

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1997

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
(STATE OF ORGANIZATION)

76-0396023
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

600 TRAVIS
SUITE 7200
HOUSTON, TEXAS 77002
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE)

(713) 224-7400
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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 TWELVE 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

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LEVIATHAN GAS PIPELINE PARTNERS, L.P.
AND SUBSIDIARIES

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LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(In thousands)

	June 30, 1997	December 31, 1996
	----- (unaudited)	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,434	\$ 16,489
Accounts receivable	4,375	6,237
Accounts receivable from affiliates	11,261	14,107
Other current assets	1,551	859
	-----	-----
Total current assets	18,621	37,692
	-----	-----
Equity investments	181,165	107,838
	-----	-----
Property and equipment:		
Pipelines	76,317	151,253
Platforms and facilities	73,460	72,461
Oil and gas properties, at cost, using successful efforts method	120,062	109,047
	-----	-----
	269,839	332,761
Less accumulated depreciation, depletion and amortization	79,517	46,206
	-----	-----
Property and equipment, net	190,322	286,555
	-----	-----
Investment in Tatham Offshore, Inc.	7,500	7,500
Other noncurrent receivable	--	8,531
Other noncurrent assets	4,272	5,410
	-----	-----
Total assets	\$ 401,880	\$ 453,526
	=====	=====
 LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,731	\$ 17,769
Accounts payable to affiliates	1,529	3,504
	-----	-----
Total current liabilities	11,260	21,273
Deferred federal income taxes	1,564	1,722
Deferred revenue	--	8,913
Note payable	217,000	227,000
Other noncurrent liabilities	8,351	2,490
	-----	-----
Total liabilities	238,175	261,398
	-----	-----
Minority interest	(179)	105
Partners' capital	163,884	192,023
	-----	-----
Total liabilities and partners' capital	\$ 401,880	\$ 453,526
	=====	=====

The accompanying notes are an integral part of this financial statement.

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS
 (In thousands, except per Unit amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1997	1996	1997	1996
Revenue:				
Oil and gas sales	\$ 16,359	\$ 8,619	\$ 34,459	\$ 17,926
Gathering and platform services	4,736	5,885	10,575	11,468
Equity in earnings	7,131	4,058	14,220	8,804
	-----	-----	-----	-----
	28,226	18,562	59,254	38,198
	-----	-----	-----	-----
Costs and expenses:				
Operating expenses	2,943	1,867	6,046	3,742
Depreciation, depletion and amortization	13,994	5,903	27,938	11,227
Impairment, abandonment and other	21,222	--	21,222	--
General and administrative expenses and management fee	3,377	2,068	5,851	3,403
	-----	-----	-----	-----
	41,536	9,838	61,057	18,372
	-----	-----	-----	-----
Operating (loss) income	(13,310)	8,724	(1,803)	19,826
Interest income and other	469	397	1,162	733
Interest and other financing costs	(3,352)	(26)	(6,464)	(641)
Minority interest in income	158	(96)	68	(230)
	-----	-----	-----	-----
Income before income taxes	(16,035)	8,999	(7,037)	19,688
Income tax benefit	(180)	(162)	(146)	(385)
	-----	-----	-----	-----
Net (loss) income	\$ (15,855)	\$ 9,161	\$ (6,891)	\$ 20,073
	=====	=====	=====	=====
Net (loss) income per Unit	\$ (0.64)	\$ 0.37	\$ (0.28)	\$ 0.81
	=====	=====	=====	=====
Weighted average number of Units outstanding	24,367	24,367	24,367	24,367
	=====	=====	=====	=====

The accompanying notes are an integral part of this financial statement.

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
 (In thousands)

	Six Months Ended June 30,	
	1997	1996
Cash flows from operating activities:		
Net (loss) income	\$ (6,891)	\$ 20,073
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Amortization of debt issue costs	481	383
Depreciation, depletion and amortization	27,938	11,227
Impairment, abandonment and other	21,222	--
Minority interest in income	(68)	230
Equity in earnings	(14,220)	(8,804)
Distributions from equity investments	12,250	11,998
Deferred income taxes	(158)	(388)
Other noncash items	(3,984)	(3,654)
Changes in operating working capital:		
Decrease (increase) in accounts receivable	1,862	(6,733)
Decrease (increase) in accounts receivable from affiliates	2,846	(3,503)
(Increase) decrease in other current assets	(1,206)	37
Decrease in accounts payable and accrued liabilities	(8,037)	(16,990)
(Decrease) increase in payable to affiliates	(1,976)	1,228
Net cash provided by operating activities	30,059	5,104
Cash flows from investing activities:		
Additions to pipelines, platforms and facilities	(3,420)	(11,701)
Equity investments	(22)	(10,930)
Development of oil and gas properties	(11,015)	(30,365)
Other	185	--
Net cash used in investing activities	(14,272)	(52,996)
Cash flows from financing activities:		
Decrease (increase) in restricted cash	716	(59)
Proceeds from note payable	--	55,220
Repayments of note payable	(10,000)	--
Debt issue costs	(93)	(1,718)
Distributions to partners	(21,465)	(15,540)
Net cash (used in) provided by financing activities	(30,842)	37,903
Decrease in cash and cash equivalents	(15,055)	(9,989)
Cash and cash equivalents at beginning of year	16,489	15,506
Cash and cash equivalents at end of period	\$ 1,434	\$ 5,517
Cash paid for interest, net of amounts capitalized	\$ 6,082	\$ --
Cash paid for income taxes	\$ 2	\$ --

The accompanying notes are an integral part of this financial statement.

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
 (In thousands)

	Preference Unitholders -----	Common Unitholder -----	General Partner -----	Total -----
Partners' capital at December 31, 1996	\$ 196,224	\$ (3,969)	\$ (232)	\$ 192,023
Net loss for the six months ended June 30, 1997 (unaudited)	(4,789)	(1,681)	(421)	(6,891)
Cash distributions (unaudited)	(14,912)	(5,191)	(1,145)	(21,248)
	-----	-----	-----	-----
Partners' capital at June 30, 1997 (unaudited)	\$ 176,523 =====	\$ (10,841) =====	\$ (1,798) =====	\$ 163,884 =====
Limited partnership Units outstanding at December 31, 1996 and June 30, 1997 (unaudited)	18,075 =====	6,292 =====	(a) =====	24,367 =====

 (a) Leviathan Gas Pipeline Company owns a 1% general partner interest in
 Leviathan Gas Pipeline Partners, L.P.

The accompanying notes are an integral part of this financial statement.

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION:

Leviathan Gas Pipeline Partners, L.P. (the "Partnership"), a publicly held Delaware limited partnership, is engaged in the gathering and transportation of natural gas and crude oil through its pipeline systems located in the Gulf of Mexico (the "Gulf") and in the development and production of oil and gas reserves from its proved properties. The Partnership's assets include interests in (i) nine natural gas pipelines, (ii) a crude oil pipeline system, (iii) five strategically located multi-purpose platforms, (iv) three producing oil and gas properties and (v) a dehydration facility.

Leviathan Gas Pipeline Company ("Leviathan"), a Delaware corporation and wholly-owned subsidiary of Leviathan Holdings Company ("Leviathan Holdings"), an 85%-owned subsidiary of DeepTech International Inc. ("DeepTech"), is the general partner of the Partnership. The remaining 15% of Leviathan Holdings is principally owned by members of the management of DeepTech. DeepTech also owns and controls several other operating subsidiaries which are engaged in various oil and gas related activities.

The accompanying consolidated financial statements have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, the statements reflect all normal recurring adjustments which are, in the opinion of management, necessary for a fair statement of the results of operations for the period covered by such statements. These interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Partnership's Annual Report on Form 10-K for the year ended December 31, 1996. All number of Units and per Unit disclosures have been restated to reflect a two for one Preference and Common Unit split for the Unitholders of record as of the close of business on December 31, 1996.

Other

Statement of Financial Accounting Standard ("SFAS") No. 128, "Earnings per Share", was issued in February 1997. SFAS No. 128 establishes new guidelines for computing and presenting earnings per share and is effective for financial statements for both interim and annual periods ending after December 15, 1997. Earlier application of SFAS No. 128 is not permitted; however, pro forma earnings per share may be disclosed in the notes to the consolidated financial statements in the periods prior to adoption. Pro forma basic net income (loss) per unit for the Partnership is equal to the primary earnings (losses) per unit for the three and six months ended June 30, 1997 as presented in the accompanying consolidated financial statements.

During June 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income", and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". SFAS No. 130 requires that all items that are required to be recognized under the accounting standards as components of comprehensive income be reported in a new financial statement that is displayed with the same prominence as other financial statements. Comprehensive income is the change in equity of a business during a period from transactions and other events and circumstances from nonowner sources. SFAS No. 131 establishes standards for the method public entities report information about operating segments in both interim and annual financial statements issued to shareholders and requires related disclosures about products and services, geographic areas and major customers. Both statements are effective for fiscal years beginning after December 15, 1997. The Partnership is currently evaluating the disclosure requirements of these statements but does not anticipate that adoption will have a significant impact on its consolidated financial statements.

NOTE 2 - EQUITY INVESTMENTS:

In January 1997, the Partnership and affiliates of Marathon Oil Company ("Marathon") and Shell Oil Company ("Shell") formed Nautilus Pipeline Company, L.L.C. ("Nautilus") to construct and operate an interstate natural gas pipeline system. In addition, the same parties formed Manta Ray Offshore Gathering Company, L.L.C. ("Manta Ray Offshore") to acquire an existing gathering system from the Partnership. Such existing gathering system will

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

be extended and connected to the system constructed by Nautilus. Nautilus and Manta Ray Offshore were formed to serve growing production areas in the Green Canyon area of the Gulf and are indirectly owned 50% by Shell, 24.3% by Marathon and 25.7% by the Partnership. The total cost of the two systems is estimated to be approximately \$270 million. The Nautilus system, a new jurisdictional interstate pipeline, will consist of a 30-inch line downstream from Ship Shoal Block 207 connecting to the Exxon Company USA operated Garden City gas processing plant, onshore Louisiana. Upstream of the Ship Shoal 207 terminal, the existing Manta Ray Offshore gathering system will be extended into a broader gathering system that will serve shelf and deepwater production areas around Ewing Bank Block 873 to the east and Green Canyon Block 65 to the west. Affiliates of Marathon and Shell have dedicated for transportation to each of the Nautilus and Manta Ray Offshore systems significant deep water acreage positions in the area, including the Troika field (Green Canyon Block 244), and are providing the majority of the capital funding for the new construction. The Partnership has provided approximately \$10.4 million of funding in addition to the contribution of the Manta Ray Offshore system.

In addition, the Partnership owns interests of 50% in Viosca Knoll Gathering System ("Viosca Knoll"), 36% in Poseidon Oil Pipeline Company, L.L.C. ("POPCO"), 50% in Stingray Pipeline Company ("Stingray"), 40% in High Island Offshore System ("HIOS"), 33 1/3% in U-T Offshore System ("UTOS") and 50% in West Cameron Dehydration Company, L.L.C. ("West Cameron Dehy"). The summarized financial information for these investments, which are accounted for using the equity method, is as follows:

SUMMARIZED HISTORICAL OPERATING RESULTS
(In thousands)

	Six months ended June 30, 1997							
	HIOS	Viosca Knoll	Stingray	West Cameron Dehy	POPCO	UTOS	Manta Ray Offshore/ Nautilus	Total
Operating revenue	\$ 23,146	\$ 10,156	\$ 12,316	\$ 1,299	\$ 10,955	\$ 1,875	\$ 2,554	
Other income	202	--	500	--	70	16	109	
Operating expenses	(7,874)	(924)	(6,046)	(80)	(2,139)	(1,297)	(838)	
Depreciation	(2,388)	(1,173)	(3,604)	(8)	(2,730)	(283)	(768)	
Other expenses	--	(911)	(732)	--	(2,451)	--	--	
Net earnings	13,086	7,148	2,434	1,211	3,705	311	1,057	
Ownership percentage	40%	50%	50%	50%	36%	33.3%	25.7%	
	5,234	3,574	1,217	606	1,334	104	272	
Adjustments:								
- - Depreciation (a)	423	--	477	--	--	18	--	
- - Contract amortization (a)	(53)	--	(170)	--	--	--	--	
- - Other	(68)	--	(24)	--	(180)	(16)	1,472 (b)	
Equity in earnings	\$ 5,536	\$ 3,574	\$ 1,500	\$ 606	\$ 1,154	\$ 106	\$ 1,744	\$ 14,220
Distributions (c)	\$ 6,400	\$ 3,950	\$ 1,100	\$ 400	\$ --	\$ --	\$ 400	\$ 12,250

(a) Adjustments result from purchase price adjustments made in accordance with Accounting Principles Board Opinion No. 16, "Business Combinations".

(b) Represents additional net earnings specifically allocated to the Partnership related to the assets contributed by the Partnership to the Manta Ray Offshore joint venture.

(c) Future distributions could be restricted by the terms of the equity investees' respective credit agreements.

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

SUMMARIZED HISTORICAL OPERATING RESULTS
(In thousands)

	Six months ended June 30, 1996						
	HIOS	Viosca Knoll	Stingray	West Cameron Dehy	POPCO	UTOS	Total
Operating revenue	\$ 22,110	\$ 6,055	\$ 11,882	\$ 862	\$ 608	\$ 1,891	
Other income	84	--	700	--	--	32	
Operating expenses	(8,631)	(42)	(6,459)	(90)	(808)	(1,284)	
Depreciation	(2,387)	(1,109)	(3,466)	(8)	--	(280)	
Other expenses	(40)	--	(886)	--	--	--	
Net earnings	11,136	4,904	1,771	764	(200)	359	
Ownership percentage	40%	50%	50%	50%	50%	33.3%	
	4,454	2,452	885	382	(100)	120	
Adjustments:							
- Depreciation (a)	455	--	498	--	--	17	
- Contract amortization (a)	(53)	--	(170)	--	--	--	
- Rate refund reserve	(52)	--	--	--	--	--	
- Other	(44)	--	(24)	--	--	(16)	
Equity in earnings	\$ 4,760	\$ 2,452	\$ 1,189	\$ 382	\$ (100)	\$ 121	\$ 8,804
Distributions (b)	\$ 5,800	\$ 2,700	\$ 1,423	\$ 275	\$ 1,400	\$ 400	\$ 11,998

(a) Adjustments result from purchase price adjustments made in accordance with Accounting Principles Board Opinion No. 16, "Business Combinations".

(b) Future distributions could be restricted by the terms of the equity investees' respective credit agreements.

NOTE 3 - PARTNERS' CAPITAL INCLUDING CASH DISTRIBUTIONS:

As of June 30, 1997, the Partnership had 18,075,000 Preference Units and 6,291,894 Common Units outstanding. All of the Preference Units are owned by the public, representing a 72.7% effective limited partnership interest in the Partnership. Leviathan, through its ownership of all of the Common Units, its 1% general partner interest in the Partnership and its approximate 1% nonmanaging interest in certain of the Partnership's subsidiaries, owns a 27.3% effective interest in the Partnership.

Distributions by the Partnership of its Available Cash are effectively made 98% to Unitholders and 2% to Leviathan, subject to the payment of incentive distributions to Leviathan if certain target levels of cash distributions to Unitholders are achieved (the "Incentive Distributions"). As an incentive, the general partner's interest in the portion of quarterly cash distributions in excess of \$0.325 per Unit and less than or equal to \$0.375 per Unit is increased to 15%. For quarterly cash distributions over \$0.375 per Unit but less than or equal to \$0.425 per Unit, the general partner receives 25% of such incremental amount and for all quarterly cash distributions in excess of \$0.425 per Unit, the general partner receives 50% of the incremental amount.

In February 1997, the Partnership paid a cash distribution of \$0.40 per Preference and Common Unit for the period from October 1, 1996 through December 31, 1996 and an Incentive Distribution of \$0.4 million to Leviathan, as general partner. In May 1997, the Partnership paid a cash distribution of \$0.425 per Preference and Common Unit for the period from January 1, 1997 through March 31, 1997 and an Incentive Distribution of \$0.6 million to Leviathan. In July 1997, the Partnership declared a cash distribution of \$0.45 per Preference and Common Unit for the period from April 1, 1997 through June 30, 1997 which will be paid on August 14, 1997 to Unitholders of record as of July 31, 1997. Leviathan will receive an Incentive Distribution of \$1.2 million for the three months ended June 30, 1997.

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

NOTE 4 - IMPAIRMENT, ABANDONMENT AND OTHER:

Pursuant to a gathering agreement (the "Ewing Bank Agreement") among DeepTech, Tatham Offshore, Inc. ("Tatham Offshore"), an affiliate of DeepTech, and Ewing Bank Gathering Company, L.L.C. ("Ewing Bank"), a subsidiary of the Partnership, Tatham Offshore dedicated all natural gas and crude oil produced from eight of its Ewing Bank leases for gathering and redelivery by the Partnership and was obligated to pay a demand rate as well as a commodity charge equal to 4% of the market price of production actually transported. Pursuant to the Ewing Bank Agreement, the Partnership constructed gathering facilities connecting Tatham Offshore's Ewing Bank 914 #2 well to a third party platform at Ewing Bank Block 826.

The Partnership and Tatham Offshore also entered into a gathering and processing agreement (the "Ship Shoal Agreement") pursuant to which the Partnership constructed a gathering line from Tatham Offshore's Ship Shoal Block 331 lease to interconnect with a third-party pipeline at the Partnership's processing facilities located on its Ship Shoal Block 332 platform. Pursuant to the terms of the Ship Shoal Agreement, and in consideration for constructing the interconnect, refurbishing the platform and providing access to the processing facilities, Tatham Offshore was required to pay the Partnership demand charges and has dedicated all production from its Ship Shoal Block 331 lease and eight additional surrounding leases for gathering and processing by the Partnership for additional commodity fees.

For the years ended December 31, 1996, 1995 and 1994, Tatham Offshore paid the Partnership demand and commodity charges of \$0.3 million, \$9.0 million and \$7.0 million, respectively, under the Ewing Bank and Ship Shoal Agreements. Effective February 1, 1996, the Partnership agreed to release Tatham Offshore from all remaining demand charge payments under the Ewing Bank and Ship Shoal Agreements, a total of \$17.8 million. Tatham Offshore remained obligated to pay all commodity charges related to production from these properties. In exchange, the Partnership received 7,500 shares of Tatham Offshore 9% Senior Preferred Stock, which was valued at \$7.5 million, and added \$7.5 million to the Payout Amount under the Purchase and Sale Agreement as discussed below.

Pursuant to a purchase and sale agreement (the "Purchase and Sale Agreement") with Tatham Offshore whereby the Partnership acquired Tatham Offshore's working interests in Viosca Knoll Block 817, Garden Banks Block 72 and Garden Banks Block 117 (the "Assigned Properties"), the Partnership is entitled to retain all of the revenue attributable to the Assigned Properties until 50% of the net revenue has reduced the Payout Amount to zero whereupon Tatham Offshore is entitled to receive a reassignment of one half of the working interests in the Assigned Properties subject to certain conditions. As of June 30, 1997, the Payout Amount totaled \$45.9 million.

The Ewing Bank 914 #2 well was shut-in in May 1997 as a result of a downhole mechanical problem. Although Tatham Offshore is evaluating potential workover or recompletion possibilities for this well, it has announced its intent to reserve the remaining costs associated with the Ewing Bank 914 #2 well given its current non-productive status. Production related problems resulting from the completions of the three wellbores at Ship Shoal Block 331 have resulted in only a minimal amount of production from the property and Tatham Offshore has decided not to pursue further recompletion operations at this time.

In addition, the Partnership has determined that the designated revenue from the Assigned Properties is not likely to be sufficient to satisfy the Payout Amount. Under these circumstances, the Partnership would retain 100% of the revenue from its working interests in the Assigned Properties, would bear all abandonment obligations related to these properties and would not realize the \$7.5 million plus accrued interest that had been recorded as a noncurrent receivable related to the settlement of the demand charge obligations under the Ewing Bank and Ship Shoal Agreements.

Accordingly in June 1997, the Partnership recorded as impairment, abandonment and other expense on the accompanying consolidated statement of operations a non-recurring charge of \$21.2 million to reserve its investment in certain gathering facilities and other assets associated with Tatham Offshore's Ewing Bank 914 #2 well and Ship Shoal Block 331 property, to fully accrue its abandonment obligations associated with these gathering facilities, to reserve its noncurrent receivable related to the prepayment of the demand charge obligations under the Ewing Bank and Ship Shoal Agreements and to accrue certain abandonment obligations associated with its oil and gas properties.

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

NOTE 5 - RELATED PARTY TRANSACTIONS:

Management fees. For the six months ended June 30, 1997, Leviathan charged the Partnership \$3.9 million pursuant to the Partnership Agreement which provides for reimbursement of expenses Leviathan incurs as general partner of the Partnership, including reimbursement of expenses incurred by DeepTech in providing management services to Leviathan and the Partnership. In addition, the management agreement requires a payment by Leviathan to compensate DeepTech for certain tax liabilities resulting from, among other things, additional taxable income allocated to Leviathan due to (i) the issuance of additional Preference Units (including the sale of the Preference Units by the Partnership pursuant to the public offering of additional Preference Units) and (ii) the investment of such proceeds in additional acquisitions or construction projects. During the six months ended June 30, 1997, Leviathan charged the Partnership \$0.4 million to compensate DeepTech for additional taxable income allocated to Leviathan. The management agreement expires on June 30, 2002, and may thereafter be terminated on 90 days' notice by either party.

Transportation and platform access agreements. Tatham Offshore is obligated to pay commodity charges, based on the volume of oil and gas transported or processed, to the Partnership pursuant to certain transportation agreements. Tatham Offshore is also obligated to pay certain platform access fees and processing fees to the Partnership. For the six months ended June 30, 1997, the Partnership received \$0.8 million from Tatham Offshore pursuant to these agreements.

For the six months ended June 30, 1997, Viosca Knoll and POPCO charged the Partnership \$2.3 million and \$1.0 million, respectively, for services relating to gathering production from the Viosca Knoll Block 817 and the Garden Banks Block 72 and 117 leases.

The Partnership charged Viosca Knoll \$1.1 million for platform access fees related to the Viosca Knoll Block 817 platform during the six months ended June 30, 1997.

Oil and gas sales. The Partnership has agreed to sell all of its oil and gas production to Offshore Gas Marketing, Inc. ("Offshore Marketing"), an affiliate of the Partnership, on a month to month basis. During the six months ended June 30, 1997, oil and gas sales to Offshore Marketing totaled \$34.5 million.

Other. During the six months ended June 30, 1997, the Partnership was charged \$3.1 million by Sedco Forex Division of Schlumberger Technology Corporation ("Sedco Forex") for contract drilling services rendered by the semisubmersible drilling rig, the FPS Laffit Pincay, at its Garden Banks Block 117 project. The FPS Laffit Pincay is owned by an affiliate of DeepTech and managed by Sedco Forex.

For the six months ended June 30, 1997, the Partnership charged \$50,000 and \$137,000, respectively, to Viosca Knoll and Manta Ray Offshore pursuant to management and operations agreements with each such party.

POPCO entered into certain agreements with the Partnership to provide for use by POPCO of certain pipelines and platforms owned by the Partnership for fees which consist of a monthly rental fee of \$100,000 per month for the period from February 1996 to January 1997.

NOTE 6 - COMMITMENTS AND CONTINGENCIES:

The Partnership hedges a portion of its oil and natural gas production to reduce the Partnership's exposure to fluctuations in market prices of oil and natural gas and to meet certain requirements of the Partnership Credit Facility. The Partnership uses various financial instruments whereby monthly settlements are based on differences between the prices specified in the instruments and the settlement prices of certain futures contracts quoted on the New York Mercantile Exchange ("NYMEX") or certain other indices. The Partnership settles the instruments by paying the negative difference or receiving the positive difference between the applicable settlement price and the price specified in the contract. The instruments utilized by the Partnership differ from futures contracts in that there is no contractual obligation which requires or allows for the future delivery of the product. Gains or losses on hedging activities are recognized as oil and gas sales in the period in which the hedged production is sold.

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

At June 30, 1997, the Partnership had open natural gas hedges on approximately 41,575 million British thermal units ("MMbtu") of natural gas per day for the remaining period in 1997 at an average price of \$2.18 per MMBtu. In addition, as of June 30, 1997, the Partnership had entered into commodity swap transactions for calendar 1998 of (i) 10,000 MMBtu of natural gas per day at an average price of \$2.20 per MMBtu and (ii) 10,000 MMBtu per day at a fixed price to be determined at the Partnership's option equal to the December 1997 Natural Gas Futures Contract on the NYMEX as quoted at any time during 1997 to and including the last three trading days of the December 1997 contract minus \$0.14 per MMBtu.

At June 30, 1997, the Partnership had open crude oil hedges on approximately 2,135 barrels per day for the remaining period in 1997 at an average price of \$20.59 per barrel. In addition, the Partnership hedged 250 barrels of oil per day at \$22.03 per barrel for calendar year 1998.

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

The following discussion should be read in conjunction with the Partnership's consolidated financial statements and notes thereto included in Part I of this quarterly report. Unless the context otherwise requires, all references herein to the Partnership with respect to the operations and ownership of the Partnership's assets are also references to its subsidiaries.

OVERVIEW

The Partnership's assets include interests in (i) nine natural gas pipelines (the "Gas Pipelines"), (ii) a crude oil pipeline system, (iii) five strategically located multi-purpose platforms, (iv) three producing oil and gas properties and (v) a dehydration facility.

The Gas Pipelines, strategically located offshore Louisiana and eastern Texas, gather and transport natural gas for producers, marketers, pipelines and end-users for a fee. The Gas Pipelines include 977 miles of pipeline with a throughput capacity of 5.9 billion cubic feet ("Bcf") of gas per day. Each of the Gas Pipelines interconnects with one or more long line transportation pipelines that provide access to multiple markets in the eastern half of the United States. The Partnership's interest in the Gas Pipelines consists of: a 100% interest in each of Manta Ray Gathering Company, L.L.C. ("Manta Ray"), Green Canyon Pipe Line Company, L.L.C. ("Green Canyon") and Tarpon Transmission Company ("Tarpon"); a 50% partnership interest in each of Stingray and Viosca Knoll; a 40% partnership interest in HIOS; a 33 1/3% partnership interest in UTOS; and an effective 25.7% interest in each of Manta Ray Offshore and Nautilus.

The Partnership owns a 36% interest in POPCO which owns and operates the Poseidon Oil Pipeline ("Poseidon"). Poseidon is a major new sour crude oil pipeline system that was built in response to an increased demand for additional sour crude oil pipeline capacity in the central Gulf. Poseidon, which has a capacity of approximately 400,000 barrels per day, was placed in service in two phases, in April and December 1996. In March 1997, POPCO began construction of the third phase of Poseidon, a new 24-inch diameter pipeline from Calliou Island to Houma, Louisiana, which is expected to be operational in late 1997. Poseidon is currently transporting an average of approximately 52,000 barrels of oil per day.

The Partnership owns interests in five strategically located multi-purpose platforms in the Gulf that have processing capabilities which complement the Partnership's pipeline operations. The multi-purpose platforms serve as junctions in the pipeline grid and facilitate maintenance functions on the Gas Pipelines and Poseidon. In addition, the multi-purpose platforms serve as landing sites for deeper water production and as sites for the location of gas compression facilities and drilling operations.

The Partnership owns an interest in and is operator of three producing leases in the Gulf. The properties, which are subject to certain reversionary rights held by Tatham Offshore, include a 75% working interest in Viosca Knoll Block 817, a 50% working interest in Garden Banks Block 72 and a 50% working interest in Garden Banks Block 117. The Viosca Knoll Block 817 project is currently producing an aggregate of approximately 81 million cubic feet ("MMcf") of gas, 295 barrels of oil and 785 barrels of water per day. In addition, the Partnership has placed on production five wells on the Garden Banks Block 72 lease and two wells on Garden Banks Block 117. The Garden Banks Block 72 wells, which began producing in May 1996, are currently producing a total of approximately 2,445 barrels of oil, 10 MMcf of gas and 240 barrels of water per day. The Garden Banks Block 117 wells, which began producing in July 1996 and May 1997, are currently producing a total of approximately 3,050 barrels of oil, 8 MMcf of gas and 1,725 barrels of water per day.

The Partnership owns a 50% interest in West Cameron Dehy, which owns certain dehydration facilities located at the northern terminus of the Stingray system, onshore Louisiana. The Partnership also owns an overriding royalty interest in the six-lease block Ewing Bank 915 Unit, which is operated by Tatham Offshore, as well as certain other minority interests in oil and gas leases which are not material to the business of the Partnership.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 1997 COMPARED WITH THREE MONTHS ENDED JUNE 30, 1996

Oil and gas sales totaled \$16.4 million for the three months ended June 30, 1997 as compared with \$8.6 million for the same period in 1996. The increase in oil and gas sales of \$7.8 million is attributable to increased production from the Partnership's oil and gas properties. During the three months ended June 30, 1997, the Partnership produced and sold 5,516 MMcf of gas and 206,000 barrels of oil at average prices of \$2.18 per thousand cubic feet ("Mcf") and \$20.61 per barrel, respectively. During the same period in 1996, the Partnership produced and sold 3,378 MMcf of gas and 25,200 barrels of oil at average prices of \$2.31 per Mcf and \$21.57 per barrel, respectively.

Revenue from gathering and platform services totaled \$4.7 million for the three months ended June 30, 1997 as compared with \$5.9 million for the same period in 1996. The decrease of \$1.2 million includes decreases of \$1.7 million as a result of the contribution of a significant portion of the Manta Ray system to Manta Ray Offshore in January 1997 resulting in revenue from these assets being included in equity in earnings for the three months ended June 30, 1997 and \$0.3 million related to lower throughput on the Ewing Bank and Tarpon systems offset by increases of \$0.6 million in platform services revenue from the Partnership's Viosca Knoll Block 817 platform as a result of additional oil and gas volumes processed on the platform and \$0.2 million from the Green Canyon system primarily related to increased throughput. Gathering volumes for the Green Canyon system increased 3% for the three months ended June 30, 1997 as compared with the same period in 1996 due to increased production from the Texaco operated Shasta field located in Green Canyon Block 6. Gathering volumes from the Tarpon system declined 24% during the second quarter of 1997 as compared with the second quarter of 1996 as a result of normal decline in the producing fields attached to the system. Gathering volumes from the Ewing Bank system declined 84% during the second quarter of 1997 as compared with the second quarter of 1996 due to a downhole mechanical problem which shut-in Tatham Offshore's Ewing Bank 914 #2 well in May 1997.

Revenue from the Partnership's equity interests in Stingray, HIOS, UTOS, Viosca Knoll, POPCO, Manta Ray Offshore, Nautilus and West Cameron Dehy (the "Equity Investees") totaled \$7.1 million for the three months ended June 30, 1997 as compared with \$4.1 million for the same period in 1996. The increase of \$3.0 million primarily reflects increases of (i) \$1.2 million from Viosca Knoll, Stingray, West Cameron Dehy and HIOS as a result of increased throughput, (ii) \$0.8 million from POPCO which placed Poseidon in service in two-phases, April 1996 and December 1996, and (iii) \$1.0 million from Manta Ray Offshore related to the Manta Ray assets contributed by the Partnership. Total gas throughput volumes for the Equity Investees increased 12% from the three months ended June 30, 1996 to the three months ended June 30, 1997 primarily as a result of increased throughput on the Viosca Knoll, Stingray, HIOS and UTOS systems as well as the addition of the Manta Ray Offshore system throughput as an Equity Investee, as discussed above. Oil volumes from Poseidon totaled 4.3 million barrels and 0.2 million barrels for the three months ended June 30, 1997 and 1996, respectively.

Operating expenses for the three months ended June 30, 1997 totaled \$2.9 million as compared to \$1.9 million for the same period in 1996. The increase of \$1.0 million is primarily attributable to the operation by the Partnership of nine additional oil and gas wells during the three months ended June 30, 1997 as compared with the same period in 1996.

Depreciation, depletion and amortization totaled \$14.0 million for the three months ended June 30, 1997 as compared with \$5.9 million for the same period in 1996. The increase of \$8.1 million is comprised of (i) an \$8.3 million increase in depreciation and depletion on oil and gas wells and facilities located on the Viosca Knoll Block 817, Garden Banks Block 72 and the Garden Banks Block 117 as a result of additional production from these leases and (ii) a \$0.2 million decrease in depreciation on pipelines, platforms and facilities.

Impairment, abandonment and other totaled \$21.2 million for the three months ended June 30, 1997 and consisted of a non-recurring charge to reserve the Partnership's investment in certain gathering facilities and other assets associated with Tatham Offshore's Ewing Bank 914 #2 well and Ship Shoal Block 331 property, to fully accrue the Partnership's abandonment obligations associated with these gathering facilities, to reserve the Partnership's noncurrent receivable related to the prepayment of the demand charge obligations under the Ewing Bank and Ship

Shoal Agreements and to accrue certain abandonment obligations associated with its oil and gas properties. See "Notes to Consolidated Financial Statements -- Note 4 -- Impairment, Abandonment and Other".

General and administrative expenses, including the management fee allocated from Leviathan, totaled \$3.4 million for the three months ended June 30, 1997 as compared with \$2.1 million for the same period in 1996. The increase of \$1.3 million reflects (i) a \$0.6 million increase in management fees allocated by Leviathan to the Partnership as a result of increased operational activities and (ii) a \$0.7 million increase in direct general and administrative expenses of the Partnership primarily related to the appreciation and vestiture of unit appreciation rights granted to certain officers and employees in 1995, 1996 and 1997.

Interest income and other totaled \$0.5 million for the three months ended June 30, 1997 as compared with \$0.4 million for the three months ended June 30, 1996.

Interest and other financing costs, net of capitalized interest, for the three months ended June 30, 1997 totaled \$3.4 million as compared with \$26,000 for the same period in 1996. During the three months ended June 30, 1997 and 1996, the Partnership capitalized \$0.6 million and \$3.7 million, respectively, of interest costs in connection with construction projects and drilling activities in progress during such periods.

Net loss for the three months ended June 30, 1997 totaled \$15.9 million, or \$0.64 per Unit, as compared with net income of \$9.2 million, or \$0.37 per Unit, for the three months ended June 30, 1996 as a result of the items discussed above.

SIX MONTHS ENDED JUNE 30, 1997 COMPARED WITH SIX MONTHS ENDED JUNE 30, 1996

Oil and gas sales totaled \$34.5 million for the six months ended June 30, 1997 as compared with \$17.9 million for the same period in 1996. The increase in oil and gas sales of \$16.6 million is attributable to increased production from the Partnership's oil and gas properties. During the six months ended June 30, 1997, the Partnership produced and sold 11,707 MMcf of gas and 409,000 barrels of oil at average prices of \$2.16 per Mcf and \$21.56 per barrel, respectively. During the same period in 1996, the Partnership produced and sold 6,376 MMcf of gas and 25,200 barrels of oil at average prices of \$2.64 per Mcf and \$21.57 per barrel, respectively.

Revenue from gathering and platform services totaled \$10.6 million for the six months ended June 30, 1997 as compared with \$11.5 million for the same period in 1996. The decrease of \$0.9 million includes decreases of \$3.1 million as a result of the contribution of a significant portion of the Manta Ray system to Manta Ray Offshore in January 1997 resulting in revenue from these assets being included in equity in earnings for the remainder of the six months ended June 30, 1997 and \$0.2 million related to lower throughput on the Ewing Bank system offset by increases of \$1.4 million in platform services revenue from the Partnership's Viosca Knoll Block 817 platform as a result of additional oil and gas volumes processed on the platform and \$1.0 million from the Tarpon and Green Canyon systems primarily related to the deregulation of the Tarpon system allowing the Partnership to recognize additional revenue during the current period related to gathering fees collected in prior periods. Gathering volumes for the Green Canyon system increased 2% for the six months ended June 30, 1997 as compared with the same period in 1996 due to increased production from the Texaco operated Shasta field located in Green Canyon Block 6. Gathering volumes from the Manta Ray system, prior to its contribution to Manta Ray Offshore, declined 34% as compared with 1996 as a result of temporary platform related production problems from two of the fields connected to the Manta Ray system. Gathering volumes from the Tarpon system declined 29% during the six months ended June 30, 1997 as compared with the same period in 1996 as a result of normal decline in the producing fields attached to the system. Gathering volumes from the Ewing Bank system declined 72% during the six months ended June 30, 1997 as compared with the same period in 1996 due to a downhole mechanical problem which shut-in Tatham Offshore's Ewing Bank 914 #2 well in May 1996.

Revenue from the Equity Investees totaled \$14.2 million for the six months ended June 30, 1997 as compared with \$8.8 million for the same period in 1996. The increase of \$5.4 million primarily reflects increases of (i) \$2.2 million from Viosca Knoll, Stingray and HIOS as a result of increased throughput, (ii) \$1.3 million from POPCO which placed Poseidon in service in two-phases, April 1996 and December 1996, (iii) \$0.2 million from West

Cameron Dehy and (iv) \$1.7 million from Manta Ray Offshore related to the Manta Ray assets contributed by the Partnership. Total gas throughput volumes for the Equity Investees increased 12% from the six months ended June 30, 1996 to the six months ended June 30, 1997 primarily as a result of increased throughput on the Viosca Knoll, Stingray, HIOS and UTOS systems as well as the addition of the Manta Ray Offshore system throughput as an Equity Investee, as discussed above. Oil volumes from Poseidon totaled 8.0 million barrels for the six months ended June 30, 1997 as compared with 0.2 million barrels for the period of inception of operations in April 1996 through June 30, 1996.

Operating expenses for the six months ended June 30, 1997 totaled \$6.0 million as compared to \$3.7 million for the same period in 1996. The increase of \$2.3 million is primarily attributable to the operation by the Partnership of nine additional oil and gas wells during the six months ended June 30, 1997 as compared with the same period in 1996.

Depreciation, depletion and amortization totaled \$27.9 million for the six months ended June 30, 1997 as compared with \$11.2 million for the same period in 1996. The increase of \$16.7 million is comprised of (i) an \$17.1 million increase in depreciation and depletion on oil and gas wells and facilities located on Viosca Knoll Block 817, Garden Banks Block 72 and the Garden Banks Block 117 as a result of increased production from these leases which initiated production in December 1995, May 1996 and July 1996, respectively, and (ii) a \$0.4 million decrease in depreciation on pipelines, platforms and facilities.

Impairment, abandonment and other totaled \$21.2 million for the six months ended June 30, 1997 and consisted of a non-recurring charge to reserve the Partnership's investment in certain gathering facilities and other assets associated with Tatham Offshore's Ewing Bank 914 #2 well and Ship Shoal 331 property, to fully accrue the Partnership's abandonment obligations associated with these gathering facilities, to reserve the Partnership's noncurrent receivable related to the prepayment of the demand charge obligations under the Ewing Bank and Ship Shoal Agreements and to accrue certain abandonment obligations associated to its oil and gas properties. See "Notes to Consolidated Financial Statements -- Note 4 -- Impairment, Abandonment and Other".

General and administrative expenses, including the management fee allocated from Leviathan, totaled \$5.9 million for the six months ended June 30, 1997 as compared with \$3.4 million for the same period in 1996. General and administrative expenses for the six months ended June 30, 1996 included a one-time \$1.4 million reimbursement from POPCO as a result of the Partnership's management of the initial phase of the construction of Poseidon. Excluding this one-time reimbursement by POPCO, general and administrative expenses for the six months ended June 30, 1997 increased \$1.1 million as compared with the same period in 1996. This increase reflects (i) a \$0.9 million increase in management fees allocated by Leviathan to the Partnership as a result of increased operational activities, (ii) a \$0.8 million increase in direct general and administrative expenses of the Partnership primarily related to the appreciation and vestiture of unit appreciation rights granted to certain officers and employees in 1995, 1996 and 1997 and (iii) a \$0.6 million decrease in the reimbursement to DeepTech for certain tax liabilities pursuant to the management agreement with Leviathan (See "Notes to Consolidated Financial Statements -- Note 5 -- Related Party Transactions").

Interest income and other totaled \$1.2 million for the six months ended June 30, 1997 as compared with \$0.7 million for the six months ended June 30, 1996.

Interest and other financing costs, net of capitalized interest, for the six months ended June 30, 1997 totaled \$6.5 million as compared with \$0.6 million for the same period in 1996. During the six months ended June 30, 1997 and 1996, the Partnership capitalized \$1.4 million and \$8.5 million, respectively, of interest costs in connection with construction projects and drilling activities in progress during such periods.

Net loss for the six months ended June 30, 1997 totaled \$6.9 million, or \$0.28 per Unit, as compared with net income of \$20.1 million, or \$0.81 per Unit, for the six months ended June 30, 1996 as a result of the items discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Cash. The Partnership intends to satisfy its capital requirements and other working capital needs primarily from cash on hand, cash from continuing operations and borrowings under the Partnership Credit Facility (discussed below). Net cash provided by operating activities for the six months ended June 30, 1997 totaled \$30.1 million. At June 30, 1997, the Partnership had cash and cash equivalents of \$1.4 million.

Cash from continuing operations is derived from (i) payments for gathering gas through the Partnership's 100% owned pipelines, (ii) platform access and processing fees, (iii) cash distributions from Equity Investees and (iv) the sale of oil and gas attributable to the Partnership's interest in three producing properties. See "-- Overview" for current production rates from these properties.

The Partnership's cash flows from operations will be affected by the ability of each Equity Investee to make distributions. Distributions from such entities are subject to the discretion of their respective management committees. Further, each of Stingray, POPCO and Viosca Knoll is party to a credit agreement under which it has outstanding obligations that may restrict the payments of distributions to its owners. Distributions from Equity Investees during the six months ended June 30, 1997 totaled \$12.3 million.

In December 1995, Stingray amended an existing term loan agreement to provide for aggregate outstanding borrowings of up to \$29.0 million in principal amount. The agreement requires the payment of principal by Stingray of \$1.45 million per quarter. This term loan agreement is principally secured by current and future gas transportation contracts between Stingray and its customers. As of June 30, 1997, Stingray had \$20.3 million outstanding under its term loan agreement bearing interest at an average floating rate of 6.4% per annum.

In April 1996, POPCO entered into a revolving credit facility (the "POPCO Credit Facility") with a syndicate of commercial banks to provide up to \$150 million for the construction of the second and third phases of Poseidon and for other working capital needs of POPCO. POPCO's ability to borrow money under the facility is subject to certain customary terms and conditions, including borrowing base limitations. The POPCO Credit Facility is secured by a substantial portion of POPCO's assets and matures on April 30, 2001. As of June 30, 1997, POPCO had \$108.0 million outstanding under its credit facility bearing interest at an average floating rate of 6.9% per annum. Currently, approximately \$37.3 million of additional funds are available under the POPCO Credit Facility.

In December 1996, Viosca Knoll entered into a revolving credit facility (the "Viosca Knoll Credit Facility") with a syndicate of commercial banks to provide up to \$100 million for the addition of compression to the Viosca Knoll system and for other working capital needs of Viosca Knoll, including funds for a one-time distribution of \$25 million to its partners. Viosca Knoll's ability to borrow money under the facility is subject to certain customary terms and conditions, including borrowing base limitations. The Viosca Knoll Credit Facility is secured by a substantial portion of Viosca Knoll's assets and matures on December 20, 2001. As of June 30, 1997, Viosca Knoll had \$34.4 million outstanding under its credit facility bearing interest at an average floating interest rate of 6.4% per annum. Currently, approximately \$32.5 million of additional funds are available under the Viosca Knoll Credit Facility.

The Partnership Credit Facility is a revolving credit facility providing for up to \$300 million of available credit subject to customary terms and conditions, including certain incurrence limitations. Proceeds from the Partnership Credit Facility are available to the Partnership for general partnership purposes, including financing of capital expenditures, for working capital, and subject to certain limitations, for paying distributions to the Unitholders. The Partnership Credit Facility can also be utilized to issue letters of credit as may be required from time to time; however, no letters of credit are currently outstanding. The Partnership Credit Facility matures in December 1999; is guaranteed by Leviathan and each of the Partnership's subsidiaries; and is secured by the management agreement with Leviathan, substantially all of the assets of the Partnership and Leviathan's 1% general partner interest in the Partnership and approximate 1% interest in certain subsidiaries of the Partnership. As of June 30, 1997, the Partnership had \$217.0 million outstanding under its credit facility bearing interest at an average floating rate of 6.5% per annum.

Uses of Cash. The Partnership's capital requirements consist primarily of (i) quarterly distributions to holders of Preference Units and Common Units and to Leviathan as general partner, including incentive distributions, as applicable, (ii) expenditures for the maintenance of its pipelines and related infrastructure and the acquisition and construction of additional pipelines and related facilities for the gathering, transportation and processing of oil and gas in the Gulf, (iii) expenditures related to its producing oil and gas properties, (iv) management fees and other operating expenses, (v) contributions to Equity Investees as required to fund capital expenditures for new facilities and (vi) debt service on its outstanding indebtedness.

For every full quarter since its inception, the Partnership has declared and subsequently paid a cash distribution to holders of Preference Units and Common Units an amount equal to or exceeding the Minimum Quarterly Distribution (as described in the Partnership Agreement) per Unit per quarter. At the current distribution rate of \$0.45 per Unit, the quarterly Partnership distributions total \$12.4 million in respect of the Preference Units, Common Units and general partner interest (\$49.4 million on an annual basis, including \$16.9 million to Leviathan). The Partnership believes that it will be able to continue to pay at least the current quarterly distribution of \$0.45 per Preference and Common Unit for the foreseeable future.

Distributions by the Partnership of its Available Cash are effectively made 98% to Unitholders and 2% to Leviathan, as general partner, subject to the payment of Incentive Distributions to Leviathan. As an incentive, the general partner's interest in the portion of quarterly cash distributions in excess of \$0.325 per Unit and less than or equal to \$0.375 per Unit is increased to 15%. For quarterly cash distributions over \$0.375 per Unit but less than or equal to \$0.425 per Unit, the general partner receives 25% of such incremental amount and for all quarterly cash distributions in excess of \$0.425 per Unit, the general partner receives 50% of the incremental amount. For the six months ended June 30, 1997, the Partnership paid Leviathan Incentive Distributions totaling \$1.0 million and will pay Leviathan an Incentive Distribution of \$1.2 million in August 1997.

In January 1997, the Partnership and affiliates of Marathon and Shell formed Nautilus to construct and operate an interstate natural gas pipeline system. In addition, the same parties formed Manta Ray Offshore to acquire an existing gathering system from the Partnership. Such existing gathering system will be extended and connected to the system constructed by Nautilus. Nautilus and Manta Ray Offshore were formed to serve growing production areas in the Green Canyon area of the Gulf and are indirectly owned 50% by Shell, 24.3% by Marathon and 25.7% by the Partnership. The total cost of the two systems is estimated to be approximately \$270 million. The Nautilus system will consist of a 30-inch line downstream from Ship Shoal Block 207 connecting to the Exxon Company USA operated Garden City gas processing plant, onshore Louisiana. Upstream of the Ship Shoal 207 terminal, the existing Manta Ray Offshore gathering system will be extended into a broader gathering system that will serve shelf and deepwater production areas around Ewing Bank Block 873 to the east and Green Canyon Block 65 to the west. Affiliates of Marathon and Shell have dedicated for transportation to each of the Nautilus and Manta Ray Offshore systems significant deep water acreage positions in the area, including the Troika field (Green Canyon Block 244), and are providing the majority of the capital funding for the new construction. The Partnership has provided approximately \$10.4 million of funding in addition to its contribution of the Manta Ray Offshore system.

The Partnership anticipates that its capital expenditures and equity investments for the remaining portion of 1997 will relate to continuing acquisition and construction activities including the construction and installation of a new platform and processing facilities at East Cameron Block 373. This new platform, which the Partnership anticipates will be placed in service during April 1998 at a projected cost of approximately \$32 million, will be strategically located to exploit reserves in the East Cameron and Garden Banks area of the Gulf and will be the terminus for an extension of the Stingray system. The Partnership anticipates funding such cash requirements primarily with available cash flow and borrowings under the Partnership Credit Facility.

As previously discussed, POPCO, in March 1997, began construction of phase III of Poseidon which is expected to be operational in late 1997. The majority of these capital expenditures by POPCO as well as capital expenditures by Viosca Knoll and Stingray are anticipated to be funded by borrowings under their respective credit facilities. In addition, the majority of the capital requirements of Nautilus and Manta Ray Offshore are anticipated to be funded by the equity contributions of affiliates of Shell and Marathon. The Partnership's capital expenditures and equity investments for the six months ended June 30, 1997 were \$14.5 million, including \$10.4 million related to the Nautilus/Manta Ray

Offshore project discussed above. The Partnership may also contribute existing assets to new joint ventures as partial consideration for its ownership interest therein.

Interest costs incurred by the Partnership related to the Partnership Credit Facility totaled \$7.9 million for the six months ended June 30, 1997. The Partnership capitalized \$1.4 million of such interest costs in connection with construction projects and drilling activities in progress during the period.

UNCERTAINTY OF FORWARD LOOKING STATEMENTS AND INFORMATION

This quarterly report contains certain forward looking statements and information that 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 the Partnership's results of operations and financial condition are: (i) competitive practices in the industry in which the Partnership competes, (ii) the impact of current and future laws and government regulations affecting the industry in general and the Partnership's operations in particular, (iii) environmental liabilities to which the Partnership may become subject in the future that are not covered by an indemnity or insurance, (iv) the throughput levels achieved by the Gas Pipelines, Poseidon and any future pipelines in which the Partnership owns an interest, (v) the ability to access additional reserves to offset the natural decline in production from existing wells connected to the Gas Pipelines and Poseidon, (vi) changes in gathering, transportation, processing, handling and other rates due to changes in governmental regulation and/or competitive factors, (vii) the impact of oil and natural gas price fluctuations, (viii) the production rates and reserve estimates associated with the Partnership's producing oil and gas properties, (ix) significant changes from expectations of capital expenditures and operating expenses and unanticipated project delays and (x) the ability of the Equity Investees to make distributions to the Partnership. The Partnership disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date hereof.

PART II. OTHER INFORMATION

- Item 1. Legal Proceedings
None.
- Item 2. Changes in Securities
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
- 10.1 Fourth Amendment to First Amended and Restated Management Agreement between DeepTech International Inc. and Leviathan Gas Pipeline Company dated as of May 1, 1997.
- (b) Reports on Form 8-K
None.

SIGNATURE

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.
(Registrant)

By: LEVIATHAN GAS PIPELINE
COMPANY, its General Partner

Date: August 12, 1997

By: /s/ KEITH B. FORMAN

Keith B. Forman
Chief Financial Officer

Date: August 12, 1997

By: /s/ DENNIS A. KUNETKA

Dennis A. Kunetka
Senior Vice President - Corporate
Finance (Principal Accounting Officer)

INDEX TO EXHIBITS

EXHIBIT

INDEX	DESCRIPTION
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- | | |
|------|---|
| 10.1 | Fourth Amendment to First Amended and Restated Management Agreement between DeepTech International Inc. and Leviathan Gas Pipeline Company dated as of May 1, 1997. |
| 27.1 | Financial Data Schedule |

FOURTH AMENDMENT TO
FIRST AMENDED AND RESTATED MANAGEMENT AGREEMENT
BETWEEN DEEPTech INTERNATIONAL INC.
AND LEVIATHAN GAS PIPELINE COMPANY

This Fourth Amendment dated as of May 1, 1997 (this "Amendment") has been executed and delivered by the undersigned for the purpose of amending and extending the First Amended and Restated Management Agreement dated as of June 27, 1994 (the "Agreement", as amended) between DeepTech International Inc. and Leviathan Gas Pipeline Company. Unless otherwise defined in the Amendment, all capitalized terms herein shall have the meanings ascribed to them in the Agreement.

WHEREAS, the parties deem it to be in their mutual best interests to amend and extend the term of the Agreement.

NOW, THEREFORE, the Parties hereby amend the Agreement as follows:

1. Amendment of Article 1. Article 1 of the Agreement is hereby amended by:
 - a. Adding the defined term "Extended Term".

"Extended Term" means the five (5) year period from the end of the Initial Term.
2. Amendment of Subsection 5.1. Section 5.1 of the Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

5.1 Initial and Extended Term. This Agreement shall be effective from the Effective Date and shall continue for five (5) years thereafter (the "Initial Term") ; subject, however , to the terms of Section 5.2 hereof. At the end of the Initial Term, this Agreement shall continue in force and effect for the Extended Term; subject, however to the terms of Section 5.2 hereof. At the end of the Extended Term, this Agreement shall continue in force and effect for subsequent one (1) year periods unless terminated by either party pursuant to Section 5.2.
3. Amendment of Subsection 5.2 (b). Section 5.2 (b) of the Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

5.2 (b) Optional Termination After the Extended Term, either party may, ninety days prior to any anniversary of the Effective Date, provide to the other Party written notice of its intent to terminate this Agreement on such anniversary date, whereupon this Agreement shall terminate on the anniversary date specified in such notice.

IN WITNESS WHEREOF, the Parties have executed this Amendment effective as of the date first set forth in the preamble.

DEEPTech INTERNATIONAL INC.

LEVIATHAN GAS PIPELINE COMPANY

By: _____
Donald V. Weir
Chief Financial Officer

By: _____
Grant E. Sims
Chief Executive Officer

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 1997 INCLUDED IN ITS FORM 10-Q FOR THE PERIOD ENDED JUNE 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q.

1,000

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DEC-31-1997	
JAN-01-1997	
JUN-30-1997	1,434
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	15,636
	0
	0
	18,621
	269,839
	79,517
	401,880
11,260	
	0
	0
	0
401,880	163,884
	34,459
	59,254
	6,046
	6,046
	49,160
	0
	6,464
	(7,037)
	(146)
(6,891)	
	0
	0
	0
	(6,891)
	(0.28)
	(0.28)