	GENERAL PARTNER	TOTAL	LIMITED PARTNERS	GENERAL PARTNER	TOTAL
Net income (loss)(a)	$ 9,164	$ 93	$ 9,257	$(1,788)	$ (18)	$(1,806)
Allocation to General Partner(b)	(1,685)	1,685	--	324	(324)	--
Allocation of net income (loss) as adjusted for incentive distributions	$ 7,479	$1,778	$ 9,257	$(1,464)	$(342)	$(1,806)
Weighted average number of units outstanding(c)	27,029			24,367		
Basic and diluted net income (loss) per unit	$ 0.28			$ (0.06)		

	NINE MONTHS ENDED SEPTEMBER 30,					
	1999			1998		
	LIMITED PARTNERS	GENERAL PARTNER	TOTAL	LIMITED PARTNERS	GENERAL PARTNER	TOTAL
Net income (loss)(a)	$16,775	$ 169	$16,944	$(1,703)	$ (17)	$(1,720)
Allocation to General Partner(b)	(3,067)	3,067	--	309	(309)	--
Allocation of net income (loss) as adjusted for incentive distributions	$13,708	$3,236	$16,944	$(1,394)	$(326)	$(1,720)
Weighted average number of units outstanding(c)	25,556			24,367		
Basic and diluted net income (loss) per unit	$ 0.54			$ (0.06)		

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(a) Net income (loss) is initially allocated 99 percent to the limited partners as holders of the preference and common units and one percent to the General Partner.

(b) Represents allocation of net income (loss) to General Partner proportionate to its share of each period's cash distributions, which includes incentive distributions.

(c) Diluted weighted average number of units outstanding for 1999 is less than 1,000 units higher than basic weighted average units outstanding as a result of unit options included in the diluted weighted average.

NOTE 9 -- RELATED PARTY TRANSACTIONS:

Management fees

Leviathan's partnership agreement provides for reimbursement of expenses incurred by the General Partner and its affiliates, including expenses incurred by El Paso Energy in providing management services to Leviathan, its subsidiaries and the General Partner. The General Partner charged Leviathan management fees of $2.3 million, $2.4 million, $7.0 million and $7.2 million for the quarters and nine months ended September 30, 1999 and 1998, respectively. Additionally, Leviathan reimburses affiliates of the General Partner for costs related to insurance and personnel dedicated to the operations of Leviathan. During the quarter and nine months ended September 30, 1999, Leviathan reimbursed $0.6 million and $1.7 million, respectively, to these affiliates.

Farmout

In October 1999, Leviathan executed an agreement with El Paso Production Company ("EPP"), formerly Sonat Exploration Company, to farm out its working interest in the Ewing Bank 958 Unit. Under the terms of the farmout agreement, Leviathan increased its overriding royalty interest in the Ewing Bank

958 Unit, convertible at its option, into an undivided working interest once EPP has recouped the costs associated with its drilling and completion activities on the Ewing Bank 958 Unit.

NOTE 10 -- COMMITMENTS AND CONTINGENCIES:

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

Leviathan is 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 Federal Energy Regulatory Commission.

Leviathan and several subsidiaries of El Paso Energy 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 underreport the heating value as well as the volumes of the natural gas produced from federal and Indian lands, thereby depriving the United States Government of royalties. Leviathan and El Paso Energy believe the complaint is without merit, and will not have a material adverse effect on Leviathan's consolidated financial position, results of operations or cash flows.

Leviathan is a defendant in a lawsuit filed by Transco Gas Pipe Line Corporation ("Transco"). Transco alleges that a platform space agreement entered into on June 28, 1994, with Leviathan grants Transco the right to expand its facilities and operations. Leviathan has denied Transco's request to expand and asserts that the lease agreement prohibits such expansion. Transco has requested a declaratory judgment and is seeking damages of a least $13 million plus attorney's fees and interest. The case is set for trial in February 2000. It is the opinion of management that adequate defenses exist and that the final disposition of this suit will not have a material adverse effect on Leviathan's consolidated financial position, results of operations or cash flows.

Leviathan is a named defendant in several lawsuits and a named party in several governmental proceedings arising in the ordinary course of business. While the outcome of such lawsuits or other proceedings against Leviathan cannot be predicted with certainty, management currently does not expect these matters to have a material adverse effect on Leviathan's consolidated financial position, results of operations or cash flows.

Commodity Price Risk

Leviathan hedges a portion of its oil and natural gas production to reduce its exposure to fluctuations in the market prices of these commodities. Leviathan uses commodity price swap transactions whereby monthly settlements are based on differences between the prices specified in the swap agreements and the prices of certain futures contracts quoted on the NYMEX or certain other indices. Upon settlement of the agreements, Leviathan receives the positive difference or pays the negative difference between the applicable settlement price and the price specified in the contract. The credit risk from Leviathan's price swap contracts is derived from the counterparty to the transaction, typically a major financial institution. Leviathan does not require collateral and does not anticipate nonperformance by this counterparty, which does not transact a sufficient volume of transactions with Leviathan 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 quarters and nine months ended September 30, 1999 and 1998, Leviathan recorded a net gain (loss) of $(0.6) million, $(1.3) million, $0.6 million and $2.0 million, respectively, related to hedging activities.

As of September 30, 1999, Leviathan had two open sales swap transactions on a total of 20,000 MMbtu's of natural gas per day maturing in December 2000 and open crude oil hedges on 500 barrels per day for the remainder of calendar 1999. If Leviathan had settled its open oil and natural gas hedging positions as of September 30, 1999, based on the applicable settlement prices of the NYMEX futures contracts, Leviathan would have recognized a loss of approximately $2.0 million.

Interest Rate Risk

Leviathan utilizes both fixed and variable rate long-term debt. Leviathan is exposed to market risk due to the floating interest rate under its credit facility. Under the Leviathan Credit Facility, as amended, the remaining principal and the final interest payment are due in May 2002. As of November 8, 1999, Leviathan's Credit Facility had a principal balance of $282 million at an average floating interest rate of 7.9% per annum. A 1.0% increase in interest rates would result in a $2.8 million annual increase in interest expense on the existing principal balance. Leviathan is exposed to similar risk under the various joint venture credit facilities and loan agreements.

NOTE 11 -- NEW ACCOUNTING PRONOUNCEMENT NOT YET ADOPTED:

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

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information contained in Item 2 updates, and should be read in conjunction with, information set forth in Part II, Items 7, 7A and 8 in the Leviathan Annual Report on Form 10-K for the year ended December 31, 1998, in addition to the interim condensed consolidated financial statements and accompanying notes presented in Item 1 of this Quarterly Report on Form 10-Q. Unless the context otherwise requires, all references herein to Leviathan with respect to the operations and ownership of Leviathan's assets are also references to its subsidiaries.

In November 1999, Leviathan announced that it will change its name to El Paso Energy Partners, L.P. effective December 1, 1999. At that date, Leviathan's trading symbol for common units will change to EPN, and the symbol for preference units will change to EPN.P on the New York Stock Exchange. Leviathan also announced that its Board of Directors has accepted the resignation of chief executive officer Grant E. Sims. Robert G. Phillips, currently president of EPFS and a director of Leviathan, will assume the additional role of chief executive officer of Leviathan. His appointment has been approved by Leviathan's Board of Directors. Leviathan's growth strategy, while remaining committed to the deepwater trend, will incorporate the acquisition and development of energy infrastructure assets in areas that previously had not been in Leviathan's core geographic areas of operation.

OVERVIEW

Leviathan provides integrated energy services, including natural gas and oil gathering, transportation, midstream and other related services in the Gulf. Through its subsidiaries and joint ventures, Leviathan owns interests in (i) the Gas Pipelines, (ii) two oil pipeline systems, (iii) six multi-purpose platforms, (iv) production handling and dehydration facilities, (v) four producing oil and natural gas properties and (vi) an overriding royalty interest in the Ewing Bank 958 Unit.

In May 1999, Leviathan issued $175 million of Subordinated Notes and amended and restated the Leviathan Credit Facility. On June 1, 1999, Leviathan and EPFS closed the Viosca Knoll acquisition in which Leviathan acquired an additional 49 percent ownership interest in Viosca Knoll and, on June 30, 1999, Leviathan acquired an additional effective 20 percent ownership interest in each of HIOS and East Breaks, a 33.33 percent ownership interest in UTOS, and ownership in certain lateral pipelines located offshore in the Gulf.

In September 1999, Leviathan and ANR effectively restructured and reorganized their Western Gulf assets by forming Deepwater Holdings, a joint venture owned 50 percent by each partner. Through a series of transactions, Leviathan and ANR contributed all of their respective ownership interests in each of the entities that own HIOS, UTOS, Stingray, East Breaks and West Cameron Dehy to Deepwater Holdings, and Deepwater Holdings established a $175 million credit facility. Leviathan operates or will operate all of the assets owned by Deepwater Holdings and its subsidiaries.

For a further discussion of these transactions, see Notes 2 and 6.

RESULTS OF OPERATIONS

Third Quarter Ended September 30, 1999 Compared With Third Quarter Ended September 30, 1998

Net income for the quarter ended September 30, 1999, totaled $9.3 million, or $0.28 per unit, as compared with a net loss of $1.8 million, or $0.06 per unit, for the quarter ended September 30, 1998, as a result of the items discussed below.

Oil and natural gas sales totaled $8.1 million for the quarter ended September 30, 1999, as compared with $6.5 million for the same period in 1998. The increase was a result of higher realized oil and natural gas prices along with increased natural gas sales volumes, partially offset by lower oil sales volumes. During the quarter ended September 30, 1999, Leviathan produced and sold 2,824 MMcf of natural gas and 86,000 barrels of oil at average prices of $2.40 per Mcf and $15.14 per barrel, respectively, as compared to 2,562 MMcf of natural gas and 116,000 barrels of oil at average prices of $1.87 per Mcf and $14.73 per barrel, respectively, during the same period of 1998.

Revenue from gathering, transportation and platform services totaled $10.8 million for the quarter ended September 30, 1999, compared with $5.1 million for the same period in 1998. The increase was primarily a result of additional revenue related to the acquisition of an additional 49 percent interest in and the consolidation of Viosca Knoll beginning in June 1999.

Earnings from Equity Investees for the quarter ended September 30, 1999, as compared with the same period in 1998 were approximately equal. Increases in earnings from POPCO, Nautilus and Manta Ray Offshore as a result of increased throughput were offset by decreased throughput on HIOS, UTOS and Stingray, and the effect of consolidating Viosca Knoll during the quarter. Total natural gas throughputs for the Equity Investees, exclusive of Viosca Knoll, decreased approximately 9 percent for the quarter ended September 30, 1999, as compared to the same period in 1998 primarily due to decreased throughput on HIOS, UTOS and Stingray as a result of normal production declines of wells attached to those systems partially offset by increased throughput on Manta Ray Offshore and Nautilus systems. Oil volumes from Poseidon totaled 14.7 million barrels and 9.0 million barrels for the quarter ended September 30, 1999 and 1998, respectively as a result of production from new discoveries in the area.

Operating expenses totaled $2.4 million for the quarter ended September 30, 1999, as compared to $3.0 million for the same period in 1998. The decrease is primarily related to cost reductions associated with Leviathan's oil and natural gas properties and platform operations offset by increased operating costs resulting from the consolidation of Viosca Knoll commencing in June 1999.

Depreciation, depletion and amortization totaled $8.0 million for the quarter ended September 30, 1999, as compared to $7.1 million for the same period in 1998. The increase was a result of depreciation from the consolidation of Viosca Knoll offset by decreased depletion and abandonment rates related to Leviathan's oil and natural gas wells.

Impairment, abandonment and other for the quarter ended September 30, 1998, was due to the excess of estimated costs over actual costs incurred associated with the abandonment of certain Leviathan flowlines.

General and administrative expenses, including the General Partner's management fee, totaled $5.4 million for the quarter ended September 30, 1999, as compared to $6.4 million for the same period in 1998. The decrease is primarily related to the accelerated vesting in August 1998 of a unit rights compensation plan which was terminated in October 1998, offset by an accrual of certain costs relating to various outstanding regulatory and operational issues during the current quarter.

Gain on sale of assets totaled $10.1 million for the quarter ended September 30, 1999, as compared to $0.3 million for the same period in 1998. The gain of $10.1 million is related to the sale of a portion of Leviathan's interest in Deepwater Holdings in September 1999.

Interest and other financing costs, excluding capitalized interest, for the quarter ended September 30, 1999, totaled $10.8 million as compared with $5.3 million for the same period in 1998 as a result of higher average debt outstanding and higher average interest rates for the 1999 period.

Nine Months Ended September 30, 1999 Compared With Nine Months Ended September 30, 1998

Net income for the nine months ended September 30, 1999, totaled $16.9 million, or $0.54 per unit, as compared with a net loss of $1.7 million, or $0.06 per unit, for the nine months ended September 30, 1998, as a result of the items discussed below.

Oil and natural gas sales totaled $23.2 million for the nine months ended September 30, 1999, as compared with $22.3 million for the same period in 1998. The increase is attributable to higher gas volumes associated with the purchase of an additional 25 percent working interest in Viosca Knoll Block 817 and a 38 percent working interest in the West Delta Block 35, and the effects of two tropical storms and hurricane Georges passing through the Gulf during 1998, offset by decreased oil production and lower realized oil and natural gas prices. During the nine months ended September 30, 1999, Leviathan produced and sold

9,701 MMcf of natural gas and 279,000 barrels of oil at average prices of $2.00 per Mcf and $13.45 per barrel, respectively, as compared to 7,435 MMcf of natural gas and 424,000 barrels of oil at average prices of $2.06 per Mcf and $16.04 per barrel, respectively, in the same period of 1998.

Revenue from gathering, transportation and platform services totaled $21.6 million for the nine months ended September 30, 1999, as compared with $12.9 million for the same period in 1998. The increase was primarily due to the consolidation of Viosca Knoll beginning in June 1999.

Earnings from Equity Investees totaled $26.6 million for the nine months ended September 30, 1999, as compared with $19.2 million for the same period in 1998. The increase is primarily related to higher earnings of POPCO, Nautilus and Manta Ray Offshore as a result of increased throughput, offset by decreased throughput on HIOS, UTOS and Stingray. The increase was further offset by the consolidation of Viosca Knoll in June 1999. Oil volumes from Poseidon totaled 44.2 million barrels and 24.7 million barrels for the nine months ended September 30, 1999 and 1998, respectively, as a result of production from new discoveries in the area.

Operating expenses totaled $7.4 million for the nine months ended September 30, 1999, as compared to $8.6 million for the same period in 1998. The decrease is primarily a result of decreased costs associated with Leviathan's oil and natural gas properties and platform operations offset by higher operating expenses resulting from the consolidation of Viosca Knoll commencing in June 1999.

Depreciation, depletion and amortization totaled $21.7 million for the nine months ended September 30, 1999, compared with $21.9 million for the same period in 1998. The decrease was a result of a decrease in depreciation and depletion of oil and natural gas wells and facilities as a result of decreased depletion and abandonment accrual rates offset by additional depreciation on Viosca Knoll.

Impairment, abandonment and other for the nine months ended September 30, 1998, represented the excess of estimated costs over actual costs incurred associated with the abandonment of certain Leviathan flowlines.

General and administrative expenses, including the General Partner's management fee, totaled $11.3 million for the nine months ended September 30, 1999, as compared with $13.9 million for the same period in 1998. The decrease is primarily related to the accelerated vesting in August 1998 of a unit rights compensation plan which was terminated in October 1998, offset by an accrual of certain costs relating to various outstanding regulatory and operational issues during the current period.

Gain on sale of assets totaled $10.1 million for the nine months ended September 30, 1999, as compared to $0.3 million for the same period in 1998. The increase was a result of the sale of a portion of Leviathan's interest in Deepwater Holdings in September 1999.

Interest and other financing costs, excluding capitalized interest, for the nine months ended September 30, 1999, totaled $24.7 million as compared with $13.7 million for the same period in 1998 as a result of higher average debt outstanding and higher average interest rates in the 1999 period.

LIQUIDITY AND CAPITAL RESOURCES

Leviathan intends to satisfy its capital requirements and other working capital needs primarily from cash on hand, cash from operations and borrowings under the Leviathan Credit Facility. However, depending on the marketplace and other factors, Leviathan may issue additional debt or equity to raise cash or acquire assets.

Net cash provided by operating activities for the nine months ended September 30, 1999, totaled $48.0 million as compared to $11.6 million for the same period in 1998. The increase in cash from operations resulted primarily from higher earnings, increased distributions from Equity Investees relative to their respective earnings, and changes in working capital over 1998 levels.

Net cash used in investing activities was $59.1 million for the nine months ended September 30, 1999, due to Leviathan's acquisition of additional interests in HIOS, UTOS, and East Breaks, the acquisition of an additional 49 percent interest in Viosca Knoll and increased capital expenditures, primarily related to the construction of the Allegheny oil line and the TLP. In addition, Leviathan received proceeds from the sale of a portion of Leviathan's interest in Deepwater Holdings coupled with a distribution from Deepwater Holdings.

Net cash flows provided by financing activities totaled $17.1 million for the nine months ended September 30, 1999. During the nine month period, Leviathan received proceeds from its Subordinated Notes, and partially repaid amounts outstanding under the Leviathan Credit Facility. Leviathan also made distributions to its unitholders and the General Partner.

For a discussion of risk factors affecting Leviathan and other items that may impact Leviathan's ability to generate cash from operations, generate capital for investing purposes and obtain financing, see "Uncertainty of Forward-Looking Statements and Information" presented below.

In May 1999, Leviathan entered into an indenture with Chase Bank of Texas, under which it issued $175 million in aggregate principal amount of Subordinated Notes. Leviathan capitalized $6.1 million of debt issue costs related to the issuance and registration of the Subordinated Notes. Approximately $19.9 million of the proceeds were used to pay the remaining balance of the Viosca Knoll acquisition, $33.4 million was contributed to Viosca Knoll to repay the remaining unpaid balance of the Viosca Knoll credit facility and the remaining proceeds were used to reduce the balance of the Leviathan Credit Facility. Concurrent with the closing of the offering of the Subordinated Notes, Leviathan amended and restated the Leviathan Credit Facility to, among other things, extend its maturity from December 1999 to May 2002. As of November 8, 1999, Leviathan had $282.0 million outstanding at an average floating rate of 7.9% per annum and $64.5 million available.

In connection with its formation, Deepwater Holdings assumed Western Gulf's obligations under its $100 million revolving credit facility entered into in February 1999, and amended and restated that facility to, among other things, increase the commitment amount to $175 million (the "Deepwater Credit Facility"). Proceeds from the Deepwater Credit Facility were or may be used to retire debt associated with Stingray of $21.2 million, thereby paying off and cancelling Stingray's credit facility, fund a one-time distribution of $20.0 million to each of the equity partners of Deepwater Holdings, provide funds for the remaining construction costs of the East Breaks system and other future system expansions, and provide for other working capital needs of Deepwater Holdings. The ability of Deepwater Holdings to borrow money under its credit facility is subject to certain customary terms and conditions, including borrowing base limitations. The credit facility is collateralized by substantially all of the material contracts and agreements of East Breaks, West Cameron Dehy and Deepwater Holdings, including Deepwater Holdings' ownership in Stingray, UTOS, West Cameron Dehy, and Western Gulf, and its subsidiaries HIOS and East Breaks, and matures in February 2004. As of November 8, 1999, Deepwater Holdings had $119.0 million outstanding under its credit facility bearing interest at an average floating rate of 6.6% and $41.1 million available.

East Breaks is currently constructing a natural gas pipeline system which will connect the Diana and Hoover prospects in Alaminos Canyon Block 25 in the Gulf with the HIOS system. The majority of the construction of the East Breaks system will occur in 1999 and the system is anticipated to be in service by mid-2000 at an estimated cost of approximately $90 million. East Breaks entered into long-term agreements with Exxon Company USA and BP Amoco Plc involving the commitment, gathering and processing of production from the Diana and Hoover prospects. Construction costs of the East Breaks system totaling approximately $53.1 million were funded by the Western Gulf credit facility and the remaining costs will be funded by the Deepwater Holdings Credit Facility. All of the natural gas to be produced from 11 blocks in the East Breaks and Alaminos Canyon areas will be dedicated for transportation services on the HIOS system.

As of September 30, 1999 and November 8, 1999, POPCO had $150 million outstanding at an average floating rate of 6.7% per annum under its $150 million credit facility.

Leviathan's capital requirements consist primarily of (i) quarterly distributions to holders of preference and common units and to the General Partner, (ii) expenditures for the maintenance of its pipelines and related infrastructure and the acquisition and construction of additional energy-related infrastructure, (iii) expenditures related to its producing oil and natural gas properties, (iv) working capital requirements, (v) contributions to Equity Investees as required to fund capital expenditures for new facilities and (vi) debt service on its outstanding indebtedness.

On October 19, 1999, Leviathan declared a cash distribution of $0.275 per preference unit and $0.525 per common unit covering the quarter ended September 30, 1999. The distributions were paid on November 12, 1999, to all holders of record of common units and preference units at the close of business on October 29, 1999, and included an incentive distribution to the General Partner of $3.2 million.

Leviathan anticipates that its capital expenditures and equity investments for the remainder of 1999 will relate to continuing acquisition, construction and development activities, including contributions to Nemo and Manta Ray Offshore for construction of pipelines. Leviathan anticipates funding such cash requirements primarily with available cash flow, borrowings under the Leviathan Credit Facility and, depending on the capital requirements and related market conditions, issuing additional debt and/or equity. In addition, capital expenditures by Leviathan's equity investments are, in some cases, derived from borrowings under separate joint venture credit facilities.

YEAR 2000

The Year 2000 issue is the result of computer programs that were written using two digits rather than four to define the year. Leviathan has established a project team and works with the El Paso Energy Year 2000 executive steering committee to coordinate the phases of its Year 2000 project to ensure that Leviathan's key automated systems and related processes will remain functional through Year 2000. Those phases include: (i) awareness, (ii) assessment, (iii) remediation, (iv) testing, (v) implementation of the necessary modifications and (vi) contingency planning (which was previously included as a component of Leviathan's implementation phase). Leviathan has previously utilized outside consultants and is involved in several industry trade-groups to supplement Leviathan's project team.

The awareness phase recognizes the importance of Year 2000 issues and its potential impact on Leviathan. Through the project team, Leviathan has established an awareness program which includes participation of management in each business area. The awareness phase is substantially completed, although Leviathan will continually update awareness efforts for the duration of the Year 2000 project.

The assessment phase consists of conducting an inventory of Leviathan's key automated systems and related processes, analyzing and assigning levels of criticality to those systems and/or processes, identifying and prioritizing resource requirements, developing validation strategies and testing plans, and evaluating business partner relationships. Leviathan has substantially completed the assessment phase to determine the nature and impact of the Year 2000 date change for hardware and equipment, embedded chip systems, and third-party developed software. The assessment phase of the project involves, among other things, efforts to obtain representations and assurances from third parties, including equity investees, partners and third party customers and vendors, that their hardware and equipment products, embedded chip systems and software products being used by or impacting Leviathan are, or will be modified to be Year 2000 compliant. Although Leviathan intends to interact only with those third parties that have Year 2000 compliant computer systems, it is impossible for Leviathan to monitor all such systems. As a result, Leviathan cannot predict the potential consequences if any of its equity investees, partners, customers or vendors are not Year 2000 compliant. Leviathan will continue to evaluate the exposure associated with such business partner relationships.

The remediation phase involves converting, modifying, replacing or eliminating selected key automated systems identified in the assessment phase. The testing phase involves the validation of the identified key automated systems. Leviathan is utilizing test tools and written procedures to document and validate, as necessary, its unit, system, integration and acceptance testing. The implementation phase involves placing the converted or replaced key automated systems into operation. In some cases, the implementation phase will also involve the implementation of contingency plans needed to support business functions and processes that may be interrupted by Year 2000 failures that are outside Leviathan's control. As of September 30, 1999, each phase was substantially completed.

The contingency planning phase consists of developing a risk profile of Leviathan's critical business processes and then providing for actions Leviathan will pursue to keep such processes operational in the event of Year 2000 disruptions. The focus of such contingency planning is on prompt response to any Year 2000 events, and a plan for subsequent resumption of normal operations. The plan is expected to assess the risk of significant failure to critical processes performed by Leviathan, and to address the mitigation of those risks. The plan will also consider any significant failures in the event the most reasonably likely worst case scenario develops, as discussed below. In addition, the plan is expected to factor in the severity and duration of the impact of a significant failure. As of September 30, 1999, the contingency plan was substantially complete, with Leviathan conducting contingency plan drills and mock outages and completing desk top testing of its contingency plan. This Year 2000 contingency plan will continue to be modified and adjusted through the year as additional information from key external business partners becomes available.

Leviathan's goal is to ensure that all of its critical systems and processes that are under its direct control remain functional. Certain systems and processes may be interrelated with or dependent upon systems outside Leviathan's control and systems within Leviathan's control may have unpredicted problems. Accordingly, there can be no assurance that significant disruptions will be avoided. Leviathan's present analysis of its most reasonably likely, worst case scenario for Year 2000 disruptions includes Year 2000 failures in the telecommunications and electricity industries, as well as interruptions from suppliers that might cause disruptions in Leviathan's operations, thus causing temporary financial losses and an inability to meet its obligations to customers. A significant portion of the oil and natural gas transported through the pipelines is owned by third parties. Accordingly, failures of the producers of oil and natural gas to be ready for the Year 2000 could significantly disrupt the flow of the hydrocarbons for customers. In many cases, the producers have no direct contractual relationship with Leviathan, and Leviathan relies on its customers to verify the Year 2000 readiness of the producers from whom they purchase oil and natural gas. A portion of Leviathan's revenue for the transportation of oil and natural gas is based upon fees paid by its customers for the reservation of capacity and a portion of the revenue is based upon the volume of actual throughput. As such, short-term disruptions in throughput caused by factors beyond Leviathan's control may have a financial impact on Leviathan and could cause operational problems for Leviathan's customers. Longer-term disruptions could materially impact Leviathan's operations, financial condition, and cash flows.

Leviathan estimates that the costs to be incurred in 1999 and 2000 associated with assessing, remediating and testing hardware and equipment, embedded chip systems, and third-party developed software will not exceed $1.0 million, all of which will be expensed. As of September 30, 1999, Leviathan had incurred less than $0.1 million related to such costs. Leviathan has previously only tracked incremental expenses related to its Year 2000 project. The costs of the Year 2000 project related to salaried employees of El Paso Energy, including their direct salaries and benefits, are not available and have not been included in the estimated costs of the project. The management fee charged to Leviathan by the General Partner includes such incremental expenses.

Presently, Leviathan intends to reassess its estimate of Year 2000 costs in the event Leviathan completes an acquisition of, or makes a material investment in, substantial facilities or another business entity.

Management does not expect the costs of Leviathan's Year 2000 project will have a material adverse effect on Leviathan's financial position, results of operations, or cash flows. However, based on information available at this time, Leviathan cannot conclude that disruption caused by internal or external Year 2000 related failures will not adversely affect Leviathan. Specific factors which may affect the success of Leviathan's Year 2000 efforts and the frequency or severity of a Year 2000 disruption or amount of any expense include failure of Leviathan or its outside consultants to properly identify deficient systems, the failure of the selected remedial action to adequately address the deficiencies, the failure of Leviathan's outside consultants to complete the remediation in a timely manner (due to shortages of qualified labor or other factors), the failure of other parties to joint ventures in which Leviathan is involved to meet their obligations, both financial and operational under the relevant joint venture agreements to remediate assets used by the joint venture, unforeseen expenses related to the remediation of existing systems or the transition to replacement systems, and the failure of third parties, including Leviathan's investees, to become Year 2000 compliant or to adequately notify Leviathan of potential noncompliance.

The above disclosure is a "Year 2000 Readiness Disclosure" made with the intention to comply fully with the Year 2000 Information and Readiness Disclosure Act of 1998, Pub. L. No. 105-271, 112 Stat, 2386, signed into law October 19, 1998. All statements made herein shall be construed within the confines of the Act. To the extent that any reader of the above Year 2000 Readiness Disclosure is other than an investor or potential investor in Leviathan's or an affiliate's equity or debt securities, this disclosure is made for the sole purpose of communicating or disclosing information aimed at correcting, helping to correct and/or avoiding Year 2000 failures.

UNCERTAINTY OF FORWARD-LOOKING STATEMENTS AND INFORMATION

This Quarterly Report contains forward-looking statements and information within the meaning of the Private Securities Litigation Reform Act of 1995 and are based on management's beliefs as well as assumptions made by and information currently available to management. Such statements are typically punctuated by words or phrases such as "anticipate," "estimate," "project," "should," "may," "management believes," and words or phrases of similar import. Although management believes that such statements and expressions are reasonable and made in good faith, it can give no assurance that such expectations will prove to have been correct. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Among the key factors that may have a direct bearing on Leviathan's financial position, results of operations, and cash flows are:

- competitive practices in the industry in which Leviathan competes,

- the impact of current and future laws and government regulations affecting the industry in general and Leviathan's operations in particular,

- effectiveness of implementing Leviathan's new strategy including assuming operations of certain Equity Investees,

- environmental liabilities to which Leviathan may become subject in the future that are not covered by an indemnity or insurance,

- the throughput levels achieved by any pipelines in which Leviathan owns (now or in the future) an interest,

- the ability to access additional reserves to offset the natural decline in production from existing wells connected to such pipelines,

- changes in gathering, transportation, processing, handling and other rates due to changes in government regulation and/or competitive factors,

- the impact of oil and natural gas price fluctuations,

- the production rates and reserve estimates associated with Leviathan's producing oil and natural gas properties,

- significant changes from expectations of capital expenditures and operating expenses and unanticipated project delays,

- the ability of Equity Investees to make distributions to Leviathan,

- the effect of the Year 2000 date change,

- the ability to economically raise capital (debt and equity) to satisfy planned and unanticipated needs, and

- other factors discussed more completely in Leviathan's other filings with the United States Securities and Exchange Commission.

Leviathan disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date hereof.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information contained in Item 3 updates, and should be read in conjunction with information set forth in Part II, Item 7A in the Leviathan's Annual Report on Form 10-K for the year ended December 31, 1998, in addition to the interim consolidated financial statements, accompanying notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations presented in Item 1 and 2 of this Quarterly Report on Form 10-Q.

There are no material changes in market risks faced by Leviathan from those reported in Leviathan's Annual Report on Form 10-K for the year ended December 31, 1998.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Part I -- Financial Information, Note 10, which is incorporated herein by reference.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Each exhibit identified below is filed as part of this quarterly report.

EXHIBIT NUMBER	DESCRIPTION
10.15	-- Farmout Agreement dated October 25, 1999 by and between Flextrend Development Company, L.L.C. and El Paso Production GOM, Inc.
27.	-- Financial Data Schedule.

(b) Report on Form 8-K

Leviathan filed a Current Report on Form 8-K with the Securities and Exchange Commission on July 15, 1999, regarding its June 30, 1999, acquisition from Natural Gas Pipeline Company of America of all of the outstanding stock of Natoco, Inc. and Naloco, Inc. and an ownership interest in certain lateral pipelines located in the Gulf.

Leviathan filed an Amended Current Report on Form 8-K/A with the Securities and Exchange Commission on August 26, 1999, regarding its June 30, 1999, acquisition from Natural Gas Pipeline Company of America of all of the outstanding stock of Natoco, Inc. and Naloco, Inc. and an ownership interest in certain lateral pipelines located in the Gulf.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned and thereunto duly authorized.

LEVIATHAN GAS PIPELINE
PARTNERS, L.P.

By: LEVIATHAN GAS PIPELINE COMPANY,
its General Partner

Date: November 12, 1999

By: /s/ KEITH B. FORMAN
Keith B. Forman
Chief Financial Officer

Date: November 12, 1999

By: /s/ D. MARK LELAND
D. Mark Leland
Vice President and Controller
(Principal Accounting Officer)

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
10.15	-- Farmout Agreement dated October 25, 1999 by and between Flextrend Development Company, L.L.C. and El Paso Production GOM, Inc.
27.	-- Financial Data Schedule.

FARMOUT AGREEMENT

This Farmout Agreement (the "Agreement") dated effective October 25, 1999 (the "Effective Date"), is made by and between FLEXTREND DEVELOPMENT COMPANY, L.L.C. ("Farmor") and EL PASO PRODUCTION GOM INC. f/k/a Sonat Exploration GOM Inc. ("Farmee").

WHEREAS, Farmee desires to acquire from Farmor a farmout covering all of Farmor's interest in Ewing Bank 958 (OCS-G 6921); Ewing Bank 959 (OCS-G 6922); and Ewing Bank 1003 (OCS-G 13091); and all of the East Half (E/2) of Ewing Bank 1002 (OCS-G 13996B), Offshore Louisiana, Outer Continental Shelf, as more specifically described in Article I, hereinbelow, the foregoing being herein referred to as the "Farmout Acreage";

WHEREAS, the Farmout Acreage includes that certain Ewing Bank Block 1003 Federal Unit, Agreement No. 754398001 (the "Unit"); and

WHEREAS, Farmor and Farmee desire to define their respective rights, interests and obligations with respect to the conduct of exploration, development and producing operations on the Farmout Acreage;

NOW, THEREFORE, for a good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Farmor does hereby farmout to Farmee the Farmout Acreage, subject to the terms, provisions and conditions set forth herein (including, but not limited to, the Earning Requirements set forth in Section 3.1) and the Additional Covenants, Agreements, Terms and Conditions as set forth in EXHIBIT "A", attached hereto, without any warranty or representation, except for a limited warranty of title, by, through, and under Farmor, but not otherwise. Upon Farmee's fulfillment of the Earning Requirements, Farmor shall execute and furnish Farmee with a recordable assignment all of Farmor's interest (the "Assignment") in the Farmout Acreage, effective as of the date that Farmee has satisfied such Earning Requirements and containing the aforementioned limited warranty of title.

ARTICLE I

1.1 The Farmout Acreage. The Farmout Acreage is described as the acreage and depths covered as of the Effective Date by the following described Oil and Gas Leases:

> Oil and Gas Lease of Submerged Lands under the Outer Continental Shelf Lands Act, dated effective July 1, 1984, from the United States of America, as Lessor, to Sohio Petroleum Company and Kerr-McGee Corporation, as Lessees, designated with Serial No. OCS-G 6921, covering all of Block 958, Ewing Bank, OCS Official Protraction Diagram NH 15-12, containing approximately 5,760 acres.

> Oil and Gas Lease of Submerged Lands under the Outer Continental Shelf Lands Act, dated effective July 1, 1984, from the United States of America, as Lessor, to Sohio Petroleum Company, et al., as Lessees, designated with Serial No. OCS-G 6922, covering all of Block 959, Ewing Bank, OCS Official Protraction Diagram NH 15-12, containing approximately 5,760 acres.

Oil and Gas Lease of Submerged Lands under the Outer Continental Shelf Lands Act, dated effective May 1, 1993, from the United States of America, as Lessor, to EP Operating Limited Partnership, et al., as Lessees, designated with Serial No. OCS-G 13996B, covering all of the East Half of Block 1002, Ewing Bank, OCS Official Protraction Diagram NH 15-12, containing approximately 2,880 acres, as limited in depth from the surface down to 40,000' TVD.

Oil and Gas Lease of Submerged Lands under the Outer Continental Shelf Lands Act, dated effective May 1, 1991, from the United States of America, as Lessor, to Tatham Offshore, Inc., as Lessee, designated with Serial No. OCS-G 13091, covering all of Block 1003, Ewing Bank, OCS Official Protraction Diagram NH 15-12, containing approximately 5,760 acres.

The foregoing Oil and Gas Leases are referred to individually as a "Lease" and collectively as the "Leases".

1.2 The Unit. The Unit is described as the acreage and depths covered as of the Effective Date by the following described federal unit agreement:

That certain federal unit designated as the Ewing Bank Block 1003 Federal Unit, Agreement No. 754398001 covering the following described acreage: the South Half of Ewing Bank Block 958; the South Half of Ewing Bank Block 959; the East Half of Ewing Bank Block 1002; and all of Ewing Bank Block 1003.

1.3 Representations and Warranties. Farmor represents and warrants that it owns one hundred percent (100%) of the record title interest in the Farmout Acreage, with the exception of the East Half (E/2) of Ewing Bank 1002, in which Farmor represents and warrants that it owns (or has the right to own) one hundred percent (100%) of the operating rights interest from the surface down to and including 40,000 feet TVD. As to any interest in the Farmout Acreage that Farmor, has the right to own, but does not presently own according to the records of the United States Department of the Interior-Minerals Management Service ("MMS"), Farmor will secure and file with the MMS appropriate assignments into Farmor, within thirty (30) days of the date of complete execution of that certain Letter Agreement dated September 28, 1999, made by and between Farmor and Farmee (the "Letter Agreement").

1.4 It is agreed and understood that Farmor's interest in the Farmout Acreage may be subject to, and burdened by, certain overriding royalty interests, net profits interests or other burdens, other than lessor's royalty, that predate the Letter Agreement (the "Prior Burdens").

1.5 Incorporation of Letter Agreement Terms. The terms of the Letter Agreement are incorporated herein by reference; provided, however, that should a provision of this Agreement conflict with a provision in the Letter Agreement, this Agreement shall prevail.

1.6 Binding Obligations. Except as otherwise specified in this Agreement, the rights and obligations of the parties hereto are absolute and unconditional; specifically, the parties hereto acknowledge and confirm that the conditions set forth in Paragraph 20 of the Letter Agreement have been fully satisfied. In connection therewith, Farmee has (i) conducted due diligence with respect to Farmor's ownership of and title to the Farmout Acreage and is fully satisfied with the results thereof and (ii) reviewed the existing contracts, agreements, government orders and/or restrictions affecting the Farmout Acreage and agreed to be bound thereby.

ARTICLE II

2.1 Test Well. On or before November 30, 1999, and subject to receipt of all necessary regulatory approvals (which Farmee agrees to pursue with reasonable commercial diligence), Farmee, at its sole cost, risk and expense, shall commence, or cause the commencement of, operations for the drilling of a test well ("Test Well") at a location of Farmee's choice on the Unit and thereafter diligently drill such well to a depth (the "Objective Depth") equal to the statigraphic equivalent of the PB-1 Sand as seen at a depth of -10,225' TVD Subsea in the Ewing Bank 1003 #1 Well, or a depth of -10,030' TVD Subsea, whichever is lesser. The Objective Depth shall be a minimum depth, and Farmee shall have the right, but not the obligation, to drill the Test Well to deeper depths. In order to expedite the commencement of the Test Well, Farmor has or shall immediately make available for Farmee's use, Farmor's shallow hazard survey(s) over the Farmout Acreage, as well as any permitting information pertaining to the Farmout Acreage. In addition, Farmor shall allow Farmee access to its personnel to discuss the Farmout Acreage and any and all well data or information pertaining to the Farmout Acreage. In the event that a condition which qualifies as Force Majeure under Section 5.13, below, prevents Farmee from commencing the drilling of the Test Well on or before November 30, 1999, then Farmee shall apply for and diligently pursue a further extension of the existing Suspension of Production ("SOP") from the MMS so as to permit the drilling of the Test Well at a later date. In the event Farmee does not commence the drilling of the Test Well on or before November 30, 1999, for any reason other than (i) the inability to obtain all necessary permits and regulatory approvals (which Farmee shall have diligently pursued) or (ii) a condition that qualifies as Force Majeure under Section 5.13, below, Farmee shall be deemed to be in breach of its obligations hereunder, unless Farmee has applied for and been granted a further extension of the SOP from the MMS and drills, or causes to be drilled, the Test Well in accordance with such extension.

2.2 Substitute Well. If during the drilling of the Test Well, Farmee encounters mechanical difficulties, heaving shale, rock salt, excessive saltwater flow, practicably impenetrable formations or other conditions in the hole that would cause a reasonably prudent operator under the same or similar circumstances to discontinue drilling and to plug and abandon such well, Farmee shall have the right, but not the obligation, to commence actual drilling operations on another well, or sidetracking operation on such well or actual drilling operations on another well (hereinafter referred to as the "Substitute Well") at a location of its choice on the Unit and to a minimum depth equal to the Objective Depth within ninety (90) days after the date of rig release for the last operation on the Test Well. If such Substitute Well is timely and properly commenced and drilled to Objective Depth in compliance with all terms and conditions provided herein for the Test Well, then such Substitute Well shall in all respects be considered as if it was the Test Well and any reference in this Agreement to the Test Well shall also include any such Substitute Well. Farmee shall have a continuing option to drill additional Substitute

Wells on the Farmout Acreage, provided that no more than ninety (90) days elapse between the date the rig was released from the last operation on such Substitute Well and the date of commencement of drilling operations for the next successive Substitute Well drilled therefor.

2.3 Well Take-Over. If, prior to earning an Assignment in and to the Farmout Acreage as hereinafter provided, Farmee elects to: (i) plug and abandon the Test Well drilled hereunder; and (ii) not drill a Substitute Well therefor then Farmee shall give written notice thereof and a copy of such well's final electric log and a copy of the results of any production tests conducted thereon to Farmor. Within forty-eight (48) hours after Farmor's receipt of such notice, log and results, Farmor shall give notice if it elects to take over such well, and succeed to Farmee's interest therein and conduct such further operations as Farmor may wish to conduct within such Farmout Acreage. Farmor shall thereupon, at its sole cost, risk and expense, take immediate possession of such well and of materials, equipment, and facilities owned or controlled by Farmee located at the well site and which may be useful in connection with further operations on such well. To the extent that Farmor uses any such materials and equipment in its testing, deepening, sidetracking, evaluating or completion operations in connection with such Test Well, Farmor will reimburse Farmee as follows:

(a) The reasonable net salvage value of pipe and any other materials in the well that could have been recovered by Farmee, if Farmor had not taken over such well.

(b) A reasonable charge for the use of Farmee's drill pipe, machinery and equipment, to compensate Farmee for the normal wear and tear resulting from Farmor's use thereof.

(c) A reasonable compensation for any of Farmee's materials located at the well site, which will have no salvage value after being used by Farmor.

Upon taking over the well, Farmor shall proceed to conduct all subsequent operations in and on such well and, as of the date of such notice of takeover, shall (i) own one hundred percent (100%) of the working interest in such well; and (ii) be responsible for and bear the entire risk and expense of further operations in connection with such well, including, but not limited to, the cost of completion or abandonment of such well and its associated facilities and equipment. If Farmor completes such well as a producer, Farmee shall assign to Farmor, and Farmor will own exclusively, subject to the applicable terms and provisions of this Agreement, all of Farmee's right, title and interest in and to the well, wellbore, all associated facilities and equipment and all production therefrom, regardless of the depth of the well, and Farmee shall, upon request from Farmor, furnish Farmor with such documents in recordable form as may be required to perfect title to such well, wellbore, and all associated facilites and equipment and production therefrom, regardless of the depth of the well. Nothwithstanding the foregoing, in the event that Farmor completes such well as a producer, Farmee shall relinquish to Farmor all of Farmee's right, title and interest in and to the Farmout Acreage. The provisions of this Section 2.3 shall not apply to operations proposed by Farmee to plug back and/or sidetrack a well drilled pursuant to this Agreement. If Farmor does not complete the well as a producer, then Farmee shall have the renewed right to drill a Substitute Well (in accordance with the terms of this Agreement) in an attempt to earn an Assignment in and to the Farmout Acreage pursuant to Article III.

2.4 Farmout Operations. Farmout Operations (as defined in EXHIBIT "A") shall be commenced and prosecuted with reasonable diligence and in a workmanlike manner at Farmee's sole risk, cost and expense. Farmee shall conduct all operations hereunder as would a reasonably prudent operator in accordance with industry standards and all applicable laws and regulations of governmental authorities having jurisdiction thereof. All wells drilled hereunder shall conform to the appropriate API standards. As long as this Agreement remains in effect, Farmee shall, at its sole expense, provide and maintain in force the insurance coverage referenced in Section 5.14 of this Agreement as to Farmout Operations. Farmor, with Farmee's permission, which permission shall not be unreasonably withheld, shall be furnished access to the premises and permanent rights of ingress and egress over same. Said access shall be at Farmor's sole risk, liability and expense, and Farmor will be required to comply with Farmee's safety and environmental policies during such occurrences. As concerns Farmout Operations, Farmor shall be given all information obtained as set forth in EXHIBIT "B", attached hereto.

2.5 Additional Operations. Within sixty (60) days following the date of rig release from the Test Well, Farmee shall evaluate the results of the Test Well (and those of the three (3) existing well bores located on the Farmout Acreage) and, based upon such results, Farmee shall elect one of the following options with regard to future operations on the Farmout Acreage:

(a) Farmee shall proceed with development of the Farmout Acreage pursuant to the terms provided for herein; or

(b) Farmee shall turn over to Farmor the Test Well and all rights to the Farmout Acreage as provided in Section 2.3, or, in the event Farmor elects not to take over such well and rights as provided in Section 2.3, Farmee shall plug and abandon the Test Well, in which case, this Agreement and the Letter Agreement shall terminate. In such event, Farmee shall have no further obligations to Farmor with regard to the Test Well and Farmout Acreage.

In the event that Farmee elects to proceed with the development of the Farmout Acreage pursuant to the terms provided for herein, any and all cost, risk and expense associated with such operations shall be solely for Farmee's account, unless and until the effective time of Farmor's conversion of its Reserved ORRI (as hereinbelow defined) to a working interest as provided for in Section 3.3, below.

ARTICLE III

3.1 Rights Earned. If (i) the Test Well is timely and properly commenced and drilled and complies in all material respects with the terms and conditions of this Agreement (including, without limitation, the evaluation of the three (3) existing well bores located on the Farmout Acreage in accordance with Section 2.5 and an election by Farmee to proceed with development of the Farmout Acreage pursuant to Section 2.5(a)); (ii) such well meets criteria that determine that it is a well capable of producing hydrocarbons in "paying quantities" pursuant to the provisions of 30 CFR Section 250.111 (which determination by the MMS Farmee agrees to diligently pursue) or if not meeting these qualifications, Farmee commits to complete the well for production; and (iii) Farmee has supplied to Farmor evidence of same and a request for an Assignment in and to the Farmout Acreage as provided below; Farmee shall earn for the drilling of such well (hereinafter referred to as an "Earning Well") an Assignment in and to the Farmout Acreage as set forth in this Article III. The requirements set forth in this Section 3.1 are herein referred to as the "Earning Requirements".

3.2 Assignment of Interest. In the event that Farmee satisfies all of the Earning Requirements set forth in Section 3.1, Farmee shall, within thirty (30) days of Farmee's written request, receive (and Farmor and Farmee shall thereafter execute, acknowledge, deliver between them and record) a mutually acceptable Assignment, with warranty of title by, through and under Farmor, but not otherwise, of one hundred percent (100%) of Farmor's record title interest in and to Ewing Bank 958 (OCS-G 6921); Ewing Bank 959 (OCS-G 6922); and Ewing Bank 1003 (OCS-G 13091) and one hundred percent (100%) of Farmor's operating rights interest in and to East Half (E/2) of Ewing Bank 1002 (OCS-G 13996B) from the surface down to and including 40,000 feet TVD (collectively, the "Assigned Interests"). The Assigned Interests shall be burdened by the lessor's royalty, the Prior Burdens (as herein defined) and the interests retained herein by Farmor (as described in Section 3.3), but shall be free and clear of any liens, claims, or other burdens encumbering Farmor's interest in the Farmout Acreage, including, but not limited to, any other overriding royalty interests, net profits interests, production payments and, except as provided in this Agreement and/or the Letter Agreement, any commitments for any one or more of the transportation, processing or marketing of production therefrom or attributable thereto. Such Assignment shall be effective as of the date that Farmee has satisfied the Earning Requirements for same. Upon earning the Assignment, Farmee shall proceed in a diligent and workmanlike manner to complete all commercial existing wells on the Farmout Acreage, and shall thereafter proceed pursuant to the term of the SOP.

3.3 Interests Retained by Farmor. In such Assignment to Farmee, Farmor shall reserve an overriding royalty interest equal to ten percent (10.000000%) of 8/8(ths) of all oil, gas and other liquid or gaseous hydrocarbons produced and saved and marketed from the Farmout Acreage ("Reserved ORRI"), with the option at Project Payout to either (x) retain the Reserved ORRI; or (y) convert said Reserved ORRI to an undivided working interest equal to thirty percent (30%) of the working interest conveyed in the Assignment, subject to the provisions of a mutually acceptable Offshore Operating Agreement entered into by the parties hereto pursuant to Section 3.7. Should Farmor elect to convert its Reserved ORRI to a working interest as provided herein, Farmee shall, upon request from Farmor, proportionately reassign to Farmor its respective share of all of its right, title and interest in and to the Farmout Acreage resulting from such election. The assignment and/or any additional assignment(s) between the parties contemplated herein will be in a form acceptable to the MMS.

3.4 Prior Burdens. Notwithstanding anything contained herein or in the Letter Agreement to the contrary, regardless of whether the interest retained by Farmor is the Reserved ORRI or a working interest, Farmor shall be responsible for payment of and shall bear one hundred percent (100%) the Prior Burdens and shall RELEASE, DEFEND, INDEMNIFY and HOLD HARMLESS Farmee for the non-payment or improper payment of such Prior Burdens. Should the Prior Burdens exceed the Reserved ORRI provided for herein, Farmor shall bear such excess burdens, and hold Farmee harmless from same. Notwithstanding anything herein or in the

Letter Agreement to the contrary, during such time as the interest retained herein by Farmor is the Reserved ORRI, any lessor's royalty due under the Leases shall be for the sole account of Farmee. Should Farmor elect to convert its Reserved ORRI to a working interest (as provided in Section 3.3), then upon the effective date of such conversion, Farmor shall be responsible for its working interest share of lessor's royalty.

3.5 Determination of Project Payout. As used herein, "Project Payout" shall be defined as that point in time when Farmee has recouped from the value of production from all wells located on the Farmout Acreage (after deducting lessor's royalty, operating expenses, overhead, Farmor's Reserved ORRI provided for herein, as well, as any additional burdens on production, and taxes on production, including windfall profits tax, if any), the costs of drilling, deepening, sidetracking, plugging back, coring, testing, logging, completing and equipping for production all wells located on the Farmout Acreage (but excluding all costs expended prior to the effective date of the Letter Agreement), including, without limitation, all costs associated with any and all platforms, wellhead facilities, storage tanks, separators, flow lines, salt water disposal equipment, production facilities, whether located on the Farmout Acreage, or outside the Farmout Acreage, pipelines, plugging and abandoning costs, surface restoration costs and all other capital costs in connection with drilling, production, or other operations on the Farmout Acreage.

3.6 Proportionate Reduction. In the event that Farmor owns less than one hundred percent (100%) of the right, title and interest in the Farmout Acreage, Farmor's interests retained herein shall be proportionately reduced.

3.7 Deepwater Offshore Operating Agreement. If Farmee earns an interest in the Farmout Acreage and Farmor elects at Project Payout to convert its Reserved ORRI to a working interest pursuant to Section 3.3, then Farmee and Farmor shall enter into a mutually agreeable AAPL Deepwater Offshore Operating Agreement ("Offshore Operating Agreement") to govern operations on the Farmout Acreage, which Offshore Operating Agreement shall name Farmee as Operator. If there is any conflict between the provision of this Agreement and the provisions of such Offshore Operating Agreement, the provisions of this Agreement shall prevail.

3.8 Production Statements. Farmee shall deliver to Farmor an itemized statement of all costs incurred on the Farmout Acreage within sixty (60) days after completion of the Earning Well and quarterly statements thereafter of all costs, income and the monthly/cumulative production obtained from and/or attributable to Farmout Acreage.

3.9 Third Party Participation. Notwithstanding anything contained in this Agreement or the Letter Agreement to the contrary, the parties hereto agree that, through October 25, 1999, Farmor shall have the exclusive right to solicit third-party participation in the Farmout Acreage in an effort to seek a bona-fide offer of terms and conditions from a third party that Farmor (in its sole discretion) deems more favorable than those set forth herein. In connection therewith, notwithstanding this Agreement or the Letter Agreement, Farmor may farmout its interest in the Farmout Acreage to a third party subject to the following:

(a) Should a third party seek to farm-in to an undivided working interest equal to one hundred percent (100%) of Farmor's interest in the Farmout Acreage on terms that Farmor (in its sole discretion) deems to be more favorable than those set forth herein, Farmee shall have the right, but not the obligation, to farm-in up to fifty percent (50%) of Farmor's working interest by matching such favorable terms, and this Agreement and the Letter Agreement shall be amended to include such favorable terms.

(b) Should a third party seek to farm-in to an undivided working interest greater than fifty five percent (55%), but less than one hundred percent (100%), of Farmor's interest in the Farmout Acreage on terms that Farmor (in its sole discretion) deems to be more favorable than those set forth herein, Farmor shall be allowed to enter into such transaction; provided, however, that in such event, Farmee shall have the right, but not the obligation, to maintain a farmout on the remaining interest pursuant to the terms and conditions set forth herein, and this Agreement and the Letter Agreement shall be amended accordingly to reflect Farmee's remaining interest in the Farmout Acreage.

(c) Should a third party seek to farm-in to an undivided working interest equal to or less than fifty-five percent (55%) of Farmor's interest (but in no event shall Farmor farmout less than twenty percent (20%) of its interest to any one third party pursuant to Section 3.9(c)) in the Farmout Acreage on terms that Farmor (in its sole discretion) deems to more favorable than those set forth herein, Farmor shall be allowed to enter into such transaction; provided, however, that in such event, Farmee shall have the obligation to maintain a farmout on the remaining interest pursuant to the terms and conditions set forth herein, and this Agreement and the Letter Agreement shall be amended accordingly to reflect Farmee's remaining interest in the Farmout Acreage.

In the event that Farmor exercises its option to farmout the Farmout Acreage to a third party, final acceptance of the terms and conditions of such agreement shall be at the sole discretion of Farmor, provided, however, that any such agreement shall provide for the reimbursement by such third party of the proportionate share of all direct out-of-pocket expenses, obligations and commitments incurred by Farmee reasonably associated with the Farmout Acreage during the period of time between the execution of the Letter Agreement and the effective date of such third party's participation.

3.10 Operatorship. Should a third party seek to farm-in to an undivided working interest equal to or greater than fifty-five percent (55%) of Farmor's interest in the Farmout Acreage, such third party shall be entitled to operatorship of the Farmout Acreage (provided that such third party is qualified by the MMS to operate in the Gulf of Mexico). In connection therewith, Farmor and Farmee agree to file any instruments, documents or agreements with any governmental agency necessary or convenient to designate such third party as operator of Farmout Acreage.

3.11 Farmee's Right to Take In-Kind. Farmor shall receive the proceeds attributable to the Reserved ORRI until such time as Farmor, as it has the right to do, elects, from time to time, in writing to take such Reserved ORRI production in-kind. Upon thirty (30) days advance written notice to Farmee, Farmor may elect to take in-kind and separately dispose of its share of Reserved ORRI production. Farmor may, from time to time, withdraw its prior election to take such production in-kind by furnishing Farmee thirty (30) days advance written notification. In the event Farmor receives proceeds for its share of production under the terms of this provision, the value of said production shall be calculated on a price equal to the price Farmee receives for its share of like production, provided such price is comparable to an "arms length" transaction price (i.e., as if purchasing party is not associated with, an affiliate/parent company of, or a subsidiary of Farmee).

ARTICLE IV

4.1 Assignability of Interest in the Agreement. The terms and conditions hereof shall extend to and be binding upon the parties' successors, legal representatives and assigns.

4.2 Commitment of Oil Production. The parties hereto commit any production from the Farmout Acreage for movement on the Poseidon Pipeline for the life of reserves on the following terms and conditions:

(a) Subject to approval of the governing body of Poseidon Oil Pipeline Company, L.L.C. ("Poseidon"), crude oil delivered into Poseidon's existing pipeline system shall be moved by Poseidon to the terminal at Houma, Louisiana, or to the terminal at St. James, Louisiana, for a non-escalating purchase and sale differential of $1.35 per barrel or $1.40 per barrel, respectively. If Poseidon does not approve of the foregoing terms, the parties hereto will be released of any obligation to deliver oil to, or move oil on, Poseidon's pipeline system.

(b) In the event Farmee elects to process crude oil at BP Amoco's platform on Ewing Bank, Block 826, or another location that does not have immediate access to Poseidon's existing pipeline system, Farmor and Farmee shall negotiate in good faith an arrangement whereby Farmor (or its designee) constructs a line from such platform or location to Poseidon's existing pipeline system on terms and conditions which provide an adequate rate of return on invested capital. Should Farmor and Farmee be unable to agree on the terms and conditions of such arrangement, Farmee shall, at its sole expense, construct (or cause to be constructed) such line from the processing platform or location.

(c) If Farmee is transporting oil on the Poseidon pipeline system, Farmee shall be obligated to participate in Poseidon's market based quality bank.

4.3 Gas Production. Manta Ray Gathering Company, L.L.C. ("Manta Ray") shall have a right of first refusal with respect to the gathering and transportation of natural gas; provided, however, that Manta Ray offers terms and conditions no less favorable than those offered by a third party.

4.4 Notices. Except as otherwise provided in Exhibit "B" hereof, the parties hereto agree to utilize the following addresses for any notice required under this Agreement:

El Paso Production GOM Inc.	Flextrend Development Company, L.L.C.
Four Greenway Plaza, Suite 400	1001 Louisiana Street, Suite 2600
Houston, Texas 77046	Houston, Texas 77002
Attn.: Lynne Hackedorn	Attn: James Lytal
Office Telephone: (713) 850-6457	Office Telephone: (713) 420-5221
Facsimile Number: (713) 402-4500	Facsimile Number: (713) 420-5602
Home Telephone: (713) 630-0563	

4.5 Termination. This Agreement shall terminate upon: (i) the mutual agreement of the parties; (ii) failure to commence and prosecute the drilling of the Test Well within the time specified and under the terms stated in Section 2.1; (iii) failure to commence and prosecute the drilling of a Substitute Well within the time specified and under the terms stated in Section 2.2; (iv) Farmee's election pursuant to Section 2.5(b); or (v) the bankruptcy or insolvency of Farmee. In the event of termination of this Agreement, within thirty (30) days thereof, Farmee will assign or reconvey to Farmor all unearned and/or terminated rights in and to the Farmout Acreage, per the terms included herein, as the same may have previously been conveyed to Farmee.

4.6 Further Assurances. Farmee and Farmor shall work in good faith to execute, approve, submit, and record (as applicable) any assignment instruments, unitization agreements and other documents as may be reasonably desired by Farmee or required by regulation or governmental agency to conduct operations pursuant to this Agreement. During the term of this Agreement, Farmee shall have the exclusive right to conduct earning operations on the Farmout Acreage through the rights and interests of Farmor and Farmor shall not enter into any contract or agreement providing for a farmout or other similar agreement pending completion of earning operations hereunder by Farmee; provided, however, nothing herein shall reduce, impair or hinder the right of Farmor to consummate a transaction with a third party with respect to Farmout Acreage on the terms and conditions set forth in Section 3.9.

4.7 Tax Matters. Notwithstanding any provisions herein, the rights and liabilities hereunder are several and not joint or collective, and each party shall be responsible only for its share of the costs and liabilities incurred as provided hereunder, and this Agreement and the operations hereunder shall not constitute a partnership. For federal income tax purposes each party hereto elects to be excluded from application of all or any part of the provisions of Subchapter K, Chapter 1, Subtitle A, Internal Revenue Code of 1986 as amended, as permitted and authorized by Section 761 of said Code and the regulations promulgated thereunder.

4.8 Applicable Law. THE CONSTRUCTION, PERFORMANCE, EXECUTION AND ENFORCEMENT OF THIS AGREEMENT AND ANY DISPUTE, WHETHER IN CONTRACT OR TORT, OF WHATSOEVER NATURE ARISING IN CONNECTION WITH AGREEMENT OR PERFORMANCE UNDER IT, INCLUDING ANY REMEDY THEREOF, SHALL BE GOVERNED EXCLUSIVELY BY THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

ARTICLE V

5.1 Audit. Farmor shall have the continuing right, upon reasonable request and during normal business hours, to audit Farmee's records with respect to operations on the Farmout Acreage.

5.2 Commencement of Drilling Operations. For the purposes of this Agreement, operations for the drilling of a well shall be deemed to have commenced on the date the well is spudded.

5.3 Captions. The captions in this Agreement are for convenience only and shall not be considered a part hereof or affect the construction or interpretation of any provision of this Agreement.

5.4 References. Unless otherwise indicated, references to Article or Section numbers pertain to this Agreement, and references to Exhibits pertain to the Exhibits attached hereto and made a part hereof.

5.5 Lease Burdens. Except as provided herein to the contrary, any assignment or reassignment of acreage tendered to Farmor pursuant to the terms hereof shall be free and clear of all lease burdens, overriding royalty interests, payments out of production or any further encumbrances in excess of or in addition to those owed as lessor's royalty under the Leases covering the Farmout Acreage that may have been created by Farmee.

5.6 Waiver; Remedies. The parties hereto stipulate that any provision contained herein, and more specifically those providing for the termination of this Agreement or of any transfer of interest executed pursuant hereto, shall not be construed as precluding, nor shall the same preclude either party from asserting, its respective rights to damages or any other rights or remedies to which such party may be entitled. Further, that non-enforcement by either party of a remedy for any particular breach and/or violation of the provisions of this Agreement shall not constitute a waiver, nor shall the same prevent the exercise by such party of any remedy or remedies under this Agreement for any other violation or for the same violation occurring at any other time or times. Additionally, the parties hereto agree that the termination of this Agreement, in whole or in part for any reason whatsoever, shall not relieve Farmee of an obligation theretofore incurred or which may subsequently occur as a result of its acceptance of this Agreement, any operations hereunder, or the noncompliance with any of the provisions of this Agreement.

5.7 Additional Covenants, Agreements, Terms and Conditions. The terms and conditions of Exhibit "A", attached hereto, are incorporated herein for all necessary purposes.

5.8 Gas Contracts; Oil/Gas Calls. Farmor represents that, to the best of its knowledge, the Farmout Acreage is not subject to any binding gas contract or oil/gas call.

5.9 Certificate of Financial Responsibility. Farmee shall reimburse Farmor for the additional out-of-pocket costs (e.g., insurance premiums) incurred by Farmor in providing evidence of oil spill financial responsibility for the Farmout Acreage, in accordance with applicable MMS regulations promulgated pursuant to the Oil Pollution Act of 1990, as amended, 33 U.S.C. Section 2701, et seq.

5.10 Suspension of Production. Should a well drilled hereunder be completed as a well capable of producing oil and/or gas as previously provided herein, Farmee will apply for and diligently seek approval of any requisite SOP (or such other documents, applications and requisite governmental permits) covering the Farmout Acreage, if same is necessary to maintain the Leases and the Unit in full force and effect.

5.11 Diligence of Operations. All of Farmee's operations with respect to the Test Well shall be conducted in a diligent, safe and workmanlike manner, and in accordance with all applicable federal, state and local laws and regulations.

5.12 Assignments Subject to this Agreement. Any Assignment earned by Farmee shall be made subject to all of the terms and conditions of this Agreement, and to the Letter Agreement as herein provided.

5.13 Force Majeure. All obligations imposed by this Agreement on each party, except for payment of money, shall be suspended and all periods of time for exercising any rights hereunder shall be extended while compliance is prevented, in whole or in part, by Force Majeure. "Force Majeure" shall mean a labor dispute; explosion; fire; storm; flood; war; civil disturbance; act of God; laws; governmental rules, regulations, orders, action or delay; inability to secure a drilling rig or materials after diligent commercially reasonable efforts; or any other similar cause beyond the reasonable control of the party claiming relief hereunder; provided, however, that such party shall promptly take all reasonable action to remove the Force Majeure, and provided further, that no party shall be required against its will to settle any labor dispute.

5.14 Insurance. At all times while operations are being conducted hereunder, Farmee shall provide or cause to be provided insurance in accordance with EXHIBIT "C", attached hereto, and incorporated herein. Farmee shall use commercially reasonable efforts to require its contractors and subcontractors or third parties performing work on the Farmout Acreage to provide such insurance as Farmee deems to be reasonable and consistent with requirements set forth in EXHIBIT "C" in relation to the work to be performed by said contractors, subcontractors or third parties.

5.15 Exhibits. The following Exhibits are attached hereto and made a part of this Agreement:

Exhibit "A"   Additional Covenants, Agreements, Terms and Conditions
Exhibit "B"   Data Requirements
Exhibit "C"   Insurance Requirements

IN WITNESS WHEREOF, the parties have executed this Agreement, effective as of the date first above written.

FARMOR:
FLEXTREND DEVELOPMENT COMPANY, L.L.C.

By: /s/ JAMES H. LYTAL

James H. Lytal
President

FARMEE:
EL PASO PRODUCTION GOM INC.

By: /s/ J.A. MILLS

J.A. Mills
Vice President

EXHIBIT "A"
ATTACHED TO AND MADE A PART OF THAT CERTAIN
FARMOUT AGREEMENT ("AGREEMENT") DATED EFFECTIVE OCTOBER 25, 1999,
BETWEEN FLEXTREND DEVELOPMENT COMPANY, L.L.C., AS FARMOR, AND
EL PASO PRODUCTION GOM INC., AS FARMEE

ADDITIONAL COVENANTS, AGREEMENTS, TERM AND CONDITIONS

Any term not otherwise defined in this Exhibit shall have the meaning given such term in the Agreement.

A. Rentals and Minimum Royalty Payments. Prior to the earlier of the termination of the Agreement or Farmee's earning of the assignment contemplated therein, Farmor shall pay or tender (or cause to be paid or tendered) all rentals and minimum royalties, if any, that may hereafter become due under the terms of a Lease, but shall have no liability to Farmee for failure to make any such payment or tender or to make same timely or properly; and Farmee shall, within thirty (30) days after receipt of invoice therefor, reimburse Farmor for 100% of such rentals or minimum royalties so paid or tendered and attributable to such Lease.

B. Farmout Operations. As to the Famout Acreage, "Farmout Operations" shall be defined as all operations conducted thereon or for the benefit thereof by, through or under Farmee by reason of the Agreement save and except those, if any, that (i) are conducted by, through or under Farmor under a specific right or obligation to do so as provided herein and which operations shall be performed, as between Farmor and Farmee, at Farmor's sole cost, risk and expense, or (ii) are conducted on or after the effective date of the Offshore Operating Agreement that may be entered into between Farmor and Farmee as provided herein with respect to such Farmout Acreage, which operations (and the cost, risk and expense thereof) shall be governed by the provisions of such Offshore Operating Agreement. Farmout Operations shall be performed, as between Farmor and Farmee, at Farmee's sole cost, risk and expense.

C. Indemnification.

(1) Farmee agrees to (i) maintain Farmor's retained overriding royalty interest in the Farmout Acreage (as applicable) free of, and (ii) RELEASE, DEFEND, INDEMNIFY and HOLD HARMLESS Farmor Group (as herein defined) from and against, any and all debts, charges, liens or other like encumbrances associated with Farmout Operations. Farmee shall RELEASE, DEFEND, INDEMNIFY, and HOLD HARMLESS Farmor, its parent, subsidiary and affiliated companies, its and their joint owners, co-lessees, partners, joint venturers, and the officers, directors, agents, consultants, insurers and employees of all of the foregoing (individually and collectively referred to as the "Farmor Group") from and against any and all claims, demands, causes of action and judgments of whatsoever nature (together with all costs and fees in connection with same) arising in

favor of any party (including Farmee, its employees, Farmor's employees and any other party whomsoever) for or on account of personal injury, death, or property damage, incident to or arising in connection with Farmout Operations and EXPRESSLY INCLUDING THE SOLE, JOINT OR CONCURRENT NEGLIGENCE, FAULT OR STRICT LIABILITY, OF FARMOR GROUP, provided, however, that in no event shall Farmee be liable under this Paragraph C(1) for any claims, demands, causes of action or judgments that are the result of the gross negligence or willful misconduct of any member of the Farmor Group.

(2) Farmor agrees to (i) maintain such Farmout Acreage free of, and (ii) RELEASE, DEFEND, INDEMNIFY and HOLD HARMLESS Farmee Group (as herein defined) from and against, any and all debts, charges, liens or other like encumbrances associated with operations conducted on or for the benefit of such Farmout Acreage by or for any one or more of Farmor and its predecessor(s)-in-interest. Farmor shall RELEASE, DEFEND, INDEMNIFY, and HOLD HARMLESS Farmee, its parent, subsidiary and affiliated companies, its and their joint owners, co-lessees, partners, joint venturers, and the officers, directors, agents, consultants, insurers and employees of all of the foregoing (individually and collectively referred to as the "Farmee Group") from and against any and all claims, demands, causes of action and judgments of whatsoever nature (together with all costs and fees in connection with same) arising in favor of any party (including Farmor, its employees, Farmee's employees and any other party whomsoever) for or on account of personal injury, death, or property damage, incident to or arising in connection with operations by Farmor (or by Farmor's predecessor-in-interest) on the Farmout Acreage, and EXPRESSLY INCLUDING THE SOLE, JOINT OR CONCURRENT NEGLIGENCE, FAULT OR STRICT LIABILITY, OF FARMEE GROUP, provided, however, that in no event shall Farmor be liable under this Paragraph C(2) for any claims, demands, causes of action or judgments that are the result of the gross negligence or willful misconduct of any member of the Farmee Group.

D. Lease Termination. Subsequent to Farmee's receipt of an Assignment in and to the Farmout Acreage, should Farmee at any time intend to release, surrender, abandon or allow to terminate (whether by nonpayment of rentals or otherwise) such rights, Farmee shall give written notice thereof to Farmor at least sixty (60) days prior to the date of any such intended release, surrender or abandonment, or the date on which same would terminate. Farmor shall, within fifteen (15) days after receipt of any such notice, notify Farmee whether or not Farmor desires to receive a reassignment of such rights. If Farmor so notifies Farmee of its desire to receive such reassignment, Farmee shall execute and deliver to Farmor such reassignment in form and substance reasonably satisfactory to Farmor. No such reassignment shall, however, relieve Farmee (1) of the obligation to plug and abandon any wells drilled by Farmee on the premises covered by such reassignment, at Farmee's sole risk and cost (unless such wells are subject to the terms of the Offshore Operating Agreement in which case Farmor and Farmee shall each bear their working interest share of said costs) and in strict accordance with all applicable laws and applicable rules, regulations and orders of governmental authorities, or (2) of any other obligation imposed upon Farmee by the Agreement, unless Farmor specifically agrees in writing to assume such obligations.

E. Lease Covenants. Except as may be otherwise specifically set forth in the Agreement, Farmee hereby assumes and agrees to comply with all applicable covenants and obligations of the Leases (including, without limitation, the payment of lessor's royalty), together with any prior assignments thereof, agreements and/or other instruments pertaining to the Farmout Acreage, insofar as such covenants and obligations relate to such lands and the rights earned thereunder by Farmee.

F. Permits and Licenses: Governmental Compliance. Farmee shall obtain and pay for all permits and licenses, if any, required for conducting Farmout Operations and performing Farmee's obligations and duties hereunder and shall comply in all material respects with all applicable laws and ordinances and all applicable governmental rules, regulations and orders in connection with qualifying for and conducting operations and performing its obligations and duties hereunder, including, without limitation, the Fair Labor Standards Act, the Occupational Safety and Health Act, the Oil Pollution Act of 1990, together with all other applicable pollution control laws, ordinances, rules, regulations and orders pertaining to the environment and applicable securities laws and regulations, including Blue Sky laws (as all of same have been or may hereafter be amended). Farmee shall also, unless exempt, comply with Executive Order 11246 (Equal Employment Opportunity) effective October 24, 1965, as same may have been heretofore or hereafter amended or superseded, together with all relevant governmental rules, regulations and orders promulgated pursuant thereto. Farmee agrees that all provisions of said laws, ordinances, rules, regulations and orders shall be deemed incorporated herein by reference and shall be binding upon Farmee to the same extent as if copied in full herein.

G. Plugging and Abandonment. Except as otherwise provided in Article II. of the Agreement or in the Offshore Operating Agreement referenced in Article III. of the Agreement, in the event that a well referenced herein is not capable of producing oil or gas in paying quantities, Farmee shall promptly plug and abandon the same.

H. Confidentiality. The parties agree that all geophysical, geological, engineering, technical, and production tests or other data obtained from all wells drilled under the Agreement shall be the property of the parties to the Agreement and shall be maintained as confidential information for a period of two (2) years from the effective date of the Agreement, or until such information is made public by an appropriate governmental authority, or unless all parties agree in writing to a lesser period of time. Notwithstanding any provision of the Agreement to the contrary, any party may disclose without the consent of the other party any information (1) to an outside party with which it is engaged in a bona fide negotiation to contract for gas sales agreements, (2) to a governmental agency when required by such agency, (3) to reputable financial institutions or similar entities in connection with a bona fide financial transaction, (4) to accredited engineering firms for the purpose of evaluation on a confidential basis, (5) to parent, subsidiary and affiliated companies, limited partners and any other owners of an interest in such wells, and (6) to reputable and financially responsible third parties with whom a party is engaged in a bona fide effort to (i) sell, trade or farmout all or a portion of the property subject to the Agreement, (ii) effect a merger or consolidation or other transaction in which such third party proposes to acquire all or a controlling share of the stock in a party hereto or (iii) purchase all or substantially all of the assets of a party hereto or affiliates of parties hereto; provided that any third party permitted access to confidential data shall agree in writing not to communicate such information to anyone and shall further agree to make no use of such information adverse to the parties hereto within the area covered by such information during the period of time such information remains confidential hereunder.

I. Further Assurances. From and after the execution hereof, each of the parties hereto, without further consideration, shall use commercially reasonable efforts to execute, deliver, submit, gain approvals of, and record (or cause to be executed, delivered, submitted and recorded) good and sufficient permits, designations, other regulatory documents, and instruments of conveyance and transfer (as applicable), and take such other action as may be reasonably required to carry out the purposes of the Agreement and to give effect to the covenants, stipulations and obligations of the parties hereto. Accordingly, Farmor shall provide its good faith and reasonable assistance to Farmee (i) in curing any title defects or irregularities which may be discovered during Farmee's title examination or otherwise and (ii) providing "no objection" letters and other waivers or approvals as may be required by the MMS or other regulatory body having jurisdiction over the Farmout Acreage.

J. Press Releases. It is agreed that no press releases shall be made pertaining to this Agreement or the Farmout Acreage without the mutual consent of the parties hereto, which consent shall not be reasonably withheld.

EXHIBIT "B"
ATTACHED TO AND MADE A PART OF THAT CERTAIN
FARMOUT AGREEMENT ("AGREEMENT") DATED EFFECTIVE OCTOBER 25,1999,
BETWEEN FLEXTREND DEVELOPMENT COMPANY, L.L.C., AS FARMOR, AND
EL PASO PRODUCTION GOM INC., AS FARMEE

DATA REQUIREMENTS

WELL NAME

OCS-G 13091 #2
Ewing Bank Block 1003

The following information should be mailed to:

Flextrend Development Company, L.L.C
1001 Louisiana Street, Suite 2600
Houston, Texas 77002
Attention: James Lytal

Log Run Notification (24 hour notice requested)

James Lytal
Office: (713) 420-5221
Telecopier: (713) 420-5602

Log Prints, etc, (as applicable):

Daily Mud and MWD Logs	2 Prints
Final Mud Logs	4 Prints
Core Analysis	2 Prints
Lognet Prints	2 Prints
Field Prints	4 Prints
Final Prints	6 Prints

Drilling Operations

Decisions on deepening, sidetracking, casing point elections, abandonments, etc.

James Lytal
Office: (713) 420-5221
Telecopier: (713) 420-5602

EXHIBIT "C"
ATTACHED TO AND MADE A PART OF THAT CERTAIN
FARMOUT AGREEMENT ("AGREEMENT") DATED EFFECTIVE OCTOBER 25, 1999,
BETWEEN FLEXTREND DEVELOPMENT COMPANY, L.L.C., AS FARMOR, AND
EL PASO PRODUCTION GOM INC., AS FARMEE

INSURANCE REQUIREMENTS

Any term not otherwise defined in this Exhibit shall have the meaning given such term in the Agreement.

To the extent of the liabilities assumed by Farmee under the attached Agreement, Farmee shall carry and maintain (or cause to be carried and maintained) the following minimum insurance coverage throughout the period of the Agreement in reliable insurance companies acceptable to Farmor:

WORKERS COMPENSATION INSURANCE to fully comply with all applicable laws of the jurisdiction where operations are performed and Employers' Liability Insurance with a minimum limit of not less than $1,000,000 each accident. Where applicable, such policy or policies shall be endorsed to include the following:

Coverage under the U.S. Longshore and Harbor Workers' Compensation Act, including its extension for operations on Outer Continental Shelf Lands;

Maritime Liability including, but not limited to, liability for transportation, wages, maintenance and cure, claim under the Jones Act and Death on the High Seas Act with a minimum limit of not less than $1,000,000 each accident;

Endorsement to provide that a claim "in rem" will be treated the same as a claim "in personam"; and

Borrowed Servant and/or Alternate Employer Endorsements.

COMPREHENSIVE GENERAL LIABILITY INSURANCE with a minimum combined single limit of not less than $1,000,000 each occurrence for bodily injury/personal injury and/or property damage. Such insurance shall include, but not be limited to Products/Completed Operations, Broad Form Property Damage Coverage and Blanket Contractual Liability Coverage to insure the indemnity and hold harmless provisions of the Agreement. If operations in any way involve vessels or maritime activities or activities on or over navigable waters, the watercraft exclusion under both the Comprehensive General and Contractual Liability coverage parts shall be deleted to the extent that coverage is not provided under a Protection and Indemnity policy.

AUTOMOBILE LIABILITY INSURANCE covering all automotive equipment (whether owned, nonowned or hired) with a minimum combined single limit of not less than $ 1,000,000 each accident for bodily injury and/or property damage.

WATERCRAFT INSURANCE. IF THE PERFORMANCE OF THE AGREEMENT REQUIRES THE USE OF WATERCRAFT, Farmee shall carry or require the owner of the watercraft to carry:

Hull & Machinery Insurance (including Collision Liability) with minimum limits of not less than the declared value of vessels used in performing operations. Such insurance shall apply to all watercraft owned, operated, leased or chartered by Farmee (or its contractors and subcontractors, if any).

Full Form Protection & Indemnity Insurance (including Collision Liability and Tower's Liability) with a limit of not less than $1,000,000 each accident or occurrence for all watercraft, owned, operated, leased or chartered by Farmee (or its contractors, if any). The Protection & Indemnity policy shall be endorsed as follows:

(a) to include removal of wreck/removal of debris coverage (with a minimum limit of liability of not less than $1,000,000);

(b) to delete any language in any policy which reduces coverage for Farmor, its parent, subsidiary and affiliated companies, its and their joint owners, co-lessees, partners, joint venturers, officers, directors, agents, consultants, insurers and employees of all of the foregoing (individually and collectively referred to as the "Farmor Insured Group") in the event of limitation of liability; and

(c) to provide full coverage for Farmor Insured Group without regard to liability "as owner" of the vessel and to delete any "as owner" clause and any other language which limits or purports to limit the coverage afforded to an insured or an additional insured who is not a ship owner, and to include coverage for all additional insureds in any capacity in which they may be held liable.

AIRCRAFT INSURANCE. IF THE PERFORMANCE OF THE AGREEMENT REQUIRES THE USE OF AIRCRAFT, including helicopters, Farmee shall carry or require the owners of the aircraft to carry Aircraft Liability Insurance (including passengers) covering all aircraft used in performing operations with a combined single limit of not less than $1,000,000 any one accident or occurrence for bodily injury and/or property damage.

EXCESS LIABILITY INSURANCE. Excess Liability Insurance serving to increase primary limits to not less than $25,000,000 any one accident or occurrence.

OPERATOR'S EXTRA EXPENSE INDEMNITY INSURANCE including, without limitation, coverage for well control, underground blowout, redrilling expenses, removal of wreck or debris, seepage and pollution and cleanup and containment. The limit of such insurance for the joint account (to include Farmee and any and all working interest partners or joint venturers associated with Farmee in the Farmout Operations) shall never be less than $25,000,000 for any one occurrence.

GENERAL REQUIREMENTS. All insurance policies of Farmee (except for Workers Compensation coverage), including, but not limited to, those set forth in this Exhibit "C", shall include Farmor Insured Group as additional insureds with respect to operations performed under the Agreement and shall be primary to any other insurance coverage in favor of Farmor Insured Group to the extent of the specific risks and liabilities assumed by Farmee hereunder. The "owned property" exclusion contained in insurance policies maintained by Farmee shall not be applicable to Farmor Insured Group. All insurance policies, including but not limited to those set forth in this Exhibit "C", shall include a waiver of subrogation in favor of Farmor Insured Group. Prior to commencing operations under the Agreement, Farmee shall furnish Farmor with an insurance certificate or certificates as evidence of the above coverages and requirements and containing provisions that thirty (30) days prior written notice will be given to the certificate holder in the event of cancellation or material change in coverage. Neither Farmor's acceptance of an incomplete or improper certificate, nor commencement of Farmout Operations without Farmee having previously furnished to Farmor a properly completed insurance certificate shall constitute a waiver of Farmee's obligations hereunder. The insurance certificate should be mailed to the following address:

FLEXTREND DEVELOPMENT COMPANY, L.L.C.
1001 LOUISIANA STREET, SUITE 2600
HOUSTON, TEXAS 77002
ATTENTION: INSURANCE DEPARTMENT

The specification by Farmor of a minimum amount of insurance specified above shall not be considered as a limitation of Farmee's liability under the Agreement (except to the extent mandated by applicable law) nor an agreement by Farmor to assume liability in excess of said amounts or for risks not insured against. In the event that Farmee voluntarily obtains additional insurance, Farmor Insured Group shall be entitled to the benefits thereof (except to the extent mandated by applicable law).

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CONSOLIDATED
STATEMENTS OF INCOME AND CONSOLIDATED BALANCE SHEETS.

1,000

9-MOS
DEC-31-1999
JAN-01-1999
SEP-30-1999
9,156
0
6,981
0
0
16,428
506,932
131,646
593,654
22,669
447,000
0
0
0
112,090
593,654
0
71,467
0
40,444
0
0
24,667
16,589
(355)
16,944
0
0
0
16,944
0.54
0.54

Represents basis earnings per unit.