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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 MARCH 31, 2000

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NO. 1-11680

EL PASO ENERGY PARTNERS, L.P.
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	76-0396023
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
EL PASO 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 26,739,065 common units and 289,699 preference units outstanding as of May 10, 2000.

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PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

EL PASO ENERGY PARTNERS, L.P.

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

	FIRST QUARTER ENDED MARCH 31,	
	2000	1999
Operating revenues		
Gathering, transportation, and platform services	$13,158	$ 4,373
Oil and natural gas sales	5,792	6,805
Equity investment earnings	3,850	10,701
	22,800	21,879
Operating expenses		
Cost of sales	1,072	610
Operation and maintenance, net	2,008	5,114
Depreciation, depletion, and amortization	6,476	6,719
	9,556	12,443
Operating income	13,244	9,436
Other income, net	82	103
Income before interest, income taxes, and other charges	13,326	9,539
Interest and debt expense	11,380	6,102
Income tax benefit	(3)	(99)
Minority interest	10	37
	11,387	6,040
Net income	1,939	3,499
Net income allocated to general partner	3,232	2,838
Net income (loss) allocated to limited partners before accounting change	(1,293)	661
Cumulative effect of accounting change	--	(15,427)
Net loss allocated to limited partners	$(1,293)	$(14,766)
Basic and diluted net income (loss) per unit before accounting change	$ (0.05)	$ 0.03
Cumulative effect of accounting change	--	(0.60)
Basic and diluted net loss per unit	$ (0.05)	$ (0.57)
Weighted average number of units outstanding	27,029	24,367

See accompanying notes.

EL PASO ENERGY PARTNERS, L.P.

CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)
(UNAUDITED)

ASSETS

	MARCH 31, 2000	DECEMBER 31, 1999
Current assets		
Cash and cash equivalents	$ 8,146	$ 4,202
Accounts receivable	9,691	8,501
Other current assets	61	254
Total current assets	17,898	12,957
Property, plant, and equipment, net	397,951	373,759
Investments in unconsolidated affiliates	183,891	185,766
Other noncurrent assets	10,948	11,103
Total assets	$610,688	$583,585

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities		
Accounts payable	$ 15,849	$ 10,418
Notes payable	327,000	290,000
Long-term debt	175,000	175,000
Other noncurrent liabilities	12,539	12,164
Total liabilities	530,388	487,582
Commitments and contingencies		
Minority interest	(654)	(486)
Partners' capital		
Limited partners		
Preference units; 289,699 units issued and outstanding	2,984	2,969
Common units; 26,739,065 units issued and outstanding	77,851	93,277
General partner	119	243
Total partners' capital	80,954	96,489
Total liabilities and partners' capital	$610,688	$583,585

See accompanying notes.

EL PASO ENERGY PARTNERS, L.P.

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

	FIRST QUARTER ENDED MARCH 31,	
	2000	1999
Cash flows from operating activities		
Net income	$ 1,939	$ 3,499
Adjustments to reconcile net income to net cash from operating activities		
Depreciation, depletion, and amortization	6,476	6,719
Distributed earnings of equity investees		
Earnings from equity investments	(3,850)	(10,701)
Distributions from equity investments	8,740	10,090
Other noncash items	701	279
Working capital changes, net of non-cash transactions	6,447	130
Net cash provided by operating activities	20,453	10,016
Cash flows from investing activities		
Additions to property, plant, and equipment	(6,086)	(5,619)
Additions to investments in unconsolidated affiliates	(3,015)	(873)
Cash paid for acquisitions, net of cash acquired	(26,476)	--
Other	(280)	(365)
Net cash used in investing activities	(35,857)	(6,857)
Cash flows from financing activities		
Revolving credit borrowings, less issue costs	43,000	20,732
Revolving credit repayments	(6,000)	(5,000)
Distributions to partners	(17,652)	(15,628)
Net cash provided by financing activities	19,348	104
Increase in cash and cash equivalents	3,944	3,263
Cash and cash equivalents		
Beginning of period	4,202	3,108
End of period	$ 8,146	$ 6,371

See accompanying notes.

EL PASO ENERGY PARTNERS, L.P.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

Our 1999 Annual Report on Form 10-K includes a summary of our significant accounting policies and other disclosures. You should read it in conjunction with this Quarterly Report on Form 10-Q. The condensed consolidated financial statements at March 31, 2000, and for the quarters ended March 31, 2000 and 1999, are unaudited. The condensed consolidated balance sheet at December 31, 1999, is derived from the audited financial statements. 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 U.S. Securities and Exchange Commission. In our opinion, all material adjustments, all of which are of a normal, recurring nature, have been made to fairly present our results of operations. Information for any interim period may not necessarily indicate the results of operations for the entire year due to the seasonal nature of our businesses. The prior period information includes reclassifications which were made to conform to the current presentation. These reclassifications have no effect on our reported net income, cash flows or partners' capital.

Cumulative Effect of Accounting Change

In 1999, we changed our method of allocating net income to our partners' capital accounts from a method where income was allocated based on percentage ownership and proportionate share of cash distributions, to a method whereby income is allocated to the partners based upon the change from period to period in their respective claims on our book value capital. We believe that the new income allocation method is preferable because it more accurately reflects the income allocation provisions called for under the partnership agreement and the resulting partners' capital accounts are more reflective of a partner's claim on our book value capital at each period end. This change in accounting had no impact on our consolidated net income (loss) or our consolidated total partners' capital for any period presented. Furthermore, the change is not expected to impact the declaration of future cash distributions or affect an individual partner's tax basis in the partnership. The impact of this change in accounting has been recorded as a cumulative effect of an accounting change in our income allocation for the quarter ended March 31, 1999.

2. ACQUISITIONS

In March 2000, we acquired the El Paso Intrastate-Alabama pipeline system, or EPIA, from a subsidiary of El Paso Energy Corporation for $26.5 million. We accounted for the acquisition as a purchase and assigned the purchase price to the assets and liabilities acquired based upon the estimated fair value of those assets and liabilities as of the acquisition date. The values assigned are preliminary and may be revised. The following is summary information related to the acquisition (in thousands):

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

The following information represents our consolidated results of operations on a pro forma basis for the three month periods ended March 31, 2000 and 1999, as if we acquired EPIA on January 1, 1999:

	FIRST QUARTER ENDED MARCH 31,	
	2000	1999
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)	
Operating revenues	$31,283	$29,082
Operating income	$14,188	$10,249
Net income	$ 2,322	$ 3,789
Basic and diluted net income (loss) per unit before accounting change	$ (0.03)	$ 0.04

3. PARTNERS' CAPITAL

Cash distributions

In February 2000, we paid cash distributions of $0.275 per preference unit and $0.525 per common unit and our General Partner received incentive distributions of $3.2 million. In April 2000, we declared a cash distribution of $0.275 per preference unit and $0.5375 per common unit for the quarter ended March 31, 2000, which we will pay on May 15, 2000, to holders of record as of April 28, 2000. In addition, we will pay our General Partner $3.6 million in incentive distributions. At the current distribution rates, our General Partner receives approximately 20 percent of total cash distributions we pay.

4. PROPERTY, PLANT, AND EQUIPMENT

Our property, plant, and equipment consisted of the following:

	MARCH 31, 2000	DECEMBER 31, 1999
	(IN THOUSANDS)	
Property, plant, and equipment, at cost		
Pipelines	$245,393	$220,816
Platforms and facilities	143,446	137,537
Oil and natural gas properties	155,968	155,968
	544,807	514,321
Less accumulated depreciation, depletion, and amortization	146,856	140,562
Property, plant, and equipment, net	$397,951	$373,759

5. DEBT AND OTHER CREDIT FACILITIES

Partnership Credit Facility

We have a revolving credit facility with a syndicate of commercial banks to provide up to $375 million of available credit. As of March 31, 2000, we had $327 million outstanding under this facility and $48 million available. The average interest rate was 8.5 percent at March 31, 2000. We pay a commitment fee of 0.25 percent per annum on the unused and unavailable portion of the credit facility and 0.50 percent per annum on the unused and available portion.

Other Credit Facilities

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

Deepwater Holdings has a revolving credit facility with a syndicate of commercial banks to provide up to $175 million. As of March 31, 2000, Deepwater Holdings had $147 million outstanding under its credit facility at an average floating interest rate of 7.2 percent and had no additional availability under its borrowing base limitations.

Poseidon has a revolving credit facility with a syndicate of commercial banks to provide up to $150 million. As of March 31, 2000, Poseidon had $150 million outstanding under its facility at an average floating interest rate of 7.4 percent.

6. COMMITMENTS AND CONTINGENCIES

Hedging Activities

At March 31, 2000, we had three oil and natural gas sales swaps covering a portion of our production for the calendar year 2000. For the three months ended March 31, 2000 and 1999, we recorded a net loss of $1.0 million and $0.4 million, respectively, on these contracts. Had we settled our open hedging positions as of March 31, 2000, based on the applicable settlement prices of the NYMEX futures contracts, we would have recognized losses of approximately $0.1 million related to our oil swap and $6.6 million related to our natural gas swaps.

Legal Proceedings

We are a named defendant in a lawsuit filed by Transcontinental Gas Pipeline Company. Transco alleges that it had the right, under a platform lease agreement with us, to expand its facilities and operations on the offshore platform by connecting additional pipeline receiving and appurtenant facilities. We denied Transco's request to expand its facilities and operations because we do not believe the lease agreement provides for such expansion, and because Transco's activities would have interfered with the Manta Ray Offshore system and our existing and planned activities on that platform. The case went to trial on April 3, 2000, and the jury found that we were not at fault and therefore awarded no damages to Transco. The final order is pending before the judge in the case.

In January 2000, an anchor from a submersible drilling rig in tow damaged a section of the Poseidon system north of our Ship Shoal 332 platform. The accident resulted in the release of approximately 2,200 barrels of crude oil in the waters surrounding the system, caused damage to our platform, and resulted in initial shutdown of the system and certain surrounding facilities in which we have ownership interests and substantially limited throughput for 68 days. Poseidon estimates the cost to repair the damaged pipeline and clean up the crude oil released into the Gulf is approximately $17 million, and has placed the rig's owner on notice for liability and expenses due to the incident. The pipeline has been repaired and throughput has returned to normal levels.

We have been named as a defendant in actions brought by Jack Grynberg on behalf of the U.S. Government under the False Claims Act. Generally, these 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, which deprived the U.S. Government of royalties. We have also been named as a defendant in a similar class action suit, Quinque Operating Company v. Gas Pipelines. This complaint alleges that the defendants mismeasured natural gas volumes and heating content of natural gas on non-federal and non-Native American lands. The Quinque complaint was transferred to the same court handling the Grynberg complaint. We believe both complaints are without merit.

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

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

Environmental

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

It is possible that new information or future developments could require us to reassess our potential exposure to environmental matters. We may incur significant costs and liabilities in order to comply with existing environmental laws and regulations. It is also possible that other developments, such as increasingly strict environmental laws, regulations and enforcement policies thereunder, and claims for damages to property, employees, other persons and the environment resulting from current or discontinued operations, could result in substantial costs and liabilities in the future. As new information becomes available, or other developments occur, we will make accruals accordingly.

7. SEGMENT INFORMATION

We segregate our business activities into two segments: Gathering, Transportation, and Platform Services and Oil and Natural Gas Production. These segments are strategic business units that offer different services and products. They are managed separately, as each requires different technology and marketing strategies. We measure segment performance based on performance cash flow, or an asset's or investment's ability to generate cash flow. We determine performance cash flow by taking earnings before interest, taxes, and depreciation, depletion, and amortization, and adding or subtracting as appropriate, cash distributions from equity investments, earnings attributable to equity investments, and other non-cash items. We use this measure as a supplemental financial measurement in the evaluation of our business, and you should not consider it an alternative to earnings before interest and taxes, or EBIT, as an indicator of our operating performance or to cash flows from operating activities as a measure of our liquidity. In addition, it may not be a comparable measurement among different companies. Performance cash flows are presented here to provide you with additional information about our assets and investments. The accounting policies of the individual segments are the same as ours. The following table summarizes certain financial information for our business segments:

	GATHERING, TRANSPORTATION AND PLATFORM SERVICES	OIL AND NATURAL GAS PRODUCTION	INTERSEGMENT ELIMINATIONS	OTHER(1)	TOTAL
	(IN THOUSANDS)				
QUARTER ENDED MARCH 31, 2000:					
Revenue from external customers	$ 13,158	$ 5,792	$ --	$ --	$ 18,950
Intersegment revenue	3,166	--	(3,166)	--	
Earnings from equity investments	3,850	--	--	--	3,850
Operation and maintenance expense, net	1,278	3,896	(3,166)	--	2,008
Depreciation, depletion, and amortization	3,361	3,060	--	55	6,476
Operating income (loss)	14,593	(1,294)	--	(55)	13,244
EBIT	14,594	(1,294)	--	26	13,326
Performance cash flows	22,844	1,402	--	82	24,328
Assets	526,513	65,038	--	19,137	610,688
QUARTER ENDED MARCH 31, 1999:					
Revenue from external customers	$ 4,373	$ 6,805	$ --	$ --	$ 11,178
Intersegment revenue	2,874	--	(2,874)	--	--
Earnings from equity investments	10,701	--	--	--	10,701
Operation and maintenance expense, net	3,726	4,262	(2,874)	--	5,114
Depreciation, depletion, and amortization	1,916	4,799	--	4	6,719
Operating income (loss)	12,306	(2,866)	--	(4)	9,436
EBIT	12,373	(2,866)	--	32	9,539
Performance cash flows	13,678	2,297	--	36	16,011
Assets	351,275	81,349	--	10,616	443,240

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(1) Other represents income or assets not associated with our segment activities.

8. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

We hold investments in various affiliates which we account for using the equity method of accounting. Summarized financial information for these investments is as follows:

FIRST QUARTER ENDED
MARCH 31, 2000
(IN THOUSANDS)

	MANTA RAY OFFSHORE(A)	NAUTILUS(A)	DEEPWATER HOLDINGS(B)	POSEIDON	TOTAL
OWNERSHIP INTEREST	25.67%	25.67%	50%	36%	
OPERATING RESULTS DATA:					
Operating revenues	$4,625	$ 2,702	$15,086	$11,130	
Other income (expense)	707	(2)	87	195	
Operating expenses	(852)	(603)	(8,354)	(1,678)	
Depreciation	(800)	(1,475)	(4,039)	(1,941)	
Other expenses	(18)	(90)	(1,494)	(2,827)	
Net income	$3,662	$ 532	$ 1,286	$ 4,879	
OUR SHARE:					
Allocated income	$ 940	$ 137	$ 643	$ 1,756	
Adjustments(c)	57	--	903	(586)	
Earnings from equity investments	$ 997	$ 137	$ 1,546	$ 1,170	$3,850
Allocated distributions	$1,562	$ 638	$ 5,100	$ 1,440	$8,740

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(a) We own indirect investments in Manta Ray Offshore Gathering Company, L.L.C. and Nautilus Pipeline Company, L.L.C. However, because we believe separate data on each of these investees is more meaningful, results have been reflected separately.
(b) Deepwater Holdings was formed in September 1999 and owns 100 percent of High Island Offshore System, L.L.C., East Breaks Gathering Company, L.L.C., U-T Offshore System, L.L.C., Stingray Pipeline Company, L.L.C., and West Cameron Dehydration Company, L.L.C.
(c) We recorded adjustments primarily for differences from estimated year end 1999 earnings reported in our Annual Report on Form 10-K and actual earnings reported in the 1999 audited annual reports of our unconsolidated affiliates, and for purchase price adjustments under Accounting Principles Board (APB) Opinion No. 16, "Business Combinations."

FIRST QUARTER ENDED MARCH 31, 1999 (IN THOUSANDS)

	MANTA RAY OFFSHORE(A)	NAUTILUS(A)	VIOSCA KNOLL	STINGRAY	HIOS	UTOS	WEST CAMERON DEHY	POSEIDON	TOTAL
OWNERSHIP INTEREST.....	25.67%	25.67%	50%	50%	40%	33.3%	50%	36%	
OPERATING RESULTS DATA:									
Operating revenue.....	$ 3,446	$ 2,051	$ 7,361	$ 4,432	$ 10,006	$ 993	$ 831	$ 16,778	
Other income (expense)....	764	(234)	16	600	58	19	6	118	
Operating expenses.....	(1,040)	(501)	(270)	(3,158)	(3,858)	(452)	(75)	(1,671)	
Depreciation.....	(1,221)	(1,479)	(950)	(1,901)	(1,091)	(140)	(4)	(1,911)	
Interest expense.....	--	--	(1,125)	--	--	--	(8)	(2,116)	
Net income (loss).....	$ 1,949	$ (163)	$ 5,032	$ (27)	$ 5,115	$ 420	$ 750	$ 11,198	
OUR SHARE:									
Allocated income (loss)...	$ 500	$ (42)	$ 2,516	$ (14)	$ 2,046	$ 140	$ 375	$ 4,031	
Adjustments(b).....	(87)	(58)	--	1,112	185	27	--	(30)	
Earnings (loss) from equity investments.....	$ 413	$ (100)	$ 2,516	$ 1,098	$ 2,231	$ 167	$ 375	$ 4,001	$10,701
Allocated distributions...	$ 1,366	$ 527	$ 3,350	$ --	$ 1,600	$ 333	$ 275	$ 2,639	$10,090

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(a) We own indirect investments in these investees. However, because we believe separate data for each of these investees is more meaningful, results have been reflected separately.
(b) We recorded adjustments primarily for differences from estimated year end 1998 earnings reported in our Annual Report on Form 10-K and actual earnings reported in the 1998 audited annual reports of our unconsolidated affiliates, and for purchase price adjustments under APB Opinion No. 16, except for Stingray which resulted from changes in estimates of reserves for uncollectible revenues.

9. RELATED PARTY TRANSACTIONS

Our transactions with related parties and affiliates are as follows:

	FIRST QUARTER ENDED MARCH 31,	
	2000	1999
	(IN THOUSANDS)	
Revenues received from related parties:		
Oil and natural gas sales.....	$5,696	$6,769
Gathering, transportation and platform services.....	--	595
	$5,696	$7,364
Expenses paid to related parties:		
Operating expenses(1).....	$4,529	$3,586
Reimbursements received from related parties:		
Operating expenses.....	$5,021	$ 188

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(1) Included in these amounts are charges from El Paso Field Services of approximately $0.7 million and $0.5 million for other miscellaneous costs for the three month periods ended March 31, 2000 and March 31, 1999, respectively.

There have been no changes to our related party relationships, except as described below, from our 1999 Annual Report on Form 10-K.

As a result of assuming the operations of Deepwater Holdings' assets, we began receiving a reimbursement from Deepwater Holdings for the operation of HIOS, UTOS, East Breaks, Stingray, and West Cameron Dehy. This reimbursement is a fixed monthly amount covering normal operating activities and is recorded as a reduction to our operation and maintenance expense. To the extent our costs are more than the monthly reimbursement our operating expenses will be higher and to the extent our costs are lower than the monthly reimbursement our operating expense will be lower. In addition, due to the timing of actual costs, we may recognize fluctuations in our results of operations throughout the year.

In November 1999, we entered into an agreement with El Paso Field Services whereby, for a fee approximating actual costs, Field Services began providing field personnel to operate Stingray and West Cameron Dehy and, in February 2000, began operating HIOS, UTOS and East Breaks. On March 21, 2000, we entered into a similar agreement whereby Field Services will operate EPIA for a fee representing historical cost levels.

In October 1999, we farmed out our working interest in the Ewing Bank 958 Unit to El Paso Production Company, a subsidiary of El Paso Energy. Under the terms of the farmout agreement, our overriding royalty interest in the Ewing Bank 958 Unit increased to a weighted average of approximately 9 percent. If El Paso Production recoups the costs associated with its drilling and completion activities on the unit, we can convert our royalty interest into a 30 percent undivided working interest. El Paso Production began drilling on the Ewing Bank 958 Unit in November 1999 and encountered over 200 feet of net hydrocarbon pay. As a result, El Paso Production contracted with us to build the TLP described below.

In July 1999, we entered into a contract with MODEC International, L.L.C. for the design, construction, fabrication and installation of the hull, tendons, pilings and production risers for a tension-leg platform, or TLP, to be used as part of the Ewing Bank 958 Unit development. Upon the farm out of the Ewing Bank 958 Unit to El Paso Production, we suspended the construction of the TLP. In May 2000, we entered into a letter of intent with El Paso Production to install and own the TLP. The platform is anticipated to be delivered in April 2001 with first production anticipated to commence in June 2001.

10. NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

Accounting for Derivative Instruments and Hedging Activities

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, to establish accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and for hedging activities. This pronouncement requires us to classify derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value. If certain conditions are met, we may specifically designate a derivative as a hedge of:

- the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment,

- the exposure to variable cash flows of a forecasted transaction, or

- 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. Statement of Financial Accounting Standards No. 137 amended the standard in June 1999. The amendment defers the effective date to fiscal years beginning after June 15, 2000. We are 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 you should read it in conjunction with, information disclosed in Part II, Items 7, 7A and 8, in our Annual Report on Form 10-K for the year ended December 31, 1999, in addition to the interim financial statements and notes presented in Item 1 of this Quarterly Report on Form 10-Q.

RECENT DEVELOPMENTS

In May 2000, we notified the holders of our remaining 289,699 preference units of the beginning of their final opportunity to convert their preference units into common units in accordance with our partnership agreement. After this third and final conversion opportunity expires, we have the right and intend to redeem all remaining preference units for no more than $10.25 (subject to certain downward adjustments) per unit. This redemption price is below the closing price of preference units of $22.13 on May 5, 2000. Further, following this final conversion period, the preference units may no longer meet New York Stock Exchange minimum listing requirements and may be delisted.

In March 2000, we acquired EPIA from a subsidiary of El Paso Energy for $26.5 million. EPIA is a natural gas gathering system in the coal seam producing regions of Alabama. This acquisition represents our first purchase of an onshore system.

In January 2000, an anchor from a submersible drilling rig in tow damaged a section of the Poseidon system north of our Ship Shoal 332 platform. The accident resulted in the release of approximately 2,200 barrels of crude oil in the waters surrounding the system, caused damage to our platform, and resulted in initial shutdown of the system and certain surrounding facilities in which we have ownership interests for 68 days. Poseidon estimates the cost to repair the damaged pipeline and clean up of the crude oil released into the Gulf is approximately $17 million, and has placed the rig's owner on notice for liability and expenses due to the incident. Our earnings relating to Poseidon for the first quarter of 2000 were substantially lower than expected as a result of this accident. The pipeline has been repaired and throughput has returned to normal levels.

RESULTS OF OPERATIONS

For the quarter ended March 31, 2000, our net income was $1.9 million versus $3.5 million for the quarter ended March 31, 1999. First quarter 2000 results included earnings from the newly installed Allegheny oil pipeline, higher contribution from the Viosca Knoll gathering system, and lower net operating costs primarily attributed to lower operating costs incurred as a result of consolidating and integrating pipeline operations in the western Gulf region relative to cost recoveries under our operating agreement with Deepwater Holdings, offset by lower earnings from Poseidon as a result of the pipeline rupture. EBIT was $13.3 million for the first quarter of 2000 versus $9.5 million for the first quarter of 1999. A more detailed analysis of our segment results and non-operating expenses is discussed below.

SEGMENT RESULTS

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

	2000	1999
	(IN THOUSANDS)	
EARNINGS BEFORE INTEREST EXPENSE AND INCOME TAXES		
Gathering, transportation, and platform services	$14,594	$12,373
Oil and natural gas production	(1,294)	(2,866)
Segment EBIT	13,300	9,507
Non-segment activity, net	26	32
Consolidated EBIT	$13,326	$ 9,539

EBIT variances are discussed in the segment results below.

GATHERING, TRANSPORTATION, AND PLATFORM SERVICES

	FIRST QUARTER ENDED MARCH 31,	
	2000	1999
	(IN THOUSANDS)	
Gathering and transportation	$10,305	$ 1,262
Platform services	6,019	5,985
Equity investment earnings	3,850	10,701
Total operating revenues	20,174	17,948
Operating expenses, net	(5,581)	(5,642)
Other income	1	67
EBIT	$14,594	$12,373

Operating revenues for the three months ended March 31, 2000, were $2.2 million higher than for the same period in 1999 primarily as a result of the purchase of an additional 49 percent interest in Viosca Knoll in June 1999 and the Allegheny oil pipeline being placed in service in the fourth quarter of 1999, partially offset by lower equity in earnings from Poseidon as a result of the pipeline rupture in January 2000.

Operating expenses for the three months ended March 31, 2000, were approximately $0.1 million lower than in the same period in 1999 primarily as a result of consolidating and integrating pipeline operations in the western Gulf region relative to cost recoveries under our operating agreement with Deepwater Holdings, partially offset by the consolidation of Viosca Knoll beginning in the second quarter of 1999 and placing the Allegheny oil pipeline in service in the fourth quarter of 1999.

OIL AND NATURAL GAS PRODUCTION

	FIRST QUARTER ENDED MARCH 31,	
	2000	1999
	(IN THOUSANDS, EXCEPT VOLUMES)	
Natural gas	$ 4,518	$ 5,767
Oil, condensate, and liquids	1,274	1,038
Total operating revenues	5,792	6,805
Operating expenses	(7,086)	(9,671)
Other income	--	--
EBIT	$(1,294)	$(2,866)
Volumes(1)		
Natural gas sales (MMcf)	1,887	3,584
Oil, condensate, and liquid sales (MBBls)	59	99
Weighted average realized prices(1)		
Natural gas ($/Mcf)	$ 2.36	$ 1.60
Oil, condensate, and liquids ($/BBl)	$ 20.74	$ 10.46

- ---

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

MMcf = million cubic feet
MBBls = thousand barrels
Mcf = thousand cubic feet
BBl = barrel

Oil and natural gas sales for the three months ended March 31, 2000, were $1.0 million lower when compared to the same period in 1999. The decrease is a result of lower oil and natural gas production due to normal depletion of existing reserves and the shut in of Garden Banks 72 and 117 as a result of the Poseidon rupture, offset by higher realized prices of both oil and natural gas.

Operating expenses for the three months ended March 31, 2000, were approximately $2.6 million lower than in the same period in 1999 primarily as a result of lower depletion due to lower oil and natural gas production.

INTEREST AND DEBT EXPENSE

Interest and debt expense, net of capitalized interest, for the three months ended March 31, 2000, was approximately $5.3 million higher than 1999, due to higher average debt levels and interest rates in 2000.

LIQUIDITY AND CAPITAL RESOURCES

CASH FROM OPERATING ACTIVITIES

Net cash provided by operating activities was approximately $20.5 million for the three months ended March 31, 2000, compared to approximately $10.0 million for the same period in 1999. Cash from operations increased approximately $5.5 million due to higher distributions from equity investments in excess of equity earnings in the three months ended March 31, 2000 compared to the same period of 1999, along with favorable working capital changes in the 2000 period.

CASH FROM INVESTING ACTIVITIES

Net cash used in investing activities was approximately $35.9 million for the three months ended March 31, 2000, due to our acquisition of EPIA and additions to property, plant, and equipment along with additional expenditures on equity investments.

We expect that funding for capital expenditures, acquisitions, and other investing expenditures will be provided by internally generated funds, available capacity under existing credit facilities, and/or the issuance of other long-term debt or equity.

CASH FROM FINANCING ACTIVITIES

Net cash flows provided by financing activities totaled approximately $19.3 million for the three months ended March 31, 2000. During 2000, we increased the amounts outstanding under our credit facility by $37.0 million and made distributions to partners of $17.7 million.

We expect that future funding for long-term debt retirements, distributions, and other financing expenditures will be provided by internally generated funds, available capacity under existing credit facilities, and/or the issuance of other long-term debt or equity.

COMMITMENTS AND CONTINGENCIES

See Note 6, which is incorporated herein by reference.

OTHER

In January 2000, El Paso Energy announced it had entered into an agreement to merge with The Coastal Corporation. In May 2000, the shareholders of El Paso Energy and Coastal approved the merger. Coastal is the parent Company of ANR Pipeline Company, which is our joint venture partner in Deepwater Holdings. The merger is subject to certain conditions, including receipt of certain required government approvals. If the merger is completed, ANR will become our affiliate.

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

See Note 10, which is incorporated herein by reference.

CAUTIONARY STATEMENT REGARDING
FORWARD-LOOKING STATEMENTS

We have made statements in this document that constitute forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties. Forward-looking statements include information concerning possible or assumed future results of operations. These statements may relate to information or assumptions about:

- earnings per unit;
- capital and other expenditures;
- cash distributions;
- financing plans;
- capital structure;
- cash flow;
- pending legal proceedings and claims, including environmental matters;
- future economic performance;
- operating income;
- cost savings;
- management's plans; and
- goals and objectives for future operations.

Important factors that could cause actual results to differ materially from estimates or projections contained in forward-looking statements include, among others, the following:

- the increasing competition within our industry;
- the timing and extent of changes in commodity prices for natural gas and oil;
- the uncertainties associated with customer contract expirations on our pipeline systems; and
- the conditions of equity and other capital markets.

These risk factors are more fully described in our other filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 1999.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information updates, and you should read it in conjunction with, information disclosed in Part II, Item 7A in our Annual Report on Form 10-K for the year ended December 31, 1999, in addition to the information presented in Items 1 and 2 of this Quarterly Report on Form 10-Q.

There are no material changes in market risks from those reported in our Annual Report on Form 10-K for the year ended December 31, 1999.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Part I -- Financial Information, Note 6, 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
3.1	-- Certificate of Amendment to the Certificate of Limited Partnership of El Paso Energy Partners, as filed with the Delaware Secretary of State on December 1, 1999.
3.2	-- Amendment Number 3 to the Amended and Restated Agreement of Limited Partnership of El Paso Energy Partners.
10.14	-- Limited Liability Company Agreement for Poseidon Oil Pipeline Company, L.L.C. dated February 14, 1996; First Amendment to the Limited Liability Company Agreement for Poseidon Oil Pipeline Company, L.L.C. dated February 14, 1996.
10.15	-- Limited Liability Company Agreement of Neptune Pipeline Company, L.L.C. dated January 17, 1997.
10.16	-- Limited Liability Company Agreement of Ocean Breeze Pipeline Company, L.L.C. dated January 17, 1997.
10.17	-- Limited Liability Company Agreement of Nemo Gathering Company, L.L.C. dated July 26, 1999.
10.18	-- Limited Liability Company Agreement of Deepwater Holdings, L.L.C. dated September 30, 1999.
10.19	-- Purchase and Sale Agreement dated as of September 30, 1999 between Leviathan Deepwater, L.L.C. and ANR Western Gulf Holdings, L.L.C.
10.20	-- Fabrication Agreement dated as of July 16, 1999 by and between Delos Offshore Company and MODEC International LLC; Amendment No. 1 to the Fabrication Agreement dated as of August 31, 1999 by and between Delos Offshore Company and MODEC International LLC.
27	-- Financial Data Schedule.

(b) Report on Form 8-K

None.

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 thereunto duly authorized.

EL PASO ENERGY PARTNERS, L.P.

By: EL PASO ENERGY PARTNERS COMPANY,
its General Partner

Date: May 11, 2000

By: /s/ KEITH B. FORMAN

Keith B. Forman
Chief Financial Officer

Date: May 11, 2000

By: /s/ D. MARK LELAND

D. Mark Leland
Vice President and Controller
(Principal Accounting Officer)

INDEX TO EXHIBITS

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27	-- Financial Data Schedule.

EXHIBIT 3.1

CERTIFICATE OF AMENDMENT

TO THE

CERTIFICATE OF LIMITED PARTNERSHIP

OF

LEVIATHAN GAS PIPELINE PARTNERS, L.P.

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

FIRST: The name of the Limited Partnership is:

Leviathan Gas Pipeline Partners, L.P.

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

"ARTICLE I

NAME

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

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

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

LEVIATHAN GAS PIPELINE COMPANY
the General Partner

By: /s/ C. DANA RICE

C. Dana Rice
Vice President and Treasurer

EXHIBIT 3.2

AMENDMENT NO. 3
TO THE
AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
LEVIATHAN GAS PIPELINE PARTNERS, L.P.

This Amendment, dated as of November 30, 1999 (this "Amendment"), to the Amended and Restated Agreement of Limited Partnership of Leviathan Gas Pipeline Partners, L.P., a Delaware limited partnership (the "Partnership"), dated as of February 19, 1993 (the "Partnership Agreement"), is entered into by and among Leviathan Gas Pipeline Company, a Delaware corporation (the "General Partner"), as the general partner of the Partnership, and the Limited Partners (as defined in the Partnership Agreement).

RECITALS

WHEREAS, the names of both the General Partner and the Partnership are being changed, effective as of December 1, 1999; and

WHEREAS, the General Partner deems it to be in the Partnership's best interests to amend the Partnership Agreement to reflect the current names of the General Partner and the Partnership.

NOW, THEREFORE, AND IN CONSIDERATION of the mutual covenants, conditions and agreements contained in this Amendment, the parties hereto agree as follows:

AGREEMENT

1. Undefined Terms. Undefined terms used herein shall have the meanings ascribed such terms in the Partnership Agreement.

2. Amendments.

> All references to the General Partner contained in the Partnership Agreement shall hereafter be deemed to mean "El Paso Energy Partners Company" and all references to the Partnership contained in the Partnership Agreement shall hereafter be deemed to mean "El Paso Energy Partners, L.P."

IN WITNESS WHEREOF, the parties have executed this Agreement as of the 30th day of November 1999.

EL PASO ENERGY PARTNERS COMPANY
as General Partner

By: /s/ ROBERT G. PHILLIPS

Robert G. Phillips
Chief Executive Officer

EL PASO ENERGY PARTNERS COMPANY
as Attorney-in-Fact for all Limited Partners

By: /s/ ROBERT G. PHILLIPS

Robert G. Phillips
Chief Executive Officer

EXHIBIT 10.14

LIMITED LIABILITY COMPANY AGREEMENT

OF

POSEIDON OIL PIPELINE COMPANY, L.L.C.

(A DELAWARE LIMITED LIABILITY COMPANY)

(DATED AS OF FEBRUARY 14, 1996)

TABLE OF CONTENTS

LIMITED LIABILITY COMPANY AGREEMENT
OF
POSEIDON OIL PIPELINE COMPANY, L.L.C.
(A DELAWARE LIMITED LIABILITY COMPANY)

This Limited Liability Company Agreement of Poseidon Oil Pipeline Company, L.L.C., dated as of February 14, 1996, is (a) adopted by the Members (as defined below) and (b) executed and agreed to, for good and valuable consideration, by the Members.

ARTICLE I.
DEFINITIONS

1.01 SPECIFIC DEFINITIONS. As used in this Agreement, the following terms have the following meanings:

"AAA" has the meaning given that term in Section 16.05(b) herein.

"Act" means the Delaware Limited Liability Company Act and any successor statute, as amended from time to time.

"Additional Capital Contribution" has the meaning given to that term in Section 4.05 herein.

"Adjusted Capital Account" means the Capital Account maintained for each Member as of the end of each taxable year of the Company, (a) increased by any amounts that such Member is obligated to restore under the standards set by Treasury Regulation section 1.704-1(b)(2)(ii)(c) (or is deemed obligated to restore pursuant to the penultimate sentences of Treasury Regulation sections 1.704-2(g)(1) and 1.704-2(i)(5)), and (b) decreased by (i) the amount of all losses and deductions that, as of the end of such taxable year, are reasonably expected to be allocated to such Member in subsequent years under sections 704(e)(2) and 706(d) of the Code and Treasury Regulation section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that, as of the end of such taxable year, are reasonably expected to be made to such Member in subsequent years in accordance with the terms of this Agreement or otherwise to the extent they exceed offsetting increases to such Member's Capital Account that are reasonably expected to occur during (or prior to) the year in which such distributions are reasonably expected to be made (other than increases as a result of a minimum chargeback pursuant to Section 5.01(d) or 5.01(e)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Adjusted Property" means any property, the Carrying Value of which has been adjusted pursuant to Section 4.06(d). Once an Adjusted Property is deemed distributed

by, and recontributed to, the Company for federal income tax purposes upon a termination thereof pursuant to section 708 of the Code, such property shall thereafter constitute a Contributed Property until the Carrying Value of such property is further adjusted pursuant to Section 4.06(d).

"Advancing Members" has the meaning given to that term in Section 4.05 herein.

"Affiliate" means, with respect to any relevant Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such relevant Person in question. As used herein, the term "control" (including its derivatives and similar terms) means owning, directly or indirectly, more than 50% of the interest in any such relevant Person if such interest has, directly or indirectly, the power to direct or cause the direction of the management and policies of such relevant Person.

"Agreed Value" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution as determined by the Company using such reasonable method of valuation as it may adopt. The Company shall, in its sole discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Agreed Value of Contributed Properties in a single or integrated transaction among such properties on a basis proportional to their fair market value. In the event of a breach of a representation or warranty by a Member contained in a contribution agreement pertaining to a Contributed Property, the Agreed Value of such Contributed Property (and such Member's Capital Account) shall be reduced by (i) the diminution in value of the Contributed Property associated with such breach less (ii) the amount of any indemnity payments actually paid to the Company by such Member with respect to such breach.

"Agreement" means this Limited Liability Company Agreement (including any schedules, exhibits or attachments hereto) as amended, supplemented or modified from time to time.

"Available Cash" means unrestricted cash and cash equivalents of the Company less reasonable reserves, including, without limitation, those necessary for working capital and obligations or other contingencies of the Company. Available Cash shall not include any Initial Capital Contributions except to the extent that all of the Members agree that the applicable portion of any such Initial Capital Contribution is no longer needed to finance the construction of the Poseidon Pipeline or the operations of the Company.

"Bankrupt Member" means (except to the extent a Majority Interest consents otherwise) any Member:

(a) that (i) makes a general assignment for the benefit of creditors; (ii) files a voluntary bankruptcy petition; (iii) becomes the subject of an order

for relief or is declared insolvent in any federal or state bankruptcy or insolvency proceeding; (iv) files a petition or answer seeking for the Member a reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any law; (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Member in a proceeding of the type described in subclauses (i) through (iv) of this clause (a); or (vi) seeks, consents, or acquiesces to the appointment of a trustee, receiver, or liquidator of the Member or of all or any substantial part of the Member's properties; or

(b) against which a proceeding seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any law has been commenced and 90 days have expired without dismissal thereof or with respect to which, without the Member's consent or acquiescence, a trustee, receiver, or liquidator of the Member or of all or any substantial part of the Member's properties has been appointed and 60 days have expired without such appointments having been vacated or stayed, or 60 days have expired after the date of expiration of a stay, if the appointment has not previously been vacated.

In addition, Poseidon, and any of its Transferees or Substituted Members, shall be deemed to be a Bankrupt Member if any of the foregoing events occur with respect to the Guarantor.

"Book-Tax Disparity" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Member's share of the Company's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Member's Capital Account balance as maintained pursuant to Section 4.06 and the hypothetical balance of such Member's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles. The determination of Book-Tax disparity and a Member's share thereof shall be determined consistently with Section 1.704-3(c) of the Treasury Regulations.

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States or the State of New York shall not be regarded as a Business Day.

"Business Development Committee" has the meaning given that term in Section 6.02.

"Capital Account" means the capital account maintained for each Member pursuant to Section 4.06 herein.

"Capital Contribution" means any contribution by a Member to the capital of the Company, as contemplated by Section 4.06(a).

"Carrying Value" means (a) with respect to Contributed Property, the Agreed Value of such property reduced (but not below zero) by all depreciation, amortization and cost recovery deductions relating to such property charged to the Members' Capital Accounts, and (b) with respect to any other Company property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 4.06(d)(i) and 4.06(d)(ii) and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Company properties, as deemed appropriate by the Company.

"Certificate" has the meaning given that term in Section 2.01.

"Code" means the Internal Revenue Code of 1986 and any successor statute, as amended from time to time.

"Company" means Poseidon Oil Pipeline Company, L.L.C., a Delaware limited liability company.

"Company Minimum Gain" means the amount determined pursuant to Treasury Regulation Section 1.704-2(d).

"Contributed Property" means each property or other asset, in such form as may be permitted by the Act, but excluding cash or cash equivalents, contributed to the Company (or deemed contributed to the Company on termination and reconstitution thereof pursuant to section 708 of the Code). Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 4.06(d), such property shall no longer constitute a Contributed Property for purposes of Section 5.02, but shall be deemed an Adjusted Property for such purposes.

"Costs" has the meaning given that term in Section 4.03(a)(ii)(3).

"Declining Member" has the meaning given to that term in Section 4.05 herein.

"Default" means, in respect of any Member, upon the occurrence and during the continuation of any of the following events:

(a) the failure to remedy within five (5) Business Days of receipt of written notice thereof from the Company or any Member, the failure of a

Member to make any Initial Capital Contribution to the Company as required pursuant to Section 4.01, on the date on which such Initial Capital Contribution is due;

(b) the occurrence of any event that causes such Member to become a Bankrupt Member; or

(c) the failure to remedy within ten (10) Business Days of receipt of written notice thereof, the default in performance of or failure to comply with any other material agreements, obligations or undertakings of such Member (or, in the case of Poseidon, or any of its Transferees or Substituted Members, the Guarantor) contained in the Transaction Documents.

"Default Interest Rate" means a rate per annum, compounded daily, equal to the lesser of (a) 4% plus a varying rate per annum that is equal to the interest rate publicly quoted or announced by Chase Manhattan Bank (New York, New York office), from time to time as its prime commercial or similar reference interest rate, with adjustments in that varying rate to be made on the same date as any change in that rate, and (b) the maximum rate permitted by applicable law.

"Delinquent Member" has the meaning given that term in Section 4.03(a).

"Economic Risk of Loss" has the meaning set forth in Treasury Regulation section 1.752-2(a).

"Eligible Citizen" means a Person qualified to hold leases, rights-of-way, permits, licenses or other similar agreements or documents issued by or entered into with the United States government, and whose status as a Member or Transferee does not or would not subject the Company to a substantial risk of cancellation or forfeiture of any such lease, right-of-way, permit, license or other similar agreement or document issued by or entered into with the United States government. As of the date hereof, "Eligible Citizen" means (a) a citizen of the United States, (b) an association (including a partnership, joint tenancy in common) organized or existing under the Laws of the United States or any state or territory thereof, all of the members of which are citizens of the United States or (c) a corporation organized under the Laws of the United States or of any state or territory thereof, of which corporation, to the best of its knowledge, not more than five percent of the voting stock, or of all the stock, is owned or controlled by citizens of countries that deny to United States citizens privileges to own stock in corporations holding oil and gas leases similar to the privileges of non-United States citizens to own stock in corporations holding an interest in oil and gas leases on federal lands.

"Foreclosure Transfer" means any Transfer resulting from any judicial or non-judicial foreclosure by the holder of a Security Interest or Transfer from the holder of a Security Interest in connection with a workout or similar arrangement.

"GAAP" has the meaning given that term in Section 3.06(b) herein.

"General Interest Rate" means a rate per annum, compounded daily, equal to the lesser of (a) a varying rate per annum that is equal to the interest rate publicly quoted by Chase Manhattan Bank (New York, New York office), a national banking association, from time to time as its prime commercial or similar reference interest rate, with adjustments in that varying rate to be made on the same date as any change in that rate, plus one percent and (b) the maximum rate permitted by applicable law.

"Guarantor" means Leviathan Gas Pipeline Partners, L.P., a Delaware limited partnership.

"Initial Capital Contribution" shall have the meaning given that term in Section 4.01 herein.

"Lateral Opportunity" has the meaning given that term in Section 15.01.

"Lateral Opportunity Notice" has the meaning given that term in Section 15.01.

"Laws" means the laws, rules, regulations, decrees and orders of the United States of America and all other governmental authorities having jurisdiction, whether such Laws now exist or hereafter come into effect.

"Lending Member" has the meaning given that term in Section 4.03(a)(ii).

"Liquidator" has the meaning given to that term in Section 12.02.

"Majority Interest" means one or more Members having among them more than 50% of the Membership Interests of all Members.

"Management Committee" has the meaning given that term in Section 6.02.

"Member" means any Person executing this Agreement as of even date herewith as a Member or any Person hereafter admitted to the Company as an additional Member or Substituted Member as provided in this Agreement, but does not include any Person who has ceased to be a Member in the Company.

"Membership Interest" means the ownership interest (on a percentage basis) of a Member in the Company, including, without limitation, rights to distributions (liquidating or otherwise), allocations, information, and to consent or approve, which ownership interest is more particularly described and identified in Article III and Exhibit A.

"Minimum Gain Attributable to Member Nonrecourse Debt" means that amount determined in accordance with the principles of Treasury Regulation section 1.704-2(i)(3).

"Net Agreed Value" means (a) in the case of any Contributed Property, the fair market value of such property reduced by any liabilities either assumed by the Company upon such contribution or to which such property is subject when contributed, and (b) in the case of any property distributed to a Member or Transferee by the Company, the Company's Carrying Value of such property at the time such property is distributed, reduced by any indebtedness either assumed by such Member or Transferee upon such distribution or to which such property is subject at the time of distribution as determined under section 752 of the Code.

"Net Income" means, for any taxable period, the excess, if any, of the Company's items of income and gain for such taxable period over the Company's items of loss and deduction for such taxable period. The items included in the calculation of Net Income shall be determined in accordance with Section 4.06(b) and shall not include any items specifically allocated under Sections 5.01(d) through 5.01(i). For purposes of Sections 5.01(a) and (b), in determining whether Net Income has been allocated to any Member for any previous taxable period, any Unrealized Gain or Unrealized Loss allocated pursuant to Section 4.06(d) shall be treated as an item of gain or loss in computing Net Income.

"Net Loss" means, for any taxable period, the excess, if any, of the Company's items of loss and deduction for such taxable period over the Company's items of income and gain for such taxable period. The items included in the calculation of Net Loss shall be determined in accordance with Section 4.06(b) and shall not include any items specifically allocated under Sections 5.01(d) through 5.01(i). For purposes of Sections 5.01(a) and (b), in determining whether Net Loss has been allocated to any Member for any previous taxable period, any Unrealized Gain or Unrealized Loss allocated pursuant to Section 4.06(d) shall be treated as an item of gain or loss in computing Net Loss.

"Nonrecourse Built-In Gain" means with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or negative pledge securing a nonrecourse liability, the amount of any taxable gain that would be allocated to the Members pursuant to Section 5.02(b)(i)(A), 5.02(b)(ii)(A) or 5.02(b)(iii) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"Nonrecourse Debt" has the meaning set forth in Treasury Regulation section 1.704-2(b)(4).

"Nonrecourse Deductions" means any and all items of loss, deduction, or expenditure (described in section 705(a)(2)(B) of the Code) that, in accordance with the

principles of Treasury Regulation section 1.704-2(b)(i), are attributable to a Nonrecourse Liability.

"Nonrecourse Liability" has the meaning assigned to such term in Treasury Regulation section 1.704-2(b)(3).

"Non-Selling Members" has the meaning given that term in Section 3.06(e) herein.

"Offer Notice" has the meaning given that term in Section 3.06(e) herein.

"Oil Contract" means any contract, agreement or other obligation of the Company to buy, sell, transport, gather or otherwise handle oil or liquid condensate or to construct, maintain or operate any pipelines or facilities in connection therewith.

"Obligation" has the meaning given that term in Section 4.03(a)(ii)(2).

"Onshore Segment" means either (i) the assets subject to that certain Purchase and Sale Agreement dated as of June 12, 1995, between Texaco Pipeline Inc. ("TPL") and Texas Eastern Transmission Corporation, as amended from time to time, if the Members decide to consummate the acquisition of such assets, or (ii) the assets described in the agreement referred to in clause (b)(vii) of the definition of "Transaction Documents," if the Members decide not to consummate the acquisition of the assets referred to in clause (i) above and to proceed under such agreement.

"Operating Committee" has the meaning given that term in Section 6.02(a).

"Option Period" has the meaning given that term in Section 3.06(e) herein.

"Person" means any individual or entity, including, without limitation, any corporation, limited liability company, partnership (general or limited), joint venture, association, joint stock company, trust, unincorporated organization or government (including any board, agency, political subdivision or other body thereof).

"Phase I Line" means the pipeline and facilities to be installed pursuant to that certain (i) Construction Agreement of even date herewith between the Company and Poseidon and (ii) Offshore Pipeline Installation Agreement dated August 17, 1995 between Poseidon and J. Ray McDermott, Inc., which pipeline and facilities are more particularly described on "Exhibit B. "

"Phase II Line" means the pipeline and facilities to be installed pursuant to that certain (i) Construction Agreement of even date herewith between the Company and Texaco and (ii) offshore pipeline installation agreement entered into with an independent

contractor in connection with such Construction Agreement, which pipeline and facilities are more particularly described on Exhibit B.

"Poseidon" means Poseidon Pipeline Company, L.L.C.

"Poseidon Pipeline" means that certain oil pipeline to be constructed and owned by Company and operated by Company or its designee and located offshore Louisiana, Outer Continental Shelf, comprised of (i) the Phase I Line, (ii) the Phase II Line, (iii) the Onshore Segment, (iv) any laterals constructed by Company pursuant to Section 15.01 or purchased by the Company, (v) any other facilities constructed by Company and (vi) the equipment, facilities and fixtures located on or connected to such pipelines and facilities described in (i) through (iv) above and owned by Company, but excluding any equipment, facilities or fixtures owned (wholly or partially) by any Person other than Company.

"Proceeding" has the meaning given that term in Section 8.01.

"Recapture Income" means any gain recognized by the Company (computed without regard to any adjustment required by section 734 or 743 of the Code) upon the disposition of any property or asset of the Company, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

"Record Date" means the date established by the Company for determining (a) the identity of Members (or Transferees, if applicable) entitled to notice of, or to vote at any meeting of Members or entitled to vote by ballot or give approval of Company action in writing without a meeting or entitled to exercise rights in respect of any lawful action of Members, or (b) the identity of Record Holders entitled to receive any report or distribution.

"Record Holder" means the Person in whose name a Membership Interest is registered on the books of the Company as of the opening of business on a particular Business Day.

"Rejected Lateral Opportunity" has the meaning given that term in Section 15.01.

"Required Interest" means the applicable percentage of Membership Interests of all Members required to authorize or approve a relevant act of the Company, including, without limitation, a Majority Interest, a Super-Majority Interest or all Membership Interests, as applicable.

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Company recognized for federal income tax purposes resulting from a sale,

exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 5.02(b)(i)(A) or 5.02(b)(ii)(A), to eliminate Book-Tax Disparities.

"Security Interest" means any security interest, lien, mortgage, encumbrance, hypothecation, pledge, or other obligation, whether created by operation of law or otherwise, created by any Person in any of its property or rights.

"Selling Member" has the meaning given that term in Section 3.06(e) herein.

"Service" means the Internal Revenue Service.

"Substituted Member" means a Person who is admitted as a Member to the Company pursuant to Section 3.05 in place of and with all the rights of a Member and who is shown as a Member on the books and records of the Company.

"Super-Majority Interest" means one or more Members having among them at least 66 2/3% of the Membership Interests of all Members.

"Tax Matters Member" has the meaning given that term in Section 9.03.

"Texaco" means Texaco Trading and Transportation Inc.

"Transaction Documents" means (a) this Agreement, (b) each of the following documents of even date herewith: (i) the Operation and Management Agreement between the Company and Texaco; (ii) the Construction Agreement between Poseidon and the Company; (iii) the Construction Agreement between the Company and Texaco; (iv) the Contribution Agreement between Poseidon and certain of its Affiliates and the Company; (v) the Contribution Agreement between Texaco and one of its Affiliates and the Company; (vi) the Letter Agreement among the Company, Manta Ray Gathering Systems, Inc., Poseidon and Texaco; (vii) the Letter Agreement among the Company, Poseidon, Texaco and Texaco Pipeline Inc.; (viii) the Agreement between Poseidon and Texaco regarding the letter of credit issued in favor of the Company and (ix) the Guaranty made by Leviathan Gas Pipeline Partners, L.P. and (c) the Platform Limited Right of Use Agreement and the Lease Agreement, each between the Company and Louisiana Offshore Gathering Systems, L.L.C., and each as described in the Letter Agreement described in subsection (b)(vii), above.

"Transferee" means a Person who receives all or part of a Member's Membership Interest through a Transfer but who has not become a Substituted Member.

"Transferor" means a Member, Substituted Member or a predecessor Transferor who Transfers a Membership Interest.

"Transfer" or "Transferred" means, other than granting a Security Interest and making a Transfer in connection with any such Security Interest, (i) a voluntary or involuntary sale, assignment, transfer, conveyance, exchange, bequest, devise, gift or any other alienation (in each case, with or without consideration) of any rights, interest or obligations with respect to all or any portion of any Membership Interest including, without limitation, a Foreclosure Transfer, or (ii) (A) the sale of all or substantially all of a Member's assets, (B) a merger or consolidation involving a Member or (C) a transfer, directly or indirectly, in one or more transactions, of a majority of the equity interests in a Member to a Person that is not an Affiliate of such Member prior to such transfer; provided, however, that a transfer, directly or indirectly, of the equity ownership (including, without limitation, a merger, consolidation, share exchange or similar transaction) or of all or substantially all of the assets of the Guarantor or Texaco shall not be considered a Transfer hereunder.

"Treasury Regulation" shall have the meaning set forth in Section 3.09.

"Unrealized Gain" attributable to any item of Company property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 4.06(d) as of such date). In determining such Unrealized Gain, the aggregate cash amount and fair market value of a Company asset (including cash or cash equivalents) shall be determined by the Company using such reasonable method of valuation as it may adopt.

"Unrealized Loss" attributable to any item of Company property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 4.06(d) as of such date) over (b) the fair market value of such property as of such date. In determining such Unrealized Loss, the aggregate cash amount and fair market value of a Company asset (including cash or cash equivalents) shall be determined by the Company using such reasonable method of valuation as it may adopt.

"Withdrawing Member" shall have the meaning given that term in Section 12.02(d) herein.

1.02 OTHER TERMS. Other terms may be defined elsewhere in the text of this Agreement and shall have the meaning indicated throughout this Agreement.

1.03 CONSTRUCTION. Whenever the context requires, the gender of all words used in this Agreement includes the masculine, feminine, and neuter. All references to Articles and Sections refer to articles and sections of this Agreement, and all references to Exhibits are to exhibits attached hereto, each of which is incorporated herein for all purposes.

ARTICLE II.
ORGANIZATION

2.01 FORMATION. The Company has been organized as a Delaware limited liability Company by the filing of a Certificate of Formation (the "Certificate") with the Secretary of State of the State of Delaware pursuant to the Act.

2.02 NAME. The name of the Company is Poseidon Oil Pipeline Company, L.L.C. and all Company business must be conducted in that name or such other names that comply with applicable law as the Company may select from time to time.

2.03 PRINCIPAL OFFICE IN THE UNITED STATES; OTHER OFFICES. The principal office of the Company in the United States shall be at 1670 Broadway, Denver, Colorado 80202, or at such other place as the Company may designate from time to time, which need not be in the State of Delaware. The Company may have such other offices as the Members may designate from time to time.

2.04 PURPOSE. The sole and exclusive purpose of the Company is to design, construct, own and operate the Poseidon Pipeline, including entering into Oil Contracts related to the operation thereof.

2.05 FOREIGN QUALIFICATION. Prior to the Company's conducting business in any jurisdiction other than Delaware, the Company shall comply, to the extent procedures are available and those matters are reasonably within the control of the Company, with all requirements necessary to qualify the Company as a foreign limited liability company, and, if necessary, keep the Company in good standing, in that jurisdiction.

2.06 TERM. Subject to earlier termination pursuant to other provisions of this Agreement (including those contained in Article V), the term of the Company shall be from the date of this Agreement through and including December 31, 2046.

2.07 MERGERS AND EXCHANGES. Except as otherwise provided in this Agreement or by applicable Laws, the Company may be a party to any (i) merger, (ii) consolidation, (iii) exchange or acquisition or (iv) any other type of reorganization.

2.08 BUSINESS OPPORTUNITIES--NO IMPLIED DUTY OR OBLIGATION. The Members and their respective Affiliates may engage, directly or indirectly, without the consent of the other Members or the Company, in other business opportunities, transactions, ventures or other arrangements of any nature or description, independently or with others, including without limitation, business of a nature which may be competitive with or the same as or similar to the business of the Company, regardless of the geographic location of such business, and without any duty or obligation to account to the other Members or the Company in connection therewith.

ARTICLE III.
MEMBERSHIP INTERESTS AND TRANSFERS

3.01 INITIAL MEMBERS. The initial Members of the Company are the Persons executing this Agreement as of the date hereof in such capacity, each of which is admitted to the Company as a Member effective contemporaneously with the execution by such Person of this Agreement.

3.02 NUMBER OF MEMBERS. The number of Members of the Company shall never be fewer than two.

3.03 MEMBERSHIP INTERESTS. The Members agree that each Member's ownership in the Company shall be that which is set forth in Exhibit A, as amended from time to time in accordance with the terms of this Agreement.

3.04 REPRESENTATIONS AND WARRANTIES. Each Member hereby represents and warrants to the Company and each other Member that (a) it is duly formed, validly existing and (if applicable) in good standing under the Laws of the state of its formation, and if required by Laws is duly qualified to do business and (if applicable) in good standing in the jurisdiction of its principal place of business (if not formed therein); (b) that Member has full corporate, limited liability company, partnership, trust, or other applicable power and authority to execute and agree to this Agreement and to perform its obligations hereunder and all necessary actions by the board of directors, shareholders, managers, members, partners, trustees, beneficiaries, or other Persons necessary for the due authorization, execution, delivery, and performance of this Agreement by that Member have been duly taken; (c) that Member has duly executed and delivered this Agreement and it is enforceable against such Member in accordance with its terms, subject to bankruptcy, moratorium, insolvency and other Laws generally affecting creditors' rights and general principles of equity (whether applied in a proceeding in a court of Laws or equity); (d) that Member's authorization, execution, delivery, and performance of this Agreement does not conflict with any other material agreement or arrangement to which that Member is a party or by which it is bound; (e) that member is an Eligible Citizen and will remain an Eligible Citizen for so long as such Member remains a Member of the Company; and (f) it (i) has been furnished with or given adequate access to such information about the Company and the Membership Interest as the Member has requested, (ii) has made its own independent inquiry and investigation into, and based thereon has formed an independent judgment concerning, the Company and that Member's Membership Interest therein, (iii) has adequate means of providing for its current needs and possible individual contingencies and is able to bear the economic risks of this investment and has a sufficient net worth to sustain a loss of its entire investment in the Company in the event such loss should occur, (iv) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Company, (v) is an "accredited investor" within the meaning of "accredited investor" under Regulation D of the Securities Act of 1933, as amended, and (vi) understands and agrees that its Membership Interest shall not be sold, pledged, hypothecated or otherwise transferred except in accordance

with the terms of this Agreement and pursuant to an applicable exemption from registration under the Securities Act of 1933 and other applicable securities Laws.

3.05 RESTRICTIONS ON THE TRANSFER OF A MEMBERSHIP INTEREST. A Member may Transfer all or part of a Membership Interest only in accordance with applicable Laws and the provisions of this Agreement, including the following provisions of this Section. Any purported Transfer in breach of the terms of this Agreement shall be null and void ab initio, and the Company shall not recognize any such prohibited Transfer.

(a) A Membership Interest shall not be Transferred except pursuant to an applicable exemption from registration under the Securities Act of 1933 and other applicable securities Laws;

(b) Except as otherwise provided in this Agreement or by applicable Laws, a Transfer of a Membership Interest shall be effective only to give the Transferee the right to receive the share of allocations and distributions to which the Transferor would otherwise be entitled, and no Transferee of a Membership Interest shall have the right to become a Substituted Member;

(c) Unless and until a Transferee is admitted as a Substituted Member, (i) the Transferee shall have no right to exercise any of the powers, rights and privileges of a Member hereunder other than to receive its share of allocations and distributions pursuant to Section 3.05(b), and (ii) the Member who has Transferred all or any part of its Membership Interest to such Transferee shall cease to be a Member with respect to such Membership Interest upon Transfer of such Membership Interest and thereafter shall have no further powers, rights and privileges as a Member hereunder with respect to such Membership Interest (to the extent so Transferred), but shall, unless otherwise relieved of such obligations, remain liable for all obligations and duties as a Member with respect to such Membership Interest;

(d) Subject to compliance with the terms and conditions of Section 3.06, a Transferee may become a Substituted Member if the Transferee agrees in writing to be bound by all the terms and conditions, as then in effect, of this Agreement;

(e) At the time all of the provisions of Sections 3.05, 3.06 and 3.07 are complied with, (i) a Substituted Member shall have all of the powers, rights, privileges, duties, obligations and liabilities of a Member, as provided in this Agreement and by applicable Laws to the extent of the Membership Interest so Transferred and (ii) the Member who Transferred the Membership Interest shall be relieved of all of the obligations and liabilities with respect to such Membership Interest; provided that such Member shall remain fully liable for all liabilities and obligations relating to such Membership Interest that accrued prior to such Transfer;

(f) The Company may, in its reasonable discretion, charge a Member a reasonable fee to cover the additional administrative expenses incurred in connection with or as a consequence of any Transfer of all or part of such Member's Membership Interest;

(g) In the absence of the substitution (as provided herein) of a Member for a transferring Member, any payment to the transferring Member shall acquit the Company and the Members of all liability to any other Persons who may be interested in such payment by reason of a Transfer by such Member;

(h) Notwithstanding any term or condition contained in Sections 3.05, 3.06 and 3.07, any Person shall have the right to grant a Security Interest in any rights or obligations such Person may have arising from or related to this Agreement, the Company or any interest therein and make a Transfer in connection with any such Security Interest; provided that such Security Interest is not created in violation of Sections 3.05(a) and (i) of this Agreement and any other provisions contained in this Agreement and the Company is promptly notified in writing of such Security Interest; and

(i) Each Member or Transferee agrees not to Transfer all or any part of its Membership Interest (or take or omit any action, filing, election, or other action which could result in a deemed Transfer) if such Transfer (either considered alone or in the aggregate with prior Transfers by the same Member or any other Members or Transferees) would result in the termination of the Company for federal income tax purposes. Such an attempted Transfer is void ab initio.

Notwithstanding any contrary provision contained in this Agreement, no Person shall Transfer to any other Person such Person's rights or obligations arising from or related to this Agreement, the Company or any interest therein if such Transfer (A) would result in violation of the Act or any local, state or federal (including agencies thereof) rule, statute or Laws (including, without limitation, those promulgated by the Minerals Management Service), (B) would alter the non-jurisdictional status of the Company with respect to the jurisdiction of the Federal Energy Regulatory Commission or any successor thereto or (C) have a material adverse effect on the assets or operations of the Company. Any such attempted Transfers are void ab initio.

3.06 TRANSFER RESTRICTIONS.

(a) Neither the Company nor any of the Members shall be bound or otherwise affected by any Transfer of Membership Interest of which such Person has not received notice.

(b) Any Member's Membership Interest may be Transferred to any Person that is directly or indirectly controlled (through the ownership of voting interests) by such Member (or, in the case of Poseidon, directly or indirectly owned or controlled (through the ownership of voting interests) by the Guarantor) so long as the Transferee or Substituted Member has a net worth calculated in accordance with General Accepted Accounting Principles ("GAAP") of not less than the lesser of (i) $150 million or (ii) the greater of (A) the net worth of Transferor on the date of this Agreement or (B) the net worth of Transferor immediately prior to the date of the Transfer. If the Transferor's Membership Interest is subject to a guaranty, the guaranty shall apply to the Transferee and its Membership Interest.

(c) Subject to the right of first refusal set forth in Section 3.06(e), a Member may Transfer all or any portion of its Membership Interest to any Person that has a net worth calculated in accordance with GAAP of not less than $150 million immediately prior to the Transfer; provided that such net worth requirement shall not apply in the case of a Foreclosure Transfer. Prior to a Transfer under this Section 3.06(c), the Transfer must be approved in writing by all non-transferring Members. Such approval will not be unreasonably delayed or withheld.

(d) Except with respect to a Foreclosure Transfer, a Member in Default shall not Transfer its Membership Interest.

(e) Except with respect to a Foreclosure Transfer or Transfers according to the terms of Section 3.06(b), any Member who desires to Transfer all or any portion of its Membership Interest ("Selling Member") to a ready, willing and able Person shall first offer to sell such Membership Interest to the other Members (the "Non-Selling Members") as a group. Such offer shall be made by an irrevocable written offer (the "Offer Notice") to sell all of the Membership Interest which the Selling Member desires to Transfer and shall contain a complete description of the transaction in which the Selling Member proposes to Transfer the Membership Interest, including, without limitation, the name of the ready, willing and able Person and the consideration specified. The Non-Selling Members shall have forty-five (45) days (the "Option Period") after actual receipt of the Offer Notice within which to advise the Selling Member whether or not they will purchase all of such Membership Interest upon the terms and conditions contained in the Offer Notice. If, within the Option Period, one or more Non-Selling Members elect to purchase such Membership Interest, then such Non-Selling Member or Members shall close such transaction in accordance with Section 3.06(f) no later than the later to occur of (i) the closing date set forth in the Notice Offer or (ii) sixty (60) days after the last day of the Option Period. If any Non-Selling Member does not elect to purchase its proportionate share of the Membership Interest being sold, the remaining Non-Selling Members shall have the right to purchase the remaining Membership Interest based on the relation of their Membership Interest to the Membership Interest of all Non-Selling Members desiring to purchase a portion of such Membership Interest. The right herein created in favor of the Non-Selling Members as a group is an option to purchase all, or none, of the Membership Interest offered for sale by the Selling Member. If the Non-Selling Members as a group decline to purchase all of the Membership Interest of the Selling Member in accordance with this Section, the Selling Member may Transfer such Membership Interest to the Person named in the Offer Notice delivered to the Non-Selling Members upon the terms described in such Offer Notice. If such Transfer does not occur in accordance with the terms of such Offer Notice, the Selling Member shall again be subject to the provisions of this Section. Upon consummation of any such Transfer (whether to a Member or any other Person), such Person and its Membership Interest shall automatically become a party to and be bound by this Agreement and shall thereafter have all of the rights and obligations of a Member hereunder. Notwithstanding the foregoing, all Transfers pursuant to this Section must also comply with and be governed by this Agreement, including any restrictions on Transfers therein and on any Transferee becoming a Substituted Member.

(f) At the closing of the Transfer of a Membership Interest pursuant to this Agreement, the transferee shall deliver to the Transferor (A) the full consideration agreed upon and (B) a release of all personal liability of the Transferor as a guarantor of any indebtedness for borrowed money of the Company to any Person or, if a release reasonably cannot be obtained, an agreement which, by its terms and substance, fully indemnifies the Transferor for such liability. Any Membership Interest Transfer or similar taxes involved in such sale shall be paid by the Transferor, and the Transferor shall provide the transferee with such evidence of the Transferor's authority to Transfer hereunder and such tax lien waivers and similar instruments as the transferee may reasonably request.

(g) If any governmental consent or approval is required with respect to any Transfer, the transferee shall have a reasonable amount of time (not to exceed sixty (60) days from the date upon which such Transfer would have been otherwise consummated in accordance with the terms of this Agreement) to obtain such consent or approval. All Members shall use reasonable, good faith efforts to cooperate with the transferee attempting to obtain, and to assist in timely obtaining, such consent or approval; provided that no Member shall be required to incur any out-of-pocket costs in connection with such cooperation and assistance. After the expiration of such waiting period, such transferee shall forfeit its rights to acquire the Membership Interest with respect to such specific transaction; provided, however, that such forfeiture shall not limit or otherwise affect the forfeiting transferee's rights with respect to any subsequent proposed Transfer.

3.07 DOCUMENTATION; VALIDITY OF TRANSFER. The Company may not recognize for any purpose any purported Transfer of all or any part of a Membership Interest unless and until the applicable provisions of Sections 3.05 and 3.06 have been satisfied and the Company has received, on behalf of the Company, a document in a form acceptable to the Company executed by both the Member effecting the Transfer (or if the Transfer is on account of the death, incapacity, or liquidation of the Member, its representative) and the transferee. Such document shall (i) include the notice address of any Person to be admitted to the Company as a Substituted Member and such Person's agreement to be bound by this Agreement with respect to the Membership Interest or part thereof being obtained, (ii) set forth the Membership Interest after the Transfer of the Member effecting the Transfer and the Person to which the Membership Interest or part thereof is Transferred (which together must total the Membership Interest of the Member effecting the Transfer before the Transfer), (iii) contain a representation and warranty that the Transfer was made in accordance with all applicable Laws (including state and federal securities Laws) and the terms and conditions of this Agreement, and (iv) if the Person to which the Membership Interest or part thereof is Transferred is to be admitted to the Company as a Substituted Member, its representation and warranty that the representations and warranties in Section 3.04 are true and correct with respect to such Person. Each Transfer and, if applicable, admission complying with the provisions of this Section 3.07 and Sections 3.05 and 3.06 is effective against the Company as of the first business day of the calendar month immediately succeeding the month in which (y) the Company receives the document required by this Section 3.07 reflecting such Transfer, and (z) the other requirements of Sections 3.05 and 3.06 have been met.

3.08 [Intentionally Deleted.]

3.09 POSSIBLE ADDITIONAL RESTRICTIONS ON TRANSFER. Notwithstanding anything to the contrary contained in this Agreement, in the event of (i) the enactment (or imminent enactment) of any legislation, (ii) the publication of any temporary or final regulation by the Treasury Department ("Treasury Regulation"), (iii) any ruling by the Service or (iv) any judicial decision that in any such case, in the opinion of counsel, would result in the taxation of the Company for federal income tax purposes as a corporation or would otherwise subject the Company to being taxed as an entity for federal income tax purposes, this Agreement shall be deemed to impose such restrictions on the Transfer of a Membership Interest as may be required, in the opinion of counsel to the Company, to prevent the Company from being taxed as a corporation or otherwise being taxed as an entity for federal income tax purposes, and the Members thereafter shall amend this Agreement as necessary or appropriate to impose such restrictions.

3.10 ADDITIONAL MEMBERSHIP INTERESTS. Additional Persons may be admitted to the Company as Members, and Membership Interests may be created and issued to those Persons and to existing Members upon a unanimous vote by the Members and subject to the terms and conditions of this Agreement. Such admission must comply with any additional terms and conditions the Members may in their sole discretion determine at the time of admission. A document, in a form acceptable to the Company, shall specify the terms of admission or issuance and shall include, among other things, the Membership Interest applicable thereto. Any such admission of a new Member also must comply with the provisions of Section 3.05(d). The provisions of this Section 3.10 shall not apply to Transfers of Membership Interests.

3.11 INTERESTS IN A MEMBER.

(a) A Member that is not a natural person may not cause or permit an interest, direct or indirect, in itself to be Transferred such that, after the Transfer, the Company would be considered to have terminated within the meaning of section 708 of the Code.

(b) On any breach of the provisions of Section 3.11 (a), the Company shall have (i) the right to consent to such Transfer, or (ii) the option to buy, and, on exercise of that option, the breaching Member shall sell, the breaching Member's Membership Interest, all in accordance with Section 11.01, as if the breaching Member were a Bankrupt Member.

3.12 INFORMATION.

(a) In addition to the other rights specifically set forth in this Agreement, each Member is entitled to all information to which that Member is entitled to have access pursuant to the Act under the circumstances and subject to the conditions therein stated.

(b) The Members acknowledge that, from time to time, they may receive information from or regarding the Company or any other Member or its Affiliates in the nature of trade secrets or secret or proprietary information or information that is otherwise confidential,

the release of which may be damaging to the Company or the Member or its Affiliates, as applicable, or Persons with which they do business. Each Member shall hold in strict confidence any information it receives regarding the Company and may not disclose such information to any Person other than another Member, except for disclosures (i) to comply with any law, rule, regulation or order, (ii) to Affiliates, advisers or representatives of the Member or Persons to which that Member's Membership Interest may be Transferred as permitted by this Agreement, but only if the recipients of such information have agreed to be bound by the provisions of this Section 3.12(b), and (iii) of information that a Member also has received from a source independent of the Company and that such Member reasonably believes such source obtained such information without breach of any obligation of confidentiality, (iv) of information obtained prior to the formation of the Company, (v) to lenders, accountants and other representatives of the disclosing Member with a need to know such information, provided that the disclosing Member shall be responsible for such representatives' use and disclosure of any such information, or (vi) of public information. The Members acknowledge that a breach of the provisions of this Section 3.12(b) may cause irreparable injury to the Company or another Member for which monetary damages are inadequate, difficult to compute, or both. Accordingly, the Members agree that the provisions of this Section 3.12(b) may be enforced by injunctive action or specific performance.

(c) The Members acknowledge that, from time to time, the Company may need information from any or all of such Members for various reasons, including, without limitation, for complying with various federal and state regulations. Each Member shall provide to the Company all information reasonably requested by the Company within a reasonable amount of time from the date such Member receives such request; provided, however, that no Member shall be obligated to provide such information to the Company to the extent such disclosure (i) would result in the breach or violation of any contractual obligation (if a waiver of such restriction cannot reasonably be obtained) or Law or (ii) involves secret, confidential or proprietary information.

3.13 LIABILITY TO THIRD PARTIES. Except as required by the Act, no Member shall be liable to any Person (including any third party or to another Member) (i) as the result of any act or omission of another Member or (ii) for Company losses, liabilities or obligations (except as otherwise expressly agreed to in writing by such Member).

3.14 WITHDRAWAL. Each Member hereby covenants and agrees that it will not withdraw from the Company as a Member without prior written consent from Members holding at least a majority of the Membership Interest remaining after excluding the Membership Interest of the withdrawing Member. A Member which attempts to withdraw without such written consent shall (i) lose the right to exercise any of the powers, rights and privileges of a Member would otherwise be entitled and (ii) remain liable for all obligations and duties as a Member with respect to such Membership Interest, unless otherwise relieved of such obligations by unanimous written agreement of all of the other Members.

3.15 LACK OF MEMBER AUTHORITY. No Member has the authority or power to act for or on behalf of the Company, do any act that would be binding on the Company, or incur any expenditures on behalf of the Company, unless authorized to do so in writing by the Company.

3.16 SECURITY INTEREST OF MEMBERS. Each Member grants to each other Member, as security, equally and ratably, a Security Interest in such granting Member's Membership Interest and the proceeds thereof, all under the Uniform Commercial Code of the State of Texas. The Security Interest secures the performance of all of the material obligations (including any costs or other expenses incurred in enforcing same) of such granting Member pursuant to this Agreement. Upon such granting Member's failure to perform any such obligation, the other Members shall be entitled to all the rights and remedies of a secured party under the Uniform Commercial Code of the State of Texas with respect to the Security Interest granted in this Section; provided, however, that the Security Interest granted in this Section is subordinate to any indebtedness (including principal thereof and interest thereon) for borrowed money (including, without limitation, guarantees thereof) evidenced by a note, credit agreement, indenture or similar agreement. Each Member shall execute and deliver to the other Members all financing statements and other instruments that such Members may request to effectuate and carry out the preceding provisions of this Section. At the option of any Member, this Agreement or a carbon, photographic, or other copy hereof may serve as a financing statement. Each Member has the right, in addition to the other rights and remedies granted to it pursuant to this Agreement or available to it at law or in equity, to take any action (including, without limitation, court proceedings and exercising the rights of a secured party under the Uniform Commercial Code of the State of Texas) that the such Member may deem appropriate to obtain performance by any other Member of such other Member's obligations secured by this Section. For purposes of perfecting the Security Interests granted in or permitted by this Agreement, the Membership Interest shall be deemed to be a "security" governed by Chapter 8 of the Texas Uniform Commercial Code and as such term is therein defined in sections 8.102(a)(15) and 8.103(c).

ARTICLE IV.
CAPITAL CONTRIBUTIONS

4.01 INITIAL CAPITAL CONTRIBUTIONS. Each Member shall make the following Capital Contributions (the "Initial Capital Contributions"):

(a) Contributions of non-cash assets set forth in Exhibit A to be made contemporaneous with the execution of this Agreement;

(b) Contributions of cash by Texaco in an amount as set forth in Exhibit A to be made contemporaneous with the execution of this Agreement; and

(c) Proportionate contributions of cash by each Member in an amount necessary to (i) complete the construction of the Phase I Line and the Phase II Line of the Poseidon Pipeline and (ii) fund the purchase price or the construction costs

of, as applicable, the Onshore Segment, in each case to be made as necessary to allow the Company to timely pay such obligations as they become due. Such contributions are currently projected to be needed on the dates and in the amounts set forth in Exhibit A, however, if any Member determines from time to time in good faith that any such Capital Contributions or additional Capital Contributions may be necessary and in the best interest of the Company to complete the construction or purchase price, as applicable, of the Phase I Line, the Phase II Line and the Onshore Segment of the Poseidon Pipeline and place same into operational service based on amounts the Company expects to be obligated to pay within such time frame, then the Member making such determination shall send written notice to the other Members specifying (i) the aggregate amount of the Capital Contributions reasonably and in good faith deemed necessary by such Member and each Member's allocable share thereof and (ii) the date by which such additional Capital Contributions shall be made to the Company by the Members (which date shall not be less than ten (10) Business Days from the date on which the notice is sent). Each Member shall thereafter contribute cash to the Company in an amount equal to such Member's allocable share of the amount of the Capital Contribution on or before the date specified in such notice. All Initial Capital Contributions consisting of cash shall be held in an account until such time as such funds are used to fund the construction costs or purchase price, as applicable, of the Phase I Line, the Phase II Line and the Onshore Segment of the Poseidon Pipeline except to the extent that all of the Members agree that the applicable portion of any such Initial Capital Contribution is no longer needed to finance such construction costs or the operations of the Company.

4.02 SUBSEQUENT CONTRIBUTIONS. Unless unanimously agreed to in writing by the Members, no Member shall be required to make any Capital Contributions other than the Initial Capital Contributions as contemplated by Section 4.01.

4.03 FAILURE TO CONTRIBUTE.

(a) If a Member does not contribute by the time required all or any portion of a Capital Contribution such Member ("Delinquent Member") is required to make as provided in this Agreement, the Company (by vote of at least a majority of the Membership Interest remaining after excluding the Membership Interest of the Delinquent Member) may exercise, on written notice to such Delinquent Members, one or more of the following remedies:

(i) taking such action (including, without limitation, court proceedings) as the Company may deem appropriate to obtain payment by the Delinquent Member of the portion of the Delinquent Member's Capital Contribution that is in default, along with the costs and expenses associated with the collection of such Delinquent Member's Capital Contribution;

(ii) permitting the other Members in proportion to their Membership Interest or in such other percentages as they may agree (the "Lending Member," whether one or more), to advance the portion of the Delinquent Member's Capital Contribution that is in default, with the following results:

(1) the sum advanced constitutes a loan from the Lending Member to the Delinquent Member and a Capital Contribution of that sum to the Company by the Delinquent Member pursuant to the applicable provisions of this Agreement,

(2) the principal balance of the loan and all accrued unpaid interest thereon (collectively, the "Obligation") is due and payable in whole on the tenth Business Day after the day written demand requesting payment of the Obligation is made by the Lending Member to the Delinquent Member,

(3) the amount lent bears interest at the Default Interest Rate from the date on which the advance is deemed made until the date that the loan, together with all interest accrued thereon and all costs and expenses associated therewith ("Costs"), is repaid to the Lending Member,

(4) all distributions from the Company that otherwise would be made to the Delinquent Member (whether before or after dissolution of the Company) instead shall be paid to the Lending Member until the Obligation and any Costs have been paid in full to the Lending Member (with payments being applied first to accrued and unpaid interest, second to Costs, and finally to principal),

(5) the payment of the Obligation and Costs is secured by a Security Interest in the Delinquent Member's Membership Interest, as more fully set forth in Section 4.03(b), and

(6) the Lending Member has the right, in addition to the other rights and remedies granted to it pursuant to this Agreement or available to it at law or in equity, to take any action (including, without limitation, court proceedings and exercising the rights of a secured party under the Uniform Commercial Code of the State of Texas) that the Lending Member may deem appropriate to obtain payment from the Delinquent Member of the Obligation and all Costs; or

(iii) exercising any other rights and remedies available at law or in equity; or

(iv) the other Members (by affirmative vote of at least a majority of the Membership Interests held by such other Members) may elect to make any such unpaid Capital Contributions to the Company and adjust the Membership Interest for each Member to equal the percentage obtained by dividing (A) the Capital Account of such

Member (including any Capital Contribution made by such Member under this Section) by (B) the aggregate Capital Accounts of all Members (including all Capital Contributions made under this Section). Upon the adjustment of the Membership Interests in the manner set forth in the preceding sentence, Exhibit A shall be deemed to be amended to reflect such adjusted Membership Interests.

(b) Each Member grants to the Company and to each Lending Member with respect to any Obligation and Costs owed to such Lending Member by that Member as Delinquent Member pursuant to Section 4.03(a)(ii), as security, equally and ratably, a Security Interest its Membership Interest and the proceeds thereof, all under the Uniform Commercial Code of the State of Texas. The Security Interest secures the payment of all Capital Contributions such Member has agreed to make and the payment of any Obligation and Costs owed to a Lending Member by such Member as a Delinquent Member pursuant to Section 4.03(a)(ii). On any default in the payment of a Capital Contribution or in the payment of any Obligation or Costs, the Company or the Lending Member, as applicable, is entitled to all the rights and remedies of a secured party under the Uniform Commercial Code of the State of Texas with respect to the Security Interest granted in this Section 4.03(b). Each Member shall execute and deliver to the Company and the Lending Member, as applicable, all financing statements and other instruments that the Company or the Lending Member, as applicable, may request to effectuate and carry out the preceding provisions of this Section 4.03(b). At the option of the Company or Lending Member, as applicable, this Agreement or a carbon, photographic, or other copy hereof may serve as a financing statement.

(c) In addition to the remedies set forth above in this Section 4.03, if any Member is in Default with respect to the payment of any Initial Capital Contribution, then the other Members (by affirmative vote of at least a majority of the Membership Interests held by such other Members) may expel the Member in Default from the Company and such other Members may purchase (in such percentages as may be determined by such other Members), or cause the Company to purchase, the Membership Interest of the Member in Default, as of the expulsion date, at a price equal to the greater of $1.00 or the balance in the Capital Account of the Member in Default as shown by the Company's books immediately prior to the purchase less (A) all costs incurred or reasonably anticipated to be incurred by the Company and the other Members to remedy the Default and (B) all damages to the Company or the other Members resulting from such Default by giving written notice specifying the expulsion date and purchase. It is the intent of the parties to this Agreement that upon such expulsion and purchase, the Company shall continue to exist and operate without interruption, dissolution or termination, and without impairing or reducing in any way its rights and obligations to third parties.

4.04 RETURN OF CONTRIBUTIONS. A Member is not entitled (i) to the return of any part of any Capital Contributions other than any preferential or disproportionate distributions to the extent such distributions are expressly provided for in this Agreement (including those set forth in Sections 5.04 and 12.02(c)(iii) or (ii) to be paid interest in respect of either its Capital Account or its Capital Contributions. Except as provided in Section 4.03(a)(ii), an unrepaid Capital Contribution is not a liability of the Company or of any Member. A Member is not

required to contribute or to lend any cash or property to the Company to enable the Company to return any other Member's Capital Contributions.

4.05 ADVANCES BY MEMBERS. If any Member makes a determination in good faith and it is reasonably necessary and in the best interest of the Company for the continued viable operation of the Company because failure to obtain additional funds would cause an imminent material default of a commercial loan or of a material contract related to the construction and/or operation of the Poseidon Pipeline, any Member may propose that the Members make additional Capital Contributions to the Company by giving notice in writing to the other Members. Each Member shall notify the Company within five (5) Business Days of the date such notice is given as to whether such Member elects or declines to make any additional Capital Contribution requested by a Member pursuant to this Section 4.05 (an "Additional Capital Contribution"). If any Member (a "Declining Member") declines to make an Additional Capital Contribution or fails to give timely notice to the Company in accordance with this Section 4.05, the Members agreeing to make such Additional Capital Contributions (the "Advancing Members") may elect one of the following:

(i) The Advancing Members may advance the unpaid portion of the Additional Capital Contribution to the Company on behalf of the Declining Member with the results as described in Section 4.03(a)(ii); or

(ii) The Advancing Members may advance the aggregate amount of the requested Additional Capital Contribution to or on behalf of the Company. An advance described in this Section 4.05(ii) constitutes a loan from the Advancing Member to the Company and shall bear interest at the Default Interest Rate and be repayable prior to any distributions to the Members.

4.06 CAPITAL ACCOUNTS. A separate capital account ("Capital Account") shall be established and maintained for each Member in accordance with the rules of Treasury Regulation section 1.704-1(b)(2)(iv) and the following terms and conditions:

(a) Each Member's Capital Account shall be (i) increased by (A) the amount of cash or cash equivalents contributed by that Member to the Company as capital (B) the Net Agreed Value of property contributed by that Member to the Company as capital, (C) the amount of any loans transferred by such Member to its Capital Account pursuant to Section 4.07 (contributions contemplated by subparagraphs (A), (B) and (C) shall be referred to as "Capital Contributions"), and (D) allocations to that Member of Company income and gain (or items thereof), including, without limitation, income and gain exempt from tax and income and gain described in Treasury Regulation section 1.704-1(b)(2)(iv)(g), but excluding income and gain described in Treasury Regulation section 1.704-1(b)(4)(i); and (ii) shall be decreased by (A) the amount of cash or cash equivalents distributed to that Member by the Company, (B) the Net Agreed Value of property distributed to that Member by the Company, and (C) allocations of Company losses and deductions (or items thereof), including losses and deductions described in

Treasury Regulation section 1.704-1(b)(2)(iv)(g) (but excluding losses or deductions described in Treasury Regulation section 1.704-1(b)(4)(i) or (iii)),

(b) For purposes of computing the amount of any item of income, gain, loss or deduction to be reflected in the Members' Capital Accounts, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes (including, without limitation, any method of depreciation, cost recovery or amortization used for that purpose), provided that:

(i) All fees and other expenses incurred by the Company to promote the sale of (or to sell) any interest that can neither be deducted nor amortized under section 709 of the Code, if any, shall, for purposes of Capital Account maintenance, be treated as an item of deduction at the time such fees and other expenses are incurred and shall be allocated among the Members pursuant to Sections 5.01 and 5.02.

(ii) Except as otherwise provided in Treasury Regulation section 1.704-1(b)(2)(iv)(m), the computation of all items of income, gain, loss and deduction shall be made without regard to any election under section 754 of the Code which may be made by the Company and, as to those items described in section 705(a)(1)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes.

(iii) Any income, gain or loss attributable to the taxable disposition of any Company property shall be determined as if the adjusted basis of such property as of such date of disposition were equal in amount to the Company's Carrying Value with respect to such property as of such date.

(iv) In accordance with the requirements of section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Company was equal to the Agreed Value of such property on the date it was acquired by the Company. Upon an adjustment pursuant to Section 4.06(d) to the Carrying Value of any Company property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the Company may adopt.

(c) A transferee shall succeed to the Capital Account of the Transferor relating to the Membership Interest so Transferred; provided, however, that if the Transfer causes a termination of the Company under section 708(b)(1)(B) of the Code, the Company's properties shall be deemed to have been distributed in liquidation of the Company to the Members (including any transferee of a Membership Interest that is a party to the Transfer causing such termination) pursuant to Section 12.02 and recontributed by such Members in reconstitution of the Company. Any such deemed distribution shall be treated as an actual distribution for purposes of this Section 4.06. In such event the Carrying Values of the Company properties shall be adjusted immediately prior to such deemed distribution pursuant to Section 4.06(d)(ii) and such Carrying Values shall then constitute the fair market values of such properties upon such deemed contribution to the reconstituted Company for the purposes of determining the Agreed Value and otherwise. The Capital Accounts of such reconstituted Company shall be maintained in accordance with the principles of this Section 4.06.

(d)(i) Consistent with the provisions of Treasury Regulation section 1.704-1(b)(2)(iv)(f), on an issuance of additional Membership Interests for cash or Contributed Property, the Capital Accounts of all Members and the Carrying Value of each Company property immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Company property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately prior to such issuance and had been allocated to the Members at such time pursuant to Section 5.01.

(ii) In accordance with Treasury Regulation section 1.704-1(b)(2)(iv)(f), immediately prior to any distribution to a Member of any Company property (other than a distribution of cash or cash equivalents that are not in redemption or retirement of a Membership Interest), the Capital Accounts of all Members and the Carrying Value of each Company property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Company property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value (which shall be determined by the Company using any valuation method it deems reasonable under the circumstances), and had been allocated to the Members at such time, pursuant to Section 5.01.

4.07 CAPITALIZATION OF LOANS. Initially, a loan by any Member to another Member or the Company as contemplated by Section 4.03(a)(ii) or 4.05 shall not be considered a Capital Contribution and shall not increase the Capital Account balance of the Advancing Member. Notwithstanding the foregoing, in the event the principal and interest of any such loan has not been repaid within one (1) year from the date of the loan, the Advancing Member, at any time thereafter by giving written notice to the Company, may elect to have the unpaid principal and interest balance of such loan transferred to and increase such Member's Capital Account Upon such transfer, the loan shall be treated as a Capital Contribution and the Membership Interest for each Member shall be adjusted to equal the percentage obtained by dividing (A) the Capital Account of such Member (including any Capital Contribution made on behalf of another Member)

by (B) the aggregate Capital Accounts of all Members (including all Capital Contributions made on behalf of other Members).

ARTICLE V.
ALLOCATIONS AND DISTRIBUTIONS

5.01 ALLOCATIONS FOR CAPITAL ACCOUNT PURPOSES. For purposes of maintaining the Capital Accounts and in determining the rights of the Members among themselves, the Company's items of income, gain, loss and deduction (computed in accordance with Section 4.06(b)) shall be allocated among the Members in each taxable year (or portion thereof) as provided herein below.

(a) Net Income. All items of income, gain, loss and deduction taken into account in computing Net Income for such taxable period shall be allocated to each of the Members in accordance with its respective Membership Interests.

(b) Net Losses. All items of income, gain, loss and deduction taken into account in computing Net Losses for such taxable period shall be allocated to each Member in accordance with its respective Membership Interests; provided, however, that Net Losses shall not be allocated pursuant to this Section 5.01(b) to the extent that such allocation would cause a Member to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in its Adjusted Capital Account).

(c) Nonrecourse Liabilities. For purposes of Treasury Regulation section 1.752-3(a)(3), the Members agree that Nonrecourse Liabilities of the Company in excess of the sum of (A) the amount of Company Minimum Gain and (B) the total amount of Nonrecourse Built-in Gain shall be allocated among the Members in accordance with their respective Membership Interests.

(d) Company Minimum Gain Chargeback. Notwithstanding the other provisions of this Section 5.01, except as provided in Treasury Regulation section 1.704-2(f)(2) through (5), if there is a net decrease in Company Minimum Gain during any Company taxable period, each Member shall be allocated items of Company income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation sections 1.704-2(f)(6) and (g)(2) and section 1.704-2(j)(2)(i), or any successor provisions. For purposes of this Section 5.01 (d), each Member's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 5.01 with respect to such taxable period (other than an allocation pursuant to Section 5.01(h) or (i)).

(e) Chargeback of Minimum Gain Attributable to Member Nonrecourse Debt. Notwithstanding the other provisions of this Section 5.01 (other than Section 5.01(d), except as provided in Treasury Regulation section 1.704-2(i)(4)), if there is a net decrease in Minimum

Gain Attributable to Member Nonrecourse Debt during any Company taxable period, any Member with a share of Minimum Gain Attributable to Member Nonrecourse Debt at the beginning of such taxable period shall be allocated items of Company income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 5.01, each Member's Adjusted Capital Account balance shall be determined and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 5.01, other than Sections 5.01(d), (h) and (i), with respect to such taxable period.

(f) Qualified Income Offset. In the event any Member unexpectedly receives adjustments, allocations or distributions described in Treasury Regulation section 1.704-1(b)(2)(ii)(d)(4) through (6) (or any successor provisions), items of Company income and gain shall be specifically allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations promulgated under section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible unless such deficit balance is otherwise eliminated pursuant to Section 5.01(d) or 5.01(e).

(g) Gross Income Allocations. In the event any Member has a deficit balance in its Adjusted Capital Account at the end of any Company taxable period which is in excess of the sum of (i) the amount such Member is obligated to restore pursuant to any provision of this Agreement and (ii) the amount such Member is deemed obligated to restore pursuant to the penultimate sentences of Treasury Regulations sections 1.704-2(g)(1) and 1.704-2(i)(5), such Member shall be specifically allocated items of Company gross income and gain in the amount of such excess as quickly as possible; provided that an allocation pursuant to this Section 5.01(g) shall be made only if and to the extent that such Member would have a deficit balance in its Adjusted Capital Account after all other allocations provided in this Section 5.01 have been tentatively made as if this Section 5.01(g) was not in the Agreement.

(h) Nonrecourse Deductions. Nonrecourse Deductions for any taxable period shall be allocated to the Members in accordance with their respective Membership Interests. If the Company determines in its good faith discretion that the Company's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Treasury Regulations promulgated under section 704(b) of the Code, the Company is authorized, upon notice to the Members, to revise the prescribed ratio to the numerically closest ratio which does satisfy such requirements.

(i) Member Nonrecourse Deductions. Member Nonrecourse Deductions for any taxable period shall be allocated 100% to the Member that bears the Economic Risk of Loss for such Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Treasury Regulation section 1.704-2(i) (or any successor provision). If more than one Member bears the Economic Risk of Loss with respect to a Member Nonrecourse Debt,

such Member Nonrecourse Deductions attributable thereto shall be allocated between or among such Members ratably in proportion to their respective shares of such Economic Risk of Loss.

5.02 ALLOCATIONS FOR TAX PURPOSES.

(a) Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss and deduction which is recognized by the Company for federal income tax purposes shall be allocated among the Members in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 5.01 hereof.

(b) In an attempt to eliminate Book-Tax Disparities attributable to a Contributed Property or Adjusted Property, items of income, gain, loss, depreciation, amortization and cost recovery deductions shall be allocated for federal income tax purposes among the Members as follows:

(i) (A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Members in the manner provided under section 704(c) of the Code and section 1.704-3(b) of the Treasury Regulations (i.e. the "traditional method") that takes into account the variation between the Agreed Value of such property and its adjusted basis at the time of contribution; and (B) except as otherwise provided in Section 5.02(b)(iii), any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Members in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 5.01.

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Members in a manner consistent with the principles of section 704(c) of the Code and section 1.704-3(b) of the Treasury Regulations (i.e. the "traditional method") to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 4.06(d)(i) or (ii), and (2) second, in the event such property was originally a Contributed Property, be allocated among the Members in a manner consistent with Section 5.02(b)(i); and (B) except as otherwise provided in Section 5.02(b)(iii), any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Members in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 5.01.

(iii) Any items of income, gain, loss or deduction otherwise allocable under Section 5.02(b)(i)(B) or 5.02(b)(ii)(B) shall be subject to allocation by the Company in a manner designed to eliminate, to the maximum extent possible, Book-Tax Disparities in a Contributed Property or Adjusted Property otherwise resulting from the application of the "ceiling" limitation (under section 704(c) of the Code or section 704(c) principles) to the allocations provided under Sections 5.02(b)(i)(A) and 5.02(b)(ii)(A).

(c) For the proper administration of the Company, the Company shall (i) adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; (ii) make special curative allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions pursuant to section 1.704 3(c) of the Treasury Regulations to eliminate the impact of the "ceiling" limitation (under section 704(c) of the Code as Section 704 principles) to the allocations provided in Section 5.02(b); and (iii) amend the provisions of this Agreement as appropriate to reflect the proposal or promulgation of Treasury Regulations under section 704(b) or section 704(c) of the Code. The Company may adopt such conventions, make such allocations and make such amendments to this Agreement as provided in this Section 5.02(c) only if such conventions, allocations or amendments are consistent with the principles of section 704 of the Code.

(d) The Company may determine to depreciate the portion of an adjustment under section 743(b) of the Code attributable to unrealized appreciation in any Adjusted Property (to the extent of the unamortized Book-Tax Disparity) using a predetermined rate derived from the depreciation method and useful life applied to the Company's common basis of such property, despite the inconsistency of such with Proposed Treasury Regulation section 1.168-2(n) and Treasury Regulation section 1.167(c)-l(a)(6), or any successor provisions. If the Company determines that such reporting position cannot reasonably be taken, the Company may adopt any reasonable depreciation convention that would not have a material adverse effect on the Members.

(e) Any gain allocated to the Members upon the sale or other taxable disposition of any Company asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 5.02 be characterized as Recapture Income in the same proportions and the same extent as such Members (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

(f) All items of income, gain, loss, deduction and credit recognized by the Company for federal income tax purposes and allocated to the Members in accordance with the provisions hereof shall be determined without regard to any election under section 754 of the Code which may be made by the Company; provided, however, that such allocations, once made, shall be adjusted as necessary or appropriate to take into account those adjustments permitted or required by sections 734 and 743 of the Code.

5.03 REQUIREMENT OF DISTRIBUTIONS. Subject to the provisions of Sections 5.06 and 7.02, and after the establishment of any reserve set aside pursuant to Section 5.05, the Company shall distribute (within 30 days following the end of each calendar month) such amount of Available Cash as determined by the Members, to the Members who were Record Holders as of the Record Date in accordance with their respective Membership Interest.

5.04 PRO RATA DISTRIBUTIONS. Except for preferential or disproportionate distributions to the extent expressly provided for in this Agreement (including those set forth in Section 12.02),

any distributions on the Membership Interest of the Company paid in cash, property, or equity ownership of the Company shall be allocated pro rata according to Membership Interest.

5.05 RESERVES. Before payment of any Distributions, there may be set aside out of any funds of the Company available for distributions such sum or sums as the Company from time to time, in its absolute discretion, thinks proper as a reserve or reserves to meet contingencies, for repairing or maintaining any property of the Company, or for such other purpose as the Company shall determine to be in the best interest of the Company; and the Company may modify or abolish any such reserve in the manner in which it was created.

5.06 DISTRIBUTION RESTRICTIONS. Unless unanimously agreed to in writing by the Members, the Company shall not distribute (i) any of the Initial Capital Contributions until the completion of the construction of the Phase I Line and the Phase II Line of the Poseidon Pipeline, except to the extent that all of the Members agree that the applicable portion of such Initial Capital Contributions is no longer needed to finance such construction or the operations of the Company, or (ii) any amounts that would cause the Company to materially breach, or would create a material default under, any debt agreements or instruments to which the Company is a party.

ARTICLE VI.
MANAGEMENT OF THE COMPANY

6.01 MANAGEMENT BY THE MEMBERS AND DELEGATION OF AUTHORITY. The Members hereby unanimously agree that the business and affairs of the Company shall be managed by or under the authority of the Members in accordance with the Act, which Members may act through their directors, officers, employees, representatives, agents and designees. Except for situations in which the approval of the Members is required by this Agreement or by nonwaivable provisions of applicable law, the Members shall have broad discretion to authorize any committee constituted pursuant to Section 6.02 or any officer or other agent to act on behalf of the Company.

6.02 COMMITTEES.

(a) For organizational purposes, the Members may form one or more committees of the Members, including, without limitation, (i) a "Management Committee" responsible for the planning and oversight of the policies and strategies of the Company and any other actions not expressly delegated to another committee, body, officer or other representative of the Company, (ii) a "Business Development Committee" responsible for the planning and oversight of specific business development projects as stated in Section 6.02(b), and (iii) an "Operating Committee" responsible for the oversight and control of the physical operations and maintenance of the Poseidon Pipeline, and (iv) such other committees as the Members or the Management Committee may desire from time to time. Each Member shall appoint one (or more) of its duly authorized agents to act for the Member of any committee of the Members. One such agent of

each Member shall be given the authority by such Member to vote on behalf of the Member on any issue within the committee's responsibility.

(b) The Business Development Committee shall meet at least annually and at such other regular or special meetings at times and locations reasonably acceptable to its participating representatives. At each annual meeting, the representatives of the Business Development Committee shall set the general terms and conditions pursuant to which the Company would be willing to enter into Oil Contracts during the immediately succeeding calendar year, which general terms and conditions shall include, without limitation, minimum and maximum purchase and resale differentials and other applicable rates applicable to such calendar year, and shall continue to be effective until replaced by new terms approved by the Business Development Committee. Any representative of the Business Development Committee may request such committee to review the maximum and minimum purchase and resale differentials and other applicable rates applicable to the current calendar year if such representative has information or data evidencing that market conditions have changed materially since such rates were set or that such rates are materially inappropriate.

(c) Under the oversight of the Business Development Committee, the representatives of the Members jointly shall conduct the business development activities of the Company, including, without limitation, identifying and negotiating with potential customers. Each Member shall use all reasonable efforts to ensure that its representatives cooperate with and keep informed the representatives of the other Members with respect to any business development activities conducted by such representative. Each such representative may independently approach any potential customer or other Person and discuss such potential arrangements; provided, however, that no such representative may submit any formal proposal to a potential customer without consulting with representatives of the other Members. The Business Development Committee shall have the authority to reconsider the business development procedures and arrangements on an annual calendar year basis beginning with the calendar year commencing on January 1, 1998. The Company shall reimburse each Member (including its officers, agents and other representatives) for reasonable costs associated with business development services performed pursuant to this Agreement.

6.03 AUTHORITY OF MEMBERS AND COMMITTEES. (a) With respect to conflicts or disagreements between and among any committees, the Management Committee shall have ultimate decision making authority. The Members and the committees shall act through the Company's officers, employees, representatives, agents and designees. No Member shall have individual authority to bind the Company unless such is expressly conferred upon them pursuant to this Agreement or by action of the Members or a duly authorized committee, body, officer or other representative. All action shall be taken subsequent to resolutions approved by the Members in accordance with Article VII of this Agreement.

(b) Unless otherwise expressly delegated in writing or provided by this Agreement, the Members hereby reserve to the Members as a group the authority to authorize and approve the following:

(i) acquiring and disposing of, and utilizing for Company purposes, any material asset of the Company;

(ii) borrowing money;

(iii) determining the reserve applicable to distributions of Company cash and other property as provided in Section 5.03;

(iv) authorizing transactions not in the ordinary course of business;

(v) permitting the Company to merge, consolidate, participate in a share exchange or other statutory reorganization with, or sell all or substantially all of the assets of the Company to, any Person;

(vi) permitting the Company to dissolve and liquidate;

(vii) approving any operating and capital expenditures budgets for the Company;

(viii) permitting a Member to withdraw from the Company;

(ix) entering into contracts, agreements and other undertakings binding the Company to pay more than $500,000 in any year or $1,000,000 in the aggregate pursuant to any such individual contract, agreement or undertaking that may be necessary, appropriate, or advisable in furtherance of the purposes of the Company;

(x) entering into Oil Contracts with a term of one year or more; and

(xi) authorizing the Company to enter into a transaction involving a Lateral Opportunity in accordance with Article XI.

With respect to each such matter described in (i) - (xi) above, exercise of such authority shall occur only by the affirmative vote of the applicable Membership Interest as required by the Agreement, including the Majority Interest voting requirements set forth in Section 7.01(a), the Super-Majority Interest voting requirements set forth in Section 7.02 and the unanimous Membership Interest voting requirements otherwise set forth in this Agreement, as applicable.

(c) Member approval of or agreement to any matter specified in Section 6.03(b)(i), (ii), (iv), (v), (vi) or (viii) may be withheld by any Member for any reason whatsoever. Approval of or agreement to any other matter will not be withheld by any Member (whether acting directly through such Member or any committee) without a reasonable basis.

6.04 OFFICERS.

(a) The Members or the Management Committee may designate one or more Persons to one or more officer positions of the Company. Such officers may include, without limitation, Chief Executive Officer, Chief Financial Officer, President, Vice President, Treasurer, Assistant Treasurer, Secretary and Assistant Secretary. No officer need be a resident of the State of Delaware. The Members or the Management Committee may assign titles to particular officers. Each officer shall hold office until his successor shall be duly designated and shall qualify to hold such office, or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Any number of offices may be held by the same Person. The salaries or other compensation, if any, of the officers and agents of the Company may be fixed from time to time by the Members. Notwithstanding any other provisions of this Agreement, the authority of any officers or agents of the Company shall be restricted to the carrying on of the day-to-day affairs of the Company and any such authority shall be subject to the supervisory control of the Members. Only Members or their duly authorized agents shall have the authority to make policy decisions for the Company. Unless the Members or the Management Committee decide otherwise, the assignment of such title shall constitute the delegation to such officer of the authority and duties set forth below and those that are normally associated with that office:

(i) Chief Executive Officer. The Chief Executive Officer shall generally and actively manage the business of the Company and shall see that all orders and resolutions of the Members and its Committees are carried into effect. The Chief Executive Officer shall only report to the Management Committee.

(ii) President. Unless otherwise specified by the Members or the Management Committee, the President shall be the chief operating officer of the Company and have general executive powers to manage the operations of the Company, and such other powers and duties as this Agreement, the Members or the Management Committee may from time to time prescribe. In the absence of the Chief Executive Officer or in the event of his inability or refusal to act, the President shall perform the duties and exercise the powers of the Chief Executive Officer.

(iii) Chief Financial Officer. The Chief Financial Officer shall be the principal financial officer of the Company and shall have such powers and perform such duties as this Agreement, the Members or the Management Committee may from time to time prescribe.

(iv) Vice Presidents. In the absence of the President, or in the event of his inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated by the Members or the Management Committee, or in the absence of any such designation, then in the order of their election or appointment) shall perform the duties of the President, and when so

acting, shall have all the powers of and be subject to all the restrictions upon the President.

(v) Secretary. The Secretary shall keep the minutes of the meetings of the Company and of the Management Committee, and shall exercise general supervision over the files of the Company. The Secretary shall give notice of meetings and shall perform other duties commonly incident to such office.

(vi) Assistant Secretary. At the request of the Secretary or in the Secretary's absence or inability to act, the Assistant Secretary shall perform part or all of the Secretary's duties.

(vii) Treasurer. The Treasurer shall have general supervision of the funds, securities, notes, drafts, acceptances, and other commercial paper and evidences of indebtedness of the Company and he shall determine that funds belonging to the Company are kept on deposit in such banking institutions as the Members or the Management Committee may from time to time direct. The Treasurer shall determine that accurate accounting records are kept, and the Treasurer shall render reports of the same and of the financial condition of the Company to the Members or the Management Committee at any time upon request. The Treasurer shall perform other duties commonly incident to such office, including, but not limited to, the execution of tax returns.

(viii) Assistant Treasurer. At the request of the Treasurer or in the Treasurer's absence or inability to act, the Assistant Treasurer shall perform part or all of the Treasurer's duties.

(b) Any officer may resign as such at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the Company. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation. Any officer may be removed as such, either with or without cause, by the Members; provided, however, that such removal shall be without prejudice to the contract rights, if any, of the officer so removed. Designation of an officer shall not of itself create contract rights. Any vacancy occurring in any office of the Company may be filled by the applicable Committee or the Members.

6.05 DUTIES OF OFFICERS. Each officer shall devote such time, effort, and skill to the Company's business affairs as he deems necessary and proper for the Company's welfare and success. The Members expressly recognize that the officers have substantial other business relationships and activities with Persons other than the Company.

6.06 NO DUTY TO CONSULT. Except as otherwise provided herein or by applicable law, neither the Company nor its duly appointed agents, designees or representatives or the officers of the Company shall have a duty or obligation to consult with or seek the advice of the Members on any matter relating to the day-to-day business affairs of the Company duly delegated to such

Persons; provided, however, that such Persons shall not be restricted from consulting with or the seeking the advice of the Members.

6.07 REIMBURSEMENT. All expenses incurred with respect to the organization, operation and management of the Company shall be borne by the Company.

6.08 MEMBERS AND AFFILIATES DEALING WITH THE COMPANY. Subject to obtaining any consent expressly required hereunder, the Company may appoint, employ, contract, or otherwise deal with any Person, including Affiliates of the Members, individuals with whom the Members are otherwise related, and with business entities which have a financial interest in a Member or in which a Member has a financial interest, for transacting Company business, including any acts or services for the Company as the members of any committee, officer or other representative with the proper authority may approve.

6.09 INSURANCE. The Members and the Company agree to maintain for the benefit of the Company and the Members and at the their sole expense the insurance coverage described on "Exhibit C" hereto and such other insurance as may be required by Law and any commercial lender. Promptly upon request of the Company or any Member, the Company and each Member agree to provide an insurance certificate evidencing the coverage required by this Section. If a Member does not maintain insurance or provide an insurance certificate as required by this Agreement ("Delinquent Insurance Member"), then the other Members (the "Insuring Members") may acquire or maintain insurance to satisfy the Delinquent Insurance Member's obligation. The cost for the Insuring Members to acquire or maintain insurance to satisfy the obligations of the Delinquent Insurance Member shall be reimbursed by the payment by the Company of such amounts to the Insuring Members out of any distributions payable to the Delinquent Insurance Member, and any such Delinquent Insurance Member hereby directs the Company to make such payments on its behalf. Each such person shall be named as an additional insured on the policies carried by the other person. The costs of the insurance required to be carried by the Company pursuant to this Section 6.09 shall automatically be included in the applicable operating budget for the Company without the necessity of approval by the Members.

ARTICLE VII
MEETINGS

7.01 MEETINGS OF MEMBERS AND COMMITTEES.

(a) A quorum shall be present at a meeting of Members or any committee of the Company if the holders of at least 37.5% of all of the Membership Interests of the Company are represented at the meeting in person or by proxy. At a meeting of the Members at which a quorum is present with respect to any matter (except for any matter requiring the affirmative vote of (i) a Super-Majority Interest or all of the Membership Interest as required by this Agreement or (ii) a Required Interest greater than a Majority Interest as required by this Agreement or the Act), the affirmative vote of the Majority Interest shall be the act of the Members.

(b) All meetings of the Members or any committee of the Company shall be held at the principal place of business of the Company or at such other place within or without the State of Delaware as shall be specified or fixed in the notices or waivers of notice thereof; provided that any or all Members or their representatives may participate in any such meeting by means of conference telephone or similar communications equipment pursuant to Section 16.10.

(c) Notwithstanding the other provisions of this Agreement, the holders of at least a Majority Interest of the Company shall have the power to adjourn such meeting from time to time, without any notice other than an announcement at the meeting of the time and place of the resumption of the adjourned meeting. The time and place of such adjournment shall be determined by a vote of the holders of at least a Majority Interest of the Company. Upon the resumption of such adjourned meeting, any business may be transacted that might have been transacted at the meeting as originally called.

(d) Unless otherwise expressly provided in a written notice issued by the Members, an annual meeting of the Members for the transaction of such business as may properly come before such meeting shall be held at the principal office of the Company at 10:00 a.m. on the first Tuesday which is a Business Day in the month of April. Regularly scheduled, periodic meetings of the Members or any committee of the Company may be held without notice to the Members or Member representatives at such times and places as shall from time to time be determined by resolution of the Members or such Member representatives and communicated to all Members or their representatives. Each Member, or its representatives in the case of committee meetings, shall use reasonable efforts to inform the other Members or committee representatives of any business matters that it intends to raise at any regular meeting of the Members or any committee of the Company within a reasonable time prior to such meeting, provided that the business matters to be acted upon at any such a meeting shall not be limited to the matters disclosed by a Member or its representative(s) prior to such meeting.

(e) Special meetings of the Members or any committee of the Company, for any purpose or purposes, unless otherwise prescribed by law, shall be called by (i) President or Secretary (if any) (ii) Member representative(s) at the request in writing by the President, (iii) Members holding at least twenty percent (20%) or more of the Membership Interests of the Company or (iv) at least two Members. Such request of the President, Secretary or Member representative(s) shall state the purpose or purposes of the proposed meeting.

(f) Except as provided otherwise by the Agreement or applicable law, written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which such meeting is called, shall be delivered not less than ten nor more than 60 (including Saturdays, Sundays and holidays) days before the date of the proposed meeting, either personally, by certified mail (return receipt requested) or by telecopy (with a copy delivered via United States mail), by or at the direction of the Person calling the meeting, to each Member or Member representative, as the case may be, entitled to vote thereat. If mailed, any such notice shall be deemed to be delivered when deposited in the United States

mail, addressed to the Member, or Member representative, at its address provided for in Section 16.19, with postage thereon prepaid.

(g) The date on which notice of a meeting of the Members or any committee of the Company is mailed shall be the Record Date for the determination of the Members or Member representatives entitled to notice of or to vote at such meeting, including any adjournment thereof, or the Members or Member representatives entitled to receive such distribution.

7.02 SPECIAL ACTIONS. The approval of the holders of a Super-Majority Interest of the Members shall be required to authorize and approve the following:

(i) acquiring and disposing of, and utilizing for Company purposes, any material asset of the Company;

(ii) borrowing money;

(iii) determining the reserve applicable to distributions of Company cash and other property as provided in Section 5.03;

(iv) authorizing transactions not in the ordinary course of business;

(v) permitting the Company to merge, consolidate, participate in a share exchange or other statutory reorganization with, or sell all or substantially all of the assets of the Company to, any Person;

(vi) permitting the Company to dissolve and liquidate;

(vii) approving any operating and capital expenditures budgets for the Company;

(viii) entering into contracts, agreements and other undertakings binding the Company to pay more than $500,000 in any year or $1,000,000 in the aggregate pursuant to any such individual contract, agreement or undertaking that may be necessary, appropriate, or advisable in furtherance of the purposes of the Company;

(ix) authorizing the Company to enter into a transaction involving a Lateral Opportunity in accordance with Article XV; and

(x) entering into Oil Contracts with a term of one year or more.

7.03 VOTING LIST. The officer of the Company who is responsible for the maintenance of the Company's records shall make, at least ten days before each meeting of Members or the Management Committee, a complete list of the Members or their representatives, as the case may

be, entitled to vote thereat or any adjournment thereof, arranged in alphabetical order, with the address of and the Membership Interest held or represented by each, which list, for a period of ten days prior to such meeting, shall be kept on file at the registered office or principal place of business of the Company and shall be subject to inspection by any Member or Member representative at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Member or Member representative during the whole time of the meeting. The original Company records shall be prima facie evidence as to who are the Members or their representatives entitled to examine such list or transfer records or to vote at any meeting of Members or the Management Committee. Failure to comply with the requirements of this Section 7.03 shall not affect the validity of any action taken at the meeting.

7.04 PROXIES. A Member or Member representative may vote either in person or by proxy executed in writing by the Member or Member representative. A telegram, telex, cablegram or similar transmission by the Member or Member representative or a photographic, photostatic, facsimile or similar reproduction of writing executed by the Member or Member representative shall be treated as an execution in writing for purposes of this Section 7.04. Proxies for use at any meeting of the Members or committee of the Company or in connection with the taking of any action by written consent shall be filed with the Company before or at the time of the meeting or execution of the written consent, as the case may be. All proxies shall be received and taken charge of and all ballots shall be received and canvassed by an inspector or inspectors appointed by the President or a Vice President of the Company who shall decide all questions touching upon the qualification of voters, the validity of the proxies, and the acceptance or rejection of votes.

7.05 VOTES. Each Member or Member representative shall be entitled to one vote (or a fraction thereof) per percent (or fraction thereof) of Membership Interest held by such Member, as reflected in the transfer records of the Company.

7.06 CONDUCT OF MEETINGS. All meetings of the Members or committees of the Company shall be presided over by the chairman of the meeting, who shall be designated by the Chief Executive Officer, President, Vice President or other appropriate officer of the Company. The chairman of any meeting of Members or committee of the Company shall determine the order of business and the procedure at the meeting, including regulation of the manner of voting and the conduct of discussion.

7.07 ACTION BY WRITTEN CONSENT.

(a) Except as otherwise provided by law, any action required or permitted to be taken at any meeting of Members or committee of the Company may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holder or holders or representatives of not less than the minimum of Membership Interests that would be necessary to take such action at a meeting at which the holders of all Membership Interests entitled to vote on the action were present and

voted. To the extent required by law, every written consent shall bear the date of signature of each Member or Member representative who signs the consent. To the extent required by law, no written consent shall be effective to take the action that is the subject to such consent unless, within 60 days after the date of the earliest dated consent delivered to the Company in the manner required by this Section 7.07, a consent or consents signed by the holder or holders of not less than the minimum Membership Interests that would be necessary to take the action that is the subject of the consent are delivered to the Company by delivery to its registered office or its principal place of business. Delivery shall be by hand or certified or registered mail (return receipt requested) to the Company's principal place of business and shall be addressed to the Secretary of the Company. A telegram, telex, cablegram or similar transmission by a Member or Member representative, or a photographic, photostatic, facsimile or similar reproduction of a writing signed by a Member or Member representative, shall be regarded as signed by the Member or Member representative for purposes of this Section 7.07. Prompt written notice of the taking of any action by the Members or committees of the Company without a meeting by less than unanimous written consent shall be given to those Members or Member representatives who did not consent in writing to the action.

(b) The Record Date for determining Members or their representatives entitled to consent to an action in writing without a meeting shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Company. Delivery shall be by hand or by certified or registered mail (return receipt requested) to the Company's principal place of business and shall be addressed to the Secretary of the Company.

7.08 RECORDS. An officer of the Company or a designated Member representative shall be responsible for maintaining the records of the Company, including keeping minutes at the meetings of the Members or committees of the Company and the filing of consents in the records of the Company.

ARTICLE VIII.
INDEMNIFICATION

8.01 RIGHT TO INDEMNIFICATION. Subject to the limitations and conditions as provided herein or by applicable law, each Person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (hereinafter a "Proceeding"), or any appeal in such a Proceeding or any inquiry or investigation that could lead to such a Proceeding, by reason of the fact that he or she, or a Person of whom he or she is the legal representative, is or was a Member of the Company, a member of a committee of the Company or an officer of the Company, or while such a Person is or was serving at the request of the Company as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic general partnership, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, shall be indemnified by the Company to the extent such Proceeding or other above-described process relates to any

such above-described relationships with, status with respect to, or representation of any such Person to the fullest extent permitted by the Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment) against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such Person in connection with such Proceeding, and indemnification under this Article VIII shall continue as to a Person who has ceased to serve in the capacity which initially entitled such Person to indemnity hereunder for any and all liabilities and damages related to and arising from such Person's activities while acting in such capacity; provided, however, that no Person shall be entitled to indemnification under this Section 8.01 in the event the Proceeding involves acts or omissions of such Person which constitute an intentional breach of this Agreement or gross negligence or willful misconduct on the part of such Person. The rights granted pursuant to this Article VIII shall be deemed contract rights, and no amendment, modification or repeal of this Article VIII shall have the effect of limiting or denying any such rights with respect to actions taken or Proceedings arising prior to any such amendment, modification or repeal. It is expressly acknowledged that the indemnification provided in this Article VIII could involve indemnification for negligence or under theories of strict liability.

8.02 INDEMNIFICATION OF OFFICERS, EMPLOYEES AND AGENTS. The Company may indemnify, and advance expenses to, Persons who are not or were not a Member, including officers, employees or agents of the Company, and those Persons who are or were serving at the request of the Company as a manager, director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic general partnership, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in such a capacity or arising out of his status as such a Person to the same extent that it may indemnify and advance expenses to a Member under this Article VIII.

8.03 ADVANCE PAYMENT. The right to indemnification conferred in this Article VIII shall include a limited right to be paid or reimbursed by the Company for any and all reasonable expenses as they are incurred by a Person entitled to be indemnified under Sections 8.01 and 8.02 who was, or is threatened, to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding and without any determination as to such Person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such Person in advance of final disposition of a Proceeding shall be made only upon delivery to the Company of a written affirmation by such Person of his good faith belief that he has met the requirements necessary for indemnification under this Article VIII and a written undertaking, by or on behalf of such Person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified Person is not entitled to be indemnified under this Article VIII or otherwise.

8.04 APPEARANCE AS A WITNESS. Notwithstanding any other provision of this Article VIII, the Company may pay or reimburse expenses incurred by any Person entitled to be

indemnified pursuant to this Article VIII in connection with such Person's appearance as a witness or other participation in a Proceeding at a time when he is not a named defendant or respondent in the Proceeding.

8.05 NONEXCLUSIVITY OF RIGHTS. The right to indemnification and the advancement and payment of expenses conferred in this Article VIII shall not be exclusive of any other right which a Person indemnified pursuant to Sections 8.01 and 8.02 may have or hereafter acquire under any law (common or statutory), this Agreement, or any other agreement, vote of Members or otherwise.

8.06 INSURANCE. The Company may purchase and maintain indemnification insurance, at its expense, to protect itself and any Person from any expenses, liabilities, or losses that may be indemnified under this Article VIII.

8.07 MEMBER NOTIFICATION. Any indemnification of or advance of expenses to any Person entitled to be indemnified under this Article VIII shall be reported in writing to the Members with or before the notice or waiver of notice of the next Members' meeting or with or before the next submission to Members of a consent to action without a meeting and, in any case, within the 12-month period immediately following the date the indemnification or advance was made.

8.08 SAVINGS CLAUSE. If this Article VIII or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless any Person entitled to be indemnified pursuant to this Article VIII as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article VIII that shall not have been invalidated and to the fullest extent permitted by applicable law.

8.09 SCOPE OF INDEMNITY. For the purposes of this Article VIII, references to the "Company" include all constituent entities, whether corporations or otherwise, absorbed in a consolidation or merger as well as the resulting or surviving entity. Thus, any Person entitled to be indemnified or receive advances under this Article VIII shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving entity as he would have if such merger, consolidation, or other reorganization never occurred.

ARTICLE IX.
TAXES

9.01. TAX RETURNS. The Company shall cause to be prepared and filed all necessary federal and state income tax returns for the Company, including making the elections described in Section 9.02. Upon written request by the Company, each Member shall furnish to the

Company all pertinent information in its possession relating to Company operations that is necessary to enable the Company's income tax returns to be prepared and filed.

9.02 TAX ELECTIONS. The Company shall make the following elections on the appropriate tax returns:

(a) to adopt the accrual method of accounting;

(b) an election pursuant to section 754 of the Code;

(c) to elect to amortize the organizational expenses of the Company and the start-up expenditures of the Company under section 195 of the Code ratably over a period of 60 months as permitted by section 709(b) of the Code; and

(d) any other election that the Company may deem appropriate and in the best interests of the Company or Members, as the case may be.

Neither the Company nor any Member may make an election for the Company to be excluded from the application of the provisions of subchapter K of chapter 1 of subtitle A of the Code or any similar provisions of applicable state law, and no provision of this Agreement shall be construed to sanction or approve such an election.

9.03 TAX MATTERS MEMBER. The Company shall select one of the Members as the "Tax Matters Member" of the Company pursuant to section 6231(a)(7) of the Code. The Tax Matters Member shall take such action as may be necessary to cause each Member to become a "notice partner" within the meaning of section 6223 of the Code and shall inform each Member of all significant matters that may come to its attention in its capacity as Tax Matters Member by giving notice thereof on or before the fifth Business Day after becoming aware thereof and, within that time, shall forward to each other Member copies of all significant written communications it may receive in that capacity. The Tax Matters Member may not take any action contemplated by sections 6222 through 6232 of the Code without the consent of a Majority Interest, but this sentence does not authorize the Tax Matters Member to take any action left to the determination of an individual Member under sections 6222 through 6232 of the Code. The initial Tax Matters Member shall be the Member so indicated on Exhibit A.

ARTICLE X.
BOOKS, RECORDS, REPORTS, AND BANK ACCOUNTS

10.01 MAINTENANCE OF BOOKS. The Company shall keep books and records of accounts and shall keep minutes of the proceedings of its Members. The books of account for the Company shall be maintained on an accrual basis in accordance with the terms of this Agreement and generally accepted accounting principles, except that the Capital Accounts of the Members

shall be maintained in accordance with Section 4.06. The accounting year of the Company shall be determined by the Company.

10.02 FINANCIAL STATEMENTS. On or before the last day of each calendar month during the term of the Company, the Company shall cause each Member to be furnished with a balance sheet, an income statement and a statement of cash flows for, or as of the end of, the calendar month immediately preceding such calendar month. On or before the last day of each April during the existence of the Company, the Company shall cause each Member to be furnished with audited financial statements, including, a balance sheet, an income statement, a statement of cash flows, and a statement of changes in each Member's Capital Account for, or as of the end of, the immediately preceding calendar year. Annual financial statements must be prepared in accordance with generally accepted accounting principles consistently applied (except as therein noted). The Company also may cause to be prepared or delivered such other reports as it may deem, in its sole judgment, appropriate. The Company shall bear the costs of all such reports and financial statements.

10.03 TAX STATEMENTS. On or before the last day of June during the existence of the Company, the Company shall cause each Member to be furnished with all information reasonably necessary or appropriate to file their appropriate tax reports, including a schedule of Company book-tax differences for, or as of the end of, the immediately preceding tax year.

10.04 ACCOUNTS. The officers of the Company shall establish and maintain one or more separate bank and investment accounts and arrangements for Company funds in the Company's name with financial institutions and firms that officers of the Company may determine. The Company may not commingle the Company's funds with the funds of any other Person. All such accounts shall be and remain the property of the Company and all funds shall be received, held and disbursed for the purposes specified in this Agreement. The officers of the Company may invest the Company funds only in (i) readily marketable securities issued by the United States or any agency or instrumentality thereof and backed by the full faith and credit of the United States maturing within three months or less from the date of acquisition, (ii) readily marketable securities issued by any state or municipality within the United States of America or any political subdivision, agency or instrumentality thereof, maturing within three months or less from the date of acquisition and rated "A" or better by any recognized rating agency, (iii) readily marketable commercial paper rated "Prime-1" by Moody's or "A-1" by Standard and Poor's (or comparably rated by such organizations or any successors thereto if the rating system is changed or there are such successors) and maturing in not more than three months after the date of acquisition or (iv) certificates of deposit or time deposits issued by any incorporated bank organized and doing business under the Laws of the United States of America which is rated at least "A" or "A2" by Standard and Poors or Moody's, which is not in excess of federally insured amounts, and which matures within three months or less from the date of acquisition.

ARTICLE XI.
BANKRUPTCY OF A MEMBER

11.01 BANKRUPT MEMBERS. Subject to Section 12.01(c), if any Member becomes a Bankrupt Member, the Company or, if the Company does not exercise the relevant option, the remaining Members which desire to participate, shall have the option, exercisable by notice from the Company or the Members, as the case may be, to the Bankrupt Member (or its representative) at any time prior to the 180th day after receipt of notice of the occurrence of the event causing it to become a Bankrupt Member, to buy, and, on the exercise of this option, the Bankrupt Member or its representative shall sell, its Membership Interest. The purchase price shall be an amount equal to the fair market value thereof determined by agreement by the Bankrupt Member (or its representative) and the purchasing Person; however, if those Persons do not agree on the fair market value on or before the 30th day following the exercise of the option, either such Person, by written notice to the other, may require the determination of fair market value to be made by an independent appraiser specified in such notice. If the Person receiving that notice objects on or before the tenth day following receipt to the independent appraiser designated in that notice, and those Persons otherwise fail to agree on an independent appraiser, either such Person may petition the United States District Judge for the Southern District of Texas then senior in active service to designate an independent appraiser, whose determination of the independent appraiser, however designated, is final and binding on all parties. The Bankrupt Member and the purchasing Person each shall pay one-half of the costs of the appraisal and court costs in appointing an appraiser (if any). The purchasing Person shall pay the fair market value as so determined in cash on closing. The payment to be made to the Bankrupt Member or its representative pursuant to this Section 11.01 is in complete liquidation and satisfaction of all the rights and interest of the Bankrupt Member and its representative (and of all Persons claiming by, through, or under the Bankrupt Member and its representative) in and in respect of the Company, including, without limitation, any Membership Interest, any rights in specific Company property, and any rights against the Company and its officers, agents, and representatives and (insofar as the affairs of the Company are concerned) against the Members.

ARTICLE XII.
DISSOLUTION, LIQUIDATION, AND TERMINATION

12.01 DISSOLUTION. Subject to the provisions of Section 12.02, the Company shall dissolve and its affairs shall be wound up on the first to occur of the following:

(a) the consent of holders of at least a Super-Majority Interest of the Membership Interests pursuant to Section 7.02(vi);

(b) the expiration of the period fixed for the duration of the Company as set forth in this Agreement;

(c) entry of a decree of judicial dissolution of the Company under section 18-802 of the Act; and

(d) the bankruptcy or dissolution of a Member or other event described in section 18-801 of the Act (other than a Transfer of Membership Interest in accordance with the terms of this Agreement).

12.02 LIQUIDATION AND TERMINATION. Subject to Section 12.02(d), upon dissolution of the Company, a representative of the Company selected by a Majority Interest (not including any member in Default at the time of dissolution) shall act as a liquidator or may appoint one or more Members as liquidator ("Liquidator"). The Liquidator shall proceed diligently to wind up the affairs of the Company and make final distributions as provided herein and in the Act. The costs of liquidation shall be borne as a Company expense. Until final distribution, the Liquidator shall continue to operate the Company properties for a reasonable period of time to allow for the sale of all or a part of the assets thereof with all of the power and authority of the Members. The steps to be accomplished by the Liquidator are as follows:

(a) as promptly as possible after dissolution and again after final liquidation, the Liquidator shall cause a proper accounting to be made of the Company's assets, liabilities, and operations through the last day of the calendar month in which the dissolution occurs or the final liquidation is completed, as applicable;

(b) the Liquidator shall cause any notices required by law to be mailed to each known creditor of and claimant against the Company in the manner described by such law;

(c) subject to the terms and conditions of this Agreement and the Act (especially section 18-803), the Liquidator shall distribute the assets of the Company in the following order:

(i) the Liquidator shall pay, satisfy or discharge from Company funds all of the debts, liabilities and obligations of the Company, including without limitation all expenses incurred in liquidation (but excluding any advances or Capital Contributions described in Section 4.05) or otherwise make adequate provision for payment and discharge thereof (including, without limitation, the establishment of a cash escrow fund for contingent liabilities in such amount and for such term as the Liquidator may reasonably determine);

(ii) the Liquidator shall pay, satisfy or discharge from Company funds all of the advances and loans (but not Capital Contributions) made to the Company by Members, as described in Section 4.05; and

(iii) all remaining assets of the Company shall be distributed to the Members as follows:

(A) the Liquidator may sell any or all Company property, including to one or more of the Members (other than any Member in Default at the time of dissolution), and any resulting gain or loss from each sale shall be computed and allocated to the Capital Accounts of the Members on a pro rata basis in accordance with each of their respective Membership Interests;

(B) with respect to all Company property that has not been sold, the fair market value of that property (as determined by the Liquidator using any method of valuation as it, using its best judgment, deems reasonable) shall be determined and the Capital Accounts of the Members shall be adjusted to reflect the manner in which the unrealized income, gain, loss, and deduction inherent in property that has not been reflected in the Capital Accounts previously would be allocated among the Members if there were a taxable disposition of that property for the fair market value of that property on the date of distribution; and

(C) Company property shall be distributed among the Members ratably in proportion to each Member's Capital Account balances, as determined after taking into account all Capital Account adjustments for the taxable year of the Company during which the liquidation of the Company occurs (other than those made by reason of this clause (C); and in each case, those distributions shall be made by the end of the taxable year of the Company during which the liquidation of the Company occurs (or, if later, 90 days after the date of the liquidation).

All distributions in kind to the Members shall be made subject to the liability of each distributee for costs, expenses, and liabilities theretofore incurred or for which the Company has committed prior to the date of termination and those costs, expenses, and liabilities shall be allocated to the distributee pursuant to this Section 12.02. The distribution of cash and/or property to a Member in accordance with the provisions of this Section 12.02 constitutes a complete return to the Member of its Capital Contributions and a complete distribution to the Member of its Membership Interest and all the Company's property. To the extent that a Member returns funds to the Company, it has no claim against any other Member for those funds.

(d) Upon dissolution of the Company upon an event occurring to a Member described in Section 12.01(d) (the "Withdrawing Member"), then within thirty (30) days after the Company delivers notice of such event to the Members, at least 50% of such other Members (by Membership Interest and excluding the Membership Interest of the transferring or bankrupt Member) may elect to reconstitute the Company and continue its business on the same terms and conditions set forth in this Agreement by forming a new company on terms identical to those set forth in this Agreement and, as necessary, admitting an additional Member chosen by such other Members. Such other Members shall be deemed to have voted for and consented to such reconstitution unless a written statement objecting to the reconstitution shall have been received by the Company within thirty (30) days after notice of dissolution was made to such Member.

Upon any such election to reconstitute by at least 50% of such other Members (by Membership Interest), all Members, Withdrawing Members, and successors shall be bound thereby and shall be deemed to have approved thereof. Unless such an election to reconstitute is made within the applicable time period as set forth above, the Company shall conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(i) the reconstituted Company shall continue until the end of the term set forth in Section 2.06 unless earlier dissolved in accordance with this Article XII;

(ii) the interest of the Withdrawing Member shall be treated thenceforth as the interest of a Transferee that has not been admitted as a Substitute Member hereunder; and

(iii) all necessary steps shall be taken to cancel this Agreement and to enter into and, as necessary, to file new organizational documents; provided that the right to reconstitute and to continue the business of the Company shall not exist and may not be exercised unless the Company has received an opinion of counsel that the Company would not become taxable as a corporation or otherwise be taxed as an entity for federal income tax purposes upon the exercise of such right to continue.

12.03 PROVISION FOR CONTINGENT CLAIMS.

(a) The Liquidator shall make a reasonable provision to pay all claims and obligations, including all contingent, conditional or unmatured claims and obligations, actually known to the Company but for which the identity of the claimant is unknown; and

(b) If there are insufficient assets to both pay the creditors pursuant to Section 12.02(c)(i) and to establish the provision contemplated by Section 12.03(a), the claims shall be paid as provided for in accordance to their priority, and, among claims of equal priority, ratably to the extent of assets therefor.

12.04 DEFICIT CAPITAL ACCOUNTS. Notwithstanding anything to the contrary contained in this Agreement, and notwithstanding any custom or rule of law to the contrary, to the extent that the deficit, if any, in the Capital Account of any Member results from or is attributable to deductions and losses of the Company (including non-cash items such as depreciation), or distributions of money pursuant to this Agreement to all Members ratably in proportion to their respective Membership Interest, upon dissolution of the Company such deficit shall not be an asset of the Company and such Members shall not be obligated to contribute any amounts to the Company to bring the balance of such Member's capital account to zero.

ARTICLE XIII.
AMENDMENT OF THE AGREEMENT

13.01 AMENDMENTS TO BE ADOPTED BY THE COMPANY. Each Member agrees that the appropriate officer of the Company, in accordance with and subject to the limitations contained in Article VII, may amend the Company's certificate of formation, and execute, swear to, acknowledge, deliver, file and record whatever documents may be required to reflect:

(a) a change in the name of the Company, the location of the principal place of business of the Company or the registered agent or office of the Company;

(b) admission or substitution of Members effected in accordance with this Agreement;

(c) a change that the appropriate officer of the Company believes is reasonable and necessary or appropriate to qualify or continue the qualification of the Company as a limited liability company under the Laws of any state or that is necessary or advisable in the opinion of the Company to ensure that the Company will not be taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change (i) that the appropriate officer of the Company believes does not adversely affect the Members in any material respect, or (ii) that is necessary or appropriate for the Company to satisfy any requirements, conditions, guidelines or interpretations contained in any opinion, interpretative release, directive, order, ruling or regulation of any federal or state agency or judicial authority (including, without limitation, the Act);

(e) an amendment that is necessary, in the opinion of counsel, to prevent the Company or its officers from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, whether or not substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(f) subject to the terms of Section 3.09, an amendment that the Company determines in its sole discretion to be necessary or appropriate in connection with the authorization for issuance of any Membership Interest pursuant to Section 3.09; and

(g) any amendment expressly permitted in this Agreement to be made by the Company.

13.02 AMENDMENT PROCEDURES. Except as provided in Section 13.01, all amendments to this Agreement shall be made in accordance with the following requirements. Amendments to this Agreement may be proposed by any Member. Each such proposal shall contain the text of the proposed amendment. If an amendment is proposed, the Company shall seek the written approval of the holders of the requisite percentage of Membership Interests or call a meeting of

the Members to consider and vote on such proposed amendment. A proposed amendment shall be effective upon its approval by the holders of all of the Membership Interests, unless a different percentage is required under this Agreement. Any amendment that would materially and adversely affect the rights of any type or class of Membership Interests in relation to other types or classes of Membership Interests requires the approval of the holders of at least a majority of the Membership Interests of such class or type of Membership Interest. The Company shall notify all Record Holders upon final adoption of any proposed amendment.

ARTICLE XIV.
CERTIFICATED MEMBERSHIP INTERESTS

14.01 ENTITLEMENT TO CERTIFICATES. Every owner of a Membership Interest in the Company, unless and to the extent the Company elects otherwise, shall be entitled to have a certificate, in such form as is approved by the Company and conforms with applicable law, certifying the Membership Interest owned by it.

14.02 MULTIPLE CLASSES OF INTEREST. If the Company shall be authorized to issue more than one class of Membership Interest or more than one series of any Membership Interest, a statement of the powers, designations, preferences and relative, participating, optional or other special rights of each class of membership interest or series thereof and the qualification, limitations or restrictions of such preferences and/or rights shall, unless the Members shall by resolution provide that such class or series of Membership Interest shall be uncertificated, be set forth in full or summarized on the face or back of the certificate which the Company shall issue to represent such class or series of Membership Interest; provided that, to the extent allowed by law, in lieu of such statement, the face or back of such certificate may state that the Company will furnish a copy of such statement without charge to each requesting Member.

14.03 SIGNATURES. Each certificate representing a Membership Interest in the Company shall be signed by or in the name of the Company by (1) any of the President or Vice President of the Company; and (2) any of the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary of the Company. The signature of the officers of the Company may be facsimiles. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to hold such office before such certificate is issued, it may be issued by the Company with the same effect as if he held such office on this date of issue.

14.04 ISSUANCE AND PAYMENT. Subject to the provisions of the Act and this Agreement, Membership Interests may be issued for such consideration and to such persons as the Company may determine from time to time. Membership Interests may not be issued until the full amount of the consideration has been paid, unless upon the face or back of each certificate issued to represent any partly paid Membership Interest there shall have been set forth the total amount of the consideration to be paid therefor and the amount paid thereon up to and including the time said certificate is issued.

14.05 RESTRICTIVE LEGEND. In the absence of a more restrictive legend, all certificates which evidence Membership Interests shall be stamped or typed in a conspicuous place with the following legend:

> THE INTEREST REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE LIMITED LIABILITY AGREEMENT OF THE COMPANY DATED AS OF FEBRUARY 14,1996, WHICH RESTRICTS ANY SALE, ASSIGNMENT, TRANSFER, CONVEYANCE, ENCUMBRANCE, PLEDGE OR OTHER TRANSFER OR ALIENATION (WITH OR WITHOUT CONSIDERATION) OF SUCH INTEREST. THE COMPANY WILL FURNISH TO THE RECORD HOLDER OF THIS CERTIFICATE, WITHOUT CHARGE, UPON WRITTEN REQUEST TO THE COMPANY AT ITS PRINCIPAL PLACE OF BUSINESS, A COPY OF SUCH LIMITED LIABILITY AGREEMENT. THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE. WITHOUT SUCH REGISTRATION, SUCH SECURITIES MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, CONVEYED, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED, EXCEPT UPON DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED FOR SUCH TRANSFER.

Such legend shall also be placed on all Certificates which are hereafter issued to any Member.

14.06 LOST, STOLEN OR DESTROYED CERTIFICATES. The Company may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Company alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the Person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Company may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Company a bond in such sum as it may direct as indemnity against any claim that may be made against the Company with respect to the certificate alleged to have been lost, stolen or destroyed.

14.07 TRANSFER OF MEMBERSHIP INTEREST. Upon surrender to the Company or its transfer agent, if any, of a certificate representing Membership Interests duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer in accordance with this Agreement and of the payment of all taxes applicable to the transfer of said Membership Interest, the Company shall be obligated to issue a new certificate to the Person entitled thereto, cancel the old certificate and record the transaction upon its books, provided, however, that the Company shall not be so obligated unless such transfer was made in compliance with the provisions of this Agreement and any applicable state and federal securities Laws.

14.08 REGISTERED HOLDERS. The Company shall be entitled to recognize the exclusive right of a Person registered on its books as the owner of the indicated Membership Interest and shall not be bound to recognize any equitable or other claim to or interest in such Membership Interest on the part of any Person other than such registered owner, whether or not it shall have express or other notice thereof, except as otherwise provided by Law.

ARTICLE XV.
OTHER MEMBER AGREEMENTS AND OBLIGATIONS

15.01 PARTICIPATION IN EXTENSIONS AND EXPANSIONS. (a) Except as otherwise provided in Section 15.01(b), each Member agrees that neither it nor its Affiliates will, directly or indirectly, enter into any agreement to construct or otherwise consummate transactions involving construction of any pipeline laterals or extensions or related facilities (a "Lateral Opportunity") to connect any oil or liquid condensate to the Poseidon Pipeline until such Lateral Opportunity has been rejected or otherwise forfeited by the Company and the Members, as applicable, pursuant to this Article; provided, however, that this Article shall not apply to any exploration and production Affiliate that intends to construct a pipeline lateral for the purpose of transporting crude oil produced in whole or in part by such Affiliate. Any Member may propose that the Company undertake a Lateral Opportunity by delivering written notice (a "Lateral Opportunity Notice") to the Company and each of the other Members, which Lateral Opportunity Notice would include the proposed terms and conditions of such transactions and reasonably sufficient operational and financial information and other details to allow such Members to make a reasonably informed decision with respect to such Lateral Opportunity. If Members holding at least a Super-Majority Interest do not agree and deliver notice thereof in writing within thirty (30) days after the Company receives the Lateral Opportunity Notice that the Company should undertake such project on the terms and conditions set forth in the applicable Lateral Opportunity Notice, any Member (including its Affiliates) voting in favor of such project shall have the right to pursue such project (a "Rejected Lateral Opportunity") on the terms and conditions set forth in the applicable Lateral Opportunity Notice and own any assets related thereto in the proportion that such Member's Membership Interest is to the Membership Interest of all Members electing to participate in the Rejected Lateral Opportunity by giving written notice of such intent to the Company within fifty (50) days after the Company receives the relevant Lateral Opportunity Notice. In such event, the Members (or their Affiliates) desiring to pursue such Rejected Lateral Opportunity shall be free for a period of sixty (60) days after such fifty (50) day period to enter into definitive agreements, if any, or otherwise consummate the transactions contemplated by the applicable Lateral Opportunity Notice on the same terms and conditions set forth in the applicable Lateral Opportunity Notice without further obligation to any Members or the Company; provided that following such sixty (60) day period such Members or their Affiliates may not enter into definitive agreements, if any, or otherwise consummate the transactions with respect to a Rejected Lateral Opportunity without again offering the same to the Company in accordance with this Article. No Members shall have any obligation or duty to the Company or the other Members with respect to any Rejected Lateral Opportunity to the extent it is covered by definitive agreements entered into, or otherwise consummated, by such Members or their Affiliates after

compliance with this Section 15.01 or with respect to any modification, renewal or extension of the terms of such definitive agreements with respect to any such Rejected Lateral Opportunity. The construction, operation, maintenance and ownership of each such Rejected Lateral Opportunity project shall not be governed or affected by this Agreement, but shall be governed by the contractual and other arrangements established by the Members participating in such project.

(b) Notwithstanding anything contained in this Agreement to the contrary, Poseidon and any of its Affiliates shall have the right, at its sole cost, expense and risk, to construct pipeline laterals or extensions or related facilities to connect the Poseidon Pipeline to oil or liquid condensate produced from Blocks 254, 297, 298 and 342 in the Green Canyon area, and Blocks 871, 914, 915, 916, 958, 959, 1002 and 1003 in the Ewing Bank Area Gulf of Mexico. Such right shall be absolute and unconditional and shall be free and clear of any obligation to offer the Company or any Member the right to participate therein.

(c) Notwithstanding anything contained in this Agreement to the contrary, Texaco and any of its Affiliates shall have the right, at its sole cost, expense and risk, to construct pipeline laterals or extensions or related facilities to connect the Poseidon Pipeline to oil or liquid condensate produced from Blocks 331, 375, 419, 415, 416, 459, 460, 504, 505, 506, 507, 548, 549, 550, 551, 593, 594, 508, 509, 510, 552, 553 and 554 in the Green Canyon area, Gulf of Mexico. Such right shall be absolute and unconditional and shall be free and clear of any obligation to offer the Company or any Member the right to participate therein.

15.02 PROJECT FINANCINGS. Each Member shall be responsible for arranging the financing of its share of Capital Contributions and advances or loans to or other investments in the Company; provided, however, that the Members agree to use commercially reasonable, good faith efforts to review and pursue any project financing arrangement for the Company to the extent the terms and conditions of such project financing are in the best interest of each of the Members.

ARTICLE XVI.
GENERAL PROVISIONS

16.01 OFFSET. Whenever the Company is to pay any sum to any Member, any amounts that a Member owes the Company may be deducted from that sum before payment.

16.02 ENTIRE AGREEMENT; SUPERSEDURE. This Agreement constitutes the entire agreement and supersedes all prior (oral or written) or oral contemporaneously proposals or agreements, all previous negotiations and all other communications or understandings between the Parties with respect to the subject matter hereof.

16.03 WAIVERS. Neither action taken (including, without limitation, any investigation by or on behalf of any Party) nor inaction pursuant to this Agreement, shall be deemed to

constitute a waiver of compliance with any representation, warranty, covenant or agreement contained herein by the Party not committing such action or inaction. A waiver by any Party of a particular right, including, without limitation, breach of any provision of this Agreement, shall not operate or be construed as a subsequent waiver of that same right or a waiver of any other right.

16.04 BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the Members and their respective heirs, legal representatives, successors and assigns.

16.05 MEMBER AND COMMITTEE DEADLOCKS; NEGOTIATIONS, MEDIATION AND ARBITRATION.

(a) Member and Committee Deadlocks. If any matter or proposal (other than those matters specified in Section 6.03(b)(i), (ii), (iv), (v), (vi) or (viii)) requiring the vote of less than all of the Membership Interest for approval thereof is brought before the Members or the Management Committee and (i) does not receive at least the Required Interest voting for such matter or proposal or (ii) does not receive at least the Required Interest voting against (not including abstentions or other non-votes) such matter or proposal, then any Member by written notice to the other Members given within ten (10) days after the initial vote on such matter or proposal, may call a meeting of the Members or the Management Committee to reconsider such matter or proposal, such meeting to be held when, where and as reasonably specified in said notice, but not less than ten (10) days nor more than twenty-five (25) days after the date of such vote. If such meeting is called and held as herein provided and the matter or proposal at such meeting again and (i) does not receive at least the Required Interest voting for such matter or proposal or (ii) does not receive at least the Required Interest voting against (not including abstentions or other non-votes) such matter or proposal, then any Member may within ten (10) days thereafter submit the matter to arbitration in accordance with Section 16.05(b) - - h. If no Member calls such a meeting within the first ten (10) day period herein provided for or if arbitration is not requested within the ten (10) day period after the second meeting, no Member shall thereafter have any right to request arbitration regarding such matter or proposal. Member approval or disapproval of the matters specified in Section 6.03(b)(i), (ii), (iv), (v), (vi) or (viii) shall not be subject to arbitration under this Agreement.

(b) Initiation of Proceedings. Any Member wishing to submit a matter or proposal to arbitration as permitted by Section 16-05(a) shall do so by giving written notice of arbitration to the other Members and the Company. The Member initiating arbitration shall also simultaneously file duplicate copies of its notice of arbitration with any regional office of the American Arbitration Association ("AAA"), together with the appropriate fee as provided in the AAA's administrative fee schedule. The initiating Member shall state in its notice of arbitration the regional office of AAA it has selected and thereafter all communications with the AAA regarding the arbitration proceedings shall be directed to such office unless the AAA directs otherwise. The notice of arbitration shall contain a brief description of the nature of the dispute to be arbitrated and the remedy or resolution sought by the Member initiating arbitration. Such notice may also contain a request that the dispute be arbitrated by a panel of three arbitrators.

If no such request is contained in the notice, it shall be presumed that the Member seeking arbitration desires the dispute to be determined by a single arbitrator.

(c) Responses. Each of the other Members shall, within twenty (20) days from the date of mailing of the notice of arbitration, file with each of the other Members, the Company and the AAA a response in which it states its view regarding the dispute to be arbitrated and the remedy or resolution it desires. Such response may also include a request that the dispute be determined by a panel of three arbitrators. If any of the Members indicate, in accordance with Section 16.05(b) or this Section 16.05(c), their desire to have the dispute determined by a panel of three arbitrators, it shall be so determined. Otherwise, the dispute shall be determined by a single arbitrator.

(d) Selection of Arbitrators. As soon as practicable after the expiration of the twenty (20) day period beginning upon the date of mailing of the initiating Member's notice of arbitration, the AAA shall compile a list of available arbitrators competent and qualified to determine the dispute as described in the notice of arbitration and the responses thereto. If the Members have elected, in accordance with Section 16.05(c), to have the dispute determined by a panel of three arbitrators, the list shall be composed of eight names and if the Members have elected to have the dispute determined by a single arbitrator, the list shall be composed of six names. The AAA shall also, at the same time, by lot, rank the Members in order, and shall thereupon forthwith transmit the list simultaneously to the Members and inform them of the order in which it has ranked them. Unless the Members shall beforehand agree to a different time or place, or both, they shall meet at the principal office of the Company at 10:00 a.m. local time on the Business Day after the date of mailing the AAA's list of arbitrators and notice of ranking. At such time, they shall each, one by one, in accordance with the ranking determined by the AAA, strike a name from the list submitted by the AAA. The three or the one remaining, as the case may be, when such process of striking has been completed, shall be the arbitrators or arbitrator to arbitrate and determine the dispute. If any of the arbitrators so selected declines or for any reason fails to serve, the AAA shall forthwith furnish the Members a second list of additional available arbitrators competent and qualified to determine the dispute, such list to contain five names plus the names of as many individuals as there are vacancies to fill because of the failure to serve of previously selected arbitrators. The Members shall thereupon again, in accordance with the ranking determined by the AAA, one by one, in turn, strike names from the list. The individuals or individual whose names or name remain on the list upon the completion of such striking shall, together with any arbitrators previously chosen in the case of a dispute to be determined by a panel of three arbitrators, be the arbitrators to arbitrate and determine the dispute. This procedure shall be repeated until one or three arbitrators, as the case may be, who are willing and able to serve have been selected. If any of the Members at any point fails to participate in the procedure hereinabove established to select arbitrators, the AAA shall forthwith eliminate one name from the list of arbitrators for each Member not so participating.

(e) Location. Unless otherwise agreed by the Members, the arbitration proceedings shall be held in Houston, Texas at such location selected by the arbitrator or panel of arbitrators.

(f) Rules. Except as set forth in this Section 16.05, all arbitration proceedings under this Section 16.05 shall be conducted in accordance with the Commercial Arbitration Rules of the AAA, as then amended and in effect; and such rules shall be interpreted and applied and questions regarding the arbitration process not resolved under such rules shall be determined in accordance with the Uniform Arbitration Act, as enacted in the State of Delaware; provided, however, that the arbitrator or panel of arbitrators shall resolve such dispute within sixty (60) days from the day a member submitted its notice or arbitration to the other Members, the Company and the AAA. In any such arbitration proceeding, the arbitrator shall determine whether there is a reasonable basis for the withholding of agreement or approval by one or more Members or committee members from the standpoint of the best interests of the Company, in light of the purposes of the Company expressed herein. A reasonable basis for withholding agreement or approval shall be found if a reasonable business person would withhold agreement or approval under the circumstances based soley upon what such reasonable business person believes is in the best interest of the Company. In the event the arbitration proceeding results in a decision that a Member's or committee member's agreement is being or has been withheld without a reasonable basis, such Member's or committee member's agreement will be deemed to have been given. During pendency of any arbitration proceeding, the business of the Company shall continue to be conducted in accordance with the most recently approved budgets until such time as the arbitration is completed, agreement among the Members or any committee is achieved, or the Company is dissolved in accordance with the provisions hereof.

(g) Limitation on Arbitration. Except with respect to the matters specified in Section 16.05(a) or 4.03(c), no Member shall have the right to demand arbitration with respect to any dispute, difference or question arising between any of the Members themselves or any Member and the Company as to the meaning or interpretation of any provision of this Agreement or as to the performance by any Member or the Company of its obligation hereunder, whether before or after the termination of this Agreement, or as to any matter whatsoever.

(h) Effect of Award. The Arbitrator's decision with respect to any matter referred to arbitration pursuant to the provisions of this Section 16.05 shall be final and binding upon the Company and the Members, as if the Members had voted in favor of such resolution, and each Member and the Company shall use its best efforts to take all such steps as may be within its power to ensure that the matter determined by arbitration is carried out as if it had received the approval of the Members of the Management Committee. The Members agree that judgment on the arbitration award may be entered by any court of competent jurisdiction.

16.06 GOVERNING LAW: SEVERABILITY. (a) THIS AGREEMENT HAS BEEN EXECUTED AND DELIVERED AND SHALL BE CONSTRUED, INTERPRETED AND GOVERNED PURSUANT TO AND IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO ANY CONFLICT OF LAWS PRINCIPLES

WHICH, IF APPLIED, MIGHT PERMIT OR REQUIRE THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

(b) In the event of a direct conflict between the provisions of this Agreement and any mandatory provision of the Act or applicable law, the applicable provision of the Act or other applicable law, as the case may be, shall control. If any provision of this Agreement, or the application thereof to any Person or circumstance, is held invalid or unenforceable to any extent, the remainder of this Agreement and the application of that provision to other Persons or circumstances shall not be affected thereby and that provision shall be enforced to the greatest extent permitted by the Act or other applicable law, as the case may be.

16.07 FURTHER ASSURANCES. Subject to the terms and conditions set forth in this Agreement, each of the Parties agrees to use all reasonable efforts to take, or to cause to be taken, all actions, and to do, or to cause to be done, all things necessary, proper or advisable under applicable Laws and regulations to consummate and make effective the transactions contemplated by this Agreement. In case, at any time after the execution of this Agreement, any further action is necessary or desirable to carry out its purposes, the proper officers or directors of the Parties shall take or cause to be taken all such necessary action.

16.08 WAIVER OF CERTAIN RIGHTS. Except as otherwise expressly provided herein, each Member irrevocably waives any right it may have to maintain any action for dissolution of the Company or for partition of the property of the Company.

16.09 NOTICE TO MEMBERS OF PROVISIONS OF THIS AGREEMENT. By executing this Agreement, each Member acknowledges that it has actual notice of all of the provisions of this Agreement. Each Member hereby agrees that this Agreement constitute adequate notice of all such provisions.

16.10 COUNTERPARTS. This Agreement may be executed in multiple of counterparts, each of which, when executed, shall be deemed an original, and all of which shall constitute but one and the same instrument.

16.11 ATTENDANCE VIA COMMUNICATIONS EQUIPMENT. Unless otherwise restricted by law or this Agreement, the Members or committees may hold a meeting by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can effectively communicate with each other. Such participation in a meeting shall constitute presence in person at the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

16.12 REPORTS TO MEMBERS. The officers of the Company shall present at each annual meeting of Members, and at any special meeting of Members, a statement of the business and condition of the Company.

16.13 CHECKS, NOTES AND CONTRACTS. Checks and other orders for the payment of money shall be signed by such person or persons as the Company shall from time to time by resolution determine. Contracts and other instruments or documents may be signed in the name of the Company by any other officer authorized to sign such contract, instrument or document by the Company, and such authority may be general or confined to specific instances. Checks and other orders for the payment of money made payable to the Company may be endorsed for deposit to the credit of the Company, with a depositary authorized by resolution of the Company, by the Chief Financial Officer or Treasurer or such other persons as the Company may from time to time by resolution determine.

16.14 SEAL. The seal of the Company shall be in such form as shall from time to time be adopted by the Company. The seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise reproduced.

16.15 BOOKS AND RECORDS. The officers of the Company shall keep correct and complete books and records of account and minutes of the proceedings of its Members shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of the Members, giving the names and addresses of all Members and the number and class of the shares held by each.

16.16 SURETY BONDS. Such officers and agents of the Company (if any) as the Company may direct, from time to time, shall be bonded for the faithful performance of their duties and for the restoration to the Company, in case of their death, resignation, retirement, disqualification or removal from office, of all books, papers, vouchers, money and other property of whatever kind in their possession or under their control belonging to the Company, in such amounts and by such surety companies as the Company may determine. The premiums on such bonds shall be paid by the Company and the bonds so furnished shall be in the custody of the Secretary.

16.17 AUDIT RIGHTS OF MEMBERS. Each Member shall have the right to inspect and audit the books and records of the Company to the extent necessary to determine the accuracy of the financial statements delivered to the Members pursuant to Section 10.02 of the Agreement. The audit rights with respect to any calendar year or any portion of such year shall terminate on and as of the last day of the second calendar year immediately following the issuance of the audited financial statements covering such calendar year. A Member may exercise its audit rights hereunder by giving at least 30 days written notice to the Company of the desire to perform such audit, which notice shall include the estimated timing and other particulars related to such audit. The audit shall be conducted at the sole cost of the Member requesting same and during normal business hours of the Company. The audit shall not unreasonably interfere with the operation for the Company.

16.18 NO THIRD PARTY BENEFICIARIES. Except to the extent a third party is expressly given rights herein, any agreement herein contained, expressed or implied, shall be only for the benefit of the Parties and their respective legal representatives, successors, and assigns, and such

agreements or assumption shall not inure to the benefit of any other Person whomsoever, it being the intention of the parties hereto that no Person shall be deemed a third party beneficiary of this Agreement except to the extent a third party is expressly given rights herein.

16.19 NOTICES. Except as otherwise expressly provided in this Agreement to the contrary (including in the definition of the term Default), any notice required or permitted to be given under this Agreement shall be in writing (including telex, facsimile, telecopier or similar writing) and sent to the address of the Party set forth below, or to such other more recent address of which the sending Party actually has received written notice:

(a) if to the Company, to:

Poseidon Oil Pipeline Company, L.L.C.
Attn: President
1670 Broadway
Denver, Colorado 80202
Telephone 303/861-4475
Telecopy 303/860-3135

(b) if to the Members, to:

(1) Poseidon Pipeline Company, L.L.C.
Attn: Chief Operating Officer
7200 Texas Commerce Tower
600 Travis Street
Houston, Texas 77002
Telephone: (713) 224-7400
Telecopy: (713) 547-5151

(2) Texaco Trading and Transportation Inc.
Attn: Senior Vice President - Southern Region
4900 Fournace Place P.O. Box 5080
Bellaire, Texas 77401-2325 Bellaire, Texas
Telephone 713/432-3800 77402-5080
Telecopy 713/432-3592

Each such notice, demand or other communication shall be effective, if given by registered or certified mail, return receipt requested, as of the third day after the date indicated on the mailing certificate, or if given by any other means, when delivered at the address specified in this Section.

IN WITNESS WHEREOF, the Members have executed this Agreement as of the date first set forth in this Agreement.

MEMBERS:

POSEIDON PIPELINE COMPANY, L.L.C.

By: /s/ JAMES H. LYTAL

Printed Name: James H. Lytal

Title: President

TEXACO TRADING AND TRANSPORTATION INC.

By: /S/ ARTHUR NICOLETTI

A.A. Nicoletti, President

EXHIBITS:

Exhibit A	-	Ownership Information
Exhibit B	-	Description of Phase I Line and Phase II Line
Exhibit C	-	Insurance

FIRST AMENDMENT TO THE
LIMITED LIABILITY COMPANY AGREEMENT
OF
POSEIDON OIL PIPELINE COMPANY, L.L.C.
(A DELAWARE LIMITED LIABILITY COMPANY)

THIS FIRST AMENDMENT dated as of July 1, 1996 (this "Amendment"), to the Limited Liability Company Agreement (the "LLC Agreement") of Poseidon Oil Pipeline Company, L.L.C. dated as of February 14, 1996, is entered into by the Members (as defined below).

W I T N E S S E T H:

WHEREAS, on February 14, 1996, TEXACO TRADING AND TRANSPORTATION INC., a Delaware corporation ("Texaco"), and POSEIDON PIPELINE COMPANY, L.L.C., a Delaware limited liability company ("Poseidon"), formed the Delaware limited liability company known as Poseidon Oil Pipeline Company, L.L.C. (the "Company"), pursuant to its Certificate of Formation and the LLC Agreement; and

WHEREAS, in connection with that certain Acknowledgment and Consent Agreement dated as of even date herewith by and among the Company, Poseidon, Texaco, Marathon Oil Company ("Marathon"), Texaco Pipeline Inc. ("TPLI"), Marathon Pipeline Company ("MPLC") and Block 873 Pipeline Company ("Pipeline Owner"), and certain other agreements, (i) Pipeline Owner contributed certain assets to Company in exchange for a newly issued Membership Interest (defined herein); (ii) Pipeline Owner distributed such Membership Interest to its owners, TPLI and Marathon; and (iii) TPLI and MPLC transferred such Membership Interests to Texaco and Marathon, respectively;

WHEREAS, Poseidon, Texaco and Marathon are the current members of the Company;

WHEREAS, Poseidon, Texaco and Marathon (collectively, the "Members," and each a "Member") have agreed to amend the LLC Agreement.

NOW, THEREFORE, in consideration of the premises contained herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Members hereby stipulate and agree as follows:

1. Definitions. Unless otherwise defined herein, terms defined in this Amendment have the meanings specified herein, and capitalized terms not defined herein, but defined in the LLC Agreement, are used herein as therein defined.

2. Amendments. The LLC Agreement shall be amended as of the date hereof as follows:

(a) Section 1.01. Section 1.01 of the LLC Agreement is amended by adding the following definition in proper alphabetical order:

"Marathon" means Marathon Oil Company.

(b) Section 1.01. Section 1.01 of the LLC Agreement is further amended by deleting the definitions of the terms "Bankrupt Member," "Default," "Majority Interest" and "Super-Majority Interest" in their entirety and replacing such terms with the following definitions, each in proper alphabetical order:

"Bankrupt Member" means any Member:

(a) that (i) makes a general assignment for the benefit of creditors; (ii) files a voluntary bankruptcy petition; (iii) becomes the subject of an order for relief or is declared insolvent in any federal or state bankruptcy or insolvency proceeding; (iv) files a petition or answer seeking for the Member a reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any law; (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Member in a proceeding of the type described in subclauses (i) through (iv) of this clause (a); or (vi) seeks, consents, or acquiesces to the appointment of a trustee, receiver, or liquidator of the Member or of all or any substantial part of the Member's properties; or

(b) against which a proceeding seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any law has been commenced and 90 days have expired without dismissal thereof or with respect to which, without the Member's consent or acquiescence, a trustee, receiver, or liquidator of the Member or of all or any substantial part of the Member's properties has been appointed and 60 days have expired without such appointments having been vacated or stayed, or 60 days have expired after the date of expiration of a stay, if the appointment has not previously been vacated.

In addition, Poseidon, and any of its Transferees or Substituted Members, shall be deemed to be a Bankrupt Member if any of the foregoing events occur with respect to the Guarantor.

"Default" means, in respect of any Member, upon the occurrence and during the continuation of any of the following events:

(a) the failure to remedy within five (5) Business Days of receipt of written notice thereof from the Company or any Member, the failure of a Member to

make any Initial Capital Contribution to the Company as required pursuant to Section 4.01, on the date on which such Initial Capital Contribution is due;

(b) the occurrence of any event that causes such Member to become a Bankrupt Member (except to the extent a Majority Interest consents otherwise); or

(c) the failure to remedy within ten (10) Business Days of receipt of written notice thereof, the default in performance of or failure to comply with any other material agreements, obligations or undertakings of such Member (or, in the case of Poseidon, or any of its Transferees or Substituted Members, the Guarantor) contained in the Transaction Documents.

"Majority Interest" means two or more Members having among them more than 50% of the Membership Interests of all Members; provided, however that if at any time a single Member shall own more than 50% of the Membership Interest of all Members, then "Majority Interest" shall mean an amount which is 1% greater than the Membership Interest held by such Member.

"Super-Majority Interest" means one or more Members having among them greater than 72% of the Membership Interests of all Members.

(c) Section 1.03. Section 1.03 of the LLC Agreement shall be amended by adding the following sentence at the end of Section 1.03:

"Whenever the context requires, the singular shall include the plural, and the plural, shall include the singular."

(d) Section 5.06. Section 5.06 of the LLC Agreement is amended by deleting Section 5.06 in its entirety and replacing it with the following:

"5.06 Distribution Restrictions. Unless unanimously agreed to in writing by the Members, and subject to the provisions of Section 4.03, the Company shall not distribute (i) any of the Initial Capital Contributions until the completion of the construction of the Phase I Line, the Phase II Line and the Onshore Segment of the Poseidon Pipeline, except to the extent that all of the Members agree that the applicable portion of such Initial Capital Contributions is no longer needed to finance such construction or the operations of the Company, or (ii) any amounts that would cause the Company to materially breach, or would create a material default under, any debt agreements or instruments to which the Company is a party."

(e) Section 6.02. Subsection 6.02(c) of the LLC Agreement is amended by deleting Subsection 6.02(c) in its entirety and replacing it with the following:

"(c) Under the oversight of the Business Development Committee, the representatives of the Members jointly shall conduct the business development activities of the Company, including, without limitation, identifying and negotiating with potential customers. Each Member shall use all reasonable efforts to ensure that its representatives cooperate with and keep informed the representatives of the other Members with respect to any business development activities conducted by such representative on behalf of the Company. Each such representative may independently approach any potential customer or other Person and discuss such potential arrangements; provided, however, that no such representative may submit any formal proposal to a potential customer without consulting with representatives of the other Members. The Business Development Committee shall have the authority to reconsider the business development procedures and arrangements on an annual calendar year basis beginning with the calendar year commencing on January 1, 1998. The Company shall reimburse each Member (including its officers, agents and other representatives) for reasonable costs associated with business development services performed pursuant to this Agreement.

(d) At least one year prior to any Day on which the Company has a right to terminate any agreement with respect to the operation and management of the Poseidon Pipeline, the Operating Committee shall meet to consider the exercise of such termination right. If the representatives of a Majority Interest of the Members state at such meeting the desire of such Members to bid, or to seek bids, with respect to such operation and management activities, then the Operating Committee shall establish procedures to govern such bidding process and shall conduct such bidding process prior to the time that the Company's right to terminate such agreement must be exercised."

(f) Section 6.03. Section 6.03 of the LLC Agreement is amended by deleting Section 6.03 in its entirety and replacing it with the following:

"6.03 AUTHORITY OF MEMBERS AND COMMITTEES. (a) With respect to conflicts or disagreements between and among any committees, the Management Committee shall have ultimate decision making authority. The Members and the committees shall act through the Company's officers, employees, representatives, agents and designees. No Member shall have individual authority to bind the Company unless such is expressly conferred upon them pursuant to this Agreement or by action of the Members or a duly authorized committee, body, officer or other representative. All action shall be taken subsequent to resolutions approved by the Members in accordance with Article VII of this Agreement.

(b) Unless otherwise expressly delegated in writing or provided by this Agreement, the Members hereby reserve to the Members as a group the authority to authorize and approve the following:

(i) utilizing for other than Company purposes, acquiring, or disposing of any material asset of the Company;

(ii) borrowing money;

(iii) determining the reserve applicable to distributions of Company cash and other property as provided in Sections 5.03, 5.05 and 5.06;

(iv) authorizing transactions not in the ordinary course of business;

(v) permitting the Company to merge, consolidate, participate in a share exchange or other statutory reorganization with, or sell all or substantially all of the assets of the Company to, any Person;

(vi) permitting the Company to dissolve and liquidate;

(vii) approving any operating and capital expenditures budgets for the Company;

(viii) permitting a Member to withdraw from the Company;

(ix) entering into contracts, agreements and other undertakings binding the Company to pay more than $500,000 in any year or $1,000,000 in the aggregate pursuant to any such individual contract, agreement or undertaking that may be necessary, appropriate, or advisable in furtherance of the purposes of the Company;

(x) entering into Oil Contracts with a term of one year or more;

(xi) authorizing the Company to enter into a transaction involving a Lateral Opportunity in accordance with Article XV; and

(xii) entering into any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Member or any Affiliate of any Member unless such transaction is upon fair and reasonable terms no less favorable to the Company than it would obtain in a comparable

arm's length transaction with a Person which is not a Member or an Affiliate of a Member.

With respect to each such matter described in (i) - (xii) above, exercise of such authority shall occur only by the affirmative vote of the applicable Required Interest as required by the Agreement, including the Majority Interest voting requirements set forth in Section 7.01(a), the Super-Majority Interest voting requirements set forth in Section 7.02 and the unanimous Membership Interest voting requirements otherwise set forth in this Agreement, as applicable.

(c) Member approval of or agreement to any matter specified in Section 6.03(b)(ix) or (x), shall be granted or withheld based only upon such Member's good faith belief that such approval or agreement, or the withholding of such approval or agreement, is in the best interests of the Company.

(d) Member approval of or agreement to any matter specified in Section 6.03(b)(i), (v), (vi) or (viii) or any borrowing which includes an interest rate in excess of the prime interest rate charged by Texas Commerce Bank, Houston, Texas office plus two percent (2%), may be withheld by any Member for any reason whatsoever.

(e) Approval of or agreement to any other matter will not be withheld by any Member (whether acting directly through such Member or any committee) without a reasonable basis."

(g) Section 7.01. Subsection 7.01(a) of the LLC Agreement is amended by deleting Subsection 7.01(a) in its entirety and replacing it with the following:

"(a) A quorum shall be present at a meeting of Members or any committee of the Company if the holders of at least 28.0% of all of the Membership Interests of the Company are represented at the meeting in person or by proxy. At a meeting of the Members at which a quorum is present with respect to any matter (except for any matter requiring the affirmative vote of (i) a Super-Majority Interest or all of the Membership Interest as required by this Agreement or (ii) a Required Interest greater than a Majority Interest as required by this Agreement or the Act), the affirmative vote of the Majority Interest shall be the act of the Members."

(h) Section 7.02. Section 7.02 of the LLC Agreement is amended by deleting Section 7.02 in its entirety and replacing it with the following:

"7.02 SPECIAL ACTIONS. The approval of the holders of a Super-Majority Interest of the Members shall be required to authorize and approve the following:

(i) utilizing other than for Company purposes, acquiring, or disposing of any asset of the Company having a then existing fair market value or GAAP net book value (after deducting accumulated depreciation, depletion, amortization and impairment) of more than $5,000,000;

(ii) borrowing money other than (x) pursuant to that certain Credit Agreement dated as of April 24, 1996, as amended, supplemented, restated or otherwise modified from time to time, among the Company, Texas Commerce Bank National Association, as the administrative agent and a lender, and the other lenders as a party thereto, (y) pursuant to any other credit agreement, indenture or similar agreement which has been authorized by a Super-Majority Interest (pursuant to this Section), and (z) in addition to the borrowing permitted pursuant to (x) and (y) above, an additional amount of money not to exceed $10,000,000.

(iii) except with respect to reserves consistent with the historical practices of the Company, determining the reserve applicable to distributions of Company cash and other property as provided in Sections 5.03, 5.05 and 5.06;

(iv) authorizing material transactions the nature of which are not in the ordinary course for the businesses in which the Company operates;

(v) permitting the Company to merge, consolidate, participate in a share exchange or other statutory reorganization with, or sell all or substantially all of the assets of the Company to, any Person;

(vi) permitting the Company to dissolve and liquidate; and

(vii) entering into any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Member or any Affiliate of any Member unless such transaction is upon fair and reasonable terms no less favorable to the Company than it would obtain in a comparable arm's length transaction with a Person which is not a Member or an Affiliate of a Member."

(i) Section 7.07. Subsection 7.07(a) of the LLC Agreement is amended by deleting Subsection 7.07(a) in its entirety and replacing it with the following:

"(a) Except as otherwise provided by law, any action required or permitted to be taken at any meeting of Members or committee of the Company may be taken without a meeting, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holder or holders or representatives of not less than the minimum of Membership Interests that would be necessary to take such action at a meeting at which the holders of all Membership Interests entitled to vote on the action were present and voted; provided, however, that no such written consent shall be effective unless each Member has been provided with at least 3 Business Days prior written notice of such consent to be sought or has waived the requirement of such notice. To the extent required by law, every written consent shall bear the date of signature of each Member or Member representative who signs the consent. To the extent required by law, no written consent shall be effective to take the action that is the subject to such consent unless, within 60 days after the date of the earliest dated consent delivered to the Company in the manner required by this Section 7.07, a consent or consents signed by the holder or holders of not less than the minimum Membership Interests that would be necessary to take the action that is the subject of the consent are delivered to the Company by delivery to its registered office or its principal place of business. Delivery shall be by hand or certified or registered mail (return receipt requested) to the Company's principal place of business and shall be addressed to the Secretary of the Company. A telegram, telex, cablegram or similar transmission by a Member or Member representative, or a photographic, photostatic, facsimile or similar reproduction of a writing signed by a Member or Member representative, shall be regarded as signed by the Member or Member representative for purposes of this Section 7.07. In addition to the prior written notice described above, prompt written notice of the taking of any action by the Members or committees of the Company without a meeting by less than unanimous written consent shall be given to those Members or Member representatives who did not consent in writing to the action."

(j) Section 11.01. Section 11.01 of the LLC Agreement is amended by deleting Section 11.01 in its entirety and replacing it with the following:

"11.01. BANKRUPT MEMBERS. Subject to Section 12.01(c), if any Member becomes a Bankrupt Member (except to the extent a Majority Interest consents otherwise), the Company or, if the Company does not exercise the relevant option, the remaining Members which desire to participate, shall have the option, exercisable by notice from the Company or the Members, as the case may be, to the Bankrupt Member (or its representative) at any time prior to the 180th day after receipt of notice of the occurrence of the event causing it to become a Bankrupt Member, to buy, and, on the exercise of this option, the Bankrupt Member or its representative shall sell, its Membership Interest. The purchase price shall be an

amount equal to the fair market value thereof determined by agreement by the Bankrupt Member (or its representative) and the purchasing Person; however, if those Persons do not agree on the fair market value on or before the 30th day following the exercise of the option, either such Person, by written notice to the other, may require the determination of fair market value to be made by an independent appraiser specified in such notice. If the Person receiving that notice objects on or before the tenth day following receipt to the independent appraiser designated in that notice, and those Persons otherwise fail to agree on an independent appraiser, either such Person may petition the United States District Judge for the Southern District of Texas then senior in active service to designate an independent appraiser, whose determination of the independent appraiser, however designated, is final and binding on all parties. The Bankrupt Member and the purchasing Person each shall pay one-half of the costs of the appraisal and court costs in appointing an appraiser (if any). The purchasing Person shall pay the fair market value as so determined in cash on closing. The payment to be made to the Bankrupt Member or its representative pursuant to this Section 11.01 is in complete liquidation and satisfaction of all the rights and interest of the Bankrupt Member and its representative (and of all Persons claiming by, through, or under the Bankrupt Member and its representative) in and in respect of the Company, including, without limitation, any Membership Interest, any rights in specific Company property, and any rights against the Company and its officers, agents, and representatives and (insofar as the affairs of the Company are concerned) against the Members."

(k) Section 14.05. Section 14.05 of the LLC Agreement is amended by deleting Section 14.05 in its entirety and replacing it with the following:

"14.05 Restrictive Legend. In the absence of a more restrictive legend, all certificates which evidence Membership Interests shall be stamped or typed in a conspicuous place with the following legend:

THE INTEREST REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE LIMITED LIABILITY AGREEMENT OF THE COMPANY DATED AS OF FEBRUARY 14, 1996, AS IT EXISTS FROM TIME TO TIME, WHICH RESTRICTS ANY SALE, ASSIGNMENT, TRANSFER, CONVEYANCE, ENCUMBRANCE, PLEDGE OR OTHER TRANSFER OR ALIENATION (WITH OR WITHOUT CONSIDERATION) OF SUCH INTEREST. THE COMPANY WILL FURNISH TO THE RECORD HOLDER OF THIS CERTIFICATE, WITHOUT CHARGE, UPON WRITTEN REQUEST TO THE COMPANY AT ITS PRINCIPAL PLACE OF BUSINESS, A COPY OF SUCH LIMITED LIABILITY AGREEMENT. THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE.

WITHOUT SUCH REGISTRATION, SUCH SECURITIES MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, CONVEYED, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED, EXCEPT UPON DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED FOR SUCH TRANSFER.

Such legend shall also be placed on all Certificates which are hereafter issued to any Member."

(l) Section 15.01. Subsection 15.01(a) of the LLC Agreement is amended by deleting Subsection 15.01(a) in its entirety and replacing it with the following:

"(a) Except as otherwise provided in Section 15.01(b) and (c), each Member agrees that neither it nor its Affiliates will, directly or indirectly, enter into any agreement to construct or otherwise consummate transactions involving construction of any pipeline laterals or extensions or related facilities (a "Lateral Opportunity") to connect any oil or liquid condensate to the Poseidon Pipeline until such Lateral Opportunity has been rejected or otherwise forfeited by the Company and the Members, as applicable, pursuant to this Article. Notwithstanding the foregoing, this Article shall not prevent any exploration and production Affiliate of a Member (or, as to a Member that conducts its own exploration and production, the exploration and production division of such Member) from constructing a pipeline lateral solely for the purpose of transporting crude oil produced in whole or in part from a lease in which such Affiliate or division owns an interest; provided that such interest in the crude oil to be transported by such lateral was acquired by the relevant Affiliate or division primarily for a purpose other than the avoidance of the provisions of this Section. Any Member may propose that the Company undertake a Lateral Opportunity by delivering written notice (a "Lateral Opportunity Notice") to the Company and each of the other Members, which Lateral Opportunity Notice would include the proposed terms and conditions of such transactions and reasonably sufficient operational and financial information and other details to allow such Members to make a reasonably informed decision with respect to such Lateral Opportunity. If Members holding at least a Majority Interest do not agree and deliver notice thereof in writing within thirty (30) days after the Company receives the Lateral Opportunity Notice that the Company should undertake such project on the terms and conditions set forth in the applicable Lateral Opportunity Notice, any Member (including its Affiliates) voting in favor of such project shall have the right to pursue such project (a "Rejected Lateral Opportunity") on the terms and conditions set forth in the applicable Lateral Opportunity Notice and own any assets related thereto in the proportion that such Member's Membership Interest is to the Membership Interest of all Members electing to participate in the Rejected Lateral Opportunity by giving written notice of such intent to the Company within fifty (50) days after the Company receives the relevant Lateral Opportunity Notice. In such

event, the Members (or their Affiliates) desiring to pursue such Rejected Lateral Opportunity shall be free for a period of sixty (60) days after such fifty (50) day period to enter into definitive agreements, if any, or otherwise consummate the transactions contemplated by the applicable Lateral Opportunity Notice on the same terms and conditions set forth in the applicable Lateral Opportunity Notice without further obligation to any Members or the Company; provided that following such sixty (60) day period such Members or their Affiliates may not enter into definitive agreements, if any, or otherwise consummate the transactions with respect to a Rejected Lateral Opportunity without again offering the same to the Company in accordance with this Article. No Member shall have any obligation or duty to the Company or the other Members with respect to any Rejected Lateral Opportunity to the extent it is covered by definitive agreements entered into, or otherwise consummated, by such Members or their Affiliates after compliance with this Section 15.01 or with respect to any modification, renewal or extension of the terms of such definitive agreements with respect to any such Rejected Lateral Opportunity. Except as set forth in this Section, the construction, operation, maintenance and ownership of each such Rejected Lateral Opportunity project shall not be governed or affected by this Agreement, but shall be governed by the contractual and other arrangements established by the Members participating in such project. Any Member which delivers a Lateral Opportunity Notice or elects to participate in a Rejected Lateral Opportunity shall deliver a certificate executed by an executive or similar officer of such Member to each other Member certifying that: (i) such Lateral Opportunity or Rejected Lateral Opportunity is not, directly or indirectly, related in any way to any past, current or future-contemplated transaction involving the certifying Member not described in the Lateral Opportunity Notice and (ii) taken as a whole and, in light of the circumstances in which the same were made, the Lateral Opportunity Notice does not and will not, to the best knowledge of the certifying Member, as of the date when made, contain any untrue statement of a material fact or omit to state a material fact (other than omissions that pertain to matters of a general economic nature, matters generally known to each Member, or matters of public knowledge that generally affect any of the industry segments included in the business of the Company) necessary in order to make the statements contained therein not misleading, and all financial projections contained in any Lateral Opportunity Notice have been prepared in good faith based upon assumptions believed by the Member to be reasonable. Any breach of a representation or warranty contained in such certificate shall be deemed to be a breach of a representation or warranty contained in this Agreement."

(m) Section 16.05. Subsection 16.05(a) of the LLC Agreement is amended by deleting Subsection 16.05(a) in its entirety and replacing it with the following:

"(a) Member and Committee Deadlocks. Member approval or disapproval of the matters specified in Section 6.03(b)(i), (v), (vi) or (viii), or of any borrowing which includes an interest rate in excess of the prime interest rate

charged by Texas Commerce Bank, Houston, Texas office plus two percent (2%), shall not be subject to arbitration under this Agreement. If any matter or proposal (other than those matters specified in Section 6.03(b)(i), (v), (vi) or (viii) or any borrowing which includes an interest rate in excess of the prime interest rate charged by Texas Commerce Bank, Houston, Texas office plus two percent (2%)) requiring the vote of less than all of the Membership Interest for approval thereof is brought before the Members or the Management Committee and receives neither (x) at least the Required Interest voting for such matter or proposal nor (y) at least the Required Interest voting against (not including abstentions or other non-votes) such matter or proposal, then any Member, by written notice to the other Members given within ten (10) days after the initial vote on such matter or proposal, may call a meeting of the Members or the Management Committee to reconsider such matter or proposal, such meeting to be held when, where and as reasonably specified in said notice, but not less than ten (10) days nor more than twenty-five (25) days after the date of such vote. If such meeting is called and held as herein provided and the matter or proposal at such meeting again and (x) does not receive at least the Required Interest voting for such matter or proposal or (y) does not receive at least the Required Interest voting against (not including abstentions or other non-votes) such matter or proposal, then any Member may within ten (10) days thereafter submit the matter to arbitration in accordance with Section 16.05(b) - (h). If no Member calls such a meeting within the first ten (10) day period herein provided for or if arbitration is not requested within the ten (10) day period after the second meeting, no Member shall thereafter have any right to request arbitration regarding such matter or proposal.

(n) Section 16.05. Subsection 16.05(b) of the LLC Agreement is amended by deleting Subsection 16.05(b) in its entirety and replacing it with the following:

"(b) Initiation of Proceedings, Costs. Any Member wishing to submit a matter or proposal to arbitration as permitted by Section 16.05(a) shall do so by giving written notice of arbitration to the other Members and the Company. The Member initiating arbitration shall also simultaneously file duplicate copies of its notice of arbitration with any regional office of the American Arbitration Association ("AAA"), together with the appropriate fee as provided in the AAA's administrative fee schedule. The initiating Member shall state in its notice of arbitration the regional office of AAA it has selected and thereafter all communications with the AAA regarding the arbitration proceedings shall be directed to such office unless the AAA directs otherwise. The notice of arbitration shall contain a brief description of the nature of the dispute to be arbitrated and the remedy or resolution sought by the Member initiating arbitration. Such notice may also contain a request that the dispute be arbitrated by a panel of three arbitrators. If no such request is contained in the notice, it shall be presumed that the Member seeking arbitration desires the dispute to be determined by a single arbitrator. Each Member shall bear its own costs incurred

in connection with preparing responses and proposals for arbitration and retaining separate counsel to represent such Member. The Company shall pay the fees of the arbitrators and any other costs related to the arbitration."

(o) Exhibit A2. The LLC Agreement is amended by adding Exhibit A2 attached hereto which sets forth the initial capital contributions to be made by Marathon and additional initial capital contributions to be made by Texaco in connection with the admission of Marathon as a Member.

(p) Exhibit C. Exhibit C to the LLC Agreement is amended by deleting Exhibit C in its entirety and replacing it with Exhibit C attached hereto.

3. Representations and Warranties. Each Member hereby represents and warrants to each other Member that, after giving effect to the amendments provided for herein, the representations and warranties contained in the LLC Agreement will be true and correct in all material respects as if made on and as of the date hereof (unless such representations or warranties are stated to refer to a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date) and that no Default or Event of Default will have occurred and be continuing.

4. No Other Waivers or Amendments. Except as expressly waived or amended hereby, the LLC Agreement shall remain in full force and effect in accordance with its terms, without any waiver, amendment or modification of any provision thereof.

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

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

POSEIDON PIPELINE COMPANY, L.L.C.

By: /s/ JAMES H. LYTAL
Name: James H. Lytal
Title: President

TEXACO TRADING AND TRANSPORTATION INC.

By: /s/ TERRY F. HUDGENS
Name: Terry F. Hudgens
Title: Vice President

MARATHON OIL COMPANY

By: /s/ KEVIN M. HENNING
Name: Kevin M. Henning
Title: Vice President

Exhibit A2: Ownership Information
Exhibit C: Insurance

EXHIBIT A2
OWNERSHIP INFORMATION

NAME AND INITIAL CAPITAL CONTRIBUTION OF EACH MEMBER	ADDITIONAL INITIAL CAPITAL CONTRIBUTIONS	MEMBERSHIP INTEREST
1) Poseidon Pipeline Company, L.L.C.		36.0%
2) Texaco Trading and Transportation Inc.(3)	(1)	36.0%
3) Marathon Oil Company	(2)	28.0%

(1) Texaco shall make additional Initial Capital Contributions by causing Block 873 Pipeline Company to contribute the Block 873 Pipeline to the Company at an agreed value, net to the interest of Texaco and its Affiliates, of $10.0 million.

(2) Marathon shall make Initial Capital Contributions equal to:

(a) Contribution of $5.2 million via wire transfer of immediately available federal funds on the date of execution of this Agreement.

(b) Causing Block 873 Pipeline Company to contribute the Block 873 Pipeline to the Company at an agreed value, net to the interest of Marathon and its Affiliates, of $20.0 million.

(3) Initial Tax Matters Member.

EXHIBIT C
INSURANCE

Coverage	Limit of Liability	Deductible(1)
I. EACH MEMBER WILL CARRY FOR ITS OWN BENEFIT AND THE BENEFIT OF THE COMPANY ITS PROPORTIONATE SHARE EQUAL TO ITS MEMBERSHIP INTEREST OF EACH OF THE FOLLOWING:		
A. Property:(2)		
1. Pipelines	$20,000,000	$250,000
2. Line Pack	$2,000,000	$250,000
3. Equipment	$2,000,000.	$250,000.
4. Cargo	$4,000,000 a.o.a.o	$25,000 a.o.a.o
B. Excess Liability including pollution Liability	$200,000,000 a.o.a.o. and in the aggregate annually as respects Products Liability	Excess of Primary Insurance as below
II. TO BE CARRIED BY THE COMPANY:		
A. Liabilities:		
1. General Liability to include Marine Liability, Pollution Liability, Contractual Liability and Action-Over Indemnity, Non-Owned Watercraft	$1,000,000 a.o.a.o. and in the aggregate annually as respects Products Liability	$50,000
2. W.C./EL/Maritime Employees Liability	Per Statute/$1,000,000	N/A
3. Automobile Liability	$2,000,000 a.o.a.o.	N/A
4. Non-Owned Aviation Liability	$10,000,000 a.o.a.o.	N/A

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(1) Texaco shall have the right to self-insure for an amount equal to the retention under Texaco's corporate insurance program, subject to a limit of $10 million. Marathon shall have the right to self-insure for an amount equal to the retention under Marathon's corporate insurance program, subject to a limit of $15,000,000 for environmental loss and $50,000,000 for other types of coverage.

(2) All deductible amounts in Section I are stated in total deductible amounts, to be apportioned among the Members pro rata in accordance with their Membership Interests.

III. IF OPERATIONS INVOLVED OWNED OR BAREBOAT CHARTERED WATERCRAFT THESE COVERAGES WILL BE CARRIED BY THE COMPANY:

A.	Hull/Machinery, including Collision Liability to hull value.	$10,000,000 a.o.a.o.	$10,000
B.	Protection & Indemnity, including crew coverage and Excess Collision Liability	$1,000,000 a.o.a.o.	$25,000

EXHIBIT 10.15

LIMITED LIABILITY COMPANY AGREEMENT

OF

NEPTUNE PIPELINE COMPANY, L.L.C.

(a Delaware limited liability company)

(Dated as of January 17, 1997)

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LIMITED LIABILITY COMPANY AGREEMENT

OF

NEPTUNE PIPELINE COMPANY, L.L.C.
(A DELAWARE LIMITED LIABILITY COMPANY)

This Limited Liability Company Agreement of Neptune Pipeline Company, L.L.C., dated as of January 17, 1997 (the "Formation Date"), is (a) adopted by the Members (as defined below) and (b) executed and agreed to, for good and valuable consideration, by the Members.

WHEREAS, the Members desire to form the Company (defined below) in connection with the acquisition, construction, ownership and operation of certain pipelines;

WHEREAS, the Company will own interests in Manta Ray Offshore Gathering Company, L.L.C. ("Manta Ray") and Nautilus Pipeline Company, L.L.C. ("Nautilus"); and

WHEREAS, Manta Ray and Nautilus will acquire, construct, own and operate the Manta Ray System and the Nautilus System (each defined below), respectively.

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

ARTICLE I.
DEFINITIONS

1.1 SPECIFIC DEFINITIONS. As used in this Agreement, the following terms have the following meanings:

"Accelerated Volumes" means the increment of natural gas volumes produced from existing, flowing Dedicated Leases which require a Major Expansion Project pursuant to Section 15.2, provided that such volumes, for the purposes of this definition, shall be limited to Dedicated Leases from which the increases in volume are attributable to an acceleration of reserves production, and not an increase in overall reserves.

"Accessible Capacity" means that portion of the Base Capacity which is commercially useable for gas gathering or transportation taking into consideration hydraulics, geographic proximity and other similar factors to transport relevant Expansion Property Production.

"Act" means the Delaware Limited Liability Company Act and any successor statute, as amended from time to time.

"Adjusted Capital Account" means the Capital Account maintained for each Member as of the end of each taxable year of the Company, (a) increased by any amounts that such Member is obligated to restore under the standards set by Treasury Regulation section 1.704-1(b)(2)(ii)(c) (or is deemed obligated to restore pursuant to the penultimate sentences of Treasury Regulation sections 1.704-2(g)(1) and 1.704-2(i)(5)), and (b) decreased by (i) the amount of all losses and deductions that, as of the end of such taxable year, are reasonably expected to be allocated to such Member in subsequent years under sections 704(e)(2) and 706(d) of the Code and Treasury Regulation section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that, as of the end of such taxable year, are reasonably expected to be made to such Member in subsequent years in accordance with the terms of this Agreement or otherwise to the extent they exceed offsetting increases to such Member's Capital Account that are reasonably expected to occur during (or prior to) the year in which such distributions are reasonably expected to be made (other than increases as a result of a minimum chargeback pursuant to Section 5.1(d) or 5.1(e)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Adjusted Property" means any property, the Carrying Value of which has been adjusted pursuant to Section 4.5(a) and (d). Once an Adjusted Property is deemed distributed by, and recontributed to, the Company for federal income tax purposes upon a termination thereof pursuant to section 708 of the Code, such property shall thereafter constitute a Contributed Property until the Carrying Value of such property is further adjusted pursuant to Section 4.5.

"Affiliate" means, with respect to any relevant Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such relevant Person in question. As used herein, the term "control" (including its derivatives and similar terms) means owning, directly or indirectly, the power (i) to vote ten percent (10%) or more of the Voting Stock of any such relevant Person or (ii) to direct or cause the direction of the management and policies of any such relevant Person.

"Agreement" means this Limited Liability Company Agreement (including any schedules, exhibits or attachments hereto), as amended, supplemented or modified from time to time.

"Arbitrator" has the meaning given that term in Section 16.21.

"Arbitration Notice" has the meaning given that term in Section 16.21.

"Asset Value" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution as determined by the

Company using such reasonable method of valuation as it may adopt. The Company shall, in its sole discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Asset Value of Contributed Properties in a single or integrated transaction among such properties on a basis proportional to their fair market value. The fair market value of the Contributed Properties described on Exhibit A shall be deemed to be the Asset Value of such Contributed Properties set forth therein.

"Available Cash" means unrestricted cash and cash equivalents of the Company less reasonable cash reserves, including, without limitation, those necessary for working capital and obligations or other contingencies of the Company. Available Cash shall not include any Initial Capital Contributions except to the extent that all of the Members agree that the applicable portion of any such Initial Capital Contribution is no longer needed to finance the construction of the Manta Ray Initial Facilities and the Nautilus Initial Facilities.

"Bankrupt Member" means any Member:

(a) that (i) makes a general assignment for the benefit of creditors; (ii) files a voluntary bankruptcy petition; (iii) becomes the subject of an order for relief or is declared insolvent in any federal or state bankruptcy or insolvency proceeding; (iv) files a petition or answer seeking for the Member a reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any law; (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Member in a proceeding of the type described in subclauses (i) through (iv) of this clause (a); or (vi) seeks, consents, or acquiesces to the appointment of a trustee, receiver, or liquidator of the Member or of all or any substantial part of the Member's properties; or

(b) against which a proceeding seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any law has been commenced and 90 days have expired without dismissal thereof or with respect to which, without the Member's consent or acquiescence, a trustee, receiver, or liquidator of the Member or of all or any substantial part of the Member's properties has been appointed and 60 days have expired without such appointments having been vacated or stayed, or 60 days have expired after the date of expiration of a stay, if the appointment has not previously been vacated.

"Base Capacity" means the maximum throughput capacity on the Manta Ray System or the Nautilus System, as applicable, immediately before the commencement of the relevant Major Expansion Project and any additional capacity thereafter created by any succeeding Major Expansion Project approved by Members holding at least the applicable Required Interest or, pursuant to Section 15.2, for which payout has occurred.

"Book-Tax Disparity" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference

between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Member's share of the Company's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Member's Capital Account balance as maintained pursuant to Section 4.5 and the hypothetical balance of such Member's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles. The determination of Book-Tax disparity and a Member's share thereof shall be determined consistently with section 1.704-3(c) of the Treasury Regulations.

"Boxer Line" means a 12 inch pipeline owned by Shell Holding or its Affiliate running approximately eight miles from Green Canyon Block 65 to Green Canyon Block 19, and all related facilities, including, but not limited to, platform risers.

"Boxer Line Special Condition" means any condition, occurrence or event which is (i) caused by the gross negligence or willful misconduct of the Company, Ocean Breeze, Manta Ray or any Persons selected to operate the Boxer Line or (ii) covered by Manta Ray's insurance.

"Boxer Line Stub Period Income" means, with respect to the period beginning on the date hereof and ending on the Reconciliation Date, all Boxer Line Stub Period Revenues less all Boxer Line Stub Period Expenses.

"Boxer Line Stub Period Revenues" means, with respect to the period beginning on the date hereof and ending on the Reconciliation Date and without duplication, 100% of all operating revenues, gains and income from all operations attributable to the Boxer Line to the extent derived from any contract, agreement or similar arrangement in existence prior to the Formation Date.

"Boxer Line Stub Period Expenses" means, with respect to the period beginning on the date hereof and ending on the Reconciliation Date and without duplication, 100% of all cash operating expenses (including, without limitation, the cost of insurance), non-cash expenses, such as depreciation and amortization and the cost of repairs (including Shell Major Repairs) from all operations attributable to the Boxer Line except to the extent attributable to a Boxer Line Special Condition.

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States or the State of Texas shall not be regarded as a Business Day.

"Capacity Request" has the meaning given that term in Section 15.2.

"Capital Account" means the capital account maintained for each Member pursuant to Section 4.5 herein.

"Capital Contribution" means any contribution by a Member to the capital of the Company, as contemplated by Section 4.5(a).

"Carrying Value" means (a) with respect to Contributed Property, the Asset Value of such property reduced (but not below zero) by all depreciation, amortization and cost recovery deductions relating to such property charged to the Members' Capital Accounts, and (b) with respect to any other Company property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 4.5(d)(i), (d)(ii), and (d)(iii) and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Company properties, as deemed appropriate by the Company.

"Certificate" has the meaning given that term in Section 2.1.

"Code" means the Internal Revenue Code of 1986 and any successor statute, as amended from time to time.

"Company" means Neptune Pipeline Company, L.L.C., a Delaware limited liability company.

"Company Minimum Gain" means the amount determined pursuant to Treasury Regulation section 1.704-2(d).

"Construction Agreements" means (i) the Construction Management Agreement between Shell Holding and Manta Ray, (ii) the Construction Management Agreement between Marathon Holding and Manta Ray, and (iii) the Construction Management Agreement between Marathon Holding, and Nautilus.

"Construction Certificate" has the meaning given that term in Section 3.17.

"Contribution Agreement" means each Contribution Agreement of even date herewith between the Company, on the one hand, and the Members or their Affiliates, on the other hand.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Act, but excluding cash or cash equivalents, contributed to the Company (or deemed contributed to the Company on termination and reconstitution thereof pursuant to section 708 of the Code). Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 4.5(d), such property shall no longer constitute a Contributed Property for purposes of Section 5.2, but shall be deemed an Adjusted Property for such purposes.

"Costs" has the meaning given that term in Section 4.3(a)(ii)(3).

"CPR Institute" has the meaning given that term in Section 3.6(e).

"Dedication Agreements" means, collectively, (a) the Gas Gathering Agreements between (i) Shell Offshore Inc., Shell Deepwater Development Inc., and Shell Deepwater Production Inc., and Manta Ray and (ii) Marathon Oil Company and Manta Ray, (b) the Precedent Agreements relating to the Dedicated Leases, each dated as of even date herewith, between (i) Shell Offshore Inc., Shell Deepwater Development Inc., and Shell Deepwater Production Inc. and Nautilus, (ii) Marathon Oil Company and Nautilus, (c) the Service Agreements for Firm Transportation Service Under Rate Schedule FT-2 related to the Precedent Agreements described in (b) above, and (d) the Reserve Dedication and Discount Rate Agreements, each dated as of even date herewith, between (i) Shell Offshore Inc., Shell Deepwater Development Inc., Shell Deepwater Production Inc. and Nautilus and (ii) Marathon Oil Company and Nautilus , each individually a "Dedication Agreement."

"Dedicated Leases" means all oil, gas and mineral leases certain of the production from which is dedicated pursuant to any Dedication Agreement.

"Default" means, in respect of any Member, upon the occurrence and during the continuation of any of the following events:

(a) the failure to remedy, within seven Business Days of such Member's receipt of written notice thereof from the Company or any other Member, a Member's delinquency in making any Capital Contribution to the Company as required pursuant to Section 4.1 or 4.2;

(b) the occurrence of any event that causes such Member to become a Bankrupt Member; or

(c) the failure to remedy, within ten Business Days of receipt of written notice thereof from the Company or any other Member, the non-performance of or non-compliance with any other material agreements, obligations or undertakings of such Member contained in this Agreement or of such Member or any of its Affiliates contained in any Contribution Agreement if such non-performance or non-compliance with such Contribution Agreement could reasonably be expected to result in Losses to the Company of at least $1,000,000, in the aggregate.

"Default Interest Rate" means a rate per annum, compounded monthly equal to the lesser of (a) 4% plus the one year LIBOR rate quoted in the Wall Street Journal (or, in its absence, a similar publication) on the first day of the applicable month and (b) the maximum rate permitted by applicable laws.

"Delinquent Member" has the meaning given that term in Section 4.3(a).

"Dispute" has the meaning given that term in Section 16.21.

"Disputing Party" has the meaning given that term in Section 16.21.

"Economic Risk of Loss" has the meaning set forth in Treasury Regulation section 1.752-2(a).

"Eligible Citizen" means a Person qualified to hold leases, rights-of-way, permits, licenses or other similar agreements or documents issued by or entered into with the United States government, and whose status as a Member or Transferee does not or would not subject the Company to a substantial risk of cancellation or forfeiture of any such lease, right-of-way, permit, license or other similar agreement or document issued by or entered into with the United States government. As of the date hereof, "Eligible Citizen" means (a) a citizen of the United States, (b) an association (including a partnership, joint tenancy in common) organized or existing under the Laws of the United States or any state or territory thereof, all of the members of which are citizens of the United States, (c) a corporation organized under the Laws of the United States or of any state or territory thereof, or (d) a limited liability company organized under the Laws of the United States or any state or territory thereof, not more than five percent of the voting stock, or of all the stock, of which corporation, to the best of its knowledge, is owned or controlled by citizens of countries that deny to United States citizens privileges to own stock in corporations holding oil and gas leases similar to the privileges of non-United States citizens to own stock in corporations holding an interest in oil and gas leases on federal lands.

"Exercising Member" has the meaning given that term in Section 15.2.

"Expanded Capacity" means, with respect to a relevant Major Expansion Project, the additional throughput capacity created on the Manta Ray System or the Nautilus System, as applicable, as a result of such relevant Major Expansion Project built pursuant to Section 15.2.

"Expanded Capacity Revenues" means revenues from gathering services, if such expansion relates to the Manta Ray System, or from transportation services, if such expansion relates to the Nautilus System, and from any other services provided by the relevant Subsidiary of the Company attributable to the Expanded Capacity Volumes.

"Expanded Capacity Volumes" means, for the relevant month, the lesser of (i) the Expanded Capacity or (ii) the sum of Expansion Property Production and Incremental Volumes.

"Expansion Liquidation Value" has the meaning given that term in Section 12.2(c).

"Expansion Option" has the meaning given that term in Section 15.2.

"Expansion Option Notice" has the meaning given that term in Section 15.2.

"Expansion Option Period" has the meaning given that term in Section 15.2.

"Expansion Property" has the meaning given that term in Section 15.2.

"Expansion Property Production" has the meaning given that term in Section 15.2.

"FERC" means the Federal Energy Regulatory Commission or any successor or replacement Person.

"FERC Certificate" means the initial Certificate of Public Convenience and Necessity authorizing Nautilus to provide transportation services on the Nautilus System and approving the initial rates, terms and conditions of service.

"Foreclosure Transfer" means any Transfer resulting from any judicial or non-judicial foreclosure by the holder of a Security Interest or any Transfer to the holder of a Security Interest in connection with a workout or similar arrangement or any transfer from the holder of a Security Interest.

"Formation Date" has the meaning given that term in the preamble.

"GAAP" means generally accepted accounting principles, consistently applied.

"Gas Contract" means any contract, agreement or other obligation of any of the Company, Manta Ray or Nautilus to purchase fuel gas, buy or sell linepack gas or transport, exchange, gather, process or otherwise handle natural gas.

"General Interest Rate" means a rate per annum, compounded monthly, equal to the lesser of (a) the sum of the one year LIBOR rate quoted in the Wall Street Journal (or, in its absence, a similar publication) on the first day of the applicable month, plus one percent and (b) the maximum rate permitted by applicable laws.

"Incremental Volumes" means, with respect to a relevant month, the aggregate volumes gathered or transported by the Manta Ray System or the Nautilus System, as applicable, in excess of the Base Capacity, plus the relevant Expansion Property Production; provided, however, that the Incremental Volumes shall be applied to Major Expansion Projects which have not paid out pursuant to Section 15.2 in chronological order of completion.

"Initial Capital Contribution" has the meaning given that term in Section 4.1 herein.

"Lateral" means any newly constructed natural gas pipeline, lateral, segment or extension that directly connects or is proposed to directly connect to the

Company's (or any of its Subsidiaries') then existing natural gas pipelines, laterals, segments or extensions.

"Lateral Connection Point" means, (i) with respect to any proposed natural gas pipeline, lateral, segment or extension that is proposed to connect one or more wells to the Company's (or its Subsidiary's) existing pipelines, laterals, segments or extensions, the closest and most practical connection point or points, taking into account the location of the relevant well or wells and the Company's (or its Subsidiaries') existing pipelines, laterals or segments, where sufficient capacity for gas to be produced from wells connected to such proposed pipeline, lateral or segment is available (or could be made available by acquiring, constructing or otherwise obtaining additional facilities in accordance with the terms of Section 7.2 or Section 15.2) or (ii) any other mutually agreeable interconnection point.

"Lateral Opportunity" has the meaning given that term in Section 15.1.

"Lateral Opportunity Notice" has the meaning given that term in Section 15.1.

"Laws" means the laws, rules, regulations, decrees and orders of the United States of America and all other governmental authorities having jurisdiction, whether such Laws now exist or hereafter come into effect.

"Leviathan Gas Pipeline Companies" means Leviathan Gas Pipeline Partners, L.P. and any direct or indirect Subsidiary thereof.

"Leviathan Holding" means Sailfish Pipeline Company, L.L.C.

"Leviathan Major Repairs" means all repairs resulting from Losses to the Manta Ray Phase I Facilities prior to the Reconciliation Date, except to the extent such Losses result from or constitute a Manta Ray Special Condition.

"Leviathan Reconciliation Date Income" has the meaning given that term in Section 4.5(c)(iii).

"Lending Member" has the meaning given that term in Section 4.3(a)(ii).

"Liquidator" has the meaning given that term in Section 12.2.

"Loss" or "Losses" means, subject to the limitations set forth in Section 16.20, any actions, claims, settlements, judgments, demands, liens, losses, damages, fines, penalties, interest, costs, expenses (including, without limitation, expenses attributable to the defense of any actions or claims), attorneys' fees and liabilities.

"Major Expansion Project" means, other than a Lateral which connects at a Lateral Connection Point, any physical enhancement or series of physical enhancements which would increase the Base Capacity of any then existing pipeline,

lateral, segment, extension or other significant natural gas handling facility owned, leased or otherwise controlled by the Company, Nautilus or Manta Ray, including, without limitation, adding compression to one or more existing pipelines, laterals, segments or extensions or constructing a new pipeline, lateral, segment or extension (which does not constitute a Lateral which connects at a Lateral Connection Point).

"Majority Interest" means, subject to and in accordance with Section 7.5, any Member (together with its Affiliated Members) and at least one other non-Affiliated Member having among them more than 50% of the Membership Interests of all Members; provided, however, any single Member (together with its Affiliated Members) shall constitute a "Majority Interest" only if such Member (together with its Affiliated Members) owns at least 76% of the Membership Interest of all of the Members.

"Manta Ray" means Manta Ray Offshore Gathering Company, L.L.C.

"Manta Ray Initial Facilities" means the Manta Ray Phase I Facilities, the Manta Ray Phase II Facilities and the Boxer Line.

"Manta Ray Phase I Facilities" means those assets, other than cash, contributed as of even date herewith by Poseidon Pipeline Company, L.L.C. and Manta Ray Gathering Company, L.L.C., as more particularly described in part I.A. of "Exhibit B."

"Manta Ray Phase II Facilities" means the natural gas pipelines and related facilities described in Part I.B. of Exhibit B and to be constructed pursuant to that certain Construction Agreement dated as of even date herewith between Manta Ray and Shell Holding and the Construction Agreement between Marathon Holding and Manta Ray.

"Manta Ray Special Condition" means any condition, occurrence or event which is (i) caused by the gross negligence or willful misconduct of the Company, Ocean Breeze, Manta Ray or any Person selected to operate the Manta Ray Phase I Facilities or (ii) covered by Manta Ray's insurance.

"Manta Ray Stub Period Income" means, with respect to the period beginning on the date hereof and ending on the Reconciliation Date, all Manta Ray Stub Period Revenues less all Manta Ray Stub Period Expenses.

"Manta Ray Stub Period Revenues" means, with respect to the period beginning on the date hereof and ending on the Reconciliation Date and without duplication, 100% of all operating revenues, gains and income from all operations attributable to the Manta Ray Phase I Facilities except to the extent related to New Business.

"Manta Ray Stub Period Expenses" means, with respect to the period beginning on the date hereof and ending on the Reconciliation Date and without

duplication, 100% of all cash operating expenses (including, without limitation, the cost of insurance), non-cash expenses, such as depreciation and amortization and the cost of repairs (including Leviathan Major Repairs) from all operations attributable to the Manta Ray Phase I Facilities except to the extent attributable to (i) New Business or (ii) a Manta Ray Special Condition.

"Manta Ray System" means the Manta Ray Initial Facilities and any other natural gas pipelines and related facilities constructed, purchased or otherwise acquired by Manta Ray in accordance with the terms and conditions of this Agreement and Manta Ray's Limited Liability Company Agreement.

"Marathon Gas Pipeline Companies" means (i) Marathon Pipe Line Company, (ii) Marathon Holding and (ii) any direct or indirect Subsidiaries of (i) and (ii).

"Marathon Holding" means Marathon Gas Transmission Inc.

"Member" means any Person executing this Agreement as of even date herewith as a Member or any Person hereafter admitted to the Company as an additional Member or Substituted Member as provided in this Agreement, but does not include any Person who has ceased to be a Member in the Company.

"Membership Interest" means, subject to and in accordance with Section 7.5, the ownership interest (on a percentage basis) of a Member in the Company, including, without limitation, rights to distributions (liquidating or otherwise), allocations, information, and to consent or approve, which ownership interest is more particularly described and identified in Article III and Exhibit A.

"Minimum Gain Attributable to Member Nonrecourse Debt" means that amount determined in accordance with the principles of Treasury Regulation section 1.704 2(i)(3).

"NGA" means the Natural Gas Act of 1938, as amended from time to time.

"Nautilus" means Nautilus Pipeline Company, L.L.C.

"Nautilus Initial Facilities" means the natural gas pipelines and related facilities as more particularly described in Part II of Exhibit B and to be constructed pursuant to that certain Construction Agreement dated as of even date herewith between Nautilus and Marathon Holding.

"Nautilus System" means the Nautilus Initial Facilities, and any other natural gas pipelines and related facilities constructed, purchased or otherwise acquired by Nautilus in accordance with the terms and conditions of this Agreement and Nautilus' Limited Liability Company Agreement.

"Net Asset Value" means (a) in the case of any Contributed Property, the fair market value of such property reduced by any liabilities either assumed by the Company upon such contribution or to which such property is subject when contributed; provided, however, the fair market value of the Contributed Property described on Exhibit A shall be deemed to be the Asset Value of such Contributed Property set forth therein, and (b) in the case of any property distributed to a Member or Transferee by the Company, the Company's Carrying Value of such property at the time such property is distributed, reduced by any indebtedness either assumed by such Member or Transferee upon such distribution or to which such property is subject at the time of distribution as determined under section 752 of the Code.

"Net Income" means, for any taxable period, the excess, if any, of the Company's items of income and gain for such taxable period over the Company's items of loss and deduction for such taxable period. The items included in the calculation of Net Income shall be determined in accordance with Section 4.5(b) and shall not include any items specifically allocated under Sections 5.1(c) through 5.1(j). For purposes of Sections 5.1(a) and (b), in determining whether Net Income has been allocated to any Member for any previous taxable period, any Unrealized Gain or Unrealized Loss allocated pursuant to Section 4.5(d)(i), (d)(ii) and (d)(iii) shall be treated as an item of gain or loss in computing Net Income.

"Net Loss" means, for any taxable period, the excess, if any, of the Company's items of loss and deduction for such taxable period over the Company's items of income and gain for such taxable period. The items included in the calculation of Net Loss shall be determined in accordance with Section 4.5(b) and shall not include any items specifically allocated under Sections 5.1(c) through 5.1(j). For purposes of Sections 5.1(a) and (b), in determining whether Net Loss has been allocated to any Member for any previous taxable period, any Unrealized Gain or Unrealized Loss allocated pursuant to Section 4.5(d)(i), (d)(ii) and (d)(iii) shall be treated as an item of gain or loss in computing Net Loss.

"New Business" means, without duplication, (a) all revenues, expenses, repair costs and net cash flows resulting from gas volumes produced from the Dedicated Leases that flow on the Manta Ray Phase I Facilities pursuant to the Dedication Agreements, (b) all revenues, expenses, repair costs and net cash flows resulting from gas volumes flowing into the Manta Ray Phase II Facilities and then into the Manta Ray Phase I Facilities, (c) all revenues, expenses, repair costs and net cash flows resulting from gas volumes flowing solely on the Manta Ray Phase II Facilities and/or the Nautilus System, but not flowing on the Manta Ray Phase I Facilities, and (d) all revenues, expenses, repair costs and net cash flows relating to gas processing contracts or any operations other than gathering or transporting natural gas.

"Non-Cash Consideration" has the meaning given that term in Section 3.6(e) herein.

"Nonrecourse Built-in Gain" means with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or negative pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Members pursuant to Section 5.2(b)(i)(A), 5.2(b)(ii)(A) or 5.2(b)(iii) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"Nonrecourse Debt" has the meaning set forth in Treasury Regulation section 1.704-2(b)(4).

"Nonrecourse Deductions" means any and all items of loss, deduction, or expenditure (described in section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation section 1.704-2(b)(1), are attributable to a Nonrecourse Liability.

"Nonrecourse Liability" has the meaning assigned to such term in Treasury Regulation section 1.704-2(b)(3).

"Non-Transferring Members" has the meaning given that term in Section 3.6(e) herein.

"Obligation" has the meaning given that term in Section 4.3(a)(ii)(2).

"Ocean Breeze" means Ocean Breeze Pipeline Company, L.L.C.

"Offer Notice" has the meaning given that term in Section 3.6(e).

"Operating Agreements" means collectively the Operating Agreement between Shell Holding and Manta Ray, the Operating Agreement between Manta Ray Gathering Company, L.L.C. and Manta Ray, the Operating Agreement between Marathon Holding and Manta Ray, the Operating Agreement between Marathon Holding and Nautilus, and the Operating Agreement between Shell Holding and Nautilus, and the Operating Agreement between the Company and Shell Holding.

"Option Period" has the meaning given that term in Section 3.6(e) herein.

"Payout Amount" means an amount of money equal to 150% of the amount of the actual out-of-pocket capital cost of the relevant Major Expansion Project; provided, however that to the extent the Company, Ocean Breeze, Nautilus or Manta Ray, as applicable, elects to prepay all or any portion of the unamortized portion of the principal amount of the Payout Balance in accordance with Section 15.2, such Payout Amount shall be reduced as described in Section 15.2(c).

"Person" means any individual or entity, including, without limitation, any corporation, limited liability company, partnership (general or limited), joint

venture, association, joint stock company, trust, unincorporated organization or government (including any board, agency, political subdivision or other body thereof).

"Proceeding" has the meaning given that term in Section 8.1.

"PUHCA" means the Public Utility Holding Company Act of 1935, as amended, and the rules and regulations promulgated thereunder.

"Recapture Income" means any gain recognized by the Company (computed without regard to any adjustment required by section 734 or 743 of the Code) upon the disposition of any property or asset of the Company, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

"Reconciliation Adjustment" means, with respect to each relevant Capital Contribution, an additional amount to be credited to the contributing Member's Capital Account as of the Reconciliation Date in an amount equal to a carrying charge on such Capital Contribution calculated from the first day of the calendar month in which the Company actually spends the contributed capital to the Reconciliation Date at a rate per annum, compounded monthly, equal to 8.28%.

"Reconciliation Date" means the first day of the calendar month immediately following the calendar month in which any of the following events first occurs: (i) production from the Troika Field (Green Canyon Blocks 244 et al.) first flows on the Manta Ray System and the Nautilus System, (ii) the Nautilus System and Manta Ray System are each transporting from the Dedicated Leases an average of at least 140,000,000 cubic feet of natural gas per day pursuant to the Dedication Agreements during any consecutive 60 day period or (iii) December 1, 1999.

"Record Date" means the date established by the Company for determining (a) the identity of Members (or Transferees, if applicable) entitled to notice of, or to vote at, any meeting of Members or entitled to vote by ballot or give approval of Company action in writing without a meeting or entitled to exercise rights in respect of any lawful action of Members or (b) the identity of Record Holders entitled to receive any report or distribution.

"Record Holder" means the Person in whose name a Membership Interest is registered on the books of the Company as of the opening of business on a particular Business Day.

"Rejected Lateral Opportunity" has the meaning given that term in Section 15.1.

"Relevant Area" means the Eugene Island, Rabbit Island, Ship Shoal, South Timbalier, Grand Isle, Ewing Bank, Green Canyon areas of the Gulf of Mexico, offshore state waters adjacent to St. Mary Parish, Louisiana and onshore St. Mary Parish, Louisiana from the coast to Garden City and such other offshore areas of the

Gulf of Mexico or onshore area into which the Nautilus System or Manta Ray System expands.

"Required Interest" means, subject to and in accordance with Section 7.5, the applicable percentage of Membership Interests of all Members required to authorize or approve a relevant act of the Company, including, without limitation, a Majority Interest, a Super-Majority Interest or all Membership Interests, as applicable.

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Company recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 5.2(b)(i)(A) or 5.2(b)(ii)(A), to eliminate Book Tax Disparities.

"Security Interest" means any security interest, lien, mortgage, encumbrance, hypothecation, pledge, or other obligation, whether created by operation of law or otherwise, created by any Person in any of its property or rights as part of a bona fide arms-length securitization transaction.

"Service" means the Internal Revenue Service.

"Shell Gas Pipeline Companies" means (i) Shell Gas Pipeline Company, (ii) Shell Holding and (iii) any direct or indirect Subsidiary of either (i) or (ii).

"Shell Holding" means Shell Seahorse Company.

"Shell Major Repairs" means all repairs resulting from Losses to the Boxer Line prior to the Reconciliation Date, except to the extent such Losses result from or constitute a Boxer Line Special Condition.

"Shell Reconciliation Date Income" has the meaning given that term in Section 4.5(c)(iii).

"Subject Interest" has the meaning given that term in Section 3.6(e).

"Subsidiary" means, with respect to any relevant Person, any other Person that is controlled (directly or indirectly) and more than 50%-owned (directly or indirectly) by the relevant Person. For purposes of this definition, the term control means the ability to direct the management or policies of such Person by ownership of voting interest, contract or otherwise.

"Substituted Member" means a Person who is admitted as a Member of the Company at such time as such Person has complied with the requirements of Section 3.5, in place of and with all the rights of a Transferor and who is shown as a Member on the books and records of the Company.

"Super-Majority Interest" means, subject to and in accordance with Section 7.5, any Member (together with its Affiliated Members) and at least one other non-Affiliated Member having among them more than 74% of the Membership Interests of all Members.

"Tax Matters Member" has the meaning given that term in Section 9.3.

"Termination Right" has the meaning given that term in Section 3.17.

"Termination Time" has the meaning given that term in Section 3.17.

"Transfer" or "Transferred" means, other than granting a Security Interest, (i) a voluntary or involuntary sale, assignment, transfer, conveyance, exchange, bequest, devise, gift or any other alienation (in each case, with or without consideration) of any rights, interests or obligations with respect to all or any portion of any Membership Interest including, without limitation, a Foreclosure Transfer, or (ii) (A) the sale of all or substantially all of a Member's assets to a Person that is not an Affiliate of such Member prior to such sale, (B) a merger or consolidation involving a Member and a Person that is not an Affiliate of such Member prior to such merger or consolidation, or (C) a transfer, directly or indirectly, in one or more transactions, of a majority of the equity interests in a Member to a Person that is not an Affiliate of such Member prior to such transfer; provided, however, that a transfer, directly or indirectly, of the equity ownership (including, without limitation, a merger, consolidation, share exchange or similar transaction) or of all or substantially all of the assets of the direct or indirect parent of any Member shall not be considered a Transfer hereunder.

"Transferee" means a Person who receives all or part of a Member's Membership Interest through a Transfer but who has not become a Substituted Member.

"Transferor" means a Member, Substituted Member or a predecessor Transferor who Transfers a Membership Interest.

"Transferring Member" has the meaning given that term in Section 3.6(e) herein.

"Treasury Regulation" shall have the meaning set forth in Section 3.9.

"Unrealized Gain" attributable to any item of Company property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 4.5(d) as of such date). In determining such Unrealized Gain, the aggregate cash amount and fair market value of a Company asset (including cash or cash equivalents) shall be determined by the Company using such reasonable method of valuation as it may adopt.

"Unrealized Loss" attributable to any item of Company property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 4.5(d) as of such date) over (b) the fair market value of such property as of such date. In determining such Unrealized Loss, the aggregate cash amount and fair market value of a Company asset (including cash or cash equivalents) shall be determined by the Company using such reasonable method of valuation as it may adopt.

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or Persons with management authority performing similar functions) of such Person.

"Withdrawing Member" shall have the meaning given that term in Section 12.2(d).

1.2 OTHER TERMS. Other terms may be defined elsewhere in the text of this Agreement and shall have the meaning so given. Whenever the context requires, the singular shall include the plural, and the plural, shall include the singular.

1.3 CONSTRUCTION. Whenever the context requires, the gender of all words used in this Agreement includes the masculine, feminine, and neuter. All references to Articles and Sections refer to articles and sections of this Agreement, and all references to Exhibits are to exhibits attached hereto, each of which is incorporated herein for all purposes. Articles and other titles or headings are for convenience only and neither limit nor amplify the provisions of the Agreement itself, and all references herein to articles, sections or subdivisions thereof shall refer to the corresponding article, section or subdivision thereof of this Agreement unless specific reference is made to such articles, sections or subdivisions of another document or instrument.

ARTICLE II.

ORGANIZATION

2.1 FORMATION. The Company has been organized as a Delaware limited liability Company by the filing of a Certificate of Formation (the "Certificate") with the Secretary of State of the State of Delaware pursuant to the Act.

2.2 NAME. The name of the Company is Neptune Pipeline Company, L.L.C. and all Company business must be conducted in that name or such other names that comply with applicable law as the Company may select from time to time.

2.3 PRINCIPAL OFFICE IN THE UNITED STATES; OTHER OFFICES. The principal office of the Company in the United States shall be at 200 N. Dairy Ashford, Houston, Texas 77079, or at such other place as the Company may designate from time to time, which need not be in the State of Delaware. The Company may have such other offices as the Members may designate from time to time.

2.4 PURPOSE. The sole purpose of the Company is to own interests in Manta Ray and Nautilus, which shall acquire, construct, own and operate the Manta Ray System and the Nautilus System, respectively. Except for activities related to such purposes, there are no other authorized business purposes of the Company. The Company shall not engage in any activity or conduct inconsistent with such purposes, including, without limitation, entering into any hedging, futures, derivatives or similar transaction.

2.5 FOREIGN QUALIFICATION. Prior to the Company's conducting business in any jurisdiction other than Delaware, the Company shall comply, to the extent procedures are available and those matters are reasonably within the control of the Company, with all requirements necessary to qualify the Company as a foreign limited liability company, and, if necessary, keep the Company in good standing, in that jurisdiction.

2.6 TERM. Subject to earlier termination pursuant to other provisions of this Agreement (including those contained in Article XII), the term of the Company shall be from the date of this Agreement through and including December 31, 2046.

2.7 MERGERS AND EXCHANGES. Except as otherwise provided in this Agreement or by applicable Laws, the Company may be a party to any (i) merger, (ii) consolidation, (iii) exchange or acquisition or (iv) any other type of reorganization.

2.8 BUSINESS OPPORTUNITIES--NO IMPLIED DUTY OR OBLIGATION. Except to the extent expressly provided in this Section 2.8 or Article XV, the Members and their respective Affiliates may engage, directly or indirectly, without the consent of the other Members or the Company, in other business opportunities, transactions, ventures or other arrangements of any nature or description, independently or with others, including

without limitation, business of a nature which may be competitive with or the same as or similar to the business of the Company, regardless of the geographic location of such business, and without any duty or obligation to account to the other Members or the Company in connection therewith; provided, however, that each Member (or any Affiliate thereof) shall jointly solicit on behalf of, and offer to, Manta Ray any opportunity to acquire or otherwise obtain the gas processing rights of Persons who are not Members (or Affiliates of Members) with respect to the gas shipped by such Person on the Nautilus System for delivery to the Garden City Gas Plant for processing, if capacity exists or can be obtained under the Processing Agreement, before such Member (or applicable Affiliate) shall be entitled to acquire or otherwise obtain such gas processing rights and no Member (or any Affiliate thereof) shall compete with Manta Ray or otherwise participate in processing arrangements with respect to such gas; provided, however, that if any Member or any Affiliate thereof has purchased the Garden City Gas Plant and subsequently expands such plant's capacity in excess of that contemplated by the processing agreement, any obligation of such Member (including its Affiliates created by this Section 2.8 shall be waived and extinguished to the extent such obligation relates to capacity created by such expansion; and provided, further, that if any Member or any Affiliates thereof have acquired interests which sum to less than 100% of the interests in the Garden City Gas Plant, any obligation of such Members (including their Affiliates) created by this Section 2.8 shall be waived and extinguished to the extent inconsistent with the duties and obligations of such Members (including their Affiliates) to the other interest owners in the Garden City Gas Plant. Nothing herein is intended to create a partnership, joint venture, agency or other relationship creating fiduciary or quasi-fiduciary duties or similar duties and obligations or subject the Members to joint and several or vicarious liability or to impose any duty, obligation or liability that would arise therefrom with respect to any or all of the Members of the Company.

ARTICLE III.
MEMBERSHIP INTERESTS AND TRANSFERS

3.1 INITIAL MEMBERS. The initial Members of the Company are the Persons executing this Agreement as of the date hereof in such capacity, each of which is admitted to the Company as a Member effective contemporaneously with the execution by such Person of this Agreement.

3.2 NUMBER OF MEMBERS. The number of Members of the Company shall never be fewer than two.

3.3 MEMBERSHIP INTERESTS. The Members agree that each Member's ownership in the Company shall be that which is set forth in Exhibit A, as amended from time to time in accordance with the terms of this Agreement.

3.4 REPRESENTATIONS AND WARRANTIES. Each Member hereby represents and warrants to the Company and each other Member that (a) it is duly formed, validly existing and (if applicable) in good standing under the Laws of the state of its formation, and if required by Laws is duly qualified to do business and (if applicable) is in good standing in the jurisdiction of its principal place of business (if not formed therein); (b) that Member has full corporate, limited liability company, partnership, trust, or other applicable power and authority to execute and agree to this Agreement and to perform its obligations hereunder and all necessary actions by the board of directors, shareholders, managers, members, partners, trustees, beneficiaries, or other Persons necessary for the due authorization, execution, delivery, and performance of this Agreement by that Member have been duly taken; (c) that Member has duly executed and delivered this Agreement and it is enforceable against such Member in accordance with its terms, subject to bankruptcy, moratorium, insolvency and other Laws generally affecting creditors' rights and general principles of equity (whether applied in a proceeding in a court of law or equity); (d) that Member's authorization, execution, delivery, and performance of this Agreement does not conflict with any material obligation under any other material agreement or arrangement to which that Member is a party or by which it is bound; (e) that Member is an Eligible Citizen and will remain an Eligible Citizen for so long as such Member remains a Member of the Company; (f) neither that Member nor any of its Affiliates or Subsidiaries nor any Person in which it owns an equity interest is a "holding company," a "subsidiary company" of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility" as each of such terms is defined in PUHCA (unless such Member, Affiliate, Subsidiary, or Person has received an exemption from registering under the PUHCA), and the ownership of a Membership Interest by such Member does not, and, for so long as such Member owns a Membership Interest, will not, cause the Company, its Subsidiaries or the other Members to be subject to or adversely affected by PUHCA (including any approval requirements arising under Section 9(a)(2) of PUHCA); and (g) it (i) has been furnished with or given adequate access to such information about the Company and the Membership Interest as the Member has requested, (ii) has made its own independent inquiry and investigation into, and based thereon has formed an independent judgment concerning, the Company and that Member's Membership Interest therein, (iii) has adequate means of providing for its current needs and possible individual contingencies and is able to bear the economic risks of this investment and has a sufficient net worth to sustain a loss of its entire investment in the Company in the event such loss should occur, (iv) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Company, (v) is an "accredited investor" within the meaning of "accredited investor" under Regulation D of the Securities Act of 1933, as amended, and (vi) understands and agrees that its Membership Interest shall not be sold, pledged, hypothecated or otherwise transferred except in accordance with the terms of this Agreement and pursuant to an applicable exemption from registration under the Securities Act of 1933 and other applicable securities Laws. Upon the occurrence and during the continuation of any event or condition which would cause a Member to be in breach of a representation or warranty

contained in Section 3.4(e) or (f), the breaching Person shall be treated as a Transferee who has not become a Substituted Member in accordance with the terms of Section 3.5(c).

3.5 RESTRICTIONS ON THE TRANSFER OF A MEMBERSHIP INTEREST. A Member may Transfer all or part of a Membership Interest only in accordance with applicable Laws and the provisions of this Agreement, including the following provisions of this Section. Any purported Transfer in breach of the terms of this Agreement shall be null and void ab initio, and the Company shall not recognize any such prohibited Transfer.

(a) A Membership Interest shall not be Transferred except pursuant to an applicable exemption from registration under the Securities Act of 1933 and other applicable securities Laws;

(b) Except as otherwise provided in this Agreement or by applicable Laws, a Transfer of a Membership Interest shall be effective only to give the Transferee the right to receive the share of allocations and distributions to which the Transferor would otherwise be entitled, and no Transferee of a Membership Interest shall have the right to become a Substituted Member;

(c) Unless and until a Transferee is admitted as a Substituted Member, (i) the Transferee shall have no right to exercise any of the powers, rights and privileges of a Member hereunder other than to receive its share of allocations and distributions pursuant to Section 3.5 (b), and (ii) the Member who has Transferred all or any part of its Membership Interest to such Transferee shall cease to be a Member with respect to such Membership Interest upon Transfer of such Membership Interest and thereafter shall have no further powers, rights and privileges as a Member hereunder with respect to such Membership Interest (to the extent so Transferred), but shall, unless otherwise relieved of such obligations, remain liable for all obligations and duties as a Member with respect to such Membership Interest; provided, however, that if the Transferee reconveys such Membership Interest to the Transferor within ten days after the Transferor becomes aware that the Transferee will not become a Substituted Member, the Transferor shall once again be entitled to all of the powers, rights and privileges of a Member hereunder;

(d) Subject to compliance with the terms and conditions of Section 3.6, a Transferee may become a Substituted Member if the Transferee agrees in writing to be bound by all the terms and conditions, as then in effect, of this Agreement;

(e) At the time all of the provisions of Sections 3.5, 3.6 and 3.7 are complied with, (i) a Substituted Member shall have all of the powers, rights, privileges, duties, obligations and liabilities of a Member, as provided in this Agreement and by applicable Laws to the extent of the Membership Interest so Transferred and (ii) the Member who Transferred the Membership Interest shall

be relieved of all of the obligations and liabilities with respect to such Membership Interest; provided that such Member shall remain fully liable for all liabilities and obligations relating to such Membership Interest that accrued prior to such Transfer;

(f) The Company may, in its reasonable discretion, charge a Member a reasonable fee to cover administrative expenses necessary to effect the Transfer of all or part of such Member's Membership Interest;

(g) In the absence of the substitution (as provided herein) of a Transferee for a Transferor, any payment by the Company to the Transferor shall acquit the Company and the Members of all liability to any other Persons who may be interested in such payment by reason of a Transfer by such Member;

(h) Notwithstanding any term or condition contained in Sections 3.5, 3.6 and 3.7, any Person shall have the right to grant a Security Interest in any rights or obligations such Person may have arising from or related to this Agreement, the Company or any interest therein and make a Transfer in connection with any such Security Interest; provided that such Security Interest is not created in violation of Sections 3.5(a) and (i) of this Agreement and any other provisions contained in this Agreement and the Company is promptly notified in writing of such Security Interest; and

(i) Each Member or Transferee agrees not to Transfer all or any part of its Membership Interest (or take or omit any action, filing, election, or other action which could result in a deemed Transfer) if such Transfer (either considered alone or in the aggregate with prior Transfers by the same Member or any other Members or Transferees) would result in the termination of the Company for federal income tax purposes. Such an attempted Transfer is void ab initio.

(j) Notwithstanding any contrary provision contained in this Agreement, no Person shall Transfer to any other Person such Person's rights or obligations arising from or related to this Agreement, the Company or any interest therein if such Transfer would result in violation of the Act or any other Laws. Any such attempted Transfers are void ab initio.

3.6 TRANSFER RESTRICTIONS.

(a) Neither the Company nor any of the Members shall be bound or otherwise affected by any Transfer of Membership Interest of which such Person has not received notice pursuant to Section 3.7.

(b) Any Member's Membership Interest may be Transferred to an Affiliate of such Member; provided, that, if the Transferor's Membership

Interest is subject to a guaranty, the guaranty shall apply to the Transferee and its Membership Interest. Notwithstanding the foregoing, any such Transfer shall be void and have no effect unless such Transfer is made simultaneously with an equal and proportionate transfer of membership interest in Ocean Breeze Pipeline Company, L.L.C.

(c) Subject to the right of first refusal set forth in Section 3.6(e), a Member may Transfer all or any portion of its Membership Interest to any Person that has a net worth calculated in accordance with GAAP of not less than $150,000,000 immediately prior to the Transfer; provided that such net worth requirement shall not apply in the case of a Foreclosure Transfer. Notwithstanding the foregoing, any such Transfer shall be void and have no effect unless such Transfer is made simultaneously with an equal and proportionate transfer of membership interest in Ocean Breeze Pipeline Company, L.L.C.

(d) Except with respect to a Foreclosure Transfer, a Member in Default shall not Transfer its Membership Interest.

(e) Except with respect to Transfers according to the terms of Section 3.6(b), any Member who desires to Transfer all or any portion of its Membership Interest ("Transferring Member") to a ready, willing and able Transferee shall first offer to transfer such Membership Interest and the related membership interest in Ocean Breeze Pipeline Company, L.L.C. (collectively, the "Subject Interest") to the other Members (the "Non-Transferring-Members") as a group. Such offer shall be made by an irrevocable written offer (the "Offer Notice") to transfer all of the Subject Interest which the Transferring Member desires to Transfer and shall contain a complete description of the transaction in which the Transferring Member proposes to Transfer the Subject Interest, including, without limitation, the name of the ready, willing and able Transferee and the consideration specified. The Non-Transferring Members shall have 45 days (the "Option Period") after actual receipt of the Offer Notice within which to advise the Transferring Member whether or not they will acquire all of such Subject Interest upon the terms and conditions contained in the Offer Notice. If, within the Option Period, one or more Non-Transferring Members elect to acquire such Subject Interest, then such Non-Transferring Member or Members shall close such transaction in accordance with Section 3.6(f) no later than the later to occur of (i) the closing date set forth in the Notice Offer or (ii) 60 days after the last day of the Option Period.

If any Non-Transferring Member does not elect to acquire its proportionate share of the Subject Interest being transferred, the remaining Non-Transferring Members shall have the right to acquire an equal and undivided portion of the remaining Subject Interest based on the relation of their Membership Interest to the Membership Interest of all Non-Transferring Members desiring to acquire a portion of such Membership Interest. The right herein created in favor of the Non-Transferring

Members as a group is an option to acquire all, or none, of the Subject Interest offered for sale by the Transferring Member. If the Non-Transferring Members as a group decline to acquire all of the Subject Interest of the Transferring Member in accordance with this Section 3.6(e), the Transferring Member may Transfer such Subject Interest to the Transferee named in the Offer Notice delivered to the Non-Transferring Members upon the terms described in such Offer Notice. If such Transfer does not occur in accordance with the terms of such Offer Notice, the Transferring Member shall again be subject to the provisions of this Section 3.6(e).

Upon consummation of any such Transfer (whether to a Member or any other Person), such Transferee and its Membership Interest shall automatically become a party to and be bound by this Agreement and shall thereafter have all of the rights and obligations of a Member hereunder. Notwithstanding the foregoing, all Transfers pursuant to this Section 3.6(e) must also comply with and be governed by this Agreement, including any restrictions on Transfers therein and on any Transferee becoming a Substituted Member.

If any portion of the consideration set forth in the Offer Notice is to be paid in a form other than cash or cash equivalents (including real or personal property, promissory notes, securities, contractual benefits, assumption of liabilities or anything else of value) ("Non-Cash Consideration"), the Transferring Member shall state in its Offer Notice its determination of the aggregate fair market value of such Non-Cash Consideration (which, in the case of marketable securities, shall be the market price of such securities). If a majority in interest of the Non-Transferring Members (calculated without reference to the Membership Interest of the Transferring Member) disagree with such determination, they shall notify the Transferring Member of such disagreement within 5 Business Days of receiving the Offer Notice. If such dispute is not resolved within 5 Business Days after such notice, any Member may submit such dispute to binding arbitration by delivering an arbitration notice to the other Members and the Company. The Member initiating arbitration shall also simultaneously file duplicate copies of its notice of arbitration with the regional office of the CPR Institute for Dispute Resolution (the "CPR Institute") covering Houston, Texas, together with the appropriate fee as provided in the CPR Institute's administrative fee schedule. The notice of arbitration shall contain a brief description of the nature of the dispute to be arbitrated. With respect to any such arbitration, the Members hereby agree that: (i) the single arbitrator shall be an appraiser or investment banking firm having expertise in the valuation of the types of assets represented by the Non-Cash Consideration; (ii) the arbitration proceedings shall be held in Houston, Texas at such location selected by the arbitrator; (iii) all arbitration proceedings under this Section shall be conducted in accordance with the Commercial Arbitration Rules of the CPR Institute, as then amended and in effect; and such rules shall be interpreted and applied and questions regarding the arbitration process not resolved under such rules shall be determined in accordance with the Uniform Arbitration Act, as enacted in the State of Delaware; provided, however, that the arbitrator shall resolve such dispute with respect to the application and/or interpretation of such rule or rules within ten days from the day a Member submitted its notice of arbitration to the other Members, the Company and the

CPR Institute; (iv) within 5 Business Days following the receipt of the initial arbitration notice by the Company, the Transferring Member and a designee of the majority in interest of the Non-Transferring Members shall each submit to each of the other Members, the Company and the CPR Institute a response in which it proposes a single determination of the fair market value; and (v) the arbitrator shall be required to select either the determination of the Transferring Member or the determination of the designee of such majority in interest. The consideration shall then be an amount of money, payable in cash, equal to the total consideration stated in the Offer Notice, including the Fair Market Value of any Non-Cash Consideration as determined in accordance with this Section.

(f) At the closing of the Transfer of a Membership Interest pursuant to this Agreement, the Transferee shall deliver to the Transferor the full consideration agreed upon. Any membership interest transfer or similar taxes involved in such sale shall be paid by the Transferor, and the Transferor shall provide the Transferee with such evidence of the Transferor's authority to Transfer hereunder and such tax lien waivers and similar instruments as the Transferee may reasonably request.

(g) If any governmental consent or approval is required with respect to any Transfer, the Transferee shall have a reasonable amount of time (not to exceed 60 days from the date upon which such Transfer would have been otherwise consummated in accordance with the terms of this Agreement) to obtain such consent or approval. All Members shall use reasonable, good faith efforts to cooperate with the Transferee attempting to obtain, and to assist in timely obtaining, such consent or approval; provided that no Member shall be required to incur any out-of-pocket costs in connection with such cooperation and assistance. After the expiration of such waiting period, such Transferee shall forfeit its rights to acquire the Subject Interest with respect to such specific transaction; provided, however, that such forfeiture shall not limit or otherwise affect the forfeiting Transferee's rights with respect to any subsequent proposed Transfer.

(h) No Transfer of a Membership Interest shall effect a release of the Transferor from any liabilities or obligations to the Company or the other Members that accrued prior to the Transfer.

3.7 DOCUMENTATION; VALIDITY OF TRANSFER. The Company may not recognize for any purpose any purported Transfer of all or any part of a Membership Interest unless and until the applicable provisions of Sections 3.5 and 3.6 have been satisfied and the Company has received, on behalf of the Company, a document in a form acceptable to the Company executed by both the Transferor (or if the Transfer is on account of the death, incapacity, or liquidation of the Member, its representative) and the Transferee. Such document shall (i) include the notice address of any Person to be admitted to the Company as a Substituted Member and such Person's agreement to be bound by this Agreement with respect to the Membership Interest or part thereof

being obtained, (ii) set forth the Membership Interest after the Transfer of the Transferor and the Person to which the Membership Interest or part thereof is Transferred (which together must total the Membership Interest of the Transferor before the Transfer), (iii) contain a representation and warranty that the Transfer was made in accordance with all applicable Laws (including state and federal securities Laws) and the terms and conditions of this Agreement, and (iv) if the Person to which the Membership Interest or part thereof is Transferred is to be admitted to the Company as a Substituted Member, its representation and warranty that the representations and warranties in Section 3.4 are true and correct with respect to such Person. Each Transfer and, if applicable, admission complying with the provisions of this Section 3.7 and Sections 3.5 and 3.6 is effective against the Company as of the first business day of the calendar month immediately succeeding the month in which (y) the Company receives the document required by this Section 3.7 reflecting such Transfer, and (z) the other requirements of Sections 3.5 and 3.6 have been met.

3.8 [RESERVED.]

3.9 POSSIBLE ADDITIONAL RESTRICTIONS ON TRANSFER. Notwithstanding anything to the contrary contained in this Agreement, in the event of (i) the enactment (or imminent enactment) of any legislation, (ii) the publication of any temporary or final regulation by the Treasury Department ("Treasury Regulation"), (iii) any ruling by the Service or (iv) any judicial decision that in any such case, in the opinion of counsel to the Company, would result in the taxation of the Company for federal income tax purposes as a corporation or would otherwise subject the Company to being taxed as an entity for federal income tax purposes, this Agreement shall be deemed to impose such restrictions on the Transfer of a Membership Interest as may be required, in the opinion of counsel to the Company, to prevent the Company from being taxed as a corporation or otherwise being taxed as an entity for federal income tax purposes, and the Members thereafter shall amend this Agreement as necessary or appropriate to impose such restrictions.

3.10 ADDITIONAL MEMBERSHIP INTERESTS. Additional Persons may be admitted to the Company as Members, and Membership Interests may be created and issued to those Persons and to existing Members upon a unanimous vote by the Members and subject to the terms and conditions of this Agreement. Such admission must comply with any additional terms and conditions the Members may in their sole discretion determine at the time of admission. A document, in a form acceptable to the Company, shall specify the terms of admission or issuance and shall include, among other things, the Membership Interest applicable thereto. Any such admission of a new Member also must comply with the provisions of Section 3.5(d). The provisions of this Section 3.10 shall not apply to Transfers of Membership Interests.

3.11 CODE SECTION 708 TRANSFERS.

(a) A Member that is not a natural person may not cause or permit an interest, direct or indirect, in itself to be Transferred such that, after the

Transfer, the Company would be considered to have terminated within the meaning of section 708 of the Code.

(b) On any breach of the provisions of Section 3.11(a), the Company shall have (i) the right to consent to such Transfer or (ii) the option to buy, and, on exercise of that option, the breaching Member shall sell, the breaching Member's Membership Interest, all in accordance with Section 11.1, as if the breaching Member were a Bankrupt Member.

3.12 INFORMATION.

(a) In addition to the other rights specifically set forth in this Agreement, each Member is entitled to all information to which that Member is entitled to have access pursuant to the Act under the circumstances and subject to the conditions therein stated.

(b) The Members acknowledge that, from time to time, they may receive information from or regarding the Company, its customers or any other Member or its Affiliates in the nature of trade secrets or secret or proprietary information or information that is otherwise confidential, the release of which may be damaging to the Company or the Member or its Affiliates , as applicable, or Persons with which they do business. Each Member shall hold in strict confidence any such information it receives and may not disclose such information to any Person other than another Member, except for disclosures (i) to comply with any Laws, (ii) to Affiliates , advisers or representatives of the Member or Persons to which that Member's Membership Interest may be Transferred as permitted by this Agreement, but only if the recipients of such information have agreed to be bound by the provisions of this Section 3.12(b), (iii) of information that a Member also has received from a source independent of the Company and that such Member reasonably believes such source obtained such information without breach of any obligation of confidentiality, (iv) of information obtained prior to the formation of the Company, provided that this clause (iv) shall not relieve any Member or any of its Affiliates from any obligations it may have to any other Member or any of its Affiliates under any existing confidentiality agreement, (v) to lenders, accountants and other representatives of the disclosing Member with a need to know such information, provided that the disclosing Member shall be responsible for such representatives' use and disclosure of any such information, or (vi) of public information. The Members acknowledge that a breach of the provisions of this Section 3.12(b) may cause irreparable injury to the Company or another Member for which monetary damages are inadequate, difficult to compute, or both. Accordingly, the Members agree that the provisions of this Section 3.12(b) may be enforced by injunctive action or specific performance.

(c) The Members acknowledge that, from time to time, the Company may need information from any or all of such Members for various reasons,

including, without limitation, for complying with various federal and state regulations. Each Member shall provide to the Company all information reasonably requested by the Company within a reasonable amount of time from the date such Member receives such request; provided, however, that no Member shall be obligated to provide such information to the Company to the extent such disclosure (i) could reasonably be expected to result in the breach or violation of any contractual obligation (if a waiver of such restriction cannot reasonably be obtained) or Law or (ii) involves secret, confidential or proprietary information.

3.13 LIABILITY TO THIRD PARTIES. Except as required by the Act, no Member shall be liable to any Person (including any third party or to another Member) (i) as the result of any act or omission of another Member or (ii) for Company losses, liabilities or obligations (except as otherwise expressly agreed to in writing by such Member).

3.14 RESIGNATION. Except to the extent expressly permitted by Section 3.17, each Member hereby covenants and agrees that it will not resign from the Company as a Member.

3.15 LACK OF MEMBER AUTHORITY. No Member has the authority or power to act for or on behalf of the Company, do any act that would be binding on the Company, or incur any expenditures on behalf of the Company, unless expressly authorized to do so in writing by the Company.

3.16 [RESERVED.]

3.17 FAILURE TO ACCEPT NAUTILUS CONSTRUCTION CERTIFICATE. Except for Section 3.18, notwithstanding any provision of this Agreement to the contrary, the Members hereby agree that, subject to the terms and conditions of this Section, any Member shall have the right (the "Termination Right") to cause the prompt dissolution and liquidation of the Company and its Subsidiaries if the construction authorization requested by Nautilus in its Application for Certificates of Public Convenience and Necessity and Request for Expedited Action (FERC Docket No. CP96-790 et al.) (the "Construction Certificate") is not acceptable to such Member for any reason. The Termination Right may be exercised only by voting to reject the Construction Certificate at the meeting at which such vote is considered, which meeting shall be held on the first Business Day immediately following the 12th day after the date on which the Construction Certificate is issued (the "Termination Time"). Each Member which either votes to accept the Construction Certificate or abstains on such vote or fails to attend such meeting shall be deemed to have voted in favor of acceptance of the Construction Certificate and shall have waived its right to exercise the Termination Right. At least five days prior to such meeting, the Members shall convene to discuss issues and positions related to the Construction Certificate. At such time as the Company has voted to accept the Construction Certificate, the rights and obligations created by this Section shall automatically and permanently terminate. If any Member exercises the Termination Right in accordance with the terms and conditions of this

Section, and subject to the rights created by Section 3.17(d) to acquire Manta Ray and/or Nautilus after all liabilities have been discharged or for which firm arrangements have been made and all assets (other than rights of way and regulatory certificates or approval(s)) have been distributed to the Members, the Company and its Subsidiaries shall be dissolved and liquidated promptly using the general procedures set forth in Article XII subject to the following:

(a) The intent of the dissolution and liquidation is, to the extent practicable, for each Member (including its affiliates) to be returned to substantially the same position which it held prior to the Formation Date, which intent includes (i) returning to each Member (including its affiliates) the assets and liabilities which it contributed, (ii) having Leviathan Holding own and control, and bear the risk and receive any gain or assume any loss associated with the Manta Ray Phase I Facilities (including the related compressor), (iii) having Shell Holding and Marathon Holding own and control the new pipe and related materials on terms and conditions substantially similar to those set forth in the August 15th, 1996 Letter Agreement between Marathon Oil Company and Shell Gas Pipeline Company, and bear the risk and receive any gain or assume any loss associated with the purchase and holding of new pipe and the related construction activities and (iv) having each Member share any other gains and losses from the sale of all remaining assets and all remaining liabilities of the Company and its Subsidiaries in proportion to its Membership Interest.

(b) All of the non-cash assets contributed to the Company or the applicable Subsidiary shall be reconveyed, free and clear of all liens and encumbrances (other than liens or encumbrances created prior to the conveyance of such assets to the Company or the applicable Subsidiary), to the Person which conveyed such non-cash assets to the Company or such Subsidiary in exchange for such assignee assuming any obligations related to such assets.

(c) [RESERVED]

(d) If any Member exercises the Termination Right, any one or more Members (including their Affiliates) which (i) voted in favor of accepting the Construction Certificate and (ii) desire to proceed with all or any portion of the Manta Ray System and/or the Nautilus System, shall have the right, until 1:00 p.m. (Central Time) on the twenty-fifth day following issuance of the Construction Certificate to be conveyed, as soon as reasonably practicable, all of the membership interest in Nautilus and/or Manta Ray, as applicable, in lieu of dissolving Nautilus and/or Manta Ray, as applicable, free and clear of all liens or encumbrances, immediately following the liquidation of all of the other assets and liabilities pursuant to Section 3.17(a) and 3.17(b)(or after other firm provisions have been made with respect to such liabilities). The conveyance will be made without payment of additional consideration, except that the proceeding Members shall be obligated to repay to the other Members any amounts expended to acquire any right of way or regulatory permit or approval

retained by Nautilus or Manta Ray, as applicable. Any such right of way or regulatory permit or approval retained by Nautilus or Manta Ray, as applicable, shall be owned by such Company free and clear of all liens and encumbrances (other than liens or encumbrances created prior to the conveyance of such assets to the Company or the applicable Subsidiary).

3.18 OTHER CONTINGENCIES. Notwithstanding any rights set forth in Section 3.17, the Members shall have the following rights and obligations created by, and for the periods set forth in, this Section 3.18.

(a) If the declaratory order respecting the non-jurisdictional status of the Manta Ray Phase II Facilities or, in the alternative, a certificate of public convenience and necessity under the NGA authorizing the construction of the Manta Ray Phase II Facilities has been issued on or before April 1, 1997 then the Members agree to promptly proceed with the construction of the Manta Ray Phase II Facilities. If such facilities are constructed as facilities not subject to the NGA, they will be owned by Manta Ray; otherwise they will be owned by Nautilus or such entity as the Members unanimously agree upon.

(b) If either the declaratory order or the certificate of public convenience and necessity referred to in (a) above has been issued on or before April 1, 1997 but the Construction Certificate has not been issued on or before April 1, 1997, any Member which reasonably believes that the Construction Certificate will not be issued by June 1, 1997 shall have the right, until April 10, 1997, to eliminate the obligations of the Members to proceed with the construction of the Nautilus Initial Facilities and to cause the Membership Interests to be adjusted in accordance with Section 3.18(e); however, no Membership Interest adjustment shall be made if two or more Members elect to promptly reconstitute Nautilus and proceed with the Nautilus Initial Facilities and such reconstituting Members have both (x) received a Construction Certificate and (y) begun Nautilus Initial Facilities construction, by December 1, 1998, otherwise by December 31, 1998 the Membership Interests shall be adjusted in accordance with Section 3.18(e) and Leviathan Holding, if it is not one of the reconstituting Members, shall be reimbursed an amount equal to the value Leviathan Holding would have realized had the Reconciliation Adjustment under Section 3.18(e) been made on the Reconciliation Date plus a cost of capital adjustment equal to ten and one-half percent (10.5%). If the reconstituting Members construct the Nautilus Initial Facilities, such Members agree to use good faith reasonable efforts to maintain the transport rates on the Nautilus System agreed to in the Precedent Agreements between (i) Shell Offshore Inc., Shell Deepwater Development Inc., Shell Deepwater Production Inc., and Nautilus and (ii) Marathon Oil Company and Nautilus subject to the other terms and conditions of such Precedent Agreements.

(c) If neither the declaratory order nor the certificate of public convenience and necessity referred to in (a) above has been issued on or before

April 1, 1997 but the Construction Certificate has been issued on or before April 1, 1997, then the Members shall use commercially reasonable good faith efforts to construct alternative facilities in lieu of the Manta Ray Phase II Facilities, which facilities would be designed to achieve, as nearly as possible, the same practical benefits anticipated to be derived from the Manta Ray Phase II Facilities and the decision as to the alternative facilities shall be made by a Majority Interest.

(d) If neither the declaratory order nor the certificate of public convenience and necessity referred to in (a) above has been issued on or before April 1, 1997 and the Construction Certificate has not been issued on or before April 1, 1997, then each Member shall have the right to elect, until April 10, 1997, to cause the prompt dissolution and liquidation of the Company, Nautilus and Manta Ray on terms and conditions substantially similar to those set forth in Section 3.17.

(e) If any Member properly exercises its rights to adjust the Membership Interests pursuant to this Section 3.18(e), such adjustment shall be made in accordance with the following general procedures:

(i) If only the Manta Ray Phase II Facilities are built and such facilities are constructed pursuant to a Certificate of Public Convenience and Necessity under the NGA, such facilities will be owned by Nautilus, and the Members agree they will promptly vote to cause Nautilus or Manta Ray, as applicable to promptly reconvey any excess pipe and other assets which were purchased for the Nautilus Initial Facilities to Shell Holding and Marathon Holding free of any liens or encumbrances (other than liens or encumbrances created prior to the conveyance of such assets to the Company, Ocean Breeze, or the applicable Subsidiary);

(ii) Subject to Section 3.18(e)(vii) if the Manta Ray Phase II Facilities are not subject to regulation under the NGA, such facilities will be owned by Manta Ray, and the Members agree they will vote to cause Nautilus to be dissolved pursuant to Section 3.17(a).

(iii) [RESERVED].

(iv) [RESERVED].

(v) Once the actions contemplated in Section 3.18(e)(i-iv) have been taken, all references in this Agreement to the Manta Ray System and the Nautilus System shall be amended accordingly;

(vi) On the Reconciliation Date, the Membership Interests of the Members will be adjusted to equal the new ownership interests of

Shell Holding equal to 45%, Leviathan Holding equal to 35%, and Marathon Holding equal to 20%. Upon the adjustment of the Membership Interests in the manner set forth in the preceding sentence, (i) the definition of "Majority Interest" in Section 1.1 will be amended to replace each reference to "50%" with a reference to "55%," (ii) the definition of "Super-Majority Interest" in Section 1.1. shall be deemed to be amended to replace each reference to "74%" with a reference to "64%" and (iii) Exhibit A shall be deemed to be amended to reflect the adjusted Membership Interests set forth above; and

(vii) In lieu of the Members causing the dissolution and liquidation of Nautilus in accordance with this Section 3.18 and subject to Section 3.17(a)(iii), the Members which desire to continue to seek the Construction Certificate shall have the right to be conveyed, as soon as reasonably practicable, all of the membership interest in Nautilus free and clear of all liens and encumbrances immediately following the liquidation of all of the other assets and liabilities pursuant to Section 3.18 (or after firm provisions have been made with respect to such liabilities). The conveyance will be made without payment of additional consideration, except that the proceeding Members shall be obligated to repay to the other Members any amounts expended to acquire any right of way or regulatory permit or approval retained by Nautilus. Any such right of way or regulatory permit or approval retained by Nautilus shall be owned free and clear of all liens or encumbrances (other than liens and encumbrances created prior to the conveyance of such assets to the Company or Nautilus, as applicable).

ARTICLE IV.
CAPITAL CONTRIBUTIONS

4.1 INITIAL CAPITAL CONTRIBUTIONS. The Members shall make the following Capital Contributions as further described in Exhibit A (the "Initial Capital Contributions"):

(a) Contributions by each Member of amounts equal to the cash paid by such Member on behalf of the Company for certain costs and expenses related to the formation of the Company and incurred by such Member prior to the date hereof, which amounts are set forth on Exhibit A.

(b) Contributions by the applicable Members or their Affiliates on behalf of such Members of non-cash assets and such other assets as set forth in Exhibit A to be made contemporaneously with the execution of this Agreement. The Asset Value of each such contribution shall be credited to the contributing Member's Capital Account, together with a Reconciliation Adjustment thereon, with respect to (i) all such contributions made by or on behalf of Marathon

Holding and (ii) all such contributions made by or on behalf of Shell Holding; provided, however, that no such Reconciliation Adjustment shall be applied to Shell Holding's Boxer Line or any other contributed assets, including the Manta Ray System except as provided in Section 4.1(d) below;

(c) Contributions by Shell Holding and Marathon Holding of cash not previously covered in (a) above, in amounts equal to 67.27% and 32.73%, respectively, of 100% of all amounts incurred by the Company prior to the Reconciliation Date to design, construct, install and place in service the Manta Ray Phase II Facilities and the Nautilus Initial Facilities constructed prior to the Reconciliation Date. Such contributions shall be made as necessary to allow the Company to timely pay such obligations as they become due. If Shell Holding determines from time to time in good faith that any such Capital Contributions may be necessary and in the best interest of the Company to timely complete such work the Company expects to be obligated to pay on or about a certain date, then Shell Holding shall send written notice to the other Members specifying (i) the aggregate amount of such Capital Contributions reasonably and in good faith deemed necessary by such Member and each Member's allocable share thereof and (ii) the date by which such Capital Contributions shall be made to the Company by Shell Holding or Marathon Holding (which date shall not be less than ten Business Days from the date on which the notice is sent). Each of Marathon Holding and Shell Holding shall thereafter contribute cash to the Company in an amount equal to such Member's allocable share of the amount of Capital Contribution on or before the date specified in such notice. All Initial Capital Contributions consisting of cash shall be held in an account until such time as such funds are used to fund the construction costs except to the extent that all of the Members agree that the applicable portion of any such Initial Capital Contribution is no longer needed to finance such construction costs or the operations of the Company. All such contributions, together with a Reconciliation Adjustment thereon, shall be credited to the contributing Members' Capital Account;

(d) Contributions by Leviathan Holding of cash and assets in amounts equal to 100% of all amounts incurred to acquire, install and place in service a compression package, including a 7,000 +/- HP unit as well as any other compression-related equipment related thereto not already installed. Such contributions shall be made as necessary to allow the Company to timely pay such obligations as they become due. All such contributions, together with a Reconciliation Adjustment thereon shall be credited to Leviathan Holding's Capital Account;

(e) Reconciling contributions from or distributions to the applicable Member or Members paid within 15 Business Days following the Reconciliation Date to the extent necessary to adjust each Member's Capital Account balance as of the Reconciliation Date, after all other Reconciliation Date adjustments have been made, by an amount equal to the difference, if any,

between (i) the product of (a) the aggregate Capital Accounts on the Reconciliation Date multiplied by (b) such Member's Membership Interest as set forth on Exhibit A, or if applicable in Section 3.18(e) minus (ii) such Member's Capital Account balance. Any such positive difference shall result in a contribution, and any such negative difference shall result in a distribution, such that, after all such contributions and distributions, the Capital Accounts in the aggregate, shall remain unchanged; and

(f) Other than the contributions set forth in Section 4.1(a)-(e), contributions by each Member of cash in amounts equal to its proportionate Membership Interest (on the date such contribution accrues) share of 100% of all amounts incurred to design, construct, install and place in service the Manta Ray Phase II Facilities and the Nautilus Initial Facilities. Such contributions shall be made as necessary to allow the Company to timely pay such obligations as they become due. If Shell Holding determines from time to time in good faith that any such Capital Contributions may be necessary and in the best interest of the Company to timely complete such work the Company expects to be obligated to pay on or about a certain date, then Shell Holding shall send written notice to the other Members specifying (i) the aggregate amount of the Capital Contributions reasonably and in good faith deemed necessary by such Member and each Member's allocable share thereof and (ii) the date by which such additional Capital Contributions shall be made to the Company by each Member (which date shall not be less than ten Business Days from the date on which the notice is sent). Each Member shall thereafter contribute cash to the Company in an amount equal to such Member's Membership Interest share of the amount of the Capital Contribution on or before the date specified in such notice. All Initial Capital Contributions consisting of cash shall be held in an account until such time as such funds are used to fund the construction costs except to the extent that all of the Members agree that the applicable portion of any such Initial Capital Contribution is no longer needed to finance such construction costs or the operations of the Company.

4.2 SUBSEQUENT CONTRIBUTIONS. Unless unanimously agreed to in writing by the Members, no Member shall be required to make any Capital Contributions other than the Initial Capital Contributions as contemplated by Section 4.1; provided, that, notwithstanding any provisions in this Agreement to the contrary, no Member shall be required to make any Capital Contribution, other than an Initial Capital Contribution, if such Member did not vote to approve such Capital Contribution.

4.3 FAILURE TO CONTRIBUTE.

(a) If a Member does not contribute by the time required all or any portion of a Capital Contribution such Member ("Delinquent Member") is required to make as provided in this Agreement, any one or more non-Delinquent Members may advance the entire amount of the Delinquent

Member's Capital Contribution that is in Default, with each non-Delinquent Member electing to participate making its share of such advance in proportion to its Membership Interest or in such other percentages as the participating Members may agree. Each non-Delinquent Member who makes such an advance on behalf of a Delinquent Member shall have the right to designate the extent to which such advance will (x) constitute a loan to the Delinquent Member and/or (y) result in an immediate adjustment of the Membership Interests of the Delinquent Member and the non-Delinquent Member making such election; provided, however, that if the advancing non-Delinquent Member does not notify the Company of its election to have all, or any portion of such advance treated as a loan to the Delinquent Member, in writing, at the time the advance is made then such advance shall automatically result in an immediate adjustment of the Membership Interests:

(i) To the extent one or more non-Delinquent Members does not elect to have an advance pursuant to Section 4.3(a) treated as a loan to the Delinquent Member, or affirmatively elects to have such advance result in an adjustment of the Membership Interests, the Company shall automatically adjust the Membership Interest for each Member to equal the percentage obtained by dividing (A) the Capital Account of such Member (including any Capital Contribution made by such Member under this Section by (B) the aggregate Capital Accounts of all Members (including all Capital Contributions made under this Section). Upon the adjustment of the Membership Interests in the manner set forth in the preceding sentence, Exhibit A shall be deemed to be amended to reflect such adjusted Membership Interests. Notwithstanding the foregoing, the Delinquent Member shall have the right to re-acquire the interest in question from the advancing non-Delinquent Member within 30 days following the date on which such Membership Interest adjustment is made by paying the entire amount advanced by such non-Delinquent Member in return for such adjustment, plus 12 percent per annum.

(ii) To the extent one or more non-Delinquent Members (the "Lending Member," whether one or more) does elect to have an advance pursuant to Section 4.3(a) constitute a loan to the Delinquent Member, such advance shall have the following results:

(1) the sum advanced shall constitute a loan from the Lending Member to the Delinquent Member and a Capital Contribution of that sum to the Company by the Delinquent Member pursuant to the applicable provisions of this Agreement,

(2) the principal balance of the loan and all accrued unpaid interest thereon (collectively, the "Obligation") shall be due and payable in whole on the tenth Business Day after the day written demand requesting payment of the Obligation is made by

the Lending Member to the Delinquent Member; provided, however that the Delinquent Member may prepay the Obligation in whole or in part at any time prior to the date due.

(3) the amount lent shall bear interest at the Default Interest Rate from the date on which the advance is deemed made until the date that the loan, together with all interest accrued thereon and all costs and expenses associated therewith ("Costs"), is repaid to the Lending Member,

(4) all distributions from the Company that otherwise would be made to the Delinquent Member (whether before or after dissolution of the Company) instead shall be paid to the Lending Member until the Obligation and any Costs have been paid in full to the Lending Member (with payments being applied first to accrued and unpaid interest, second to Costs, and finally to principal),

(5) [RESERVED.]

(6) the Lending Member shall have the right, in addition to the other rights and remedies granted to it pursuant to this Agreement or available to it at law or in equity, to take any action (including, without limitation, court proceedings and exercising the rights of a secured party under the Uniform Commercial Code of the State of Texas) that the Lending Member may deem appropriate to obtain payment from the Delinquent Member of the Obligation and all Costs; and

(7) initially, a loan by any Member to another Member as contemplated by this Section 4.3(a)(ii) shall not be considered a Capital Contribution by the Lending Member and shall not increase the Capital Account balance of the Lending Member. Notwithstanding the foregoing, in the event the principal and interest of any such loan have not been repaid within one year from the date of the loan, the Lending Member, at any time thereafter by giving written notice to the Company, may elect to have the unpaid principal and interest balance of such loan transferred to and increase such Lending Member's Capital Account with a corresponding decrease in the Capital Account of the Member on whose behalf such loan was made. Upon such transfer, the loan shall be treated as a Capital Contribution and the Membership Interest for each Member shall be automatically adjusted to equal the percentage obtained by dividing (A) the Capital Account of such Member (including any Capital Contribution made on behalf of another Member) by (B) the

aggregate Capital Accounts of all Members (including all Capital Contributions made on behalf of other Members). Upon the adjustment of the Membership Interests in the manner set forth in the preceding sentence, Exhibit A shall be deemed to be amended to reflect such adjusted Membership Interests.

(b) If the non-Delinquent Members do not exercise the rights granted by Section 4.3(a) within 14 days after the Delinquent Member fails to make its Capital Contribution when due, then the Company, by a vote of a majority in interest of the non-Delinquent Members, shall have the right to exercise the following remedies:

(i) the Company may at any time take such action (including, without limitation, court proceedings) as the Company may deem appropriate to obtain payment by the Delinquent Member of the portion of the Delinquent Member's Capital Contribution that is in Default, along with all Costs and expenses associated with the collection of such Delinquent Member's Capital Contribution; and

(ii) the Company may at any time exercise any other rights and remedies available at law or in equity.

4.4 RETURN OF CONTRIBUTIONS. A Member is not entitled (i) to the return of any part of any Capital Contributions other than any preferential or disproportionate distributions to the extent such distributions are expressly required to be returned by this Agreement or (ii) to be paid interest in respect of either its Capital Account or its Capital Contributions. An unrepaid Capital Contribution is not a liability of the Company or of any Member. A Member is not required to contribute or to lend any cash or property to the Company to enable the Company to return any other Member's Capital Contributions.

4.5 CAPITAL ACCOUNTS. A separate capital account ("Capital Account") shall be established and maintained for each Member in accordance with the rules of Treasury Regulation section 1.704-1(b)(2)(iv) and the following terms and conditions:

INCREASES AND DECREASES

(a) Each Member's Capital Account shall be (i) increased by (A) the amount of cash or cash equivalents contributed by that Member to the Company as capital, (B) the Net Asset Value of property contributed by that Member to the Company as capital, (C) the amount of any loans transferred by such Member to its Capital Account pursuant to Section 4.3(a)(ii)(7) (contributions contemplated by subparagraphs (A) and (B) shall be referred to as "Capital Contributions"), and (D) allocations to that Member of Company income and gain (or items thereof), including, without limitation, income and gain exempt from tax and income and gain described in Treasury Regulation

section 1.704-1(b)(2)(iv)(g), but excluding income and gain described in Treasury Regulation section 1.704-1(b)(4)(i); and (ii) shall be decreased by (A) the amount of cash or cash equivalents distributed to that Member by the Company, (B) the Net Asset Value of property distributed to that Member by the Company, and (C) allocations of Company losses and deductions (or items thereof), including losses and deductions described in Treasury Regulation section 1.704-1(b)(2)(iv)(g) (but excluding losses or deductions described in Treasury Regulation section 1.704-1(b)(4)(i) or (iii));

METHOD FOR DETERMINING INCOME, GAIN OR LOSS AND DEDUCTIONS

(b) For purposes of computing the amount of any item of income, gain, loss or deduction to be reflected in the Members' Capital Accounts, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes (including, without limitation, any method of depreciation, cost recovery or amortization used for that purpose), provided that:

(i) All fees and other expenses incurred by the Company to promote the sale of (or to sell) any interest that can neither be deducted nor amortized under section 709 of the Code, if any, shall, for purposes of Capital Account maintenance, be treated as an item of deduction at the time such fees and other expenses are incurred and shall be allocated among the Members pursuant to Sections 5.1 and 5.2;

(ii) Except as otherwise provided in Treasury Regulation section 1.704 1(b)(2)(iv)(m), the computation of all items of income, gain, loss and deduction shall be made without regard to any election under section 754 of the Code which may be made by the Company and, as to those items described in section 705(a)(1)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes;

(iii) Any income, gain or loss attributable to the taxable disposition of any Company property shall be determined as if the adjusted basis of such property as of such date of disposition were equal in amount to the Company's Carrying Value with respect to such property as of such date;

(iv) In accordance with the requirements of section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Company was equal to the Asset Value of such property on the date it

was acquired by the Company. Upon an adjustment pursuant to Section 4.5(d) to the Carrying Value of any Company property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the Company may adopt; and

(v) any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Net Income or Net Loss shall be added to such taxable income or loss.

IMPACT OF AND ADJUSTMENTS FOR SUCCESSION IN INTERESTS

(c) A Transferee shall succeed to the Capital Account of the Transferor relating to the Membership Interest so Transferred; provided, however, that if the Transfer causes a termination of the Company under section 708(b)(1)(B) of the Code, the Company's properties shall be deemed to have been distributed in liquidation of the Company to the Members (including any Transferee of a Membership Interest that is a party to the Transfer causing such termination) pursuant to Section 12.2 and recontributed by such Members in reconstitution of the Company. Any such deemed distribution shall be treated as an actual distribution for purposes of this Section 4.5. In such event the Carrying Values of the Company properties shall be adjusted immediately prior to such deemed distribution pursuant to Section 4.5(d)(ii) and such Carrying Values shall then constitute the fair market values of such properties upon such deemed contribution to the reconstituted Company for the purposes of determining the Asset Value and otherwise. The Capital Accounts of such reconstituted Company shall be maintained in accordance with the principles of this Section 4.5.

ADDITIONAL MEMBERSHIP INTERESTS

(i) Consistent with the provisions of Treasury Regulation section 1.704 1(b)(2)(iv)(f), on an issuance of additional Membership Interests for cash or Contributed Property, the Capital Accounts of all Members and the Carrying Value of each Company property immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable

to such Company property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately prior to such issuance and had been allocated to the Members at such time pursuant to Section 5.1.

ADJUSTMENTS PRIOR TO A DISTRIBUTION

(ii) In accordance with Treasury Regulation section 1.704-1(b)(2)(iv)(f), immediately prior to any distribution to a Member of any Company property (other than a distribution of cash or cash equivalents that are not in redemption or retirement of a Membership Interest), the Capital Accounts of all Members and the Carrying Value of each Company property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Company property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value (which shall be determined by the Company using any valuation method it deems reasonable under the circumstances), and had been allocated to the Members at such time, pursuant to Section 5.1.

(iii) Upon the Reconciliation Date and in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), the Carrying Value of the Manta Ray Phase I Facilities and the Boxer Line shall be adjudged to equal $50.3 million and $4.1 million respectively. The excess of the Manta Ray Phase I Facilities' adjudged value over the Carrying Value of the Manta Ray Phase I Facilities immediately before the Reconciliation Date (the "Leviathan Reconciliation Date Income") and the excess of the Boxer Line's adjudged value over the Carrying Value of the Boxer Line immediately before the Reconciliation Date (the "Shell Reconciliation Date Income") shall be allocated in accordance with Section 5.1(c).

ARTICLE V.
ALLOCATIONS AND DISTRIBUTIONS

5.1 ALLOCATIONS FOR CAPITAL ACCOUNT PURPOSES. In order to properly reflect the business agreement by and among the Members, the intent of the allocations in this Section 5.1 is to (i) treat each Member as if the Capital Contributions of the Manta Ray Phase I Facilities and the Boxer Line were made on the Reconciliation Date and (ii) solely for Capital Account maintenance and federal income tax purposes income received from Manta Ray and Nautilus shall be allocated as if derived from the operations of the Company. Therefore, for purposes of maintaining the Capital Accounts and in determining the rights of the Members among themselves, the Company's items of income, gain, loss and deduction (computed in accordance with

Section 4.5(b)) shall be allocated among the Members in each taxable year (or portion thereof) as provided herein below.

(a) Net Income. All items of income, gain, loss and deduction taken into account in computing Net Income for such taxable period shall be allocated to each of the Members in accordance with its respective Membership Interests; provided, however, that, during the period beginning on the date hereof and ending on the Reconciliation Date, (i) 100% of all income, gain, loss and deduction taken into account in computing that portion of Net Income attributable to Manta Ray Stub Period Income shall be specially allocated to Leviathan Holding and (ii) 100% of all income, gain, loss and deduction taken into account in computing that portion of Net Income attributable to Boxer Line Stub Period Income shall be specially allocated to Shell Holding.

(b) Net Losses. All items of income, gain, loss and deduction taken into account in computing Net Losses for such taxable period shall be allocated to each Member in accordance with its respective Membership Interests; provided, however that, during the period beginning on the date hereof and ending on the Reconciliation Date, (i) 100% of all income, gain, loss and deduction taken into account in calculating Net Losses attributable to Manta Ray Stub Period Income shall be specially allocated to Leviathan Holding and (ii) 100% of all income, gain, loss and deduction taken into account in calculating Net Losses attributable to Boxer Line Stub Period Income shall be specially allocated to Shell Holding.

(c) Special Allocation of Income. Notwithstanding the other provisions of this Section 5.1,

(i) the Leviathan Reconciliation Date Income shall be allocated solely to Leviathan Holding; and

(ii) the Shell Reconciliation Date Income shall be allocated solely to Shell Holding.

(d) Nonrecourse Liabilities. For purposes of Treasury Regulation section 1.752-3(a)(3), the Members agree that Nonrecourse Liabilities of the Company in excess of the sum of (A) the amount of Company Minimum Gain and (B) the total amount of Nonrecourse Built-in Gain shall be allocated among the Members in accordance with their respective Membership Interests.

(e) Company Minimum Gain Chargeback. Notwithstanding the other provisions of this Section 5.1, except as provided in Treasury Regulation section 1.704-2(f)(2) through (5), if there is a net decrease in Company Minimum Gain during any Company taxable period, each Member shall be allocated items of Company income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury

Regulation sections 1.704-2(f)(6) and (g)(2) and section 1.704-2(j)(2)(i), or any successor provisions. For purposes of this Section 5.1(d), each Member's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 5.1 with respect to such taxable period (other than an allocation pursuant to Section 5.1(h) or (i)).

(f) Chargeback of Minimum Gain Attributable to Member Nonrecourse Debt. Notwithstanding the other provisions of this Section 5.1 (other than Section 5.1(d), except as provided in Treasury Regulation section 1.704-2(i)(4)), if there is a net decrease in Minimum Gain Attributable to Member Nonrecourse Debt during any Company taxable period, any Member with a share of Minimum Gain Attributable to Member Nonrecourse Debt at the beginning of such taxable period shall be allocated items of Company income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 5.1, each Member's Adjusted Capital Account balance shall be determined and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 5.1, other than Sections 5.1(d), (h) and (i), with respect to such taxable period.

(g) Qualified Income Offset. In the event any Member unexpectedly receives adjustments, allocations or distributions described in Treasury Regulation section 1.704-1(b)(2)(ii)(d)(4) through (6) (or any successor provisions), items of Company income and gain shall be specifically allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations promulgated under section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible unless such deficit balance is otherwise eliminated pursuant to Section 5.1(d) or 5.1(e).

(h) Gross Income Allocations. In the event any Member has a deficit balance in its Adjusted Capital Account at the end of any Company taxable period which is in excess of the sum of (i) the amount such Member is obligated to restore pursuant to any provision of this Agreement and (ii) the amount such Member is deemed obligated to restore pursuant to the penultimate sentences of Treasury Regulations sections 1.704-2(g)(1) and 1.704-2(i)(5), such Member shall be specifically allocated items of Company gross income and gain in the amount of such excess as quickly as possible; provided that an allocation pursuant to this Section 5.1(g) shall be made only if and to the extent that such Member would have a deficit balance in its Adjusted Capital Account after all other allocations provided in this Section 5.1 have been tentatively made as if this Section 5.1(g) was not in the Agreement.

(i) Nonrecourse Deductions. Nonrecourse Deductions for any taxable period shall be allocated to the Members in accordance with their respective Membership Interests. If the Company determines in its good faith discretion that the Company's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Treasury Regulations promulgated under section 704(b) of the Code, the Company is authorized, upon notice to the Members, to revise the prescribed ratio to the numerically closest ratio which does satisfy such requirements.

(j) Member Nonrecourse Deductions. Member Nonrecourse Deductions for any taxable period shall be allocated 100% to the Member that bears the Economic Risk of Loss for such Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Treasury Regulation section 1.704-2(i) (or any successor provision). If more than one Member bears the Economic Risk of Loss with respect to a Member Nonrecourse Debt, such Member Nonrecourse Deductions attributable thereto shall be allocated between or among such Members ratably in proportion to their respective shares of such Economic Risk of Loss.

5.2 ALLOCATIONS FOR TAX PURPOSES.

(a) Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss and deduction which is recognized by the Company for federal income tax purposes shall be allocated among the Members in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 5.1 hereof.

(b) In an attempt to eliminate Book-Tax Disparities attributable to a Contributed Property or Adjusted Property, items of income, gain, loss, depreciation, amortization and cost recovery deductions shall be allocated for federal income tax purposes among the Members as follows:

(i) (A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Members in the manner provided under section 704(c) of the Code and section 1.704-3(b) of the Treasury Regulations (i.e. the "traditional method") that takes into account the variation between the Asset Value of such property and its adjusted basis at the time of contribution; and (B) except as otherwise provided in Section 5.2(b)(iii), any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Members in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 5.1.

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Members in a manner consistent with the principles of section 704(c) of the Code and section 1.704-3(b)

of the Treasury Regulations (i.e. the "traditional method") to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 4.5(d)(i), (ii), or (iii) and (2) second, in the event such property was originally a Contributed Property, be allocated among the Members in a manner consistent with Section 5.2(b)(i); and (B) except as otherwise provided in Section 5.2(b)(iii), any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Members in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 5.1.

(iii) Any items of income, gain, loss or deduction otherwise allocable under Section 5.2(b)(i)(B) or 5.2(b)(ii)(B) shall be subject to allocation by the Company in a manner designed to eliminate, to the maximum extent possible, Book-Tax Disparities in a Contributed Property or Adjusted Property otherwise resulting from the application of the "ceiling" limitation (under section 704(c) of the Code or section 704(c) principles) to the allocations provided under Sections 5.2(b)(i)(A) and 5.2(b)(ii)(A).

(c) For the proper administration of the Company, the Company shall (i) adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; provided, that such depreciation, amortization and cost recovery methods shall be the most accelerated methods allowed under federal tax laws; (ii) make special curative allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions pursuant to section 1.704-3(c) of the Treasury Regulations to eliminate the impact of the "ceiling" limitation (under section 704(c) of the Code and section 704 principles) to the allocations provided in Section 5.2(b); and (iii) amend the provisions of this Agreement as appropriate to reflect the proposal or promulgation of Treasury Regulations under section 704(b) or section 704(c) of the Code. The Company may adopt such conventions, make such allocations and make such amendments to this Agreement as provided in this Section 5.2(c) only if such conventions, allocations or amendments are consistent with the principles of section 704 of the Code.

(d) The Company may determine to depreciate the portion of an adjustment under section 743(b) of the Code attributable to unrealized appreciation in any Adjusted Property (to the extent of the unamortized Book-Tax Disparity) using a predetermined rate derived from the depreciation method and useful life applied to the Company's common basis of such property, despite the inconsistency of such with Proposed Treasury Regulation section 1.168-2(n) and Treasury Regulation section 1.167(c)-1(a)(6), or any successor provisions. If the Company determines that such reporting position cannot reasonably be

taken, the Company may adopt any reasonable depreciation convention that would not have a material adverse effect on the Members.

(e) Any gain allocated to the Members upon the sale or other taxable disposition of any Company asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 5.2 be characterized as Recapture Income in the same proportions and the same extent as such Members (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

(f) All items of income, gain, loss, deduction and credit recognized by the Company for federal income tax purposes and allocated to the Members in accordance with the provisions hereof shall be determined without regard to any election under section 754 of the Code which may be made by the Company; provided, however, that such allocations, once made, shall be adjusted as necessary or appropriate to take into account those adjustments permitted or required by sections 734 and 743 of the Code.

5.3 REQUIREMENT OF DISTRIBUTIONS. Subject to the provisions of Sections 5.6 and 7.2, and less the amount of the cash reserves, if any, set aside pursuant to Section 5.5, the Company shall distribute (within 30 days following the end of each calendar month) such amount of Available Cash, as determined by the Members, to the Members who were Record Holders as of the Record Date in accordance with their respective Membership Interests (except as otherwise provided in Section 5.7).

5.4 PRO RATA DISTRIBUTIONS. Except for preferential or disproportionate distributions to the extent expressly provided for in this Agreement (including those set forth in Section 12.2), any distributions attributable to the Membership Interests of the Company paid in cash, property, or equity ownership of the Company shall be allocated pro rata according to Membership Interest.

5.5 RESERVES. Before payment of any Distributions, there may be set aside out of any funds of the Company available for distributions such sum or sums as the Members from time to time, in their absolute discretion, think proper as a cash reserve or reserves to meet contingencies, for repairing or maintaining any property of the Company, or for such other purpose as the Members shall determine to be in the best interest of the Company; and the Company may modify or abolish any such cash reserve in the manner in which it was created. Any reserves established by Manta Ray or Nautilus shall be considered in determining the appropriate reserve for the Company.

5.6 DISTRIBUTION RESTRICTIONS. Unless unanimously agreed to in writing by the Members, and subject to the provisions of Section 4.3, the Company shall not distribute (i) any of the Initial Capital Contributions until the completion of the construction of the Manta Ray Phase II Facilities and the Nautilus Initial Facilities, except to the extent that all of the Members agree that the applicable portion of such

Initial Capital Contributions is no longer needed to finance such construction or the operations of the Company, or (ii) any amounts that would cause the Company, Manta Ray or Nautilus to materially breach, or would create a material default under, any debt agreements or instruments to which the Company, Manta Ray or Nautilus is a party.

5.7 SPECIAL DISTRIBUTIONS AND CONTRIBUTIONS. Notwithstanding anything herein to the contrary, including the provisions of this Article V, on or before the fifteenth Business Day of each calendar month, Company shall deliver to Shell Holding and Leviathan Holding a statement setting forth in detail the amounts specially allocated to Shell Holding or Leviathan Holding as Boxer Line Stub Period Income or Manta Ray Stub Period Income, as the case may be, pursuant to Section 5.1(a) and (b). If the Boxer Line Stub Period Income or the Manta Ray Stub Period Income for the preceding calendar month (exclusive of non-cash items such as depreciation and amortization) is a positive number, then the Company will make a special distribution of such net amount to Shell Holding and/or Leviathan Holding, as applicable, on or before the 25th day of the calendar month in which the statement is delivered. If the Boxer Line Stub Period Income or Manta Ray Stub Period Income for the preceding calendar month (exclusive of non-cash items such as depreciation and amortization) is a negative number, then Shell Holding or Leviathan Holding, as applicable, will make an additional Capital Contribution to the Company of such net amount on or before the 25th day of the calendar month in which the statement is delivered. Any such distribution or contribution shall not prejudice the right of the paying party to an adjustment of any statement. Shell Holding and Leviathan Holding and its authorized representatives shall have the right to inspect any records of the Company forming the basis for a statement delivered to it, and the Company agrees to retain such records, for 36 months from the end of the calendar year in which the applicable statement was delivered.

ARTICLE VI.
MANAGEMENT OF THE COMPANY

6.1 MANAGEMENT BY THE MEMBERS AND DELEGATION OF AUTHORITY. The Members hereby unanimously agree that the business and affairs of the Company shall be managed by or under the authority of the Members in accordance with the Act, which Members may act through their directors, officers, employees, representatives, agents and designees. Except for situations in which the approval of the Members is required by this Agreement or by nonwaivable provisions of applicable Laws, the Members shall have broad discretion to authorize any committee constituted pursuant to Section 6.2 or any officer or other agent to act on behalf of the Company.

6.2 COMMITTEES. For organizational purposes, the Members may form one or more committees of the Members. Each Member shall appoint one (or more) of its duly authorized agents to act for the Member on any committee of the Company. Such agents of each Member shall be given the authority by such Member to vote on behalf of the Member on any issue within the committee's responsibility and the agent(s) of

each Member shall have the right to vote on behalf of such Member in proportion to such Member's Membership Interest.

6.3 AUTHORITY OF MEMBERS AND COMMITTEES.

(a) With respect to conflicts or disagreements between and among any committees, the Members shall have ultimate decision making authority. The Members and the committees shall act through the Company's officers, employees, representatives, agents and designees to whom authority has been expressly delegated. All action of the Members shall be taken pursuant to resolutions approved by the Members in accordance with Article VII of this Agreement.

(b) Unless otherwise expressly delegated in writing or provided by this Agreement, the Members hereby reserve to the Members as a group the authority, with respect to the Company, to authorize and approve the following, or, with respect to matters to be authorized or approved by Subsidiaries of the Company, to determine how the Company will vote as a member of such Subsidiary, with respect to the following:

(i) authorizing Gas Contracts the term of which could be longer than one year after the date of execution thereof; provided, however, that, with respect to the Manta Ray System, Leviathan Holding shall have the right to override and reverse any vote by the Members made on or before the expiration of the Termination Time so long as Leviathan Holding does not obligate Manta Ray to incur any construction costs;

(ii) authorizing any contract, agreement or other undertaking involving more than $500,000 in any year or $1,000,000 in the aggregate;

(iii) authorizing a transaction involving the acquisition or construction of any pipeline, lateral or extension, including a Lateral in accordance with Article XV, or any compression, expansion or other significant facilities;

(iv) authorizing a transaction involving a lease or similar arrangement which either (A) involves an asset with a fair market value of more than $500,000 or (B) could reasonably be expected to result in payments in excess of $500,000;

(v) approving any operating and capital expenditures budgets;

(vi) authorizing any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, involving the Company or its Subsidiaries and any Member or

any Affiliate of any Member (which transaction, once approved by all of the Members, shall be presumed to be fair to the Company or such Subsidiary, as the case may be);

(vii) authorizing borrowing money;

(viii) authorizing transactions not in the ordinary course of business;

(ix) determining the cash reserve applicable to distributions of cash and other property as provided in Sections 5.3, 5.5 and 5.6;

(x) utilizing for other than company purposes, acquiring, or disposing of any material asset of the Company or its Subsidiaries;

(xi) permitting a member of the Company or any of its Subsidiaries to resign;

(xii) permitting the merger, consolidation, participation in a share exchange or other statutory reorganization with, or sale of all or substantially all of the assets of the Company or its Subsidiaries to, or the sale or other transfer or alienation of any interest in Manta Ray or Nautilus to, any Person;

(xiii) permitting dissolution and liquidation;

(xiv) approving the Construction Certificate, the Nautilus FERC tariff, the applications for the Construction Certificate, the FERC Certificate and any subsequent FERC certificate, including any amendment or modifications of any FERC certificate, approving any material amendments or other material modifications to the Construction Certificate, the Nautilus FERC tariff, the FERC Certificate or any subsequent FERC certificate, including, without limitation, the general terms and conditions and the rates and the basis upon which such rates are calculated, or accepting the Construction Certificate, the FERC Certificate or any subsequent FERC certificate;

(xv) instituting litigation, arbitration, or similar proceedings at a cost to the Company which could reasonably be expected to exceed $250,000; provided, however, that if any Member or any Affiliate of a Member is an adverse party thereto, then all of the remaining Members which are not Affiliates of the affected Member shall be entitled to cause the Company to institute such action, but once action has been instituted, all of such remaining Members must agree prior to the settlement of any such action. Such non-Affiliate Members' vote shall be sufficient to take such actions under this Section even if such Membership Interest is less than a Majority Interest;

(xvi) changing the name of the Company or its Subsidiaries;

(xvii) approval, waiver, amendment or other modification (other than termination) of any Operating Agreement or any other operating agreement with respect to the operation of the Manta Ray System or the Nautilus System or any management or similar agreement with respect to the operation of the Company or Ocean Breeze Pipeline Company, L.L.C.; and

(xviii) termination (other than by expiration of the term thereof) of any Operating Agreement or any other operating agreement with respect to the operation of the Manta Ray System or the Nautilus System or of the Company or Ocean Breeze provided, however that for purposes of this Section 6.3(b)(xviii), if any Member or its Affiliate (as such term is defined in the Operating Agreement or Construction Agreements in question) which would be replaced as an operator as a result of such termination, such Member shall not be entitled to vote on such termination. The vote of such non-replaced Members shall be sufficient to take such actions under this Section even if such Membership Interest is less than a Majority Interest;

With respect to each matter described in (i) - (xviii) above, the exercise of Member authority shall occur only by the affirmative vote of the applicable Required Interest specified elsewhere in this Agreement, including, without limitation, the unanimous voting requirements set forth in Section 7.2(b); the Super-Majority Interest voting requirements set forth in Section 7.2(a), and the Majority Interest voting requirements set forth in Section 7.1(a). Member approval or disapproval of any matter requiring Member approval (including, without limitation, the matters set forth in this Section 6.3(b) and Sections 7.2(a) and (b)) may be based on any reason whatsoever, in each Member's sole and absolute discretion.

6.4 OFFICERS.

(a) The Members may designate one or more Persons to fill one or more officer positions of the Company. Such officers may include, without limitation, Chief Executive Officer, Chief Financial Officer, President, Vice President, Treasurer, Assistant Treasurer, Secretary and Assistant Secretary. No officer need be a resident of the State of Delaware. The Members may assign titles to particular officers. Each officer shall hold office until his successor shall be duly designated and shall qualify to hold such office, or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Any number of offices may be held by the same Person. The salaries or other compensation, if any, of the officers and agents of the Company may be fixed from time to time by the Members. Notwithstanding any other provisions of this Agreement, the authority of any officers, employees or agents of the Company shall be restricted to the carrying on of the day-to-day affairs of the

Company and any such authority shall be subject to the supervisory control of the Members. Only Members or their duly authorized agents shall have the authority to make policy decisions for the Company. Unless the Members decide otherwise, the assignment of such title shall constitute the delegation to such officer of the authority and duties set forth below:

(i) President. Unless otherwise specified by the Members, the President shall be the chief operating officer of the Company and have general executive powers to manage the operations of the Company, and such other powers and duties under this Agreement as the Members may from time to time prescribe.

(ii) Vice Presidents. In the absence of the President, or in the event of his inability to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated by the Members, or in the absence of any such designation, then in the order of their election or appointment) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

(iii) Secretary. The Secretary shall keep the minutes of the meetings of the Company and shall exercise general supervision over the files of the Company. The Secretary shall give notice of meetings and shall perform other duties commonly incident to such office.

(iv) Assistant Secretary. At the request of the Secretary or in the Secretary's absence or inability to act, the Assistant Secretary shall perform part or all of the Secretary's duties.

(v) Treasurer. The Treasurer shall have general supervision of the funds, securities, notes, drafts, acceptances, and other commercial paper and evidences of indebtedness of the Company and he shall determine that funds belonging to the Company are kept on deposit in such banking institutions as the Members may from time to time direct. The Treasurer shall determine that accurate accounting records are kept, and the Treasurer shall render reports of the same and of the financial condition of the Company to the Members at any time upon request. The Treasurer shall perform other duties commonly incident to such office, including, but not limited to, the execution of tax returns.

(vi) Assistant Treasurer. At the request of the Treasurer or in the Treasurer's absence or inability to act, the Assistant Treasurer shall perform part or all of the Treasurer's duties.

(b) Any officer may resign as such at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if

no time be specified, at the time of its receipt by the Company. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation. Any officer may be removed as such, either with or without cause, by the Members; provided, however, that such removal shall be without prejudice to the contract rights, if any, of the officer so removed. Designation of an officer shall not of itself create contract rights. Any vacancy occurring in any office of the Company may be filled by the Members.

6.5 DUTIES OF OFFICERS. Each officer shall devote such time, effort, and skill to the Company's business affairs as he deems necessary and proper for the Company's welfare and success. The Members expressly recognize that the officers have substantial other business relationships and activities with Persons other than the Company.

6.6 NO DUTY TO CONSULT. Except as otherwise provided herein or by applicable law, neither the Company nor its duly appointed agents, designees or representatives or the officers of the Company shall have a duty or obligation to consult with or seek advice of the Members on any matter relating to the day-to-day business affairs of the Company duly delegated to such Persons; provided, however, that such Persons shall not be restricted from consulting with or seeking the advice of the Members.

6.7 REIMBURSEMENT. Except for pre-formation expenses paid by each respective Member and treated as a Capital Contribution pursuant to Section 4.1(a), all expenses incurred with respect to the organization, operation and management of the Company shall be borne by the Company.

6.8 MEMBERS AND AFFILIATES DEALING WITH THE COMPANY. Subject to obtaining any consent expressly required hereunder, the Company may appoint, employ, contract, or otherwise deal with any Person, including Affiliates of the Members, individuals with whom the Members are otherwise related, and with business entities which have a financial interest in a Member or in which a Member has a financial interest, for transacting Company business, including any acts or services for the Company as the members of any committee, officer or other representative with the proper authority may approve.

6.9 INSURANCE. Each Member, according to its proportionate share equal to its Membership Interest, shall make available for its own benefit and the benefit of the Company, Ocean Breeze, Manta Ray and Nautilus, the insurance coverages described on "Exhibit C.I" hereto and such other insurance as may be required by applicable Laws.

The Company shall provide the applicable insurance coverages described on "Exhibit C. II and III" for the benefit of the Company, Ocean Breeze, Manta Ray, Nautilus, Leviathan Holding, Marathon Holding and Shell Holding. The costs of the insurance coverages described on "Exhibit C.II and III" which are obtained by the

Company (if any) shall automatically be included in the applicable operating budget for the Company without the necessity of approval by the Members.

All insurance policies shall provide that the insurers waive their right of subrogation against the Company, Ocean Breeze, Manta Ray, Nautilus, Leviathan Holding, Marathon Holding and Shell Holding, any of their Affiliates, or any other party indemnified by Company.

The Company shall make available to Ocean Breeze, Nautilus and Manta Ray the full amount of the Company's insurance program described on "Exhibit C.I.A." through "D" of this Agreement.

ARTICLE VII.
MEETINGS

7.1 MEETINGS OF MEMBERS AND COMMITTEES.

(a) A quorum shall be present at a meeting of Members or any committee of the Company if the holders of at least a Majority Interest are represented at the meeting in person or by proxy. At a meeting of the Members at which a quorum is present with respect to any matter (except for any matter expressly requiring the affirmative vote of a Required Interest greater than a Majority Interest pursuant to this Agreement), the affirmative vote of the Majority Interest shall be the act of the Members.

(b) All meetings of the Members or any committee of the Company shall be held at the principal place of business of the Company or at such other place within or without the State of Delaware as shall be specified or fixed in the notices or waivers of notice thereof; provided that any or all Members or their representatives may participate in any such meeting by means of conference telephone or similar communications equipment pursuant to Section 16.11. No Member shall willfully be absent from any meeting of the Members or any committee of the Company.

(c) Notwithstanding the other provisions of this Agreement, the holders of at least a majority of the Membership Interest represented (in person or by proxy) at a meeting at which a quorum is present shall have the power to adjourn such meeting from time to time, without any notice other than an announcement at the meeting of the time and place of the resumption of the adjourned meeting. The time and place of such adjournment shall be determined by a vote of such Membership Interest. Upon the resumption of

such adjourned meeting, any business may be transacted that might have been transacted at the meeting as originally called.

(d) Unless otherwise expressly provided in a written notice issued by the Members, an annual meeting of the Members for the transaction of such business as may properly come before such meeting shall be held at the principal office of the Company at 10:00 a.m. on the second Tuesday which is a Business Day in the month of April. Regularly scheduled, periodic meetings of the Members or any committee of the Company may be held without notice to the Members or Member representatives at such times and places as shall from time to time be determined by resolution of the Members or such Member representatives and communicated to all Members or their representatives. Each Member, or its representatives in the case of committee meetings, shall use reasonable efforts to inform the other Members or committee representatives of any business matters that it intends to raise at any regular meeting of the Members or any committee of the Company within a reasonable time prior to such meeting.

(e) Special meetings of the Members or any committee of the Company, for any purpose or purposes, unless otherwise prescribed by law, shall be called by (i) the President or Secretary (if any), (ii) any one or more Members holding at least 20% of the Membership Interests of the Company in the aggregate or (iii) any two or more non-Affiliated Members. Such request of the President, Secretary or Member(s) shall state the purpose or purposes of the proposed meeting.

(f) Except as provided otherwise by this Agreement or applicable law, written or printed notice stating the place, day and hour of the meeting and the purpose or purposes for which such meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days (including Saturdays, Sundays and holidays) before the date of the proposed meeting, either personally, by certified mail (return receipt requested) or by telecopy (with a copy delivered via United States mail), by or at the direction of the Person calling the meeting, to each Member or Member representative, as the case may be, entitled to vote thereat. If mailed, any such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Member, or Member representative, at its address provided for in Section 16.19, with postage thereon prepaid.

(g) The date on which notice of a meeting of the Members or any committee of the Company is mailed shall be the Record Date for the determination of the Members or Member representatives entitled to notice of or to vote at such meeting, including any adjournment thereof, or the Members or Member representatives entitled to receive such notice.

7.2 SPECIAL ACTIONS.

(a) The approval of the holders of a Super-Majority Interest of the Members shall be required to authorize and approve the following, or, with respect to matters to be authorized or approved by Subsidiaries of the Company, to determine how the Company will vote as a member of such Subsidiary with respect to the following:

(i) except with respect to cash reserves consistent with historical practices, determining the cash reserves applicable to distributions of cash and other property as provided in Sections 5.3, 5.5 and 5.6, other than (A) cash reserves relating to acquiring, constructing or otherwise obtaining (including, without limitation, pursuant to a lease or similar arrangement approved in accordance with Section 7.2(a)(v)) any pipeline, lateral or extension, including any Lateral or any compression, expansion or other significant facilities if such reserve exceeds, at any one time, $500,000, but is less than or equal to $5,000,000 (the authorization for which requires at least a Majority Interest) or (B) cash reserves described in Section 7.2(a)(ii) (requiring at least a Super Majority Interest) or Section 7.2(b)(xv) (requiring unanimity);

(ii) determining the cash reserves applicable to distributions of cash and other property as provided in Sections 5.3, 5.5 and 5.6, to the extent such cash reserves (A) relate to acquiring, constructing, leasing or otherwise obtaining any pipeline, lateral or extension, including any Lateral or any compression, expansion or other significant facilities and (B) exceed, at any one time, $5,000,000, but is less than or equal to $15,000,000;

(iii) (A) entering into any credit agreement, indenture or similar agreement or (B) borrowing money or making draws under any such previously approved credit agreement, indenture or similar agreement for the purpose of funding authorized transactions with an approved cost to the Company of more than $5,000,000, but less than or equal to $15,000,000;

(iv) utilizing other than for Company purposes, acquiring or disposing of any asset of the Company or its Subsidiaries having a then existing fair market value or GAAP net book value (after deducting accumulated depreciation, depletion, amortization and impairment) of more than $5,000,000 but less than or equal to $15,000,000;

(v) authorizing a transaction involving a lease or similar arrangement which either (A) involves an asset with a fair market value of more than $5,000,000 but less than or equal to $15,000,000 or (B) could reasonably be expected to result in payments of more than $5,000,000 but less than or equal to $15,000,000;

(vi) authorizing a transaction which involves acquiring, constructing or otherwise obtaining any pipeline, lateral or extension, including any Lateral, or any compression, expansion or other significant facilities, which could reasonably be expected to have a cost to the Company or any Subsidiary of more than $5,000,000 but less than or equal to $15,000,000.

(b) The approval of the holders of all of the Membership Interest of the Members shall be required to authorize and approve the following, or, with respect to matters to be authorized or approved by Subsidiaries of the Company, to determine how the Company will vote as a member of such Subsidiary with respect to the following:

(i) approving the Nautilus FERC tariff, the applications for the FERC Certificate or any subsequent FERC certificate, including any amendment or modifications of any FERC certificate and approving any material amendments or other material modifications to the Nautilus FERC tariff, the FERC Certificate or any subsequent FERC certificate, including, without limitation, the general terms and conditions and the rates and the basis upon which such rates are calculated;

(ii) accepting the Construction Certificate (which approval shall also be deemed to be an approval of the FERC Certificate, unless, at the time Nautilus receives the FERC Certificate, all of the Members agree that such FERC Certificate should be rejected);

(iii) approval, waiver, amendment or other modification (other than termination) of any Construction Agreement or Operating Agreement or any other operating agreement with respect to the operation of the Manta Ray System or the Nautilus System;

(iv) termination (other than by expiration of the term thereof) of any Construction Agreement or Operating Agreement or any other operating agreement with respect to the operation of the Manta Ray System or the Nautilus System or of the Company or Ocean Breeze; provided, however that for purposes of this Section 7.2(b)(iv), if any Member or its Affiliate (as such term is defined in the Operating Agreement or Construction Agreement in question) would be replaced as an operator as a result of such termination, such Member shall not be entitled to vote on such termination. The vote of such Members not terminated shall be sufficient to take such actions under this Section even if such Membership Interest is less than a Majority Interest;

(v) changing the name of the Company or any of its Subsidiaries;

(vi) instituting litigation, arbitration, or similar proceedings against Persons other than any Member or any Affiliate of any Member at a cost to the Company which could reasonably be expected to exceed $250,000;

(vii) making draws under any credit agreement, indenture or similar agreement approved in accordance with the terms of Section 7.2(a)(iii)(A), for the purpose of funding authorized transactions with an approved cost to the Company of more than $15,000,000;

(viii) utilizing other than for company purposes, acquiring or disposing of any asset of the Company or its Subsidiaries, having a then existing fair market value or GAAP net book value (after deducting accumulated depreciation, depletion, amortization and impairment) of more than $15,000,000;

(ix) authorizing a transaction which involves acquiring, constructing or otherwise obtaining any pipeline, lateral or extension, including any Lateral, or any compression, expansion or other significant facilities, which could reasonably be expected to have a cost to the Company or any Subsidiary of more than $15,000,000;

(x) authorizing a transaction involving a lease or similar arrangement which either (A) involves an asset with a fair market value of more than $15,000,000 or (B) could reasonably be expected to result in payments of more than $15,000,000;

(xi) authorizing any transaction or any amendment thereto, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service involving the Company or any of its Subsidiaries and any Member or any Affiliate of any Member (which transaction, once approved by all of the Members, shall be presumed to be fair to the Company); and

(xii) authorizing material transactions the nature of which are not in the ordinary course of business;

(xiii) permitting the merger, consolidation, or participation in a share exchange or other statutory reorganization with, or sale of all or substantially all of the assets of Manta Ray, Nautilus or the Company to, or the sale or other transfer or alienation (other than granting a lien or other Security Interests) of any interest in Manta Ray or Nautilus to, any Person;

(xiv) approving the operating and capital expenditure budgets of the Company or any of its Subsidiaries covering the period from the date hereof until the first anniversary of such date;

(xv) approving any cash reserve applicable to distributions of cash and other property as provided in Sections 5.3, 5.5 and 5.6, to the extent such cash reserve (A) relates to acquiring, constructing or otherwise obtaining (including, without limitation, pursuant to a lease or similar arrangement approved in accordance with Section 7.2(b)(x)) any pipeline, lateral or extension, including any Lateral, or any compression, expansion or other significant facilities and (B) exceeds, at any one time, $15,000,000;

(xvi) hiring any employees of the Company;

(xvii) admitting any new Member to any Subsidiary of the Company; and

(xviii) actions for which this Agreement otherwise expressly requires unanimous approval, including, without limitation, any of the actions set forth in Sections 3.10 (creation of additional Membership Interests), 3.14 (Resignation), 4.2 (subsequent Capital Contributions), 5.6 (distribution of Initial Capital Contributions), 12.1(a) (Dissolution and Liquidation) and 13.2 (Amendments).

7.3 VOTING LIST. The officer of the Company or the designated Member who is responsible for the maintenance of the Company's records shall make, at least ten days before each meeting of Members, a complete list of the Members or their representatives, as the case may be, entitled to vote thereat or any adjournment thereof, arranged in alphabetical order, with the address of and the Membership Interest held or represented by each, which list, for a period of ten days prior to such meeting, shall be kept on file at the registered office or principal place of business of the Company and shall be subject to inspection by any Member or Member representative at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Member or Member representative during the whole time of the meeting. The original Company records shall be prima facie evidence as to who are the Members or their representatives entitled to examine such list or transfer records or to vote at any meeting of Members. Failure to comply with the requirements of this Section shall not affect the validity of any action taken at the meeting.

7.4 PROXIES. A Member or Member representative may vote either in person or by proxy executed in writing by the Member or Member representative. A telegram, telex, cablegram or similar transmission by the Member or Member representative or a photographic, photostatic, facsimile or similar reproduction of writing executed by the Member or Member representative shall be treated as an execution in writing for

purposes of this Section. Proxies for use at any meeting of the Members or committee of the Company or in connection with the taking of any action by written consent shall be filed with the Company before or at the time of the meeting or execution of the written consent, as the case may be. All proxies shall be received and taken charge of and all ballots shall be received and canvassed by an inspector or inspectors appointed by the President or a Vice President of the Company who shall decide all questions touching upon the qualification of voters, the validity of the proxies, and the acceptance or rejection of votes.

7.5 VOTES. Each Member or Member representative shall be entitled to one vote (or a fraction thereof) per percent (or fraction thereof) of Membership Interest held by such Member, as reflected in the transfer records of the Company; provided, however, that for purposes of determining a quorum or a Required Interest the Membership Interest of any Member shall not be counted and such interest shall be apportioned by interest among the remaining Members as applicable if the Member is not permitted to vote under this Agreement for any reason, including, without limitation, the relevant Member is in Default, is not deemed to be a Substituted Member or is in breach of certain representations and warranties; provided, however, that no Member shall be required to make any Capital Contribution, other than an Initial Capital Contribution, if such Member did not vote to approve such Capital Contribution in accordance with Section 4.2.

7.6 CONDUCT OF MEETINGS. All meetings of the Members or committees of the Company shall be presided over by the chairman of the meeting, who shall be designated by, in order of priority, the President, the Vice President or other appropriate officer of the Company. The chairman of any meeting of Members or committee of the Company shall determine the order of business and the procedure at the meeting, including regulation of the manner of voting and the conduct of discussion.

7.7 ACTION BY WRITTEN CONSENT.

(a) Except as otherwise provided by applicable Laws, any action required or permitted to be taken at any meeting of Members or committee of the Company may be taken without a meeting, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holder or holders or representatives of not less than the minimum of Membership Interests that would be necessary to take such action at a meeting at which the holders of all Membership Interests entitled to vote on the action were present and voted; provided, however, that no such written consent shall be effective unless each Member has been provided with at least 3 Business Days prior written notice of such consent to be sought or has waived the requirement of such notice. To the extent required by law, every written consent shall bear the date of signature of each Member or Member representative who signs the consent. To the extent required by law, no written consent shall be effective to take the action that is the subject of such consent unless, within 60 days after the date of the earliest dated consent delivered to the

Company in the manner required by this Section 7.7, a consent or consents signed by the holder or holders of not less than the minimum Membership Interests that would be necessary to take the action that is the subject of the consent are delivered to the Company by delivery to its registered office or its principal place of business. Delivery shall be by hand or certified or registered mail (return receipt requested) to the Company's principal place of business and shall be addressed to the Secretary of the Company. A telegram, telex, cablegram or similar transmission by a Member or Member representative, or a photographic, photostatic, facsimile or similar reproduction of a writing signed by a Member or Member representative, shall be regarded as signed by the Member or Member representative for purposes of this Section 7.7. In addition to the prior written notice described above, prompt written notice of the taking of any action by the Members or committees of the Company without a meeting by less than unanimous written consent shall be given to those Members or Member representatives who did not consent in writing to the action.

(b) The Record Date for determining Members or their representatives entitled to consent to an action in writing without a meeting shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Company. Delivery of such written consent shall be by hand or by certified or registered mail (return receipt requested) to the Company's principal place of business and shall be addressed to the Secretary of the Company.

7.8 RECORDS. An officer of the Company or a designated Member representative shall be responsible for maintaining the records of the Company, including keeping minutes at the meetings of the Members or committees of the Company and the filing of consents in the records of the Company.

ARTICLE VIII.

INDEMNIFICATION

8.1 RIGHT TO INDEMNIFICATION. Subject to the limitations and conditions as provided herein or by applicable Laws, each Person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (hereinafter a "Proceeding"), or any appeal in such a Proceeding or any inquiry or investigation that could lead to such a Proceeding, by reason of the fact that he or she, or a Person of whom he or she is the legal representative, is or was a Member of the Company, a member of a committee of the Company or an officer of the Company, or while such a Person is or was serving at the request of the Company as a director, officer, partner, venturer, member, trustee, employee, agent or similar functionary of another foreign or domestic general partnership, corporation, limited partnership, joint venture, limited liability company, trust, employee benefit plan or other enterprise, shall be indemnified by the Company to the extent such Proceeding or

other above-described process relates to any such above-described relationships with, status with respect to, or representation of any such Person to the fullest extent permitted by the Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said Laws permitted the Company to provide prior to such amendment) against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such Person in connection with such Proceeding, and indemnification under this Article VIII shall continue as to a Person who has ceased to serve in the capacity which initially entitled such Person to indemnity hereunder for any and all liabilities and damages related to and arising from such Person's activities while acting in such capacity; provided, however, that no Person shall be entitled to indemnification under this Section 8.1 in the event the Proceeding involves acts or omissions of such Person which constitute an intentional breach of this Agreement or gross negligence or willful misconduct on the part of such Person. The rights granted pursuant to this Article VIII shall be deemed contract rights, and no amendment, modification or repeal of this Article VIII shall have the effect of limiting or denying any such rights with respect to actions taken or Proceedings arising prior to any such amendment, modification or repeal. It is expressly acknowledged that the indemnification provided in this Article VIII could involve indemnification for negligence or under theories of strict liability.

8.2 INDEMNIFICATION OF OFFICERS, EMPLOYEES AND AGENTS. The Company may indemnify, and advance expenses to, Persons who are not or were not a Member, including officers, employees or agents of the Company, and those Persons who are or were serving at the request of the Company as a manager, director, officer, partner, venturer, member, trustee, employee, agent or similar functionary of another foreign or domestic general partnership, corporation, limited partnership, joint venture, limited liability company, trust, employee benefit plan or other enterprise against any liability asserted against such Person and incurred by such Person in such a capacity or arising out of his status as such a Person to the same extent that it may indemnify and advance expenses to a Member under this Article VIII.

8.3 ADVANCE PAYMENT. Any right to indemnification conferred in this Article VIII shall include a limited right to be paid or reimbursed by the Company for any and all reasonable expenses as they are incurred by a Person entitled to be indemnified under Sections 8.1 and 8.2 who was, or is threatened, to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding and without any determination as to such Person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such Person in advance of final disposition of a Proceeding shall be made only upon delivery to the Company of a written affirmation by such Person of his good faith belief that he has met the requirements necessary for indemnification under this Article VIII and a written undertaking, by or on behalf of such Person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified Person is not entitled to be indemnified under this Article VIII or otherwise.

8.4 APPEARANCE AS A WITNESS. Notwithstanding any other provision of this Article VIII, the Company may pay or reimburse expenses incurred by any Person entitled to be indemnified pursuant to this Article VIII in connection with such Person's appearance as a witness or other participation in a Proceeding at a time when he is not a named defendant or respondent in the Proceeding.

8.5 NONEXCLUSIVITY OF RIGHTS. The right to indemnification and the advancement and payment of expenses conferred in this Article VIII shall not be exclusive of any other right which a Person indemnified pursuant to Sections 8.1 and 8.2 may have or hereafter acquire under any Laws, this Agreement, or any other agreement, vote of Members or otherwise.

8.6 INSURANCE. The Company may purchase and maintain indemnification insurance, at its expense, to protect itself and any Person from any expenses, liabilities, or losses that may be indemnified under this Article VIII.

8.7 MEMBER NOTIFICATION. Any indemnification of or advance of expenses to any Person entitled to be indemnified under this Article VIII shall be reported in writing to the Members with or before the notice or waiver of notice of the next Members' meeting or with or before the next submission to Members of a consent to action without a meeting and, in any case, within the 12 month period immediately following the date the indemnification or advance was made.

8.8 SAVINGS CLAUSE. If this Article VIII or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless any Person entitled to be indemnified pursuant to this Article VIII as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article VIII that shall not have been invalidated and to the fullest extent permitted by applicable Laws.

8.9 SCOPE OF INDEMNITY. For the purposes of this Article VIII, references to the "Company" include all constituent entities, whether corporations or otherwise, absorbed in a consolidation or merger as well as the resulting or surviving entity. Thus, any Person entitled to be indemnified or receive advances under this Article VIII shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving entity as he would have if such merger, consolidation, or other reorganization never occurred.

ARTICLE IX.
TAXES

9.1 TAX RETURNS. The Company shall cause to be prepared and filed all necessary federal and state income tax returns for the Company, including making the elections described in Section 9.2. Upon written request by the Company, each

Member shall furnish to the Company all pertinent information in its possession relating to Company operations that is necessary to enable the Company's income tax returns to be prepared and filed.

9.2 TAX ELECTIONS. The Company shall make the following elections on the appropriate tax returns:

(a) to adopt the accrual method of accounting;

(b) an election pursuant to section 754 of the Code;

(c) to elect to amortize the organizational expenses of the Company and the start-up expenditures of the Company under section 195 of the Code ratably over a period of 60 months as permitted by section 709(b) of the Code; and

(d) any other election that the Company may deem appropriate and in the best interests of the Company or Members, as the case may be.

Neither the Company nor any Member may make an election for the Company to be excluded from the application of the provisions of subchapter K of chapter 1 of subtitle A of the Code or any similar provisions of applicable state law, and no provision of this Agreement shall be construed to sanction or approve such an election.

9.3 TAX MATTERS MEMBER. The Company shall select one of the Members as the "Tax Matters Member" of the Company pursuant to section 6231(a)(7) of the Code. The Tax Matters Member shall take such action as may be necessary to cause each Member to become a "notice partner" within the meaning of section 6223 of the Code and shall inform each Member of all significant matters that may come to its attention in its capacity as Tax Matters Member by giving notice thereof on or before the fifth Business Day after becoming aware thereof and, within that time, shall forward to each other Member copies of all significant written communications it may receive in that capacity. The Tax Matters Member may not take any action contemplated by sections 6222 through 6232 of the Code without the consent of a Majority Interest, but this sentence does not authorize the Tax Matters Member to take any action left to the determination of an individual Member under sections 6222 through 6232 of the Code. The initial Tax Matters Member shall be the Member so indicated on Exhibit A.

ARTICLE X.
BOOKS, RECORDS, REPORTS, AND BANK ACCOUNTS

10.1 MAINTENANCE OF BOOKS. The Company shall keep books and records of accounts and shall keep minutes of the proceedings of its Members. The books of account for the Company shall be maintained on an accrual basis in accordance with the terms of this Agreement and GAAP, except that the Capital Accounts of the

Members shall be maintained in accordance with Section 4.5. The accounting year of the Company shall be determined by the Company. The initial custodian of the company records shall be the Tax Matters Members.

10.2 FINANCIAL STATEMENTS. On or before the last day of each calendar month during the existence of the Company, the Company shall cause each Member to be furnished with an income statement for the calendar month immediately preceding such calendar month. On or before the last day of each January, April, July and October during the existence of the Company, the Company shall cause each Member to be furnished with a balance sheet and a statement of cash flows for, or as of the end of, the fiscal quarter immediately preceding such calendar month. On or before the last day of each April during the existence of the Company, the Company shall cause each Member to be furnished with audited financial statements, including, a balance sheet, an income statement, a statement of cash flows, and a statement of changes in each Member's Capital Account for the immediately preceding calendar year. Annual financial statements must be prepared in accordance with GAAP. The Company also may cause to be prepared or delivered such other reports as it may deem, in its sole judgment, appropriate. The Company shall bear the costs of all such reports and financial statements.

10.3 TAX STATEMENTS. On or before the last day of July during the existence of the Company, the Company shall cause each Member to be furnished with all information reasonably necessary or appropriate to file their appropriate tax reports, including a schedule of Company book-tax differences for, or as of the end of, the immediately preceding tax year. In addition, to the extent reasonably possible, the Company will cause each Member to be provided with estimates of all such information on or before the first day of February each year.

10.4 ACCOUNTS. The officers or designated Members of the Company shall establish and maintain one or more separate bank and investment accounts and arrangements for Company funds in the Company's name with financial institutions and firms that officers or designated Members of the Company may determine. The Company may not commingle the Company's funds with the funds of any other Person. All such accounts shall be and remain the property of the Company and all funds shall be received, held and disbursed for the purposes specified in this Agreement. The officers or designated Members of the Company may invest the Company funds only in (i) readily marketable securities issued by the United States or any agency or instrumentality thereof and backed by the full faith and credit of the United States maturing within three months or less from the date of acquisition, (ii) readily marketable securities issued by any state or municipality within the United States of America or any political subdivision, agency or instrumentality thereof, maturing within three months or less from the date of acquisition and rated "A" or better by any recognized rating agency, (iii) readily marketable commercial paper rated "Prime 1" by Moody's or "A 1" by Standard and Poor's (or comparably rated by such organizations or any successors thereto if the rating system is changed or there are such successors) and maturing in not more than three months after the date of acquisition or (iv) certificates

of deposit or time deposits issued by any incorporated bank organized and doing business under the Laws of the United States of America which is rated at least "A" or "A2" by Standard and Poor's or Moody's, which is not in excess of federally insured amounts, and which matures within three months or less from the date of acquisition.

ARTICLE XI.
BANKRUPTCY OF A MEMBER

11.1 BANKRUPT MEMBERS. If any Member becomes a Bankrupt Member, the Company, by approval of at least a majority in interest of the Members excluding any Bankrupt Member or, if the Company does not exercise the relevant option, the non-Bankrupt Members which desire to participate, shall have the option, exercisable by notice from the Company or the Members, as the case may be, to the Bankrupt Member (or its representative) at any time prior to the 180th day after receipt of notice of the occurrence of the event causing it to become a Bankrupt Member, to buy, and, on the exercise of this option, the Bankrupt Member or its representative shall sell, its Membership Interest. The purchase price shall be an amount equal to the fair market value thereof determined by agreement by the Bankrupt Member (or its representative) and the potential purchaser; however, if those Persons do not agree on the fair market value on or before the 90th day following the date of receipt by such potential purchaser of notice of the occurrence of the event causing the Member to become a Bankrupt Member, either such Person, by written notice to the other, may require the determination of fair market value to be made by an independent appraiser specified in such notice. If the Person receiving that notice objects on or before the tenth day following receipt to the independent appraiser designated in that notice, and those Persons otherwise fail to agree on an independent appraiser, either such Person may petition the United States District Judge for the Southern District of Texas then senior in active service to designate an independent appraiser, whose determination of the independent appraiser, however designated, is final and binding on all parties. The Bankrupt Member and the potential purchaser each shall pay one-half of the costs of the appraisal and court costs in appointing an appraiser (if any). If the potential purchaser then elects, within ten days after the fair market value has been decided by agreement or by an independent appraiser, to exercise the purchase option, the purchasing Person shall pay the fair market value as so determined in cash on closing. The payment to be made to the Bankrupt Member or its representative pursuant to this Section 11.1 is in complete liquidation and satisfaction of all the rights and interest of the Bankrupt Member and its representative (and of all Persons claiming by, through, or under the Bankrupt Member and its representative) in and in respect of the Company, including, without limitation, any Membership Interest, any rights in specific Company property, and any rights against the Company and its officers, agents, and representatives and (insofar as the affairs of the Company are concerned) against the Members.

ARTICLE XII.
DISSOLUTION, LIQUIDATION, AND TERMINATION

12.1 DISSOLUTION. Subject to the provisions of Section 12.2 and any applicable Laws, the Company shall dissolve and its affairs shall be wound up on the first to occur of the following:

(a) the consent of all of the Membership Interests or as expressly provided in Section 3.17 and Section 3.18;

(b) the expiration of the period fixed for the duration of the Company as set forth in this Agreement;

(c) entry of a decree of judicial dissolution of the Company under section 18-802 of the Act in accordance with Section 16.8; and

(d) the bankruptcy or dissolution of a Member or other event described in section 18-801 of the Act (other than a Transfer of Membership Interest in accordance with the terms of this Agreement).

12.2 LIQUIDATION AND TERMINATION. Subject to Section 7.5 and Section 12.2(d), and except as expressly provided for to the contrary in Section 3.17 and Section 3.18, upon dissolution of the Company, a representative of the Company selected by a Majority Interest (not including any Member in Default at the time of dissolution) shall act as a liquidator or may appoint one or more Members as liquidator ("Liquidator"). The Liquidator shall proceed diligently to wind up the affairs of the Company and make final distributions as provided herein and in the Act. The costs of liquidation shall be borne as a Company expense. Until final distribution, the Liquidator shall continue to operate the Company properties for a reasonable period of time to allow for the sale of all or a part of the assets thereof with all of the power and authority of the Members. The steps to be accomplished by the Liquidator are as follows:

(a) as promptly as possible after dissolution and again after final liquidation, the Liquidator shall cause a proper accounting to be made of the Company's assets, liabilities, and operations through the last day of the calendar month in which the dissolution occurs or the final liquidation is completed, as applicable;

(b) the Liquidator shall cause any notices required by law to be mailed to each known creditor of and claimant against the Company in the manner described by such law;

(c) subject to the terms and conditions of this Agreement and the Act (especially section 18-803), the Liquidator shall distribute the assets of the Company in the following order:

(i) the Liquidator shall pay, satisfy or discharge from Company funds all of the debts, liabilities and obligations of the Company, including, without limitation, all expenses incurred in liquidation or otherwise make adequate provision for payment and discharge thereof (including, without limitation, the establishment of a cash escrow fund for contingent liabilities in such amount and for such term as the Liquidator may reasonably determine); provided, however, such payments shall not include any Capital Contributions described in Article IV or any other obligations in favor of the Members created by this Agreement other than a loan made pursuant to any provision other than Section 15.2; and

(ii) all remaining assets of the Company shall be distributed to the Members as follows:

(A) the Liquidator may sell any or all Company property, including to one or more of the Members (other than any Member in Default at the time of dissolution), provided (x) any such sale to a Member is made on an arms length basis under terms which are in the best interest of the Company and (y) to the extent that any Member has participated in an Expansion Option under Section 15.2(b), the Liquidator shall hire an independent consultant to attribute (on the basis of the then existing fair market value) the proceeds from the sale of the Company property between each respective Major Expansion Project, and all other assets of the Company (such value for each respective Major Expansion Project the "Expansion Liquidation Value") and the Liquidator shall repay any Members' Expansion Option loan pursuant to Section 15.2(e), but only to the extent that there is any Expansion Liquidation Value allocated to the corresponding Major Expansion Project;

(B) with respect to all Company property that has not been sold, the fair market value of that property (as determined by the Liquidator using any method of valuation as it, using its best judgment, deems reasonable) shall be determined and the Capital Accounts of the Members shall be adjusted to reflect the manner in which the unrealized income, gain, loss, and deduction inherent in property that has not been reflected in the Capital Accounts previously would be allocated among the Members if there were a taxable disposition of that property for the fair market value of that property on the date of distribution; and

(C) Company property shall be distributed among the Members ratably in proportion to each Member's Capital Account balances, as determined after taking into account all Capital

Account adjustments for the taxable year of the Company during which the liquidation of the Company occurs (other than those made by reason of this clause (C));

All distributions in kind to the Members shall be made subject to the liability of each distributee for costs, expenses, and liabilities theretofore incurred or for which the Company has committed prior to the date of termination and those costs, expenses, and liabilities shall be allocated to the distributee pursuant to this Section 12.2. The distribution of cash and/or property to a Member in accordance with the provisions of this Section 12.2 constitutes a complete return to the Member of its Capital Contributions and a complete distribution to the Member of its Membership Interest and all the Company's property.

(d) Upon dissolution of the Company upon an event occurring to a Member (the "Withdrawing Member") described in Section 12.1(d), then within 30 days after the Company delivers notice of such event to the Members, at least 50% of such other Members (by Membership Interest and excluding the Membership Interest of the Withdrawing Member) may elect to reconstitute the Company and continue its business on the same terms and conditions set forth in this Agreement by forming a new company on terms identical to those set forth in this Agreement and, as necessary, admitting an additional Member chosen by such other Members. Such non-Withdrawing Members shall be deemed to have voted for and consented to such reconstitution unless a written statement objecting to the reconstitution shall have been received by the Company within 30 days after notice of dissolution was made to such Member. Upon any such election to reconstitute by at least 50% of such other Members (by Membership Interest), all Members and their successors shall be bound thereby and shall be deemed to have approved thereof. Unless such an election to reconstitute is made within the applicable time period as set forth above, the Company shall conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(i) the reconstituted Company shall continue until the end of the term set forth in Section 2.6 unless earlier dissolved in accordance with this Article XII; and

(ii) the interest of the Withdrawing Member shall be treated thenceforth as the interest of a Transferee that has not been admitted as a Substitute Member hereunder.

12.3 PROVISION FOR CONTINGENT CLAIMS.

(a) The Liquidator shall make a reasonable provision to pay all claims and obligations, including all contingent, conditional or unmatured claims and obligations, actually known to the Company but for which the identity of the claimant is unknown; and

(b) If there are insufficient assets to both pay the creditors pursuant to Section 12.2(c)(i) and to establish the provision contemplated by Section 12.3(a), the claims shall be paid as provided for in accordance to their priority, and, among claims of equal priority, ratably to the extent of assets therefor.

12.4 DEFICIT CAPITAL ACCOUNTS. Notwithstanding anything to the contrary contained in this Agreement, and notwithstanding any custom or rule of law to the contrary, to the extent that the deficit, if any, in the Capital Account of any Member results from or is attributable to deductions and losses of the Company (including non-cash items such as depreciation), or distributions of money pursuant to this Agreement to all Members ratably in proportion to their respective Membership Interests, upon dissolution of the Company such deficit shall not be an asset of the Company and such Members shall not be obligated to contribute any amounts to the Company to bring the balance of such Member's capital account to zero.

ARTICLE XIII.
AMENDMENT OF THE AGREEMENT

13.1 AMENDMENTS TO BE ADOPTED BY THE COMPANY. Each Member agrees that the appropriate officer of the Company, in accordance with and subject to the limitations contained in Article VII, may execute, swear to, acknowledge, deliver, file and record whatever documents may be required to reflect:

(a) a change in the name of the Company, the location of the principal place of business of the Company or the registered agent or office of the Company;

(b) admission or substitution of Members effected in accordance with this Agreement;

(c) a change that the Members believe is reasonable and necessary or appropriate to qualify or continue the qualification of the Company as a limited liability company under the Laws of any state or that is necessary or advisable in the opinion of the Company to ensure that the Company will not be taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change that is necessary or appropriate for the Company to satisfy any requirements, conditions, guidelines or interpretations contained in any opinion, interpretative release, directive, order, ruling or regulation of any federal or state agency or judicial authority (including, without limitation, the Act);

(e) an amendment that is necessary, in the opinion of counsel, to prevent the Company or its officers from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, or "plan asset"

regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, whether or not substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor; and

(f) subject to the terms of Section 3.10, an amendment that the Company determines in its sole discretion to be necessary or appropriate in connection with the authorization for issuance of any Membership Interest pursuant to Section 3.10.

13.2 AMENDMENT PROCEDURES. Except as provided in Section 13.1, all amendments to this Agreement shall be made in accordance with the following requirements. Amendments to this Agreement may be proposed by any Member. Each such proposal shall contain the text of the proposed amendment. If an amendment is proposed, the Company shall seek the written approval of the holders of the requisite percentage of Membership Interests or call a meeting of the Members to consider and vote on such proposed amendment. A proposed amendment shall be effective upon its approval by the holders of all of the Membership Interests, unless a different percentage is expressly required under this Agreement. Any amendment that would materially and adversely affect the rights of any type or class of Membership Interests in relation to other types or classes of Membership Interests requires the approval of the holders of at least a majority of the Membership Interests of such class or type of Membership Interest. The Company shall notify all Record Holders upon final adoption of any proposed amendment.

ARTICLE XIV.
CERTIFICATED MEMBERSHIP INTERESTS

14.1 ENTITLEMENT TO CERTIFICATES. Every owner of a Membership Interest in the Company, unless and to the extent the Company elects otherwise, shall be entitled to have a certificate, in such form as is approved by the Company and conforms with applicable law, certifying the Membership Interest owned by it.

14.2 MULTIPLE CLASSES OF INTEREST. If the Company shall be authorized to issue more than one class of Membership Interest or more than one series of any Membership Interest, a statement of the powers, designations, preferences and relative, participating, optional or other special rights of each class of membership interest or series thereof and the qualification, limitations or restrictions of such preferences and/or rights shall, unless the Members shall by resolution provide that such class or series of Membership Interest shall be uncertificated, be set forth in full or summarized on the face or back of the certificate which the Company shall issue to represent such class or series of Membership Interest; provided that, to the extent allowed by law, in lieu of such statement, the face or back of such certificate may state that the Company will furnish a copy of such statement without charge to each requesting Member.

14.3 SIGNATURES. Each certificate representing a Membership Interest in the Company shall be signed by or in the name of the Company by (1) the President or any

Vice President of the Company and (2) the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Company. The signature of the officers of the Company may be facsimiles. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to hold such office before such certificate is issued, it may be issued by the Company with the same effect as if he held such office on the date of issue.

14.4 ISSUANCE AND PAYMENT. Subject to the provisions of the Act and this Agreement, including, without limitation, Section 3.10, Membership Interests may be issued for such consideration and to such persons as the Company may determine from time to time.

14.5 RESTRICTIVE LEGEND. In the absence of a more restrictive legend, all certificates which evidence Membership Interests shall be stamped or typed in a conspicuous place with the following legend:

> THE INTEREST REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE LIMITED LIABILITY AGREEMENT OF THE COMPANY DATED AS OF JANUARY 17, 1997, AS IT EXISTS FROM TIME TO TIME, WHICH RESTRICTS ANY SALE, ASSIGNMENT, TRANSFER, CONVEYANCE, ENCUMBRANCE, PLEDGE OR OTHER TRANSFER OR ALIENATION (WITH OR WITHOUT CONSIDERATION) OF SUCH INTEREST. THE COMPANY WILL FURNISH TO THE RECORD HOLDER OF THIS CERTIFICATE, WITHOUT CHARGE, UPON WRITTEN REQUEST TO THE COMPANY AT ITS PRINCIPAL PLACE OF BUSINESS, A COPY OF SUCH LIMITED LIABILITY AGREEMENT. THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE. WITHOUT SUCH REGISTRATION, SUCH SECURITIES MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, CONVEYED, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED, EXCEPT UPON DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED FOR SUCH TRANSFER.

Such legend shall also be placed on all Certificates which are hereafter issued to any Member.

14.6 LOST, STOLEN OR DESTROYED CERTIFICATES. The Company may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Company alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the Person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or

certificates, the Company may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Company a bond in such sum as it may direct as indemnity against any claim that may be made against the Company with respect to the certificate alleged to have been lost, stolen or destroyed.

14.7 TRANSFER OF MEMBERSHIP INTEREST. Upon surrender to the Company or its transfer agent, if any, of a certificate representing Membership Interests duly endorsed or accompanied by proper evidence of succession, assignation or authority to Transfer in accordance with this Agreement and of the payment of all taxes applicable to the Transfer of said Membership Interest, the Company shall be obligated to issue a new certificate to the Person entitled thereto, cancel the old certificate and record the transaction upon its books, provided, however, that the Company shall not be so obligated unless such Transfer was made in compliance with the provisions of this Agreement and any applicable state and federal Laws.

14.8 REGISTERED HOLDERS. The Company shall be entitled to recognize the exclusive right of a Person registered on its books as the owner of the indicated Membership Interest and shall not be bound to recognize any equitable or other claim to or interest in such Membership Interest on the part of any Person other than such registered owner, whether or not it shall have express or other notice thereof, except as otherwise provided by Law.

ARTICLE XV.
OTHER MEMBER AGREEMENTS AND OBLIGATIONS

15.1 LATERAL OPPORTUNITIES.

(a) Limitation on Lateral Opportunities. Except as otherwise provided in this Section 15.1(a), no constituent of the Shell Gas Pipeline Companies, Marathon Gas Pipeline Companies or Leviathan Gas Pipeline Companies, will, directly or indirectly, enter into any agreement to construct or otherwise consummate transactions involving construction of any Lateral in which such constituent would own an interest (a "Lateral Opportunity") until such Lateral Opportunity has been rejected or otherwise forfeited by Manta Ray or Nautilus, as applicable. Any constituent of the Shell Gas Pipeline Companies, Marathon Gas Pipeline Companies, or Leviathan Gas Pipeline Companies may enter into an agreement, which may be amended from time to time, with their respective Affiliates involving a Lateral Opportunity and, if applicable, the terms and conditions of such agreement or agreements will be offered to Nautilus or Manta Ray as applicable pursuant to the terms and conditions of Section 15.1(b). Notwithstanding the foregoing, any constituent of the Shell Gas Pipeline Companies, Marathon Gas Pipeline Companies or Leviathan Gas Pipeline Companies may without complying with the provisions

of this Section 15.1, construct a Lateral (i) designed solely for the purpose of gathering or transporting natural gas produced from a commercial property in which such constructing constituent of the Shell Gas Pipeline Companies, Marathon Gas Pipeline Companies or Leviathan Gas Pipeline Companies, as the case may be, or any Affiliate thereof, owns an interest; provided that (x) such interest in the natural gas to be gathered or transported by such Lateral was acquired by the relevant Person primarily for a purpose other than the avoidance of the provisions of this Section and (y) such exception shall not apply to any Lateral sized in such a manner that it would accommodate production from (a) any lease or commercial property in which Shell Holding, Marathon Holding or Leviathan Holding, or their Affiliate does not have an interest or (b) any lease owned by Shell Holding, Marathon Holding, or Leviathan Holding, or their Affiliate, which is not a commercial property; or (ii) in which any constituent of the Shell Gas Pipeline Companies, Marathon Gas Pipeline Companies, or Leviathan Gas Pipeline Companies would own an interest of less than 100% of the Lateral or of less than 100% of the entity owning the Lateral because an Affiliate does not own one hundred percent (100%) of the production.

(b) Delivery of Lateral Opportunity Notice. Any Member may propose that Manta Ray or Nautilus, as applicable, undertake a Lateral Opportunity by delivering written notice (a "Lateral Opportunity Notice") to Manta Ray or Nautilus, as applicable, and each of the Members. (A) A Lateral Opportunity Notice involving the connection solely of third party production shall include the proposed terms and conditions of such transactions, which terms shall, at minimum, (x) reflect an arms length transaction on reasonably fair terms, independent of any other transaction, and (y) be no less favorable to Nautilus or Manta Ray as applicable than the Lateral Opportunity offered to such Member. The Lateral Opportunity Notice shall also contain reasonably sufficient operational and financial information and other details to allow the Members to make a reasonably informed decision with respect to such Lateral Opportunity. Such Lateral Opportunity Notice shall (i) state whether such Lateral Opportunity is, directly or indirectly, related in any way to any past, current or contemplated transaction involving the Member delivering such notice (including its Affiliates), (ii) contain a statement, if true, that the Member is not aware of any undisclosed benefits expected to accrue to the Member or its Affiliates as a result of such Lateral Opportunity or, if the delivering Member is unable to make such statement, the notice shall disclose the existence, but not the details of such other benefits, and (iii) contain only financial projections prepared in good faith based upon assumptions relating to such Lateral Opportunity believed by the Member to be reasonable. (B) A Lateral Opportunity Notice involving the connection of any production of a Member or its Affiliates that must be offered to Nautilus or Manta Ray as applicable under the terms of Section 15.1(a) shall include the proposed terms and conditions of such transactions, which terms shall be no less favorable to the Company than the Lateral Opportunity offered to such Member. The Lateral Opportunity

Notice shall also contain reasonably sufficient operational and financial information and other details to allow the Members to make a reasonably informed decision with respect to such Lateral Opportunity.

(c) Rejected Lateral Opportunities. If Nautilus or Manta Ray, as applicable, do not vote to accept the Lateral Opportunity and deliver notice accordingly in writing within 30 days after Manta Ray or Nautilus, as applicable, receives the Lateral Opportunity Notice that Manta Ray or Nautilus, as applicable, should undertake such project on the terms and conditions set forth in the applicable Lateral Opportunity Notice, then the Member (and/or its Affiliates) who provided and voted in favor of the Lateral Opportunity Notice shall have the right to pursue such project (a "Rejected Lateral Opportunity") on the terms and conditions set forth in the applicable Lateral Opportunity Notice and own any assets related thereto. In such event, the Member who provided the Lateral Opportunity Notice (and/or its Affiliates) shall be free for a period of 120 days to enter into definitive agreements, if any, or otherwise consummate the transactions contemplated by the applicable Lateral Opportunity Notice on the same terms and conditions set forth in the applicable Lateral Opportunity Notice without further obligation to any Members or Manta Ray or Nautilus, as applicable; provided that following such 120 day period such Member or its Affiliates may not enter into definitive agreements, if any, or otherwise consummate the transactions with respect to a Rejected Lateral Opportunity without again offering the same to Manta Ray or Nautilus, as applicable, in accordance with this Article. No Member shall have any obligation or duty to Manta Ray or Nautilus, as applicable, or the other Members with respect to any Rejected Lateral Opportunity to the extent it is covered by definitive agreements entered into, or otherwise consummated, by such Member or its Affiliates after compliance with this Section 15.1 or with respect to any modification, renewal or extension of the terms of such definitive agreements with respect to any such Rejected Lateral Opportunity. Except as set forth in this Section, the construction, acquisition, operation, maintenance and ownership of each such Rejected Lateral Opportunity project shall not be governed or affected by this Agreement.

15.2 EXPANSIONS.

(a) Expansion Option. Any Member (the "Exercising Member") shall have the right to require the Company to cause Manta Ray or Nautilus, as applicable, to construct, own and operate a particular Major Expansion Project (the "Expansion Option") if (i) the Exercising Member or an Affiliate of the Exercising Member has delivered written notice (the "Capacity Request") to Manta Ray or Nautilus as applicable, requesting, pursuant to a Dedication Agreement, firm capacity on the Manta Ray System or the Nautilus System, whichever is applicable, to gather or transport gas (including gas which is not owned by the Exercising Member or its Affiliate) from one or more leases dedicated pursuant to the relevant Dedication Agreement (the "Expansion

Property") to the extent the expected volume (including increases in volume from existing properties of which some or all of the volumes could be Accelerated Volumes) of the production from which (the "Expansion Property Production") at the time of such notice is not being delivered into the Manta Ray System or the Nautilus System, whichever is applicable, (ii) the Accessible Capacity is not sufficient to practically handle substantially all of the Expansion Property Production, (iii) the relevant Major Expansion Project is necessary to increase the Base Capacity to a level adequate to allow Manta Ray or Nautilus, as applicable, to handle the Expansion Property Production, (iv) within 60 days from the latest date on which Manta Ray or Nautilus, as applicable, has the right to respond to the Capacity Request (the "Expansion Option Period"), each of the Company and Manta Ray or Nautilus, as applicable, have held a meeting and voted against the relevant Major Expansion Project, (v) the Exercising Member voted in favor of the relevant Major Expansion Project at such meeting, and (vi) the Expansion Option is exercised in accordance with the requirements of Section 15.2(b) below.

(b) Exercise. The Exercising Member shall exercise the Expansion Option by delivering, at any time after such Major Expansion Project has been rejected by each of the Company and Manta Ray or Nautilus, as applicable, but before the end of the Expansion Option Period, written notice of such exercise (the "Expansion Option Notice") to the Company and each Member. Such notice shall include an irrevocable commitment to timely fund the relevant Major Expansion Project and, if appropriate, assurances reasonably satisfactory to the Company that such Member has the ability to fund such Major Expansion Project; provided, however, that no such additional assurances will be required of Shell Holding, Marathon Holding or Leviathan Holding as long as their respective funding obligations are subject to a relevant parent-company guaranty that provides the same practical benefits to the Company as the guaranty entered into as of the date hereof. Whenever an Exercising Member delivers an Expansion Option Notice, every other Member which voted in favor of the relevant Major Expansion Project at the last meeting during which such project was voted on (together with the Exercising Member, the "Expansion Participants") shall have the right to participate, proportionately (based on the relationship of its Membership Interest to the Membership Interests of all of the Expansion Participants), in such project on the same basis as the Exercising Member, including the right to receive the Payout Amount out of 80% of the Expanded Capacity Revenues and the obligation to fund such project. Any Member which desires to exercise its right to participate in such project must deliver a notice substantially similar to that delivered by the original Exercising Member in accordance with the terms of this subsection, within 30 days after it receives the Expansion Option Notice. If any Expansion Participant pays any amount to the Company in excess of the amount needed to fund the Expansion Project, the Company shall immediately return such excess amount to the Expansion Participant.

(c) Repayment. Until the Expansion Participants have (i) received payment with respect to 80% of the Expanded Capacity Revenues in an amount equal to the Payout Amount or (ii) the Company, by a unanimous vote of all Members other than the Expansion Participants, has otherwise paid the unamortized portion of the Payout Amount to the Expansion Participants as described below, the Expansion Participants shall be paid monthly amounts equal to 80% of the Expanded Capacity Revenues. Such amounts shall be allocated among the Expansion Participants in proportion to the Membership Interests of each such Expansion Participant to the Membership Interests of all such Expansion Participants. The remaining 20% of the Expanded Capacity Revenues shall be retained by the Company and allocated to all of the Members based on their respective Membership Interests. After recovery of the Payout Amount or payment by the Company of the unamortized portion of the Payout Amount to the Expansion Participants as described below, all of the Expansion Capacity Revenues shall be retained by the Company and allocated to all of the Members based on their respective Membership Interests. If, at any time the Company, by a unanimous vote of all Members other than the Expansion Participants, elects to pay off the unamortized amount of the Payout Amount, the Company shall promptly pay an amount equal to the then-remaining unpaid principal amount of the Payout Amount to the Expansion Participants, which remaining unpaid principal amount shall be calculated by treating as principal payments 10/15 of all amounts received by the Expansion Participants prior to such time in satisfaction of the Payout Amount.

(d) Capacity. Prior to proceeding with any Major Expansion Project in accordance with this Section, all of the Members shall cooperate to establish (i) the Accessible Capacity, using the lesser of (x) the maximum approved operating pressure, (y) the then existing contractual operating pressure or (z) the maximum physical pressure at which the line can operate, in each case determined at the inlet of each relevant point of receipt and the pressure (averaged over the last three months) at the relevant points of delivery and (ii) an expansion design to handle the Expansion Property Production. If the Members cannot agree on any such matter, the Company shall engage an independent consultant (of national prominence with experience in the relevant geographical area) to resolve each such matter.

(e) Treatment as Loan. Any amount paid by one or more Members pursuant to Section 15.2(b) shall be considered to be a limited recourse, partially secured loan from the advancing Members to the Company, with such loan payable only from, and secured only by a security interest granted by the Company in, 80% of the Expanded Capacity Revenues until such loan is paid in full. Except for such security interest in 80% of the Expanded Capacity Revenues, such loan shall be without recourse against the Company. The Company shall have no obligation to repay such loan other than to the extent that 80% of the Expanded Capacity Revenues are available.

15.3 CERTAIN PROPERTIES. Notwithstanding anything contained in this Agreement to the contrary, Leviathan Holding and any of its Affiliates shall have the right, at their sole cost, expense and risk, to construct pipeline laterals or extensions or related facilities to connect the Manta Ray System to gas produced from Blocks 871, 914, 915, 916, 958, 959, 1002 and 1003 in the Ewing Bank Area, Gulf of Mexico pursuant to any agreement existing on the Formation Date. Such right shall be absolute and unconditional and shall be free and clear of any obligation to offer the Company or any Member the right to participate therein.

ARTICLE XVI.
GENERAL PROVISIONS

16.1 OFFSET. Whenever the Company is to pay any sum to any Member, any amounts that a Member owes the Company may be deducted from that sum before payment.

16.2 ENTIRE AGREEMENT; SUPERSEDURE. This Agreement constitutes the entire agreement and supersedes (i) all prior oral or written proposals or agreements (ii) all contemporaneous oral proposals or agreements and (iii) all previous negotiations and all other communications or understandings between the Parties with respect to the subject matter hereof, including, without limitation, that certain Letter of Intent dated June 24, 1996 between Leviathan Gas Pipeline Partners, L.P., Shell Offshore Inc., and Marathon Oil Company, among others, and the related Letter of Intent dated September 10, 1996, but excluding any confidentiality agreement between or among any Members or their Affiliates and the letter agreement referred to in Section 3.17(a)(iii).

16.3 WAIVERS. Neither action taken (including, without limitation, any investigation by or on behalf of any Party) nor inaction pursuant to this Agreement, shall be deemed to constitute a waiver of compliance with any representation, warranty, covenant or agreement contained herein by the Party not committing such action or inaction. A waiver by any Party of a particular right, including, without limitation, breach of any provision of this Agreement, shall not operate or be construed as a subsequent waiver of that same right or a waiver of any other right.

16.4 BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the Members and their respective heirs, legal representatives, successors and assigns.

16.5 MEMBER DEADLOCKS; NEGOTIATIONS AND MEDIATION.

(a) Member Deadlocks. Except for any matter or proposal covered by the immediately succeeding sentence, Member approval or disapproval of any matter shall not be subject to the provisions of this Section 16.5. If any matter or proposal covered by Sections 6.3(b)(i)-(iv) or relating to an operating budget described in Section 6.3(b)(v), requiring the vote of less than all of the Membership Interest for approval thereof is brought before the Members and

receives neither (x) at least the Required Interest voting for such matter or proposal nor (y) at least the Required Interest voting against (not including abstentions or other non-votes) such matter or proposal, then any Member, by written notice to the other Members given within three Business Days after the initial vote on such matter or proposal, may call a meeting of the Members to reconsider such matter or proposal, such meeting to be held when, where and as reasonably specified in said notice, but not less than three Business Days nor more than seven Business Days after the date of such vote. If such meeting is called and held as herein provided and the matter or proposal is offered at such meeting again and (x) does not receive at least the Required Interest voting for such matter or proposal or (y) does not receive at least the Required Interest voting against (not including abstentions or other non-votes) such matter or proposal, then any Member may within three Business Days thereafter submit the matter to further negotiation, and, if applicable, non-binding mediation, in accordance with this Section. If no Member calls such a meeting within the first three Business Day period herein provided for or if further negotiation is not requested within the three Business Day period after the second meeting, no Member shall thereafter have any right to request further negotiation or non-binding mediation regarding such matter or proposal.

(b) Further Negotiation. Any Member wishing to submit a matter or proposal to further negotiation as permitted above or pursuant to Section 16.8 shall do so by giving written notice of further negotiation to the other Members containing a brief description of the nature of the dispute to be further negotiated and the position of the Member initiating further negotiation. Upon receipt of such notice, each Member shall appoint a representative for such further negotiations, which representative shall hold a position with the Person owning such Member of equal or superior status to the prior representative of such Member with respect to the proposal in question. The respective representatives shall meet at the principal office of the Company at 10:00 a.m. local time on the third Business Day after the date of receiving the notice of further negotiations.

(c) Non-Binding Mediation. If within ten Business Days following initial receipt by the Members of the notice of further negotiations neither (x) at least the Required Interest votes for such matter or proposal nor (y) at least the Required Interest votes against (not including abstentions or other non-votes) such matter or proposal, then any Member may subject the matter or proposal to non-binding mediation by giving written notice of mediation to the other Members within five Business Days thereafter. The notice of mediation shall state the identity of the single mediator selected by the Member initiating mediation and contain a detailed statement of the nature of the dispute to be mediated and the remedy or resolution sought by the Member initiating mediation. Neither the Members nor the mediator will have the right to conduct any further discovery relating to such mediation. The Member or Members initiating mediation shall pay the fees of the mediator; provided, however, that

if the vote of the Members changes as a result of such mediation, then the Company shall pay all such fees and each of the Members' costs related to such mediation. Unless otherwise agreed by all of the Members, the mediation proceedings shall be held in Houston, Texas at such location selected by the mediator and shall begin as soon as practicable, but not less than five Business Days following the mailing of the initiating Member's notice of mediation. If within five Business Days following initiation of mediation proceedings neither (x) at least the Required Interest votes for such matter or proposal nor (y) at least the Required Interest votes against (not including abstentions or other non-votes) such matter or proposal, then such mediation shall terminate and such matter or proposal will no longer be subject to further negotiation or mediation. Except with respect to the matters expressly specified in Section 16.5(a) and Section 16.8, no Member shall have the right to demand mediation with respect to any dispute, difference or question arising between any of the Members themselves or any Member and the Company.

16.6 GOVERNING LAW; SEVERABILITY.

(a) THIS AGREEMENT HAS BEEN EXECUTED AND DELIVERED AND SHALL BE CONSTRUED, INTERPRETED AND GOVERNED PURSUANT TO AND IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO ANY CONFLICT OF LAWS PRINCIPLES WHICH, IF APPLIED, MIGHT PERMIT OR REQUIRE THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

(b) In the event of a direct conflict between the provisions of this Agreement and any mandatory provision of the Act or applicable Laws, the applicable provision of the Act or other applicable Laws, as the case may be, shall control. If any provision of this Agreement, or the application thereof to any Person or circumstance, is held invalid or unenforceable to any extent, the remainder of this Agreement and the application of that provision to other Persons or circumstances shall not be affected thereby and that provision shall be enforced to the greatest extent permitted by the Act or other applicable Laws, as the case may be.

16.7 FURTHER ASSURANCES. Subject to the terms and conditions set forth in this Agreement, each of the Parties agrees to use all reasonable efforts to take, or to cause to be taken, all actions, and to do, or to cause to be done, all things necessary, proper or advisable under applicable Laws and regulations to consummate and make effective the transactions contemplated by this Agreement. In case, at any time after the execution of this Agreement, any further action is necessary or desirable to carry out its purposes, the proper officers or directors of the Parties shall take or cause to be taken all such necessary action.

16.8 EXERCISE OF CERTAIN RIGHTS. No Member may maintain any action for partition of the property of the Company. No Member may maintain any action for dissolution and liquidation of the Company unless such Member has submitted the dispute giving rise to such possible action to further negotiation and non-binding mediation, which further negotiation and mediation shall be conducted in accordance with the time periods and procedures set forth in Section 16.5(b) and (c), to the extent applicable. If such dispute is still unresolved after the conclusion of such further negotiation and non-binding mediation, such Member shall offer to sell its Membership Interest (free and clear of all liens and encumbrances) to the other Members for an amount of cash equal to the fair market value of the selling Member's Membership Interest, determined by multiplying such selling Member's Membership Interest by the fair market value of the Company, as a whole, without regard to any discounts or premiums related to minority interest, controlling interest, liquidity or related matters. If such Members do not agree on the fair market value thereof, such value shall be determined by an arbitrator in accordance with the arbitration procedures set forth in Section 3.6(e). If the non-selling Members do not exercise the option to purchase such Membership Interest within 60 days after the fair market value is determined, then the selling Member shall have the right for a period of 30 days after such 60-day period to initiate an action for such dissolution and liquidation pursuant to section 18-802 of the Act or any similar applicable statutory or common law dissolution right. If no Member has brought such action for dissolution within such 30 day period, then any Member may maintain an action for dissolution and liquidation only after again following the procedures set forth in this Section. Upon the institution of, and during the pendency of, any such dissolution proceeding, the Members agree to use commercially reasonable efforts to employ procedures and experts to ensure that such dissolution process will result in the Company and/or its assets being disposed of at fair market value; provided that such cooperative efforts shall not constitute a waiver or limitation of any such Member's right to contest such dissolution. Such procedures shall include soliciting likely potential purchasers, establishing a data room and other information sharing procedures and, if appropriate, engaging an investment banker, consultant or other expert to facilitate and enhance the marketing efforts. The terms and conditions of this Section 16.8 are intended to preserve any right to dissolution created by statute or common law (such as by section 18-802 of the Act), but do not create any contractual right to dissolution.

16.9 NOTICE TO MEMBERS OF PROVISIONS OF THIS AGREEMENT. By executing this Agreement, each Member acknowledges that it has actual notice of all of the provisions of this Agreement. Each Member hereby agrees that this Agreement constitutes adequate notice of all such provisions.

16.10 COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which, when executed, shall be deemed an original, and all of which shall constitute but one and the same instrument.

16.11 ATTENDANCE VIA COMMUNICATIONS EQUIPMENT. Unless otherwise restricted by law or this Agreement, the Members or committees may hold meetings by

means of telephone conference or other communications equipment by means of which all Persons participating in the meeting can effectively communicate with each other. Such participation in a meeting shall constitute presence in person at the meeting, except where a Person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

16.12 REPORTS TO MEMBERS. The officers of the Company shall present at each annual meeting of Members, and at any special meeting of Members, a statement of the business and condition of the Company.

16.13 CHECKS, NOTES AND CONTRACTS. Checks and other orders for the payment of money shall be signed by such Person or Persons as the Company shall from time to time by resolution determine. Contracts and other instruments or documents may be signed in the name of the Company by any Person or Persons as the Company shall from time to time by resolution determine, authorized to sign such contract, instrument or document by the Company, and such authority may be general or confined to specific instances. Checks and other orders for the payment of money made payable to the Company may be endorsed for deposit to the credit of the Company, with a depositary authorized by resolution of the Company, by the Chief Financial Officer or Treasurer or such other Persons as the Company may from time to time by resolution determine.

16.14 SEAL. The seal of the Company shall be in such form as shall from time to time be adopted by the Company. The seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise reproduced.

16.15 BOOKS AND RECORDS. The officers of the Company shall keep correct and complete books and records of account, including the names and addresses of all Members and the number and class of the interest held by each, and minutes of the proceedings of the Members at its registered office or principal place of business, or at the office of its transfer agent or registrar.

16.16 SURETY BONDS. Such officers and agents of the Company (if any) as the Company may direct, from time to time, shall be bonded for the faithful performance of their duties and for the restoration to the Company, in case of their death, resignation, retirement, disqualification or removal from office, of all books, papers, vouchers, money and other property of whatever kind in their possession or under their control belonging to the Company, in such amounts and by such surety companies as the Company may determine. The premiums on such bonds shall be paid by the Company and the bonds so furnished shall be in the custody of the Secretary.

16.17 AUDIT RIGHTS OF MEMBERS.

(a) Each Member shall have the right to inspect and audit the books and records of the Company to the extent necessary to determine the accuracy of

the financial statements delivered to the Members pursuant to Section 10.2 of this Agreement. Such audits shall be conducted at the cost of the Member(s) requesting same. The audit rights with respect to any calendar year or any portion of such year shall terminate on and as of the last day of the second calendar year immediately following the year in question. A Member may exercise its audit rights hereunder by giving at least 30 days written notice to the Company of the desire to perform such audit, which notice shall include the estimated timing and other particulars related to such audit. The audit shall be conducted during normal business hours of the Company. The audit shall not unreasonably interfere with the operation of the Company. If any financial statement is not challenged within 3 years, then it shall be presumed to be accurate.

(b) Any Member shall have the right to cause the Company or a Subsidiary of the Company to exercise its inspection and audit rights, if any, under any Construction Agreement or Operating Agreement. The costs related thereto shall be paid by the Member(s) requesting same.

16.18 NO THIRD PARTY BENEFICIARIES. Except to the extent a third party is expressly given rights herein, any agreement herein contained, expressed or implied, shall be only for the benefit of the Parties and their respective legal representatives, successors, and assigns, and such agreements shall not inure to the benefit of any other Person whomsoever, it being the intention of the parties hereto that no Person shall be deemed a third party beneficiary of this Agreement except to the extent a third party is expressly given rights herein.

16.19 NOTICES. Except as otherwise expressly provided in this Agreement to the contrary (including in the definition of the term Default), any notice required or permitted to be given under this Agreement shall be in writing (including telex, facsimile, telecopier or similar writing) and sent to the address of the Party set forth below, or to such other more recent address of which the sending Party actually has received written notice:

(a) if to the Company, to:

Neptune Pipeline Company, L.L.C.
Attn: Mr. Doug Krenz
200 N. Dairy Ashford, Suite 3100
Houston, Texas 77079
Telephone(281) 544-2224
Telecopy(281) 544-2201

(b) if to the Members, to each of the Members listed on Exhibit A at the address set forth therein.

Each such notice, demand or other communication shall be effective, if given by registered or certified mail, return receipt requested, as of the third day after the date indicated on the mailing certificate, or if given by any other means, when delivered at the address specified in this Section.

16.20 REMEDIES. Except as expressly provided herein, the rights, obligations and remedies created by this Agreement are cumulative and in addition to any other rights, obligations or remedies otherwise available at law or in equity. Other than the obligation to arbitrate pursuant to Section 16.21, in lieu of seeking judicial remedies, nothing herein shall be considered an election of remedies. In addition, any successful Party is entitled to costs related to enforcing this Agreement, including, without limitation, attorneys' fees, and arbitration expenses. NOTWITHSTANDING ANYTHING TO THE CONTRARY, THE PARTIES WAIVE ANY AND ALL RIGHTS, CLAIMS OR CAUSES OF ACTION ARISING UNDER THIS AGREEMENT FOR INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES. A PARTY MAY RECOVER FROM THE OTHER PARTY ALL COSTS, EXPENSES OR DAMAGES INCLUDING, WITHOUT LIMITATION, INDIRECT, SPECIAL, CONSEQUENTIAL, INCIDENTAL, EXEMPLARY, PUNITIVE AND DAMAGES PAID OR OWED TO ANY THIRD PARTY FOR WHICH SUCH PARTY HAS A RIGHT TO RECOVER FROM THE OTHER PARTY.

16.21 DISPUTES.

(a) Applicability. Any controversy or claim, whether based on contract, tort, statute or other legal or equitable theory (including but not limited to any claim of fraud, misrepresentation or fraudulent inducement or any question of validity or effect of this Agreement including this clause) arising out of or related to this Agreement (including any amendments or extensions), or the breach or termination thereof shall be settled by arbitration in accordance with the then current CPR Institute Rules for Non-Administered Arbitration of Business Disputes, and this provision. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. Sections 1-16 to the exclusion of any provision of Law inconsistent therewith or which would produce a different result, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction. Notwithstanding the foregoing, this Section shall not apply to (x) any matters that, pursuant to the provisions of this Agreement, are to be resolved by a vote of the Members or (y) any of the rights of non-defaulting Members set forth in Section 4.3. Any dispute to which this Section applies is referred to herein as a "Dispute." With respect to a particular Dispute, each Person that is a party to such Dispute is referred to herein as a "Disputing Party." The provisions of this Section shall be the exclusive method of resolving Disputes.

(b) Negotiation to Resolve Disputes. If a Dispute arises, the Disputing Parties shall attempt to resolve such Dispute through the following procedure:

(i) first, each of the Disputing Parties shall promptly meet (whether by phone or in person) in a good faith attempt to resolve the Dispute.

(ii) second, if the Dispute is still unresolved after ten Business Days following the commencement of the negotiations described in Section 16.21(b)(i), then the chief executive officer (or his designee) of the direct parent of each Disputing Party shall meet (whether by phone or in person) in a good faith attempt to resolve the Dispute; and

(iii) third, if the Dispute is still unresolved after ten Business Days following the commencement of the negotiations described in Section 16.21(b)(ii), then any Disputing Party may submit such Dispute to binding arbitration under this Section by written notice to the other Disputing Parties (an "Arbitration Notice") delivered within thirty Business Days thereafter.

(iv) At the same time that the Disputing Member sends an Arbitration Notice to the other Disputing Members, it shall also send an Arbitration Notice to the regional office of the CPR Institute covering Houston, Texas. The Arbitration Notice shall contain a brief description of the nature of the dispute and the name of an Arbitrator proposed by the Disputing Member.

(c) Selection of Arbitrator.

(i) Any arbitration conducted under this Section shall be heard by a sole arbitrator (the "Arbitrator") qualified by his or her education, experience and training to resolve the disputed matters and shall be selected in accordance with this Section. Each Disputing Party and each proposed Arbitrator shall disclose to the other Disputing Parties any business, personal or other relationship or affiliation that may exist between such Disputing Party and such proposed Arbitrator within ten Business Days following delivery of the Arbitration Notice.

(ii) The Disputing Party that submits a Dispute to arbitration shall designate a proposed Arbitrator in its Arbitration Notice. If any other Disputing Party objects for any reason to such proposed Arbitrator, it may, on or before the tenth Business Day following delivery of the Arbitration Notice, notify all of the other Disputing Parties of such objection. All of the Disputing Parties shall attempt to agree upon a mutually acceptable Arbitrator. If they are unable to do so within seven

Business Days following delivery of the notice described in the immediately-preceding sentence, any Disputing Party may request the regional office of the CPR Institute covering Houston, Texas to designate the Arbitrator who shall be qualified by his or her education, experience and training to resolve the disputed matters. Failing designation by the regional office of the CPR Institute covering Houston, Texas, any Disputing Party may in writing request the judge of the United States District Court for the Southern District of Texas senior in term of service to appoint an Arbitrator qualified by his or her education, experience and training to resolve the disputed matters. If the Arbitrator so chosen shall die, resign or otherwise fail or becomes unable to serve as Arbitrator, a replacement Arbitrator shall be chosen in accordance with this Section.

(d) Conduct of Arbitration.

(i) Any arbitration hearing shall be held in Houston, Texas. The Arbitrator shall fix a reasonable time and place for the hearing and shall determine the matters submitted to it pursuant to the provisions of this Agreement in a timely manner; provided, however, if the Arbitrator shall fail to hold the hearing to determine the issue in dispute within sixty (60) days after the selection of the Arbitrator, then any Disputing Member shall have the right to require a new Arbitrator be selected under this Section.

(ii) Except as expressly provided to the contrary in this Agreement, the Arbitrator shall have the power (i) to gather such materials, information, testimony and evidence as it deems relevant to the dispute before it (and each member will provide such materials, information, testimony and evidence requested by the Arbitrator, except to the extent any information so requested is, subject to an attorney-client or other privilege); (ii) to grant injunctive relief and enforce specific performance; and (iii) to issue or cause to be issued subpoenas (including subpoenas directed to third-parties) for the attendance of witnesses and for the production of books, records, documents and other evidence. Subpoenas so issued shall be served, and upon application to the Court by a party or the Arbitrator, enforced, in the manner provided by law for the service and enforcement of subpoenas in a civil action; and (iv) to administer oaths.

(iii) In advance of the arbitration hearing, the Disputing Members may conduct discovery in accordance with the Texas Rules of Civil Procedure. Such discovery may include, but is not limited to, 1) the taking of oral and videotaped depositions and depositions on written questions; 2) serving interrogatories, document requests and requests for admission; and 3) any other form and/or method of discovery provided

for under the Texas Rules of Civil Procedure. The Arbitrator shall order the parties to promptly exchange copies of all exhibits and witness lists, and, if requested by a party, to produce other relevant documents, to answer up to ten interrogatories (including subparts), to respond to up to ten requests for admissions (which shall be deemed admitted if not denied) and to produce for deposition and, if requested, at the hearing all witnesses that such party has listed and up to four other persons within such party's control. Any additional discovery shall only occur by agreement of the parties or as ordered by the Arbitrator upon a finding of good cause. Any objections and/or responses to such discovery shall be due on or before fifteen (15) days after service. The Disputing Members shall attempt in good faith to resolve any discovery disputes that may arise. If the Disputing Members are unable to resolve any such disputes, the Disputing Members may present their objections to the Arbitrator who shall resolve the objections in accordance with the Texas Rules of Civil Procedure. The Arbitrator may, if requested by a party, order that a trade secret or other confidential research, development or commercial information not be revealed or be revealed only in a designated way.

(iv) The Disputing Members may also retain, with the consent of the arbitrator, one or more experts to assist the Arbitrator in resolving the Dispute. The Disputing Members shall identify and produce a report from any experts who will give testimony and/or evidence at the arbitration hearing. Any testifying experts identified shall be made available for deposition in advance of any arbitration hearing.

(v) The Arbitrator shall render its decision in writing within fifteen (15) days of the conclusion of the hearing. The arbitrator shall have jurisdiction and authority to interpret and apply the provisions of this Agreement only insofar as shall be necessary in the determination of the dispute before it, but it shall not have jurisdiction or authority to add to or alter in any way the provisions of this Agreement. The Arbitrator's decision shall govern and shall be final, nonappealable (except to the extent provided in the Federal Arbitration Act) and binding on the Disputing Members hereto and its written decision may be entered in any court having appropriate jurisdiction. Pending resolution of any dispute hereunder, performance by Disputing Members shall continue so as to maintain the status quo prior to notice of such dispute and service of notice of arbitration by any Disputing Member shall not divest a court of competent jurisdiction of the right and power to grant a decree compelling specific performance or injunctive relief in an action brought by the Disputing Members. THE ARBITRATOR AND ANY COURT ENFORCING THE AWARD OF THE ARBITRATOR SHALL NOT HAVE THE RIGHT OR AUTHORITY TO AWARD CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE OR EXEMPLARY DAMAGES TO THE COMPANY

OR ANY DISPUTING MEMBERS. PROVIDED, HOWEVER, THAT THE ARBITRATOR MAY AWARD ALL COSTS, EXPENSES OR DAMAGES INCLUDING, WITHOUT LIMITATION, INDIRECT, SPECIAL, CONSEQUENTIAL, INCIDENTAL, EXEMPLARY, PUNITIVE AND OTHER DAMAGES PAID OR OWED TO ANY THIRD PARTY FOR WHICH A PARTY HAS A RIGHT TO RECOVER FROM THE OTHER PARTY.

(vi) The responsibility for paying the costs and expenses of the arbitration, including compensation to the Arbitrator, shall be allocated among the Disputing Members in a manner determined by the Arbitrator to be fair and reasonable under the circumstances. Each Disputing Member shall be responsible for the fees and expenses of its respective counsel, consultants and witnesses, unless the Arbitrator determines that compelling reasons exist for allocating all or a portion of such costs and expenses to one or more other Disputing Members.

16.22 NO SHOP. Prior to the date on which the Members vote to accept or reject the Construction Certificate as contemplated by Section 3.17, no Member (including its Affiliates) shall directly or indirectly solicit, initiate or encourage submission of or participate in negotiations or take any action with respect to, proposals or offers (including any from any third party) to participate jointly in constructing, operating or owning pipelines or related facilities of the type described herein (or any similar facilities) to gather or transport gas from the Dedicated Leases which was not committed pursuant to a written gathering or transportation agreement executed prior to December 1, 1995, or engage in any other transaction contemplated by this Agreement. Each Member hereto agrees to advise the other Members in writing with respect to any solicitation, indications of interest or other inquiries (of the type described in the immediately preceding sentence) initiated by any party hereto or any third party pertaining to the subject matter of this Agreement. Notwithstanding anything to the contrary contained in this paragraph, it shall not be a violation of the exclusivity provisions of this Agreement if (i) due to the size of its respective operations, a representative of a Member or its Affiliates , which representative is not aware of this Agreement, inadvertently violates the exclusivity provisions of this Agreement and (ii) such violation is ceased and notice thereof delivered to the other Members promptly upon discovery of same by such Member, nor shall it be a violation to engage in such undertakings solely as they pertain to gas excepted from the dedication provisions of the Dedication Agreements.

16.23 MEMBER TRADEMARKS. Neither the Company nor any Member shall be permitted to use any trademark owned by any other Member or its Affiliates , including, without limitation, the Shell "Pecten" trademark, without the express written consent of such Member or its Affiliate or as otherwise required by Law.

16.24 HOLDING-OUT. Except as required by Law, the Company shall not publicly indicate that it is affiliated with Shell Oil Company or any of its Affiliates , without the express written consent of Shell Holding or an Affiliate thereof.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Members have executed this Agreement as of the date first set forth in this Agreement.

MEMBERS:

SAILFISH PIPELINE COMPANY, L.L.C.

By: /s/ JAMES H. LYTAL
Printed Name: James H. Lytal
Title: President

MARATHON GAS TRANSMISSION INC.

By: /s/ R. G. BECKER
Printed Name: R. G. Becker
Title: President

SHELL SEAHORSE COMPANY

By: /s/ D.V. KRENZ
Printed Name: D.V. Krenz
Title: President

EXHIBITS:

Exhibit A: Ownership Information

Exhibit B: Description of Initial Facilities

Exhibit C: Insurance

EXHIBIT A
OWNERSHIP INFORMATION

	NAME AND INITIAL CAPITAL CONTRIBUTION OF EACH MEMBER	INITIAL CAPITAL CONTRIBUTIONS	MEMBERSHIP INTEREST
1)	Leviathan Holding: Sailfish Pipeline Company, L.L.C. Attention: Grant E. Sims 7200 Texas Commerce Tower 600 Travis Houston, Texas 77002 Telephone: 713/224-7400 Facsimile: 713/547-5151	(1)	25.67%
2)	Shell Holding: (4) Shell Seahorse Company Attention: Mr. Doug Krenz, President 200 North Dairy Ashford, Suite 3100 Houston, Texas 77079 Telephone: (281) 544-2224 Facsimile: (281) 544-2201	(2)	50.00%
3)	Marathon Holding: Marathon Gas Transmission Inc. Attention: Mr. William H. Hastings 5555 San Felipe P.O. Box 3128 Houston, Texas 77253-3128 Telephone: (713) 296-3716 Facsimile: (713) 296-4480	(3)	24.33%

(1) Leviathan Holding shall make or cause to be made Initial Capital Contributions equal to:

(a) Contribution of those Manta Ray System assets as provided in the Contribution Agreements between the Company and each of Leviathan Holding and Poseidon Pipeline Company, L.L.C., each of even date herewith and at an aggregate Asset Value on the date hereof and on the Reconciliation Date of $50,300,000.

(b) Contribution of a compression package as described in Section 4.1(d) of this Agreement.

(c) Contribution of amounts equal to the cash paid by Leviathan Holding on behalf of the Company for certain costs and expenses related to the formation of the Company and incurred by Leviathan Holding prior to the date hereof at an Asset Value of $380,000.

(d) Contributions of cash, if required, as described in Section 4.1(e) of this Agreement.

(e) Contributions, if required, of cash as described in Section 4.1(f) of this Agreement.

(2) Shell Holding shall make or cause to be made Initial Capital Contributions equal to:

(a) Contribution of the Boxer Line and other assets as provided in the Contribution Agreement between the Company and Shell Holding of even date herewith and at an aggregate Asset Value for the Boxer Line on the date hereof and on the Reconciliation Date of $4,100,000; and with respect to the other assets, an amount equal to the amounts expended as of the Formation Date, and which amounts are currently estimated to be $0.00.

(b) Contribution of amounts equal to the cash paid by Shell Holding on behalf of the Company for certain costs and expenses related to the formation of the Company and incurred by Shell Holding prior to the date hereof at an Asset Value of $70,000.

(c) Contribution of cash pursuant to Section 4.1(c) that are not already covered under any other provisions of Section 4.1.

(d) Contributions of cash, if required, as described in Section 4.1(e) of this Agreement.

(e) Contributions of cash, if required, as described in Section 4.1(f) of this Agreement:

(3) Marathon Holding shall make or cause to be made Initial Capital Contributions equal to:

(a) Contribution of certain assets pursuant to the Contribution Agreement between the Company and Marathon Holding of even date herewith and at an Asset Value which amounts are currently estimated to be $0.00.

(b) Contribution of amounts equal to the cash paid by Marathon Holding and its Affiliates on behalf of the Company for certain costs and expenses related to the formation of the Company and incurred by Marathon Holding and its Affiliates prior to the date hereof at an Asset Value of $510,000.

(c) Contribution of cash pursuant to Section 4.1(c) that are not already covered under any other provisions of Section 4.1.

(d) Contributions of cash, if required, as described in Section 4.1(e) of this Agreement.

(e) Contributions, of cash if required, as described in Section 4.1(f) of this Agreement:

(4) Initial Tax Matters Member.

EXHIBIT B
CERTAIN MANTA RAY AND NAUTILUS FACILITIES

I. Manta Ray Initial Facilities

A. Manta Ray Phase I Facilities

1. Pipeline Segments

a. Approximately 51 miles of 16" pipeline from Green Canyon Block 29 to Ship Shoal Block 207.

b. Approximately 32 miles of 14" pipeline from South Timbalier Block 301 to Ship Shoal Block 207.

c. Approximately 1 mile of 10" pipeline within Ship Shoal Block 240.

d. Approximately 3 miles of 12" pipeline from Ship Shoal Block 259 to Ship Shoal Block 261.

e. Approximately 6 miles of 16" pipeline from Ship Shoal Block 207 to Ship Shoal Block 181, to be contributed to the Company by Poseidon Pipeline Company, L.L.C.

f. Approximately 6 miles of 12" pipeline from South Timbalier Block 277 to South Timbalier Block 292.

g. Approximately 4 miles of 12" pipeline from South Timbalier Block 292 to South Timbalier Block 280.

h. Approximately 18 miles of 24" pipeline from South Timbalier Block 292 to South Timbalier Block 300.

i. Approximately 7 miles of 14" pipeline from Ship Shoal Block 332 to South Timbalier Block 301.

j. Approximately 7 miles of 16" pipeline from Ship Shoal Block 332 to South Timbalier Block 301.

k. Approximately 17 miles of 16" pipeline from Green Canyon Block 19 to Ship Shoal Block 332.

l. Approximately 9 miles of 16" pipeline from Ship Shoal Block 349 to Ewing Bank Block 990.

2. Pipeline Related Facilities shall include :

a. GREEN CANYON 19A

(1) 24" x 0.688" Riser with a 24" - 900# SDV

(2) 20" x 16" Pig Launcher

(3) Corrosion Inhibitor Injection Skid with Sidewinder pump

(4) Dual 6" Orifice Meter Skid Design 1,720 psig @ 130(Degree) F

(5) Standard Gas Metering Station EFM Equipment

b. GREEN CANYON 18A

(1) Standard Gas Metering Station EFM Equipment

c. GREEN CANYON 65A

(1) Standard Gas Metering Station EFM Equipment

d. EWING BANK 947A

(1) Standard Gas Metering Station EFM Equipment

e. SHIP SHOAL 349A

(1) 16" x 0.688" Riser with a 16" - 900# SDV

(2) 18" x 16" Pig Launcher

(3) Corrosion Inhibitor Injection Skid with Sidewinder pump

(4) Dual 10" Orifice Meter Skid
Design 1,550 psig @ 250(Degree) F

(5) Standard Gas Metering System EFM Equipment

f. SHIP SHOAL 240A

SS240 Lateral is owned 51% by Manta Ray Gathering Company, L.L.C. and 49% by ANR.

(1) 10.75" x 0.594" Riser with 10" - 900# SDV

(2) 12" x 10" Pig Launcher

(3) Corrosion Inhibitor Injection Skid with Sidewinder pump

(4) Dual 8" Orifice Meter Skid
Design = 2,220 psig @ 100(Degree)F

(5) Standard Gas Metering Station EFM Equipment

Manta Ray Offshore ownership is everything downstream of 6" - 900# flange at inlet of Gas Meter Skid.

g. SHIP SHOAL 259JA

(1) 12.75" x 0.688" Riser with 12" - 900# SDV

(2) Corrosion Inhibitor Injection with Sidewinder pump

(3) Dual 10" Orifice Meter Skid Design = 1,480 psig @ 120(Degree)F

Manta Ray Offshore ownership is everything downstream of 10" - 600# flange at inlet of Gas Meter Skid.

Note: No pig launcher.

EFM equipment is owned by William Field Services, who provide a monthly calibration service for a fee ($1,000).

h. SOUTH TIMBALIER 295A

Manta Ray Offshore presently owns nothing on this platform. The Riser and Meter Station are owned by Shell Offshore Inc. The EFM equipment is owned by Williams Field Services who provides monthly calibration services for a fee ($1,000). When the 24" pipeline which originates at ST 292 is extended to SS 332 in 1997, Manta Ray will install its EFM equipment and remove Williams'. This will eliminate the fee.

i. SOUTH TIMBALIER 277A

(1) 12.75" x 0.500" Riser

(2) 14" x 12" Pig Launcher

(3) Corrosion Inhibitor Injection Skid with Sidewinder pump

(4) Single 8" Orifice Meter

(5) Barton Model 202E Chart Recorder

(6) Welker Model GS-4 Composite Gas Sampler

j. SOUTH TIMBALIER 300A

(1) 24" x 0.625" Riser (inbound) with 24" - 900# SDV

(2) 30" x 24" Pig Receiver

(3) Miscellaneous valves and fittings

k. SOUTH TIMBALIER 292A

(1) 24" x 0.625" Riser (outbound) with a 24" - 900# SDV

(2) 30" x 24" Pig Launcher

(3) Corrosion Inhibitor Injection Skid with Sidewinder Pump

(4) Dual 8" Orifice Meter

(5) 12.75" x 0.500' Riser (outbound) with 12" - 600# SDV

(6) Corrosion Inhibitor Injection Skid with Sidewinder Pump

(7) Dual 10" Orifice Meter

(8) Welker Model GS-4 Composite Gas Sampler

(9) 12.75" x 0.500" Riser (incoming) with 12" - 600# SDV

(10) 14" x 12" Pig Receiver

99

l. SHIP SHOAL 207 DWPF

(1) 8 Pile Platform

(2) 16" x 0.625" Riser (inbound gas) with 16" - 900# SDV

(3) 18" x 16" Pig Receiver

(4) H.P. Relief Scrubber

(5) L.P. Relief Scrubber

(6) Platform Sump System

(7) 14" - 600# Check Valve, 14" - 600# FCV and (2) 14" 600# Block Valves

(8) (2) Bad Oil Tanks. Capacity = 1,200 BBL each

(9) (2) Waukesha - Pearce Generators 550 KW each

(10) 14" x 0.625" Riser (inbound) with 14" - 900# SDV

(11) 16" x 14" Pig Receiver

(12) 16" x 0.406" Riser (outbound) with 16" - 600# SDV

(13) 18" x 16" Pig Launcher

(14) PECO Instrument Fuel Gas Filter

(15) EFM Equipment (SS 207)

(16) 8" Oil line which crosses bridge to platform

(17) Seaking Series 42 Model SK 1900 Crane

(18) 15' x 15' Parts Building

Note: Oil Metering Skid and Prover Loop are property of Poseidon Pipeline Company, L.L.C.

m. SHIP SHOAL 332A

(1) 16" x 0.562" Riser (inbound) with 16" - 900# SDV

(2) 18" x -16" Pig Receiver

(3) 12" - 1500# FCV, (2) 12" - 1500# Block Valves and 12" - 1500# Check valve allocated on Sub-Cellar Deck; 12" - 900# FCV and 12" - 600# Check valve located on Sub-Cellar Deck; (2) 12" - 600# FCVs located on Cellar deck.

(4) 20" Pipeline Manifold

(5) 8" - 900# FCV

(6) Dual 12" and 10" Orifice Meter (to TGPL)

(7) 18" x 16" Pig Launcher

(8) 16" x 0.625" Riser (outbound) with 16" - 900# SDV

(9) 16" x 14" Pig Launcher

(10) 14" x 0.438" Riser (outbound) with 14" - 900# SDV

(11) EFM Equipment (SS 332)

(12) Certain Dehydration Facilities (as described in the relevant contribution agreement)

n. PARTS LISTS FOR METERING STATIONS

(1) Typical Gas Metering Station Installation (See Attachment 1.)

(2) Platform SS 207 (See Attachment 2.)

(3) Platform SS 332 (See Attachment 3.)

B. Manta Ray Phase II Facilities

1. Pipeline Segments

a. Approximately 47 miles of 24" pipeline from Green Canyon Block 65 to Ship Shoal Block 207.

b. Approximately 7 miles of 24" pipeline from South Timbalier Block 300 to Ship Shoal Block 332.

2. Pipeline Related Facilities

a. A 24" export riser located on Shell Offshore Inc.'s platform in Green Canyon Block 65.

b. A 24" import riser located on Manta Ray Offshore Gathering Company L.L.C.'s Ship Shoal 207 platforms.

c. A 24" import riser located on Manta Ray Gathering Company, L.L.C.'s Ship Shoal 332 platforms ("SS332 platforms").

d. A slug catcher and related facilities located on the SS207 platforms.

e. A slug catcher and related facilities located at the inlet of Exxon U.S.A's Garden City Gas Plant.

II. Nautilus Initial Facilities

A. Pipeline Segments

A 30" Pipeline from SS207 to the inlet of the Garden City Gas Plant, including a lateral to the Burns Point Gas Plant, risers, and other appurtenant facilities.

B. Pipeline Related Facilities

A 30" export riser located on the Ship Shoal 207 platform.

EXHIBIT C

INSURANCE

Coverage			Per Occurrence Limit of Liability(1)	Per Occurrence Deductible
I.	Each Member shall carry its proportionate share of the insurance in I.A. through D, in amounts equal to its Membership Interst, for its own benefit and the benefit of the Company, Ocean Breeze, Manta Ray and Nautilus. All deductible amounts shall be paid by the Company:			
	A.	Physical Damage:		$250,000
		1. a. Pipelines	$ 20,000,000	
		b. Junction Platform (Section 207)	$ 15,000,000	
		2. Line Pack	$ 500,000	
		3. Equipment	$ 10,000,000	
		4. Cargo	$ 1,000,000	
	B.	Excess Liability including Pollution liability	$ 200,000,000	$250,000
	C.	Non-Owned Aircraft Liability	$ 10,000,000	None
	D.	Builder's Risk(2)		
		1. Manta Ray Phase II Facilities	Project Value	$500,000
		2. Nautilus Initial Facilities	Project Value	$200,000
II.	To be carried by the Company, if applicable:			
	1.	Workers' Compensation	Per statute	None
		Employers Liability/ Maritime E.L.	$ 1,000,000	None
	2.	Automobile Liability	$ 1,000,000	$250,000
III.	If the Company owns or bareboat charters watercraft these coverages will be carried by the Company:			
	A.	Hull/Machinery, Including Collision Liability	$ 10,000,000	$250,000
	B.	Protection & Indemnity, including crew coverage and Excess Collision Liability	$ 1,000,000	$250,000

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(1) Shell Seahorse Company shall have the right to self-insure for an amount equal to the retention under Shell's corporate insurance program, subject to a limit of $20,000,000. Marathon Gas Transmission, Inc. shall have the right to self-insure for an amount equal to the retention under Marathon's corporate insurance program, subject to a limit of $15,000,000 for physical damage and pollution liability and $50,000,000 for other types of coverages.

(2) Builders Risk insurance or self-insurance shall be provided by each Member in the form as reflected in the attached Builders Risk Specimen Policy.

EXHIBIT 10.16

LIMITED LIABILITY COMPANY AGREEMENT

OF

OCEAN BREEZE PIPELINE COMPANY, L.L.C.

(A DELAWARE LIMITED LIABILITY COMPANY)

(DATED AS OF JANUARY 17, 1997)

TABLE OF CONTENTS

LIMITED LIABILITY COMPANY AGREEMENT

OF

OCEAN BREEZE PIPELINE COMPANY, L.L.C.
(A DELAWARE LIMITED LIABILITY COMPANY)

This Limited Liability Company Agreement of Ocean Breeze Pipeline Company, L.L.C., dated as of January 17, 1997 (the "Formation Date"), is (a) adopted by the Members (as defined below) and (b) executed and agreed to, for good and valuable consideration, by the Members.

WHEREAS, the Members desire to form the Company (defined below) in connection with the acquisition, construction, ownership and operation of certain pipelines;

WHEREAS, the Company will own interests in Manta Ray Offshore Gathering Company, L.L.C. ("Manta Ray") and Nautilus Pipeline Company, L.L.C. ("Nautilus"); and

WHEREAS, Manta Ray and Nautilus will acquire, construct, own and operate the Manta Ray System and the Nautilus System (each defined below), respectively.

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

ARTICLE I.
DEFINITIONS

1.1 SPECIFIC DEFINITIONS. As used in this Agreement, the following terms have the following meanings:

"Accelerated Volumes" means the increment of natural gas volumes produced from existing, flowing Dedicated Leases which require a Major Expansion Project pursuant to Section 15.2, provided that such volumes, for the purposes of this definition, shall be limited to Dedicated Leases from which the increases in volume are attributable to an acceleration of reserves production, and not an increase in overall reserves.

"Accessible Capacity" means that portion of the Base Capacity which is commercially useable for gas gathering or transportation taking into consideration hydraulics, geographic proximity and other similar factors to transport relevant Expansion Property Production.

"Act" means the Delaware Limited Liability Company Act and any successor statute, as amended from time to time.

"Adjusted Capital Account" means the Capital Account maintained for each Member as of the end of each taxable year of the Company, (a) increased by any amounts that such Member is obligated to restore under the standards set by Treasury Regulation section 1.704-1(b)(2)(ii)(c) (or is deemed obligated to restore pursuant to the penultimate sentences of Treasury Regulation sections 1.704-2(g)(1) and 1.704-2(i)(5)), and (b) decreased by (i) the amount of all losses and deductions that, as of the end of such taxable year, are reasonably expected to be allocated to such Member in subsequent years under sections 704(e)(2) and 706(d) of the Code and Treasury Regulation section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that, as of the end of such taxable year, are reasonably expected to be made to such Member in subsequent years in accordance with the terms of this Agreement or otherwise to the extent they exceed offsetting increases to such Member's Capital Account that are reasonably expected to occur during (or prior to) the year in which such distributions are reasonably expected to be made (other than increases as a result of a minimum chargeback pursuant to Section 5.1(d) or 5.1(e)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Adjusted Property" means any property, the Carrying Value of which has been adjusted pursuant to Section 4.5(a) and (d). Once an Adjusted Property is deemed distributed by, and recontributed to, the Company for federal income tax purposes upon a termination thereof pursuant to section 708 of the Code, such property shall thereafter constitute a Contributed Property until the Carrying Value of such property is further adjusted pursuant to Section 4.5.

"Affiliate" means, with respect to any relevant Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such relevant Person in question. As used herein, the term "control" (including its derivatives and similar terms) means owning, directly or indirectly, the power (i) to vote ten percent (10%) or more of the Voting Stock of any such relevant Person or (ii) to direct or cause the direction of the management and policies of any such relevant Person.

"Agreement" means this Limited Liability Company Agreement (including any schedules, exhibits or attachments hereto), as amended, supplemented or modified from time to time.

"Arbitrator" has the meaning given that term in Section 16.21.

"Arbitration Notice" has the meaning given that term in Section 16.21.

"Asset Value" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution as determined by the Company using such reasonable method of valuation as it may adopt. The Company shall, in its sole discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Asset Value of Contributed Properties in a single or integrated transaction among such properties on a basis proportional to their fair market value. The fair market

value of the Contributed Properties described on Exhibit A shall be deemed to be the Asset Value of such Contributed Properties set forth therein.

"Available Cash" means unrestricted cash and cash equivalents of the Company less reasonable cash reserves, including, without limitation, those necessary for working capital and obligations or other contingencies of the Company. Available Cash shall not include any Initial Capital Contributions except to the extent that all of the Members agree that the applicable portion of any such Initial Capital Contribution is no longer needed to finance the construction of the Manta Ray Initial Facilities and the Nautilus Initial Facilities.

"Bankrupt Member" means any Member:

(a) that (i) makes a general assignment for the benefit of creditors; (ii) files a voluntary bankruptcy petition; (iii) becomes the subject of an order for relief or is declared insolvent in any federal or state bankruptcy or insolvency proceeding; (iv) files a petition or answer seeking for the Member a reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any law; (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Member in a proceeding of the type described in subclauses (i) through (iv) of this clause (a); or (vi) seeks, consents, or acquiesces to the appointment of a trustee, receiver, or liquidator of the Member or of all or any substantial part of the Member's properties; or

(b) against which a proceeding seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any law has been commenced and 90 days have expired without dismissal thereof or with respect to which, without the Member's consent or acquiescence, a trustee, receiver, or liquidator of the Member or of all or any substantial part of the Member's properties has been appointed and 60 days have expired without such appointments having been vacated or stayed, or 60 days have expired after the date of expiration of a stay, if the appointment has not previously been vacated.

"Base Capacity" means the maximum throughput capacity on the Manta Ray System or the Nautilus System, as applicable, immediately before the commencement of the relevant Major Expansion Project and any additional capacity thereafter created by any succeeding Major Expansion Project approved by Members holding at least the applicable Required Interest or, pursuant to Section 15.2, for which payout has occurred.

"Book-Tax Disparity" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Member's share of the Company's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Member's Capital Account balance as

maintained pursuant to Section 4.5 and the hypothetical balance of such Member's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles. The determination of Book-Tax disparity and a Member's share thereof shall be determined consistently with section 1.704-3(c) of the Treasury Regulations.

"Boxer Line" means a 12 inch pipeline owned by Shell Holding or its Affiliate running approximately eight miles from Green Canyon Block 65 to Green Canyon Block 19, and all related facilities, including, but not limited to, platform risers.

"Boxer Line Special Condition" means any condition, occurrence or event which is (i) caused by the gross negligence or willful misconduct of the Company, Neptune, Manta Ray or any Persons selected to operate the Boxer Line or (ii) covered by Manta Ray's insurance.

"Boxer Line Stub Period Income" means, with respect to the period beginning on the date hereof and ending on the Reconciliation Date, all Boxer Line Stub Period Revenues less all Boxer Line Stub Period Expenses.

"Boxer Line Stub Period Revenues" means, with respect to the period beginning on the date hereof and ending on the Reconciliation Date and without duplication, 100% of all operating revenues, gains and income from all operations attributable to the Boxer Line to the extent derived from any contract, agreement or similar arrangement in existence prior to the Formation Date.

"Boxer Line Stub Period Expenses" means, with respect to the period beginning on the date hereof and ending on the Reconciliation Date and without duplication, 100% of all cash operating expenses (including, without limitation, the cost of insurance), non-cash expenses, such as depreciation and amortization and the cost of repairs (including Shell Major Repairs) from all operations attributable to the Boxer Line except to the extent attributable to a Boxer Line Special Condition.

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States or the State of Texas shall not be regarded as a Business Day.

"Capacity Request" has the meaning given that term in Section 15.2.

"Capital Account" means the capital account maintained for each Member pursuant to Section 4.5 herein.

"Capital Contribution" means any contribution by a Member to the capital of the Company, as contemplated by Section 4.5(a).

"Carrying Value" means (a) with respect to Contributed Property, the Asset Value of such property reduced (but not below zero) by all depreciation, amortization and cost recovery deductions relating to such property charged to the Members' Capital Accounts,

and (b) with respect to any other Company property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 4.5(d)(i), (d)(ii), and (d)(iii) and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Company properties, as deemed appropriate by the Company.

"Certificate" has the meaning given that term in Section 2.1.

"Code" means the Internal Revenue Code of 1986 and any successor statute, as amended from time to time.

"Company" means Ocean Breeze Pipeline Company, L.L.C., a Delaware limited liability company.

"Company Minimum Gain" means the amount determined pursuant to Treasury Regulation section 1.704-2(d).

"Construction Agreements" means (i) the Construction Management Agreement between Shell Holding and Manta Ray, (ii) the Construction Management Agreement between Marathon Holding and Manta Ray, and (iii) the Construction Management Agreement between Marathon Holding, and Nautilus.

"Construction Certificate" has the meaning given that term in Section 3.17.

"Contribution Agreement" means each Contribution Agreement of even date herewith between the Company, on the one hand, and the Members or their Affiliates, on the other hand.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Act, but excluding cash or cash equivalents, contributed to the Company (or deemed contributed to the Company on termination and reconstitution thereof pursuant to section 708 of the Code). Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 4.5(d), such property shall no longer constitute a Contributed Property for purposes of Section 5.2, but shall be deemed an Adjusted Property for such purposes.

"Costs" has the meaning given that term in Section 4.3(a)(ii)(3).

"CPR Institute" has the meaning given that term in Section 3.6(e).

"Dedication Agreements" means, collectively, (a) the Gas Gathering Agreements between (i) Shell Offshore Inc., Shell Deepwater Development Inc., and Shell Deepwater Production Inc. and Manta Ray, (ii) Marathon Oil Company and Manta Ray, (b) the Precedent Agreements relating to the Dedicated Leases, each dated as of even date herewith, between (i) Shell Offshore Inc., Shell Deepwater Development Inc., and Shell Deepwater Production Inc. and Nautilus, (ii) Marathon Oil Company and

Nautilus, (c) the Service Agreements for Firm Transportation Service Under Rate Schedule FT-2 related to the Precedent Agreements described in (b) above, and (d) the Reserve Dedication and Discount Rate Agreements, each dated as of even date herewith, between (i) Shell Offshore Inc., Shell Deepwater Development Inc., Shell Deepwater Production Inc. and Nautilus and (ii) Marathon Oil Company and Nautilus each individually a "Dedication Agreement."

"Dedicated Leases" means all oil, gas and mineral leases certain of the production from which is dedicated pursuant to any Dedication Agreement.

"Default" means, in respect of any Member, upon the occurrence and during the continuation of any of the following events:

(a) the failure to remedy, within seven Business Days of such Member's receipt of written notice thereof from the Company or any other Member, a Member's delinquency in making any Capital Contribution to the Company as required pursuant to Section 4.1 or 4.2;

(b) the occurrence of any event that causes such Member to become a Bankrupt Member; or

(c) the failure to remedy, within ten Business Days of receipt of written notice thereof from the Company or any other Member, the non-performance of or non-compliance with any other material agreements, obligations or undertakings of such Member contained in this Agreement or of such Member or any of its Affiliates contained in any Contribution Agreement if such non-performance or non-compliance with such Contribution Agreement could reasonably be expected to result in Losses to the Company of at least $1,000,000, in the aggregate.

"Default Interest Rate" means a rate per annum, compounded monthly, equal to the lesser of (a) 4% plus the one year LIBOR rate quoted in the Wall Street Journal (or, in its absence, a similar publication) on the first day of the applicable month, and (b) the maximum rate permitted by applicable laws.

"Delinquent Member" has the meaning given that term in Section 4.3(a).

"Dispute" has the meaning given that term in Section 16.21.

"Disputing Party" has the meaning given that term in Section 16.21.

"Economic Risk of Loss" has the meaning set forth in Treasury Regulation section 1.752-2(a).

"Eligible Citizen" means a Person qualified to hold leases, rights-of-way, permits, licenses or other similar agreements or documents issued by or entered into with the United States government, and whose status as a Member or Transferee does not or

would not subject the Company to a substantial risk of cancellation or forfeiture of any such lease, right-of-way, permit, license or other similar agreement or document issued by or entered into with the United States government. As of the date hereof, "Eligible Citizen" means (a) a citizen of the United States, (b) an association (including a partnership, joint tenancy in common) organized or existing under the Laws of the United States or any state or territory thereof, all of the members of which are citizens of the United States (c) a corporation organized under the Laws of the United States or of any state or territory thereof, or (d) a limited liability company organized under the Laws of the United States or any state or territory thereof, not more than five percent of the voting stock, or of all the stock, of which corporation, to the best of its knowledge, is owned or controlled by citizens of countries that deny to United States citizens privileges to own stock in corporations holding oil and gas leases similar to the privileges of non-United States citizens to own stock in corporations holding an interest in oil and gas leases on federal lands.

"Exercising Member" has the meaning given that term in Section 15.2.

"Expanded Capacity" means, with respect to a relevant Major Expansion Project, the additional throughput capacity created on the Manta Ray System or the Nautilus System, as applicable, as a result of such relevant Major Expansion Project built pursuant to Section 15.2.

"Expanded Capacity Revenues" means revenues from gathering services, if such expansion relates to the Manta Ray System, or from transportation services, if such expansion relates to the Nautilus System, and from any other services provided by the relevant Subsidiary of the Company attributable to the Expanded Capacity Volumes.

"Expanded Capacity Volumes" means, for the relevant month, the lesser of (i) the Expanded Capacity or (ii) the sum of Expansion Property Production and Incremental Volumes.

"Expansion Liquidation Value" has the meaning given that term in Section 12.2(c).

"Expansion Option" has the meaning given that term in Section 15.2.

"Expansion Option Notice" has the meaning given that term in Section 15.2.

"Expansion Option Period" has the meaning given that term in Section 15.2.

"Expansion Property" has the meaning given that term in Section 15.2.

"Expansion Property Production" has the meaning given that term in Section 15.2.

"FERC" means the Federal Energy Regulatory Commission or any successor or replacement Person.

"FERC Certificate" means the initial Certificate of Public Convenience and Necessity authorizing Nautilus to provide transportation services on the Nautilus System and approving the initial rates, terms and conditions of service.

"Foreclosure Transfer" means any Transfer resulting from any judicial or non-judicial foreclosure by the holder of a Security Interest or any Transfer to the holder of a Security Interest in connection with a workout or similar arrangement or any transfer from the holder of a Security Interest.

"Formation Date" has the meaning given that term in the preamble.

"GAAP" means generally accepted accounting principles, consistently applied.

"Gas Contract" means any contract, agreement or other obligation of any of the Company, Manta Ray or Nautilus to purchase fuel gas, buy or sell linepack gas or transport, exchange, gather, process or otherwise handle natural gas.

"General Interest Rate" means a rate per annum, compounded monthly, equal to the lesser of (a) the sum of the one year LIBOR rate quoted in the Wall Street Journal (or, in its absence, a similar publication) on the first day of the applicable month plus one percent and (b) the maximum rate permitted by applicable laws.

"Incremental Volumes" means, with respect to a relevant month, the aggregate volumes gathered or transported by the Manta Ray System or the Nautilus System, as applicable, in excess of the Base Capacity, plus the relevant Expansion Property Production; provided, however, that the Incremental Volumes shall be applied to Major Expansion Projects which have not paid out pursuant to Section 15.2 in chronological order of completion.

"Initial Capital Contribution" has the meaning given that term in Section 4.1 herein.

"Lateral" means any newly constructed natural gas pipeline, lateral, segment or extension that directly connects or is proposed to directly connect to the Company's (or any of its Subsidiaries') then existing natural gas pipelines, laterals, segments or extensions.

"Lateral Connection Point" means, (i) with respect to any proposed natural gas pipeline, lateral, segment or extension that is proposed to connect one or more wells to the Company's (or its Subsidiary's) existing pipelines, laterals, segments or extensions, the closest and most practical connection point or points, taking into account the location of the relevant well or wells and the Company's (or its Subsidiaries') existing pipelines, laterals or segments, where sufficient capacity for gas to be produced from wells connected to such proposed pipeline, lateral or segment is available (or could be made available by acquiring, constructing or otherwise obtaining additional facilities in accordance with the terms of Section 7.2 or Section 15.2) or (ii) any other mutually agreeable interconnection point.

"Lateral Opportunity" has the meaning given that term in Section 15.1.

"Lateral Opportunity Notice" has the meaning given that term in Section 15.1.

"Laws" means the laws, rules, regulations, decrees and orders of the United States of America and all other governmental authorities having jurisdiction, whether such Laws now exist or hereafter come into effect.

"Leviathan Gas Pipeline Companies" means Leviathan Gas Pipeline Partners, L.P. and any direct or indirect Subsidiary thereof.

"Leviathan Holding" means Sailfish Pipeline Company, L.L.C.

"Leviathan Major Repairs" means all repairs resulting from Losses to the Manta Ray Phase I Facilities prior to the Reconciliation Date, except to the extent such Losses result from or constitute a Manta Ray Special Condition.

"Leviathan Reconciliation Date Income" has the meaning given that term in Section 4.5(c)(iii).

"Lending Member" has the meaning given that term in Section 4.3(a)(ii).

"Liquidator" has the meaning given that term in Section 12.2.

"Loss" or "Losses" means, subject to the limitations set forth in Section 16.20, any actions, claims, settlements, judgments, demands, liens, losses, damages, fines, penalties, interest, costs, expenses (including, without limitation, expenses attributable to the defense of any actions or claims), attorneys' fees and liabilities.

"Major Expansion Project" means, other than a Lateral which connects at a Lateral Connection Point, any physical enhancement or series of physical enhancements which would increase the Base Capacity of any then existing pipeline, lateral, segment, extension or other significant natural gas handling facility owned, leased or otherwise controlled by the Company, Nautilus or Manta Ray, including, without limitation, adding compression to one or more existing pipelines, laterals, segments or extensions or constructing a new pipeline, lateral, segment or extension (which does not constitute a Lateral which connects at a Lateral Connection Point).

"Majority Interest" means, subject to and in accordance with Section 7.5, any Member (together with its Affiliated Members) and at least one other non-Affiliated Member having among them more than 50% of the Membership Interests of all Members; provided, however, any single Member (together with its Affiliated Members) shall constitute a "Majority Interest" only if such Member (together with its Affiliated Members) owns at least 76% of the Membership Interest of all of the Members.

"Manta Ray" means Manta Ray Offshore Gathering Company, L.L.C.

"Manta Ray Initial Facilities" means the Manta Ray Phase I Facilities, the Manta Ray Phase II Facilities and the Boxer Line.

"Manta Ray Phase I Facilities" means those assets, other than cash, contributed as of even date herewith by Poseidon Pipeline Company, L.L.C. and Manta Ray Gathering Company, L.L.C., as more particularly described in part I.A. of "Exhibit B."

"Manta Ray Phase II Facilities" means the natural gas pipelines and related facilities described in Part I.B. of Exhibit B and to be constructed pursuant to that certain Construction Agreement dated as of even date herewith between Manta Ray and Shell Holding and the Construction Agreement between Marathon Holding and Manta Ray.

"Manta Ray Special Condition" means any condition, occurrence or event which is (i) caused by the gross negligence or willful misconduct of the Company, Neptune, Manta Ray or any Person selected to operate the Manta Ray Phase I Facilities or (ii) covered by Manta Ray's insurance.

"Manta Ray Stub Period Income" means, with respect to the period beginning on the date hereof and ending on the Reconciliation Date, all Manta Ray Stub Period Revenues less all Manta Ray Stub Period Expenses.

"Manta Ray Stub Period Revenues" means, with respect to the period beginning on the date hereof and ending on the Reconciliation Date and without duplication, 100% of all operating revenues, gains and income from all operations attributable to the Manta Ray Phase I Facilities except to the extent related to New Business.

"Manta Ray Stub Period Expenses" means, with respect to the period beginning on the date hereof and ending on the Reconciliation Date and without duplication, 100% of all cash operating expenses (including, without limitation, the cost of insurance), non-cash expenses, such as depreciation and amortization and the cost of repairs (including Leviathan Major Repairs) from all operations attributable to the Manta Ray Phase I Facilities except to the extent attributable to (i) New Business or (ii) a Manta Ray Special Condition.

"Manta Ray System" means the Manta Ray Initial Facilities and any other natural gas pipelines and related facilities constructed, purchased or otherwise acquired by Manta Ray in accordance with the terms and conditions of this Agreement and Manta Ray's Limited Liability Company Agreement.

"Marathon Gas Pipeline Companies" means (i) Marathon Pipe Line Company, (ii) Marathon Holding and (iii) any direct or indirect Subsidiaries of (i) and (ii).

"Marathon Holding" means Marathon Gas Transmission Inc.

"Member" means any Person executing this Agreement as of even date herewith as a Member or any Person hereafter admitted to the Company as an additional Member

or Substituted Member as provided in this Agreement, but does not include any Person who has ceased to be a Member in the Company.

"Membership Interest" means, subject to and in accordance with Section 7.5, the ownership interest (on a percentage basis) of a Member in the Company, including, without limitation, rights to distributions (liquidating or otherwise), allocations, information, and to consent or approve, which ownership interest is more particularly described and identified in Article III and Exhibit A.

"Minimum Gain Attributable to Member Nonrecourse Debt" means that amount determined in accordance with the principles of Treasury Regulation section 1.704 2(i)(3).

"NGA" means the Natural Gas Act of 1938, as amended from time to time.

"Nautilus" means Nautilus Pipeline Company, L.L.C.

"Nautilus Initial Facilities" means the natural gas pipelines and related facilities as more particularly described in Part II of Exhibit B and to be constructed pursuant to that certain Construction Agreement dated as of even date herewith between Nautilus and Marathon Holding.

"Nautilus System" means the Nautilus Initial Facilities, and any other natural gas pipelines and related facilities constructed, purchased or otherwise acquired by Nautilus in accordance with the terms and conditions of this Agreement and Nautilus' Limited Liability Company Agreement.

"Neptune" means Neptune Pipeline Company, L.L.C.

"Net Asset Value" means (a) in the case of any Contributed Property, the fair market value of such property reduced by any liabilities either assumed by the Company upon such contribution or to which such property is subject when contributed; provided, however, the fair market value of the Contributed Property described on Exhibit A shall be deemed to be the Asset Value of such Contributed Property set forth therein, and (b) in the case of any property distributed to a Member or Transferee by the Company, the Company's Carrying Value of such property at the time such property is distributed, reduced by any indebtedness either assumed by such Member or Transferee upon such distribution or to which such property is subject at the time of distribution as determined under section 752 of the Code.

"Net Income" means, for any taxable period, the excess, if any, of the Company's items of income and gain for such taxable period over the Company's items of loss and deduction for such taxable period. The items included in the calculation of Net Income shall be determined in accordance with Section 4.5(b) and shall not include any items specifically allocated under Sections 5.1(c) through 5.1(j). For purposes of Sections 5.1(a) and (b), in determining whether Net Income has been allocated to any Member for any previous taxable period, any Unrealized Gain or Unrealized Loss allocated pursuant

to Section 4.5(d)(i), (d)(ii) and (d)(iii) shall be treated as an item of gain or loss in computing Net Income.

"Net Loss" means, for any taxable period, the excess, if any, of the Company's items of loss and deduction for such taxable period over the Company's items of income and gain for such taxable period. The items included in the calculation of Net Loss shall be determined in accordance with Section 4.5(b) and shall not include any items specifically allocated under Sections 5.1(c) through 5.1(j). For purposes of Sections 5.1(a) and (b), in determining whether Net Loss has been allocated to any Member for any previous taxable period, any Unrealized Gain or Unrealized Loss allocated pursuant to Section 4.5(d)(i), (d)(ii) and (d)(iii) shall be treated as an item of gain or loss in computing Net Loss.

"New Business" means, without duplication, (a) all revenues, expenses, repair costs and net cash flows resulting from gas volumes produced from the Dedicated Leases that flow on the Manta Ray Phase I Facilities pursuant to the Dedication Agreements, (b) all revenues, expenses, repair costs and net cash flows resulting from gas volumes flowing into the Manta Ray Phase II Facilities and then into the Manta Ray Phase I Facilities, (c) all revenues, expenses, repair costs and net cash flows resulting from gas volumes flowing solely on the Manta Ray Phase II Facilities and/or the Nautilus System, but not flowing on the Manta Ray Phase I Facilities, and (d) all revenues, expenses, repair costs and net cash flows relating to gas processing contracts or any operations other than gathering or transporting natural gas.

"Non-Cash Consideration" has the meaning given that term in Section 3.6(e) herein.

"Nonrecourse Built-in Gain" means with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or negative pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Members pursuant to Section 5.2(b)(i)(A), 5.2(b)(ii)(A) or 5.2(b)(iii) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"Nonrecourse Debt" has the meaning set forth in Treasury Regulation section 1.704-2(b)(4).

"Nonrecourse Deductions" means any and all items of loss, deduction, or expenditure (described in section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation section 1.704-2(b)(1), are attributable to a Nonrecourse Liability.

"Nonrecourse Liability" has the meaning assigned to such term in Treasury Regulation section 1.704-2(b)(3).

"Non-Transferring Members" has the meaning given that term in Section 3.6(e) herein.

"Obligation" has the meaning given that term in Section 4.3(a)(ii)(2).

"Offer Notice" has the meaning given that term in Section 3.6(e).

"Operating Agreements" means collectively the Operating Agreement between Shell Holding and Manta Ray, the Operating Agreement between Manta Ray Gathering Company, L.L.C. and Manta Ray, the Operating Agreement between Marathon Holding and Manta Ray, the Operating Agreement between Marathon Holding and Nautilus, the Operating Agreement between Nautilus and Shell Holding, the Operating Agreement between the Company and Shell Holding.

"Option Period" has the meaning given that term in Section 3.6(e) herein.

"Payout Amount" means an amount of money equal to 150% of the amount of the actual out-of-pocket capital cost of the relevant Major Expansion Project; provided, however that to the extent the Company, Neptune, Nautilus or Manta Ray, as applicable, elects to prepay all or any portion of the unamortized portion of the principal amount of the Payout Balance in accordance with Section 15.2, such Payout Amount shall be reduced as described in Section 15.2(c).

"Person" means any individual or entity, including, without limitation, any corporation, limited liability company, partnership (general or limited), joint venture, association, joint stock company, trust, unincorporated organization or government (including any board, agency, political subdivision or other body thereof).

"Proceeding" has the meaning given that term in Section 8.1.

"PUHCA" means the Public Utility Holding Company Act of 1935, as amended, and the rules and regulations promulgated thereunder.

"Recapture Income" means any gain recognized by the Company (computed without regard to any adjustment required by section 734 or 743 of the Code) upon the disposition of any property or asset of the Company, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

"Reconciliation Adjustment" means, with respect to each relevant Capital Contribution, an additional amount to be credited to the contributing Member's Capital Account as of the Reconciliation Date in an amount equal to a carrying charge on such Capital Contribution calculated from the first day of the calendar month in which the Company actually spends the contributed capital to the Reconciliation Date at a rate per annum, compounded monthly, equal to 8.28%.

"Reconciliation Date" means the first day of the calendar month immediately following the calendar month in which any of the following events first occurs: (i) production from the Troika Field (Green Canyon Blocks 244 et al.) first flows on the Manta Ray System and the Nautilus System, (ii) the Nautilus System and Manta Ray System are each transporting from the Dedicated Leases an average of at least 140,000,000 cubic feet of natural gas per day pursuant to the Dedication Agreements during any consecutive 60 day period or (iii) December 1, 1999.

"Record Date" means the date established by the Company for determining (a) the identity of Members (or Transferees, if applicable) entitled to notice of, or to vote at, any meeting of Members or entitled to vote by ballot or give approval of Company action in writing without a meeting or entitled to exercise rights in respect of any lawful action of Members or (b) the identity of Record Holders entitled to receive any report or distribution.

"Record Holder" means the Person in whose name a Membership Interest is registered on the books of the Company as of the opening of business on a particular Business Day.

"Rejected Lateral Opportunity" has the meaning given that term in Section 15.1.

"Relevant Area" means the Eugene Island, Rabbit Island, Ship Shoal, South Timbalier, Grand Isle, Ewing Bank, Green Canyon areas of the Gulf of Mexico, offshore state waters adjacent to St. Mary Parish, Louisiana and onshore St. Mary Parish, Louisiana from the coast to Garden City and such other offshore areas of the Gulf of Mexico or onshore areas into which the Nautilus System or Manta Ray System expands.

"Required Interest" means, subject to and in accordance with Section 7.5, the applicable percentage of Membership Interests of all Members required to authorize or approve a relevant act of the Company, including, without limitation, a Majority Interest, a Super-Majority Interest or all Membership Interests, as applicable.

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Company recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 5.2(b)(i)(A) or 5.2(b)(ii)(A), to eliminate Book Tax Disparities.

"Security Interest" means any security interest, lien, mortgage, encumbrance, hypothecation, pledge, or other obligation, whether created by operation of law or otherwise, created by any Person in any of its property or rights as part of a bona fide arms-length securitization transaction.

"Service" means the Internal Revenue Service.

"Shell Gas Pipeline Companies" means (i) Shell Gas Pipeline Company, (ii) Shell Holding and (iii) any direct or indirect Subsidiary of either (i) or (ii).

"Shell Holding" means Shell Seahorse Company.

"Shell Major Repairs" means all repairs resulting from Losses to the Boxer Line prior to the Reconciliation Date, except to the extent such Losses result from or constitute a Boxer Line Special Condition.

"Shell Reconciliation Date Income" has the meaning given that term in Section 4.5(c)(iii).

"Subject Interest" has the meaning given that term in Section 3.6(e).

"Subsidiary" means, with respect to any relevant Person, any other Person that is controlled (directly or indirectly) and more than 50%-owned (directly or indirectly) by the relevant Person. For purposes of this definition, the term control means the ability to direct the management or policies of such Person by ownership of voting interest, contract or otherwise.

"Substituted Member" means a Person who is admitted as a Member of the Company at such time as such Person has complied with the requirements of Section 3.5, in place of and with all the rights of a Transferor and who is shown as a Member on the books and records of the Company.

"Super-Majority Interest" means , subject to and in accordance with Section 7.5, any Member (together with its Affiliated Members) and at least one other non-Affiliated Member having among them more than 74% of the Membership Interests of all Members.

"Tax Matters Member" has the meaning given that term in Section 9.3.

"Termination Right" has the meaning given that term in Section 3.17.

"Termination Time" has the meaning given that term in Section 3.17.

"Transfer" or "Transferred" means, other than granting a Security Interest, (i) a voluntary or involuntary sale, assignment, transfer, conveyance, exchange, bequest, devise, gift or any other alienation (in each case, with or without consideration) of any rights, interests or obligations with respect to all or any portion of any Membership Interest including, without limitation, a Foreclosure Transfer, or (ii) (A) the sale of all or substantially all of a Member's assets to a Person that is not an Affiliate of such Member prior to such sale, (B) a merger or consolidation involving a Member and a Person that is not an Affiliate of such Member prior to such merger or consolidation, or (C) a transfer, directly or indirectly, in one or more transactions, of a majority of the equity interests in a Member to a Person that is not an Affiliate of such Member prior to such transfer; provided, however, that a transfer, directly or indirectly, of the equity ownership (including, without limitation, a merger, consolidation, share exchange or similar transaction) or of all or substantially all of the assets of the direct or indirect parent of any Member shall not be considered a Transfer hereunder.

"Transferee" means a Person who receives all or part of a Member's Membership Interest through a Transfer but who has not become a Substituted Member.

"Transferor" means a Member, Substituted Member or a predecessor Transferor who Transfers a Membership Interest.

"Transferring Member" has the meaning given that term in Section 3.6(e) herein.

"Treasury Regulation" shall have the meaning set forth in Section 3.9.

"Unrealized Gain" attributable to any item of Company property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 4.5(d) as of such date). In determining such Unrealized Gain, the aggregate cash amount and fair market value of a Company asset (including cash or cash equivalents) shall be determined by the Company using such reasonable method of valuation as it may adopt.

"Unrealized Loss" attributable to any item of Company property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 4.5(d) as of such date) over (b) the fair market value of such property as of such date. In determining such Unrealized Loss, the aggregate cash amount and fair market value of a Company asset (including cash or cash equivalents) shall be determined by the Company using such reasonable method of valuation as it may adopt.

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or Persons with management authority performing similar functions) of such Person.

"Withdrawing Member" shall have the meaning given that term in Section 12.2(d).

1.2 OTHER TERMS. Other terms may be defined elsewhere in the text of this Agreement and shall have the meaning so given. Whenever the context requires, the singular shall include the plural, and the plural, shall include the singular.

1.3 CONSTRUCTION. Whenever the context requires, the gender of all words used in this Agreement includes the masculine, feminine, and neuter. All references to Articles and Sections refer to articles and sections of this Agreement, and all references to Exhibits are to exhibits attached hereto, each of which is incorporated herein for all purposes. Articles and other titles or headings are for convenience only and neither limit nor amplify the provisions of the Agreement itself, and all references herein to articles, sections or subdivisions thereof shall refer to the corresponding article, section or subdivision thereof of this Agreement unless specific reference is made to such articles, sections or subdivisions of another document or instrument.

ARTICLE II.
ORGANIZATION

2.1 FORMATION. The Company has been organized as a Delaware limited liability Company by the filing of a Certificate of Formation (the "Certificate") with the Secretary of State of the State of Delaware pursuant to the Act.

2.2 NAME. The name of the Company is Ocean Breeze Pipeline Company, L.L.C. and all Company business must be conducted in that name or such other names that comply with applicable law as the Company may select from time to time.

2.3 PRINCIPAL OFFICE IN THE UNITED STATES; OTHER OFFICES. The principal office of the Company in the United States shall be at 200 N. Dairy Ashford, Houston, Texas 77079, or at such other place as the Company may designate from time to time, which need not be in the State of Delaware. The Company may have such other offices as the Members may designate from time to time.

2.4 PURPOSE. The sole purpose of the Company is to own interests in Manta Ray and Nautilus, which shall acquire, construct, own and operate the Manta Ray System and the Nautilus System, respectively. Except for activities related to such purposes, there are no other authorized business purposes of the Company. The Company shall not engage in any activity or conduct inconsistent with such purposes, including, without limitation, entering into any hedging, futures, derivatives or similar transaction.

2.5 FOREIGN QUALIFICATION. Prior to the Company's conducting business in any jurisdiction other than Delaware, the Company shall comply, to the extent procedures are available and those matters are reasonably within the control of the Company, with all requirements necessary to qualify the Company as a foreign limited liability company, and, if necessary, keep the Company in good standing, in that jurisdiction.

2.6 TERM. Subject to earlier termination pursuant to other provisions of this Agreement (including those contained in Article XII), the term of the Company shall be from the date of this Agreement through and including December 31, 2046.

2.7 MERGERS AND EXCHANGES. Except as otherwise provided in this Agreement or by applicable Laws, the Company may be a party to any (i) merger, (ii) consolidation, (iii) exchange or acquisition or (iv) any other type of reorganization.

2.8 BUSINESS OPPORTUNITIES--NO IMPLIED DUTY OR OBLIGATION. Except to the extent expressly provided in this Section 2.8 or Article XV, the Members and their respective Affiliates may engage, directly or indirectly, without the consent of the other Members or the Company, in other business opportunities, transactions, ventures or other arrangements of any nature or description, independently or with others, including without limitation, business of a nature which may be competitive with or the same as or similar to the business of the Company, regardless of the geographic location of such business, and without any duty or obligation to account to the other Members or the Company in connection therewith; provided,

however, that each Member (or any Affiliate thereof) shall jointly solicit on behalf of, and offer to, Manta Ray any opportunity to acquire or otherwise obtain the gas processing rights of Persons who are not Members (or Affiliates of Members) with respect to the gas shipped by such Person on the Nautilus System for delivery to the Garden City Gas Plant for processing, if capacity exists or can be obtained under the Processing Agreement, before such Member (or applicable Affiliate) shall be entitled to acquire or otherwise obtain such gas processing rights and no Member (or any Affiliate thereof) shall compete with Manta Ray or otherwise participate in processing arrangements with respect to such gas; provided, however, that if any Member or any Affiliate thereof has purchased the Garden City Gas Plant and subsequently expands such plant's capacity in excess of that contemplated by the Processing Agreement, any obligation of such Member (including its Affiliates) created by this Section 2.8 shall be waived and extinguished to the extent such obligation relates to capacity created by such expansion; and provided, further, that if any Members or any Affiliates thereof have acquired interests which sum to less that 100% of the interests in the Garden City Gas Plant, any obligation of such Members (including its Affiliates) created by this Section 2.8 shall be waived and extinguished to the extent inconsistent with the duties and obligations of such Members (including its Affiliates) to the other interest owners in the Garden City Gas Plant. Nothing herein is intended to create a partnership, joint venture, agency or other relationship creating fiduciary or quasi-fiduciary duties or similar duties and obligations or subject the Members to joint and several or vicarious liability or to impose any duty, obligation or liability that would arise therefrom with respect to any or all of the Members or the Company.

ARTICLE III.
MEMBERSHIP INTERESTS AND TRANSFERS

3.1 INITIAL MEMBERS. The initial Members of the Company are the Persons executing this Agreement as of the date hereof in such capacity, each of which is admitted to the Company as a Member effective contemporaneously with the execution by such Person of this Agreement.

3.2 NUMBER OF MEMBERS. The number of Members of the Company shall never be fewer than two.

3.3 MEMBERSHIP INTERESTS. The Members agree that each Member's ownership in the Company shall be that which is set forth in Exhibit A, as amended from time to time in accordance with the terms of this Agreement.

3.4 REPRESENTATIONS AND WARRANTIES. Each Member hereby represents and warrants to the Company and each other Member that (a) it is duly formed, validly existing and (if applicable) in good standing under the Laws of the state of its formation, and if required by Laws is duly qualified to do business and (if applicable) is in good standing in the jurisdiction of its principal place of business (if not formed therein); (b) that Member has full corporate, limited liability company, partnership, trust, or other applicable power and authority to execute and agree to this Agreement and to perform its obligations hereunder and all necessary actions by the board of directors, shareholders, managers, members, partners, trustees, beneficiaries, or other Persons

necessary for the due authorization, execution, delivery, and performance of this Agreement by that Member have been duly taken; (c) that Member has duly executed and delivered this Agreement and it is enforceable against such Member in accordance with its terms, subject to bankruptcy, moratorium, insolvency and other Laws generally affecting creditors' rights and general principles of equity (whether applied in a proceeding in a court of law or equity); (d) that Member's authorization, execution, delivery, and performance of this Agreement does not conflict with any material obligation under any other material agreement or arrangement to which that Member is a party or by which it is bound; (e) that Member is an Eligible Citizen and will remain an Eligible Citizen for so long as such Member remains a Member of the Company; (f) neither that Member nor any of its Affiliates or Subsidiaries nor any Person in which it owns an equity interest is a "holding company," a "subsidiary company" of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility" as each of such terms is defined in PUHCA (unless such Member, Affiliate, Subsidiary, or Person has received an exemption from registering under the PUHCA), and the ownership of a Membership Interest by such Member does not, and, for so long as such Member owns a Membership Interest, will not, cause the Company, its Subsidiaries or the other Members to be subject to or adversely affected by PUHCA (including any approval requirements arising under Section 9(a)(2) of PUHCA); and (g) it (i) has been furnished with or given adequate access to such information about the Company and the Membership Interest as the Member has requested, (ii) has made its own independent inquiry and investigation into, and based thereon has formed an independent judgment concerning, the Company and that Member's Membership Interest therein, (iii) has adequate means of providing for its current needs and possible individual contingencies and is able to bear the economic risks of this investment and has a sufficient net worth to sustain a loss of its entire investment in the Company in the event such loss should occur, (iv) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Company, (v) is an "accredited investor" within the meaning of "accredited investor" under Regulation D of the Securities Act of 1933, as amended, and (vi) understands and agrees that its Membership Interest shall not be sold, pledged, hypothecated or otherwise transferred except in accordance with the terms of this Agreement and pursuant to an applicable exemption from registration under the Securities Act of 1933 and other applicable securities Laws. Upon the occurrence and during the continuation of any event or condition which would cause a Member to be in breach of a representation or warranty contained in Section 3.4(e) or (f), the breaching Person shall be treated as a Transferee who has not become a Substituted Member in accordance with the terms of Section 3.5(c).

3.5 RESTRICTIONS ON THE TRANSFER OF A MEMBERSHIP INTEREST. A Member may Transfer all or part of a Membership Interest only in accordance with applicable Laws and the provisions of this Agreement, including the following provisions of this Section. Any purported Transfer in breach of the terms of this Agreement shall be null and void ab initio, and the Company shall not recognize any such prohibited Transfer.

(a) A Membership Interest shall not be Transferred except pursuant to an applicable exemption from registration under the Securities Act of 1933 and other applicable securities Laws;

(b) Except as otherwise provided in this Agreement or by applicable Laws, a Transfer of a Membership Interest shall be effective only to give the Transferee the right to receive the share of allocations and distributions to which the Transferor would otherwise be entitled, and no Transferee of a Membership Interest shall have the right to become a Substituted Member;

(c) Unless and until a Transferee is admitted as a Substituted Member, (i) the Transferee shall have no right to exercise any of the powers, rights and privileges of a Member hereunder other than to receive its share of allocations and distributions pursuant to Section 3.5(b), and (ii) the Member who has Transferred all or any part of its Membership Interest to such Transferee shall cease to be a Member with respect to such Membership Interest upon Transfer of such Membership Interest and thereafter shall have no further powers, rights and privileges as a Member hereunder with respect to such Membership Interest (to the extent so Transferred), but shall, unless otherwise relieved of such obligations, remain liable for all obligations and duties as a Member with respect to such Membership Interest; provided, however, that if the Transferee reconveys such Membership Interest to the Transferor within ten days after the Transferor becomes aware that the Transferee will not become a Substituted Member, the Transferor shall once again be entitled to all of the powers, rights and privileges of a Member hereunder;

(d) Subject to compliance with the terms and conditions of Section 3.6, a Transferee may become a Substituted Member if the Transferee agrees in writing to be bound by all the terms and conditions, as then in effect, of this Agreement;

(e) At the time all of the provisions of Sections 3.5, 3.6 and 3.7 are complied with, (i) a Substituted Member shall have all of the powers, rights, privileges, duties, obligations and liabilities of a Member, as provided in this Agreement and by applicable Laws to the extent of the Membership Interest so Transferred and (ii) the Member who Transferred the Membership Interest shall be relieved of all of the obligations and liabilities with respect to such Membership Interest; provided that such Member shall remain fully liable for all liabilities and obligations relating to such Membership Interest that accrued prior to such Transfer;

(f) The Company may, in its reasonable discretion, charge a Member a reasonable fee to cover administrative expenses necessary to effect the Transfer of all or part of such Member's Membership Interest;

(g) In the absence of the substitution (as provided herein) of a Transferee for a Transferor, any payment by the Company to the Transferor shall acquit the Company and the Members of all liability to any other Persons who may be interested in such payment by reason of a Transfer by such Member;

(h) Notwithstanding any term or condition contained in Sections 3.5, 3.6 and 3.7, any Person shall have the right to grant a Security Interest in any rights or obligations such Person may have arising from or related to this Agreement, the Company or any interest therein and make a Transfer in connection with any such Security Interest; provided that such Security Interest is not created in violation of Sections 3.5(a) and (i) of this Agreement and any other

provisions contained in this Agreement and the Company is promptly notified in writing of such Security Interest; and

(i) Each Member or Transferee agrees not to Transfer all or any part of its Membership Interest (or take or omit any action, filing, election, or other action which could result in a deemed Transfer) if such Transfer (either considered alone or in the aggregate with prior Transfers by the same Member or any other Members or Transferees) would result in the termination of the Company for federal income tax purposes. Such an attempted Transfer is void ab initio.

(j) Notwithstanding any contrary provision contained in this Agreement, no Person shall Transfer to any other Person such Person's rights or obligations arising from or related to this Agreement, the Company or any interest therein if such Transfer would result in violation of the Act or any other Laws. Any such attempted Transfers are void ab initio.

3.6 TRANSFER RESTRICTIONS.

(a) Neither the Company nor any of the Members shall be bound or otherwise affected by any Transfer of Membership Interest of which such Person has not received notice pursuant to Section 3.7.

(b) Any Member's Membership Interest may be Transferred to an Affiliate of such Member; provided, that, if the Transferor's Membership Interest is subject to a guaranty, the guaranty shall apply to the Transferee and its Membership Interest. Notwithstanding the foregoing, any such Transfer shall be void and have no effect unless such Transfer is made simultaneously with an equal and proportionate transfer of membership interest in Neptune Pipeline Company, L.L.C.

(c) Subject to the right of first refusal set forth in Section 3.6(e), a Member may Transfer all or any portion of its Membership Interest to any Person that has a net worth calculated in accordance with GAAP of not less than $150,000,000 immediately prior to the Transfer; provided that such net worth requirement shall not apply in the case of a Foreclosure Transfer. Notwithstanding the foregoing, any such Transfer shall be void and have no effect unless such Transfer is made simultaneously with an equal and proportionate transfer of membership interest in Neptune.

(d) Except with respect to a Foreclosure Transfer, a Member in Default shall not Transfer its Membership Interest.

(e) Except with respect to Transfers according to the terms of Section 3.6(b), any Member who desires to Transfer all or any portion of its Membership Interest ("Transferring Member") to a ready, willing and able Transferee shall first offer to transfer such Membership Interest and the related membership interest in Neptune (collectively, the "Subject Interest") to the other Members (the "Non-Transferring-Members") as a group. Such offer shall be made by an irrevocable written offer (the "Offer Notice") to transfer all of the Subject Interest which the Transferring Member desires to Transfer and shall contain a complete description of the

transaction in which the Transferring Member proposes to Transfer the Subject Interest, including, without limitation, the name of the ready, willing and able Transferee and the consideration specified. The Non-Transferring Members shall have 45 days (the "Option Period") after actual receipt of the Offer Notice within which to advise the Transferring Member whether or not they will acquire all of such Subject Interest upon the terms and conditions contained in the Offer Notice. If, within the Option Period, one or more Non-Transferring Members elect to acquire such Subject Interest, then such Non-Transferring Member or Members shall close such transaction in accordance with Section 3.6(f) no later than the later to occur of (i) the closing date set forth in the Notice Offer or (ii) 60 days after the last day of the Option Period.

If any Non-Transferring Member does not elect to acquire its proportionate share of the Subject Interest being transferred, the remaining Non-Transferring Members shall have the right to acquire an equal and undivided portion of the remaining Subject Interest based on the relation of their Membership Interest to the Membership Interest of all Non-Transferring Members desiring to acquire a portion of such Membership Interest. The right herein created in favor of the Non-Transferring Members as a group is an option to acquire all, or none, of the Subject Interest offered for sale by the Transferring Member. If the Non-Transferring Members as a group decline to acquire all of the Subject Interest of the Transferring Member in accordance with this Section 3.6(e), the Transferring Member may Transfer such Subject Interest to the Transferee named in the Offer Notice delivered to the Non-Transferring Members upon the terms described in such Offer Notice. If such Transfer does not occur in accordance with the terms of such Offer Notice, the Transferring Member shall again be subject to the provisions of this Section 3.6(e).

Upon consummation of any such Transfer (whether to a Member or any other Person), such Transferee and its Membership Interest shall automatically become a party to and be bound by this Agreement and shall thereafter have all of the rights and obligations of a Member hereunder. Notwithstanding the foregoing, all Transfers pursuant to this Section 3.6(e) must also comply with and be governed by this Agreement, including any restrictions on Transfers therein and on any Transferee becoming a Substituted Member.

If any portion of the consideration set forth in the Offer Notice is to be paid in a form other than cash or cash equivalents (including real or personal property, promissory notes, securities, contractual benefits, assumption of liabilities or anything else of value) ("Non-Cash Consideration"), the Transferring Member shall state in its Offer Notice its determination of the aggregate fair market value of such Non-Cash Consideration (which, in the case of marketable securities, shall be the market price of such securities). If a majority in interest of the Non-Transferring Members (calculated without reference to the Membership Interest of the Transferring Member) disagree with such determination, they shall notify the Transferring Member of such disagreement within 5 Business Days of receiving the Offer Notice. If such dispute is not resolved within 5 Business Days after such notice, any Member may submit such dispute to binding arbitration by delivering an arbitration notice to the other Members and the Company. The Member initiating arbitration shall also simultaneously file duplicate copies of its notice of arbitration with the regional office of the CPR Institute for Dispute Resolution (the "CPR Institute") covering Houston, Texas, together with the appropriate fee as provided in the

CPR Institute's administrative fee schedule. The notice of arbitration shall contain a brief description of the nature of the dispute to be arbitrated. With respect to any such arbitration, the Members hereby agree that: (i) the single arbitrator shall be an appraiser or investment banking firm having expertise in the valuation of the types of assets represented by the Non-Cash Consideration; (ii) the arbitration proceedings shall be held in Houston, Texas at such location selected by the arbitrator; (iii) all arbitration proceedings under this Section shall be conducted in accordance with the Commercial Arbitration Rules of the CPR Institute, as then amended and in effect; and such rules shall be interpreted and applied and questions regarding the arbitration process not resolved under such rules shall be determined in accordance with the Uniform Arbitration Act, as enacted in the State of Delaware; provided, however, that the arbitrator shall resolve such dispute with respect to the application and/or interpretation of such rule or rules within ten days from the day a Member submitted its notice of arbitration to the other Members, the Company and the CPR Institute; (iv) within 5 Business Days following the receipt of the initial arbitration notice by the Company, the Transferring Member and a designee of the majority in interest of the Non-Transferring Members shall each submit to each of the other Members, the Company and the CPR Institute a response in which it proposes a single determination of the fair market value; and (v) the arbitrator shall be required to select either the determination of the Transferring Member or the determination of the designee of such majority in interest. The consideration shall then be an amount of money, payable in cash, equal to the total consideration stated in the Offer Notice, including the Fair Market Value of any Non-Cash Consideration as determined in accordance with this Section.

(f) At the closing of the Transfer of a Membership Interest pursuant to this Agreement, the Transferee shall deliver to the Transferor the full consideration agreed upon. Any membership interest transfer or similar taxes involved in such sale shall be paid by the Transferor, and the Transferor shall provide the Transferee with such evidence of the Transferor's authority to Transfer hereunder and such tax lien waivers and similar instruments as the Transferee may reasonably request.

(g) If any governmental consent or approval is required with respect to any Transfer, the Transferee shall have a reasonable amount of time (not to exceed 60 days from the date upon which such Transfer would have been otherwise consummated in accordance with the terms of this Agreement) to obtain such consent or approval. All Members shall use reasonable, good faith efforts to cooperate with the Transferee attempting to obtain, and to assist in timely obtaining, such consent or approval; provided that no Member shall be required to incur any out-of-pocket costs in connection with such cooperation and assistance. After the expiration of such waiting period, such Transferee shall forfeit its rights to acquire the Subject Interest with respect to such specific transaction; provided, however, that such forfeiture shall not limit or otherwise affect the forfeiting Transferee's rights with respect to any subsequent proposed Transfer.

(h) No Transfer of a Membership Interest shall effect a release of the Transferor from any liabilities or obligations to the Company or the other Members that accrued prior to the Transfer.

3.7 DOCUMENTATION; VALIDITY OF TRANSFER. The Company may not recognize for any purpose any purported Transfer of all or any part of a Membership Interest unless and until the applicable provisions of Sections 3.5 and 3.6 have been satisfied and the Company has received, on behalf of the Company, a document in a form acceptable to the Company executed by both the Transferor (or if the Transfer is on account of the death, incapacity, or liquidation of the Member, its representative) and the Transferee. Such document shall (i) include the notice address of any Person to be admitted to the Company as a Substituted Member and such Person's agreement to be bound by this Agreement with respect to the Membership Interest or part thereof being obtained, (ii) set forth the Membership Interest after the Transfer of the Transferor and the Person to which the Membership Interest or part thereof is Transferred (which together must total the Membership Interest of the Transferor before the Transfer), (iii) contain a representation and warranty that the Transfer was made in accordance with all applicable Laws (including state and federal securities Laws) and the terms and conditions of this Agreement, and (iv) if the Person to which the Membership Interest or part thereof is Transferred is to be admitted to the Company as a Substituted Member, its representation and warranty that the representations and warranties in Section 3.4 are true and correct with respect to such Person. Each Transfer and, if applicable, admission complying with the provisions of this Section 3.7 and Sections 3.5 and 3.6 is effective against the Company as of the first business day of the calendar month immediately succeeding the month in which (y) the Company receives the document required by this Section 3.7 reflecting such Transfer, and (z) the other requirements of Sections 3.5 and 3.6 have been met.

3.8 [RESERVED].

3.9 POSSIBLE ADDITIONAL RESTRICTIONS ON TRANSFER. Notwithstanding anything to the contrary contained in this Agreement, in the event of (i) the enactment (or imminent enactment) of any legislation, (ii) the publication of any temporary or final regulation by the Treasury Department ("Treasury Regulation"), (iii) any ruling by the Service or (iv) any judicial decision that in any such case, in the opinion of counsel to the Company, would result in the taxation of the Company for federal income tax purposes as a corporation or would otherwise subject the Company to being taxed as an entity for federal income tax purposes, this Agreement shall be deemed to impose such restrictions on the Transfer of a Membership Interest as may be required, in the opinion of counsel to the Company, to prevent the Company from being taxed as a corporation or otherwise being taxed as an entity for federal income tax purposes, and the Members thereafter shall amend this Agreement as necessary or appropriate to impose such restrictions.

3.10 ADDITIONAL MEMBERSHIP INTERESTS. Additional Persons may be admitted to the Company as Members, and Membership Interests may be created and issued to those Persons and to existing Members upon a unanimous vote by the Members and subject to the terms and conditions of this Agreement. Such admission must comply with any additional terms and conditions the Members may in their sole discretion determine at the time of admission. A document, in a form acceptable to the Company, shall specify the terms of admission or issuance and shall include, among other things, the Membership Interest applicable thereto. Any such admission of a new Member also must comply with the provisions of Section 3.5(d). The provisions of this Section 3.10 shall not apply to Transfers of Membership Interests.

3.11 CODE SECTION 708 TRANSFERS.

(a) A Member that is not a natural person may not cause or permit an interest, direct or indirect, in itself to be Transferred such that, after the Transfer, the Company would be considered to have terminated within the meaning of section 708 of the Code.

(b) On any breach of the provisions of Section 3.11(a), the Company shall have (i) the right to consent to such Transfer or (ii) the option to buy, and, on exercise of that option, the breaching Member shall sell, the breaching Member's Membership Interest, all in accordance with Section 11.1, as if the breaching Member were a Bankrupt Member.

3.12 INFORMATION.

(a) In addition to the other rights specifically set forth in this Agreement, each Member is entitled to all information to which that Member is entitled to have access pursuant to the Act under the circumstances and subject to the conditions therein stated.

(b) The Members acknowledge that, from time to time, they may receive information from or regarding the Company, its customers or any other Member or its Affiliates in the nature of trade secrets or secret or proprietary information or information that is otherwise confidential, the release of which may be damaging to the Company or the Member or its Affiliates, as applicable, or Persons with which they do business. Each Member shall hold in strict confidence any such information it receives and may not disclose such information to any Person other than another Member, except for disclosures (i) to comply with any Laws, (ii) to Affiliates, advisers or representatives of the Member or Persons to which that Member's Membership Interest may be Transferred as permitted by this Agreement, but only if the recipients of such information have agreed to be bound by the provisions of this Section 3.12(b), (iii) of information that a Member also has received from a source independent of the Company and that such Member reasonably believes such source obtained such information without breach of any obligation of confidentiality, (iv) of information obtained prior to the formation of the Company, provided that this clause (iv) shall not relieve any Member or any of its Affiliates from any obligations it may have to any other Member or any of its Affiliates under any existing confidentiality agreement, (v) to lenders, accountants and other representatives of the disclosing Member with a need to know such information, provided that the disclosing Member shall be responsible for such representatives' use and disclosure of any such information, or (vi) of public information. The Members acknowledge that a breach of the provisions of this Section 3.12(b) may cause irreparable injury to the Company or another Member for which monetary damages are inadequate, difficult to compute, or both. Accordingly, the Members agree that the provisions of this Section 3.12(b) may be enforced by injunctive action or specific performance.

(c) The Members acknowledge that, from time to time, the Company may need information from any or all of such Members for various reasons, including, without limitation, for complying with various federal and state regulations. Each Member shall provide to the Company all information reasonably requested by the Company within a reasonable amount of time from the date such Member receives such request; provided, however, that no Member shall be obligated to provide such information to the Company to the extent such disclosure (i)

could reasonably be expected to result in the breach or violation of any contractual obligation (if a waiver of such restriction cannot reasonably be obtained) or Law or (ii) involves secret, confidential or proprietary information.

3.13 LIABILITY TO THIRD PARTIES. Except as required by the Act, no Member shall be liable to any Person (including any third party or to another Member) (i) as the result of any act or omission of another Member or (ii) for Company losses, liabilities or obligations (except as otherwise expressly agreed to in writing by such Member).

3.14 RESIGNATION. Except to the extent expressly permitted by Section 3.17, each Member hereby covenants and agrees that it will not resign from the Company as a Member.

3.15 LACK OF MEMBER AUTHORITY. No Member has the authority or power to act for or on behalf of the Company, do any act that would be binding on the Company, or incur any expenditures on behalf of the Company, unless expressly authorized to do so in writing by the Company.

3.16 [RESERVED.]

3.17 FAILURE TO ACCEPT NAUTILUS CONSTRUCTION CERTIFICATE. Except for Section 3.18, notwithstanding any provision of this Agreement to the contrary, the Members hereby agree that, subject to the terms and conditions of this Section, any Member shall have the right (the "Termination Right") to cause the prompt dissolution and liquidation of the Company and its Subsidiaries if the construction authorization requested by Nautilus in its Application for Certificates of Public Convenience and Necessity and Request for Expedited Action (FERC Docket No. CP96-790 et al.) (the "Construction Certificate") is not acceptable to such Member for any reason. The Termination Right may be exercised only by voting to reject the Construction Certificate at the meeting at which such vote is considered, which meeting shall be held on the first Business Day immediately following the 12th day after the date on which the Construction Certificate is issued (the "Termination Time"). Each Member which either votes to accept the Construction Certificate or abstains on such vote or fails to attend such meeting shall be deemed to have voted in favor of acceptance of the Construction Certificate and shall have waived its right to exercise the Termination Right. At least five days prior to such meeting, the Members shall convene to discuss issues and positions related to the Construction Certificate. At such time as the Company has voted to accept the Construction Certificate, the rights and obligations created by this Section shall automatically and permanently terminate. If any Member exercises the Termination Right in accordance with the terms and conditions of this Section, and subject to the rights created by Section 3.17(d) to acquire Manta Ray and/or Nautilus after all liabilities have been discharged or for which firm arrangements have been made and all assets (other than rights of way and regulatory certificates or approval(s)) have been distributed to the Members, the Company and its Subsidiaries shall be dissolved and liquidated promptly using the general procedures set forth in Article XII subject to the following:

(a) The intent of the dissolution and liquidation is, to the extent practicable, for each Member (including its affiliates) to be returned to substantially the same

position which it held prior to the Formation Date, which intent includes (i) returning to each Member (including its affiliates) the assets and liabilities which it contributed, (ii) having Leviathan Holding own and control, and bear the risk and receive any gain or assume any loss associated with the Manta Ray Phase I Facilities (including the related compressor), (iii) having Shell Holding and Marathon Holding own and control the new pipe and related materials on terms and conditions substantially similar to those set forth in the August 15th, 1996 Letter Agreement between Marathon Oil Company and Shell Gas Pipeline Company, and bear the risk and receive any gain or assume any loss associated with the purchase and holding of new pipe and the related construction activities and (iv) having each Member share any other gains and losses from the sale of all remaining assets and all remaining liabilities of the Company and its Subsidiaries in proportion to its Membership Interest.

(b) All of the non-cash assets contributed to the Company or the applicable Subsidiary shall be reconveyed, free and clear of all liens and encumbrances (other than liens or encumbrances created prior to the conveyance of such assets to the Company or the applicable Subsidiary), to the Person which conveyed such non-cash assets to the Company or such Subsidiary in exchange for such assignee assuming any obligations related to such assets.

(c) [RESERVED]

(d) If any Member exercises the Termination Right, any one or more Members (including their Affiliates) which (i) voted in favor of accepting the Construction Certificate and (ii) desire to proceed with all or any portion of the Manta Ray System and/or the Nautilus System, shall have the right, until 1:00 p.m. (Central Time) on the twenty-fifth day following issuance of the Construction Certificate to be conveyed, as soon as reasonably practicable, all of the membership interest in Nautilus and/or Manta Ray, as applicable, in lieu of dissolving Nautilus and/or Manta Ray, as applicable, free and clear of all liens or encumbrances, immediately following the liquidation of all of the other assets and liabilities pursuant to Section 3.17(a) and 3.17(b)(or after other firm provisions have been made with respect to such liabilities). The conveyance will be made without payment of additional consideration, except that the proceeding Members shall be obligated to repay to the other Members any amounts expended to acquire any right of way or regulatory permit or approval retained by Nautilus or Manta Ray, as applicable. Any such right of way or regulatory permit or approval retained by Nautilus or Manta Ray, as applicable, shall be owned by such Company free and clear of all liens and encumbrances (other than liens or encumbrances created prior to the conveyance of such assets to the Company or the applicable Subsidiary).

3.18 OTHER CONTINGENCIES. Notwithstanding any rights set forth in Section 3.17, the Members shall have the following rights and obligations created by, and for the periods set forth in, this Section 3.18.

(a) If the declaratory order respecting the non-jurisdictional status of the Manta Ray Phase II Facilities or, in the alternative, a certificate of public convenience and necessity under the NGA authorizing the construction of the Manta Ray Phase II Facilities has been issued on or before April 1, 1997 then the Members agree to promptly proceed with the construction of the Manta Ray Phase II Facilities. If such facilities are constructed as facilities not subject to the NGA, they will be owned by Manta Ray; otherwise they will be owned by Nautilus or such entity as the Members unanimously agree upon.

(b) If either the declaratory order or the certificate of public convenience and necessity referred to in (a) above has been issued on or before April 1, 1997 but the Construction Certificate has not been issued on or before April 1, 1997, any Member which reasonably believes that the Construction Certificate will not be issued by June 1, 1997 shall have the right, until April 10, 1997, to eliminate the obligations of the Members to proceed with the construction of the Nautilus Initial Facilities and to cause the Membership Interests to be adjusted in accordance with Section 3.18(e); however, no Membership Interest adjustment shall be made if two or more Members elect to promptly reconstitute Nautilus and proceed with the Nautilus Initial Facilities and such reconstituting Members have both (x) received a Construction Certificate and (y) begun Nautilus Initial Facilities construction, by December 31, 1998, otherwise by December 31, 1998 the Membership Interests shall be adjusted in accordance with Section 3.18(e) and Leviathan Holding, if it is not one of the reconstituting Members, shall be reimbursed an amount equal to the value Leviathan Holding would have realized had the Reconciliation Adjustment under Section 3.18(e) been made on the Reconciliation Date plus a cost of capital adjustment equal to ten and one-half percent (10.5%). If the reconstituting Members construct the Nautilus Initial Facilities, such Members agree to use good faith reasonable efforts to maintain the transport rates on the Nautilus System agreed to in the Precedent Agreements between (i) Shell Offshore Inc., Shell Deepwater Development Inc., Shell Deepwater Production Inc., and Nautilus, and (ii) Marathon Oil Company and Nautilus subject to the other terms and provisions of such Precedent Agreement.

(c) If neither the declaratory order nor the certificate of public convenience and necessity referred to in (a) above has been issued on or before April 1, 1997 but the Construction Certificate has been issued on or before April 1, 1997, then the Members shall use commercially reasonable good faith efforts to construct alternative facilities in lieu of the Manta Ray Phase II Facilities, which facilities would be designed to achieve, as nearly as possible, the same practical benefits anticipated to be derived from the Manta Ray Phase II Facilities and the decision as to the alternative facilities shall be made by a Majority Interest.

(d) If neither the declaratory order nor the certificate of public convenience and necessity referred to in (a) above has been issued on or before April 1, 1997 and the Construction Certificate has not been issued on or before April 1, 1997, then each Member shall have the right to elect, until April 10, 1997, to cause the prompt

dissolution and liquidation of the Company, Nautilus and Manta Ray on terms and conditions substantially similar to those set forth in Section 3.17.

(e) If any Member properly exercises its rights to adjust the Membership Interests pursuant to this Section 3.18(e), such adjustment shall be made in accordance with the following general procedures:

(i) If only the Manta Ray Phase II Facilities are built and such facilities are constructed pursuant to a Certificate of Public Convenience and Necessity under the NGA, such facilities will be owned by Nautilus, and the Members agree they will promptly vote to cause Nautilus or Manta Ray, as applicable, to promptly reconvey any excess pipe and other assets which were purchased for the Nautilus Initial Facilities to Shell Holding and Marathon Holding free of any liens or encumbrances (other than liens or encumbrances created prior to the conveyance of such assets to the Company, Neptune, or the applicable Subsidiary);

(ii) Subject to Section 3.18(e)(vii) if the Manta Ray Phase II Facilities are not subject to regulation under the NGA, such facilities will be owned by Manta Ray, and the Members agree they will vote to cause Nautilus to be dissolved and its assets to be liquidated pursuant to Section 3.17(a);

(iii) [RESERVED]

(iv) [RESERVED]

(v) Once the actions contemplated in Section 3.18(e)(i-iv) have been taken, all references in this Agreement to the Manta Ray System and the Nautilus System shall be amended accordingly;

(vi) On the Reconciliation Date, the Membership Interests of the Members will be adjusted to equal the new ownership interests of Shell Holding equal to 45%, Leviathan Holding equal to 35%, and Marathon Holding equal to 20%. Upon the adjustment of the Membership Interests in the manner set forth in the preceding sentence, (i) the definition of "Majority Interest" in Section 1.1 will be amended to replace each reference to "50%" with a reference to "55%," (ii) the definition of "Super-Majority Interest" in Section 1.1. shall be deemed to be amended to replace each reference to "74%" with a reference to "64%" and (iii) Exhibit A shall be deemed to be amended to reflect the adjusted Membership Interests set forth above; and

(vii) In lieu of the Members causing the dissolution and liquidation of Nautilus in accordance with this Section 3.18 and subject to Section 3.17(a)(iii), the Members which desire to continue to seek the Construction Certificate shall have the right to be conveyed, as soon as reasonably practicable, all of the membership interest in Nautilus free and clear of all liens and encumbrances immediately following the liquidation of all of the other assets and liabilities pursuant to Section 3.18 (or after firm provisions have been made with respect to such liabilities). The conveyance will be made without

payment of additional consideration, except that the proceeding Members shall be obligated to repay to the other Members any amounts expended to acquire any right of way or regulatory permit or approval retained by Nautilus. Any such right of way or regulatory permit or approval retained by Nautilus shall be owned free and clear of all liens or encumbrances (other than liens and encumbrances created prior to the conveyance of such assets to Neptune or Nautilus, as applicable).

ARTICLE IV.
CAPITAL CONTRIBUTIONS

4.1 INITIAL CAPITAL CONTRIBUTIONS. The Members shall make the following Capital Contributions as further described in Exhibit A (the "Initial Capital Contributions"):

(a) Contributions by each Member of amounts equal to 1% of such Member's membership interest in Nautilus and Manta Ray as set forth on Exhibit A.

(b) [Reserved].

(c) [Reserved].

(d) [Reserved].

(e) Reconciling contributions from or distributions to the applicable Member or Members paid within 15 Business Days following the Reconciliation Date to the extent necessary to adjust each Member's Capital Account balance as of the Reconciliation Date, after all other Reconciliation Date adjustments have been made, by an amount equal to the difference, if any, between (i) the product of (a) the aggregate Capital Accounts on the Reconciliation Date multiplied by (b) such Member's Membership Interest as set forth on Exhibit A, or if applicable in Section 3.18(e) minus (ii) such Member's Capital Account balance. Any such positive difference shall result in a contribution, and any such negative difference shall result in a distribution, such that, after all such contributions and distributions, the Capital Accounts in the aggregate, shall remain unchanged; and

(f) [Reserved].

4.2 SUBSEQUENT CONTRIBUTIONS. Unless unanimously agreed to in writing by the Members, no Member shall be required to make any Capital Contributions other than the Initial Capital Contributions as contemplated by Section 4.1; provided, that, notwithstanding any provisions in this Agreement to the contrary, no Member shall be required to make any Capital Contribution, other than an Initial Capital Contribution, if such Member did not vote to approve such Capital Contribution.

4.3 FAILURE TO CONTRIBUTE.

(a) If a Member does not contribute by the time required all or any portion of a Capital Contribution such Member ("Delinquent Member") is required to make as provided in this Agreement, any one or more non-Delinquent Members may advance the entire amount of the

Delinquent Member's Capital Contribution that is in Default, with each non-Delinquent Member electing to participate making its share of such advance in proportion to its Membership Interest or in such other percentages as the participating Members may agree. Each non-Delinquent Member who makes such an advance on behalf of a Delinquent Member shall have the right to designate the extent to which such advance will (x) constitute a loan to the Delinquent Member and/or (y) result in an immediate adjustment of the Membership Interests of the Delinquent Member and the non-Delinquent Member making such election; provided, however, that if the advancing non-Delinquent Member does not notify the Company of its election to have all, or any portion of such advance treated as a loan to the Delinquent Member, in writing, at the time the advance is made then such advance shall automatically result in an immediate adjustment of the Membership Interests:

(i) To the extent one or more non-Delinquent Members does not elect to have an advance pursuant to Section 4.3(a) treated as a loan to the Delinquent Member, or affirmatively elects to have such advance result in an adjustment of the Membership Interests, the Company shall automatically adjust the Membership Interest for each Member to equal the percentage obtained by dividing (A) the Capital Account of such Member (including any Capital Contribution made by such Member under this Section by (B) the aggregate Capital Accounts of all Members (including all Capital Contributions made under this Section). Upon the adjustment of the Membership Interests in the manner set forth in the preceding sentence, Exhibit A shall be deemed to be amended to reflect such adjusted Membership Interests. Notwithstanding the foregoing, the Delinquent Member shall have the right to re-acquire the interest in question from the advancing non-Delinquent Member within 30 days following the date on which such Membership Interest adjustment is made by paying the entire amount advanced by such non-Delinquent Member in return for such adjustment, plus 12 percent per annum.

(ii) To the extent one or more non-Delinquent Members (the "Lending Member," whether one or more) does elect to have an advance pursuant to Section 4.3(a) constitute a loan to the Delinquent Member, such advance shall have the following results:

(1) the sum advanced shall constitute a loan from the Lending Member to the Delinquent Member and a Capital Contribution of that sum to the Company by the Delinquent Member pursuant to the applicable provisions of this Agreement,

(2) the principal balance of the loan and all accrued unpaid interest thereon (collectively, the "Obligation") shall be due and payable in whole on the tenth Business Day after the day written demand requesting payment of the Obligation is made by the Lending Member to the Delinquent Member; provided, however that the Delinquent Member may prepay the Obligation in whole or in part at any time prior to the date due.

(3) the amount lent shall bear interest at the Default Interest Rate from the date on which the advance is deemed made until the date that the loan,

together with all interest accrued thereon and all costs and expenses associated therewith ("Costs"), is repaid to the Lending Member,

(4) all distributions from the Company that otherwise would be made to the Delinquent Member (whether before or after dissolution of the Company) instead shall be paid to the Lending Member until the Obligation and any Costs have been paid in full to the Lending Member (with payments being applied first to accrued and unpaid interest, second to Costs, and finally to principal),

(5) [Reserved.]

(6) the Lending Member shall have the right, in addition to the other rights and remedies granted to it pursuant to this Agreement or available to it at law or in equity, to take any action (including, without limitation, court proceedings and exercising the rights of a secured party under the Uniform Commercial Code of the State of Texas) that the Lending Member may deem appropriate to obtain payment from the Delinquent Member of the Obligation and all Costs; and

(7) initially, a loan by any Member to another Member as contemplated by this Section 4.3(a)(ii) shall not be considered a Capital Contribution by the Lending Member and shall not increase the Capital Account balance of the Lending Member. Notwithstanding the foregoing, in the event the principal and interest of any such loan have not been repaid within one year from the date of the loan, the Lending Member, at any time thereafter by giving written notice to the Company, may elect to have the unpaid principal and interest balance of such loan transferred to and increase such Lending Member's Capital Account with a corresponding decrease in the Capital Account of the Member on whose behalf such loan was made. Upon such transfer, the loan shall be treated as a Capital Contribution and the Membership Interest for each Member shall be automatically adjusted to equal the percentage obtained by dividing (A) the Capital Account of such Member (including any Capital Contribution made on behalf of another Member) by (B) the aggregate Capital Accounts of all Members (including all Capital Contributions made on behalf of other Members). Upon the adjustment of the Membership Interests in the manner set forth in the preceding sentence, Exhibit A shall be deemed to be amended to reflect such adjusted Membership Interests.

(b) If the non-Delinquent Members do not exercise the rights granted by Section 4.3(a) within 14 days after the Delinquent Member fails to make its Capital Contribution when due, then the Company, by a vote of a majority in interest of the non-Delinquent Members, shall have the right to exercise the following remedies:

(i) the Company may at any time take such action (including, without limitation, court proceedings) as the Company may deem appropriate to obtain payment by the Delinquent Member of the portion of the Delinquent Member's Capital

Contribution that is in Default, along with all Costs and expenses associated with the collection of such Delinquent Member's Capital Contribution; and

(ii) the Company may at any time exercise any other rights and remedies available at law or in equity.

4.4 RETURN OF CONTRIBUTIONS. A Member is not entitled (i) to the return of any part of any Capital Contributions other than any preferential or disproportionate distributions to the extent such distributions are expressly required to be returned by this Agreement or (ii) to be paid interest in respect of either its Capital Account or its Capital Contributions. An unrepaid Capital Contribution is not a liability of the Company or of any Member. A Member is not required to contribute or to lend any cash or property to the Company to enable the Company to return any other Member's Capital Contributions.

4.5 CAPITAL ACCOUNTS. A separate capital account ("Capital Account") shall be established and maintained for each Member in accordance with the rules of Treasury Regulation section 1.704-1(b)(2)(iv) and the following terms and conditions:

INCREASES AND DECREASES

(a) Each Member's Capital Account shall be (i) increased by (A) the amount of cash or cash equivalents contributed by that Member to the Company as capital, (B) the Net Asset Value of property contributed by that Member to the Company as capital, (C) the amount of any loans transferred by such Member to its Capital Account pursuant to Section 4.3(a)(ii)(7) (contributions contemplated by subparagraphs (A) and (B) shall be referred to as "Capital Contributions"), and (D) allocations to that Member of Company income and gain (or items thereof), including, without limitation, income and gain exempt from tax and income and gain described in Treasury Regulation section 1.704-1(b)(2)(iv)(g), but excluding income and gain described in Treasury Regulation section 1.704-1(b)(4)(i); and (ii) shall be decreased by (A) the amount of cash or cash equivalents distributed to that Member by the Company, (B) the Net Asset Value of property distributed to that Member by the Company, and (C) allocations of Company losses and deductions (or items thereof), including losses and deductions described in Treasury Regulation section 1.704-1(b)(2)(iv)(g) (but excluding losses or deductions described in Treasury Regulation section 1.704-1(b)(4)(i) or (iii));

METHOD FOR DETERMINING INCOME, GAIN OR LOSS AND DEDUCTIONS

(b) For purposes of computing the amount of any item of income, gain, loss or deduction to be reflected in the Members' Capital Accounts, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes (including, without limitation, any method of depreciation, cost recovery or amortization used for that purpose), provided that:

(i) All fees and other expenses incurred by the Company to promote the sale of (or to sell) any interest that can neither be deducted nor amortized under section 709 of

the Code, if any, shall, for purposes of Capital Account maintenance, be treated as an item of deduction at the time such fees and other expenses are incurred and shall be allocated among the Members pursuant to Sections 5.1 and 5.2;

(ii) Except as otherwise provided in Treasury Regulation section 1.704 1(b)(2)(iv)(m), the computation of all items of income, gain, loss and deduction shall be made without regard to any election under section 754 of the Code which may be made by the Company and, as to those items described in section 705(a)(1)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes;

(iii) Any income, gain or loss attributable to the taxable disposition of any Company property shall be determined as if the adjusted basis of such property as of such date of disposition were equal in amount to the Company's Carrying Value with respect to such property as of such date;

(iv) In accordance with the requirements of section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Company was equal to the Asset Value of such property on the date it was acquired by the Company. Upon an adjustment pursuant to Section 4.5(d) to the Carrying Value of any Company property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the Company may adopt; and

(v) any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Net Income or Net Loss shall be added to such taxable income or loss.

IMPACT OF AND ADJUSTMENTS FOR SUCCESSION IN INTERESTS

(c) A Transferee shall succeed to the Capital Account of the Transferor relating to the Membership Interest so Transferred; provided, however, that if the Transfer causes a termination of the Company under section 708(b)(1)(B) of the Code, the Company's properties shall be deemed to have been distributed in liquidation of the Company to the Members (including any Transferee of a Membership Interest that is a party to the Transfer causing such termination) pursuant to Section 12.2 and recontributed by such Members in reconstitution of the Company. Any such deemed distribution shall be treated as an actual distribution for purposes of this Section 4.5. In such event the Carrying Values of the Company properties shall be adjusted

immediately prior to such deemed distribution pursuant to Section 4.5(d)(ii) and such Carrying Values shall then constitute the fair market values of such properties upon such deemed contribution to the reconstituted Company for the purposes of determining the Asset Value and otherwise. The Capital Accounts of such reconstituted Company shall be maintained in accordance with the principles of this Section 4.5.

ADDITIONAL MEMBERSHIP INTERESTS

(d) (i) Consistent with the provisions of Treasury Regulation section 1.7041(b)(2)(iv)(f), on an issuance of additional Membership Interests for cash or Contributed Property, the Capital Accounts of all Members and the Carrying Value of each Company property immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Company property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately prior to such issuance and had been allocated to the Members at such time pursuant to Section 5.1.

ADJUSTMENTS PRIOR TO A DISTRIBUTION

(ii) In accordance with Treasury Regulation section 1.704-1(b)(2)(iv)(f), immediately prior to any distribution to a Member of any Company property (other than a distribution of cash or cash equivalents that are not in redemption or retirement of a Membership Interest), the Capital Accounts of all Members and the Carrying Value of each Company property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Company property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value (which shall be determined by the Company using any valuation method it deems reasonable under the circumstances), and had been allocated to the Members at such time, pursuant to Section 5.1.

(iii) Upon the Reconciliation Date and in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), the Carrying Value of the Manta Ray Phase I Facilities and the Boxer Line shall be adjudged to equal $50.3 million and $4.1 million respectively. The excess of the Manta Ray Phase I Facilities' adjudged value over the Carrying Value of the Manta Ray Phase I Facilities immediately before the Reconciliation Date (the "Leviathan Reconciliation Date Income") and the excess of the Boxer Line's adjudged value over the Carrying Value of the Boxer Line immediately before the Reconciliation Date (the "Shell Reconciliation Date Income") shall be allocated in accordance with Section 5.1(c).

ARTICLE V.
ALLOCATIONS AND DISTRIBUTIONS

5.1 ALLOCATIONS FOR CAPITAL ACCOUNT PURPOSES. In order to properly reflect the business agreement by and among the Members, the intent of the allocations in this Section 5.1 is to (i) treat each Member as if the Capital Contributions of the Manta Ray Phase I Facilities and the Boxer Line were made on the Reconciliation Date and (ii) solely for Capital Account maintenance and federal income tax purposes income received from Manta Ray and Nautilus shall be allocated as if derived from the operations of the Company. Therefore, for purposes of maintaining the Capital Accounts and in determining the rights of the Members among themselves, the Company's items of income, gain, loss and deduction (computed in accordance with Section 4.5(b)) shall be allocated among the Members in each taxable year (or portion thereof) as provided herein below.

(a) Net Income. All items of income, gain, loss and deduction taken into account in computing Net Income for such taxable period shall be allocated to each of the Members in accordance with its respective Membership Interests; provided, however, that, during the period beginning on the date hereof and ending on the Reconciliation Date, (i) 100% of all income, gain, loss and deduction taken into account in computing that portion of Net Income attributable to Manta Ray Stub Period Income shall be specially allocated to Leviathan Holding and (ii) 100% of all income, gain, loss and deduction taken into account in computing that portion of Net Income attributable to Boxer Line Stub Period Income shall be specially allocated to Shell Holding.

(b) Net Losses. All items of income, gain, loss and deduction taken into account in computing Net Losses for such taxable period shall be allocated to each Member in accordance with its respective Membership Interests; provided, however that, during the period beginning on the date hereof and ending on the Reconciliation Date, (i) 100% of all income, gain, loss and deduction taken into account in calculating Net Losses attributable to Manta Ray Stub Period Income shall be specially allocated to Leviathan Holding and (ii) 100% of all income, gain, loss and deduction taken into account in calculating Net Losses attributable to Boxer Line Stub Period Income shall be specially allocated to Shell Holding.

(c) Special Allocation of Income. Notwithstanding the other provisions of this Section 5.1,

(i) the Leviathan Reconciliation Date Income shall be allocated solely to Leviathan Holding; and

(ii) the Shell Reconciliation Date Income shall be allocated solely to Shell Holding.

(d) Nonrecourse Liabilities. For purposes of Treasury Regulation section 1.752-3(a)(3), the Members agree that Nonrecourse Liabilities of the Company in excess of the sum of (A) the amount of Company Minimum Gain and (B) the total amount of Nonrecourse Built-in

Gain shall be allocated among the Members in accordance with their respective Membership Interests.

(e) Company Minimum Gain Chargeback. Notwithstanding the other provisions of this Section 5.1, except as provided in Treasury Regulation section 1.704-2(f)(2) through (5), if there is a net decrease in Company Minimum Gain during any Company taxable period, each Member shall be allocated items of Company income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation sections 1.704-2(f)(6) and (g)(2) and section 1.704-2(j)(2)(i), or any successor provisions. For purposes of this Section 5.1(d), each Member's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 5.1 with respect to such taxable period (other than an allocation pursuant to Section 5.1(h) or (i)).

(f) Chargeback of Minimum Gain Attributable to Member Nonrecourse Debt. Notwithstanding the other provisions of this Section 5.1 (other than Section 5.1(d), except as provided in Treasury Regulation section 1.704-2(i)(4)), if there is a net decrease in Minimum Gain Attributable to Member Nonrecourse Debt during any Company taxable period, any Member with a share of Minimum Gain Attributable to Member Nonrecourse Debt at the beginning of such taxable period shall be allocated items of Company income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 5.1, each Member's Adjusted Capital Account balance shall be determined and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 5.1, other than Sections 5.1(d), (h) and (i), with respect to such taxable period.

(g) Qualified Income Offset. In the event any Member unexpectedly receives adjustments, allocations or distributions described in Treasury Regulation section 1.704-1(b)(2)(ii)(d)(4) through (6) (or any successor provisions), items of Company income and gain shall be specifically allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations promulgated under section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible unless such deficit balance is otherwise eliminated pursuant to Section 5.1(d) or 5.1(e).

(h) Gross Income Allocations. In the event any Member has a deficit balance in its Adjusted Capital Account at the end of any Company taxable period which is in excess of the sum of (i) the amount such Member is obligated to restore pursuant to any provision of this Agreement and (ii) the amount such Member is deemed obligated to restore pursuant to the penultimate sentences of Treasury Regulations sections 1.704-2(g)(1) and 1.704-2(i)(5), such Member shall be specifically allocated items of Company gross income and gain in the amount of such excess as quickly as possible; provided that an allocation pursuant to this Section 5.1(g) shall be made only if and to the extent that such Member would have a deficit balance in its Adjusted Capital Account after all other allocations provided in this Section 5.1 have been tentatively made as if this Section 5.1(g) was not in the Agreement.

(i) Nonrecourse Deductions. Nonrecourse Deductions for any taxable period shall be allocated to the Members in accordance with their respective Membership Interests. If the Company determines in its good faith discretion that the Company's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Treasury Regulations promulgated under section 704(b) of the Code, the Company is authorized, upon notice to the Members, to revise the prescribed ratio to the numerically closest ratio which does satisfy such requirements.

(j) Member Nonrecourse Deductions. Member Nonrecourse Deductions for any taxable period shall be allocated 100% to the Member that bears the Economic Risk of Loss for such Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Treasury Regulation section 1.704-2(i) (or any successor provision). If more than one Member bears the Economic Risk of Loss with respect to a Member Nonrecourse Debt, such Member Nonrecourse Deductions attributable thereto shall be allocated between or among such Members ratably in proportion to their respective shares of such Economic Risk of Loss.

5.2 ALLOCATIONS FOR TAX PURPOSES.

(a) Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss and deduction which is recognized by the Company for federal income tax purposes shall be allocated among the Members in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 5.1 hereof.

(b) In an attempt to eliminate Book-Tax Disparities attributable to a Contributed Property or Adjusted Property, items of income, gain, loss, depreciation, amortization and cost recovery deductions shall be allocated for federal income tax purposes among the Members as follows:

(i) (A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Members in the manner provided under section 704(c) of the Code and section 1.704-3(b) of the Treasury Regulations (i.e. the "traditional method") that takes into account the variation between the Asset Value of such property and its adjusted basis at the time of contribution; and (B) except as otherwise provided in Section 5.2(b)(iii), any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Members in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 5.1.

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Members in a manner consistent with the principles of section 704(c) of the Code and section 1.704-3(b) of the Treasury Regulations (i.e. the "traditional method") to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 4.5(d)(i), (ii), or (iii) and (2) second, in the event such property was originally a Contributed Property, be allocated among the Members in a manner consistent with Section 5.2(b)(i); and (B) except as otherwise provided in Section 5.2(b)(iii), any item of Residual Gain or Residual Loss

attributable to an Adjusted Property shall be allocated among the Members in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 5.1.

(iii) Any items of income, gain, loss or deduction otherwise allocable under Section 5.2(b)(i)(B) or 5.2(b)(ii)(B) shall be subject to allocation by the Company in a manner designed to eliminate, to the maximum extent possible, Book-Tax Disparities in a Contributed Property or Adjusted Property otherwise resulting from the application of the "ceiling" limitation (under section 704(c) of the Code or section 704(c) principles) to the allocations provided under Sections 5.2(b)(i)(A) and 5.2(b)(ii)(A).

(c) For the proper administration of the Company, the Company shall (i) adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; provided, that such depreciation, amortization and cost recovery methods shall be the most accelerated methods allowed under federal tax laws]; (ii) make special curative allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions pursuant to section 1.704-3(c) of the Treasury Regulations to eliminate the impact of the "ceiling" limitation (under section 704(c) of the Code and section 704 principles) to the allocations provided in Section 5.2(b); and (iii) amend the provisions of this Agreement as appropriate to reflect the proposal or promulgation of Treasury Regulations under section 704(b) or section 704(c) of the Code. The Company may adopt such conventions, make such allocations and make such amendments to this Agreement as provided in this Section 5.2(c) only if such conventions, allocations or amendments are consistent with the principles of section 704 of the Code.

(d) The Company may determine to depreciate the portion of an adjustment under section 743(b) of the Code attributable to unrealized appreciation in any Adjusted Property (to the extent of the unamortized Book-Tax Disparity) using a predetermined rate derived from the depreciation method and useful life applied to the Company's common basis of such property, despite the inconsistency of such with Proposed Treasury Regulation section 1.168-2(n) and Treasury Regulation section 1.167(c)-1(a)(6), or any successor provisions. If the Company determines that such reporting position cannot reasonably be taken, the Company may adopt any reasonable depreciation convention that would not have a material adverse effect on the Members.

(e) Any gain allocated to the Members upon the sale or other taxable disposition of any Company asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 5.2 be characterized as Recapture Income in the same proportions and the same extent as such Members (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

(f) All items of income, gain, loss, deduction and credit recognized by the Company for federal income tax purposes and allocated to the Members in accordance with the provisions hereof shall be determined without regard to any election under section 754 of the Code which may be made by the Company; provided, however, that such allocations, once made, shall be

adjusted as necessary or appropriate to take into account those adjustments permitted or required by sections 734 and 743 of the Code.

5.3 REQUIREMENT OF DISTRIBUTIONS. Subject to the provisions of Sections 5.6 and 7.2, and less the amount of the cash reserves, if any, set aside pursuant to Section 5.5, the Company shall distribute (within 30 days following the end of each calendar month) such amount of Available Cash, as determined by the Members, to the Members who were Record Holders as of the Record Date in accordance with their respective Membership Interests (except as otherwise provided in Section 5.7).

5.4 PRO RATA DISTRIBUTIONS. Except for preferential or disproportionate distributions to the extent expressly provided for in this Agreement (including those set forth in Section 12.2), any distributions attributable to the Membership Interests of the Company paid in cash, property, or equity ownership of the Company shall be allocated pro rata according to Membership Interest.

5.5 RESERVES. Before payment of any Distributions, there may be set aside out of any funds of the Company available for distributions such sum or sums as the Members from time to time, in their absolute discretion, think proper as a cash reserve or reserves to meet contingencies, for repairing or maintaining any property of the Company, or for such other purpose as the Members shall determine to be in the best interest of the Company; and the Company may modify or abolish any such cash reserve in the manner in which it was created. Any reserves established by Manta Ray or Nautilus shall be considered in determining the appropriate reserve for the Company.

5.6 DISTRIBUTION RESTRICTIONS. Unless unanimously agreed to in writing by the Members, and subject to the provisions of Section 4.3, the Company shall not distribute (i) any of the Initial Capital Contributions until the completion of the construction of the Manta Ray Phase II Facilities and the Nautilus Initial Facilities, except to the extent that all of the Members agree that the applicable portion of such Initial Capital Contributions is no longer needed to finance such construction or the operations of the Company, or (ii) any amounts that would cause the Company, Manta Ray or Nautilus to materially breach, or would create a material default under, any debt agreements or instruments to which the Company, Manta Ray or Nautilus is a party.

5.7 SPECIAL DISTRIBUTIONS AND CONTRIBUTIONS. Notwithstanding anything herein to the contrary, including the provisions of this Article V, on or before the fifteenth Business Day of each calendar month, Company shall deliver to Shell Holding and Leviathan Holding a statement setting forth in detail the amounts specially allocated to Shell Holding or Leviathan Holding as Boxer Line Stub Period Income or Manta Ray Stub Period Income, as the case may be, pursuant to Section 5.1(a) and (b). If the Boxer Line Stub Period Income or the Manta Ray Stub Period Income for the preceding calendar month (exclusive of non-cash items such as depreciation and amortization) is a positive number, then the Company will make a special distribution of such net amount to Shell Holding and/or Leviathan Holding, as applicable, on or before the 25th day of the calendar month in which the statement is delivered. If the Boxer Line Stub Period Income or Manta Ray Stub Period Income for the preceding calendar month (exclusive of non-cash items such as depreciation and amortization) is a negative number, then Shell Holding or Leviathan

Holding, as applicable, will make an additional Capital Contribution to the Company of such net amount on or before the 25th day of the calendar month in which the statement is delivered. Any such distribution or contribution shall not prejudice the right of the paying party to an adjustment of any statement. Shell Holding and Leviathan Holding and its authorized representatives shall have the right to inspect any records of the Company forming the basis for a statement delivered to it, and the Company agrees to retain such records, for 36 months from the end of the calendar year in which the applicable statement was delivered.

ARTICLE VI.
MANAGEMENT OF THE COMPANY

6.1 MANAGEMENT BY THE MEMBERS AND DELEGATION OF AUTHORITY. The Members hereby unanimously agree that the business and affairs of the Company shall be managed by or under the authority of the Members in accordance with the Act, which Members may act through their directors, officers, employees, representatives, agents and designees. Except for situations in which the approval of the Members is required by this Agreement or by nonwaivable provisions of applicable Laws, the Members shall have broad discretion to authorize any committee constituted pursuant to Section 6.2 or any officer or other agent to act on behalf of the Company.

6.2 COMMITTEES. For organizational purposes, the Members may form one or more committees of the Members. Each Member shall appoint one (or more) of its duly authorized agents to act for the Member on any committee of the Company. Such agents of each Member shall be given the authority by such Member to vote on behalf of the Member on any issue within the committee's responsibility and the agent(s) of each Member shall have the right to vote on behalf of such Member in proportion to such Member's Membership Interest.

6.3 AUTHORITY OF MEMBERS AND COMMITTEES.

(a) With respect to conflicts or disagreements between and among any committees, the Members shall have ultimate decision making authority. The Members and the committees shall act through the Company's officers, employees, representatives, agents and designees to whom authority has been expressly delegated. All action of the Members shall be taken pursuant to resolutions approved by the Members in accordance with Article VII of this Agreement.

(b) Unless otherwise expressly delegated in writing or provided by this Agreement, the Members hereby reserve to the Members as a group the authority, with respect to the Company, to authorize and approve the following, or, with respect to matters to be authorized or approved by Subsidiaries of the Company, to determine how the Company will vote as a member of such Subsidiary, with respect to the following:

(i) authorizing Gas Contracts the term of which could be longer than one year after the date of execution thereof; provided, however, that, with respect to the Manta Ray System, Leviathan Holding shall have the right to override and reverse any vote by the Members made on or before the expiration of the Termination Time so long as Leviathan Holding does not obligate Manta Ray to incur any construction costs;

(ii) authorizing any contract, agreement or other undertaking involving more than $500,000 in any year or $1,000,000 in the aggregate;

(iii) authorizing a transaction involving the acquisition or construction of any pipeline, lateral or extension, including a Lateral in accordance with Article XV, or any compression, expansion or other significant facilities;

(iv) authorizing a transaction involving a lease or similar arrangement which either (A) involves an asset with a fair market value of more than $500,000 or (B) could reasonably be expected to result in payments in excess of $500,000;

(v) approving any operating and capital expenditures budgets;

(vi) authorizing any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, involving the Company or its Subsidiaries and any Member or any Affiliate of any Member (which transaction, once approved by all of the Members, shall be presumed to be fair to the Company or such Subsidiary, as the case may be);

(vii) authorizing borrowing money;

(viii) authorizing transactions not in the ordinary course of business;

(ix) determining the cash reserve applicable to distributions of cash and other property as provided in Sections 5.3, 5.5 and 5.6;

(x) utilizing for other than company purposes, acquiring, or disposing of any material asset of the Company or its Subsidiaries;

(xi) permitting a member of the Company or any of its Subsidiaries to resign;

(xii) permitting the merger, consolidation, participation in a share exchange or other statutory reorganization with, or sale of all or substantially all of the assets of the Company or its Subsidiaries to, or the sale or other transfer or alienation of any interest in Manta Ray or Nautilus to, any Person;

(xiii) permitting dissolution and liquidation;

(xiv) approving the Construction Certificate, the Nautilus FERC tariff, the applications for the Construction Certificate, the FERC Certificate and any subsequent FERC certificate, including any amendment or modifications of any FERC certificate, approving any material amendments or other material modifications to the Construction Certificate, the Nautilus FERC tariff, the FERC Certificate or any subsequent FERC certificate, including, without limitation, the general terms and conditions and the rates and the basis upon which such rates are calculated, or accepting the Construction Certificate, the FERC Certificate or any subsequent FERC certificate;

(xv) instituting litigation, arbitration, or similar proceedings at a cost to the Company which could reasonably be expected to exceed $250,000; provided, however, that if any Member or any Affiliate of a Member is an adverse party thereto, then all of the remaining Members which are not Affiliates of the affected Member shall be entitled to cause the Company to institute such action, but once such action has been instituted, all of such remaining Members must agree prior to the settlement of any such action. Such non-Affiliate Members' vote shall be sufficient to take such actions under this Section even if such Membership Interest is less than a Majority Interest;

(xvi) changing the name of the Company or its Subsidiaries;

(xvii) approval, waiver, amendment or other modification (other than termination) of any Operating Agreement or any other operating agreement with respect to the operation of the Manta Ray System or the Nautilus System or any management or similar agreement with respect to the operation of the Company; and

(xviii) termination (other than by expiration of the term thereof) of any Operating Agreement or any other operating agreement with respect to the operation of the Manta Ray System or the Nautilus System or of the Company; provided, however that for purposes of this Section 6.3(b)(xviii), if any Member or its Affiliate (as such term is defined in the Operating Agreements or Construction Agreements in question) which would be replaced as an operator as a result of such termination, such Member shall not be entitled to vote on such termination. The vote of such non-replaced Members shall be sufficient to take such actions under this Section even if such Membership Interest is less than a Majority Interest;

With respect to each matter described in (i) - (xviii) above, the exercise of Member authority shall occur only by the affirmative vote of the applicable Required Interest specified elsewhere in this Agreement, including, without limitation, the unanimous voting requirements set forth in Section 7.2(b); the Super-Majority Interest voting requirements set forth in Section 7.2(a), and the Majority Interest voting requirements set forth in Section 7.1(a). Member approval or disapproval of any matter requiring Member approval (including, without limitation, the matters set forth in this Section 6.3(b) and Sections 7.2(a) and (b)) may be based on any reason whatsoever, in each Member's sole and absolute discretion.

6.4 OFFICERS.

(a) The Members may designate one or more Persons to fill one or more officer positions of the Company. Such officers may include, without limitation, Chief Executive Officer, Chief Financial Officer, President, Vice President, Treasurer, Assistant Treasurer, Secretary and Assistant Secretary. No officer need be a resident of the State of Delaware. The Members may assign titles to particular officers. Each officer shall hold office until his successor shall be duly designated and shall qualify to hold such office, or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Any number of offices may be held by the same Person. The salaries or other compensation, if any, of the officers and agents of the Company may be fixed from time to time by the Members. Notwithstanding any

other provisions of this Agreement, the authority of any officers, employees or agents of the Company shall be restricted to the carrying on of the day-to-day affairs of the Company and any such authority shall be subject to the supervisory control of the Members. Only Members or their duly authorized agents shall have the authority to make policy decisions for the Company. Unless the Members decide otherwise, the assignment of such title shall constitute the delegation to such officer of the authority and duties set forth below:

(i) President. Unless otherwise specified by the Members, the President shall be the chief operating officer of the Company and have general executive powers to manage the operations of the Company, and such other powers and duties under this Agreement as the Members may from time to time prescribe.

(ii) Vice Presidents. In the absence of the President, or in the event of his inability to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated by the Members, or in the absence of any such designation, then in the order of their election or appointment) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

(iii) Secretary. The Secretary shall keep the minutes of the meetings of the Company and shall exercise general supervision over the files of the Company. The Secretary shall give notice of meetings and shall perform other duties commonly incident to such office.

(iv) Assistant Secretary. At the request of the Secretary or in the Secretary's absence or inability to act, the Assistant Secretary shall perform part or all of the Secretary's duties.

(v) Treasurer. The Treasurer shall have general supervision of the funds, securities, notes, drafts, acceptances, and other commercial paper and evidences of indebtedness of the Company and he shall determine that funds belonging to the Company are kept on deposit in such banking institutions as the Members may from time to time direct. The Treasurer shall determine that accurate accounting records are kept, and the Treasurer shall render reports of the same and of the financial condition of the Company to the Members at any time upon request. The Treasurer shall perform other duties commonly incident to such office, including, but not limited to, the execution of tax returns.

(vi) Assistant Treasurer. At the request of the Treasurer or in the Treasurer's absence or inability to act, the Assistant Treasurer shall perform part or all of the Treasurer's duties.

(b) Any officer may resign as such at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the Company. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation. Any officer may be removed as such,

either with or without cause, by the Members; provided, however, that such removal shall be without prejudice to the contract rights, if any, of the officer so removed. Designation of an officer shall not of itself create contract rights. Any vacancy occurring in any office of the Company may be filled by the Members.

6.5 DUTIES OF OFFICERS. Each officer shall devote such time, effort, and skill to the Company's business affairs as he deems necessary and proper for the Company's welfare and success. The Members expressly recognize that the officers have substantial other business relationships and activities with Persons other than the Company.

6.6 NO DUTY TO CONSULT. Except as otherwise provided herein or by applicable law, neither the Company nor its duly appointed agents, designees or representatives or the officers of the Company shall have a duty or obligation to consult with or seek advice of the Members on any matter relating to the day-to-day business affairs of the Company duly delegated to such Persons; provided, however, that such Persons shall not be restricted from consulting with or seeking the advice of the Members.

6.7 REIMBURSEMENT. Except for pre-formation expenses paid by each respective Member and treated as a Capital Contribution pursuant to Section 4.1(a), all expenses incurred with respect to the organization, operation and management of the Company shall be borne by the Company.

6.8 MEMBERS AND AFFILIATES DEALING WITH THE COMPANY. Subject to obtaining any consent expressly required hereunder, the Company may appoint, employ, contract, or otherwise deal with any Person, including Affiliates of the Members, individuals with whom the Members are otherwise related, and with business entities which have a financial interest in a Member or in which a Member has a financial interest, for transacting Company business, including any acts or services for the Company as the members of any committee, officer or other representative with the proper authority may approve.

6.9 INSURANCE. Neptune shall make available to the Company the full amount of Neptune's insurance program described on "Exhibit C.I.A. through D" of the Neptune Limited Liability Company Agreement as if the Company was an additional insured.

The Company shall provide the insurance coverage as outlined on "Exhibit C" of this Agreement.

All insurance policies shall provide that the insurers waive their right of subrogation against the Company, Neptune, Manta Ray, Nautilus, Leviathan Holding, Marathon Holding and Shell Holding, any of their Affiliates, or any other party indemnified by Company.

ARTICLE VII.
MEETINGS

7.1 MEETINGS OF MEMBERS AND COMMITTEES.

(a) A quorum shall be present at a meeting of Members or any committee of the Company if the holders of at least a Majority Interest are represented at the meeting in person or by proxy. At a meeting of the Members at which a quorum is present with respect to any matter (except for any matter expressly requiring the affirmative vote of a Required Interest greater than a Majority Interest pursuant to this Agreement), the affirmative vote of the Majority Interest shall be the act of the Members.

(b) All meetings of the Members or any committee of the Company shall be held at the principal place of business of the Company or at such other place within or without the State of Delaware as shall be specified or fixed in the notices or waivers of notice thereof; provided that any or all Members or their representatives may participate in any such meeting by means of conference telephone or similar communications equipment pursuant to Section 16.11. No Member shall willfully be absent from any meeting of the Members or any committee of the Company.

(c) Notwithstanding the other provisions of this Agreement, the holders of at least a majority of the Membership Interest represented (in person or by proxy) at a meeting at which a quorum is present shall have the power to adjourn such meeting from time to time, without any notice other than an announcement at the meeting of the time and place of the resumption of the adjourned meeting. The time and place of such adjournment shall be determined by a vote of such Membership Interest. Upon the resumption of such adjourned meeting, any business may be transacted that might have been transacted at the meeting as originally called.

(d) Unless otherwise expressly provided in a written notice issued by the Members, an annual meeting of the Members for the transaction of such business as may properly come before such meeting shall be held at the principal office of the Company at 10:00 a.m. on the second Tuesday which is a Business Day in the month of April. Regularly scheduled, periodic meetings of the Members or any committee of the Company may be held without notice to the Members or Member representatives at such times and places as shall from time to time be determined by resolution of the Members or such Member representatives and communicated to all Members or their representatives. Each Member, or its representatives in the case of committee meetings, shall use reasonable efforts to inform the other Members or committee representatives of any business matters that it intends to raise at any regular meeting of the Members or any committee of the Company within a reasonable time prior to such meeting.

(e) Special meetings of the Members or any committee of the Company, for any purpose or purposes, unless otherwise prescribed by law, shall be called by (i) the President or Secretary (if any), (ii) any one or more Members holding at least 20% of the Membership Interests of the Company in the aggregate or (iii) any two or more non-Affiliated Members. Such request of the President, Secretary or Member(s) shall state the purpose or purposes of the proposed meeting.

(f) Except as provided otherwise by this Agreement or applicable law, written or printed notice stating the place, day and hour of the meeting and the purpose or purposes for which such meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days (including Saturdays, Sundays and holidays) before the date of the proposed meeting, either personally, by certified mail (return receipt requested) or by telecopy (with a copy delivered via United States mail), by or at the direction of the Person calling the meeting, to each Member or Member representative, as the case may be, entitled to vote thereat. If mailed, any such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Member, or Member representative, at its address provided for in Section 16.19, with postage thereon prepaid.

(g) The date on which notice of a meeting of the Members or any committee of the Company is mailed shall be the Record Date for the determination of the Members or Member representatives entitled to notice of or to vote at such meeting, including any adjournment thereof, or the Members or Member representatives entitled to receive such notice.

7.2 SPECIAL ACTIONS.

(a) The approval of the holders of a Super-Majority Interest of the Members shall be required to authorize and approve the following, or, with respect to matters to be authorized or approved by Subsidiaries of the Company, to determine how the Company will vote as a member of such Subsidiary with respect to the following:

(i) except with respect to cash reserves consistent with historical practices, determining the cash reserves applicable to distributions of cash and other property as provided in Sections 5.3, 5.5 and 5.6, other than (A) cash reserves relating to acquiring, constructing or otherwise obtaining (including, without limitation, pursuant to a lease or similar arrangement approved in accordance with Section 7.2(a)(v)) any pipeline, lateral or extension, including any Lateral or any compression, expansion or other significant facilities if such reserve exceeds, at any one time $500,000, but is less than or equal to $5,000,000 (the authorization for which requires at least a Majority Interest) or (B) cash reserves described in Section 7.2(a)(ii) (requiring at least a Super Majority Interest) or Section 7.2(b)(xv) (requiring unanimity);

(ii) determining the cash reserves applicable to distributions of cash and other property as provided in Sections 5.3, 5.5 and 5.6, to the extent such cash reserves (A) relate to acquiring, constructing, leasing or otherwise obtaining any pipeline, lateral or extension, including any Lateral or any compression, expansion or other significant facilities and (B) exceed, at any one time, $5,000,000, but is less than or equal to $15,000,000;

(iii) (A)entering into any credit agreement, indenture or similar agreement or (B) borrowing money or making draws under any such previously approved credit agreement, indenture or similar agreement for the purpose of funding authorized transactions with an approved cost to the Company of more than $5,000,000, but less than or equal to $15,000,000;

(iv) utilizing other than for Company purposes, acquiring or disposing of any asset of the Company or its Subsidiaries having a then existing fair market value or GAAP net book value (after deducting accumulated depreciation, depletion, amortization and impairment) of more than $5,000,000 but less than or equal to $15,000,000;

(v) authorizing a transaction involving a lease or similar arrangement which either (A) involves an asset with a fair market value of more than $5,000,000 but less than or equal to $15,000,000 or (B) could reasonably be expected to result in payments of more than $5,000,000 but less than or equal to $15,000,000;

(vi) authorizing a transaction which involves acquiring, constructing or otherwise obtaining any pipeline, lateral or extension, including any Lateral, or any compression, expansion or other significant facilities, which could reasonably be expected to have a cost to the Company or any Subsidiary of more than $5,000,000 but less than or equal to $15,000,000.

(b) The approval of the holders of all of the Membership Interest of the Members shall be required to authorize and approve the following, or, with respect to matters to be authorized or approved by Subsidiaries of the Company, to determine how the Company will vote as a member of such Subsidiary with respect to the following:

(i) approving the Nautilus FERC tariff, the applications for the FERC Certificate or any subsequent FERC certificate, including any amendment or modifications of any FERC certificate and approving any material amendments or other material modifications to the Nautilus FERC tariff, the FERC Certificate or any subsequent FERC certificate, including, without limitation, the general terms and conditions and the rates and the basis upon which such rates are calculated;

(ii) accepting the Construction Certificate (which approval shall also be deemed to be an approval of the FERC Certificate, unless, at the time Nautilus receives the FERC Certificate, all of the Members agree that such FERC Certificate should be rejected);

(iii) approval, waiver, amendment or other modification (other than termination) of any Construction Agreement or Operating Agreement or any other operating agreement with respect to the operation of the Manta Ray System or the Nautilus System;

(iv) termination (other than by expiration of the term thereof) of any Construction Agreement or Operating Agreement or any other operating agreement with respect to the operation of the Manta Ray System or the Nautilus System or of the Company; provided, however that for purposes of this Section 7.2(b)(iv), if any Member or its Affiliate (as such term is defined in the Operating Agreement or Construction Agreement in question) would be replaced as an operator as a result of such termination, such Member shall not be entitled to vote on such termination. The vote of such Members

not terminated shall be sufficient to take such actions under this Section even if such Membership Interest is less than a Majority Interest;

(v) changing the name of the Company or any of its Subsidiaries;

(vi) instituting litigation, arbitration, or similar proceedings against Persons other than any Member or any Affiliate of any Member at a cost to the Company which could reasonably be expected to exceed $250,000;

(vii) making draws under any credit agreement, indenture or similar agreement approved in accordance with the terms of Section 7.2(a)(iii)(A), for the purpose of funding authorized transactions with an approved cost to the Company of more than $15,000,000;

(viii) utilizing other than for company purposes, acquiring or disposing of any asset of the Company or its Subsidiaries, having a then existing fair market value or GAAP net book value (after deducting accumulated depreciation, depletion, amortization and impairment) of more than $15,000,000;

(ix) authorizing a transaction which involves acquiring, constructing or otherwise obtaining any pipeline, lateral or extension, including any Lateral, or any compression, expansion or other significant facilities, which could reasonably be expected to have a cost to the Company or any Subsidiary of more than $15,000,000;

(x) authorizing a transaction involving a lease or similar arrangement which either (A) involves an asset with a fair market value of more than $15,000,000 or (B) could reasonably be expected to result in payments of more than $15,000,000;

(xi) authorizing any transaction or any amendment thereto, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service involving the Company or any of its Subsidiaries and any Member or any Affiliate of any Member (which transaction, once approved by all of the Members, shall be presumed to be fair to the Company); and

(xii) authorizing material transactions the nature of which are not in the ordinary course of business;

(xiii) permitting the merger, consolidation, or participation in a share exchange or other statutory reorganization with, or sale of all or substantially all of the assets of Manta Ray, Nautilus or the Company to, or the sale or other transfer or alienation (other than granting a lien or other Security Interest) of any interest in Manta Ray or Nautilus to, any Person;

(xiv) approving the operating and capital expenditure budgets of the Company or any of its Subsidiaries covering the period from the date hereof until the first anniversary of such date;

(xv) approving any cash reserve applicable to distributions of cash and other property as provided in Sections 5.3, 5.5 and 5.6, to the extent such cash reserve (A) relates to acquiring, constructing or otherwise obtaining (including, without limitation, pursuant to a lease or similar arrangement approved in accordance with Section 7.2(b)(x)) any pipeline, lateral or extension, including any Lateral, or any compression, expansion or other significant facilities and (B) exceeds, at any one time, $15,000,000;

(xvi) hiring any employees of the Company;

(xvii) admitting any new Member to any Subsidiary of the Company; and

(xviii) actions for which this Agreement otherwise expressly requires unanimous approval, including, without limitation, any of the actions set forth in Sections 3.10 (creation of additional Membership Interests), 3.14 (Resignation), 4.2 (subsequent Capital Contributions), 5.6 (distribution of Initial Capital Contributions), 12.1(a) (Dissolution and Liquidation) and 13.2 (Amendments).

7.3 VOTING LIST. The officer of the Company or the designated Member who is responsible for the maintenance of the Company's records shall make, at least ten days before each meeting of Members, a complete list of the Members or their representatives, as the case may be, entitled to vote thereat or any adjournment thereof, arranged in alphabetical order, with the address of and the Membership Interest held or represented by each, which list, for a period of ten days prior to such meeting, shall be kept on file at the registered office or principal place of business of the Company and shall be subject to inspection by any Member or Member representative at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Member or Member representative during the whole time of the meeting. The original Company records shall be prima facie evidence as to who are the Members or their representatives entitled to examine such list or transfer records or to vote at any meeting of Members. Failure to comply with the requirements of this Section shall not affect the validity of any action taken at the meeting.

7.4 PROXIES. A Member or Member representative may vote either in person or by proxy executed in writing by the Member or Member representative. A telegram, telex, cablegram or similar transmission by the Member or Member representative or a photographic, photostatic, facsimile or similar reproduction of writing executed by the Member or Member representative shall be treated as an execution in writing for purposes of this Section. Proxies for use at any meeting of the Members or committee of the Company or in connection with the taking of any action by written consent shall be filed with the Company before or at the time of the meeting or execution of the written consent, as the case may be. All proxies shall be received and taken charge of and all ballots shall be received and canvassed by an inspector or inspectors appointed by the President or a Vice President of the Company who shall decide all questions touching upon the qualification of voters, the validity of the proxies, and the acceptance or rejection of votes.

7.5 VOTES. Each Member or Member representative shall be entitled to one vote (or a fraction thereof) per percent (or fraction thereof) of Membership Interest held by such Member, as reflected in the transfer records of the Company; provided, however, that for purposes of determining a quorum or a Required Interest the Membership Interest of any Member shall not be counted and such interest shall be apportioned by interest among the remaining Members as applicable if the Member is not permitted to vote under this Agreement for any reason, including, without limitation, the relevant Member is in Default, is not deemed to be a Substituted Member or is in breach of certain representations and warranties; provided, however, that no Member shall be required to make any Capital Contribution, other than an Initial Capital Contribution, if such Member did not vote to approve such Capital Contribution in accordance with Section 4.2.

7.6 CONDUCT OF MEETINGS. All meetings of the Members or committees of the Company shall be presided over by the chairman of the meeting, who shall be designated by, in order of priority, the President, the Vice President or other appropriate officer of the Company. The chairman of any meeting of Members or committee of the Company shall determine the order of business and the procedure at the meeting, including regulation of the manner of voting and the conduct of discussion.

7.7 ACTION BY WRITTEN CONSENT.

(a) Except as otherwise provided by applicable Laws, any action required or permitted to be taken at any meeting of Members or committee of the Company may be taken without a meeting, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holder or holders or representatives of not less than the minimum of Membership Interests that would be necessary to take such action at a meeting at which the holders of all Membership Interests entitled to vote on the action were present and voted; provided, however, that no such written consent shall be effective unless each Member has been provided with at least 3 Business Days prior written notice of such consent to be sought or has waived the requirement of such notice. To the extent required by law, every written consent shall bear the date of signature of each Member or Member representative who signs the consent. To the extent required by law, no written consent shall be effective to take the action that is the subject of such consent unless, within 60 days after the date of the earliest dated consent delivered to the Company in the manner required by this Section 7.7, a consent or consents signed by the holder or holders of not less than the minimum Membership Interests that would be necessary to take the action that is the subject of the consent are delivered to the Company by delivery to its registered office or its principal place of business. Delivery shall be by hand or certified or registered mail (return receipt requested) to the Company's principal place of business and shall be addressed to the Secretary of the Company. A telegram, telex, cablegram or similar transmission by a Member or Member representative, or a photographic, photostatic, facsimile or similar reproduction of a writing signed by a Member or Member representative, shall be regarded as signed by the Member or Member representative for purposes of this Section 7.7. In addition to the prior written notice described above, prompt written notice of the taking of any action by the Members or committees of the Company without a meeting by less than unanimous written consent shall be given to those Members or Member representatives who did not consent in writing to the action.

(b) The Record Date for determining Members or their representatives entitled to consent to an action in writing without a meeting shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Company. Delivery of such written consent shall be by hand or by certified or registered mail (return receipt requested) to the Company's principal place of business and shall be addressed to the Secretary of the Company.

7.8 RECORDS. An officer of the Company or a designated Member representative shall be responsible for maintaining the records of the Company, including keeping minutes at the meetings of the Members or committees of the Company and the filing of consents in the records of the Company.

ARTICLE VIII.
INDEMNIFICATION

8.1 RIGHT TO INDEMNIFICATION. Subject to the limitations and conditions as provided herein or by applicable Laws, each Person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (hereinafter a "Proceeding"), or any appeal in such a Proceeding or any inquiry or investigation that could lead to such a Proceeding, by reason of the fact that he or she, or a Person of whom he or she is the legal representative, is or was a Member of the Company, a member of a committee of the Company or an officer of the Company, or while such a Person is or was serving at the request of the Company as a director, officer, partner, venturer, member, trustee, employee, agent or similar functionary of another foreign or domestic general partnership, corporation, limited partnership, joint venture, limited liability company, trust, employee benefit plan or other enterprise, shall be indemnified by the Company to the extent such Proceeding or other above-described process relates to any such above-described relationships with, status with respect to, or representation of any such Person to the fullest extent permitted by the Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said Laws permitted the Company to provide prior to such amendment) against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such Person in connection with such Proceeding, and indemnification under this Article VIII shall continue as to a Person who has ceased to serve in the capacity which initially entitled such Person to indemnity hereunder for any and all liabilities and damages related to and arising from such Person's activities while acting in such capacity; provided, however, that no Person shall be entitled to indemnification under this Section 8.1 in the event the Proceeding involves acts or omissions of such Person which constitute an intentional breach of this Agreement or gross negligence or willful misconduct on the part of such Person. The rights granted pursuant to this Article VIII shall be deemed contract rights, and no amendment, modification or repeal of this Article VIII shall have the effect of limiting or denying any such rights with respect to actions taken or Proceedings arising prior to any such amendment, modification or repeal. It is expressly acknowledged that the indemnification provided in this Article VIII could involve indemnification for negligence or under theories of strict liability.

8.2 INDEMNIFICATION OF OFFICERS, EMPLOYEES AND AGENTS. The Company may indemnify, and advance expenses to, Persons who are not or were not a Member, including officers, employees or agents of the Company, and those Persons who are or were serving at the request of the Company as a manager, director, officer, partner, venturer, member, trustee, employee, agent or similar functionary of another foreign or domestic general partnership, corporation, limited partnership, joint venture, limited liability company, trust, employee benefit plan or other enterprise against any liability asserted against such Person and incurred by such Person in such a capacity or arising out of his status as such a Person to the same extent that it may indemnify and advance expenses to a Member under this Article VIII.

8.3 ADVANCE PAYMENT. Any right to indemnification conferred in this Article VIII shall include a limited right to be paid or reimbursed by the Company for any and all reasonable expenses as they are incurred by a Person entitled to be indemnified under Sections 8.1 and 8.2 who was, or is threatened, to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding and without any determination as to such Person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such Person in advance of final disposition of a Proceeding shall be made only upon delivery to the Company of a written affirmation by such Person of his good faith belief that he has met the requirements necessary for indemnification under this Article VIII and a written undertaking, by or on behalf of such Person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified Person is not entitled to be indemnified under this Article VIII or otherwise.

8.4 APPEARANCE AS A WITNESS. Notwithstanding any other provision of this Article VIII, the Company may pay or reimburse expenses incurred by any Person entitled to be indemnified pursuant to this Article VIII in connection with such Person's appearance as a witness or other participation in a Proceeding at a time when he is not a named defendant or respondent in the Proceeding.

8.5 NONEXCLUSIVITY OF RIGHTS. The right to indemnification and the advancement and payment of expenses conferred in this Article VIII shall not be exclusive of any other right which a Person indemnified pursuant to Sections 8.1 and 8.2 may have or hereafter acquire under any Laws, this Agreement, or any other agreement, vote of Members or otherwise.

8.6 INSURANCE. The Company may purchase and maintain indemnification insurance, at its expense, to protect itself and any Person from any expenses, liabilities, or losses that may be indemnified under this Article VIII.

8.7 MEMBER NOTIFICATION. Any indemnification of or advance of expenses to any Person entitled to be indemnified under this Article VIII shall be reported in writing to the Members with or before the notice or waiver of notice of the next Members' meeting or with or before the next submission to Members of a consent to action without a meeting and, in any case, within the 12 month period immediately following the date the indemnification or advance was made.

8.8 SAVINGS CLAUSE. If this Article VIII or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless any Person entitled to be indemnified pursuant to this Article VIII as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article VIII that shall not have been invalidated and to the fullest extent permitted by applicable Laws.

8.9 SCOPE OF INDEMNITY. For the purposes of this Article VIII, references to the "Company" include all constituent entities, whether corporations or otherwise, absorbed in a consolidation or merger as well as the resulting or surviving entity. Thus, any Person entitled to be indemnified or receive advances under this Article VIII shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving entity as he would have if such merger, consolidation, or other reorganization never occurred.

ARTICLE IX.
TAXES

9.1 TAX RETURNS. The Company shall cause to be prepared and filed all necessary federal and state income tax returns for the Company, including making the elections described in Section 9.2. Upon written request by the Company, each Member shall furnish to the Company all pertinent information in its possession relating to Company operations that is necessary to enable the Company's income tax returns to be prepared and filed.

9.2 TAX ELECTIONS. The Company shall make the following elections on the appropriate tax returns:

(a) to adopt the accrual method of accounting;

(b) an election pursuant to section 754 of the Code;

(c) to elect to amortize the organizational expenses of the Company and the start-up expenditures of the Company under section 195 of the Code ratably over a period of 60 months as permitted by section 709(b) of the Code; and

(d) any other election that the Company may deem appropriate and in the best interests of the Company or Members, as the case may be.

Neither the Company nor any Member may make an election for the Company to be excluded from the application of the provisions of subchapter K of chapter 1 of subtitle A of the Code or any similar provisions of applicable state law, and no provision of this Agreement shall be construed to sanction or approve such an election.

9.3 TAX MATTERS MEMBER. The Company shall select one of the Members as the "Tax Matters Member" of the Company pursuant to section 6231(a)(7) of the Code. The Tax Matters Member shall take such action as may be necessary to cause each Member to become a

"notice partner" within the meaning of section 6223 of the Code and shall inform each Member of all significant matters that may come to its attention in its capacity as Tax Matters Member by giving notice thereof on or before the fifth Business Day after becoming aware thereof and, within that time, shall forward to each other Member copies of all significant written communications it may receive in that capacity. The Tax Matters Member may not take any action contemplated by sections 6222 through 6232 of the Code without the consent of a Majority Interest, but this sentence does not authorize the Tax Matters Member to take any action left to the determination of an individual Member under sections 6222 through 6232 of the Code. The initial Tax Matters Member shall be the Member so indicated on Exhibit A.

ARTICLE X.
BOOKS, RECORDS, REPORTS, AND BANK ACCOUNTS

10.1 MAINTENANCE OF BOOKS. The Company shall keep books and records of accounts and shall keep minutes of the proceedings of its Members. The books of account for the Company shall be maintained on an accrual basis in accordance with the terms of this Agreement and GAAP, except that the Capital Accounts of the Members shall be maintained in accordance with Section 4.5. The accounting year of the Company shall be determined by the Company. The initial custodian of the company records shall be the Tax Matters Member.

10.2 FINANCIAL STATEMENTS. On or before the last day of each calendar month during the existence of the Company, the Company shall cause each Member to be furnished with an income statement for the calendar month immediately preceding such calendar month. On or before the last day of each January, April, July and October during the existence of the Company, the Company shall cause each Member to be furnished with a balance sheet and a statement of cash flows for, or as of the end of, the fiscal quarter immediately preceding such calendar month. On or before the last day of each April during the existence of the Company, the Company shall cause each Member to be furnished with audited financial statements, including, a balance sheet, an income statement, a statement of cash flows, and a statement of changes in each Member's Capital Account for the immediately preceding calendar year. Annual financial statements must be prepared in accordance with GAAP. The Company also may cause to be prepared or delivered such other reports as it may deem, in its sole judgment, appropriate. The Company shall bear the costs of all such reports and financial statements.

10.3 TAX STATEMENTS. On or before the last day of July during the existence of the Company, the Company shall cause each Member to be furnished with all information reasonably necessary or appropriate to file their appropriate tax reports, including a schedule of Company book-tax differences for, or as of the end of, the immediately preceding tax year. In addition, to the extent reasonably possible, the Company will cause each Member to be provided with estimates of all such information on or before the first day of February each year.

10.4 ACCOUNTS. The officers or designated Members of the Company shall establish and maintain one or more separate bank and investment accounts and arrangements for Company funds in the Company's name with financial institutions and firms that officers or designated Members of the Company may determine. The Company may not commingle the Company's funds with the funds of any other Person. All such accounts shall be and remain the property of

the Company and all funds shall be received, held and disbursed for the purposes specified in this Agreement. The officers or designated Members of the Company may invest the Company funds only in (i) readily marketable securities issued by the United States or any agency or instrumentality thereof and backed by the full faith and credit of the United States maturing within three months or less from the date of acquisition, (ii) readily marketable securities issued by any state or municipality within the United States of America or any political subdivision, agency or instrumentality thereof, maturing within three months or less from the date of acquisition and rated "A" or better by any recognized rating agency, (iii) readily marketable commercial paper rated "Prime 1" by Moody's or "A 1" by Standard and Poor's (or comparably rated by such organizations or any successors thereto if the rating system is changed or there are such successors) and maturing in not more than three months after the date of acquisition or (iv) certificates of deposit or time deposits issued by any incorporated bank organized and doing business under the Laws of the United States of America which is rated at least "A" or "A2" by Standard and Poor's or Moody's, which is not in excess of federally insured amounts, and which matures within three months or less from the date of acquisition.

ARTICLE XI.
BANKRUPTCY OF A MEMBER

11.1 BANKRUPT MEMBERS. If any Member becomes a Bankrupt Member, the Company, by approval of at least a majority in interest of the Members excluding any Bankrupt Member or, if the Company does not exercise the relevant option, the non-Bankrupt Members which desire to participate, shall have the option, exercisable by notice from the Company or the Members, as the case may be, to the Bankrupt Member (or its representative) at any time prior to the 180th day after receipt of notice of the occurrence of the event causing it to become a Bankrupt Member, to buy, and, on the exercise of this option, the Bankrupt Member or its representative shall sell, its Membership Interest. The purchase price shall be an amount equal to the fair market value thereof determined by agreement by the Bankrupt Member (or its representative) and the potential purchaser; however, if those Persons do not agree on the fair market value on or before the 90th day following the date of receipt by such potential purchaser of notice of the occurrence of the event causing the Member to become a Bankrupt Member, either such Person, by written notice to the other, may require the determination of fair market value to be made by an independent appraiser specified in such notice. If the Person receiving that notice objects on or before the tenth day following receipt to the independent appraiser designated in that notice, and those Persons otherwise fail to agree on an independent appraiser, either such Person may petition the United States District Judge for the Southern District of Texas then senior in active service to designate an independent appraiser, whose determination of the independent appraiser, however designated, is final and binding on all parties. The Bankrupt Member and the potential purchaser each shall pay one-half of the costs of the appraisal and court costs in appointing an appraiser (if any). If the potential purchaser then elects, within ten days after the fair market value has been decided by agreement or by an independent appraiser, to exercise the purchase option, the purchasing Person shall pay the fair market value as so determined in cash on closing. The payment to be made to the Bankrupt Member or its representative pursuant to this Section 11.1 is in complete liquidation and satisfaction of all the rights and interest of the Bankrupt Member and its representative (and of all Persons claiming by, through, or under the Bankrupt Member and its representative) in and in respect of the Company,

including, without limitation, any Membership Interest, any rights in specific Company property, and any rights against the Company and its officers, agents, and representatives and (insofar as the affairs of the Company are concerned) against the Members.

ARTICLE XII.
DISSOLUTION, LIQUIDATION, AND TERMINATION

12.1 DISSOLUTION. Subject to the provisions of Section 12.2 and any applicable Laws, the Company shall dissolve and its affairs shall be wound up on the first to occur of the following:

(a) the consent of all of the Membership Interests or as expressly provided in Section 3.17 and Section 3.18;

(b) the expiration of the period fixed for the duration of the Company as set forth in this Agreement;

(c) entry of a decree of judicial dissolution of the Company under section 18-802 of the Act in accordance with Section 16.8; and

(d) the bankruptcy or dissolution of a Member or other event described in section 18-801 of the Act (other than a Transfer of Membership Interest in accordance with the terms of this Agreement).

12.2 LIQUIDATION AND TERMINATION. Subject to Section 7.5 and Section 12.2(d), and except as expressly provided for to the contrary in Section 3.17 and Section 3.18, upon dissolution of the Company, a representative of the Company selected by a Majority Interest (not including any Member in Default at the time of dissolution) shall act as a liquidator or may appoint one or more Members as liquidator ("Liquidator"). The Liquidator shall proceed diligently to wind up the affairs of the Company and make final distributions as provided herein and in the Act. The costs of liquidation shall be borne as a Company expense. Until final distribution, the Liquidator shall continue to operate the Company properties for a reasonable period of time to allow for the sale of all or a part of the assets thereof with all of the power and authority of the Members. The steps to be accomplished by the Liquidator are as follows:

(a) as promptly as possible after dissolution and again after final liquidation, the Liquidator shall cause a proper accounting to be made of the Company's assets, liabilities, and operations through the last day of the calendar month in which the dissolution occurs or the final liquidation is completed, as applicable;

(b) the Liquidator shall cause any notices required by law to be mailed to each known creditor of and claimant against the Company in the manner described by such law;

(c) subject to the terms and conditions of this Agreement and the Act (especially section 18-803), the Liquidator shall distribute the assets of the Company in the following order:

(i) the Liquidator shall pay, satisfy or discharge from Company funds all of the debts, liabilities and obligations of the Company, including, without limitation, all expenses incurred in liquidation or otherwise make adequate provision for payment and discharge thereof (including, without limitation, the establishment of a cash escrow fund for contingent liabilities in such amount and for such term as the Liquidator may reasonably determine); provided, however, such payments shall not include any Capital Contributions described in Article IV or any other obligations in favor of the Members created by this Agreement other than a loan made pursuant to any provision other than Section 15.2; and

(ii) all remaining assets of the Company shall be distributed to the Members as follows:

(A) the Liquidator may sell any or all Company property, including to one or more of the Members (other than any Member in Default at the time of dissolution), provided (x) any such sale to a Member is made on an arms length basis under terms which are in the best interest of the Company and (y) to the extent that any Member has participated in an Expansion Option under Section 15.2(b), the Liquidator shall hire an independent consultant to attribute (on the basis of the then existing fair market value) the proceeds from the sale of the Company property between each respective Major Expansion Project, and all other assets of the Company (such value for each respective Major Expansion Project the "Expansion Liquidation Value") and the Liquidator shall repay any Members' Expansion Option loan pursuant to Section 15.2(e), but only to the extent that there is any Expansion Liquidation Value allocated to the corresponding Major Expansion Project;

(B) with respect to all Company property that has not been sold, the fair market value of that property (as determined by the Liquidator using any method of valuation as it, using its best judgment, deems reasonable) shall be determined and the Capital Accounts of the Members shall be adjusted to reflect the manner in which the unrealized income, gain, loss, and deduction inherent in property that has not been reflected in the Capital Accounts previously would be allocated among the Members if there were a taxable disposition of that property for the fair market value of that property on the date of distribution; and

(C) Company property shall be distributed among the Members ratably in proportion to each Member's Capital Account balances, as determined after taking into account all Capital Account adjustments for the taxable year of the Company during which the liquidation of the Company occurs (other than those made by reason of this clause (C)).

All distributions in kind to the Members shall be made subject to the liability of each distributee for costs, expenses, and liabilities theretofore incurred or for which the Company has committed prior to the date of termination and those costs, expenses, and liabilities shall be allocated to the distributee pursuant to this Section 12.2. The distribution of cash and/or property

to a Member in accordance with the provisions of this Section 12.2 constitutes a complete return to the Member of its Capital Contributions and a complete distribution to the Member of its Membership Interest and all the Company's property.

(d) Upon dissolution of the Company upon an event occurring to a Member (the "Withdrawing Member") described in Section 12.1(d), then within 30 days after the Company delivers notice of such event to the Members, at least 50% of such other Members (by Membership Interest and excluding the Membership Interest of the Withdrawing Member) may elect to reconstitute the Company and continue its business on the same terms and conditions set forth in this Agreement by forming a new company on terms identical to those set forth in this Agreement and, as necessary, admitting an additional Member chosen by such other Members. Such non-Withdrawing Members shall be deemed to have voted for and consented to such reconstitution unless a written statement objecting to the reconstitution shall have been received by the Company within 30 days after notice of dissolution was made to such Member. Upon any such election to reconstitute by at least 50% of such other Members (by Membership Interest), all Members and their successors shall be bound thereby and shall be deemed to have approved thereof. Unless such an election to reconstitute is made within the applicable time period as set forth above, the Company shall conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(i) the reconstituted Company shall continue until the end of the term set forth in Section 2.6 unless earlier dissolved in accordance with this Article XII; and

(ii) the interest of the Withdrawing Member shall be treated thenceforth as the interest of a Transferee that has not been admitted as a Substitute Member hereunder.

12.3 PROVISION FOR CONTINGENT CLAIMS.

(a) The Liquidator shall make a reasonable provision to pay all claims and obligations, including all contingent, conditional or unmatured claims and obligations, actually known to the Company but for which the identity of the claimant is unknown; and

(b) If there are insufficient assets to both pay the creditors pursuant to Section 12.2(c)(i) and to establish the provision contemplated by Section 12.3(a), the claims shall be paid as provided for in accordance to their priority, and, among claims of equal priority, ratably to the extent of assets therefor.

12.4 DEFICIT CAPITAL ACCOUNTS. Notwithstanding anything to the contrary contained in this Agreement, and notwithstanding any custom or rule of law to the contrary, to the extent that the deficit, if any, in the Capital Account of any Member results from or is attributable to deductions and losses of the Company (including non-cash items such as depreciation), or distributions of money pursuant to this Agreement to all Members ratably in proportion to their respective Membership Interests, upon dissolution of the Company such deficit shall not be an asset of the Company and such Members shall not be obligated to contribute any amounts to the Company to bring the balance of such Member's capital account to zero.

ARTICLE XIII.
AMENDMENT OF THE AGREEMENT

13.1 AMENDMENTS TO BE ADOPTED BY THE COMPANY. Each Member agrees that the appropriate officer of the Company, in accordance with and subject to the limitations contained in Article VII, may execute, swear to, acknowledge, deliver, file and record whatever documents may be required to reflect:

(a) a change in the name of the Company, the location of the principal place of business of the Company or the registered agent or office of the Company;

(b) admission or substitution of Members effected in accordance with this Agreement;

(c) a change that the Members believe is reasonable and necessary or appropriate to qualify or continue the qualification of the Company as a limited liability company under the Laws of any state or that is necessary or advisable in the opinion of the Company to ensure that the Company will not be taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change that is necessary or appropriate for the Company to satisfy any requirements, conditions, guidelines or interpretations contained in any opinion, interpretative release, directive, order, ruling or regulation of any federal or state agency or judicial authority (including, without limitation, the Act);

(e) an amendment that is necessary, in the opinion of counsel, to prevent the Company or its officers from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, whether or not substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor; and

(f) subject to the terms of Section 3.10, an amendment that the Company determines in its sole discretion to be necessary or appropriate in connection with the authorization for issuance of any Membership Interest pursuant to Section 3.10.

13.2 AMENDMENT PROCEDURES. Except as provided in Section 13.1, all amendments to this Agreement shall be made in accordance with the following requirements. Amendments to this Agreement may be proposed by any Member. Each such proposal shall contain the text of the proposed amendment. If an amendment is proposed, the Company shall seek the written approval of the holders of the requisite percentage of Membership Interests or call a meeting of the Members to consider and vote on such proposed amendment. A proposed amendment shall be effective upon its approval by the holders of all of the Membership Interests, unless a different percentage is expressly required under this Agreement. Any amendment that would materially and adversely affect the rights of any type or class of Membership Interests in relation to other types or classes of Membership Interests requires the approval of the holders of at least a

majority of the Membership Interests of such class or type of Membership Interest. The Company shall notify all Record Holders upon final adoption of any proposed amendment.

ARTICLE XIV.
CERTIFICATED MEMBERSHIP INTERESTS

14.1 ENTITLEMENT TO CERTIFICATES. Every owner of a Membership Interest in the Company, unless and to the extent the Company elects otherwise, shall be entitled to have a certificate, in such form as is approved by the Company and conforms with applicable law, certifying the Membership Interest owned by it.

14.2 MULTIPLE CLASSES OF INTEREST. If the Company shall be authorized to issue more than one class of Membership Interest or more than one series of any Membership Interest, a statement of the powers, designations, preferences and relative, participating, optional or other special rights of each class of membership interest or series thereof and the qualification, limitations or restrictions of such preferences and/or rights shall, unless the Members shall by resolution provide that such class or series of Membership Interest shall be uncertificated, be set forth in full or summarized on the face or back of the certificate which the Company shall issue to represent such class or series of Membership Interest; provided that, to the extent allowed by law, in lieu of such statement, the face or back of such certificate may state that the Company will furnish a copy of such statement without charge to each requesting Member.

14.3 SIGNATURES. Each certificate representing a Membership Interest in the Company shall be signed by or in the name of the Company by (1) the President or any Vice President of the Company and (2) the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Company. The signature of the officers of the Company may be facsimiles. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to hold such office before such certificate is issued, it may be issued by the Company with the same effect as if he held such office on the date of issue.

14.4 ISSUANCE AND PAYMENT. Subject to the provisions of the Act and this Agreement, including, without limitation, Section 3.10, Membership Interests may be issued for such consideration and to such persons as the Company may determine from time to time.

14.5 RESTRICTIVE LEGEND. In the absence of a more restrictive legend, all certificates which evidence Membership Interests shall be stamped or typed in a conspicuous place with the following legend:

> THE INTEREST REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE LIMITED LIABILITY AGREEMENT OF THE COMPANY DATED AS OF JANUARY 17, 1997, AS IT EXISTS FROM TIME TO TIME, WHICH RESTRICTS ANY SALE, ASSIGNMENT, TRANSFER, CONVEYANCE, ENCUMBRANCE, PLEDGE OR OTHER TRANSFER OR ALIENATION (WITH OR WITHOUT CONSIDERATION) OF SUCH INTEREST. THE COMPANY WILL FURNISH TO THE RECORD HOLDER OF THIS CERTIFICATE, WITHOUT CHARGE, UPON WRITTEN REQUEST TO THE

COMPANY AT ITS PRINCIPAL PLACE OF BUSINESS, A COPY OF SUCH LIMITED LIABILITY AGREEMENT. THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE. WITHOUT SUCH REGISTRATION, SUCH SECURITIES MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, CONVEYED, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED, EXCEPT UPON DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED FOR SUCH TRANSFER.

Such legend shall also be placed on all Certificates which are hereafter issued to any Member.

14.6 LOST, STOLEN OR DESTROYED CERTIFICATES. The Company may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Company alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the Person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Company may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Company a bond in such sum as it may direct as indemnity against any claim that may be made against the Company with respect to the certificate alleged to have been lost, stolen or destroyed.

14.7 TRANSFER OF MEMBERSHIP INTEREST. Upon surrender to the Company or its transfer agent, if any, of a certificate representing Membership Interests duly endorsed or accompanied by proper evidence of succession, assignation or authority to Transfer in accordance with this Agreement and of the payment of all taxes applicable to the Transfer of said Membership Interest, the Company shall be obligated to issue a new certificate to the Person entitled thereto, cancel the old certificate and record the transaction upon its books, provided, however, that the Company shall not be so obligated unless such Transfer was made in compliance with the provisions of this Agreement and any applicable state and federal Laws.

14.8 REGISTERED HOLDERS. The Company shall be entitled to recognize the exclusive right of a Person registered on its books as the owner of the indicated Membership Interest and shall not be bound to recognize any equitable or other claim to or interest in such Membership Interest on the part of any Person other than such registered owner, whether or not it shall have express or other notice thereof, except as otherwise provided by Law.

ARTICLE XV.
OTHER MEMBER AGREEMENTS AND OBLIGATIONS

15.1 LATERAL OPPORTUNITIES.

(a) Limitation on Lateral Opportunities. Except as otherwise provided in this Section 15.1(a) no constituent of the Shell Gas Pipeline Companies, Marathon Gas Pipeline Companies or Leviathan Gas Pipeline Companies, will, directly or indirectly, enter into any agreement to construct or otherwise consummate transactions involving construction of any Lateral in which such constituent would own an interest (a "Lateral Opportunity") until such Lateral Opportunity has been rejected or otherwise forfeited by Manta Ray or Nautilus, as applicable. Any constituent of the Shell Gas Pipeline Companies, Marathon Gas Pipeline Companies, or Leviathan Gas Pipeline Companies may enter into an agreement, which may be amended from time to time, with their respective Affiliates involving a Lateral Opportunity and, if applicable, the terms and conditions of such agreement or agreements will be offered to Nautilus or Manta Ray as applicable pursuant to the terms and conditions of Section 15.1(b). Notwithstanding the foregoing, any constituent of the Shell Gas Pipeline Companies, Marathon Gas Pipeline Companies or Leviathan Gas Pipeline Companies may, without complying with the provisions of this Section 15.1, construct a Lateral (i) designed solely for the purpose of gathering or transporting natural gas produced from a commercial property in which such constructing constituent of the Shell Gas Pipeline Companies, Marathon Gas Pipeline Companies or Leviathan Gas Pipeline Companies, as the case may be, or any Affiliate thereof, owns an interest; provided that (x) such interest in the natural gas to be gathered or transported by such Lateral was acquired by the relevant Person primarily for a purpose other than the avoidance of the provisions of this Section and (y) such exception shall not apply to any Lateral sized in such a manner that it would accommodate production from (a) any lease or commercial property in which Shell Holding, Marathon Holding or Leviathan Holding, or their Affiliate does not have an interest or (b) any lease owned by Shell Holding, Marathon Holding, or Leviathan Holding, or their Affiliate, which is not a commercial property; or (ii) in which any constituent of the Shell Gas Pipeline Companies, Marathon Gas Pipeline Companies, or Leviathan Gas Pipeline Companies would own an interest of less than 100% of the Lateral or of less than 100% of the entity owning the Lateral because an Affiliate does not own one hundred percent (100%) of the production.

(b) Delivery of Lateral Opportunity Notice. Any Member may propose that Manta Ray or Nautilus, as applicable, undertake a Lateral Opportunity by delivering written notice (a "Lateral Opportunity Notice") to Manta Ray or Nautilus, as applicable, and each of the Members. (A) A Lateral Opportunity Notice involving the connection solely of third party production shall include the proposed terms and conditions of such transactions, which terms shall, at minimum, (x) reflect an arms length transaction on reasonably fair terms, independent of any other transaction, and (y) be no less favorable to Nautilus or Manta Ray as applicable than the Lateral Opportunity offered to such Member. The Lateral Opportunity Notice shall also contain reasonably sufficient operational and financial information and other details to allow the Members to make a reasonably informed decision with respect to such Lateral Opportunity. Such Lateral Opportunity Notice shall (i) state whether such Lateral Opportunity is, directly or indirectly, related in any way to any past, current or contemplated transaction involving the Member delivering such notice (including its

Affiliates), (ii) contain a statement, if true, that the Member is not aware of any undisclosed benefits expected to accrue to the Member or its Affiliates as a result of such Lateral Opportunity or, if the delivering Member is unable to make such statement, the notice shall disclose the existence, but not the details of such other benefits, and (iii) contain only financial projections prepared in good faith based upon assumptions relating to such Lateral Opportunity believed by the Member to be reasonable. (B) A Lateral Opportunity Notice involving the connection of any production of a Member or its Affiliates that must be offered to Nautilus or Manta Ray, as applicable, under the terms of Section 15.1(a) shall include the proposed terms and conditions of such transactions, which terms shall be no less favorable to the Company than the Lateral Opportunity offered to such Member. The Lateral Opportunity Notice shall also contain reasonably sufficient operational and financial information and other details to allow the Members to make a reasonably informed decision with respect to such Lateral Opportunity.

(c) Rejected Lateral Opportunities. If Nautilus or Manta Ray, as applicable, do not vote to accept the Lateral Opportunity and deliver notice accordingly in writing within 30 days after Manta Ray or Nautilus, as applicable, receives the Lateral Opportunity Notice that Manta Ray or Nautilus, as applicable, should undertake such project on the terms and conditions set forth in the applicable Lateral Opportunity Notice, then the Member (and/or its Affiliates) who provided and voted in favor of the Lateral Opportunity Notice shall have the right to pursue such project (a "Rejected Lateral Opportunity") on the terms and conditions set forth in the applicable Lateral Opportunity Notice and own any assets related thereto. In such event, the Member who provided the Lateral Opportunity Notice (and/or its Affiliates) shall be free for a period of 120 days to enter into definitive agreements, if any, or otherwise consummate the transactions contemplated by the applicable Lateral Opportunity Notice on the same terms and conditions set forth in the applicable Lateral Opportunity Notice without further obligation to any Members or Manta Ray or Nautilus, as applicable; provided that following such 120 day period such Member or its Affiliates may not enter into definitive agreements, if any, or otherwise consummate the transactions with respect to a Rejected Lateral Opportunity without again offering the same to Manta Ray or Nautilus, as applicable, in accordance with this Article. No Member shall have any obligation or duty to Manta Ray or Nautilus, as applicable, or the other Members with respect to any Rejected Lateral Opportunity to the extent it is covered by definitive agreements entered into, or otherwise consummated, by such Member or its Affiliates after compliance with this Section 15.1 or with respect to any modification, renewal or extension of the terms of such definitive agreements with respect to any such Rejected Lateral Opportunity. Except as set forth in this Section, the construction, acquisition, operation, maintenance and ownership of each such Rejected Lateral Opportunity project shall not be governed or affected by this Agreement.

15.2 EXPANSIONS.

(a) Expansion Option. Any Member (the "Exercising Member") shall have the right to require the Company to cause Manta Ray or Nautilus, as applicable, to construct, own and operate a particular Major Expansion Project (the "Expansion Option") if (i) the Exercising Member or an Affiliate of the Exercising Member has delivered written notice (the

"Capacity Request") to Manta Ray or Nautilus, as applicable, requesting, pursuant to a Dedication Agreement, firm capacity on the Manta Ray System or the Nautilus System, whichever is applicable, to gather or transport gas (including gas which is not owned by the Exercising Member or its Affiliate) from one or more leases dedicated pursuant to the relevant Dedication Agreement (the "Expansion Property") to the extent the expected volume (including increases in volume from existing properties of which some or all of the volumes could be Accelerated Volumes) of the production from which (the "Expansion Property Production") at the time of such notice is not being delivered into the Manta Ray System or the Nautilus System, whichever is applicable, (ii) the Accessible Capacity is not sufficient to practically handle substantially all of the Expansion Property Production, (iii) the relevant Major Expansion Project is necessary to increase the Base Capacity to a level adequate to allow Manta Ray or Nautilus, as applicable, to handle the Expansion Property Production, (iv) within 60 days from the latest date on which Manta Ray or Nautilus, as applicable, has the right to respond to the Capacity Request (the "Expansion Option Period"), each of the Company and Manta Ray or Nautilus, as applicable, have held a meeting and voted against the relevant Major Expansion Project, (v) the Exercising Member voted in favor of the relevant Major Expansion Project at such meeting and (vi) the Expansion Option is exercised in accordance with the requirements of Section 15.2(b) below.

(b) Exercise. The Exercising Member shall exercise the Expansion Option by delivering, at any time after such Major Expansion Project has been rejected by each of the Company Manta Ray or Nautilus, as applicable, but before the end of the Expansion Option Period, written notice of such exercise (the "Expansion Option Notice") to the Company and each Member. Such notice shall include an irrevocable commitment to timely fund the relevant Major Expansion Project and, if appropriate, assurances reasonably satisfactory to the Company that such Member has the ability to fund such Major Expansion Project; provided, however, that no such additional assurances will be required of Shell Holding, Marathon Holding or Leviathan Holding as long as their respective funding obligations are subject to a relevant parent-company guaranty that provides the same practical benefits to the Company as the guaranty entered into as of the date hereof. Whenever an Exercising Member delivers an Expansion Option Notice, every other Member which voted in favor of the relevant Major Expansion Project at the last meeting during which such project was voted on (together with the Exercising Member, the "Expansion Participants") shall have the right to participate, proportionately (based on the relationship of its Membership Interest to the Membership Interests of all of the Expansion Participants), in such project on the same basis as the Exercising Member, including the right to receive the Payout Amount out of 80% of the Expanded Capacity Revenues and the obligation to fund such project. Any Member which desires to exercise its right to participate in such project must deliver a notice substantially similar to that delivered by the original Exercising Member in accordance with the terms of this subsection, within 30 days after it receives the Expansion Option Notice. If any Expansion Participant pays any amount to the Company in excess of the amount needed to fund the Expansion Project, the Company shall immediately return such excess amount to the Expansion Participant.

(c) Repayment. Until the Expansion Participants have (i) received payment with respect to 80% of the Expanded Capacity Revenues in an amount equal to the Payout Amount

or (ii) the Company, by a unanimous vote of all Members other than the Expansion Participants, has otherwise paid the unamortized portion of the Payout Amount to the Expansion Participants as described below, the Expansion Participants shall be paid monthly amounts equal to 80% of the Expanded Capacity Revenues. Such amounts shall be allocated among the Expansion Participants in proportion to the Membership Interests of each such Expansion Participant to the Membership Interests of all such Expansion Participants. The remaining 20% of the Expanded Capacity Revenues shall be retained by the Company and allocated to all of the Members based on their respective Membership Interests. After recovery of the Payout Amount or payment by the Company of the unamortized portion of the Payout Amount to the Expansion Participants as described below, all of the Expansion Capacity Revenues shall be retained by the Company and allocated to all of the Members based on their respective Membership Interests. If, at any time the Company, by a unanimous vote of all Members other than the Expansion Participants, elects to pay off the unamortized amount of the Payout Amount, the Company shall promptly pay an amount equal to the then-remaining unpaid principal amount of the Payout Amount to the Expansion Participants, which remaining unpaid principal amount shall be calculated by treating as principal payments 10/15 of all amounts received by the Expansion Participants prior to such time in satisfaction of the Payout Amount.

(d) Capacity. Prior to proceeding with any Major Expansion Project in accordance with this Section, all of the Members shall cooperate to establish (i) the Accessible Capacity, using the lesser of (x) the maximum approved operating pressure, (y) the then existing contractual operating pressure or (z) the maximum physical pressure at which the line can operate, in each case determined at the inlet of each relevant point of receipt and the pressure (averaged over the last three months) at the relevant points of delivery and (ii) an expansion design to handle the Expansion Property Production. If the Members cannot agree on any such matter, the Company shall engage an independent consultant (of national prominence with experience in the relevant geographical area) to resolve each such matter.

(e) Treatment as Loan. Any amount paid by one or more Members pursuant to Section 15.2(b) shall be considered to be a limited recourse, partially secured loan from the advancing Members to the Company, with such loan payable only from, and secured only by a security interest granted by the Company in, 80% of the Expanded Capacity Revenues until such loan is paid in full. Except for such security interest in 80% of the Expanded Capacity Revenues, such loan shall be without recourse against the Company. The Company shall have no obligation to repay such loan other than to the extent that 80% of the Expanded Capacity Revenues are available.

15.3 CERTAIN PROPERTIES. Notwithstanding anything contained in this Agreement to the contrary, Leviathan Holding and any of its Affiliates shall have the right, at their sole cost, expense and risk, to construct pipeline laterals or extensions or related facilities to connect the Manta Ray System to gas produced from Blocks 871, 914, 915, 916, 958, 959, 1002 and 1003 in the Ewing Bank Area, Gulf of Mexico pursuant to any agreement existing on the Formation Date. Such right shall be absolute and unconditional and shall be free and clear of any obligation to offer the Company or any Member the right to participate therein.

ARTICLE XVI.
GENERAL PROVISIONS

16.1. OFFSET. Whenever the Company is to pay any sum to any Member, any amounts that a Member owes the Company may be deducted from that sum before payment.

16.2. ENTIRE AGREEMENT; SUPERSEDURE. This Agreement constitutes the entire agreement and supersedes (i) all prior oral or written proposals or agreements (ii) all contemporaneous oral proposals or agreements and (iii) all previous negotiations and all other communications or understandings between the Parties with respect to the subject matter hereof, including, without limitation, that certain Letter of Intent dated June 24, 1996 between Leviathan Gas Pipeline Partners, L.P., Shell Offshore Inc., and Marathon Oil Company, among others, and the related Letter of Intent dated September 10, 1996, but excluding any confidentiality agreement between or among any Members or their Affiliates and the letter agreement referred in Section 3.17(a)(iii).

16.3. WAIVERS. Neither action taken (including, without limitation, any investigation by or on behalf of any Party) nor inaction pursuant to this Agreement, shall be deemed to constitute a waiver of compliance with any representation, warranty, covenant or agreement contained herein by the Party not committing such action or inaction. A waiver by any Party of a particular right, including, without limitation, breach of any provision of this Agreement, shall not operate or be construed as a subsequent waiver of that same right or a waiver of any other right.

16.4. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the Members and their respective heirs, legal representatives, successors and assigns.

16.5. MEMBER DEADLOCKS; NEGOTIATIONS AND MEDIATION.

(a) Member Deadlocks. Except for any matter or proposal covered by the immediately succeeding sentence, Member approval or disapproval of any matter shall not be subject to the provisions of this Section 16.5. If any matter or proposal covered by Sections 6.3(b)(i)-(iv) or relating to an operating budget described in Section 6.3(b)(v), requiring the vote of less than all of the Membership Interest for approval thereof is brought before the Members and receives neither (x) at least the Required Interest voting for such matter or proposal nor (y) at least the Required Interest voting against (not including abstentions or other non-votes) such matter or proposal, then any Member, by written notice to the other Members given within three Business Days after the initial vote on such matter or proposal, may call a meeting of the Members to reconsider such matter or proposal, such meeting to be held when, where and as reasonably specified in said notice, but not less than three Business Days nor more than seven Business Days after the date of such vote. If such meeting is called and held as herein provided and the matter or proposal is offered at such meeting again and (x) does not receive at least the Required Interest voting for such matter or proposal or (y) does not receive at least the Required Interest voting against (not including abstentions or other non-votes) such matter or proposal, then any Member may within three Business Days thereafter submit the matter to further negotiation, and, if applicable, non-binding mediation, in accordance with this Section. If no Member calls such a meeting within the first three Business Day period herein provided for or if

further negotiation is not requested within the three Business Day period after the second meeting, no Member shall thereafter have any right to request further negotiation or non-binding mediation regarding such matter or proposal.

(b) Further Negotiation. Any Member wishing to submit a matter or proposal to further negotiation as permitted above or pursuant to Section 16.8 shall do so by giving written notice of further negotiation to the other Members containing a brief description of the nature of the dispute to be further negotiated and the position of the Member initiating further negotiation. Upon receipt of such notice, each Member shall appoint a representative for such further negotiations, which representative shall hold a position with the Person owning such Member of equal or superior status to the prior representative of such Member with respect to the proposal in question. The respective representatives shall meet at the principal office of the Company at 10:00 a.m. local time on the third Business Day after the date of receiving the notice of further negotiations.

(c) Non-Binding Mediation. If within ten Business Days following initial receipt by the Members of the notice of further negotiations neither (x) at least the Required Interest votes for such matter or proposal nor (y) at least the Required Interest votes against (not including abstentions or other non-votes) such matter or proposal, then any Member may subject the matter or proposal to non-binding mediation by giving written notice of mediation to the other Members within five Business Days thereafter. The notice of mediation shall state the identity of the single mediator selected by the Member initiating mediation and contain a detailed statement of the nature of the dispute to be mediated and the remedy or resolution sought by the Member initiating mediation. Neither the Members nor the mediator will have the right to conduct any further discovery relating to such mediation. The Member or Members initiating mediation shall pay the fees of the mediator; provided, however, that if the vote of the Members changes as a result of such mediation, then the Company shall pay all such fees and each of the Members' costs related to such mediation. Unless otherwise agreed by all of the Members, the mediation proceedings shall be held in Houston, Texas at such location selected by the mediator and shall begin as soon as practicable, but not less than five Business Days following the mailing of the initiating Member's notice of mediation. If within five Business Days following initiation of mediation proceedings neither (x) at least the Required Interest votes for such matter or proposal nor (y) at least the Required Interest votes against (not including abstentions or other non-votes) such matter or proposal, then such mediation shall terminate and such matter or proposal will no longer be subject to further negotiation or mediation. Except with respect to the matters expressly specified in Section 16.5(a) and Section 16.8, no Member shall have the right to demand mediation with respect to any dispute, difference or question arising between any of the Members themselves or any Member and the Company.

16.6. GOVERNING LAW; SEVERABILITY.

(a) THIS AGREEMENT HAS BEEN EXECUTED AND DELIVERED AND SHALL BE CONSTRUED, INTERPRETED AND GOVERNED PURSUANT TO AND IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO ANY CONFLICT OF LAWS PRINCIPLES WHICH, IF APPLIED, MIGHT PERMIT OR REQUIRE THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

(b) In the event of a direct conflict between the provisions of this Agreement and any mandatory provision of the Act or applicable Laws, the applicable provision of the Act or other applicable Laws, as the case may be, shall control. If any provision of this Agreement, or the application thereof to any Person or circumstance, is held invalid or unenforceable to any extent, the remainder of this Agreement and the application of that provision to other Persons or circumstances shall not be affected thereby and that provision shall be enforced to the greatest extent permitted by the Act or other applicable Laws, as the case may be.

16.7. FURTHER ASSURANCES. Subject to the terms and conditions set forth in this Agreement, each of the Parties agrees to use all reasonable efforts to take, or to cause to be taken, all actions, and to do, or to cause to be done, all things necessary, proper or advisable under applicable Laws and regulations to consummate and make effective the transactions contemplated by this Agreement. In case, at any time after the execution of this Agreement, any further action is necessary or desirable to carry out its purposes, the proper officers or directors of the Parties shall take or cause to be taken all such necessary action.

16.8. EXERCISE OF CERTAIN RIGHTS. No Member may maintain any action for partition of the property of the Company. No Member may maintain any action for dissolution and liquidation of the Company unless such Member has submitted the dispute giving rise to such possible action to further negotiation and non-binding mediation, which further negotiation and mediation shall be conducted in accordance with the time periods and procedures set forth in Section 16.5(b) and (c), to the extent applicable. If such dispute is still unresolved after the conclusion of such further negotiation and non-binding mediation, such Member shall offer to sell its Membership Interest (free and clear of all liens and encumbrances) to the other Members for an amount of cash equal to the fair market value of the selling Member's Membership Interest, determined by multiplying such selling Member's Membership Interest by the fair market value of the Company, as a whole, without regard to any discounts or premiums related to minority interest, controlling interest, liquidity or related matters. If such Members do not agree on the fair market value thereof, such value shall be determined by an arbitrator in accordance with the arbitration procedures set forth in Section 3.6(e). If the non-selling Members do not exercise the option to purchase such Membership Interest within 60 days after the fair market value is determined, then the selling Member shall have the right for a period of 30 days after such 60-day period to initiate an action for such dissolution and liquidation pursuant to section 18-802 of the Act or any similar applicable statutory or common law dissolution right. If no Member has brought such action for dissolution within such 30 day period, then any Member may maintain an action for dissolution and liquidation only after again following the procedures set forth in this Section. Upon the institution of, and during the pendency of, any such dissolution proceeding, the Members agree to use commercially reasonable efforts to employ procedures and experts to ensure that such dissolution process will result in the Company and/or its assets being disposed of at fair market value; provided that such cooperative efforts shall not constitute a waiver or limitation of any such Member's right to contest such dissolution. Such procedures shall include soliciting likely potential purchasers, establishing a data room and other information sharing procedures and, if appropriate, engaging an investment banker, consultant or

other expert to facilitate and enhance the marketing efforts. The terms and conditions of this Section 16.8 are intended to preserve any right to dissolution created by statute or common law (such as by section 18-802 of the Act), but do not create any contractual right to dissolution.

16.9. NOTICE TO MEMBERS OF PROVISIONS OF THIS AGREEMENT. By executing this Agreement, each Member acknowledges that it has actual notice of all of the provisions of this Agreement. Each Member hereby agrees that this Agreement constitutes adequate notice of all such provisions.

16.10. COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which, when executed, shall be deemed an original, and all of which shall constitute but one and the same instrument.

16.11. ATTENDANCE VIA COMMUNICATIONS EQUIPMENT. Unless otherwise restricted by law or this Agreement, the Members or committees may hold meetings by means of telephone conference or other communications equipment by means of which all Persons participating in the meeting can effectively communicate with each other. Such participation in a meeting shall constitute presence in person at the meeting, except where a Person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

16.12. REPORTS TO MEMBERS. The officers of the Company shall present at each annual meeting of Members, and at any special meeting of Members, a statement of the business and condition of the Company.

16.13. CHECKS, NOTES AND CONTRACTS. Checks and other orders for the payment of money shall be signed by such Person or Persons as the Company shall from time to time by resolution determine. Contracts and other instruments or documents may be signed in the name of the Company by any Person or Persons as the Company shall from time to time by resolution determine authorized to sign such contract, instrument or document by the Company, and such authority may be general or confined to specific instances. Checks and other orders for the payment of money made payable to the Company may be endorsed for deposit to the credit of the Company, with a depositary authorized by resolution of the Company, by the Chief Financial Officer or Treasurer or such other Persons as the Company may from time to time by resolution determine.

16.14. SEAL. The seal of the Company shall be in such form as shall from time to time be adopted by the Company. The seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise reproduced.

16.15. BOOKS AND RECORDS. The officers of the Company shall keep correct and complete books and records of account, including the names and addresses of all Members and the number and class of the interest held by each, and minutes of the proceedings of the Members at its registered office or principal place of business, or at the office of its transfer agent or registrar.

16.16. SURETY BONDS. Such officers and agents of the Company (if any) as the Company may direct, from time to time, shall be bonded for the faithful performance of their duties and for the restoration to the Company, in case of their death, resignation, retirement, disqualification or removal from office, of all books, papers, vouchers, money and other property of whatever kind in their possession or under their control belonging to the Company, in such amounts and by such surety companies as the Company may determine. The premiums on such bonds shall be paid by the Company and the bonds so furnished shall be in the custody of the Secretary.

16.17. AUDIT RIGHTS OF MEMBERS. (a) Each Member shall have the right to inspect and audit the books and records of the Company to the extent necessary to determine the accuracy of the financial statements delivered to the Members pursuant to Section 10.2 of this Agreement. Such audits shall be conducted at the cost of the Member(s) requesting same. The audit rights with respect to any calendar year or any portion of such year shall terminate on and as of the last day of the second calendar year immediately following the year in question. A Member may exercise its audit rights hereunder by giving at least 30 days written notice to the Company of the desire to perform such audit, which notice shall include the estimated timing and other particulars related to such audit. The audit shall be conducted during normal business hours of the Company. The audit shall not unreasonably interfere with the operation of the Company. If any financial statement is not challenged within 3 years, then it shall be presumed to be accurate.

(b) Any Member shall have the right to cause the Company or a Subsidiary of the Company to exercise its inspection and audit rights, if any, under any Construction Agreement or Operating Agreement. The costs related thereto shall be paid by the Member(s) requesting same.

16.18. NO THIRD PARTY BENEFICIARIES. Except to the extent a third party is expressly given rights herein, any agreement herein contained, expressed or implied, shall be only for the benefit of the Parties and their respective legal representatives, successors, and assigns, and such agreements shall not inure to the benefit of any other Person whomsoever, it being the intention of the parties hereto that no Person shall be deemed a third party beneficiary of this Agreement except to the extent a third party is expressly given rights herein.

16.19. NOTICES. Except as otherwise expressly provided in this Agreement to the contrary (including in the definition of the term Default), any notice required or permitted to be given under this Agreement shall be in writing (including telex, facsimile, telecopier or similar writing) and sent to the address of the Party set forth below, or to such other more recent address of which the sending Party actually has received written notice:

(a) if to the Company, to:

Ocean Breeze Pipeline Company, L.L.C.
Attn: Mr. Doug Krenz
200 N. Dairy Ashford, Suite 3100
Houston, Texas 77079
Telephone (281) 544-2224
Telecopy (281) 544-2201

(b) if to the Members, to each of the Members listed on Exhibit A at the address set forth therein.

Each such notice, demand or other communication shall be effective, if given by registered or certified mail, return receipt requested, as of the third day after the date indicated on the mailing certificate, or if given by any other means, when delivered at the address specified in this Section.

16.20. REMEDIES. Except as expressly provided herein, the rights, obligations and remedies created by this Agreement are cumulative and in addition to any other rights, obligations or remedies otherwise available at law or in equity. Other than the obligation to arbitrate pursuant to Section 16.21, in lieu of seeking judicial remedies, nothing herein shall be considered an election of remedies. In addition, any successful Party is entitled to costs related to enforcing this Agreement, including, without limitation, attorneys' fees, and arbitration expenses. NOTWITHSTANDING ANYTHING TO THE CONTRARY, THE PARTIES WAIVE ANY AND ALL RIGHTS, CLAIMS OR CAUSES OF ACTION ARISING UNDER THIS AGREEMENT FOR INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES. A PARTY MAY RECOVER FROM THE OTHER PARTY ALL COSTS, EXPENSES OR DAMAGES INCLUDING, WITHOUT LIMITATION, INDIRECT, SPECIAL, CONSEQUENTIAL, INCIDENTAL, EXEMPLARY, PUNITIVE AND OTHER DAMAGES PAID OR OWED TO ANY THIRD PARTY FOR WHICH SUCH PARTY HAS A RIGHT TO RECOVER FROM THE OTHER PARTY.

16.21. DISPUTES.

(a) Applicability. Any controversy or claim, whether based on contract, tort, statute or other legal or equitable theory (including but not limited to any claim of fraud, misrepresentation or fraudulent inducement or any question of validity or effect of this Agreement including this clause) arising out of or related to this Agreement (including any amendments or extensions), or the breach or termination thereof shall be settled by arbitration in accordance with the then current CPR Institute Rules for Non-Administered Arbitration of Business Disputes, and this provision. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. ss.ss. 1-16 to the exclusion of any provision of Law inconsistent therewith or which would produce a different result, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction. Notwithstanding the foregoing, this Section shall not apply to (x) any matters that, pursuant to the provisions of this Agreement, are to be resolved by a vote of the Members or (y) any of the rights of non-defaulting Members set forth in Section 4.3. Any dispute to which this Section applies is referred to herein as a "Dispute." With respect to a particular Dispute, each Person that is a party to such Dispute is referred to herein as a "Disputing Party." The provisions of this Section shall be the exclusive method of resolving Disputes.

(b) Negotiation to Resolve Disputes. If a Dispute arises, the Disputing Parties shall attempt to resolve such Dispute through the following procedure:

(i) first, each of the Disputing Parties shall promptly meet (whether by phone or in person) in a good faith attempt to resolve the Dispute.

(ii) second, if the Dispute is still unresolved after ten Business Days following the commencement of the negotiations described in Section 16.21(b)(i), then the chief executive officer (or his designee) of the direct parent of each Disputing Party shall meet (whether by phone or in person) in a good faith attempt to resolve the Dispute; and

(iii) third, if the Dispute is still unresolved after ten Business Days following the commencement of the negotiations described in Section 16.21(b)(ii), then any Disputing Party may submit such Dispute to binding arbitration under this Section by written notice to the other Disputing Parties (an "Arbitration Notice") delivered within thirty Business Days thereafter.

(iv) At the same time that the Disputing Member sends an Arbitration Notice to the other Disputing Members, it shall also send an Arbitration Notice to the regional office of the CPR Institute covering Houston, Texas. The Arbitration Notice shall contain a brief description of the nature of the dispute and the name of an Arbitrator proposed by the Disputing Member.

(c) Selection of Arbitrator.

(i) Any arbitration conducted under this Section shall be heard by a sole arbitrator (the "Arbitrator") qualified by his or her education, experience and training to resolve the disputed matters and shall be selected in accordance with this Section. Each Disputing Party and each proposed Arbitrator shall disclose to the other Disputing Parties any business, personal or other relationship or affiliation that may exist between such Disputing Party and such proposed Arbitrator within ten Business Days following delivery of the Arbitration Notice.

(ii) The Disputing Party that submits a Dispute to arbitration shall designate a proposed Arbitrator in its Arbitration Notice. If any other Disputing Party objects for any reason to such proposed Arbitrator, it may, on or before the tenth Business Day following delivery of the Arbitration Notice, notify all of the other Disputing Parties of such objection. All of the Disputing Parties shall attempt to agree upon a mutually acceptable Arbitrator. If they are unable to do so within seven Business Days following delivery of the notice described in the immediately-preceding sentence, any Disputing Party may request the regional office of the CPR Institute covering Houston, Texas to designate the Arbitrator who shall be qualified by his or her education, experience and training to resolve the disputed matters. Failing designation by the regional office of the CPR Institute covering Houston, Texas, any Disputing Party may in writing request the judge of the United States District Court for the Southern District of Texas senior in term of service to appoint an Arbitrator qualified by his or her education, experience and training to resolve the disputed matters. If the Arbitrator so chosen shall die, resign or otherwise fail or becomes unable to serve as Arbitrator, a replacement Arbitrator shall be chosen in accordance with this Section.

(d) Conduct of Arbitration.

(i) Any arbitration hearing shall be held in Houston, Texas. The Arbitrator shall fix a reasonable time and place for the hearing and shall determine the matters submitted to it pursuant to the provisions of this Agreement in a timely manner; provided, however, if the Arbitrator shall fail to hold the hearing to determine the issue in dispute within sixty (60) days after the selection of the Arbitrator, then any Disputing Member shall have the right to require a new Arbitrator be selected under this Section.

(ii) Except as expressly provided to the contrary in this Agreement, the Arbitrator shall have the power (i) to gather such materials, information, testimony and evidence as it deems relevant to the dispute before it (and each member will provide such materials, information, testimony and evidence requested by the Arbitrator, except to the extent any information so requested is, subject to an attorney-client or other privilege); (ii) to grant injunctive relief and enforce specific performance; and (iii) to issue or cause to be issued subpoenas (including subpoenas directed to third-parties) for the attendance of witnesses and for the production of books, records, documents and other evidence. Subpoenas so issued shall be served, and upon application to the Court by a party or the Arbitrator, enforced, in the manner provided by law for the service and enforcement of subpoenas in a civil action; and (iv) to administer oaths.

(iii) In advance of the arbitration hearing, the Disputing Members may conduct discovery in accordance with the Texas Rules of Civil Procedure. Such discovery may include, but is not limited to, 1) the taking of oral and videotaped depositions and depositions on written questions; 2) serving interrogatories, document requests and requests for admission; and 3) any other form and/or method of discovery provided for under the Texas Rules of Civil Procedure. The Arbitrator shall order the parties to promptly exchange copies of all exhibits and witness lists, and, if requested by a party, to produce other relevant documents, to answer up to ten interrogatories (including subparts), to respond to up to ten requests for admissions (which shall be deemed admitted if not denied) and to produce for deposition and, if requested, at the hearing all witnesses that such party has listed and up to four other persons within such party's control. Any additional discovery shall only occur by agreement of the parties or as ordered by the Arbitrator upon a finding of good cause. Any objections and/or responses to such discovery shall be due on or before fifteen (15) days after service. The Disputing Members shall attempt in good faith to resolve any discovery disputes that may arise. If the Disputing Members are unable to resolve any such disputes, the Disputing Members may present their objections to the Arbitrator who shall resolve the objections in accordance with the Texas Rules of Civil Procedure. The Arbitrator may, if requested by a party, order that a trade secret or other confidential research, development or commercial information not be revealed or be revealed only in a designated way.

(iv) The Disputing Members may also retain, with the consent of the arbitrator, one or more experts to assist the Arbitrator in resolving the Dispute. The Disputing Members shall identify and produce a report from any experts who will give testimony and/or evidence at the arbitration hearing. Any testifying experts identified shall be made available for deposition in advance of any arbitration hearing.

(v) The Arbitrator shall render its decision in writing within fifteen (15) days of the conclusion of the hearing. The arbitrator shall have jurisdiction and authority to interpret and apply the provisions of this Agreement only insofar as shall be necessary in the determination of the dispute before it, but it shall not have jurisdiction or authority to add to or alter in any way the provisions of this Agreement. The Arbitrator's decision shall govern and shall be final, nonappealable (except to the extent provided in the Federal Arbitration Act) and binding on the Disputing Members hereto and its written decision may be entered in any court having appropriate jurisdiction. Pending resolution of any dispute hereunder, performance by Disputing Members shall continue so as to maintain the status quo prior to notice of such dispute and service of notice of arbitration by any Disputing Member shall not divest a court of competent jurisdiction of the right and power to grant a decree compelling specific performance or injunctive relief in an action brought by the Disputing Members. THE ARBITRATOR AND ANY COURT ENFORCING THE AWARD OF THE ARBITRATOR SHALL NOT HAVE THE RIGHT OR AUTHORITY TO AWARD CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE OR EXEMPLARY DAMAGES TO THE COMPANY OR ANY DISPUTING MEMBERS. PROVIDED, HOWEVER, THAT THE ARBITRATOR MAY AWARD ALL COSTS, EXPENSES OR DAMAGES INCLUDING, WITHOUT LIMITATION, INDIRECT, SPECIAL CONSEQUENTIAL, INCIDENTAL, EXEMPLARY, PUNITIVE AND OTHER DAMAGES PAID OR OWED TO ANY THIRD PARTY FOR WHICH A PARTY HAS A RIGHT TO RECOVER FROM THE OTHER PARTY.

(vi) The responsibility for paying the costs and expenses of the arbitration, including compensation to the Arbitrator, shall be allocated among the Disputing Members in a manner determined by the Arbitrator to be fair and reasonable under the circumstances. Each Disputing Member shall be responsible for the fees and expenses of its respective counsel, consultants and witnesses, unless the Arbitrator determines that compelling reasons exist for allocating all or a portion of such costs and expenses to one or more other Disputing Members.

16.22. NO SHOP. Prior to the date on which the Members vote to accept or reject the Construction Certificate as contemplated by Section 3.17, no Member (including its Affiliates) shall directly or indirectly solicit, initiate or encourage submission of or participate in negotiations or take any action with respect to, proposals or offers (including any from any third party) to participate jointly in constructing, operating or owning pipelines or related facilities of the type described herein (or any similar facilities) to gather or transport gas from the Dedicated Leases which was not committed pursuant to a written gathering or transportation agreement executed prior to December 1, 1995, or engage in any other transaction contemplated by this Agreement. Each Member hereto agrees to advise the other Members in writing with respect to any solicitation, indications of interest or other inquiries (of the type described in the immediately preceding sentence) initiated by any party hereto or any third party pertaining to the subject matter of this Agreement. Notwithstanding anything to the contrary contained in this paragraph, it shall not be a violation of the exclusivity provisions of this Agreement if (i) due to the size of its respective operations, a representative of a Member or its Affiliates, which representative is not aware of this Agreement, inadvertently violates the exclusivity provisions of

this Agreement and (ii) such violation is ceased and notice thereof delivered to the other Members promptly upon discovery of same by such Member, nor shall it be a violation to engage in such undertakings solely as they pertain to gas excepted from the dedication provisions of the Dedication Agreements.

16.23. MEMBER TRADEMARKS. Neither the Company nor any Member shall be permitted to use any trademark owned by any other Member or its Affiliates, including, without limitation, the Shell "Pecten" trademark, without the express written consent of such Member or its Affiliate or as otherwise required by Law.

16.24. HOLDING-OUT. Except as required by Law, the Company shall not publicly indicate that it is affiliated with Shell Oil Company or any of its Affiliates, without the express written consent of Shell Holding or an Affiliate thereof.

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IN WITNESS WHEREOF, the Members have executed this Agreement as of the date first set forth in this Agreement.

MEMBERS:

By: /s/ JAMES H. LYTAL

Printed Name: James H. Lytal

Title: President

MARATHON GAS TRANSMISSION INC.

By: /s/ R. G. BECKER

Printed Name: R. G. Becker

Title: President

SHELL SEAHORSE COMPANY

By: /s/ D.V. KRENZ

Printed Name: D.V. Krenz

Title: President

EXHIBITS:

Exhibit A:	Ownership Information
Exhibit B:	Description of Initial Facilities
Exhibit C:	Insurance

EXHIBIT A
OWNERSHIP INFORMATION

	NAME AND INITIAL CAPITAL CONTRIBUTION OF EACH MEMBER	INITIAL CAPITAL CONTRIBUTIONS	MEMBERSHIP INTEREST
1)	Leviathan Holding: Sailfish Pipeline Company, L.L.C. Attention: Grant E. Sims 7200 Texas Commerce Tower 600 Travis Houston, Texas 77002 Telephone: 713/224-7400 Facsimile: 713/547-5151	(1)	25.67%
2)	Shell Holding:(4) Shell Seahorse Company Attention: Mr. Doug Krenz, President 200 North Dairy Ashford, Suite 3100 Houston, Texas 77079 Telephone: (281) 544-2224 Facsimile: (281) 544-2201	(2)	50.00%
3)	Marathon Holding: Marathon Gas Transmission Inc. Attention: Mr. William H. Hastings 5555 San Felipe P.O. Box 3128 Houston, Texas 77253-3128 Telephone: (713) 296-3715 Facsimile: (713) 296-4480	(3)	24.33%

(1) Leviathan Holding shall make or cause to be made Initial Capital Contributions equal to:

(a) Contribution of amounts equal to the cash paid by Leviathan Holding on behalf of the Company for certain costs and expenses related to the formation of the Company and incurred by Leviathan Holding prior to the date hereof.

(b) Contribution of 1% of Leviathan Holding's membership interest in Nautilus and Manta Ray of 25.67%;

(2) Shell Holding shall make or cause to be made Initial Capital Contributions equal to:

(a) Contribution of amounts equal to the cash paid by Shell Holding on behalf of the Company for certain costs and expenses related to the formation of the Company and incurred by Shell Holding prior to the date hereof;

(b) Contribution of 1% of Shell Holding's membership interest in Nautilus and Manta Ray of 50.00%

(3) Marathon Holding shall make or cause to be made Initial Capital Contributions equal to:

(a) Contribution of amounts equal to the cash paid by Marathon Holding and its Affiliates on behalf of the Company for certain costs and expenses related to the formation of the Company and incurred by Marathon Holding and its Affiliates prior to the date hereof;

(b) Contribution of 1% of Marathon Holding's membership interest in a Nautilus and Manta Ray of 24.33%

(4) Initial Tax Matters Member.

EXHIBIT B
CERTAIN MANTA RAY AND NAUTILUS FACILITIES

I. Manta Ray Initial Facilities

A. Manta Ray Phase I Facilities

1. Pipeline Segments

a. Approximately 51 miles of 16" pipeline from Green Canyon Block 29 to Ship Shoal Block 207.

b. Approximately 32 miles of 14" pipeline from South Timbalier Block 301 to Ship Shoal Block 207.

c. Approximately 1 mile of 10" pipeline within Ship Shoal Block 240.

d. Approximately 3 miles of 12" pipeline from Ship Shoal Block 259 to Ship Shoal Block 261.

e. Approximately 6 miles of 16" pipeline from Ship Shoal Block 207 to Ship Shoal Block 181, to be contributed to the Company by Poseidon Pipeline Company, L.L.C.

f. Approximately 6 miles of 12" pipeline from South Timbalier Block 277 to South Timbalier Block 292.

g. Approximately 4 miles of 12" pipeline from South Timbalier Block 292 to South Timbalier Block 280.

h. Approximately 18 miles of 24" pipeline from South Timbalier Block 292 to South Timbalier Block 300.

i. Approximately 7 miles of 14" pipeline from Ship Shoal Block 332 to South Timbalier Block 301.

j. Approximately 7 miles of 16" pipeline from Ship Shoal Block 332 to South Timbalier Block 301.

k. Approximately 17 miles of 16" pipeline from Green Canyon Block 19 to Ship Shoal Block 332.

l. Approximately 9 miles of 16" pipeline from Ship Shoal Block 349 to Ewing Bank Block 990.

2. Pipeline Related Facilities shall include:

a. GREEN CANYON 19A

(1) 24" x 0.688" Riser with a 24" - 900# SDV

(2) 20" x 16" Pig Launcher

(3) Corrosion Inhibitor Injection Skid with Sidewinder pump

(4) Dual 6" Orifice Meter Skid
Design 1,720 psig @ 130 Degrees F

(5) Standard Gas Metering Station EFM Equipment

b. GREEN CANYON 18A

(1) Standard Gas Metering Station EFM Equipment

c. GREEN CANYON 65A

(1) Standard Gas Metering Station EFM Equipment

d. EWING BANK 947A

(1) Standard Gas Metering Station EFM Equipment

e. SHIP SHOAL 349A

(1) 16" x 0.688" Riser with a 16" - 900# SDV

(2) 18" x 16" Pig Launcher

(3) Corrosion Inhibitor Injection Skid with Sidewinder pump

(4) Dual 10" Orifice Meter Skid
Design 1,550 psig @ 250 Degrees F

(5) Standard Gas Metering System EFM Equipment

f. SHIP SHOAL 240A

SS240 Lateral is owned 51% by Manta Ray Gathering Company, L.L.C. and 49% by ANR.

(1) 10.75" x 0.594" Riser with 10" - 900# SDV

(2) 12" x 10" Pig Launcher

(3) Corrosion Inhibitor Injection Skid with Sidewinder pump

(4) Dual 8" Orifice Meter Skid
Design = 2,220 psig @ 100 Degrees F

(5) Standard Gas Metering Station EFM Equipment

Manta Ray Offshore ownership is everything downstream of 6" - 900# flange at inlet of Gas Meter Skid.

g. SHIP SHOAL 259JA

(1) 12.75" x 0.688" Riser with 12" - 900# SDV

(2) Corrosion Inhibitor Injection with Sidewinder pump

(3) Dual 10" Orifice Meter Skid
Design = 1,480 psig @ 120 Degrees F

Manta Ray Offshore ownership is everything downstream of 10" - 600# flange at inlet of Gas Meter Skid.

Note: No pig launcher.

EFM equipment is owned by William Field Services, who provide a monthly calibration service for a fee ($1,000).

h. SOUTH TIMBALIER 295A

Manta Ray Offshore presently owns nothing on this platform. The Riser and Meter Station are owned by Shell Offshore Inc.. The EFM equipment is owned by Williams Field Services who provides monthly calibration services for a fee ($1,000). When the 24" pipeline which originates at ST 292 is extended to SS 332 in 1997, Manta Ray will install its EFM equipment and remove Williams'. This will eliminate the fee.

i. SOUTH TIMBALIER 277A

(1) 12.75" x 0.500" Riser

(2) 14" x 12" Pig Launcher

(3) Corrosion Inhibitor Injection Skid with Sidewinder pump

(4) Single 8" Orifice Meter

(5) Barton Model 202E Chart Recorder

(6) Welker Model GS-4 Composite Gas Sampler

j. SOUTH TIMBALIER 300A

(1) 24" x 0.625" Riser (inbound) with 24" - 900# SDV

(2) 30" x 24" Pig Receiver

(3) Miscellaneous valves and fittings

k. SOUTH TIMBALIER 292A

(1) 24" x 0.625" Riser (outbound) with a 24" - 900# SDV

(2) 30" x 24" Pig Launcher

(3) Corrosion Inhibitor Injection Skid with Sidewinder Pump

(4) Dual 8" Orifice Meter

(5) 12.75" x 0.500' Riser (outbound) with 12" - 600# SDV

(6) Corrosion Inhibitor Injection Skid with Sidewinder Pump

(7) Dual 10" Orifice Meter

(8) Welker Model GS-4 Composite Gas Sampler

(9) 12.75" x 0.500" Riser (incoming) with 12" - 600# SDV

(10) 14" x 12" Pig Receiver

l. SHIP SHOAL 207 DWPF

(1) 8 Pile Platform

(2) 16" x 0.625" Riser (inbound gas) with 16" - 900# SDV

(3) 18" x 16" Pig Receiver

(4) H.P. Relief Scrubber

(5) L.P. Relief Scrubber

(6) Platform Sump System

(7) 14" - 600# Check Valve, 14" - 600# FCV and (2) 14" 600# Block Valves

(8) (2) Bad Oil Tanks. Capacity = 1,200 BBL each

(9) (2) Waukesha - Pearce Generators 550 KW each

(10) 14" x 0.625" Riser (inbound) with 14" - 900# SDV

(11) 16" x 14" Pig Receiver

(12) 16" x 0.406" Riser (outbound) with 16" - 600# SDV

(13) 18" x 16" Pig Launcher

(14) PECO Instrument Fuel Gas Filter

(15) EFM Equipment (SS 207)

(16) 8" Oil line which crosses bridge to platform

(17) Seaking Series 42 Model SK 1900 Crane

(18) 15' x 15' Parts Building

Note: Oil Metering Skid and Prover Loop are property of Poseidon Pipeline Company, L.L.C.

m. SHIP SHOAL 332A

(1) 16" x 0.562" Riser (inbound) with 16" - 900# SDV

(2) 18" x -16" Pig Receiver

(3) 12" - 1500# FCV, (2) 12" - 1500# Block Valves and 12" - 1500# Check valve allocated on Sub-Cellar Deck; 12" - 900# FCV and 12" - 600# Check valve located on Sub-Cellar Deck; (2) 12" - 600# FCVs located on Cellar deck.

(4) 20" Pipeline Manifold

(5) 8" - 900# FCV

(6) Dual 12" and 10" Orifice Meter (to TGPL)

(7) 18" x 16" Pig Launcher

(8) 16" x 0.625" Riser (outbound) with 16" - 900# SDV

(9) 16" x 14" Pig Launcher

(10) 14" x 0.438" Riser (outbound) with 14" - 900# SDV

(11) EFM Equipment (SS 332)

(12) Certain Dehydration Facilities (as described in the relevant contribution agreement)

n. PARTS LISTS FOR METERING STATIONS

(1) Typical Gas Metering Station Installation (See Attachment 1.)

(2) Platform SS 207 (See Attachment 2.)

(3) Platform SS 332 (See Attachment 3.)

B. Manta Ray Phase II Facilities

1. Pipeline Segments

a. Approximately 47 miles of 24" pipeline from Green Canyon Block 65 to Ship Shoal Block 207.

b. Approximately 7 miles of 24" pipeline from South Timbalier Block 300 to Ship Shoal Block 332.

2. Pipeline Related Facilities

a. A 24" export riser located on Shell Offshore Inc.'s platform in Green Canyon Block 65.

b. A 24" import riser located on Manta Ray Offshore Gathering Company L.L.C.'s Ship Shoal 207 platforms.

c. A 24" import riser located on Manta Ray Gathering Company, L.L.C.'s Ship Shoal 332 platforms ("SS332 platforms").

d. A slug catcher and related facilities located on the SS207 platforms.

e. A slug catcher and related facilities located at the inlet of Exxon U.S.A's Garden City Gas Plant.

II. Nautilus Initial Facilities

A. Pipeline Segments

A 30" Pipeline from SS207 to the inlet of the Garden City Gas Plant, including a lateral to the Burns Point Gas Plant, risers, and other appurtenant facilities.

B. Pipeline Related Facilities

A 30" export riser located on the Ship Shoal 207 platform.

EXHIBIT C

INSURANCE

	Coverage	Per Occurrence Limit of Liability	Per Occurrence Deductible
I.	To be carried by the Company, if applicable		
1.	Workers' Compensation	Per statute	None
	Employers Liability/ Maritime E.L.	$ 1,000,000	None
2.	Automobile Liability	$ 1,000,000	$250,000
II.	If the Company owns or bareboat charters watercraft these coverages will be carried by the Company:		
A.	Hull/Machinery, including Collision Liability	$10,000,000	$250,000
B.	Protection & Indemnity, including crew coverage and Excess Collision Liability	$ 1,000,000	$250,000

EXHIBIT 10.17

LIMITED LIABILITY COMPANY AGREEMENT

OF

NEMO GATHERING COMPANY, LLC

(a Delaware limited liability company)

(Dated as of July 26, 1999)

EXHIBITS:

LIMITED LIABILITY COMPANY AGREEMENT

OF

NEMO GATHERING COMPANY, L.L.C.
(a Delaware limited liability company)

This Limited Liability Company Agreement of Nemo Gathering Company, LLC (the "Company") dated as of July 26, 1999, is (a) adopted by the Members (as defined below) and (b) executed and agreed to, for good and valuable consideration, by the Members.

WHEREAS, the Members desire to form the Company in connection with the construction, ownership and operation of certain pipelines; and

WHEREAS, the Company will construct, own, operate and maintain the Brutus Gathering Facilities.

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

ARTICLE I.

DEFINITIONS

1.1. Specific Definitions. As used in this Agreement, the following terms have the following meanings:

"Accelerated Volumes" means the increment of natural gas volumes produced from existing, flowing Dedicated Leases or third party leases, whichever is applicable, which require an Expansion Project pursuant to Section 15.2, provided that such volumes, for the purposes of this definition, shall be limited to Dedicated Leases or third party leases, whichever is applicable, from which the increases in volume are attributable to an acceleration of reserves production, and not an increase in overall reserves.

"Accessible Capacity" means that portion of the Base Capacity which is commercially useable for gas gathering or transportation taking into consideration hydraulics, geographic proximity and other similar factors to transport relevant additional Expansion Property Production.

"Act" means the Delaware Limited Liability Company Act and any successor statute, as amended from time to time.

"Adjusted Capital Account" means the Capital Account maintained for each Member as of the end of each taxable year of the Company, (a) increased by any amounts that such Member is obligated to restore under the standards set by Treasury Regulation section 1.704-1(b)(2)(ii)(c) (or is deemed obligated to restore pursuant to the penultimate sentences of Treasury Regulation

sections 1.704-2(g)(1) and 1.704-2(i)(5)), and (b) decreased by (i) the amount of all losses and deductions that, as of the end of such taxable year, are reasonably expected to be allocated to such Member in subsequent years under sections 704(e)(2) and 706(d) of the Code and Treasury Regulation section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that, as of the end of such taxable year, are reasonably expected to be made to such Member in subsequent years in accordance with the terms of this Agreement or otherwise to the extent they exceed offsetting increases to such Member's Capital Account that are reasonably expected to occur during (or prior to) the year in which such distributions are reasonably expected to be made (other than increases as a result of a minimum gain chargeback pursuant to Section 5.1(d) or 5.1(e)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Adjusted Property" means any property, the Carrying Value of which has been adjusted pursuant to Section 4.5(c)(i) or (c)(ii).

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, the relevant Person.

"Agreement" means this Limited Liability Company Agreement (including any schedules, exhibits or attachments hereto), as amended, supplemented or modified from time to time.

"Arbitrator" has the meaning given that term in Section 16.21.

"Arbitration Notice" has the meaning given that term in Section 16.21.

"Asset Value" of any Contributed Property or Adjusted Property means the fair market value of such property or other consideration at the time of contribution or adjustment, as applicable, and as determined by the Company using such reasonable method of valuation as it may adopt. The Company shall, in its sole discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Asset Value of Contributed Properties or Adjusted Properties in a single or integrated transaction among such properties on a basis proportional to their fair market value. The fair market value of the Contributed Properties described on Exhibit A shall be deemed to be the Asset Value of such Contributed Properties set forth therein.

"Available Cash" means unrestricted cash and cash equivalents of the Company. Available Cash shall not include any Initial Capital Contributions except to the extent that all of the Members agree that the applicable portion of any such Initial Capital Contribution is no longer needed to finance the construction of the Initial Facilities.

"Bankrupt Member" means any Member:

(a) that (i) makes a general assignment for the benefit of creditors; (ii) files a voluntary bankruptcy petition; (iii) becomes the subject of an order for relief or is declared insolvent in any federal or state bankruptcy or insolvency proceeding; (iv) files a petition or answer seeking for the Member a reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief

under any law; (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Member in a proceeding of the type described in subclauses (i) through (iv) of this clause (a); or (vi) seeks, consents, or acquiesces to the appointment of a trustee, receiver, or liquidator of the Member or of all or any substantial part of the Member's properties; or

(b) against which a proceeding seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any law has been commenced and 90 days have expired without dismissal thereof or with respect to which, without the Member's consent or acquiescence, a trustee, receiver, or liquidator of the Member or of all or any substantial part of the Member's properties has been appointed and 60 days have expired without such appointments having been vacated or stayed, or 60 days have expired after the date of expiration of a stay, if the appointment has not previously been vacated.

"Base Capacity" means the maximum throughput capacity on the Brutus Gathering Facilities immediately before the commencement of the relevant Expansion Project and any additional capacity thereafter created by any succeeding Expansion Project approved by Members holding at least the applicable Required Interest or pursuant to Section 15.2 for which payout has occurred.

"Book-Tax Disparity" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Member's share of the Company's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Member's Capital Account balance as maintained pursuant to Section 4.5 and the hypothetical balance of such Member's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles. The determination of Book-Tax disparity and a Member's share thereof shall be determined consistently with section 1.704-3(c) of the Treasury Regulations.

"Brutus Gathering Facilities" means the Initial Facilities and any other natural gas pipelines, including, without limitation, Laterals and/or Expansion Projects, and related facilities constructed, purchased, or otherwise acquired by the Company in accordance with the terms and conditions of this Agreement.

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States or the State of Texas shall not be regarded as a Business Day.

"Capacity Request" has the meaning given that term in Section 15.2.

"Capital Account" means the capital account maintained for each Member pursuant to Section 4.5.

"Capital Contribution" means any contribution by a Member to the capital of the Company, as contemplated by Section 4.5(a).

"Carrying Value" means (a) with respect to Contributed Property and Adjusted Property, the Asset Value of such property reduced (but not below zero) by all depreciation, amortization and cost recovery deductions relating to such property charged to the Members' Capital Accounts, and (b) with respect to any other Company property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 4.5(c)(i) and (c)(ii), and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Company properties, as deemed appropriate by the Company.

"Certificate" has the meaning given that term in Section 2.1.

"Change in Member Control" means, with respect to any Member that is not an individual, (a) the transfer of Voting Stock issued by the relevant Member resulting in a change in the Member Parent of such Member, and (b) the transfer (whether by a direct assignment, a sale of all or substantially all of the assets of the Member Parent or any Person which Controls any Member Parent, or a merger, consolidation, conversion, share exchange or similar statutory reorganization) of any Voting Stock of any Member Parent or any Person which Controls any Member Parent.

"Code" means the Internal Revenue Code of 1986 and any successor statute, as amended from time to time.

"Company" means Nemo Gathering Company, LLC, a Delaware limited liability company, and its permitted successors and assigns.

"Company Minimum Gain" means the amount determined pursuant to Treasury Regulation section 1.704-2(d).

"Company Operating Cash Flow" means, with respect to all taxable years or other periods of the Company preceding the calendar quarter in which the determination is being made, an amount (not less than zero) equal to the sum of (a) the Leviathan Holding Operating Cash Flow and (b) the Tejas Holding Operating Cash Flow.

"Construction Agreement" means the Construction Management Agreement dated of even date herewith between Tejas Holding and the Company.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Act, but excluding cash or cash equivalents, contributed to the Company. Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 4.5(c), such property shall no longer constitute a Contributed Property for purposes of Section 5.2, but shall be deemed an Adjusted Property for such purposes.

"Control" (and its derivatives and similar terms) means having the ability to direct or cause the direction of the management and policies of any Person by ownership of Voting Stock, contract or otherwise. Notwithstanding the foregoing, the Company and its Subsidiaries shall be deemed not to Control, be Controlled by, or be under common Control with any of Tejas Holding or any of its Affiliates, and vice-versa, or Leviathan Holding or any of its Affiliates, and vice-versa.

"Costs" has the meaning given that term in Section 4.3(a)(ii)(3).

"CPR Institute" has the meaning given that term in Section 3.5(d).

"Dedicated Leases" shall have the meaning ascribed to it in the Gathering Agreement.

"Dedicated Production" means the natural gas produced from the Dedicated Leases that is owned by or allocable to SDDI, or any Affiliate thereof, or any non-Affiliated party owning a record title or operating rights interest in any Dedicated Lease, and which natural gas is gathered by the Brutus Gathering Facilities pursuant to either the Gathering Agreement or other written gathering agreement.

"Dedicated Property Revenues" means any and all revenues and income of the Company resulting from or otherwise attributable to the Dedicated Production.

"Default" means, in respect of any Member, upon the occurrence and during the continuation of any of the following events:

(a) the failure to remedy, within seven Business Days of such Member's receipt of written notice thereof from the Company or any other Member, a Member's delinquency in making any Capital Contribution to the Company as required pursuant to Section 4.1 or 4.2;

(b) the occurrence of any event that causes such Member to become a Bankrupt Member; or

(c) the failure to remedy, within ten Business Days of receipt of written notice thereof from the Company or any other Member, the non-performance of or non-compliance with any other material agreements, obligations or undertakings of such Member contained in this Agreement.

"Default Interest Rate" means a rate per annum, compounded monthly equal to the lesser of (a) 4% plus the one year LIBOR rate quoted in the Wall Street Journal (or, in its absence, a similar publication) on the first day of the applicable month and (b) the maximum rate permitted by applicable laws.

"Delinquent Member" has the meaning given that term in Section 4.3(a).

"Dispute" has the meaning given that term in Section 16.21.

"Disputing Party" has the meaning given that term in Section 16.21.

"Economic Risk of Loss" has the meaning set forth in Treasury Regulation section 1.752-2(a).

"Eligible Citizen" means a Person qualified to hold leases, rights-of-way, permits, licenses or other similar agreements or documents issued by or entered into with the United States government, and whose status as a Member or Transferee does not or would not subject

the Company to a substantial risk of cancellation or forfeiture of any such lease, right-of-way, permit, license or other similar agreement or document issued by or entered into with the United States government. As of the date hereof, "Eligible Citizen" means (a) a citizen of the United States, (b) an association (including a partnership, joint tenancy in common) organized or existing under the Laws of the United States or any state or territory thereof, all of the members of which are citizens of the United States, (c) a corporation organized under the Laws of the United States or of any state or territory thereof, or (d) a limited liability company organized under the Laws of the United States or any state or territory thereof, not more than five percent of the voting stock, or of all the stock, of which corporation, to the best of its knowledge, is owned or controlled by citizens of countries that deny to United States citizens privileges to own stock in corporations holding oil and gas leases similar to the privileges of non-United States citizens to own stock in corporations holding an interest in oil and gas leases on federal lands.

"Exercising Member" has the meaning given that term in Section 15.2.

"Expanded Capacity" means, with respect to a relevant Expansion Project, the additional throughput capacity created on the Brutus Gathering Facilities as a result of such relevant Expansion Project built pursuant to Section 15.2.

"Expanded Capacity Revenues" means revenues from gathering services provided on the Brutus Gathering Facilities, and from any other services provided by the Company, that are attributable to the Expanded Capacity Volumes.

"Expanded Capacity Volumes" means, for the relevant month, the lesser of (i) the Expanded Capacity or (ii) the sum of Expansion Property Production and Incremental Volumes.

"Expansion Liquidation Value" has the meaning given that term in Section 12.2(c).

"Expansion Option" has the meaning given that term in Section 15.2.

"Expansion Option Notice" has the meaning given that term in Section 15.2.

"Expansion Option Period" has the meaning given that term in Section 15.2.

"Expansion Project" means, and is exclusively limited to, the installation of additional compression facilities on or appurtenant to the then-existing Brutus Gathering Facilities, and/or the construction and installation of one (1) or more additional pipelines to loop the natural gas gathering pipeline included in the Brutus Gathering Facilities.

"Expansion Property" has the meaning given that term in Section 15.2.

"Expansion Property Production" has the meaning given that term in Section 15.2.

"FERC" means the Federal Energy Regulatory Commission or any successor or replacement Person.

"Foreclosure Transfer" means any Transfer resulting from any judicial or non-judicial foreclosure by the holder of a Security Interest or any Transfer to the holder of a Security Interest

in connection with a workout or similar arrangement or any transfer from the holder of a Security Interest.

"GAAP" means generally accepted accounting principles, consistently applied.

"Gas Contract" means any contract, agreement or other obligation of the Company to purchase fuel gas, buy or sell linepack gas or transport, exchange, gather, process or otherwise handle natural gas.

"Gathering Agreements" means that certain (i) Gathering Agreement, (ii) Dedication Agreement and (iii) Gas Gathering Rate Agreement, each dated of even date herewith between the Company and SDDI.

"General Interest Rate" means a rate per annum, compounded monthly, equal to the lesser of (a) the sum of the one year LIBOR rate quoted in the Wall Street Journal (or, in its absence, a similar publication) on the first day of the applicable month, plus one percent (1%) and (b) the maximum rate permitted by applicable laws.

"Incremental Volumes" means, with respect to a relevant Expansion, the aggregate volumes gathered during any month by the Brutus Gathering Facilities in excess of the Base Capacity in effect immediately prior to such Expansion Project; provided, however, that the Incremental Volumes shall be applied to Expansion Projects which have not paid out pursuant to Article XV in chronological order of completion.

"Initial Capital Contribution" has the meaning given that term in Section 4.1 herein.

"Initial Facilities" means the natural gas pipelines and related facilities described in Exhibit B and to be constructed pursuant to that certain Construction Management Agreement between the Company and Tejas Offshore Pipeline, L.L.C.

"Interconnect Agreement" means _____.

"Knowledge" means, with respect to a Member, the actual knowledge of the officers and business development personnel of such Member and the actual knowledge of executive officers of (i) in the case of Leviathan Holding, Leviathan Gas Pipeline Partners, L.P., or its successors and assigns so long as they remain Affiliates of Leviathan Holding, and (ii) in the case of Tejas Holding, Tejas Holding and its successors and assigns so long as they remain Affiliates of Tejas Holding.

"Lateral" means any natural gas pipeline, lateral, segment or extension that directly connects or is proposed to connect directly to the Brutus Gathering Facilities.

"Lateral Opportunity" has the meaning given that term in Section 15.1.

"Lateral Opportunity Notice" has the meaning given that term in Section 15.1.

"Laws" means the laws, rules, regulations, decrees and orders of the United States of America and all other governmental authorities having jurisdiction, whether such Laws now exist or hereafter come into effect.

"Lease and Platform Space Agreements" means _____.

"Lending Member" has the meaning given that term in Section 4.3(a)(ii).

"Leviathan Gas Pipeline Companies" means Leviathan Gas Pipeline Partners, L.P., and any direct or indirect Subsidiary thereof.

"Leviathan Holding" means Moray Pipeline Company, L.L.C. and its permitted successors and assigns.

"Leviathan Holding Operating Cash Flow" means, with respect to all taxable years or other periods of the Company preceding the calendar quarter in which the determination is being made, an amount equal to (a) the aggregate items of income and gain allocated to Leviathan Holding pursuant to Section 5.1 of this Agreement, minus (b) the aggregate items of loss and deduction allocated to Leviathan Holding pursuant to Section 5.1 of this Agreement, plus (c) the aggregate items of depreciation, amortization or other cost recovery deductions taken into account as items of loss and allocated to Leviathan Holding pursuant to Section 5.1 of this Agreement, minus (d) the aggregate principal repayments made by the Company with respect to Company borrowings (other than any Company borrowings to the extent the proceeds were directly distributed to one or more Members) that would have been allocated to Leviathan Holding pursuant to Section 5.1 of this Agreement if such repayments were a deductible expense for federal income tax purposes.

"Liquidator" has the meaning given that term in Section 12.2.

"Loss" or "Losses" means, subject to the limitations set forth in Section 16.20, any actions, claims, settlements, judgments, demands, liens, losses, damages, fines, penalties, interest, costs, expenses (including, without limitation, expenses attributable to the defense of any actions or claims), attorneys' fees and liabilities.

"Majority Interest" means, subject to and in accordance with Section 7.5, the Membership Interest held by TOP and/or its Affiliates; provided, however, that if the Membership Interest held by TOP and/or its Affiliates is reduced for any reason below fifty percent (50%), (i) to the extent that there are only two (2) Members, any Member having more than 50% of the Membership Interests of both Members, and (ii) to the extent that there are more than two (2) Members, any Member (together with its Affiliated Members) and at least one other non-Affiliated Member having among them more than 50% of the Membership Interests of all Members; provided, however, that with respect to clause (ii) above, any single Member (together with its Affiliated Members) shall constitute a "Majority Interest" only if such Member (together with its Affiliated Members) owns at least 76% of the Membership Interest of all of the Members.

"Member" means any Person executing this Agreement as of even date herewith as a Member or any Person hereafter admitted to the Company as an additional Member or

Substituted Member as provided in this Agreement, but does not include any Person who has ceased to be a Member in the Company.

"Member Parent" means the Person which directly Controls a Member, regardless of who (if anybody) Controls (directly or indirectly) such Member Parent.

"Membership Interest" means, subject to and in accordance with Section 7.5, the ownership interest (on a percentage basis) of a Member in the Company, including, without limitation, rights to distributions (liquidating or otherwise), allocations, information, and to consent or approve, which ownership interest is more particularly described and identified in Article III and Exhibit A.

"Minimum Gain Attributable to Member Nonrecourse Debt" means that amount determined in accordance with the principles of Treasury Regulation section 1.704 2(i)(3).

"NGA" means the Natural Gas Act of 1938, as amended from time to time.

"Net Asset Value" means (a) in the case of any Contributed Property, the fair market value of such property reduced by any liabilities either assumed by the Company upon such contribution or to which such property is subject when contributed; provided, however, the fair market value of the Contributed Property described on Exhibit A shall be deemed to be the Asset Value of such Contributed Property set forth therein, and (b) in the case of any property distributed to a Member or Transferee by the Company, the Company's Carrying Value of such property at the time such property is distributed, reduced by any indebtedness either assumed by such Member or Transferee upon such distribution or to which such property is subject at the time of distribution as determined under section 752 of the Code.

"Net Income" means, for any taxable period, the excess, if any, of the Company's items of income and gain for such taxable period over the Company's items of loss and deduction for such taxable period. The items included in the calculation of Net Income shall be determined in accordance with Section 4.5(b) and shall not include any items specifically allocated under Sections 5.1(c) through 5.1(k). For purposes of Sections 5.1(a) and (b), in determining whether Net Income has been allocated to any Member for any previous taxable period, any Unrealized Gain or Unrealized Loss allocated pursuant to Section 4.5(c)(i) and (c)(ii) shall be treated as an item of gain or loss in computing Net Income.

"Net Loss" means, for any taxable period, the excess, if any, of the Company's items of loss and deduction for such taxable period over the Company's items of income and gain for such taxable period. The items included in the calculation of Net Loss shall be determined in accordance with Section 4.5(b) and shall not include any items specifically allocated under Sections 5.1(c) through 5.1(k). For purposes of Sections 5.1(a) and (b), in determining whether Net Loss has been allocated to any Member for any previous taxable period, any Unrealized Gain or Unrealized Loss allocated pursuant to Section 4.5(c)(i) and (c)(ii) shall be treated as an item of gain or loss in computing Net Loss.

"Non-Cash Consideration" has the meaning given that term in Section 3.5(d).

"Nonrecourse Built-in Gain" means with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or negative pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Members pursuant to Section 5.2(b)(i)(A), 5.2(b)(ii)(A) or 5.2(b)(iii) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"Nonrecourse Debt" has the meaning set forth in Treasury Regulation section 1.704-2(b)(4).

"Nonrecourse Deductions" means any and all items of loss, deduction, or expenditure (described in section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation section 1.704-2(b)(1), are attributable to a Nonrecourse Liability.

"Nonrecourse Liability" has the meaning assigned to such term in Treasury Regulation section 1.704-2(b)(3).

"Non-Transferring Members" has the meaning given that term in Section 3.5(d).

"Obligation" has the meaning given that term in Section 4.3(a)(ii)(2).

"Offer Notice" has the meaning given that term in Section 3.5(d).

"Operating Agreement" means the Operating Agreement dated of even date herewith between Tejas Holding and the Company.

"Option Period" has the meaning given that term in Section 3.5(d) herein.

"Other Assets" has the meaning given that term in Section 3.5(d)(v).

"Payout Amount" means an amount of money equal to 150% of the amount of the actual out-of-pocket capital cost of the relevant Expansion Project; provided, however that to the extent the Company elects to prepay all or any portion of the unamortized portion of the principal amount of the Payout Amount in accordance with Section 15.2(c), such Payout Amount shall be reduced as described in Section 15.2(c).

"Person" means any individual or entity, including, without limitation, any corporation, limited liability company, partnership (general or limited), joint venture, association, joint stock company, trust, unincorporated organization or government (including any board, agency, political subdivision or other body thereof).

"Priority Sharing Ratios" means: (a) with respect to Leviathan Holding, a fraction (expressed as a percentage), the numerator of which is the Leviathan Holding Operating Cash Flow and the denominator of which is the Company Operating Cash Flow; and (b) with respect to Tejas Holding, a fraction (expressed as a percentage), the numerator of which is the Tejas Holding Operating Cash Flow and the denominator of which is the Company Operating Cash Flow; provided, however, that in no event shall the Priority Sharing Ratio of a party be less than zero (0) or greater than one (1).

"Proceeding" has the meaning given that term in Section 8.1.

"Proposed Transaction" has the meaning given that term in Section 3.5(d)(i).

"PUHCA" means the Public Utility Holding Company Act of 1935, as amended, and the rules and regulations promulgated thereunder.

"Recapture Income" means any gain recognized by the Company (computed without regard to any adjustment required by section 734 or 743 of the Code) upon the disposition of any property or asset of the Company, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

"Record Date" means the date established by the Company for determining (a) the identity of Members (or Transferees, if applicable) entitled to notice of, or to vote at, any meeting of Members or entitled to vote by ballot or give approval of Company action in writing without a meeting or entitled to exercise rights in respect of any lawful action of Members or (b) the identity of Record Holders entitled to receive any report or distribution.

"Record Holder" means the Person in whose name a Membership Interest is registered on the books of the Company as of the opening of business on a particular Business Day.

"Regulatory Allocations" has the meaning given that term in Section 5.1(k).

"Rejected Lateral Opportunity" has the meaning given that term in Section 15.1(c).

"Required Interest" means, subject to and in accordance with Section 7.5, the applicable percentage of Membership Interests of all Members required to authorize or approve a relevant act of the Company, including, without limitation, a Majority Interest, a Super-Majority Interest or all Membership Interests, as applicable.

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Company recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 5.2(b)(i)(A) or 5.2(b)(ii)(A), to eliminate Book Tax Disparities.

"SDDI" means Shell Deepwater Development Inc. and its successors and

"Security Interest" means any security interest, lien, mortgage, encumbrance, hypothecation, pledge, or other obligation, whether created by operation of law or otherwise, created by any Person in any of its property or rights as part of a bona fide arms-length securitization transaction.

"Service" means the Internal Revenue Service.

"Special Allocation IRR Date" means the first day of the calendar month immediately following the calendar month in which the Company has achieved (after a return of principal) a cumulative (for the period from project inception through the date of achievement) nominal,

after-tax, internal rate of return (IRR) of thirteen percent (13%) per annum on 100% of the equity investment by the Company in connection with the Initial Facilities as though such equity capital is not borrowed. Such IRR shall be calculated based upon (a) 100% of the gross revenues and income of the Company with respect to actual throughput quantities of gas utilizing the Initial Facilities, regardless of whether such gas constitutes Dedicated Production; (b) the operating costs and associated overhead expenses (including, without limitation, costs associated with the lease of platform space from the Members or their Affiliates), depreciation and tax rate used to calculate the gathering rate pursuant to Section 6.1(a) of the gathering agreement referred to in part (i) of the definition of Gathering Agreement; (c) the actual capital costs incurred in constructing and placing into operation the Initial Facilities; and (d) otherwise in accordance with customary financial practices. A sample calculation of the determination of such IRR is shown in Exhibit D.

"Special Revenue Allocation Amount" means the aggregate Dedicated Property Revenues that are accrued or accruable by the Company prior to the Special Allocation IRR Date.

"Subject Interest" has the meaning given that term in Section 3.5(d).

"Subsidiary" means, with respect to any relevant Person, any other Person that is Controlled and more than 50%-owned (directly or indirectly) by the relevant Person.

"Substituted Member" means a Person who is admitted as a Member of the Company at such time as such Person has complied with the requirements of Section 3.4, in place of and with all the rights of a Transferor and who is shown as a Member on the books and records of the Company.

"Super-Majority Interest" means, subject to and in accordance with Section 7.5, any Member (together with its Affiliated Members) and at least one other non-Affiliated Member having among them more than 74% of the Membership Interests of all Members.

"Tax Matters Member" has the meaning given that term in Section 9.3.

"Tejas Holding" means Tejas Offshore Pipeline, LLC, and its permitted successors and assigns.

"Tejas Holding Operating Cash Flow" means, with respect to all taxable years or other periods of the Company preceding the calendar quarter in which the determination is being made, an amount equal to (a) the aggregate items of income and gain allocated to Tejas Holding pursuant to Section 5.1 of this Agreement, minus (b) the aggregate items of loss and deduction allocated to Tejas Holding pursuant to Section 5.1 of this Agreement, plus (c) the aggregate items of depreciation, amortization or other cost recovery deductions taken into account as items of loss or deduction and allocated to Tejas Holding pursuant to Section 5.1 of this Agreement, minus (d) the aggregate principal repayments made by the Company with respect to Company borrowings (other than any Company borrowings to the extent the proceeds were directly distributed to the Members) that would have been allocated to Section 5.1 to Tejas Holding pursuant to this Agreement if such repayments were a deductible expense for federal income tax purposes.

"Tejas Pipeline Companies" means (a) Tejas Holding and (b) any direct or indirect Subsidiary thereof.

"TOP" means Tejas Offshore Pipeline, LLC, and any successor or assign thereof which is an Affiliate of Shell Oil Company.

"Transfer" or "Transferred" means, other than granting a Security Interest, a voluntary or involuntary sale, assignment, transfer, conveyance, exchange, bequest, devise, gift or any other alienation (in each case, with or without consideration) of any rights, interests or obligations with respect to all or any portion of any Membership Interest including, without limitation, a Foreclosure Transfer. The term "Transfer" expressly excludes a Change in Member Control.

"Transferee" means a Person who receives all or part of a Member's Membership Interest through a Transfer but who has not become a Substituted Member.

"Transferor" means a Member, Substituted Member or a predecessor Transferor who Transfers a Membership Interest.

"Transferring Member" has the meaning given that term in Section 3.5(d) herein.

"Treasury Regulation" shall have the meaning set forth in Section 3.7.

"Unrealized Gain" attributable to any item of Company property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 4.5(c) as of such date). In determining such Unrealized Gain, the aggregate cash amount and fair market value of a Company asset (including cash or cash equivalents) shall be determined by the Company using such reasonable method of valuation as it may adopt.

"Unrealized Loss" attributable to any item of Company property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 4.5(c) as of such date) over (b) the fair market value of such property as of such date. In determining such Unrealized Loss, the aggregate cash amount and fair market value of a Company asset (including cash or cash equivalents) shall be determined by the Company using such reasonable method of valuation as it may adopt.

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or Persons with management authority performing similar functions) of such Person.

1.2. Other Terms. Other terms may be defined elsewhere in the text of this Agreement and shall have the meaning so given. Whenever the context requires, the singular shall include the plural, and the plural, shall include the singular.

1.3. Construction. Whenever the context requires, the gender of all words used in this Agreement includes the masculine, feminine, and neuter. All references to Articles and Sections

refer to articles and sections of this Agreement, and all references to Exhibits are to exhibits attached hereto, each of which is incorporated herein for all purposes. Articles and other titles or headings are for convenience only and neither limit nor amplify the provisions of the Agreement itself, and all references herein to articles, sections or subdivisions thereof shall refer to the corresponding article, section or subdivision thereof of this Agreement unless specific reference is made to such articles, sections or subdivisions of another document or instrument.

ARTICLE II.

ORGANIZATION

2.1. Formation. The Company has been organized as a Delaware limited liability Company by the filing of a Certificate of Formation (the "Certificate") with the Secretary of State of the State of Delaware pursuant to the Act.

2.2. Name. The name of the Company is Nemo Gathering Company, LLC, and all Company business must be conducted in that name or such other names that comply with applicable law as the Company may select from time to time.

2.3. Principal Office in the United States; Other Offices. The principal office of the Company in the United States shall be at 1301 McKinney, Suite 700, Houston, Texas 77010, or at such other place as the Company may designate from time to time, which need not be in the State of Delaware. The Company may have such other offices as the Members may designate from time to time.

2.4. Purpose. The sole purpose of the Company is to construct, own, operate and maintain the Brutus Gathering Facilities. Except for activities related to such purposes, there are no other authorized business purposes of the Company. The Company shall not engage in any activity or conduct inconsistent with such purposes, including, without limitation, entering into any hedging, futures, derivatives or similar transaction.

2.5. Foreign Qualification. Prior to the Company's conducting business in any jurisdiction other than Delaware, the Company shall comply, to the extent procedures are available and those matters are reasonably within the control of the Company, with all requirements necessary to qualify the Company as a foreign limited liability company, and, if necessary, to keep the Company in good standing, in that jurisdiction.

2.6. Term. Subject to earlier termination pursuant to other provisions of this Agreement (including those contained in Article XII), the existence of the Company shall be perpetual.

2.7. Mergers and Exchanges. Except as otherwise provided in this Agreement or by applicable Laws, the Company may be a party to any (i) merger, (ii) consolidation, (iii) exchange or acquisition or (iv) any other type of reorganization.

2.8. Business Opportunities--No Implied Duty or Obligation. Except to the extent expressly provided in this Section 2.8 or Article XV, the Members and their respective Affiliates may engage, directly or indirectly, without the consent of the other Members or the Company, in

other business opportunities, transactions, ventures or other arrangements of any nature or description, independently or with others, including without limitation, business of a nature which may be competitive with or the same as or similar to the business of the Company, regardless of the geographic location of such business, and without any duty or obligation to account to the other Members or the Company in connection therewith.

2.9. Jurisdictional Status. It is the intent of the Parties that the Brutus Gathering Facilities not become subject to the jurisdiction of the FERC under the NGA. To this end, the Parties agree that the Brutus Gathering Facilities shall be operated in such a manner that such facilities shall be treated as exempt from regulation by the FERC under Section 1(b) of the NGA as a gathering facility.

ARTICLE III.

MEMBERSHIP INTERESTS AND TRANSFERS

3.1. Initial Members. The initial Members of the Company are the Persons executing this Agreement as of the date hereof in such capacity, each of which is admitted to the Company as a Member effective contemporaneously with the execution by such Person of this Agreement.

3.2. Membership Interests. The Members agree that each Member's ownership in the Company shall be that which is set forth in Exhibit A, as amended from time to time in accordance with the terms of this Agreement.

3.3. Representations and Warranties. Each Member hereby represents and warrants to the Company and each other Member that (a) it is duly formed, validly existing and (if applicable) in good standing under the Laws of the state of its formation, and if required by Laws is duly qualified to do business and (if applicable) is in good standing in the jurisdiction of its principal place of business (if not formed therein); (b) that Member has full corporate, limited liability company, partnership, trust, or other applicable power and authority to execute and agree to this Agreement and to perform its obligations hereunder and all necessary actions by the board of directors, shareholders, managers, members, partners, trustees, beneficiaries, or other Persons necessary for the due authorization, execution, delivery, and performance of this Agreement by that Member have been duly taken; (c) that Member has duly executed and delivered this Agreement and it is enforceable against such Member in accordance with its terms, subject to bankruptcy, moratorium, insolvency and other Laws generally affecting creditors' rights and general principles of equity (whether applied in a proceeding in a court of law or equity); (d) that Member's authorization, execution, delivery, and performance of this Agreement does not conflict with any material obligation under any other material agreement or arrangement to which that Member is a party or by which it is bound; (e) that Member is an Eligible Citizen and will remain an Eligible Citizen for so long as such Member remains a Member of the Company; (f) neither that Member nor any of its Subsidiaries nor any Affiliate Controlled by such Member nor, to such Member's Knowledge, any of such Member's Affiliates (other than the aforementioned Affiliates) is a "holding company," a "subsidiary company" of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility" as each of such terms is defined in PUHCA (unless such Member, Affiliate, Subsidiary, or Person has received an exemption from registering under the PUHCA), and the ownership of a

Membership Interest by such Member does not, and, for so long as such Member owns a Membership Interest, will not, cause the Company, its Subsidiaries or the other Members to be subject to or adversely affected by PUHCA (including any approval requirements arising under Section 9(a)(2) of PUHCA); and (g) it (i) has been furnished with or given adequate access to such information about the Company and the Membership Interest as the Member has requested, (ii) has made its own independent inquiry and investigation into, and based thereon has formed an independent judgment concerning, the Company and that Member's Membership Interest therein, (iii) has adequate means of providing for its current needs and possible individual contingencies and is able to bear the economic risks of this investment and has a sufficient net worth to sustain a loss of its entire investment in the Company in the event such loss should occur, (iv) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Company, (v) is an "accredited investor" within the meaning of "accredited investor" under Regulation D of the Securities Act of 1933, as amended, and (vi) understands and agrees that its Membership Interest shall not be sold, pledged, hypothecated or otherwise transferred except in accordance with the terms of this Agreement and pursuant to an applicable exemption from registration under the Securities Act of 1933 and other applicable securities Laws. Upon the occurrence and during the continuation of any event or condition which would cause a Member to be in breach of a representation or warranty contained in Section 3.3(e) or (f), the breaching Person shall be treated as a Transferee who has not become a Substituted Member in accordance with the terms of Section 3.4(c).

3.4. Restrictions on the Transfer of a Membership Interest. A Member may Transfer all or part of a Membership Interest only in accordance with applicable Laws and the provisions of this Agreement, including the following provisions of this Section. Any purported Transfer in breach of the terms of this Agreement shall be null and void ab initio, and the Company shall not recognize any such prohibited Transfer.

(a) A Membership Interest shall not be Transferred except pursuant to an applicable exemption from registration under the Securities Act of 1933 and other applicable securities Laws;

(b) Except as otherwise provided in this Agreement or by applicable Laws, a Transfer of a Membership Interest shall be effective only to give the Transferee the right to receive the share of allocations and distributions to which the Transferor would otherwise be entitled, and no Transferee of a Membership Interest shall have the right to become a Substituted Member;

(c) Unless and until a Transferee is admitted as a Substituted Member, (i) the Transferee shall have no right to exercise any of the powers, rights and privileges of a Member hereunder other than to receive its share of allocations and distributions pursuant to Section 3.4(b), and (ii) the Member who has Transferred all or any part of its Membership Interest to such Transferee shall cease to be a Member with respect to such Membership Interest upon Transfer of such Membership Interest and thereafter shall have no further powers, rights and privileges as a Member hereunder with respect to such Membership Interest (to the extent so Transferred), but shall, unless otherwise relieved of such obligations, remain liable for all obligations and duties as a Member with respect to such

Membership Interest; provided, however, that if the Transferee reconveys such Membership Interest to the Transferor within ten days after the Transferor becomes aware that the Transferee will not become a Substituted Member, the Transferor shall once again be entitled to all of the powers, rights and privileges of a Member hereunder;

(d) Subject to compliance with the terms and conditions of Section 3.5, a Transferee may become a Substituted Member if the Transferee agrees in writing to be bound by all the terms and conditions, as then in effect, of this Agreement;

(e) At the time all of the provisions of Sections 3.4, 3.5 and 3.6 are complied with, (i) a Substituted Member shall have all of the powers, rights, privileges, duties, obligations and liabilities of a Member, as provided in this Agreement and by applicable Laws to the extent of the Membership Interest so Transferred and (ii) the Member who Transferred the Membership Interest shall be relieved of all of the obligations and liabilities with respect to such Membership Interest; provided that such Member shall remain fully liable for all liabilities and obligations relating to such Membership Interest that accrued prior to such Transfer;

(f) The Company may, in its reasonable discretion, charge a Member a reasonable fee to cover administrative expenses necessary to effect the Transfer of all or part of such Member's Membership Interest;

(g) In the absence of the substitution (as provided herein) of a Transferee for a Transferor, any payment by the Company to the Transferor shall acquit the Company and the Members of all liability to any other Persons who may be interested in such payment by reason of a Transfer by such Member;

(h) Notwithstanding any term or condition contained in Sections 3.4, 3.5 and 3.6, any Person shall have the right to grant a Security Interest in any rights or obligations such Person may have arising from or related to this Agreement, the Company or any interest therein and make a Transfer in connection with any such Security Interest; provided that such Security Interest is not created in violation of Sections 3.4(a) and (i) of this Agreement and any other provisions contained in this Agreement and the Company is promptly notified in writing of such Security Interest; and

(i) Notwithstanding any contrary provision contained in this Agreement, no Person shall Transfer to any other Person such Person's rights or obligations arising from or related to this Agreement, the Company or any interest therein if such Transfer would result in violation of the Act or any other Laws. Any such attempted Transfers are void ab initio.

3.5. Transfer Restrictions.

(a) Neither the Company nor any of the Members shall be bound or otherwise affected by any Transfer of Membership Interest of which such Person has not received notice pursuant to Section 3.6.

(b) Any Member's Membership Interest may be Transferred to an Affiliate of such Member; provided, that, if the Transferor's Membership Interest is subject to a guaranty, the guaranty shall apply to the Transferee and its Membership Interest.

(c) Except with respect to a Foreclosure Transfer, a Member in Default shall not Transfer its Membership Interest.

(d)

(i) Except with respect to Transfers according to the terms of Section 3.5(b), any Member who desires to Transfer all or any portion of its Membership Interest ("Transferring Member") to a ready, willing and able transferee shall first offer to Transfer such Membership Interest (the "Subject Interest") to the other Members (the "Non-Transferring-Members") as a group. Such offer shall be made by an irrevocable written offer (the "Offer Notice") to Transfer all of the Subject Interest which the Transferring Member desires to Transfer and shall contain a complete description of the transaction (the "Proposed Transaction") in which the Transferring Member proposes to Transfer the Subject Interest, including, without limitation, the name of the ready, willing and able transferee and the consideration specified. The Non-Transferring Members shall have 45 days (the "Option Period") after actual receipt of the Offer Notice within which to advise the Transferring Member whether or not they will acquire all of such Subject Interest upon the terms and conditions contained in the Offer Notice. The failure of a Non-Transferring Member to respond prior to the expiration of the Option Period shall be deemed to be an election by such Non-Transferring Member to decline the offer. If, within the Option Period, one or more Non-Transferring Members elect to acquire such Subject Interest, then such Non-Transferring Member or Members shall close such transaction in accordance with Section 3.5(e) no later than the later to occur of (i) the closing date set forth in the Notice Offer or (ii) 60 days after the last day of the Option Period.

(ii) If any Non-Transferring Member does not elect to acquire its proportionate share of the Subject Interest being transferred, the remaining Non-Transferring Members shall have the right to acquire an equal and undivided portion of the remaining Subject Interest based on the relation of their Membership Interest to the Membership Interest of all Non-Transferring Members desiring to acquire a portion of such Membership Interest. The right herein

created in favor of the Non-Transferring Members as a group is an option to acquire all, or none, of the Subject Interest offered for sale by the Transferring Member. If the Non-Transferring Members as a group decline to acquire all of the Subject Interest of the Transferring Member in accordance with this Section 3.5(d), the Transferring Member may Transfer all of the Subject Interest to the transferee named in the Offer Notice delivered to the Non-Transferring Members upon the terms described in such Offer Notice. If such Transfer does not occur in accordance with the terms of such Offer Notice, the Transferring Member shall again be subject to the provisions of this Section 3.5(d).

(iii) Upon consummation of any such Transfer (whether to a Member or any other Person), such transferee and its Membership Interest shall automatically become a party to and be bound by this Agreement and shall thereafter have all of the rights and obligations of a Member hereunder. Notwithstanding the foregoing, all Transfers pursuant to this Section 3.5(d) must also comply with and be governed by this Agreement, including any restrictions on Transfers therein and on any Transferee becoming a Substituted Member.

(iv) If any portion of the consideration set forth in the Offer Notice is to be paid in a form other than cash or cash equivalents (including real or personal property, promissory notes, securities, contractual benefits, assumption of liabilities or anything else of value) ("Non-Cash Consideration"), the Transferring Member shall state in its Offer Notice its determination of the aggregate fair market value of such Non-Cash Consideration (which, in the case of marketable securities, shall be the market price of such securities). If a majority in interest of the Non-Transferring Members (calculated without reference to the Membership Interest of the Transferring Member) disagree with such determination, they shall notify the Transferring Member of such disagreement within 5 Business Days of receiving the Offer Notice. If such dispute is not resolved within 5 Business Days after such notice, any Member may submit such dispute to binding arbitration by delivering an arbitration notice to the other Members and the Company. The Member initiating arbitration shall also simultaneously file duplicate copies of its notice of arbitration with the regional office of the CPR Institute for Dispute Resolution (the "CPR Institute") covering Houston, Texas, together with the appropriate fee as provided in the CPR Institute's administrative fee schedule. The notice of arbitration shall contain a brief description of the nature of the dispute to be arbitrated. With respect to any such arbitration, the Members hereby agree that: (i) the single arbitrator shall be an appraiser or investment banking firm having expertise in the

valuation of the types of assets represented by the Non-Cash Consideration; (ii) the arbitration proceedings shall be held in Houston, Texas at such location selected by the arbitrator; (iii) all arbitration proceedings under this Section 3.5(d)(iv) shall be conducted in accordance with the Commercial Arbitration Rules of the CPR Institute, as then amended and in effect; and such rules shall be interpreted and applied and questions regarding the arbitration process not resolved under such rules shall be determined in accordance with the Uniform Arbitration Act, as enacted in the State of Delaware; provided, however, that the arbitrator shall resolve such dispute with respect to the application and/or interpretation of such rule or rules within ten days from the day a Member submitted its notice of arbitration to the other Members, the Company and the CPR Institute; (iv) within 5 Business Days following the receipt of the initial arbitration notice by the Company, the Transferring Member and a designee of the majority in interest of the Non-Transferring Members shall each submit to each of the other Members, the Company and the CPR Institute a response in which it proposes a single determination of the fair market value; and (v) the arbitrator shall be required to select either the determination of the Transferring Member or the determination of the designee of such majority in interest. The consideration shall then be an amount of money, payable in cash, equal to the total consideration stated in the Offer Notice, including the fair market value of any Non-Cash Consideration as determined in accordance with this Section 3.5(d).

(v) If the Proposed Transaction (or any other transaction that is contingent upon the Proposed Transaction, and/or any other transaction on which the Proposed Transaction is contingent), contemplates the transfer of any asset, property, interest or right other than the Subject Interest (the "Other Assets") to the proposed transferee or its Affiliate, then the Transferring Member shall disclose in its Offer Notice (A) the Subject Interest, (B) the Other Assets, (C) the aggregate fair market value of cash, cash equivalents and Non-Cash Consideration that is to be paid in exchange for the Subject Interest and the Other Assets and (D) the Transferor's determination of the percentage of such aggregate fair market value of cash, cash equivalents and Non-Cash Consideration to be paid that is attributable to the Subject Interest, based on the relationship of the value of the Subject Interest to the value of the Subject Interest plus the Other Assets. If a majority in interest of the Non-Transferring Members (calculated without reference to the Membership Interest of the Transferring Member) disagree with such determination of the values in clauses (C) or (D) above, they shall notify the Transferring Member of such disagreement within 5 Business Days of receiving the Offer

Notice. If such dispute is not resolved within 5 Business Days after such notice, any Member may submit such dispute to binding arbitration by delivering an arbitration notice to the other Members and the Company. The Member initiating arbitration shall also simultaneously file duplicate copies of its notice of arbitration with the regional office of the CPR Institute covering Houston, Texas, together with the appropriate fee as provided in the CPR Institute's administrative fee schedule. The notice of arbitration shall contain a brief description of the nature of the dispute to be arbitrated. With respect to any such arbitration, the Members hereby agree that: (A) the single arbitrator shall be an appraiser or investment banking firm having expertise in the valuation of the types of assets represented by the Subject Interest, the Other Assets and the Non-Cash Consideration; (B) the arbitration proceedings shall be held in Houston, Texas at such location selected by the arbitrator; (C) all arbitration proceedings under this Section 3.5(d)(v) shall be conducted in accordance with the Commercial Arbitration Rules of the CPR Institute, as then amended and in effect; and such rules shall be interpreted and applied and questions regarding the arbitration process not resolved under such rules shall be determined in accordance with the Uniform Arbitration Act, as enacted in the State of Delaware; provided, however, that the arbitrator shall resolve such dispute with respect to the application and/or interpretation of such rule or rules within 10 days from the day a member submitted its notice of arbitration to the other Members, the Company and the CPR Institute; (D) within 5 Business Days following the receipt of the initial arbitration notice by the Company, the Transferring Member and a designee of the majority in interest of the Non-Transferring Members shall each submit to each of the other Members, the Company and the CPR Institute a response in which it proposes a single determination of (Y) the aggregate fair market value of cash, cash equivalents and Non-Cash Consideration that is to be paid in exchange for the Subject Interest and the Other Assets and (Z) the percentage of such aggregate fair market value of cash, cash equivalents and Non-Cash Consideration to be paid that is attributable to the Subject Interest, based on the relationship of the value of the Subject Interest to the value of the Subject Interest plus the Other Assets; and (E) the arbitrator shall be required to select, with respect to each of clauses (Y) and (Z), individually, either the determination of the Transferring Member or the determination of the designee of such majority in interest. The consideration shall then be an amount of money, payable in cash, equal to the percentage of aggregate fair market value of cash, cash equivalents and Non-Cash Consideration to be paid that is attributable to the

Subject Interest, as determined in accordance with this Section 3.5(d)(v).

(e) At the closing of the Transfer of a Membership Interest pursuant to this Agreement, (i) the transferee shall deliver to the Transferor the full consideration agreed upon and (ii) the Transferor shall transfer its Membership Interest to the transferee free and clear of any and all encumbrances, other than those created by this Agreement or any loan documents evidencing indebtedness of the Company, for borrowed money. Any Membership Interest transfer or similar taxes involved in such sale shall be paid by the Transferor, and the Transferor shall provide the transferee with such evidence of the Transferor's authority to Transfer hereunder and such tax lien waivers and similar instruments as the Transferee may reasonably request.

(f) If any governmental consent or approval is required with respect to any Transfer, the transferee shall have a reasonable amount of time (not to exceed 60 days from the date upon which such Transfer would have been otherwise consummated in accordance with the terms of this Agreement) to obtain such consent or approval. All Members shall use reasonable, good faith efforts to cooperate with the transferee attempting to obtain, and to assist in timely obtaining, such consent or approval; provided that no Member shall be required to incur any out-of-pocket costs in connection with such cooperation and assistance. After the expiration of such waiting period, such transferee shall forfeit its rights to acquire the Subject Interest with respect to such specific transaction; provided, however, that such forfeiture shall not limit or otherwise affect the forfeiting transferee's rights with respect to any subsequent proposed Transfer.

(g) No Transfer of a Membership Interest shall effect a release of the Transferor from any liabilities or obligations to the Company or the other Members that accrued prior to the Transfer.

3.6. Documentation; Validity of Transfer. The Company may not recognize for any purpose any purported Transfer of all or any part of a Membership Interest unless and until the applicable provisions of Sections 3.4 and 3.5 have been satisfied and the Company has received, on behalf of the Company, a document in a form acceptable to the Company executed by both the Transferor (or if the Transfer is on account of the death, incapacity, or liquidation of the Member, its representative) and the Transferee. Such document shall (i) include the notice address of any Person to be admitted to the Company as a Substituted Member and such Person's agreement to be bound by this Agreement with respect to the Membership Interest or part thereof being obtained, (ii) set forth the Membership Interest after the Transfer of the Transferor and the Person to which the Membership Interest or part thereof is Transferred (which together must total the Membership Interest of the Transferor before the Transfer), (iii) contain a representation and warranty that the Transfer was made in accordance with all applicable Laws (including state and federal securities Laws) and the terms and conditions of this Agreement, and (iv) if the Person to which the Membership Interest or part thereof is Transferred is to be admitted to the Company as a Substituted Member, its representation and warranty that the representations and warranties in Section 3.3 are true and correct with respect to such Person. Each Transfer and, if

applicable, admission complying with the provisions of this Section 3.6 and Sections 3.4 and 3.5 is effective against the Company as of the first business day of the calendar month immediately succeeding the month in which (y) the Company receives the document required by this Section 3.6 reflecting such Transfer, and (z) the other requirements of Sections 3.4 and 3.5 have been met.

3.7. Possible Additional Restrictions on Transfer. Notwithstanding anything to the contrary contained in this Agreement, in the event of (i) the enactment (or imminent enactment) of any legislation, (ii) the publication of any temporary or final regulation by the Treasury Department ("Treasury Regulation"), (iii) any ruling by the Service or (iv) any judicial decision that in any such case, in the opinion of counsel to the Company, would result in the taxation of the Company for federal income tax purposes as a corporation or would otherwise subject the Company to being taxed as an entity for federal income tax purposes, this Agreement shall be deemed to impose such restrictions on the Transfer of a Membership Interest as may be required, in the opinion of counsel to the Company, to prevent the Company from being taxed as a corporation or otherwise being taxed as an entity for federal income tax purposes, and the Members thereafter shall amend this Agreement as necessary or appropriate to impose such restrictions.

3.8. Additional Membership Interests. Additional Persons may be admitted to the Company as Members, and Membership Interests may be created and issued to those Persons and to existing Members upon a unanimous vote by the Members and subject to the terms and conditions of this Agreement. Such admission must comply with any additional terms and conditions the Members may in their sole discretion determine at the time of admission. A document, in a form acceptable to the Company, shall specify the terms of admission or issuance and shall include, among other things, the Membership Interest applicable thereto. Any such admission of a new Member also must comply with the provisions of Section 3.4(d). The provisions of this Section 3.8 shall not apply to Transfers of Membership Interests.

3.9. [RESERVED]

3.10. Information.

(a) In addition to the other rights specifically set forth in this Agreement, each Member is entitled to all information to which that Member is entitled to have access pursuant to the Act under the circumstances and subject to the conditions therein stated.

(b) The Members acknowledge that, from time to time, they may receive information from or regarding the Company, its customers or any other Member or its Affiliates in the nature of trade secrets or secret or proprietary information or information that is otherwise confidential, the release of which may be damaging to the Company or the Member or its Affiliates, as applicable, or Persons with which they do business. Each Member shall hold in strict confidence any such information it receives and may not disclose such information to any Person other than another Member, except for disclosures (i) to comply with any Laws, (ii) under compulsion of judicial process, (iii) to

Affiliates, advisers or representatives of the Member or Persons to which that Member's Membership Interest may be Transferred as permitted by this Agreement, but only if the recipients of such information have agreed to be bound by the provisions of this Section 3.10(b), (iv) of information that a Member also has received from a source independent of the Company and that such Member reasonably believes such source obtained such information without breach of any obligation of confidentiality, (v) of information obtained prior to the formation of the Company, provided that this clause (v) shall not relieve any Member or any of its Affiliates from any obligations it may have to any other Member or any of its Affiliates under any existing confidentiality agreement, (vi) to lenders, accountants and other representatives of the disclosing Member with a need to know such information, provided that the disclosing Member shall be responsible for such representatives' use and disclosure of any such information, or (vii) of public information. The Members acknowledge that a breach of the provisions of this Section 3.10(b) may cause irreparable injury to the Company or another Member for which monetary damages are inadequate, difficult to compute, or both. Accordingly, the Members agree that the provisions of this Section 3.10(b) may be enforced by injunctive action or specific performance.

(c) The Members acknowledge that, from time to time, the Company may need information from any or all of such Members for various reasons, including, without limitation, compliance with various federal and state regulations. Each Member shall provide to the Company all information reasonably requested by the Company within a reasonable amount of time from the date such Member receives such request; provided, however, that no Member shall be obligated to provide such information to the Company to the extent such disclosure (i) could reasonably be expected to result in the breach or violation of any contractual obligation (if a waiver of such restriction cannot reasonably be obtained) or Law or (ii) involves secret, confidential or proprietary information.

3.11. Liability to Third Parties. Except as required by the Act, no Member shall be liable to any Person (including any third party or to another Member) (i) as the result of any act or omission of another Member or (ii) for Company losses, liabilities or obligations (except as otherwise expressly agreed to in writing by such Member).

3.12. Resignation. Each Member hereby covenants and agrees that it will not resign from the Company as a Member without the express written consent of all other Members, which consent may be granted or withheld in each Members sole discretion.

3.13. Lack of Member Authority. No Member has the authority or power to act as agent for or on behalf of the Company, do any act that would be binding on the Company, or incur any expenditures on behalf of the Company, unless expressly authorized to do so in writing by the Company.

ARTICLE IV.

CAPITAL CONTRIBUTIONS

4.1. Initial Capital Contributions. The Members shall make the following Capital Contributions as further described in Exhibit A (the "Initial Capital Contributions"):

(a) Contributions by each Member of amounts equal to the cash paid by such Member on behalf of the Company for certain costs and expenses related to the formation of the Company and incurred by such Member prior to the date hereof, which amounts are set forth on Exhibit A; and

(b) Contributions by each Member of cash in amounts equal to its proportionate Membership Interest (on the date such contribution accrues) share of 100% of all amounts incurred to design, construct, install and place in service the Initial Facilities. Such contributions shall be made as necessary to allow the Company to timely pay such obligations as they become due. If a Majority Interest determines from time to time in good faith that additional Initial Capital Contributions may be necessary and in the best interest of the Company to timely complete such work the Company expects to be obligated to pay on or about a certain date, then TOP or another designated Member shall send written notice to the other Members specifying (i) the aggregate amount of the additional Initial Capital Contributions reasonably and in good faith deemed necessary by such Member and each Member's allocable share thereof and (ii) the date by which such additional Capital Contributions shall be made to the Company by each Member (which date shall not be less than ten (10) Business Days from the date on which the notice is sent). Each Member shall thereafter contribute cash to the Company in an amount equal to such Member's Membership Interest share of the amount of the additional Initial Capital Contribution on or before the date specified in such notice. All Initial Capital Contributions consisting of cash shall be held in an account until such time as such funds are used to fund the construction costs except to the extent that all of the Members (notwithstanding any provision to the contrary herein) agree that the applicable portion of any such Initial Capital Contribution is no longer needed to finance such construction costs or the operations of the Company.

4.2. Subsequent Contributions. Unless unanimously agreed to in writing by the Members, no Member shall be required to make any Capital Contributions other than the Initial Capital Contributions as contemplated by Section 4.1.

4.3. Failure to Contribute.

(a) If a Member does not contribute by the time required all or any portion of a Capital Contribution such Member (the "Delinquent Member") is required to make as provided in this Agreement, any one or more non-Delinquent Members may advance the entire amount of the Delinquent Member's Capital Contribution that is in Default, with each non-Delinquent Member electing to participate

making its share of such advance in proportion to its Membership Interest or in such other percentages as the participating Members may agree. Each non-Delinquent Member who makes such an advance on behalf of a Delinquent Member shall have the right to designate the extent to which such advance will (x) constitute a loan to the Delinquent Member and/or (y) result in an immediate adjustment of the Membership Interests of the Delinquent Member and the non-Delinquent Member making such election; provided, however, that if the advancing non-Delinquent Member does not notify the Company of its election to have all, or any portion of such advance treated as a loan to the Delinquent Member, in writing, at the time the advance is made then such advance shall automatically result in an immediate adjustment of the Membership Interests:

(i) To the extent one or more non-Delinquent Members does not elect to have an advance pursuant to Section 4.3(a) treated as a loan to the Delinquent Member, or affirmatively elects to have such advance result in an adjustment of the Membership Interests, the Company shall automatically adjust the Membership Interest for each Member to equal the percentage obtained by dividing (A) the Capital Account of such Member (including any Capital Contribution made by such Member under this Section by (B) the aggregate Capital Accounts of all Members (including all Capital Contributions made under this Section). Upon the adjustment of the Membership Interests in the manner set forth in the preceding sentence, Exhibit A shall be deemed to be amended to reflect such adjusted Membership Interests. Notwithstanding the foregoing, the Delinquent Member shall have the right to re-acquire the interest in question from the advancing non-Delinquent Member within 30 days following the date on which such Membership Interest adjustment is made by paying the entire amount advanced by such non-Delinquent Member in return for such adjustment, plus twelve percent (12%) per annum.

(ii) To the extent one or more non-Delinquent Members (the "Lending Member," whether one or more) does elect to have an advance pursuant to Section 4.3(a) constitute a loan to the Delinquent Member, such advance shall have the following results:

1. the sum advanced shall constitute a loan from the Lending Member to the Delinquent Member and a Capital Contribution of that sum to the Company by the Delinquent Member pursuant to the applicable provisions of this Agreement,

2. the principal balance of the loan and all accrued unpaid interest thereon (collectively, the "Obligation") shall be due and payable in whole on the tenth Business Day after the day written demand requesting payment of the Obligation

is made by the Lending Member to the Delinquent Member; provided, however that the Delinquent Member may prepay the Obligation in whole or in part at any time prior to the date due.

3. the amount lent shall bear interest at the Default Interest Rate from the date on which the advance is deemed made until the date on which the loan, together with all interest accrued thereon and all costs and expenses associated therewith ("Costs"), is repaid to the Lending Member,

4. all distributions from the Company that otherwise would be made to the Delinquent Member (whether before or after dissolution of the Company) instead shall be paid to the Lending Member until the Obligation and any Costs have been paid in full to the Lending Member (with payments being applied first to accrued and unpaid interest, second to Costs, and finally to principal),

5. each Delinquent Member grants to the other Lending Members a Security Interest to secure the repayment of the Lending Members' advances made on behalf of a Delinquent Member in connection with the Obligation,

6. the Lending Member shall have the right, in addition to the other rights and remedies granted to it pursuant to this Agreement or available to it at law or in equity, to take any action (including, without limitation, court proceedings and exercising the rights of a secured party under the Uniform Commercial Code of the State of Texas) that the Lending Member may deem appropriate to obtain payment from the Delinquent Member of the Obligation and all Costs; and

7. initially, a loan by any Member to another Member as contemplated by this Section 4.3(a)(ii) shall not be considered a Capital Contribution by the Lending Member and shall not increase the Capital Account balance of the Lending Member. Notwithstanding the foregoing, in the event the principal and interest of any such loan have not been repaid within one year from the date of the loan, the Lending Member, at any time thereafter by giving written notice to the Company, may elect to have the unpaid principal and interest balance of such loan transferred to and increase such Lending Member's Capital Account with a corresponding decrease in the Capital Account of the Member on whose behalf such loan was made. Upon such transfer, the loan shall be treated as a Capital Contribution

and the Membership Interest for each Member shall be automatically adjusted to equal the percentage obtained by dividing (A) the Capital Account of such Member (including any Capital Contribution made on behalf of another Member) by (B) the aggregate Capital Accounts of all Members (including all Capital Contributions made on behalf of other Members). Upon the adjustment of the Membership Interests in the manner set forth in the preceding sentence, Exhibit A shall be deemed to be amended to reflect such adjusted Membership Interests.

(b) If the non-Delinquent Members do not exercise the rights granted by Section 4.3(a) within 14 days after the Delinquent Member fails to make its Capital Contribution when due, then the Company, by a vote of a majority in interest of the non-Delinquent Members, shall have the right to exercise the following remedies:

(i) the Company may at any time take such action (including, without limitation, court proceedings) as the Company may deem appropriate to obtain payment by the Delinquent Member of the portion of the Delinquent Member's Capital Contribution that is in Default, along with all Costs and expenses associated with the collection of such Delinquent Member's Capital Contribution; and

(ii) the Company may at any time exercise any other rights and remedies available at law or in equity.

4.4. Return of Contributions. A Member is not entitled (i) to the return of any part of any Capital Contributions other than any preferential or disproportionate distributions to the extent such distributions are expressly required to be returned by this Agreement or (ii) to be paid interest in respect of either its Capital Account or its Capital Contributions. An unrepaid Capital Contribution is not a liability of the Company or of any Member. A Member is not required to contribute or to lend any cash or property to the Company to enable the Company to return any other Member's Capital Contributions.

4.5. Capital Accounts. A separate capital account ("Capital Account") shall be established and maintained for each Member in accordance with the rules of Treasury Regulation section 1.704-1(b)(2)(iv) and the following terms and conditions:

INCREASES AND DECREASES

(a) Each Member's Capital Account shall be (i) increased by (A) the amount of cash or cash equivalents contributed by that Member to the Company as capital, (B) the Net Asset Value of property contributed by that Member to the Company as capital, (C) the amount of any loans transferred by such Member to its Capital Account pursuant to Section 4.3(a)(ii)(7) (contributions contemplated by subparagraphs (A) and (B) shall be referred to as "Capital Contributions"), and

(D) allocations to that Member of Company income and gain (or items thereof), including, without limitation, income and gain exempt from tax and income and gain described in Treasury Regulation section 1.704-1(b)(2)(iv)(g), but excluding income and gain described in Treasury Regulation section 1.704-1(b)(4)(i); and (ii) shall be decreased by (A) the amount of cash or cash equivalents distributed to that Member by the Company, (B) the Net Asset Value of property distributed to that Member by the Company, and (C) allocations of Company losses and deductions (or items thereof), including losses and deductions described in Treasury Regulation section 1.704-1(b)(2)(iv)(g) (but excluding losses or deductions described in Treasury Regulation section 1.704-1(b)(4)(i) or (iii));

METHOD FOR DETERMINING INCOME, GAIN OR LOSS AND DEDUCTIONS

(b) For purposes of computing the amount of any item of income, gain, loss or deduction to be reflected in the Members' Capital Accounts, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes (including, without limitation, any method of depreciation, cost recovery or amortization used for that purpose), provided that:

(i) All fees and other expenses incurred by the Company to promote the sale of (or to sell) any interest that can neither be deducted nor amortized under section 709 of the Code, if any, shall, for purposes of Capital Account maintenance, be treated as an item of deduction at the time such fees and other expenses are incurred and shall be allocated among the Members pursuant to Sections 5.1 and 5.2;

(ii) Except as otherwise provided in Treasury Regulation section 1.704-1(b)(2)(iv)(m), the computation of all items of income, gain, loss and deduction shall be made without regard to any election under section 754 of the Code which may be made by the Company and, as to those items described in section 705(a)(1)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includeable in gross income or are neither currently deductible nor capitalized for federal income tax purposes;

(iii) Any income, gain or loss attributable to the taxable disposition of any Company property shall be determined as if the adjusted basis of such property as of such date of disposition were equal in amount to the Company's Carrying Value with respect to such property as of such date;

(iv) In accordance with the requirements of section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by

the Company was equal to the Asset Value of such property on the date it was acquired by the Company. Upon an adjustment pursuant to Section 4.5(c) to the Carrying Value of any Company property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the Company may adopt; and

(v) any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Net Income or Net Loss shall be added to such taxable income or loss.

IMPACT OF AND ADJUSTMENTS FOR SUCCESSION IN INTERESTS

(c) A Transferee shall succeed to the Capital Account of the Transferor relating to the Membership Interest so Transferred.

ADDITIONAL MEMBERSHIP INTERESTS

(i) Consistent with the provisions of Treasury Regulation section 1.704-1(b)(2)(iv)(f), on an issuance of additional Membership Interests for cash or Contributed Property or upon an adjustment of the Members' Capital Accounts pursuant to Section 4.3, the Capital Accounts of all Members and the Carrying Value of each Company property immediately prior to such issuance or adjustment shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Company property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately prior to such issuance or adjustment and had been allocated to the Members at such time pursuant to Section 5.1.

ADJUSTMENTS PRIOR TO A DISTRIBUTION

(ii) In accordance with Treasury Regulation section 1.704-1(b)(2)(iv)(f), immediately prior to any distribution to a Member of any Company property (other than a distribution of cash or cash equivalents that are not in redemption or retirement of a Membership Interest), the Capital Accounts of all Members and

the Carrying Value of each Company property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Company property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value (which shall be determined by the Company using any valuation method it deems reasonable under the circumstances), and had been allocated to the Members at such time, pursuant to Section 5.1.

ARTICLE V.

ALLOCATIONS AND DISTRIBUTIONS

5.1. Allocations for Capital Account Purposes. For purposes of maintaining the Capital Accounts and in determining the rights of the Members among themselves, the Company's items of income, gain, loss and deduction (computed in accordance with Section 4.5(b)) shall be allocated among the Members for each taxable year (or portion thereof) as provided herein below.

(a) Net Income. All items of income, gain, loss and deduction taken into account in computing Net Income for such taxable period, determined after any special allocations required by Section 5.1(c) through Section 5.1(k) have first been made, shall be allocated to each of the Members in proportion to their respective Membership Interests.

(b) Net Loss. All items of income, gain, loss and deduction taken into account in computing Net Loss for such taxable period, determined after any special allocations required by Section 5.1(c) through Section 5.1(k) have first been made, shall be allocated to each of the Members in proportion to their respective Membership Interests.

(c) Nonrecourse Liabilities. For purposes of Treasury Regulation section 1.752-3(a)(3), the Members agree that Nonrecourse Liabilities of the Company in excess of the sum of (A) the amount of Company Minimum Gain and (B) the total amount of Nonrecourse Built-in Gain shall be allocated among the Members in accordance with their respective Membership Interests.

(d) Company Minimum Gain Chargeback. Notwithstanding the other provisions of this Section 5.1, except as provided in Treasury Regulation section 1.704-2(f)(2) through (5), if there is a net decrease in Company Minimum Gain during such taxable period, each Member shall be allocated items of Company income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation sections 1.704-2(f)(6) and (g)(2) and section 1.704-2(j)(2)(i), or any successor provisions. For purposes of this Section 5.1(d), each Member's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be

effected, prior to the application of any other allocations pursuant to this Section 5.1 with respect to such taxable period (other than an allocation pursuant to Section 5.1(h) or (i)).

(e) Chargeback of Minimum Gain Attributable to Member Nonrecourse Debt. Notwithstanding the other provisions of this Section 5.1 (other than Section 5.1(d), except as provided in Treasury Regulation section 1.704-2(i)(4)), if there is a net decrease in Minimum Gain Attributable to Member Nonrecourse Debt during such taxable period, any Member with a share of Minimum Gain Attributable to Member Nonrecourse Debt at the beginning of such taxable period shall be allocated items of Company income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 5.1(e), each Member's Adjusted Capital Account balance shall be determined and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 5.1, other than Sections 5.1(d), (h) and (i), with respect to such taxable period.

(f) Qualified Income Offset. In the event any Member unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation section 1.704-1(b)(2)(ii)(d)(4) through (6) (or any successor provisions), items of Company income and gain shall be specifically allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations promulgated under section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible, unless such deficit balance is otherwise eliminated pursuant to Section 5.1(d) or 5.1(e).

(g) Gross Income Allocations. In the event any Member has a deficit balance in its Adjusted Capital Account at the end of such taxable period which is in excess of the sum of (i) the amount such Member is obligated to restore pursuant to any provision of this Agreement and (ii) the amount such Member is deemed obligated to restore pursuant to the penultimate sentences of Treasury Regulations sections 1.704-2(g)(1) and 1.704-2(i)(5), such Member shall be specifically allocated items of Company gross income and gain in the amount of such excess as quickly as possible; provided that an allocation pursuant to this Section 5.1(g) shall be made only if and to the extent that such Member would have a deficit balance in its Adjusted Capital Account after all other allocations provided in this Section 5.1 have been tentatively made for such taxable period as if this Section 5.1(g) was not in the Agreement.

(h) Nonrecourse Deductions. Nonrecourse Deductions for such taxable period shall be allocated to the Members in accordance with their respective Membership Interests. If the Members, by a Majority Interest, determine in their good faith discretion that the Company's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the

Treasury Regulations promulgated under section 704(b) of the Code, the Company is authorized, upon notice to the Members, to revise the prescribed ratio to the numerically closest ratio which does satisfy such requirements.

(i) Member Nonrecourse Deductions. Member Nonrecourse Deductions for such taxable period shall be allocated 100% to the Member that bears the Economic Risk of Loss for such Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Treasury Regulation section 1.704-2(i) (or any successor provision). If more than one Member bears the Economic Risk of Loss with respect to a Member Nonrecourse Debt, such Member Nonrecourse Deductions attributable thereto shall be allocated between or among such Members ratably in proportion to their respective shares of such Economic Risk of Loss.

(j) Special Allocation of Dedicated Property Revenues. Dedicated Property Revenues for such taxable period shall be specially allocated 71.5072% to Tejas Holding and 28.4928% to Leviathan Holding until the aggregate allocations to the Members pursuant to this Section 5.1(j) for the current and all prior taxable periods equals one hundred percent (100%) of the Special Revenue Allocation Amount. This Section 5.1(j) shall be applied with respect to each taxable period before application of Sections 5.1(a), 5.1(b) and 5.1(k), but after application of all other subsections of this Section 5.1.

(k) Special Curative Allocations. To minimize any distortions in the manner that the Members would have shared distributions if the special allocations pursuant to Sections 5.1 (c) through 5.1(i) (the "Regulatory Allocations") had not been part of this Agreement, the Members may, by agreement of a Majority Interest, specially allocate to the Members offsetting items of Company income, gain, loss or deduction so that the net amounts allocated to each Member pursuant to all of the provisions of this Section 5.1, including this Section 5.1(k), equal the net amounts that would have been allocated to each Member pursuant to Sections 5.1(a), 5.1(b) and 5.1(j) if the Regulatory Allocations had never occurred. In exercising their discretion hereunder, the Members shall consider any expected future Regulatory Allocations which are likely to offset other Regulatory Allocations previously made.

5.2. Allocations for Tax Purposes.

(a) Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss and deduction which is recognized by the Company for federal income tax purposes shall be allocated among the Members in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 5.1 hereof.

(b) In an attempt to eliminate Book-Tax Disparities attributable to a Contributed Property or Adjusted Property, items of income, gain, loss,

depreciation, amortization and cost recovery deductions shall be allocated for federal income tax purposes among the Members as follows:

(i) (A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Members in the manner provided under section 704(c) of the Code and section 1.704-3(b) of the Treasury Regulations (i.e. the "traditional method") that takes into account the variation between the Asset Value of such property and its adjusted basis at the time of contribution; and (B) except as otherwise provided in Section 5.2(b)(iii), any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Members in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 5.1.

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Members in a manner consistent with the principles of section 704(c) of the Code and section 1.704-3(b) of the Treasury Regulations (i.e. the "traditional method") to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 4.5(c)(i) or (ii), and (2) second, in the event such property was originally a Contributed Property, be allocated among the Members in a manner consistent with Section 5.2(b)(i); and (B) except as otherwise provided in Section 5.2(b)(iii), any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Members in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 5.1.

(iii) Any items of income, gain, loss or deduction otherwise allocable under Section 5.2(b)(i)(B) or 5.2(b)(ii)(B) shall be subject to allocation by the Company in a manner designed to eliminate, to the maximum extent possible, Book-Tax Disparities in a Contributed Property or Adjusted Property otherwise resulting from the application of the "ceiling" limitation (under section 704(c) of the Code or section 704(c) principles) to the allocations provided under Sections 5.2(b)(i)(A) and 5.2(b)(ii)(A).

(c) For the proper administration of the Company, the Company shall (i) adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; provided, that such depreciation, amortization and cost recovery methods shall be the most accelerated methods allowed under federal tax laws; (ii) make special curative allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions pursuant to section 1.704-3(c) of the Treasury Regulations to eliminate the impact of the "ceiling" limitation (under

section 704(c) of the Code and section 704 principles) to the allocations provided in Section 5.2(b); and (iii) amend the provisions of this Agreement as appropriate to reflect the proposal or promulgation of Treasury Regulations under section 704(b) or section 704(c) of the Code. The Company may adopt such conventions, make such allocations and make such amendments to this Agreement as provided in this Section 5.2(c) only if such conventions, allocations or amendments are consistent with the principles of section 704 of the Code.

(d) The Company may determine to depreciate the portion of an adjustment under section 743(b) of the Code attributable to unrealized appreciation in any Adjusted Property (to the extent of the unamortized Book-Tax Disparity) using a predetermined rate derived from the depreciation method and useful life applied to the Company's common basis of such property, despite the inconsistency of such with Proposed Treasury Regulation section 1.168-2(n) and Treasury Regulation section 1.167(c)-1(a)(6), or any successor provisions. If the Company determines that such reporting position cannot reasonably be taken, the Company may adopt any reasonable depreciation convention that would not have a material adverse effect on the Members.

(e) Any gain allocated to the Members upon the sale or other taxable disposition of any Company asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 5.2 be characterized as Recapture Income in the same proportions and the same extent as such Members (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

(f) All items of income, gain, loss, deduction and credit recognized by the Company for federal income tax purposes and allocated to the Members in accordance with the provisions hereof shall be determined without regard to any election under section 754 of the Code which may be made by the Company; provided, however, that such allocations, once made, shall be adjusted as necessary or appropriate to take into account those adjustments permitted or required by sections 734 and 743 of the Code.

5.3. Requirement of Distributions. Subject to the provisions of Sections 5.6, 7.2 and 12.2, and less the amount of the cash reserves, if any, set aside pursuant to Section 5.5, the Company shall distribute (within 30 days following the end of each calendar quarter) such amount of Available Cash, as determined by the Members under Section 7.2(a)(i), to the Members who were Record Holders as of the Record Date, as provided in Section 5.4.

5.4. Sharing of Distributions. Except as provided in Section 12.2, all distributions attributable to the Membership Interests of the Company paid in cash, property, or equity ownership of the Company shall be made to the Members in the following order and priority:

(a) first, to the Members, in proportion to their respective Priority Sharing Ratios (determined as of the end of the calendar month preceding the calendar

month in which the distribution is being made), until the aggregate amount distributed to them pursuant to this Section 5.4(a) for the current and all prior taxable periods equals the aggregate Dedicated Property Revenues allocated to the Members pursuant to Section 5.1(j) for the current and all prior taxable periods of the Company; and

(b) the balance, to the Members in proportion to their respective Membership Interests.

5.5. Reserves. Before payment of any Distributions, there may be set aside out of any Available Cash such sum or sums as the Members from time to time, in their absolute discretion, think proper as a cash reserve or reserves to meet contingencies, for repairing or maintaining any property of the Company, or for such other purpose as the Members shall determine to be in the best interest of the Company; and the Company may modify or abolish any such cash reserve in the manner in which it was created.

5.6. Distribution Restrictions. Unless unanimously agreed to in writing by the Members, and subject to the provisions of Section 4.3, the Company shall not distribute (i) any of the Initial Capital Contributions until the completion of the construction of the Initial Facilities, except to the extent that all of the Members agree that the applicable portion of such Initial Capital Contributions is no longer needed to finance such construction or the operations of the Company, or (ii) any amounts that would cause the Company materially to breach, or would create a material default under, any debt agreements or instruments to which the Company is a party.

ARTICLE VI.

MANAGEMENT OF THE COMPANY

6.1. Management and Delegation of Authority. The Members hereby unanimously agree that, subject to the provisions of Section 6.3 and Article VII, TOP shall direct the management and policies of the Company in accordance with the Act; provided, however, that if the Membership Interest held by TOP and/or its Affiliates is reduced for any reason to fifty percent (50%) or less, the Members, as a group, shall direct the management and policies of the Company in accordance with the Act. Notwithstanding the foregoing to the contrary, to the extent that actions taken hereunder require the participation of some or all Members, each Member may act through its respective directors, officers, employees, representatives, agents and designees, and except for situations in which the approval of the Members is required by this Agreement or by nonwaivable provisions of applicable Laws, the Members shall have broad discretion to authorize any committee constituted pursuant to Section 6.2 or any officer or other agent to act on behalf of the Company. At a meeting of the Members at which a quorum is present with respect to any matter as provided in Section 7.1(a) (except for any matter expressly requiring the affirmative vote of a Required Interest other than a Majority Interest), the affirmative vote of a Majority Interest shall be the act of the Members.

6.2. Committees.

(a) For organizational purposes, the Company may form one or more committees of the Members. The types of committees which exist from time to time shall be determined by TOP; provided, however, that if the Membership Interest held by TOP and/or its Affiliates is reduced for any reason to fifty percent (50%) or less, the types of committees which exist from time to time shall be determined by the Members thereafter. Each Member shall appoint one (or more) of its duly authorized agents to act for the Member on any committee of the Company. Such agents of each Member shall be given the authority by such Member to vote on behalf of the Member on any issue within the committee's responsibility and the agent(s) of each Member shall have the right to vote on behalf of such Member in proportion to such Member's Membership Interest.

(b) The primary responsibility for business development activities for the Company shall reside with TOP, provided, however, that if the Membership Interest held by TOP and/or its Affiliates is reduced for any reason to fifty percent (50%) or less, such primary responsibility shall reside with the Members, as a group, thereafter. However, all Members may participate in the business development activities of the Company. Each Member shall, in good faith, use all reasonable efforts to cooperate with and inform the other Members and designees with respect to any business development activities conducted on behalf of the Company. Each Member may independently approach any potential customer or other Person to discuss such potential arrangements; provided, however, that as long as TOP or its Affiliates own more than 50% of the Membership Interests of all Members, submission of any formal proposal to a potential customer will be made only by TOP with approval from the Required Interest pursuant to Article VII.

6.3. Authority of Members and Committees.

(a) With respect to conflicts or disagreements between and among any committees, the Members shall have ultimate decision making authority. The Members and the committees shall act through the Company's officers, employees, representatives, agents and designees to whom authority has been expressly delegated. All action of the Members shall be taken pursuant to resolutions approved by the Members in accordance with Article VII of this Agreement.

(b) Unless otherwise expressly delegated in writing or provided by this Agreement, the Members hereby reserve to the Members as a group the authority, with respect to the Company, to authorize and approve the following in accordance with the provisions of Article VII:

(i) authorizing Gas Contracts the term of which could be longer than one year after the date of execution thereof;

(ii) authorizing any contract, agreement or other undertaking involving more than $500,000 in any year or $1,000,000 in the aggregate;

(iii) authorizing a transaction involving the acquisition or construction of a Lateral in accordance with Article XV or an Expansion Project;

(iv) authorizing a transaction involving a lease or similar arrangement which either (A) involves an asset with a fair market value of more than $500,000 or (B) could reasonably be expected to result in payments in excess of $500,000;

(v) approving any operating and capital expenditures budgets;

(vi) authorizing any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, involving the Company and any Member or any Affiliate of any Member (which transaction, once approved by all of the Members, shall be presumed to be fair to the Company;

(vii) authorizing borrowing money;

(viii) authorizing transactions not in the ordinary course of business;

(ix) determining the cash reserve applicable to distributions of cash and other property as provided in Sections 5.3, 5.5 and 5.6;

(x) utilizing for other than Company purposes, acquiring, or disposing of any material asset of the Company;

(xi) permitting a member of the Company to resign;

(xii) permitting the merger, consolidation, participation in a share exchange or other statutory reorganization with, or sale of all or substantially all of the assets of the Company to any Person;

(xiii) permitting dissolution and liquidation;

(xiv) approving any FERC certificate, if applicable, including, without limitation, the general terms and conditions and the rates and the basis upon which such rates are calculated, or accepting any FERC certificate, if applicable;

(xv) instituting litigation, arbitration, or similar proceedings at a cost to the Company which could reasonably be expected to exceed $500,000.00; provided, however, that if any Member or any Affiliate of a Member is an adverse party thereto, then all of the remaining Members which are not Affiliates of the affected Member shall be entitled to cause the Company to institute such action, but once action has been instituted, then notwithstanding any provision to the contrary herein, all of such remaining

Members must agree prior to the settlement of any such action. Such non-Affiliate Members' vote shall be sufficient to take such actions under this Section even if such Membership Interest is less than a Majority Interest;

(xvi) changing the name of the Company; and

(xvii) approval, waiver, amendment, termination (other than by expiration of the term thereof) or other modification of any Operating Agreement.

Notwithstanding any provision to the contrary herein, with respect to each matter described in (i) - (xvii) above, the exercise of Member authority shall occur only by the affirmative vote of the applicable Required Interest specified elsewhere in this Agreement, including, without limitation, the unanimous voting requirements set forth in Section 7.2(b); the Super-Majority Interest voting requirements set forth in Section 7.2(a); and the Majority Interest approval requirements set forth in Section 6.1(a). Member approval or disapproval of any matter requiring Member approval (including, without limitation, the matters set forth in this Section 6.3(b) and Sections 7.2(a) and (b)) may be based on any reason whatsoever, in each Member's sole and absolute discretion.

6.4. Officers.

(a) The Members may designate one or more Persons to fill one or more officer positions of the Company. Such officers may include, without limitation, Chief Executive Officer, Chief Financial Officer, President, Vice President, Treasurer, Assistant Treasurer, Secretary and Assistant Secretary. No officer need be a resident of the State of Delaware. The Members may assign titles to particular officers. Each officer shall hold office until his successor shall be duly designated and shall qualify to hold such office, or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Any number of offices may be held by the same Person. The salaries or other compensation, if any, of the officers and agents of the Company may be fixed from time to time by the Members. Notwithstanding any other provisions of this Agreement, the authority of any officers, employees or agents of the Company shall be restricted to the carrying on of the day-to-day affairs of the Company and any such authority shall be subject to the supervisory control of the Members. Only Members or their duly authorized agents shall have the authority to make policy decisions for the Company. Unless the Members decide otherwise, the assignment of such title shall constitute the delegation to such officer of the authority and duties set forth below:

(i) President. Unless otherwise specified by the Members, the President shall be the chief operating officer of the Company and have general executive powers to manage the operations of the

Company, and such other powers and duties under this Agreement as the Members may from time to time prescribe.

(ii) Vice Presidents. In the absence of the President, or in the event of his inability to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated by the Members, or in the absence of any such designation, then in the order of their election or appointment) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

(iii) Secretary. The Secretary shall keep the minutes of the meetings of the Company and shall exercise general supervision over the files of the Company. The Secretary shall give notice of meetings and shall perform other duties commonly incident to such office.

(iv) Assistant Secretary. At the request of the Secretary or in the Secretary's absence or inability to act, the Assistant Secretary shall perform part or all of the Secretary's duties.

(v) Treasurer. The Treasurer shall have general supervision of the funds, securities, notes, drafts, acceptances, and other commercial paper and evidences of indebtedness of the Company and he shall determine that funds belonging to the Company are kept on deposit in such banking institutions as the Members may from time to time direct. The Treasurer shall determine that accurate accounting records are kept, and the Treasurer shall render reports of the same and of the financial condition of the Company to the Members at any time upon request. The Treasurer shall perform other duties commonly incident to such office, including, but not limited to, the execution of tax returns.

(vi) Assistant Treasurer. At the request of the Treasurer or in the Treasurer's absence or inability to act, the Assistant Treasurer shall perform part or all of the Treasurer's duties.

(b) Any officer may resign as such at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the Company. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation. Any officer may be removed as such, either with or without cause, by the Members; provided, however, that such removal shall be without prejudice to the contract rights, if any, of the officer so removed. Designation of an officer shall not of itself create contract rights. Any vacancy occurring in any office of the Company may be filled by the Members.

6.5. Duties of Officers. Each officer shall devote such time, effort, and skill to the Company's business affairs as he deems necessary and proper for the Company's welfare and success. The Members expressly recognize that the officers have substantial other business relationships and activities with Persons other than the Company.

6.6. No Duty to Consult. Except as otherwise provided herein or by applicable law, neither the Company nor its duly appointed agents, designees or representatives or the officers of the Company shall have a duty or obligation to consult with or seek advice of the Members on any matter relating to the day-to-day business affairs of the Company duly delegated to such Persons; provided, however, that such Persons shall not be restricted from consulting with or seeking the advice of the Members.

6.7. Reimbursement. Except for pre-formation expenses paid by each respective Member and treated as an Initial Capital Contribution pursuant to Section 4.1(a), all expenses incurred with respect to the organization, operation and management of the Company shall be borne by the Company.

6.8. Members and Affiliates Dealing With the Company. Subject to obtaining any consent expressly required hereunder, the Company may appoint, employ, contract, or otherwise deal with any Person, including Affiliates of the Members, individuals with whom the Members are otherwise related, and with business entities which have a financial interest in a Member or in which a Member has a financial interest, for transacting Company business, including any acts or services for the Company as the members of any committee, officer or other representative with the proper authority may approve.

6.9. Insurance. Each Member, according to its proportionate share equal to its Membership Interest, shall make available for its own benefit and the benefit of the Company, the insurance coverages described on "Exhibit C.I" hereto and such other insurance as may be required by applicable Laws. All such insurance policies provided by each Member shall provide that the insurers waive their right of subrogation against the Company and the relevant Member, any of their respective Affiliates, or any other party indemnified by the Company, and shall name the Company as an additional insured.

The Company shall provide the applicable insurance coverages described on "Exhibits C. II and C.III" for the benefit of the Company, Leviathan Holding, and Tejas Holding. The costs of the insurance coverages described on Exhibits C.II and C.III which are obtained by the Company (if any) shall automatically be included in the applicable operating budget for the Company without the necessity of approval by the Members. All such insurance policies provided by the Company shall provide that the insurers waive their right of subrogation against the Company, Leviathan Holding, and Tejas Holding, any of their respective Affiliates, or any other party indemnified by Company, and shall name Leviathan Holding and Tejas Holding as additional insureds.

ARTICLE VII.

MEETINGS

7.1. Meetings of Members and Committees.

(a) A quorum shall be present at a meeting of Members or any committee of the Company if the holders of at least 33% of all Membership Interests are represented at the meeting in person or by proxy.

(b) All meetings of the Members or any committee of the Company shall be held at the principal place of business of the Company or at such other place within or without the State of Delaware as shall be specified or fixed in the notices or waivers of notice thereof; provided that any or all Members or their representatives may participate in any such meeting by means of conference telephone or similar communications equipment pursuant to Section 16.11. No Member shall willfully be absent from any meeting of the Members or any committee of the Company.

(c) Notwithstanding the other provisions of this Agreement, a Majority Interest represented (in person or by proxy) at a meeting at which a quorum is present shall have the power to adjourn such meeting from time to time, without any notice other than an announcement at the meeting of the time and place of the resumption of the adjourned meeting. The time and place of such adjournment shall be determined by a vote of such Membership Interest. Upon the resumption of such adjourned meeting, any business may be transacted that might have been transacted at the meeting as originally called.

(d) Unless otherwise expressly provided in a written notice issued by the Members, an annual meeting of the Members for the transaction of such business as may properly come before such meeting shall be held at the principal office of the Company at 10:00 a.m. on the second Tuesday which is a Business Day in the month of May or such other date as to which the Members mutually agree. Regularly scheduled, periodic meetings of the Members or any committee of the Company may be held without special notice to the Members or Member representatives at such times and places as shall from time to time be determined by resolution of the Members or such Member representatives and communicated to all Members or their representatives. Each Member, or its representatives in the case of committee meetings, shall use reasonable efforts to inform the other Members or committee representatives of any business matters that it intends to raise at any regular meeting of the Members or any committee of the Company within a reasonable time prior to such meeting.

(e) Special meetings of the Members or any committee of the Company, for any purpose or purposes, unless otherwise prescribed by law, shall be called by (i) the President or Secretary (if any), (ii) any one or more Members holding at least 20% of the Membership Interests of the Company in the aggregate or (iii) any two

or more non-Affiliated Members. Such request of the President, Secretary or Member(s) shall state the purpose or purposes of the proposed meeting.

(f) Except as provided otherwise by this Agreement or applicable law, written or printed notice stating the place, day and hour of the meeting and the purpose or purposes for which such meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days (including Saturdays, Sundays and holidays) before the date of the proposed meeting, either personally, by certified mail (return receipt requested) or by telecopy (with a copy delivered via United States mail), by or at the direction of the Person calling the meeting, to each Member or Member representative, as the case may be, entitled to vote thereat. If mailed, any such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Member, or Member representative, at its address provided for in Section 16.19, with postage thereon prepaid.

(g) The date on which notice of a meeting of the Members or any committee of the Company is mailed shall be the Record Date for the determination of the Members or Member representatives entitled to notice of or to vote at such meeting, including any adjournment thereof, or the Members or Member representatives entitled to receive such notice.

7.2. Special Actions.

(a) Super-Majority Interest Approval. The approval of the holders of a Super-Majority Interest of the Members shall be required to authorize and approve the following:

(i) except with respect to cash reserves consistent with historical practices, determining the cash reserves applicable to distributions of cash and other property as provided in Sections 5.3, 5.5 and 5.6, other than (A) cash reserves relating to acquiring, constructing or otherwise obtaining (including, without limitation, pursuant to a lease or similar arrangement approved in accordance with Section 7.2(a)(v)) any pipeline, lateral or extension, including any Lateral or any compression, expansion or other significant facilities if such reserve exceeds, at any one time, $100,000, but is less than or equal to $1,000,000 (the authorization for which requires at least the approval of a Majority Interest) or (B) cash reserves described in Section 7.2(a)(ii) (requiring at least a Super Majority Interest) or Section 7.2(b)(ix) requiring unanimity);

(ii) determining the cash reserves applicable to distributions of cash and other property as provided in Sections 5.3, 5.5 and 5.6, to the extent such cash reserves (A) relate to acquiring, constructing, leasing or otherwise obtaining any pipeline, lateral or extension, including any Lateral or any compression, expansion or other

significant facilities and (B) exceed, at any one time, $1,000,000, but is less than or equal to $5,000,000;

(iii) (A) entering into any credit agreement, indenture or similar agreement or (B) borrowing money or making draws under any such previously approved credit agreement, indenture or similar agreement for the purpose of funding authorized transactions with an approved cost to the Company of more than $1,000,000, but less than or equal to $5,000,000;

(iv) except as otherwise provided in Section 7.2(a)(vi), utilizing other than for Company purposes, acquiring or disposing of any asset of the Company having a then existing fair market value or GAAP net book value (after deducting accumulated depreciation, depletion, amortization and impairment) of more than $1,000,000 but less than or equal to $5,000,000;

(v) authorizing a transaction involving a lease or similar arrangement which either (A) involves an asset with a fair market value of more than $1,000,000 but less than or equal to $5,000,000 or (B) could reasonably be expected to result in payments of more than $1,000,000 but less than or equal to $5,000,000; and

(vi) subject to the provisions of Sections 15.1, 15.2, and 15.3, as applicable, authorizing a transaction which involves acquiring, constructing or otherwise obtaining (x) any pipeline, lateral or extension, including any Lateral, or (y) any compression, expansion or other significant facilities, including any Expansion Project (except Expansion Projects expressly permitted by Section 15.2), which, in the case of either clause (x) or (y), could reasonably be expected to have a cost to the Company of more than $1,000,000 but less than or equal to $5,000,000.

(vii) authorizing Gas Contracts that provide for a term equal to or longer than one year after the date of execution thereof.

(b) Unanimous Approval. The approval of the holders of all of the Membership Interest of the Members shall be required to authorize and approve the following:

(i) approving any FERC certificate, including any amendment or modifications of any FERC certificate, if applicable, or any subsequent FERC certificate, if applicable, including, without limitation, the general terms and conditions and the rates and the basis upon which such rates are calculated;

(ii) termination (other than by expiration of the term thereof) of the Construction Agreement with respect to the Initial Facilities or the

Operating Agreement or any other operating agreement with respect to the operation of the Brutus Gathering Facilities;

(iii) changing the name of the Company;

(iv) instituting litigation, arbitration or similar proceedings against Persons other than any Member or Affiliate of any Member at a cost to the Company which would reasonably be expected to exceed $500,000.00;

(v) making draws under any credit agreement, indenture, or similar agreement approved in accordance with the terms of Section 7.2(a)(iii)(A), for the purpose of funding authorized transactions with an approved cost to the Company of more than $5,000,000;

(vi) except as otherwise provided in Section 7.2(b)(vii), utilizing other than for company purposes, acquiring or disposing of any asset of the Company or its Subsidiaries, having a then existing fair market value or GAAP net book value (after deducting accumulated depreciation, depletion, amortization and impairment) of more than $5,000,000;

(vii) subject to the provisions of Sections 15.1, 15.2, and 15.3, as applicable, authorizing a transaction which involves acquiring, constructing or otherwise obtaining (x) any pipeline, lateral or extension, including any Lateral, or (y) any compression, expansion or other significant facilities, including any Expansion Project (except Expansion Projects expressly permitted by Section 15.2), which, in the case of either clause (x) or (y), could reasonably be expected to have a cost to the Company of more than $5,000,000;

(viii) authorizing a transaction involving a lease or similar arrangement which either (A) involves an asset with a fair market value of more than $5,000,000 or (B) could reasonably be expected to result in payments of more than $5,000,000;

(ix) authorizing any transaction or any amendment thereto, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service involving the Company and any Member or any Affiliate of any Member that is not an arm's length transaction (which transaction, once approved by all of the Members, shall be presumed to be fair to the Company); and

(x) permitting the conversion, merger, consolidation, or participation in a share exchange or other statutory reorganization with, or sale of all or substantially all of the assets of the Company to any Person;

(xi) approving the operating and capital expenditure budgets of the Company;

(xii) approving any cash reserve applicable to distributions of cash and other property as provided in Sections 5.3, 5.5 and 5.6, to the extent such cash reserve (A) relates to acquiring, constructing or otherwise obtaining (including, without limitation, pursuant to a lease or similar arrangement approved in accordance with Section 7.2(b)(vii)) any pipeline, lateral or extension, including any Lateral, or any compression, expansion or other significant facilities and (B) exceeds, at any one time, $5,000,000; and

(xiii) actions for which this Agreement otherwise expressly requires unanimous approval, including, without limitation, any of the actions set forth in Sections 3.8 (creation of additional Membership Interests), 3.12 (Resignation), 4.2 (subsequent Capital Contributions), 5.6 (distribution of Initial Capital Contributions), 12.1(a) (Dissolution and Liquidation) and 13.2 (Amendments).

7.3. Voting List. The officer of the Company or the designated Member who is responsible for the maintenance of the Company's records shall make, at least ten days before each meeting of Members, a complete list of the Members or their representatives, as the case may be, entitled to vote thereat or any adjournment thereof, arranged in alphabetical order, with the address of and the Membership Interest held or represented by each, which list, for a period of ten days prior to such meeting, shall be kept on file at the registered office or principal place of business of the Company and shall be subject to inspection by any Member or Member representative at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Member or Member representative during the whole time of the meeting. The original Company records shall be prima facie evidence as to who are the Members or their representatives entitled to examine such list or transfer records or to vote at any meeting of Members. Failure to comply with the requirements of this Section 7.3 shall not affect the validity of any action taken at the meeting.

7.4. Proxies. A Member or Member representative may vote either in person or by proxy executed in writing by the Member or Member representative. A telegram, telex, cablegram or similar transmission by the Member or Member representative or a photographic, photostatic, facsimile or similar reproduction of writing executed by the Member or Member representative shall be treated as an execution in writing for purposes of this Section 7.4. Proxies for use at any meeting of the Members or committee of the Company or in connection with the taking of any action by written consent shall be filed with the Company before or at the time of the meeting or execution of the written consent, as the case may be. All proxies shall be received and taken charge of and all ballots shall be received and canvassed by an inspector or inspectors appointed by the President or a Vice President of the Company who shall decide all questions touching upon the qualification of voters, the validity of the proxies, and the acceptance or rejection of votes.

7.5. Votes. Each Member or Member representative shall be entitled to one vote (or a fraction thereof) per percent (or fraction thereof) of Membership Interest held by such Member, as reflected in the transfer records of the Company; provided, however, that for purposes of determining a quorum or a Required Interest, the Membership Interest of any Member shall not be counted and such interest shall be apportioned by interest among the remaining Members as applicable if the Member is not permitted to vote under this Agreement for any reason, including, without limitation, the relevant Member is in Default, is not deemed to be a Substituted Member or is in breach of certain representations and warranties; provided, however, that no Member shall be required to make any Capital Contribution, other than an Initial Capital Contribution, if such Member did not vote to approve such Capital Contribution in accordance with Section 4.2.

7.6. Conduct of Meetings. All meetings of the Members or committees of the Company shall be presided over by the chairman of the meeting, who shall be designated by, in order of priority, the President, the Vice President or other appropriate officer of the Company. The chairman of any meeting of Members or committee of the Company shall determine the order of business and the procedure at the meeting, including regulation of the manner of voting and the conduct of discussion.

7.7. Action by Written Consent.

(a) Except as otherwise provided by applicable Laws, any action required or permitted to be taken at any meeting of Members or committee of the Company may be taken without a meeting, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holder or holders or representatives of not less than the minimum of Membership Interests that would be necessary to take such action at a meeting at which the holders of all Membership Interests entitled to vote on the action were present and voted; provided, however, that no such written consent shall be effective unless each Member has been provided with at least 3 Business Days prior written notice of such consent to be sought or has waived the requirement of such notice. To the extent required by law, every written consent shall bear the date of signature of each Member or Member representative who signs the consent. To the extent required by law, no written consent shall be effective to take the action that is the subject of such consent unless, within 60 days after the date of the earliest dated consent delivered to the Company in the manner required by this Section 7.7, a consent or consents signed by the holder or holders of not less than the minimum Membership Interests that would be necessary to take the action that is the subject of the consent are delivered to the Company by delivery to its registered office or its principal place of business. Delivery shall be by hand or certified or registered mail (return receipt requested) to the Company's principal place of business and shall be addressed to the Secretary of the Company. A telegram, telex, cablegram or similar transmission by a Member or Member representative, or a photographic, photostatic, facsimile or similar reproduction of a writing signed by a Member or Member representative, shall be regarded as signed by the Member or Member representative for purposes of this Section 7.7. In addition to the prior written notice described above, prompt written notice of the taking of any action

by the Members or committees of the Company without a meeting by less than unanimous written consent shall be given to those Members or Member representatives who did not consent in writing to the action.

(b) The Record Date for determining Members or their representatives entitled to consent to an action in writing without a meeting shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Company. Delivery of such written consent shall be by hand or by certified or registered mail (return receipt requested) to the Company's principal place of business and shall be addressed to the Secretary of the Company.

7.8. Records. An officer of the Company or a designated Member representative shall be responsible for maintaining the records of the Company, including keeping minutes at the meetings of the Members or committees of the Company and the filing of consents in the records of the Company.

ARTICLE VIII.

INDEMNIFICATION

8.1. Right to Indemnification. Subject to the limitations and conditions as provided herein or by applicable Laws, each Person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (hereinafter a "Proceeding"), or any appeal in such a Proceeding or any inquiry or investigation that could lead to such a Proceeding, by reason of the fact that he or she, or a Person of whom he or she is the legal representative, is or was a Member of the Company, a member of a committee of the Company or an officer of the Company, or while such a Person is or was serving at the request of the Company as a director, officer, partner, venturer, member, trustee, employee, agent or similar functionary of another foreign or domestic general partnership, corporation, limited partnership, joint venture, limited liability company, trust, employee benefit plan or other enterprise, shall be indemnified by the Company to the extent such Proceeding or other above-described process relates to any such above-described relationships with, status with respect to, or representation of any such Person to the fullest extent permitted by the Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said Laws permitted the Company to provide prior to such amendment) against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such Person in connection with such Proceeding, and indemnification under this Article VIII shall continue as to a Person who has ceased to serve in the capacity which initially entitled such Person to indemnity hereunder for any and all liabilities and damages related to and arising from such Person's activities while acting in such capacity; provided, however, that no Person shall be entitled to indemnification under this Section 8.1 in the event the Proceeding involves acts or omissions of such Person which constitute an intentional breach of this Agreement or gross negligence or willful misconduct on the part of such Person. The rights granted pursuant to this Article VIII shall be

deemed contract rights, and no amendment, modification or repeal of this Article VIII shall have the effect of limiting or denying any such rights with respect to actions taken or Proceedings arising prior to any such amendment, modification or repeal. It is expressly acknowledged that the indemnification provided in this Article VIII could involve indemnification for negligence or under theories of strict liability.

8.2. Indemnification of Officers, Employees and Agents. The Company may indemnify, and advance expenses to, Persons who are not or were not a Member, including officers, employees or agents of the Company, and those Persons who are or were serving at the request of the Company as a manager, director, officer, partner, venturer, member, trustee, employee, agent or similar functionary of another foreign or domestic general partnership, corporation, limited partnership, joint venture, limited liability company, trust, employee benefit plan or other enterprise against any liability asserted against such Person and incurred by such Person in such a capacity or arising out of his status as such a Person to the same extent that it may indemnify and advance expenses to a Member under this Article VIII.

8.3. Advance Payment. Any right to indemnification conferred in this Article VIII shall include a limited right to be paid or reimbursed by the Company for any and all reasonable expenses as they are incurred by a Person entitled to be indemnified under Sections 8.1 and 8.2 who was, or is threatened, to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding and without any determination as to such Person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such Person in advance of final disposition of a Proceeding shall be made only upon delivery to the Company of a written affirmation by such Person of his good faith belief that he has met the requirements necessary for indemnification under this Article VIII and a written undertaking, by or on behalf of such Person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified Person is not entitled to be indemnified under this Article VIII or otherwise.

8.4. Appearance as a Witness. Notwithstanding any other provision of this Article VIII, the Company may pay or reimburse expenses incurred by any Person entitled to be indemnified pursuant to this Article VIII in connection with such Person's appearance as a witness or other participation in a Proceeding at a time when he is not a named defendant or respondent in the Proceeding.

8.5. Nonexclusivity of Rights. The right to indemnification and the advancement and payment of expenses conferred in this Article VIII shall not be exclusive of any other right which a Person indemnified pursuant to Sections 8.1 and 8.2 may have or hereafter acquire under any Laws, this Agreement, or any other agreement, vote of Members or otherwise.

8.6. Insurance. The Company may purchase and maintain indemnification insurance, at its expense, to protect itself and any Person from any expenses, liabilities, or losses that may be indemnified under this Article VIII.

8.7. Member Notification. Any indemnification of or advance of expenses to any Person entitled to be indemnified under this Article VIII shall be reported in writing to the Members with or before the notice or waiver of notice of the next Members' meeting or with or

before the next submission to Members of a consent to action without a meeting and, in any case, within the 12 month period immediately following the date the indemnification or advance was made.

8.8. Savings Clause. If this Article VIII or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless any Person entitled to be indemnified pursuant to this Article VIII as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article VIII that shall not have been invalidated and to the fullest extent permitted by applicable Laws.

8.9. Scope of Indemnity. For the purposes of this Article VIII, references to the "Company" include all constituent entities, whether corporations or otherwise, absorbed in a consolidation or merger as well as the resulting or surviving entity. Thus, any Person entitled to be indemnified or receive advances under this Article VIII shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving entity as he would have if such merger, consolidation, or other reorganization never occurred.

ARTICLE IX.

TAXES

9.1. Tax Returns. The Company shall cause to be prepared and filed all necessary federal and state income tax returns for the Company, including making the elections described in Section 9.2. Upon written request by the Company, each Member shall furnish to the Company all pertinent information in its possession relating to Company operations that is necessary to enable the Company's income tax returns to be prepared and filed.

9.2. Tax Elections. The Company shall make the following elections on the appropriate tax returns:

(a) to adopt the accrual method of accounting;

(b) an election pursuant to section 754 of the Code;

(c) to elect to amortize the organizational expenses of the Company and the start-up expenditures of the Company under section 195 of the Code ratably over a period of 60 months as permitted by section 709(b) of the Code; and

(d) any other election that the Company may deem appropriate and in the best interests of the Company or Members, as the case may be.

Neither the Company nor any Member may make an election for the Company to be excluded from the application of the provisions of subchapter K of chapter 1 of subtitle A of the Code or any similar provisions of applicable state law, and no provision of this Agreement shall be construed to sanction or approve such an election.

9.3. Tax Matters Member. The Company shall select one of the Members as the "Tax Matters Member" of the Company pursuant to section 6231(a)(7) of the Code. The Tax Matters Member shall take such action as may be necessary to cause each Member to become a "notice partner" within the meaning of section 6223 of the Code and shall inform each Member of all significant matters that may come to its attention in its capacity as Tax Matters Member by giving notice thereof on or before the fifth Business Day after becoming aware thereof and, within that time, shall forward to each other Member copies of all significant written communications it may receive in that capacity. The Tax Matters Member may not take any action contemplated by sections 6222 through 6232 of the Code without the consent of a Super-Majority Interest, but this sentence does not authorize the Tax Matters Member to take any action left to the determination of an individual Member under sections 6222 through 6232 of the Code. The initial Tax Matters Member shall be the Member so indicated on Exhibit A.

ARTICLE X.

BOOKS, RECORDS, REPORTS, AND BANK ACCOUNTS

10.1. Maintenance of Books. The Company shall keep books and records of accounts and shall keep minutes of the proceedings of its Members. The books of account for the Company shall be maintained on an accrual basis in accordance with the terms of this Agreement and GAAP, except that the Capital Accounts of the Members shall be maintained in accordance with Section 4.5. The accounting year of the Company shall be determined by the Company. The initial custodian of the company records shall be the Tax Matters Members.

10.2. Financial Statements. On or before the last day of each calendar month during the existence of the Company, the Company shall cause each Member to be furnished with an income statement for the calendar month immediately preceding such calendar month. On or before the last day of each January, April, July and October during the existence of the Company, the Company shall cause each Member to be furnished with a balance sheet and a statement of cash flows for, or as of the end of, the fiscal quarter immediately preceding such calendar month. On or before the last day of each April during the existence of the Company, the Company shall cause each Member to be furnished with audited financial statements, including, a balance sheet, an income statement, a statement of cash flows, and a statement of changes in each Member's Capital Account for the immediately preceding calendar year. Annual financial statements must be prepared in accordance with GAAP. The Company also may cause to be prepared or delivered such other reports as it may deem, in its sole judgment, appropriate. The Company shall bear the costs of all such reports and financial statements.

10.3. Tax Statements. On or before the last day of July during the existence of the Company, the Company shall cause each Member to be furnished with all information reasonably necessary or appropriate to file their appropriate tax reports, including a schedule of Company book-tax differences for, or as of the end of, the immediately preceding tax year. In addition, to the extent reasonably possible, the Company will cause each Member to be provided with estimates of all such information on or before the first day of February each year.

10.4. Accounts. The officers or designated Members of the Company shall establish and maintain one or more separate bank and investment accounts and arrangements for Company

funds in the Company's name with financial institutions and firms that officers or designated Members of the Company may determine. The Company may not commingle the Company's funds with the funds of any other Person. All such accounts shall be and remain the property of the Company and all funds shall be received, held and disbursed for the purposes specified in this Agreement. The officers or designated Members of the Company may invest the Company funds only in (i) readily marketable securities issued by the United States or any agency or instrumentality thereof and backed by the full faith and credit of the United States maturing within three months or less from the date of acquisition, (ii) readily marketable securities issued by any state or municipality within the United States of America or any political subdivision, agency or instrumentality thereof, maturing within three months or less from the date of acquisition and rated "A" or better by any recognized rating agency, (iii) readily marketable commercial paper rated "Prime 1" by Moody's or "A 1" by Standard and Poor's (or comparably rated by such organizations or any successors thereto if the rating system is changed or there are such successors) and maturing in not more than three months after the date of acquisition or (iv) certificates of deposit or time deposits issued by any incorporated bank organized and doing business under the Laws of the United States of America which is rated at least "A" or "A2" by Standard and Poor's or Moody's, which is not in excess of federally insured amounts, and which matures within three months or less from the date of acquisition.

ARTICLE XI.

BANKRUPTCY OF A MEMBER

11.1. Bankrupt Members. If any Member becomes a Bankrupt Member, the Company, by approval of at least a majority in interest of the Members excluding any Bankrupt Member or, if the Company does not exercise the relevant option, the non-Bankrupt Members which desire to participate, shall have the option, exercisable by notice from the Company or the Members, as the case may be, to the Bankrupt Member (or its representative) at any time prior to the 180th day after receipt of notice of the occurrence of the event causing it to become a Bankrupt Member, to buy, and, on the exercise of this option, the Bankrupt Member or its representative shall sell, its Membership Interest. The purchase price shall be an amount equal to the fair market value thereof determined by agreement by the Bankrupt Member (or its representative) and the potential purchaser; however, if those Persons do not agree on the fair market value on or before the 90th day following the date of receipt by such potential purchaser of notice of the occurrence of the event causing the Member to become a Bankrupt Member, either such Person, by written notice to the other, may require the determination of fair market value to be made by an independent appraiser specified in such notice. If the Person receiving that notice objects on or before the tenth day following receipt to the independent appraiser designated in that notice, and those Persons otherwise fail to agree on an independent appraiser, either such Person may petition the United States District Judge for the Southern District of Texas then senior in active service to designate an independent appraiser, whose determination of the independent appraiser, however designated, is final and binding on all parties. The Bankrupt Member and the potential purchaser each shall pay one-half of the costs of the appraisal and court costs in appointing an appraiser (if any). If the potential purchaser then elects, within ten days after the fair market value has been decided by agreement or by an independent appraiser, to exercise the purchase option, the purchasing Person shall pay the fair market value as so determined in cash on closing. The payment to be made to the Bankrupt Member or its representative pursuant to this Section

11.1 is in complete liquidation and satisfaction of all the rights and interest of the Bankrupt Member and its representative (and of all Persons claiming by, through, or under the Bankrupt Member and its representative) in and in respect of the Company, including, without limitation, any Membership Interest, any rights in specific Company property, and any rights against the Company and its officers, agents, and representatives and (insofar as the affairs of the Company are concerned) against the Members.

ARTICLE XII.

DISSOLUTION, LIQUIDATION, AND TERMINATION

12.1. Dissolution. Subject to the provisions of Section 12.2 and any applicable Laws, the Company shall dissolve and its affairs shall be wound up on the first to occur, and only in the event of, the following:

(a) the consent of all of the Membership Interests; and

(b) entry of a decree of judicial dissolution of the Company under section 18-802 of the Act in accordance with Section 16.8.

Each Member expressly agrees that the bankruptcy or dissolution of a Member or other event described in section 18-801 of the Act (other than a Transfer of Membership Interest in accordance with the terms of this Agreement) shall not cause or result in the dissolution of the Company.

12.2. Liquidation and Termination. Subject to Section 7.5, upon dissolution of the Company, a representative of the Company selected by a Majority Interest (not including any Member in Default at the time of dissolution) shall act as a liquidator or may appoint one or more Members as liquidator ("Liquidator"). The Liquidator shall proceed diligently to wind up the affairs of the Company and make final distributions as provided herein and in the Act. The costs of liquidation shall be borne as a Company expense. Until final distribution, the Liquidator shall continue to operate the Company properties for a reasonable period of time to allow for the sale of all or a part of the assets thereof with all of the power and authority of the Members. The steps to be accomplished by the Liquidator are as follows:

(a) as promptly as possible after dissolution and again after final liquidation, the Liquidator shall cause a proper accounting to be made of the Company's assets, liabilities, and operations through the last day of the calendar month in which the dissolution occurs or the final liquidation is completed, as applicable;

(b) the Liquidator shall cause any notices required by law to be mailed to each known creditor of and claimant against the Company in the manner described by such law;

(c) subject to the terms and conditions of this Agreement and the Act (especially section 18-803), the Liquidator shall distribute the assets of the Company in the following order:

(i) the Liquidator shall pay, satisfy or discharge from Company funds all of the debts, liabilities and obligations of the Company, including, without limitation, all expenses incurred in liquidation or otherwise make adequate provision for payment and discharge thereof (including, without limitation, the establishment of a cash escrow fund for contingent liabilities in such amount and for such term as the Liquidator may reasonably determine); provided, however, such payments shall not include any Capital Contributions described in Article IV or any other obligations in favor of the Members created by this Agreement other than a loan made pursuant to any provision other than Section 15.1; and

(ii) all remaining assets of the Company shall be distributed to the Members as follows:

1. the Liquidator may sell any or all Company property, including to one or more of the Members (other than any Member in Default at the time of dissolution), provided (x) any such sale to a Member is made on an arms length basis under terms which are in the best interest of the Company and (y) to the extent that any Member has participated in an Expansion Option under Section 15.2, the Liquidator shall hire an independent consultant to attribute (on the basis of the then existing fair market value) the proceeds from the sale of the Company property between each respective Expansion Project, and all other assets of the Company (such value for each respective Expansion Project the "Expansion Liquidation Value") and the Liquidator shall repay any Members' Expansion Option loan pursuant to Section 15.2(e), but only to the extent that there is any Expansion Liquidation Value allocated to the corresponding Expansion Project;

2. with respect to all Company property that has not been sold, the fair market value of that property (as determined by the Liquidator using any method of valuation as it, using its best judgment, deems reasonable) shall be determined and the Capital Accounts of the Members shall be adjusted to reflect the manner in which the unrealized income, gain, loss, and deduction inherent in property that has not been reflected in the Capital Accounts previously would be allocated among the Members if there were a taxable disposition of that property for the fair market value of that property on the date of distribution; and

3. Company property shall be distributed among the Members ratably in proportion to each Member's Capital Account

balances, as determined after taking into account all Capital Account adjustments for the taxable year of the Company during which the liquidation of the Company occurs (other than those made by reason of this clause (C)).

All distributions in kind to the Members shall be made subject to the liability of each distributee for costs, expenses, and liabilities theretofore incurred or for which the Company has committed prior to the date of termination and those costs, expenses, and liabilities shall be allocated to the distributee pursuant to this Section 12.2. The distribution of cash and/or property to a Member in accordance with the provisions of this Section 12.2 constitutes a complete return to the Member of its Capital Contributions and a complete distribution to the Member of its Membership Interest and all the Company's property.

12.3. Provision for Contingent Claims.

(a) The Liquidator shall make a reasonable provision to pay all claims and obligations, including all contingent, conditional or unmatured claims and obligations, actually known to the Company but for which the identity of the claimant is unknown; and

(b) If there are insufficient assets to both pay the creditors pursuant to Section 12.2(c)(i) and to establish the provision contemplated by Section 12.3(a), the claims shall be paid as provided for in accordance to their priority, and, among claims of equal priority, ratably to the extent of assets therefor.

12.4. Deficit Capital Accounts. Notwithstanding anything to the contrary contained in this Agreement, and notwithstanding any custom or rule of law to the contrary, a deficit, if any, in the Capital Account of any Member upon the dissolution and winding up of the Company shall not be an asset of the Company and no such Member shall be obligated to contribute any amounts to the Company to bring the balance of such Member's capital account to zero.

ARTICLE XIII.

AMENDMENT OF THE AGREEMENT

13.1. Amendments to be Adopted by the Company. Each Member agrees that the appropriate officer of the Company, in accordance with and subject to the limitations contained in Article VII, may execute, swear to, acknowledge, deliver, file and record whatever documents may be required to reflect:

(a) a change in the name of the Company, the location of the principal place of business of the Company or the registered agent or office of the Company;

(b) admission or substitution of Members effected in accordance with this Agreement;

(c) a change that the Members believe is reasonable and necessary or appropriate to qualify or continue the qualification of the Company as a limited liability company under the Laws of any state or that is necessary or advisable in the opinion of the Company to ensure that the Company will not be taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change that is necessary or appropriate for the Company to satisfy any requirements, conditions, guidelines or interpretations contained in any opinion, interpretative release, directive, order, ruling or regulation of any federal or state agency or judicial authority (including, without limitation, the Act);

(e) an amendment that is necessary, in the opinion of counsel, to prevent the Company or its officers from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, whether or not substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor; and

(f) subject to the terms of Section 3.8, an amendment that the Company determines in its sole discretion to be necessary or appropriate in connection with the authorization for issuance of any Membership Interest pursuant to Section 3.8.

13.2. Amendment Procedures. Except as provided in Section 13.1, all amendments to this Agreement shall be made in accordance with the following requirements. Amendments to this Agreement may be proposed by any Member. Each such proposal shall contain the text of the proposed amendment. If an amendment is proposed, the Company shall seek the written approval of the holders of the requisite percentage of Membership Interests or call a meeting of the Members to consider and vote on such proposed amendment. A proposed amendment shall be effective upon its approval by the holders of all of the Membership Interests, unless a different percentage is expressly required under this Agreement. Any amendment that would materially and adversely affect the rights of any type or class of Membership Interests in relation to other types or classes of Membership Interests requires the approval of the holders of at least a majority of the Membership Interests of such class or type of Membership Interest. The Company shall notify all Record Holders upon final adoption of any proposed amendment.

ARTICLE XIV.

CERTIFICATED MEMBERSHIP INTERESTS

14.1. Entitlement to Certificates. Every owner of a Membership Interest in the Company, unless and to the extent the Company elects otherwise, shall be entitled to have a certificate, in such form as is approved by the Company and conforms with applicable law, certifying the Membership Interest owned by it.

14.2. Multiple Classes of Interest. If the Company shall be authorized to issue more than one class of Membership Interest or more than one series of any Membership Interest, a statement of the powers, designations, preferences and relative, participating, optional or other

special rights of each class of membership interest or series thereof and the qualification, limitations or restrictions of such preferences and/or rights shall, unless the Members shall by resolution provide that such class or series of Membership Interest shall be uncertificated, be set forth in full or summarized on the face or back of the certificate which the Company shall issue to represent such class or series of Membership Interest; provided that, to the extent allowed by law, in lieu of such statement, the face or back of such certificate may state that the Company will furnish a copy of such statement without charge to each requesting Member.

14.3. Signatures. Each certificate representing a Membership Interest in the Company shall be signed by or in the name of the Company by (1) the President or any Vice President of the Company and (2) the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Company. The signature of the officers of the Company may be facsimiles. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to hold such office before such certificate is issued, it may be issued by the Company with the same effect as if he held such office on the date of issue.

14.4. Issuance and Payment. Subject to the provisions of the Act and this Agreement, including, without limitation, Section 3.8, Membership Interests may be issued for such consideration and to such persons as the Company may determine from time to time.

14.5. Restrictive Legend. In the absence of a more restrictive legend, all certificates which evidence Membership Interests shall be stamped or typed in a conspicuous place with the following legend:

> THE INTEREST REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE LIMITED LIABILITY AGREEMENT OF THE COMPANY DATED AS OF [_____ __], 1999, AS IT EXISTS FROM TIME TO TIME, WHICH RESTRICTS ANY SALE, ASSIGNMENT, TRANSFER, CONVEYANCE, ENCUMBRANCE, PLEDGE OR OTHER TRANSFER OR ALIENATION (WITH OR WITHOUT CONSIDERATION) OF SUCH INTEREST. THE COMPANY WILL FURNISH TO THE RECORD HOLDER OF THIS CERTIFICATE, WITHOUT CHARGE, UPON WRITTEN REQUEST TO THE COMPANY AT ITS PRINCIPAL PLACE OF BUSINESS, A COPY OF SUCH LIMITED LIABILITY AGREEMENT. THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE. WITHOUT SUCH REGISTRATION, SUCH SECURITIES MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, CONVEYED, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED, EXCEPT UPON DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED FOR SUCH TRANSFER.

Such legend shall also be placed on all Certificates which are hereafter issued to any Member.

14.6. Lost, Stolen or Destroyed Certificates. The Company may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Company alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the Person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Company may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Company a bond in such sum as it may direct as indemnity against any claim that may be made against the Company with respect to the certificate alleged to have been lost, stolen or destroyed.

14.7. Transfer of Membership Interest. Upon surrender to the Company or its transfer agent, if any, of a certificate representing Membership Interests duly endorsed or accompanied by proper evidence of succession, assignation or authority to Transfer in accordance with this Agreement and of the payment of all taxes applicable to the Transfer of said Membership Interest, the Company shall be obligated to issue a new certificate to the Person entitled thereto, cancel the old certificate and record the transaction upon its books, provided, however, that the Company shall not be so obligated unless such Transfer was made in compliance with the provisions of this Agreement and any applicable state and federal Laws.

14.8. Registered Holders. The Company shall be entitled to recognize the exclusive right of a Person registered on its books as the owner of the indicated Membership Interest and shall not be bound to recognize any equitable or other claim to or interest in such Membership Interest on the part of any Person other than such registered owner, whether or not it shall have express or other notice thereof, except as otherwise provided by Law.

ARTICLE XV.

OTHER MEMBER AGREEMENTS AND OBLIGATIONS

15.1. Lateral Opportunities.

(a) Limitation on Lateral Opportunities. Except as otherwise provided in this Section 15.1(a), no constituent of the Tejas Pipeline Companies or Leviathan Gas Pipeline Companies will, directly or indirectly, enter into any agreement to construct or otherwise consummate transactions involving construction of any Lateral in which such constituent would own an interest (a "Lateral Opportunity") until such Lateral Opportunity has been rejected or otherwise forfeited by the Company. Any constituent of the Tejas Pipeline Companies or Leviathan Gas Pipeline Companies may enter into an agreement, which may be amended from time to time, with their respective Affiliates involving a Lateral Opportunity and, if applicable, the terms and conditions of such agreement or agreements will be offered to the Company pursuant to the terms and conditions of Section 15.1(b).

(b) Delivery of Lateral Opportunity Notice. Any Member may propose that the Company undertake a Lateral Opportunity by delivering written notice (a "Lateral Opportunity Notice") to the Company and each of the Members. (A) A Lateral Opportunity Notice involving the connection solely of third party production shall include the proposed terms and conditions of such transactions, which terms shall, at minimum, (x) reflect an arm's length transaction on reasonably fair terms, independent of any other transaction, and (y) be no less favorable to the Company than the Lateral Opportunity offered to such Member. The Lateral Opportunity Notice shall also contain reasonably sufficient operational and financial information and other details to allow the Members to make a reasonably informed decision with respect to such Lateral Opportunity. Such Lateral Opportunity Notice shall (i) state whether such Lateral Opportunity is, directly or indirectly, related in any way to any past, current, or contemplated transaction involving the Member delivering such notice (including its Affiliates), (ii) contain a statement, if true, that the Member is not aware of any undisclosed benefits expected to accrue to the Member or its Affiliates as a result of such Lateral Opportunity or, if the delivering Member is unable to make such statement, the notice shall disclose the existence, but not the details of such other benefits, and (iii) contain only financial projections prepared in good faith based upon assumptions relating to such Lateral Opportunity believed by the Member to be reasonable. (B) A Lateral Opportunity Notice involving the connection of any production of a Member or its Affiliates that must be offered to the Company under the terms of Section 15.1(a) shall include the proposed terms and conditions of such transactions, which terms shall be no less favorable to the Company than the Lateral Opportunity offered to such Member. The Lateral Opportunity Notice shall also contain reasonably sufficient operational and financial information and other details to allow the Members to make a reasonably informed decision with respect to such Lateral Opportunity.

(c) Rejected Lateral Opportunities. If the Company does not vote to accept the Lateral Opportunity and deliver notice accordingly in writing within 30 days after the Company receives the Lateral Opportunity Notice that the Company should undertake such project on the terms and conditions set forth in the applicable Lateral Opportunity Notice, then the Member (and/or its Affiliates) who provided and voted in favor of the Lateral Opportunity Notice shall have the right to pursue such project (a "Rejected Lateral Opportunity") on the terms and conditions set forth in the applicable Lateral Opportunity Notice and own any assets related thereto. In such event, the Member who provided the relevant Lateral Opportunity Notice (and/or its Affiliates) shall be free for a period of 120 days to enter into definitive agreements, if any, or otherwise consummate the transactions contemplated by the applicable Lateral Opportunity Notice on the same terms and conditions set forth in the applicable Lateral Opportunity Notice without further obligation to any Members or the Company; provided that following such 120 day period, such Member or its Affiliates may not enter into definitive agreements, if any, or otherwise consummate the transactions with respect to a Rejected Lateral Opportunity without again offering the same to the Company in accordance with this Article. No Member shall have any obligation

or duty to the Company or the other Members with respect to any Rejected Lateral Opportunity to the extent it is covered by definitive agreements entered into, or otherwise consummated, by such Member or its Affiliates after compliance with this Section 15.1 or with respect to any modification, renewal or extension of the terms of such definitive agreements with respect to any such Rejected Lateral Opportunity. Except as set forth in this Section 15.1, the construction, acquisition, operation, maintenance and ownership of each such Rejected Lateral Opportunity project shall not be governed or affected by this Agreement.

15.2. Expansion Option.

(a) Any Member (the "Exercising Member") shall have the right to require the Company to construct, own and operate a particular Expansion Project (the "Expansion Option") if (i) (x) the Exercising Member or an Affiliate of the Exercising Member has delivered to the other Member (the "Responding Member") written notice (the "Capacity Request") requesting firm capacity on the Brutus Gathering Facilities to gather or transport gas (including gas which is not owned by the Exercising Member or its Affiliate) from one or more Dedicated Leases or from leases that the Exercising Member or an Affiliate desires to dedicate under the Gathering Agreement or (y) a third party requests (a "Third Party Capacity Request") either additional firm capacity under an existing gathering agreement and/or firm capacity under a newly proposed gathering agreement (the properties in (x) and (y) above to be hereinafter referred to as "Expansion Property") to the extent that the expected volume (including increases in volume from existing properties dedicated pursuant to the Gathering Agreement or any other gathering agreement of which some or all of the volumes could be Accelerated Volumes of production from the Expansion Property ("Expansion Property Production"), at the time of such notice, is not being delivered into the Brutus Gathering Facilities, (ii) the Members determine in good faith that the Accessible Capacity is not sufficient practically to handle substantially all of the Expansion Property Production, (iii) the Members determine in good faith that the relevant Expansion Project is necessary to increase the Base Capacity to a level adequate to allow the Brutus Gathering Facilities to handle the Expansion Property Production, (iv) within 60 days from the latest date on which the Responding Member has the right to respond to the Capacity Request or the Third Party Capacity Request, whichever is applicable (the "Expansion Option Period"), the Members have held a meeting and the Responding Member has voted against the relevant Expansion Project, (v) the Exercising Member voted in favor of the relevant Expansion Project at such meeting, and (vi) the Expansion Option is exercised in accordance with the requirements of Section 15.2(b) below.

(b) Exercise. The Exercising Member shall exercise the Expansion Option by delivering, at any time after such Expansion Project has been rejected by the Responding Member but before the end of the Expansion Option Period, written notice of such exercise (the "Expansion Option Notice") to the Company and each

Responding Member. Whenever an Exercising Member delivers an Expansion Option Notice, every other Member which voted in favor of the relevant Expansion Project at the last meeting during which such project was voted on (together with the Exercising Member, the "Expansion Participants") shall have the right to participate, proportionately based on the relationship of its Membership Interest to the Membership Interests of all of the Expansion Participants, in such project on the same basis as the Exercising Member, including the right to receive the Payout Amount out of 80% of the Expanded Capacity Revenues and the obligation to fund such project. Any Member which desires to exercise its right to participate in such project must deliver to the other Members a notice substantially similar to that delivered by the original Exercising Member in accordance with the terms of this subsection, within 30 days after it receives the Expansion Option Notice. Each Expansion Participant shall provide to the other Expansion Participants and the Company an irrevocable commitment timely to fund the relevant Expansion Project and, if appropriate, assurances reasonably satisfactory to the Company and the other Expansion Participants that the relevant Expansion Participant has the ability to fund such Expansion Project; provided, however, that no such additional assurances will be required of Tejas Holding or Leviathan Holding as long as their respective funding obligations are subject to a parent-company guaranty. If any Expansion Participant pays any amount to the Company in excess of the amount needed to fund the Expansion Project, the Company shall immediately return such excess amount to the Expansion Participant.

(c) Repayment. Until the Expansion Participants have (i) received payment with respect to 100% of the Expanded Capacity Revenues in an amount equal to the Payout Amount or (ii) the Company, by a unanimous vote of all Members (notwithstanding any provision to the contrary herein) other than the Expansion Participants, has otherwise paid the unamortized portion of the Payout Amount to the Expansion Participants as described below, the Expansion Participants shall be paid monthly amounts equal to 80% of the Expanded Capacity Revenues. Such amounts shall be allocated among the Expansion Participants in the proportions that the Membership Interest of each such Expansion Participant bears to the Membership Interests of all such Expansion Participants. The remaining 20% of the Expanded Capacity Revenues shall be retained by the Company and allocated to all of the Members in accordance with Sections 5.1 and 5.2. After recovery of the Payout Amount or payment by the Company of the unamortized portion of the Payout Amount to the Expansion Participants as described below, all of the Expansion Capacity Revenues shall be retained by the Company and allocated to all of the Members based on their respective Membership Interests. If, at any time, the Company, by a unanimous vote of all Members other than the Expansion Participants, elects to prepay the unamortized amount of the Payout Amount, the Company shall promptly pay an amount equal to the then-remaining unpaid principal amount of the Payout Amount to the Expansion Participants, which remaining unpaid principal amount shall be calculated by treating as principal payments 10/15 of all amounts received by the Expansion Participants prior to such time in satisfaction of the Payout Amount.

(d) Capacity. Prior to proceeding with any Expansion Project in accordance with this Section, all of the Members shall cooperate to establish (i) the Accessible Capacity, using the lesser of (x) the maximum approved operating pressure, (y) the then existing contractual operating pressure or (z) the maximum physical pressure at which the line can operate, in each case determined at the inlet of each relevant point of receipt and the pressure (averaged over the last three months) at the relevant points of delivery and (ii) an expansion design to handle the Expansion Property Production. If the Members cannot agree on any such matter, the Company shall engage an independent consultant (of national prominence with experience in the relevant geographical area) to resolve each such matter.

(e) Treatment as Loan. Any amount paid by one or more Members pursuant to Section 15.2 shall be considered to be a limited recourse, partially secured loan from the advancing Members to the Company, with such loan payable only from, and secured only by a security interest granted by the Company in, 80% of the Expanded Capacity Revenues until such loan is paid in full. Except for such security interest in 80% of the Expanded Capacity Revenues, such loan shall be without recourse against the Company. The Company shall have no obligation to repay such loan other than to the extent that 80% of the Expanded Capacity Revenues are available.

ARTICLE XVI.

GENERAL PROVISIONS

16.1. Offset. Whenever the Company is to pay any sum under this Agreement to any Member, any amounts that a Member owes the Company may be deducted from that sum before payment.

16.2. Entire Agreement; Supersedure. This Agreement constitutes the entire agreement and supersedes (a) all prior oral or written proposals or agreements (b) all contemporaneous oral proposals or agreements and (c) all previous negotiations and all other communications or understandings between the Parties with respect to the subject matter hereof including, without limitation, the Confidentiality Agreement dated July 15, 1998, between the Members, et al.

16.3. Waivers. Neither action taken (including, without limitation, any investigation by or on behalf of any Party) nor inaction pursuant to this Agreement, shall be deemed to constitute a waiver of compliance with any representation, warranty, covenant or agreement contained herein by the Party not committing such action or inaction. A waiver by any Party of a particular right, including, without limitation, breach of any provision of this Agreement, shall not operate or be construed as a subsequent waiver of that same right or a waiver of any other right.

16.4. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Members and their respective heirs, legal representatives, successors and assigns.

16.5. Member Deadlocks; Negotiations and Mediation.

(a) Member Deadlocks. Except for any matter or proposal covered by the immediately succeeding sentence, Member approval or disapproval of any matter shall not be subject to the provisions of this Section 16.5. If any matter or proposal covered by Sections 6.3(b)(i)-(iv) or relating to an operating budget described in Section 6.3(b)(v), requiring the vote of less than all of the Membership Interest for approval thereof is brought before the Members and receives neither (x) at least the Required Interest voting for such matter or proposal nor (y) at least the Required Interest voting against (not including abstentions or other non-votes) such matter or proposal, then any Member, by written notice to the other Members given within three Business Days after the initial vote on such matter or proposal, may call a meeting of the Members to reconsider such matter or proposal, such meeting to be held when, where and as reasonably specified in said notice, but not less than three Business Days nor more than seven Business Days after the date of such vote. If such meeting is called and held as herein provided and the matter or proposal is offered at such meeting again and (x) does not receive at least the Required Interest voting for such matter or proposal or (y) does not receive at least the Required Interest voting against (not including abstentions or other non-votes) such matter or proposal, then any Member may within three Business Days thereafter submit the matter to further negotiation, and, if applicable, non-binding mediation, in accordance with this Section 16.5. If no Member calls such a meeting within the first three Business Day period herein provided for or if further negotiation is not requested within the three Business Day period after the second meeting, no Member shall thereafter have any right to request further negotiation or non-binding mediation regarding such matter or proposal.

(b) Further Negotiation. Any Member wishing to submit a matter or proposal to further negotiation as permitted above or pursuant to Section 16.8 shall do so by giving written notice of further negotiation to the other Members containing a brief description of the nature of the dispute to be further negotiated and the position of the Member initiating further negotiation. Upon receipt of such notice, each Member shall appoint a representative for such further negotiations, which representative shall hold a position with the Person owning such Member of equal or superior status to the prior representative of such Member with respect to the proposal in question. The respective representatives shall meet at the principal office of the Company at 10:00 a.m. local time on the third Business Day after the date of receiving the notice of further negotiations.

(c) Non-Binding Mediation. If within ten Business Days following initial receipt by the Members of the notice of further negotiations neither (x) at least the Required Interest votes for such matter or proposal nor (y) at least the Required Interest votes against (not including abstentions or other non-votes) such matter or proposal, then any Member may subject the matter or proposal to non-binding mediation by giving written notice of mediation to the other Members within five Business Days thereafter. The notice of mediation shall state the identity of the single mediator selected by the Member initiating mediation and contain a detailed statement of the nature of the dispute to be mediated and the remedy or

resolution sought by the Member initiating mediation. Neither the Members nor the mediator will have the right to conduct any further discovery relating to such mediation. The Member or Members initiating mediation shall pay the fees of the mediator; provided, however, that if the vote of the Members changes as a result of such mediation, then the Company shall pay all such fees and each of the Members' costs related to such mediation. Unless otherwise agreed by all of the Members, the mediation proceedings shall be held in Houston, Texas at such location selected by the mediator and shall begin as soon as practicable, but not less than five Business Days following the mailing of the initiating Member's notice of mediation. If within five Business Days following initiation of mediation proceedings neither (x) at least the Required Interest votes for such matter or proposal nor (y) at least the Required Interest votes against (not including abstentions or other non-votes) such matter or proposal, then such mediation shall terminate and such matter or proposal will no longer be subject to further negotiation or mediation. Except with respect to the matters expressly specified in Section 16.5(a) and Section 16.8, no Member shall have the right to demand mediation with respect to any dispute, difference or question arising between any of the Members themselves or any Member and the Company.

16.6. Governing Law; Severability.

(a) THIS AGREEMENT HAS BEEN EXECUTED AND DELIVERED AND SHALL BE CONSTRUED, INTERPRETED AND GOVERNED PURSUANT TO AND IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO ANY CONFLICT OF LAWS PRINCIPLES WHICH, IF APPLIED, MIGHT PERMIT OR REQUIRE THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

(b) In the event of a direct conflict between the provisions of this Agreement and any mandatory provision of the Act or applicable Laws, the applicable provision of the Act or other applicable Laws, as the case may be, shall control. If any provision of this Agreement, or the application thereof to any Person or circumstance, is held invalid or unenforceable to any extent, the remainder of this Agreement and the application of that provision to other Persons or circumstances shall not be affected thereby and that provision shall be enforced to the greatest extent permitted by the Act or other applicable Laws, as the case may be.

16.7. Further Assurances. Subject to the terms and conditions set forth in this Agreement, each of the Parties agrees to use all reasonable efforts to take, or to cause to be taken, all actions, and to do, or to cause to be done, all things necessary, proper or advisable under applicable Laws and regulations to consummate and make effective the transactions contemplated by this Agreement. In case, at any time after the execution of this Agreement, any further action is necessary or desirable to carry out its purposes, the proper officers or directors of the Parties shall take or cause to be taken all such necessary action.

16.8. Exercise of Certain Rights. No Member may maintain any action for partition of the property of the Company. No Member may maintain any action for dissolution and

liquidation of the Company unless such Member has submitted the dispute giving rise to such possible action to further negotiation and non-binding mediation, which further negotiation and mediation shall be conducted in accordance with the time periods and procedures set forth in Section 16.5(b) and (c), to the extent applicable. If such dispute is still unresolved after the conclusion of such further negotiation and non-binding mediation, such Member shall offer to sell its Membership Interest (free and clear of all liens and encumbrances) to the other Members for an amount of cash equal to the fair market value of the selling Member's Membership Interest, determined by multiplying such selling Member's Membership Interest by the fair market value of the Company, as a whole, without regard to any discounts or premiums related to minority interest, controlling interest, liquidity or related matters. If such Members do not agree on the fair market value thereof, such value shall be determined by an arbitrator in accordance with the arbitration procedures set forth in Section 3.5(d). If the non-selling Members do not exercise the option to purchase such Membership Interest within 60 days after the fair market value is determined, then the selling Member shall have the right for a period of 30 days after such 60-day period to initiate an action for such dissolution and liquidation pursuant to section 18-802 of the Act or any similar applicable statutory or common law dissolution right. If no Member has brought such action for dissolution within such 30 day period, then any Member may maintain an action for dissolution and liquidation only after again following the procedures set forth in this Section 16.8. Upon the institution of, and during the pendency of, any such dissolution proceeding, the Members agree to use commercially reasonable efforts to employ procedures and experts to ensure that such dissolution process will result in the Company and/or its assets being disposed of at fair market value; provided that such cooperative efforts shall not constitute a waiver or limitation of any such Member's right to contest such dissolution. Such procedures shall include soliciting likely potential purchasers, establishing a data room and other information sharing procedures and, if appropriate, engaging an investment banker, consultant or other expert to facilitate and enhance the marketing efforts. The terms and conditions of this Section 16.8 are intended to preserve any right to dissolution created by statute or common law (such as by section 18-802 of the Act), but do not create any contractual right to dissolution.

16.9. Notice to Members of Provisions of this Agreement. By executing this Agreement, each Member acknowledges that it has actual notice of all of the provisions of this Agreement. Each Member hereby agrees that this Agreement constitutes adequate notice of all such provisions.

16.10. Counterparts. This Agreement may be executed in multiple counterparts, each of which, when executed, shall be deemed an original, and all of which shall constitute but one and the same instrument.

16.11. Attendance via Communications Equipment. Unless otherwise restricted by law or this Agreement, the Members or committees may hold meetings by means of telephone conference or other communications equipment by means of which all Persons participating in the meeting can effectively communicate with each other. Such participation in a meeting shall constitute presence in person at the meeting, except where a Person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

16.12. Reports to Members. The officers of the Company shall present at each annual meeting of Members, and at any special meeting of Members, a statement of the business and condition of the Company.

16.13. Checks, Notes and Contracts. Checks and other orders for the payment of money shall be signed by such Person or Persons as the Company shall from time to time by resolution determine. Contracts and other instruments or documents may be signed in the name of the Company by any Person or Persons as the Company shall from time to time by resolution determine, authorized to sign such contract, instrument or document by the Company, and such authority may be general or confined to specific instances. Checks and other orders for the payment of money made payable to the Company may be endorsed for deposit to the credit of the Company, with a depositary authorized by resolution of the Company, by the Chief Financial Officer or Treasurer or such other Persons as the Company may from time to time by resolution determine.

16.14. Seal. The seal of the Company shall be in such form as shall from time to time be adopted by the Company. The seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise reproduced.

16.15. Books and Records. The officers of the Company shall keep correct and complete books and records of account, including the names and addresses of all Members and the number and class of the interest held by each, and minutes of the proceedings of the Members at its registered office or principal place of business, or at the office of its transfer agent or registrar.

16.16. Surety Bonds. Such officers and agents of the Company (if any) as the Company may direct, from time to time, shall be bonded for the faithful performance of their duties and for the restoration to the Company, in case of their death, resignation, retirement, disqualification or removal from office, of all books, papers, vouchers, money and other property of whatever kind in their possession or under their control belonging to the Company, in such amounts and by such surety companies as the Company may determine. The premiums on such bonds shall be paid by the Company and the bonds so furnished shall be in the custody of the Secretary.

16.17. Audit Rights of Members.

(a) Each Member shall have the right to inspect and audit the books and records of the Company to the extent necessary to determine the accuracy of the financial statements delivered to the Members pursuant to Section 10.2 of this Agreement. Such audits shall be conducted at the cost of the Member(s) requesting same. The audit rights with respect to any calendar year or any portion of such year shall terminate on and as of the last day of the second calendar year immediately following the year in question. A Member may exercise its audit rights hereunder by giving at least 30 days written notice to the Company of the desire to perform such audit, which notice shall include the estimated timing and other particulars related to such audit. The audit shall be conducted during normal business hours of the Company. The audit shall not unreasonably interfere with the operation of the Company. If any financial statement is not challenged within 3 years, then it shall be presumed to be accurate.

(b) Any Member shall have the right to cause the Company or a Subsidiary of the Company to exercise its inspection and audit rights, if any, under any Construction Agreement or Operating Agreement. The costs related thereto shall be paid by the Member(s) requesting same.

16.18. No Third Party Beneficiaries. Except to the extent a third party is expressly given rights herein, any agreement herein contained, expressed or implied, shall be only for the benefit of the Parties and their respective legal representatives, successors, and assigns, and such agreements shall not inure to the benefit of any other Person whomsoever, it being the intention of the parties hereto that no Person shall be deemed a third party beneficiary of this Agreement except to the extent a third party is expressly given rights herein.

16.19. Notices. Except as otherwise expressly provided in this Agreement to the contrary (including in the definition of the term Default), any notice required or permitted to be given under this Agreement shall be in writing (including telex, facsimile, telecopier or similar writing) and sent to the address of the Party set forth below, or to such other more recent address of which the sending Party actually has received written notice:

(a) if to the Company, to:

(b) if to the Members, to each of the Members listed on Exhibit A at the address set forth therein.

Each such notice, demand or other communication shall be effective, if given by registered or certified mail, return receipt requested, as of the third day after the date indicated on the mailing certificate, or if given by any other means, when delivered at the address specified in this Section 16.19.

16.20. Remedies. Except as expressly provided herein, the rights, obligations and remedies created by this Agreement are cumulative and in addition to any other rights, obligations or remedies otherwise available at law or in equity. Other than the obligation to arbitrate pursuant to Section 16.21, in lieu of seeking judicial remedies, nothing herein shall be considered an election of remedies. In addition, any successful Party is entitled to costs related to enforcing this Agreement, including, without limitation, attorneys' fees, and arbitration expenses. NOTWITHSTANDING ANYTHING TO THE CONTRARY, THE PARTIES WAIVE ANY AND ALL RIGHTS, CLAIMS OR CAUSES OF ACTION ARISING UNDER THIS AGREEMENT FOR INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES. A PARTY MAY RECOVER FROM THE OTHER PARTY ALL COSTS, EXPENSES OR DAMAGES INCLUDING, WITHOUT LIMITATION, INDIRECT, SPECIAL, CONSEQUENTIAL, INCIDENTAL, EXEMPLARY, PUNITIVE AND DAMAGES PAID OR OWED TO ANY THIRD PARTY FOR WHICH SUCH PARTY HAS A RIGHT TO RECOVER FROM THE OTHER PARTY.

16.21. Disputes.

(a) Applicability. Any controversy or claim, whether based on contract, tort, statute or other legal or equitable theory (including but not limited to any claim of

fraud, misrepresentation or fraudulent inducement or any question of validity or effect of this Agreement including this clause) arising out of or related to this Agreement (including any amendments or extensions), or the breach or termination thereof shall be settled by arbitration in accordance with the then current CPR Institute Rules for Non-Administered Arbitration of Business Disputes, and this provision. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. Sections 1-16 to the exclusion of any provision of Law inconsistent therewith or which would produce a different result, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction. Notwithstanding the foregoing, this Section 16.21 shall not apply to (x) any matters that, pursuant to the provisions of this Agreement, are to be resolved by a vote of the Members or (y) any of the rights of non-defaulting Members set forth in Section 4.3. Any dispute to which this Section 16.21 applies is referred to herein as a "Dispute." With respect to a particular Dispute, each Person that is a party to such Dispute is referred to herein as a "Disputing Party." The provisions of this Section 16.21 shall be the exclusive method of resolving Disputes.

(b) Negotiation to Resolve Disputes. If a Dispute arises, the Disputing Parties shall attempt to resolve such Dispute through the following procedure:

(i) first, each of the Disputing Parties shall promptly meet (whether by phone or in person) in a good faith attempt to resolve the Dispute.

(ii) second, if the Dispute is still unresolved after ten Business Days following the commencement of the negotiations described in Section 16.21(b)(i), then the chief executive officer (or his designee) of the direct parent of each Disputing Party shall meet (whether by phone or in person) in a good faith attempt to resolve the Dispute; and

(iii) third, if the Dispute is still unresolved after ten Business Days following the commencement of the negotiations described in Section 16.21(b)(ii), then any Disputing Party may submit such Dispute to binding arbitration under this Section 16.21 by written notice to the other Disputing Parties (an "Arbitration Notice") delivered within thirty Business Days thereafter.

(iv) At the same time that the Disputing Member sends an Arbitration Notice to the other Disputing Members, it shall also send an Arbitration Notice to the regional office of the CPR Institute covering Houston, Texas. The Arbitration Notice shall contain a brief description of the nature of the dispute and the name of an Arbitrator proposed by the Disputing Member.

(c) Selection of Arbitrator.

(i) Any arbitration conducted under this Section 16.21 shall be heard by a sole arbitrator (the "Arbitrator") qualified by his or her education, experience and training to resolve the disputed matters and shall be selected in accordance with this Section 16.21. Each Disputing Party and each proposed Arbitrator shall disclose to the other Disputing Parties any business, personal or other relationship or affiliation that may exist between such Disputing Party and such proposed Arbitrator within ten Business Days following delivery of the Arbitration Notice.

(ii) The Disputing Party that submits a Dispute to arbitration shall designate a proposed Arbitrator in its Arbitration Notice. If any other Disputing Party objects for any reason to such proposed Arbitrator, it may, on or before the tenth Business Day following delivery of the Arbitration Notice, notify all of the other Disputing Parties of such objection. All of the Disputing Parties shall attempt to agree upon a mutually acceptable Arbitrator. If they are unable to do so within seven Business Days following delivery of the notice described in the immediately-preceding sentence, any Disputing Party may request the regional office of the CPR Institute covering Houston, Texas to designate the Arbitrator who shall be qualified by his or her education, experience and training to resolve the disputed matters. Failing designation by the regional office of the CPR Institute covering Houston, Texas, any Disputing Party may in writing request the judge of the United States District Court for the Southern District of Texas senior in term of service to appoint an Arbitrator qualified by his or her education, experience and training to resolve the disputed matters. If the Arbitrator so chosen shall die, resign or otherwise fail or becomes unable to serve as Arbitrator, a replacement Arbitrator shall be chosen in accordance with this Section 16.21(c).

(d) Conduct of Arbitration.

(i) Any arbitration hearing shall be held in Houston, Texas. The Arbitrator shall fix a reasonable time and place for the hearing and shall determine the matters submitted to it pursuant to the provisions of this Agreement in a timely manner; provided, however, if the Arbitrator shall fail to hold the hearing to determine the issue in dispute within sixty (60) days after the selection of the Arbitrator, then any Disputing Member shall have the right to require a new Arbitrator be selected under Section 16.21(c).

(ii) Except as expressly provided to the contrary in this Agreement, the Arbitrator shall have the power (i) to gather such materials, information, testimony and evidence as it deems relevant to the

dispute before it (and each member will provide such materials, information, testimony and evidence requested by the Arbitrator, except to the extent any information so requested is, subject to an attorney-client or other privilege); (ii) to grant injunctive relief and enforce specific performance; and (iii) to issue or cause to be issued subpoenas (including subpoenas directed to third-parties) for the attendance of witnesses and for the production of books, records, documents and other evidence. Subpoenas so issued shall be served, and upon application to the Court by a party or the Arbitrator, enforced, in the manner provided by law for the service and enforcement of subpoenas in a civil action; and (iv) to administer oaths.

(iii) In advance of the arbitration hearing, the Disputing Members may conduct discovery in accordance with the Texas Rules of Civil Procedure. Such discovery may include, but is not limited to, 1) the taking of oral and videotaped depositions and depositions on written questions; 2) serving interrogatories, document requests and requests for admission; and 3) any other form and/or method of discovery provided for under the Texas Rules of Civil Procedure. The Arbitrator shall order the parties to promptly exchange copies of all exhibits and witness lists, and, if requested by a party, to produce other relevant documents, to answer up to ten interrogatories (including subparts), to respond to up to ten requests for admissions (which shall be deemed admitted if not denied) and to produce for deposition and, if requested, at the hearing all witnesses that such party has listed and up to four other persons within such party's control. Any additional discovery shall only occur by agreement of the parties or as ordered by the Arbitrator upon a finding of good cause. Any objections and/or responses to such discovery shall be due on or before fifteen (15) days after service. The Disputing Members shall attempt in good faith to resolve any discovery disputes that may arise. If the Disputing Members are unable to resolve any such disputes, the Disputing Members may present their objections to the Arbitrator who shall resolve the objections in accordance with the Texas Rules of Civil Procedure. The Arbitrator may, if requested by a party, order that a trade secret or other confidential research, development or commercial information not be revealed or be revealed only in a designated way.

(iv) The Disputing Members may also retain, with the consent of the arbitrator, one or more experts to assist the Arbitrator in resolving the Dispute. The Disputing Members shall identify and produce a report from any experts who will give testimony and/or evidence at the arbitration hearing. Any testifying experts identified shall be made

available for deposition in advance of any arbitration hearing.

(v) The Arbitrator shall render its decision in writing within fifteen (15) days of the conclusion of the hearing. The arbitrator shall have jurisdiction and authority to interpret and apply the provisions of this Agreement only insofar as shall be necessary in the determination of the dispute before it, but it shall not have jurisdiction or authority to add to or alter in any way the provisions of this Agreement. The Arbitrator's decision shall govern and shall be final, nonappealable (except to the extent provided in the Federal Arbitration Act) and binding on the Disputing Members hereto and its written decision may be entered in any court having appropriate jurisdiction. Pending resolution of any dispute hereunder, performance by Disputing Members shall continue so as to maintain the status quo prior to notice of such dispute and service of notice of arbitration by any Disputing Member shall not divest a court of competent jurisdiction of the right and power to grant a decree compelling specific performance or injunctive relief in an action brought by the Disputing Members. THE ARBITRATOR AND ANY COURT ENFORCING THE AWARD OF THE ARBITRATOR SHALL NOT HAVE THE RIGHT OR AUTHORITY TO AWARD CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE OR EXEMPLARY DAMAGES TO THE COMPANY OR ANY DISPUTING MEMBERS. PROVIDED, HOWEVER, THAT THE ARBITRATOR MAY AWARD ALL COSTS, EXPENSES OR DAMAGES INCLUDING, WITHOUT LIMITATION, INDIRECT, SPECIAL, CONSEQUENTIAL, INCIDENTAL, EXEMPLARY, PUNITIVE AND OTHER DAMAGES PAID OR OWED TO ANY THIRD PARTY FOR WHICH A PARTY HAS A RIGHT TO RECOVER FROM THE OTHER PARTY.

(vi) The responsibility for paying the costs and expenses of the arbitration, including compensation to the Arbitrator, shall be allocated among the Disputing Members in a manner determined by the Arbitrator to be fair and reasonable under the circumstances. Each Disputing Member shall be responsible for the fees and expenses of its respective counsel, consultants and witnesses, unless the Arbitrator determines that compelling reasons exist for allocating all or a portion of such costs and expenses to one or more other Disputing Members.

16.22. Member Trademarks. Neither the Company nor any Member shall be permitted to use any trademark owned by any other Member or its Affiliates , including, without limitation, the Shell "Pecten" trademark, without the express written consent of such Member or its Affiliates or as otherwise required by Law.

16.23. Holding-Out. Except as required by Law, the Company shall not publicly indicate that it is affiliated with Shell Oil Company or any of its Affiliates , without the express written consent of Tejas Holding or an Affiliate thereof.

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IN WITNESS WHEREOF, the Members have executed this Agreement as of the date first set forth in this Agreement.

MEMBERS:

MORAY PIPELINE COMPANY, L.L.C.

By: /s/ JAMES H. LYTAL

Printed Name: James H. Lytal

Title: President

TEJAS OFFSHORE PIPELINE, LLC

By: /s/ V. W. DEMARIA

Printed Name: V. W. DeMaria

Title: Vice President

EXHIBITS:

Exhibit A: Ownership Information

Exhibit B: Description of Initial Facilities

Exhibit C: Insurance

Exhibit D: Sample Calculation of IRR

EXHIBIT A

Ownership Information

NAME AND INITIAL CAPITAL CONTRIBUTION OF EACH MEMBER	INITIAL CAPITAL CONTRIBUTIONS	MEMBERSHIP INTEREST
1) Leviathan Holding: Moray Pipeline Company, L.L.C. Attention: Grant E. Sims 1001 Louisiana Houston, Texas 77002 Telephone: 713/420-2131 Facsimile: 713/420-5602	(1)	33.92%
2) Tejas Holding (3) Tejas Offshore Pipeline, LLC Attention: Mr. Doug Krenz, President 1221 Lamar, Suite 600 Houston, Texas 77010 Telephone: 713/230-3000 Facsimile: 713/230-3140	(2)	66.08%

(1) Leviathan Holding shall make or cause to be made Initial Capital Contributions equal to:

(a) Contributions of [_____] due by [_____], 1999 which is equal to the amount of cash paid by Leviathan Holding on behalf of the Company for certain costs and expenses related to the formation of the Company and incurred by Leviathan Holding prior to the date hereof.

(b) Contributions of cash pursuant to Section 4.1(b) of this Agreement, in the amount of [_____] due by [_____], 1999.

(2) Tejas Holding shall make or cause to be made Initial Capital Contributions equal to:

(a) Contributions of [_____] due by [_____], 1999 which is equal to the amount of cash paid by Tejas Holding on behalf of the Company for certain costs and expenses related to the formation of the Company and incurred by Tejas Holding prior to the date hereof. [UNDER CONSIDERATION BY TEJAS]

(b) Contributions of cash pursuant to Section 4.1(b) of this Agreement, in the amount of [_____] due by [_____], 1999. [UNDER CONSIDERATION BY TEJAS]

(3) Initial Tax Matters Member.

EXHIBIT B

Initial Facilities

1. 18-inch pipeline approximately 23.4 miles in length running from Green Canyon Block 158 to Ship Shoal Block 332 platform.

2. A meter station and pig launcher and associated communications equipment located on the Brutus Tension-Leg Platform in Green Canyon Block 158.

3. A pig receiver and related control valves and piping located on the Manta Ray Gathering Co., L.L.C. owned platform in Ship Shoal Block 332.

EXHIBIT C

INSURANCE

Coverage	Per Occurrence imit of Liability1	Per Occurrence Deductible
I. Each Member shall carry its proportionate share of the insurance in I.A. through C, in amounts equal to its Membership Interest, for its own benefit and the benefit of the Company. All deductible amounts shall be paid by the Company:		
A. Physical Damage:		$1,000,000
1. a. Pipelines	$ 20,000,000	
b. Junction Platform (S.S. 207)	$ 15,000,000	
2. Line Pack	$ 500,000	
3. Equipment	$ 10,000,000	
4. Cargo	$ 1,000,000	
B. Primary and Excess Liability including Pollution liability	$ 200,000,000	$1,000,000
C. Non-Owned Aircraft Liability	$ 10,000,000	None
II. To be carried by the Company, if applicable:		
A. Workers' Compensation	Per statute	$250,000
Employers Liability/Maritime E.L.	$ 1,000,000	$250,000
B. Automobile Liability	$ 1,000,000	$1,000,000
C. Builder's Risk2		
1. Brutus Gathering Facilities	Project Value	$250,000
III. If the Company owns or bareboat charters watercraft these coverages will be carried by the Company:		
A. Hull/Machinery, Including Collision Liability	$ 10,000,000	$250,000
B. Protection & Indemnity, including crew coverage and Excess Collision Liability	$ 1,000,000	$250,000

[REVISED COVERAGE AMOUNTS STILL UNDER REVIEW BY TEJAS]

- ----------

1 Each Member shall have the right to self-insure for an amount equal to the retention under their respective corporate insurance program, subject to a limit of $20,000,000.

2 Builders Risk insurance or self-insurance may be provided by the Company in the form as reflected in the attached Builders Risk Specimen Policy.

EXHIBIT D

Sample Calculation of IRR

	1998	1999	2000	2001	2002	2003	2004
Assumptions (in thousands)							
CAPITAL INVESTMENT	1,000	8,344	28,956				
VOLUME/RATES							
Number of days				365	365	365	365
Shell Deepwater-MMCF per day				160	160	160	160
Shell Deepwater-Rate per MMCF				$ 0.19	$ 0.19	$ 0.19	$ 0.19
Shell Deepwater-Revenue-$M				$ 11,096	$ 11,096	$ 11,096	$ 11,096
Third parties - MMCF per day				0	0	0	0
Third parties - Rater per MMCF				$ 0.00	$ 0.00	$ 0.00	$ 0.00
Shell Deepwater - Revenue - $M				$ 0	$ 0	$ 0	$ 0
OPERATING COSTS				$ 913	$ 940	$ 968	$ 997
OVERHEAD COSTS				$ 120	$ 124	$ 127	$ 131
TAX DEPRECIATION				$ 38,300	$ 38,300	$ 38,300	$ 38,300
Investment				14.29%	24.49%	17.49%	12.49%
7-year tax rates using MACRS				5,473	$ 9,380	$ 6,699	$ 4,784
INCOME TAXES							
Gross revenue				$ 11,096	$ 11,096	$ 11,096	$ 11,096
Operating expenses				(1,033)	(1,064)	(1,095)	(1,128)
Depreciation				(5,473)	(9,380)	(6,699)	(4,784)
				4,590	652	3,302	5,184
Income tax rate				35%	35%	35%	35%
Income taxes				$ 1,606	$ 228	$ 1,156	$ 1,815
CALCULATION OF IRR DATE							
Gross revenue	$ 0	$ 0	$ 0	$ 11,096	$ 11,096	$ 11,096	$ 11,096
Operating expenses	0	0	0	(1,033)	(1,064)	(1,095)	(1,128)
Income taxes	0	0	0	(1,606)	(228)	(1,156)	(1,815)
Investment in Initial Facilities	(1,000)	(8,344)	(28,956)	0	0	0	0
After tax cash flow	($ 1,000)	($ 8,344)	($28,956)	$ 8,457	$ 9,804	$ 8,845	$ 8,153
Interal rate or return by year sing after tax cash flow				(72.97)%	(33.56)%	(13.88)%	(2.96)%

	2005	2006	2007	2008	2009	2010
ASSUMPTIONS (IN THOUSANDS)						
CAPITAL INVESTMENT						
VOLUME/RATES						
Number of days	365	365	365	365	365	365
Shell Deepwater-MMCF per day	155	135	125	110	75	25
Shell Deepwater-Rate per MMCF	$ 0.19	$ 0.19	$ 0.19	$ 0.19	$ 0.19	$ 0.19
Shell Deepwater-Revenue-$M	$ 10,749	$ 9,362	$ 8,669	$ 7,629	$ 5,201	$ 1,734
Third parties - MMCF per day	50	50	100	100	100	100
Third parties - Rater per MMCF	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.10
Shell Deepwater - Revenue - $M	$ 1,825	$1825	$ 3,650	$ 3,650	$ 3,650	$ 3,650
OPERATING COSTS	$ 1,027	$ 1,058	$ 1,090	$ 1,123	$ 1,156	$ 1,191
OVERHEAD COSTS	$ 135	$ 139	$ 143	$ 148	$ 152	$ 157
TAX DEPRECIATION	$ 38,300	$ 38,300	$ 38,300	$ 38,300	$ 38,300	$ 38,300
Investment	8.93%	8.92%	8.93%	4.46%	0.00%	0.00%
7-year tax rates using MACRS	$ 3,420	$ 3,416	$ 3,420	$ 1,708	$ 0	$ 0

INCOME TAXES						
Gross revenue	$ 12,574	$ 11,187	$ 12,319	$ 11,279	$ 8,851	$ 55,384
Operating expenses	(1,162)	(1,197)	(1,233)	(1,271)	(1,308)	(1,348)
Depreciation	(3,420)	(3,416)	(3,420)	(1,708)	0	0
	7,992	6,574	6,666	8,299	6,543	4,036
Income tax rate	35%	35%	35%	35%	35%	
Income taxes	$ 2,797	$ 2,301	$ 2,683	$ 2,905	$ 2,640	$ 1,413
CALCULATION OF IRR DATE						
Gross revenue	$ 12,574	$ 11,187	$ 12,319	$ 11,279	$ 8,851	$ 5,384
Operating expenses	(1,162)	(1,197)	(1,233)	(1,271)	(1,308)	(1,348)
Income taxes	(2,797)	(2,301)	(2,683)	(2,905)	(2,640)	(1,413)
Investment in Initial Facilities	0	0	0	0	0	0
After tax cash flow	$ 8,615	$ 7,689	$ 8,403	$ 7,103	$ 4,903	$ 2,623
Interal rate or return by year sing after tax cash flow	4.33%	8.65%	11.90%	13.87%	14.90%	15.34%

EXHIBIT 10.18

LIMITED LIABILITY COMPANY AGREEMENT

OF

DEEPWATER HOLDINGS, L.L.C.

JUNE 1999

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LIMITED LIABILITY COMPANY AGREEMENT
OF
DEEPWATER HOLDINGS, L.L.C.

THIS LIMITED LIABILITY COMPANY AGREEMENT is made as of September 30, 1999, between and among AMERICAN NATURAL OFFSHORE COMPANY, a Delaware corporation ("American Offshore"), TEXAS OFFSHORE PIPELINE SYSTEM, INC., a Delaware corporation ("TOPSI"), UNITEX OFFSHORE TRANSMISSION COMPANY, a Delaware corporation ("Unitex"), ANR WESTERN GULF HOLDINGS, L.L.C., a Delaware limited liability company ("ANR LLC" and, together with American Offshore, TOPSI, and Unitex, the "ANR Subs") and Leviathan Deepwater, L.L.C., a Delaware limited liability company ("Leviathan Deepwater").

WHEREAS, ANR Pipeline Company, a Delaware corporation ("ANR") is the parent, directly or indirectly, of the ANR Subs and Leviathan Gas Pipeline Partners, L.P., a Delaware limited partnership ("Leviathan"), is the parent of Leviathan Deepwater;

WHEREAS, the ANR Subs, Stingray Holding, L.L.C., a Delaware limited liability company ("SHLLC"), Green Canyon Pipe Line Company, L.L.C., a Delaware limited liability company ("Green Canyon"), UTOS Holding, L.L.C., a Delaware limited liability company ("UTOS Holding"), Natoco, L.L.C., a Delaware limited liability company ("Natoco"), Transco Offshore Pipeline Company, L.L.C., a Delaware limited liability company ("TOPC"), Transco Hydrocarbons Company, L.L.C., a Delaware limited liability company ("THC"), Texam Offshore Gas Transmission, L.L.C. ("TOGT," and collectively with UTOS Holding, Natoco, THC, and TOPC, the "LEV Subs") owned, collectively, all of the membership interests in Western Gulf Holdings, L.L.C., a Delaware limited liability company ("Western Gulf"), Stingray Pipeline Company L.L.C., a Delaware limited liability company ("Stingray"), U-T Offshore System L.L.C., a Delaware limited liability company ("UTOS"), and West Cameron Dehydration Company L.L.C., a Delaware limited liability company ("WCDC," and together with Western Gulf, UTOS, Stingray and WCDC, the "Contributed Entities");

WHEREAS, the ANR Subs, the LEV Subs, Green Canyon and SHLLC contributed all of their interests in the Contributed Entities to the Company;

WHEREAS, immediately following the contribution, the LEV Subs merged with and into SHLLC, Green Canyon distributed its Membership Interest (herein defined) to Leviathan and Leviathan contributed this Membership Interest to SHLLC, and SHLLC changed its name to "Leviathan Deepwater, L.L.C.";

WHEREAS, immediately following the merger of the LEV Subs, ANR LLC purchased a 9.66% membership interest in the Company from Leviathan Deepwater; and

WHEREAS, the Company will own and operate the Contributed Entities and any entities owned by the Contributed Entities.

NOW, THEREFORE, in consideration of the premises and the mutual undertakings contained herein, the parties hereto hereby set forth the terms for the Company's Limited Liability Company Agreement as follows:

DEFINITIONS

The following definitions shall be Applicable to the terms set forth below as used in this Agreement:

"704(b) Capital Account": A 704(b) Capital Account shall be established for each Member and shall initially be equal to the agreed upon fair market value of each Member's interest and shall be maintained in accordance with the requirements of Treasury Regulations under Section 704(b) of the Code.

"AAA" means American Arbitration Association.

"Act" means the Delaware Limited Liability Company Act, 6 Del. Code Sections 18-101 et seq., as it may be amended from time to time, and any successor to said Act.

"Administrative Agreement" has the meaning given that term in Section 14.14.

"Administrator" means the Person selected by the Members, or by the Management Committee from time to time, in accordance with Section 14.14.

"Affected Member" has the meaning given that term in Section 17.2.

"Affiliate" means, with respect to any Person, a Person that directly, or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with such first Person, where "Control" (including its derivatives) means the power to direct management or policies, whether pursuant to the ownership of voting interest, by contract or otherwise; provided that the Company and its subsidiaries shall not be deemed to be an Affiliate of any Member or any of their respective Affiliates and vice versa.

"Agreed Value" means, in the case of any contributions or distributions of property, the fair market value of such property net of any indebtedness or other liability either assumed or to which such property is subject, as such fair market value is determined by the Management Committee using such reasonable method of valuation as it may adopt.

"Agreement" means this Limited Liability Company Agreement, as the same may be amended, modified or restated from time to time.

"Alternate Representatives" have the meaning given such term in Section 14.2(a).

"American Offshore" has the meaning given that term in the preamble.

"ANR" has the meaning given that term in the preamble.

"ANR LLC" has the meaning given that term in the preamble.

"ANR Subs" has the meaning given that term in the preamble.

"Bankrupt Member" means any Member with respect to which an event of the type described in Section 18-304 of the Act has occurred, subject to the lapsing of any period of time therein specified.

"Built-In Gain" with respect to any Company property means (i) the excess of the Agreed Value of any Contributed Property over its adjusted basis for federal income tax purposes as of the time of contribution and (ii) in the case of any adjustment to the Carrying Value of any Company property subject to depreciation, cost recovery or amortization pursuant to Section 7.8 as a result of a contribution of cash for a Membership Interest, the Unrealized Gain with respect to such property.

"Built-in Loss" with respect to any Company property means (i) the excess of its adjusted basis for federal income tax purposes of any Contributed Property over its Agreed Value as of the time of contribution and (ii) in the case of any adjustment to the Carrying Value of any Company property subject to depreciation, cost recovery or amortization pursuant to Section 7.8 as a result of a contribution of cash for a Membership Interest, the Unrealized Loss with respect to such property.

"Business Day" means any day other than a Saturday, Sunday or bank holiday in Texas.

"Capital Accounts" means the 704(b) Capital Accounts, the GAAP Capital Accounts and the Sharing Capital Accounts.

"Capital Contributions" means the Agreed Value of any property and the amount of cash contributed to the Company.

"Carrying Value" with respect to any Capital Contribution recording in a 704(b) Capital Account means the Agreed Value of such property reduced as of the time of determination by all book depreciation, cost recovery and amortization deductions charged to the 704(b) Capital Account with respect to such property and an appropriate amount to reflect any sales, retirements or other dispositions of assets included in such property and, with respect to any other Company property, the adjusted basis of such property for federal income tax purposes as of the time of determination. The Carrying Value shall be further adjusted as provided in Section 7.8.

"Certificate" means the Certificate of Formation filed in the Office of the Secretary of State of the State of Delaware pursuant to the Act and any amendment or restatement thereof.

"Certified Public Accountants" means such nationally recognized firm of independent public accountants as may be selected from time to time by the Management Committee.

"Code" means the Internal Revenue Code of 1986, as amended and in effect on the effective date hereof and, to the extent applicable, as subsequently amended.

"Company" means Deepwater Holdings, L.L.C., the limited liability company entered into and formed pursuant to this Agreement and the Act.

"Contributed Entities" has the meaning given that term in the preamble.

"Contributed Property" means any Capital Contribution of property other than cash.

"Contributing Member(s)" has the meaning given that term in Section 7.5(c).

"Contribution Basis" has the meaning given that term in Section 7.9.

"Control" (including its derivatives) has the meaning given such term in the definition of "Affiliate."

"Default Interest Rate" means a floating rate per annum equal to the lesser of (i) two percent (2%) over the interest rate publicly quoted by Citibank N.A. from time to time as its prime commercial rate, with adjustments in such varying rate to be made on the same day as any change in the aforesaid rate or (ii) the maximum rate permitted under applicable law; provided that the Default Interest Rate shall never be less than two percent (2%) over the London Inter Bank Offer Rate.

"Delinquent Member" has the meaning given that term in Section 7.5.

"Dispose," "Disposing" or "Disposition" means, with respect to a Membership Interest or any portion thereof, a sale, assignment, transfer, conveyance, gift, exchange or other disposition of such Membership Interest or portion thereof.

"Disposing Member" means a Member desiring to Dispose of its Membership Interest.

"Distributable Cash" means, at the time of determination, all Company cash other than (i) reserves for working capital and (ii) other amounts that the Management Committee reasonably determines to be necessary for the proper operation of the Company's business and its winding up and liquidation.

"East Breaks" means East Breaks Gathering Company, L.L.C., a Delaware limited liability company.

"Encumber," "Encumbering" or "Encumbrance" means the creation of a security interest, lien, pledge, mortgage or other encumbrance, whether such encumbrance be voluntary, involuntary or by operation of law.

"Excess" the meaning given that term in Section 7.9.

"Formation Date" means the date the Company is formed as provided in Article I.

"GAAP Capital Account": A GAAP Capital Account shall be established for each Member based on the Initial Balances as determined pursuant to Section 7.1(b) hereof, and shall be maintained in accordance with generally accepted accounting principles, but giving effect to each Member's disproportionate depreciation, as provided in Section 7.9.

"Green Canyon" has the meaning given that term in the preamble.

"HIOS" means High Island Offshore System, L.L.C., a Delaware limited liability company.

"Incremental Expansion Capital Contribution" has the meaning given in Section 7.2.

"Indemnitee" has the meaning given that term in Section 14.4.

"Initial Balances" has the meaning given that term in Section 7.1(b).

"Interest" has the meaning given that term in Section 17.2(a).

"Initial Capital Contributions" has the meaning given that term in Section 7.1(a).

"Lending Member(s)" has the meaning given that term in Section 7.5(b).

"LEV Subs" has the meaning given that term in the preamble.

"Leviathan" has the meaning given that term in the preamble.

"Leviathan Deepwater" has the meaning given that term in the preamble.

"Liquidator" has the meaning given that term in Section 19.1.

"LOC" means Leviathan Operating Company, L.L.C., a Delaware limited liability company.

"Majority in Interests" means, subject to Section 14.2(a)(iii), Sharing Ratios aggregating greater than 50% of all the Sharing Ratios of the Members whose Representatives are entitled to vote on a particular Management Committee matter.

"Management Committee" has the meaning given that term in Section 14.1.

"Members" means ANR Subs and Leviathan Deepwater or their respective successors and assigns and "Member" means any one of them.

"Membership Interest" as to any Member means the entire ownership interest and rights of that Member in the Company, including, without limitation, the rights to vote and receive a proportional amount of any distributions.

"Natoco" has the meaning given that term in the preamble.

"Operating Subsidiary" means each of the Contributed Entities, HIOS and East Breaks and each other Person, if any, Controlled by and owned (directly or indirectly) more than 50% by the Company.

"Other Members" has the meaning given that term in Section 17.2(a).

"Person" means an individual, corporation, voluntary association, joint stock company, business trust, partnership, limited liability company or other entity.

"Representatives" has the meaning given that term in Section 14.2(a).

"Sharing Capital Account": A Sharing Capital Account shall be established for each Member and shall be equal to the product of (x) the sum of the Members' Initial Balances, times (y) each Members' Sharing Ratio and shall be maintained in accordance with generally accepted accounting principles without regard to the provisions of this Agreement dealing with each Member's disproportionate depreciation, as provided in Section 7.9.

"Sharing Ratio" means the percentages set forth in Exhibit A, as adjusted from time to time as provided herein.

"SHLLC" has the meaning given that term in the preamble.

"Stingray" has the meaning given that term in the preamble.

"Subsidiary Companies" has the meaning given that term in the preamble.

"Subsidiary Management Committee" means the management committee of any Operating Subsidiary.

"Subsidiary System" means the pipeline and related facilities owned by an Operating Subsidiary, and any other pipelines and related facilities constructed, purchased or otherwise acquired by an Operating Subsidiary in accordance with the constitutive documents of such Operating Subsidiary.

"THC" has the meaning given that term in the preamble.

"TMM" has the meaning given such term in Section 9.5.

"TOGT" has the meaning given that term in the preamble.

"TOPC" has the meaning given that term in the preamble.

"TOPSI" has the meaning given that term in the preamble.

"Unitex" has the meaning given that term in the preamble.

"Unrealized Gain" attributable to Company property means, as of the date of determination, the excess of the fair market value of such property as of such date of determination over the Carrying Value of such property as of such date of determination.

"Unrealized Loss" attributable to Company property means, as of the date of such determination, the excess of the Carrying Value of such property as of such date of determination over the fair market value of such property as of such date of determination.

"UTOS" has the meaning given that term in the preamble.

"UTOS Holding" has the meaning given that term in the preamble.

"WCDC" has the meaning given that term in the preamble.

"Western Gulf" has the meaning given that term in the preamble.

ARTICLE I
FORMATION

The parties hereto form the Company as a limited liability company pursuant to the Act. The rights and liabilities of the Members shall be as provided in the Act, except as herein otherwise expressly provided. The Membership Interests of any Member shall be personal property for all purposes. On the request of the Management Committee, each Member shall execute, acknowledge, swear to and deliver all certificates and other instruments conforming with this Agreement that are necessary to qualify, continue or terminate the Company as a limited liability company under the laws of the State of Delaware and to qualify the Company to do business in such other states and jurisdictions where such qualification is necessary or desirable.

ARTICLE II
NAME

The name of the Company shall be, and the business of the Company shall be conducted under the name of, Deepwater Holdings, L.L.C. or such other name or names that comply with applicable law as the Management Committee may designate from time to time. The Management Committee shall take any action that it determines is required to comply with the Act, assumed name act, fictitious name act or similar statute in effect in each jurisdiction or political subdivision in which the Company proposes to do business and the Members agree to execute any documents requested by the Management Committee in connection with any such action.

ARTICLE III
PURPOSE

The purposes of the Company are to own and operate the Operating Subsidiaries, which own and operate the Subsidiary Systems, and to acquire, construct, own and operate (directly or through Operating Subsidiaries) any other natural gas pipeline and related assets in accordance with the terms of this Agreement. Except for activities related to such purposes, there are no other authorized business purposes of the Company. The Company shall not engage in any activity or conduct inconsistent with such purposes.

ARTICLE IV
NAMES AND ADDRESSES OF MEMBERS AND PRINCIPAL OFFICE OF COMPANY

The names and mailing addresses of the Members are as set forth on the signature pages hereof. The location of the principal office of the Company where the books and records of the Company shall be kept shall be at such place as the Management Committee may from time to time determine. Notice of any change in such office shall be given to each Member.

ARTICLE V
REGISTERED AGENT; REGISTERED OFFICE;
ADDITIONAL OFFICES

The name and address of the registered office of the Company in the State of Delaware is c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The name and address of the registered agent for service of process on the Company in the State of Delaware is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The Management Committee may change the registered agent or the registered office of the Company and may establish such additional offices of the Company as the Management Committee may, in its sole discretion, from time to time determine.

ARTICLE VI
TERM

The term of the Company shall be from the date of filing of its Certificate in the Office of the Secretary of State of the State of Delaware, and shall be perpetual unless it is dissolved by an event described in Article XVIII.

ARTICLE VII
CAPITAL CONTRIBUTIONS; SHARING RATIOS; CAPITAL ACCOUNTS

SECTION 7.1 INITIAL CAPITAL CONTRIBUTIONS.

(a) Prior to the execution of this Agreement, the Members and certain of their Affiliates have contributed all of their respective rights and interest in the Contributed Entities to the Company, free and clear of all Encumbrances (the "Initial Capital Contributions").

(b) The Members shall agree, in good faith, on their initial balances in their GAAP Capital Accounts to be used for financial reporting purposes as discussed in Section 7.9 (each such amount being such Member's "Initial Balance") on or before November 30, 1999. The respective Sharing Ratios of the Members shall be as set forth in Exhibit A attached hereto and made a part hereof. Each Member shall execute an amendment to Exhibit A as soon as practicable following any change in Sharing Ratios pursuant to the provisions of this Agreement.

SECTION 7.2 INCREMENTAL EXPANSION CAPITAL CONTRIBUTIONS. Upon written request to the Company by any Subsidiary Management Committee, in accordance with such Operating Subsidiary's limited liability company agreement, for a capital contribution to fund an incremental expansion of such Operating Subsidiary's Subsidiary System, each Member shall contribute cash in amounts equal to its Sharing Ratio proportion of 100% of all amounts so requested (the "Incremental Expansion Capital Contribution"). Such contributions shall be made as necessary to allow the applicable Operating Subsidiary to pay timely such obligations as they become due. The Management Committee shall send notice of such required Capital Contribution to the Members in accordance with Section 7.4.

SECTION 7.3 SUBSEQUENT CONTRIBUTIONS. Unless unanimously agreed to by the Management Committee, no Member shall be required to make, or cause to be made, any Capital Contributions other than the Initial Capital Contributions as contemplated by Section 7.1 and the Incremental Expansion Capital Contributions as contemplated by Section 7.2.

SECTION 7.4 REQUESTS FOR CAPITAL CONTRIBUTIONS. The Management Committee shall issue or cause to be issued a written request for payment of each Capital Contribution to be made in accordance with Sections 7.1, 7.2 and 7.3, at such times as the Management Committee shall deem appropriate. Each written request issued pursuant to this Section 7.4 shall contain the following information:

(a) The amount of the Capital Contribution requested from each Member, such amount to be in accordance with the Member's Sharing Ratio;

(b) The purpose for which the Capital Contributions are to be applied in such reasonable detail as the Management Committee shall direct; and

(c) The date on which the Capital Contributions shall be made (which date shall not be less than 30 days following the date the request is given and shall reasonably approximate the date on which the Company expects to make the underlying payment) and the method of payment, such date and method to be the same for each of the Members.

Each Member agrees to make payment of its respective Capital Contributions in accordance with the requests issued pursuant to this Section 7.4.

SECTION 7.5 DELINQUENT MEMBER. If a Member does not contribute by the time required all or any portion of a Capital Contribution that Member is required to make as provided in this Agreement, the Company may exercise, on notice to that Member (the "Delinquent Member"), one or more of the following remedies:

(a) taking such action (including court proceedings) as the Management Committee may deem appropriate to obtain payment by the Delinquent Member of the portion of the Delinquent Member's Capital Contribution that is in default, together with interest on that amount at the Default Interest Rate from the date that the Capital Contribution was due until the date that it is made, all at the cost and expense of the Delinquent Member;

(b) notifying the other Members, any one or more of which (the "Lending Member(s)") may elect to advance the portion of the Delinquent Member's Capital Contribution that is in default, with the following results:

(i) The sum advanced shall constitute a loan from the Lending Member(s) to the Delinquent Member and a Capital Contribution of that sum to the Company by the Delinquent Member under the applicable provisions of this Agreement;

(ii) the principal balance of the loan and all accrued unpaid interest is due and payable on the tenth day after written demand by the Lending Member(s) to the Delinquent Member;

(iii) the amount loaned shall bear interest at the Default Interest Rate from the date that the advance is deemed made until the date that the loan, together with all interest accrued on it, is repaid to the Lending Member(s);

(iv) all distributions from the Company that otherwise would be made to the Delinquent Member (whether before or after dissolution of the Company) instead shall be paid to the Lending Member(s) until the loan and all interest accrued on it have been paid in full to the Lending Member(s) (with payments being applied first to accrued and unpaid interest and then to principal), but all such payments to the Lending Member(s) shall be treated for all purposes of this Agreement as a distribution by the Company to the Delinquent Member and a payment by the Delinquent Member to the Lending Member(s); and

(v) the Lending Member(s) has the right, in addition to the other rights and remedies granted to it under this Agreement or at law or in equity, to take any action (including court proceedings) that the Lending Member(s) may deem appropriate to obtain payment by the Delinquent Member of the loan and all accrued and unpaid interest on it, at the cost and expense of the Delinquent Member;

(c) permitting one or more of the other Members (the "Contributing Member(s)") to make the Delinquent Member's Capital Contribution that is in default in proportions agreed to by those Contributing Members, with the following results:

(i) the sum advanced shall constitute a Capital Contribution of the Contributing Member(s);

(ii) the Delinquent Member's Membership Interest and Sharing Ratio shall be reduced by the number of percentage points equal to the quotient (expressed as a percentage) derived by dividing (A) the amount of the Delinquent Member's Capital Contribution made by the Contributing Member(s) by (B) the sum of the Sharing Capital Accounts of all the Members (including the Capital Contribution being made by the Contributing Member(s)); and

(iii) any reduction in the Delinquent Member's Membership Interest and Sharing Ratio shall be reallocated to the Contributing Member(s); or

(d) exercising any other rights and remedies available at law or in equity.

SECTION 7.6 RETURN OF CAPITAL CONTRIBUTIONS. No Member shall be entitled to the return of any part of its Capital Contribution or to be paid interest in respect of either its Sharing Capital Account or any Capital Contribution made by such Member. No unrepaid Capital Contribution shall be deemed or considered to be a liability of the Company or any Member. No

Member shall be required to contribute or lend any cash or property to the Company to enable the Company to return any Member's Capital Contributions to the Member.

SECTION 7.7 CAPITAL ACCOUNTS. All Capital Contributions shall be credited to the contributing Member's Capital Accounts.

SECTION 7.8 ADJUSTMENT OF 704(B) CAPITAL ACCOUNTS. If any additional Membership Interests are to be issued in consideration for a contribution of property or cash or if any Company property is to be distributed in liquidation of the Company or a Membership Interest, the 704(b) Capital Accounts of the Members (and the amounts at which all Company properties are carried on its books and records) shall, immediately prior to such issuance or distribution, as the case may be, be adjusted (consistent with the provisions of section 704(b) of the Code and the Treasury Regulations promulgated thereunder) upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to all Company properties (as if such Unrealized Gain or Unrealized Loss had been recognized upon actual sale of such properties upon a liquidation of the Company immediately prior to such issuance). If the Agreed Value of any property of the Company is properly reflected on the books of the Company at a value that differs from the adjusted tax basis of such property, this Section 7.8 shall be applied with reference to such value.

SECTION 7.9 GAAP CAPITAL ACCOUNTS AND FINANCIAL REPORTING. For purposes of establishing and maintaining the GAAP Capital Accounts and for financial reporting purposes: (i) in connection with the capitalization of the Company, the Company will report the value of the interests of the respective Members in the Company based on the basis such Members had in their interests in Stingray, UTOS, WCDC and Western Gulf they contributed to the Company as of the date of contribution (for each Member, the "Contribution Basis"); (ii) such Contribution Basis will be (a) used to capitalize the Company and (b) the excess of the Contribution Basis over the underlying net book value of the fixed assets of each of Stingray, UTOS, WCDC and Western Gulf immediately prior to such contribution of such interest to the Company (the"Excess") will be depreciated in accordance with GAAP as determined by the Members; (iii) the depreciation of the Excess will be allocated pro rata to each Member based on such Member's respective Contribution Basis; (iv) if a Member Disposes of its Membership Interest, in whole or in part, the portion of such Member's Contribution Basis and related undepreciated Excess of the Membership Interest being Disposed of, will be allocated to the transferee for financial reporting purposes; and (v) if any portion of the property underlying such contributed interests is Disposed of by an Operating Subsidiary, the portion of the Members' Contribution Basis and the related undepreciated Excess, related to the property being Disposed of, will be used to allocate pro rata any accounting gain or loss to each Member.

ARTICLE VIII
DISTRIBUTIONS

SECTION 8.1 DISTRIBUTIONS. Except as otherwise provided herein, Distributable Cash shall be distributed in such amounts and at such times as shall be determined by the Management Committee among all the Members simultaneously pro rata in accordance with their respective Sharing Ratios.

ARTICLE IX
ALLOCATIONS OF INCOME, GAIN,
LOSS, DEDUCTION AND CREDIT FOR TAX PURPOSES

SECTION 9.1 GENERAL. Except as otherwise provided herein or unless another allocation is required by Treasury Regulations issued under Section 704(b) of the Code (including, but not limited to, the qualified income offset specified in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)), for purposes of maintaining the 704(b) Capital Accounts, all items of Company income, gain, loss, deduction and credit shall be allocated among the Members pro rata in accordance with their Sharing Ratios in effect for the period during which such items accrue. For purposes of computing the amount of each item of income, gain, deduction or loss, the determination, recognition and classification of such item shall be the same as its determination, recognition and classification for federal income tax purposes, provided that:

(a) Any deductions for depreciation, cost recovery or amortization attributable to any Company property shall be determined as if the adjusted basis of such property were equal to the Carrying Value of such property. Upon an adjustment to the Carrying Value of any Company property subject to depreciation, cost recovery or amortization pursuant to Section 7.8, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment.

(b) Any income, gain or loss attributable to the taxable disposition of any Company property shall be determined by the Company as if the adjusted basis of such property as of such date of disposition were equal in amount to the Carrying Value of such property as of such date.

(c) Computation of all items of income, gain, loss and deduction shall be made without regard to any election under section 754 of the Code that may be made by the Company and, as to those items described in the section 705(a)(1)(B) or section 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalizable for federal income tax purposes.

SECTION 9.2 [INTENTIONALLY OMITTED].

SECTION 9.3 INCOME TAX ALLOCATIONS.

(a) The Company shall, except to the extent such item is subject to allocation pursuant to subsection (b) below, allocate each item of income, gain, loss, deduction and credit, as determined for federal and other income tax purposes, in the same manner as such item was allocated for purposes of maintaining the 704(b) Capital Accounts.

(b) The Company, for federal and other income tax purposes, shall, in the case of Contributed Properties, allocate items of income, gain, loss, depreciation and cost recovery deductions attributable to those properties with a Built-In Gain or Built-In Loss pursuant to section 704(c) of the Code under a method described in Treas. Reg. Section 1.704-3.

Similar allocations shall be made in the event that the Carrying Value of Company properties subject to depreciation, cost recovery or amortization are adjusted pursuant to Section 7.8 upon the issuance of Membership Interests for cash. If an existing Member acquires additional Membership Interests, such allocations shall apply only to the extent of his or its additional Interests. No allocation under section 704(c) of the Code shall be charged or credited to a Member's Capital Accounts.

SECTION 9.4 ALLOCATIONS ON TRANSFERS. Unless otherwise agreed in writing by a transferor and transferee of a Membership Interest herein, income, gain, loss, deduction or credit attributable to any Membership Interest that has been transferred shall be allocated between the transferor and the transferee using an acceptable method as provided under section 706 of the Code and related Treasury Regulations.

SECTION 9.5 RELIANCE ON ADVISORS. The Management Committee may rely upon, and shall have no liability to the Members or the Company if they do rely upon, the written opinion of tax counsel or accountants retained by the Company from time to time with respect to all matters (including disputes with respect thereto) relating to computations and determinations required to be made under this Article IX or other provisions of this Agreement.

SECTION 9.6 TAX MATTERS MEMBER.

(a) Leviathan Deepwater, as a Member Manager (as defined in Treasury Regulation Section 301.6231(a)(7)-1) is designated as the tax matters member ("TMM"), which shall have the same meaning as "tax matters partner" (as defined in section 6231(a)(7) of the Code). The TMM and the Members shall use their best efforts to comply with responsibilities outlined in this Section 9.6 and in sections 6222 through 6232 of the Code (including any Treasury Regulations promulgated thereunder) and in doing so shall incur no liability to any other Member, except in the case of a failure by the TMM for any reason to make and include in the appropriate tax return a timely and effective election under Internal Revenue Code Section 754.

(b) The TMM shall not make any material federal income tax elections or material tax policy decisions affecting the Company, unless it has received the prior unanimous consent of the Management Committee.

(c) All tax returns and reports of the Company shall be prepared or caused to be prepared under the direction of the TMM. As early as reasonably possible prior to its filing of the Company's federal and state income tax returns, but in no event less than ten (10) business days prior to the filing, the TMM will provide the other Members with a pro forma copy of such returns and will provide the other Members with reasonable opportunity to consult with and/or advise the TMM with respect to all positions intended to be reflected. Such returns must be reviewed and approved unanimously by the Management Committee.

(d) If any Member intends to file a notice of inconsistent treatment under section 6222(b) of the Code, such Member shall, prior to the filing of such notice, notify the TMM of such intent and the manner in which the Member's intended treatment of a

Company item is (or may be) inconsistent with the treatment of that item by the Company.

(e) No Member other than the TMM shall file a request pursuant to section 6227 of the Code for an administrative adjustment of Company items for any Company taxable year.

(f) No Member other than the TMM shall file a petition under Code sections 6226, 6228 or other Code sections with respect to any Company item or other tax matters involving the Company. In the case where the TMM files such petition, it shall determine the forum in which such petition will be filed.

ARTICLE X
BOOKS OF ACCOUNT, RECORDS, REPORTS AND TAX INFORMATION

SECTION 10.1 BOOKS AND RECORDS. Proper and complete records and books of account (including those required by the Act) shall be kept by the Company in which shall be entered all transactions and other matters relative to the Company's business as are usually entered into records and books of account maintained by persons engaged in businesses of like character. The Company books and records shall be maintained in accordance with generally accepted accounting principles, and, to the extent applicable, the Uniform System of Accounts of the FERC as from time to time applicable to a Class A "natural gas company" under the Natural Gas Act, and shall be kept on the accrual basis. The Company books and records shall be audited by the Certified Public Accountants at the end of each fiscal year. The Company shall, and shall cause each of the Operating Subsidiaries to, at all times make its books and records available at the principal office of the Company or the Operating Subsidiary and shall be open to the reasonable inspection and examination by the Members or their duly authorized representatives during the business hours of the Company or the Operating Subsidiary for any purpose reasonably related to the interest of such Member as owner of the Company.

SECTION 10.2 FINANCIAL INFORMATION.

(a) Annual Financial Statements. The Management Committee shall cause to be prepared and delivered to the Members:

(1) No later than ninety (90) days following the end of each of the Company's fiscal years, a profit and loss statement and a statement of cash flows for such fiscal year and a balance sheet and a statement of the GAAP Capital Accounts as of the end of such fiscal year, together with a report thereon of the Certified Public Accountants;

(2) No later than ninety (90) days following the end of each of the Company's fiscal years, such federal, state and local income tax information and such other accounting and tax information as shall be necessary for the preparation by the Members of their respective income tax returns for such fiscal year;

(3) When such returns become available, copies of all federal, state and local income tax returns or information returns, if any, which the Company is required to file; and

(4) As soon as practicable following receipt by the Company thereof, financial statements or reports from an Operating Subsidiary.

(b) Interim Financial Statements. No later than thirty (30) days after the end of each calendar month, the Management Committee shall cause to be prepared and delivered to the Members, together with an appropriate certificate of the person authorized to prepare the same:

(1) A profit and loss statement and statement of cash flows for such month (including sufficient information to permit each Member to calculate its tax accruals), for the portion of the fiscal year then ended, and for the 12-month period then ended;

(2) A balance sheet and a statement of the GAAP Capital Accounts as of the end of such month; and

(3) A statement comparing the actual financial status and results of the Company as of the end of or for such month and the portion of the fiscal year then ended with the budgeted or forecasted status and results as of the end of or for such respective periods.

SECTION 10.3 AUDITS. The Company shall have the Company's financial statements and books of account audited at the end of each fiscal year by the Certified Public Accountants.

SECTION 10.4 INSPECTION OF FACILITIES AND RECORDS. Each Member shall have the right at all reasonable times during usual business hours to inspect the facilities of the Company and of the Operating Subsidiaries and to examine and make copies of the books of account and other records of the Company and the Operating Subsidiaries. Such right may be exercised through any agent or employee of the Member designated in writing by it or by an independent public accountant or attorney so designated. The Member making the request shall bear all expenses incurred in any inspection or examination made at such Member's behest.

SECTION 10.5 BUDGETS. The Company shall cause to be prepared and delivered to each Member such budgets, cash flow projections and other financial reports and forecasts with respect to the Company and the Operating Subsidiaries as from time to time may be reasonably requested by any Member.

ARTICLE XI
FISCAL YEAR

The fiscal year of the Company shall end on the thirty-first (31st) day of December in each year.

ARTICLE XII
COMPANY FUNDS

The funds of the Company shall be deposited in such bank account or accounts, or invested in such interest-bearing or non-interest-bearing accounts, as shall be designated by the Management Committee. All withdrawals from any such bank accounts shall be made by the Management Committee or the Administrator or as otherwise duly authorized by the Management Committee. Without the prior unanimous consent of the Management Committee, Company funds shall not be commingled with those of any other Person.

ARTICLE XIII
STATUS OF MEMBERS

Except as provided in the Act or as expressly provided in a separate written agreement signed by the relevant Member, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no Member shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Member or acting as a member of the Management Committee or as a member of the management committee of an Operating Subsidiary.

ARTICLE XIV
MANAGEMENT AND OPERATION OF BUSINESS

SECTION 14.1 MEMBER MANAGEMENT. The management of the Company is fully vested in the Members, acting exclusively in their membership capacities. To facilitate the orderly and efficient management of the Company, the Members shall act collectively as a "committee of the whole" (named the Management Committee) pursuant to Section 14.2. The Company will not have "managers," as that term is used in the Act, it being understood that the Representatives and Alternate Representatives do not constitute "managers."

SECTION 14.2 MANAGEMENT COMMITTEE. The Members shall act collectively through meetings as a "committee of the whole," which is hereby named the "Management Committee." Decisions or actions taken by the Management Committee in accordance with the provisions of this Agreement shall constitute decisions or actions by the Company and shall be binding on each Member of the Company. The Management Committee shall conduct its affairs in accordance with the following provisions and the other provisions of this Agreement:

(a) Organization of Management Committee:

(i) The Management Committee shall be composed of one representative for each Member.

(ii) Each Member shall appoint one individual to represent it on the Management Committee (individually, such Member's "Representative" and collectively, such Members' "Representatives"). Any individual may serve as the Representative of more than one Member. Each Member shall also appoint one

or more individuals ("Alternate Representatives") with the power of substitution and authority to act in place of its Representatives in case of the unavailability thereof. Each Representative and Alternate Representative shall be an officer or agent of the Member appointing him or her and shall be duly authorized to act on behalf of and to bind the appointing Member. Each Member reserves the right to remove any one or more of its Representatives or Alternate Representatives, as the case may be, and to appoint successors and substitutes therefor, from time to time, and any such change shall be effective upon such Member's delivering a written notice of such change to the Company.

(iii) Notwithstanding the number of Representatives and Alternate Representatives, each Member shall have the right to vote its Sharing Ratio on all matters to be decided by the Management Committee. If any Member becomes a Delinquent Member and the Delinquent Member's delinquent Capital Contribution has not otherwise been paid pursuant to Section 7.5(c), then for voting purposes, unless and until the Capital Contribution as to which the Delinquent Member is delinquent is paid by such Member, (i) the Sharing Ratio of such Member shall be deemed to be reduced in the same manner as provided in Section 7.5(c)(iii) as if the other Members shall have made the delinquent Capital Contribution of the Delinquent Member and (ii) such reduction in the Sharing Ratio of the Delinquent Member shall be apportioned among the other Members in proportion to their respective Sharing Ratios. Voting may occur by voice vote at a meeting of the Management Committee or by written consent.

(iv) Unanimous approval, vote or consent of the Management Committee shall mean the approval, vote or consent of all of the Sharing Ratios.

(v) If any Member shall have breached or violated any material covenant, condition, representation or warranty contained in this Agreement, other than a breach or violation to which the provisions of Section 7.5 apply, then the Management Committee shall send, or cause to be sent, notice to such Member describing the alleged breach or violation, referring in such notice to the relevant Section of this Agreement and stating the consequences of continued breach or violation of such Section. If such Member does not remedy the breach or violation within the earlier of (A) a reasonable time or (B) 30 days of receipt of the Notice, the Majority in Interest (based on Sharing Ratios) of the remaining Members may vote (A) to exclude such breaching or violating Member and its Representative and Alternate Representative(s) from participation in the Management Committee and (B) to apportion such breaching Member's Sharing Ratio for voting purposes to the other Members; in the case of (A) and (B), only so long as such breach or violation continues.

(b) Management Committee Consents: Except as otherwise expressly required in this Agreement, any action of the Management Committee shall require the affirmative vote of a Majority in Interest. Notwithstanding any other provision of this Agreement, the following actions require the unanimous consent, subject to the provisions of Section 14.2(a)(v), of the Management Committee:

(i) Adoption of any rules and procedures of the Management Committee in addition to those set forth in this Agreement and amendments or supplements thereto concerning the conduct of the affairs of the Management Committee of the Company;

(ii) The sale, transfer or other disposition of an Operating Subsidiary or of all or substantially all of the assets, whether in one transaction or a series of transactions, of an Operating Subsidiary;

(iii) Engaging in any business other than the ownership of the Operating Subsidiaries or authorizing an Operating Subsidiary to engage in any business other than the acquisition, construction, ownership, operation, repair, maintenance, alteration and/or expansion of any Subsidiary System;

(iv) The formation of any Operating Subsidiary other than those Operating Subsidiaries formed on or prior to the Formation Date, including, but not limited to, the terms and provisions of the formation documents for such entity and any amendments thereto;

(v) Any expansion or extension of any Subsidiary System other than as permitted pursuant to Section 7.2;

(vi) Except for purposes of winding up the affairs of the Company following a dissolution, the sale, lease, mortgage, pledge or other transfer of all or substantially all of the Company's assets;

(vii) Approval of the form and content of any short-term or long-term financing commitment and any fee arrangement related thereto;

(viii) Approval of all tax policy matters, tax elections, and all federal and state income and franchise tax returns of the Company; and

(ix) Any other act described in this Agreement or the Act as requiring the unanimous consent of the Management Committee or the Members, including, without limitation, those acts set forth in Sections 7.3 and Articles XVIII and XXI.

(c) Meetings of the Management Committee:

(i) Regular meetings of the Management Committee shall be held (at least every four months) on such dates, at such times and at such locations as the members of such committee shall from time to time determine, taking into account the convenience of all parties. Notice of any special meeting shall include a statement of the matters proposed to be considered at such meeting and shall be given to all participants by the Person calling the meeting, under normal circumstances at least 10 Business Days prior to the meeting, although shorter notice of a meeting (but not less than 24 hours) may be given if the circumstances

of urgency so require. All notices of Management Committee meetings shall be given either in writing, or by telephone if immediately followed by written confirmation. Each Member agrees to use reasonable efforts to cause at least one of its Representatives or an Alternate Representative to participate, in the manner provided for herein, in all Management Committee meetings. No Management Committee meeting shall be held unless a Representative or Alternate Representative of each Member participates in such meeting; provided, that if a duly scheduled meeting is rescheduled due to the refusal or failure of the Representative or any Alternate Representatives of one or more Members to attend the meeting, then at the rescheduled meeting, if there is a recurrence of the absence of the Representative or any of the Alternate Representatives of any such Member, the voting rights of such Member with respect to matters addressed at such meeting(s) shall be apportioned (based on Sharing Ratios) for voting purposes to, and all decisions shall be made by, the Representatives or Alternate Representatives of the other Members attending the meeting.

(ii) Representatives and Alternate Representatives may participate in any Management Committee meeting by means of telephone conference call or similar communications equipment so long as all Persons participating in the meeting can hear each other simultaneously. Except as otherwise provided by applicable laws, any action required or permitted to be taken at any meeting of the Management Committee may be taken without a meeting, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the Representatives of not less than the minimum of the Membership interests or Sharing Ratios that would be necessary to take such action at a meeting at which the Representatives of all the Members were present and voted.

(iii) The Management Committee shall appoint a Chairman who shall preside at all Management Committee meetings. The office of Chairman shall be alternated each Calendar Year between (A) a Representative appointed by one of the ANR Subs and (B) a Representative appointed by Leviathan Deepwater, and vice versa.

(d) Sub-Committees:

(i) The Management Committee shall establish the following Sub-Committees namely, the Finance Sub-Committee, the Legal Sub-Committee and the Insurance Sub-Committee; and each of such Sub-Committees shall continue until the Management Committee unanimously approves the discontinuance of such Sub-Committee. The Management Committee may also establish such additional Sub-Committees from time to time as it may determine, with such duties as the Management Committee may prescribe.

(ii) Each Sub-Committee shall have one representative representing each Member, provided that a representative on the Sub-Committee may represent more than one Member. Each representative so appointed shall serve

until his successor shall be duly appointed or until his death, ineligibility to serve, resignation or removal by the Member which appointed him.

(iii) The Finance Sub-Committee shall in addition to any other duties designated by the Management Committee submit to the Management Committee its recommendations as to (A) all proposed Company financings, (B) the depositing and investment of Company funds, (C) accounting, auditing, budgets, financial forecasting and reporting and related matters and (D) selection of the Certified Public Accountants.

(iv) The Legal Sub-Committee shall in addition to any other duties designated by the Management Committee submit to the Management Committee its recommendations as to (A) legal, regulatory and related matters and (B) selection of outside counsel.

(v) The Insurance Sub-Committee shall in addition to any other duties designated by the Management Committee submit to the Management Committee its recommendations as to insurance and other risk management matters.

(vi) The recommendations of Sub-Committees shall not be considered as an act or authorization of the Management Committee or the Company and, unless expressly authorized by the Management Committee, Sub-Committees shall only have the authority to make recommendations to the Management Committee for its consideration and shall have no authority to deal with any Person other than the Company, the Members and the Administrator. The failure on the part of any Sub-Committee to make a recommendation with respect to any matters shall not limit the power and authority of the Management Committee or the officials of the Company (acting within the scope of their authority) to take action with respect to such matters nor shall any such failure limit the authority of the Administrator to take action with respect to such matter in the name and on behalf of the Company in accordance with the service agreement between the Administrator and the Company and any appropriate directions of the Management Committee.

(e) No Individual Actions: A Member may not bind the Company without the prior written authorization of the Management Committee.

(f) Business Development and Marketing. During the fourth calendar quarter of each calendar year, the Management Committee will develop and agree upon a marketing and business development plan for the Company and each of the Operating Subsidiaries for the upcoming calendar year.

SECTION 14.3 EXCULPATION. NEITHER THE MANAGEMENT COMMITTEE, THE MEMBERS, THEIR RESPECTIVE AFFILIATES, NOR ANY OWNER, OFFICER, DIRECTOR, SHAREHOLDER, PARTNER, EMPLOYEE OR AGENT OR OTHER REPRESENTATIVE OF THE MEMBERS OR THEIR RESPECTIVE AFFILIATES, SHALL BE LIABLE, RESPONSIBLE OR ACCOUNTABLE IN DAMAGES OR OTHERWISE TO

THE COMPANY OR ANY MEMBER FOR ANY ACTION TAKEN OR FAILURE TO ACT (EVEN IF SUCH ACTION OR FAILURE TO ACT CONSTITUTED THE NEGLIGENCE OF A PERSON) ON BEHALF OF THE COMPANY WITHIN THE SCOPE OF THE AUTHORITY CONFERRED ON THE PERSON DESCRIBED IN THIS AGREEMENT OR BY LAW UNLESS SUCH ACT OR OMISSION WAS PERFORMED OR OMITTED FRAUDULENTLY OR CONSTITUTED GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. TO THE EXTENT THAT, AT LAW OR IN EQUITY, THE MANAGEMENT COMMITTEE, THE MEMBERS, THEIR RESPECTIVE AFFILIATES, OR ANY OWNER, OFFICER, DIRECTOR, SHAREHOLDER, PARTNER, EMPLOYEE OR AGENT OR OTHER REPRESENTATIVE THEREOF HAVE DUTIES (INCLUDING FIDUCIARY DUTIES) AND LIABILTIES RELATING TO THE COMPANY OR TO ANOTHER MEMBER, THE MANAGEMENT COMMITTEE, THE MEMBERS, THEIR RESPECTIVE AFFILIATES, OR ANY OWNER, OFFICER, DIRECTOR, SHAREHOLDER, PARTNER, EMPLOYEE OR AGENT OR OTHER REPRESENTATIVE THEREOF ACTING UNDER THIS AGREEMENT SHALL NOT BE LIABLE TO THE COMPANY OR TO ANY OTHER MEMBER OR ITS AFFILIATES FOR THEIR RELIANCE ON THE PROVISIONS OF THIS AGREEMENT. THE PROVISIONS OF THIS AGREEMENT, TO THE EXTENT THAT THEY EXPAND OR RESTRICT THE DUTIES AND LIABILITIES OF THE MANAGEMENT COMMITTEE, THE MEMBERS, THEIR RESPECTIVE AFFILIATES, OR ANY OWNER, OFFICER, DIRECTOR, SHAREHOLDER, PARTNER, EMPLOYEE OR AGENT OR OTHER REPRESENTATIVE THEREOF OTHERWISE EXISTING AT LAW OR IN EQUIT), ARE AGREED BY THE MEMBERS TO REPLACE SUCH OTHER DUTIES AND LIABILITIES OF THE MANAGEMENT COMMITTEE, THE MEMBERS, THEIR RESPECTIVE AFFILIATES, OR ANY OWNER, OFFICER, DIRECTOR, SHAREHOLDER, PARTNER, EMPLOYEE OR AGENT OR OTHER REPRESENTATIVE THEREOF.

SECTION 14.4 INDEMNIFICATION.

(a) TO THE FULLEST EXTENT PERMITTED BY LAW, THE MANAGEMENT COMMITTEE, THE MEMBERS, THEIR RESPECTIVE AFFILIATES AND THEIR RESPECTIVE OWNERS, OFFICERS, DIRECTORS, SHAREHOLDERS, PARTNERS, EMPLOYEES AND AGENTS OR ANY PERSON PERFORMING A SIMILAR FUNCTION (INDIVIDUALLY, AN "INDEMNITEE") SHALL BE RELEASED, INDEMNIFIED AND HELD HARMLESS BY THE COMPANY FROM AND AGAINST ANY AND ALL LOSSES, CLAIMS, DAMAGES, JUDGMENTS, LIABILITIES, OBLIGATION, PENALTIES, SETTLEMENTS AND REASONABLE EXPENSES (INCLUDING REASONABLE LEGAL FEES) ARISING FROM ANY AND ALL CLAIMS, DEMANDS, ACTIONS, SUITS OR PROCEEDINGS, CIVIL, CRIMINAL, ADMINISTRATIVE OR INVESTIGATIVE, IN WHICH THE INDEMNITEE MAY BE INVOLVED, OR THREATENED TO BE INVOLVED, AS A PARTY OR OTHERWISE, BY REASON OF ITS STATUS AS (X) A MEMBER OF THE MANAGEMENT COMMITTEE, A MEMBER OR AN AFFILIATE THEREOF, OR (Y) AN OWNER, OFFICER, DIRECTOR, SHAREHOLDER, PARTNER, EMPLOYEE OR AGENT OR OTHER REPRESENTATIVE OF A MEMBER OR AN AFFILIATE THEREOF, REGARDLESS OF WHETHER THE INDEMNITEE CONTINUES TO BE A MEMBER OF THE MANAGEMENT COMMITTEE, A MEMBER OR AN

AFFILIATE THEREOF OR AN OWNER, OFFICER, DIRECTOR, SHAREHOLDER, PARTNER, EMPLOYEE OR AGENT OR OTHER REPRESENTATIVE OF A MEMBER OR AN AFFILIATE THEREOF AT THE TIME ANY SUCH LIABILITY OR EXPENSE IS PAID OR INCURRED, UNLESS THE ACT OR FAILURE TO ACT GIVING RISE TO INDEMNITY HEREUNDER WAS PERFORMED OR OMITTED FRAUDULENTLY OR CONSTITUTED GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

(b) The Company may purchase and maintain insurance on behalf of the Management Committee and such other Persons as the Management Committee shall determine against any liability that may be asserted against or expense that may be incurred by such Person in connection with the Company's activities, regardless of whether the Company would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(c) Expenses incurred by any Indemnitee in defending any claim with respect to which such Indemnitee may be entitled to indemnification by the Company hereunder (including without limitation reasonable attorneys' fees and disbursements) shall, to the maximum extent permitted by law, be advanced by the Company prior to the final disposition of such claim, upon receipt of a written undertaking by or on behalf of such Indemnitee to repay the advanced amount of such expenses unless it is determined ultimately that the Indemnitee is entitled to indemnification by the Company under Section 14.4(a).

(d) The indemnification provided in this Section 14.4 is for the benefit of the Indemnitees and shall not be deemed to create any right to indemnification for any other Persons.

SECTION 14.5 OFFICERS.

(a) Appointment and Tenure.

(i) The Management Committee may, from time to time, designate officers of the Company to carry out the day-to-day business of the Company.

(ii) The officers of the Company shall be comprised of one or more individuals designated from time to time by the Management Committee. No officer need be a resident of the State of Delaware. Each officer shall hold his office(s) for such terms and shall have such authority, exercise such powers and perform such duties as shall be determined from time to time by the Management Committee. Any number of offices may be held by the same individual.

(iii) The officers of the Company may include a chairman, vice chairman, a secretary, a treasurer and a controller. The Management Committee may also designate one or more assistant secretaries and assistant treasurers. The Management Committee may designate such other officers and assistant officers and agents as the Management Committee shall deem necessary.

(b) REMOVAL. Any officer or agent may be removed as such at any time by the Management Committee, either with or without cause, in the discretion of the Management Committee.

(c) CHAIRMAN. The Chairman shall preside at all meetings of the Management Committee and shall have such power and authority as may be from time to time conferred upon him by the Management Committee. He may sign on behalf of the Company any contacts, agreements, bonds and mortgages and any applications or other documents to be filed with governmental authorities which the Management Committee has authorized to be signed on behalf of the Company and shall endeavor to see that all orders, directives and policies of the Management Committee are carried out.

(d) VICE CHAIRMAN. In the absence of the Chairman or in the event of his inability or refusal to act, the Vice Chairman shall perform the duties of the Chairman, and when so acting shall have the powers of and be subject to all restrictions imposed upon the Chairman. The Vice Chairman shall also perform such other duties as the Management Committee may from time to time prescribe. If the Chairman is a Representative of one of the ANR Subs, then the Vice Chairman shall be a representative of Leviathan Deepwater, and vice versa.

(e) SECRETARY. The Secretary shall attend all meetings of the Management Committee and record, or cause to be recorded, all proceedings of the meetings in a book to be kept for that purpose. If requested by a Representative, he shall give, or cause to be given, notice of all special meetings of the management Committee. The Secretary shall also perform such other duties as the Management Committee may from time to time prescribe.

(f) TREASURER. The Treasurer shall be responsible for advising the Management Committee concerning the custody and utilization of the Company's funds and securities and records with respect thereto. The Treasurer shall also perform such other duties as the Management Committee may from time to time prescribe.

(g) CONTROLLER. The Controller shall be responsible for advising the Management Committee concerning the maintenance of adequate accounting records and concerning internal auditing procedures. The Controller shall also perform such other duties as the Management Committee may from time to time prescribe.

SECTION 14.6 MANAGEMENT COMMITTEE DEADLOCKS. If any matter or proposal is brought before the Management Committee which is to be decided by a Majority in Interest and a Majority in Interest does not vote for or against such matter or proposal, any Member, by written notice to all the other Members given within 10 days after the initial vote on such matter or proposal, may call a meeting of the Management Committee to reconsider such matter or proposal, such meeting to be held when, where and as reasonably specified in said notice, but not less than 15 days nor more than 25 days after the date of such Management Committee vote. If such meeting is called and held as herein provided and a Majority in Interest does not vote for or against such matter or proposal, then any Member may within 10 days thereafter submit the matter to arbitration in accordance with Sections 14.7 through 14.14. If no Member calls such a

meeting within the first 10 day period after the second meeting, no Member shall thereafter have any right to request arbitration regarding such matter or proposal.

SECTION 14.7 INITIATION OF PROCEEDINGS. Any Member wishing to submit a matter or proposal to arbitration as permitted by this Article XIV shall do so by giving written notice of arbitration to the other Members and the Company. The Member initiating arbitration shall also simultaneously file duplicate copies of its notice of arbitration with any regional office of the AAA, together with the appropriate fee as provided in the AAA's administrative fee schedule. The initiating Member shall state in its notice of arbitration the regional office of the AAA it has selected and thereafter all communications with the AAA regarding the arbitration proceedings shall be directed to such office unless the AAA directs otherwise. The notice of arbitration shall contain a brief description of the nature of the dispute to be arbitrated and the remedy or resolution sought by the Member initiating arbitration. Such notice may also contain a request that the dispute be arbitrated by a panel of three arbitrators. If no such request is contained in the notice, it shall be presumed that the Member seeking arbitration desires the dispute to be determined by a single arbitrator.

SECTION 14.8 RESPONSES. Each of the other Members shall, within 20 days from the date of mailing of the notice of arbitration, file with each of the other Members, the Company and the AAA a response in which it states its view regarding the dispute to be arbitrated and the remedy or resolution it desires. Such response may also include a request that the dispute be determined by a panel of three arbitrators. If any of the Members indicate their desire to have the dispute determined by a panel of three arbitrators, it shall be so determined. Otherwise, the dispute shall be determined by a single arbitrator.

SECTION 14.9 SELECTION OF ARBITRATORS. As soon as practical after the expiration of the 20 day period beginning upon the date of mailing of the initiating Member's notice of arbitration, the AAA shall compile a list of available arbitrators competent and qualified to determine the dispute as described in the notice of arbitration and the responses thereto. If the Members have elected, in accordance with Section 14.8, to have the dispute determined by a panel of three arbitrators, the list shall be composed of seven (7) names and if the Members have elected to have the dispute determined by a single arbitrator, the list shall be composed of five (5) names. The AAA shall also, at the same time, by lot, rank the Members in numerical order, and shall thereupon forthwith transmit the list simultaneously to the Members and inform them of the order in which it has ranked them. Unless all of the Members shall beforehand agree to a different time or place, or both, they shall meet at the principal office of the Company at 10:00 A.M. prevailing time on the seventh Business Day after the date of mailing of the AAA's list of arbitrators and notice of ranking. At such time, they shall each, one by one, in accordance with the ranking determined by the AAA, strike a name from the list submitted by the AAA until each Member has struck two (2) names. The three (3) or the one (1) remaining, as the case may be, when such process of striking has been completed, shall be the arbitrators or arbitrator to arbitrate and determine the dispute. If any of the arbitrators so selected declines or for any reason fails to serve, the AAA shall forthwith furnish the Members a second list of additional available arbitrators competent and qualified to determine the dispute, such list to contain five (5) names plus the names of as many individuals as there are vacancies to fill because of the failure to serve of previously selected arbitrators. The parties shall thereupon again, in accordance with the ranking determined by the AAA, one by one, in turn, strike names from the

list. The individuals or individual whose names or name remain on the list upon the completion of such striking shall, together with any arbitrators previously chosen in the case of a dispute to be determined by a panel of three (3) arbitrators, be the arbitrators to arbitrate and determine the dispute. This procedure shall be repeated until one (1) or three (3) arbitrators, as the case may be, who are willing and able to serve have been selected. If any of the Members at any point fails to participate in the procedure hereinabove established to select arbitrators, the AAA shall forthwith eliminate the appropriate number of names from the list of arbitrators for each Member not so participating.

SECTION 14.10 LOCATION. Within 10 days of the mailing to the Members by the AAA of notification that the one or all three of the arbitrators, as the case may be, selected as above provided is or are willing and able to serve, the Members may mutually agree upon the locale where the arbitration is to be held. If the locale is not designated within such period, the AAA shall have the power to determine the locale and its decision shall be final and binding; provided, however, that if within the 10 days, one Member files a written request with the AAA and each of the other Members that the hearing be held in a specific locale and no other Member so files an alternate request, the arbitration proceedings shall be conducted at the locale requested

SECTION 14.11 RULES. Except as specifically herein provided for, all arbitration proceedings under this Article XIV shall be conducted in accordance with the Commercial Arbitration Rules of the AAA, as then amended and in effect; and such rules shall be interpreted and applied and questions retarding the arbitration process not resolved under such rules shall be determined in accordance with the Uniform Arbitration Act, as enacted in the State of Delaware.

SECTION 14.12 LIMITATIONS ON ARBITRATION. Except with respect to the matters specified in Section 14.6, no Member shall have the right to demand arbitration with respect to any dispute, difference or question arising between any of the Members themselves or any Member and the Company as to the meaning or interpretation of any provision of this Agreement or as to the performance by any Member or the Company of its obligation hereunder, whether before or after the termination of this Agreement, or as to any matter whatsoever.

SECTION 14.13 EFFECT OF AWARD. Upon any decision with respect to any matter referred to arbitration pursuant to the provisions of this Article XIV, each Member and the Company shall use its best efforts and take all such steps as may be within its power to ensure that the matter determined by arbitration is carried out as if it had received the appropriate approval of the Management Committee. The Members agree that judgment on the arbitration award may be entered by any court of competent jurisdiction.

SECTION 14.14 COMPANY ADMINISTRATION. The Members select LOC as Administrator of the Company. Contemporaneously with the execution of this Agreement, the Company has executed and delivered an administrative service agreement (the "Administrative Agreement") to LOC. The Administrator may not be removed, and the Administrative Agreement may not be terminated or amended, except pursuant to the terms of the Administrative Agreement. If the Administrative Agreement is terminated or if LOC is removed as Administrator, the Management Committee shall (i) select ANR as the new Administrator, subject to ANR's written consent, and (ii) enter into a new Administrative Agreement with ANR with terms and conditions agreeable to both ANR and the Management Committee.

ARTICLE XV
MANAGEMENT OF OPERATING SUBSIDIARIES

SECTION 15.1 OPERATING SUBSIDIARY MANAGEMENT COMMITTEES. Each Operating Subsidiary shall be managed, in accordance with the constitutive documents of such Operating Subsidiary, by a management committee, each such management committee to be composed of one (1) representative from each Member, which representative shall have the right to vote such Member's Sharing Ratio on all matters to be decided by such management committee. The same representative may represent more than one Member.

ARTICLE XVI
DISPOSITIONS AND ENCUMBRANCES OF MEMBERSHIP INTERESTS

SECTION 16.1 DISPOSITIONS AND ENCUMBRANCES OF MEMBERSHIP INTERESTS.

(a) A Disposition or Encumbrance of all or any portion of a Membership Interest may be effected only in strict accordance with the provisions of this Section 16.1. Any attempted Disposition or Encumbrance by a Member of a Membership Interest other than in strict accordance with this Section 16.1 is void, and the Company shall not recognize it. The Members agree that a breach of the provisions of this Section 16.1 may cause irreparable injury to the Company and to the other Members for which monetary damages (or other remedy at law) are inadequate in view of (i) the complexities and uncertainties in measuring the actual damages that would be sustained by reason of the failure of a Member to comply with such provision and (ii) the uniqueness of the Company business and the relationship among the Members. Accordingly, the Members agree that the provisions of this Section 16.1 may be enforced by specific performance.

(b) Except as permitted by Section 16.2, a Member may Dispose of its Membership Interest only if:

(i) the Disposition would not allow any creditor of the Company or an operating Subsidiary to call, accelerate or otherwise alter the terms or conditions of any indebtedness of the Company or an Operating Subsidiary;

(ii) the Disposing Member's assignee enters into an amendment to this Agreement or other Document acceptable in form and substance to the Management Committee whereby the assignee agrees to be bound by the terms of this Agreement;

(iii) the Disposition is pursuant to an applicable exemption from registration under the Securities Act of 1933, as amended, and other applicable securities laws;

(iv) unless unanimously consented to by the Management Committee, such disposition does not result in a termination of the Company for federal income tax purposes under section 708(b)(1)(B) of the Code, or cause the Company to be treated as a corporation under the Code; and

(v) the Disposition consists of equal percentages of the Disposing Member's Capital Accounts and Sharing Ratio.

(c) If a filing under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, is required in connection with the Disposition by a Member of any of its Membership Interest, which filing would not be required if the transfer of such Membership Interest were instead accomplished by a change in control of the Disposing Member, then the Disposing Member may not effect such Disposition of its Membership Interest except with the unanimous consent of the Management Committee.

(d) Notwithstanding any contrary provision contained in this Agreement, no Member shall dispose of such Member's rights or obligations arising from or related to this Agreement, the Company or any interest therein if such disposition would result in the violation of the Act or any other laws. Any such attempted Dispositions are void ab initio.

SECTION 16.2 PERMITTED DISPOSITIONS AND ENCUMBRANCES. Nothing contained in this Agreement other than Section 16.1 (b)(iv) shall prevent:

(a) The Disposition by any Member of any of its right, title and interest in the Company (including indebtedness thereof) if such right, title and interest is transferred to another Person which is an Affiliate of the transferor pursuant to (a) a statutory merger or consolidation or (b) a sale of all or substantially all of the assets of the transferor provided that such Affiliate assumes by operation of law or express agreement with the Company (in form and substance satisfactory to the Management Committee) all of the obligations of the transferor under this Agreement and that no such transfer (other than pursuant to a statutory merger or consolidation wherein all obligations and liabilities of the Member are assumed by the successor Person by operation of law) shall relieve the transferor of its obligations under this Agreement without the unanimous approval of the Management Committee. Upon such transfer such Affiliate shall be admitted as a Member in substitution of the Member which was the transferor.

(b) An Encumbrance (and any transfer made in foreclosure or other enforcement of such Encumbrance) in all or any portion of a Member's right, title or interest in the profits and surplus of the Company or in any indebtedness of the Company or an Operating Subsidiary under any Encumbrance executed by or binding upon such Member, provided that such assignee, pledgee, trustee or other transferee shall not have any voice in the management of the Company as a result of any such transfer.

ARTICLE XVII
RESIGNATION, BANKRUPTCY, ETC.

SECTION 17.1 COVENANT NOT TO WITHDRAW. No Member has the right to, and each Member agrees that it will not, resign, retire or withdraw from the Company as a Member without the prior unanimous consent of the Management Committee.

SECTION 17.2 AFFECTED MEMBER.

(a) If any Member ceases to be a Member other than in connection with the transfer of all that Member's Membership Interest and the admission of the transferee as a Member as permitted by Article XVI, or remains a Member after becoming a Bankrupt Member (the "Affected Member"), the Company shall have the option, exercisable by notice from the other Members who are not Affiliates of the Affected Member (the "Other Members") to the Affected Member at any time prior to the 90th day after receipt of notice of the occurrence of the event causing it to become an Affected Member, to buy (or to designate another Person to buy), and on the exercise of this option the Affected Member shall sell, its interests in the Company (the "Interest").

(b) The purchase price shall be an amount equal to the fair market value of the Interest determined by agreement by the Affected Member and the Other Members, taking into account any sums owed to the Affected Member by the Company or by the Affected Member to the Company; however, if those persons do not agree on the fair market value on or before the 30th day following the exercise of the option, then the Other Members shall, by notice to the Affected Member on or before the fifth day after the expiration of such 30-day period, initiate the determination of fair market value by an independent appraiser. Such notice shall designate five appraisal firms recognized in the United States. The Affected Member shall select one of such appraisal firms within 20 days after receipt of such notice. Each of the Affected Member and the Other Members shall submit a proposed fair market value to the appraisal firm, together with any supporting documentation it deems appropriate, within 30 days after selection of the appraisal firm. The appraisal firm shall determine the fair market value by selection of one of the proposed fair market values submitted (and shall have no authority beyond selection of one of such proposals) as promptly as possible (and in any event on or before the 30th day after submittal of the competing proposals). The Affected Member and the Company each shall pay one-half of the costs of the appraisal. The closing of the acquisition of the Interest contemplated hereunder shall be consummated at a closing held at the principal offices of the Company on or before the 60th day after the determination of the fair market value of the Interest but effective at the end of the calendar month occurring on or immediately prior to such closing. The purchaser shall pay the fair market value as so determined in cash at the closing. At the closing, the Affected Member shall deliver to the Company or its designee such transfer documentation reasonably acceptable to the Company or such designee as shall be required to evidence the transfer of such Interest, free and clear of all liens and encumbrances, except those created under this Agreement.

(c) The payment to be made to the Affected Member under this Section 17.2 is in complete liquidation and satisfaction of all the rights and interest of the Affected Member (and of all persons claiming by, through, or under the Affected Member) in and in respect of the Company and any rights against the Company and (insofar as the affairs of the Company are concerned) against the Members, and constitutes a compromise to which all Members have agreed pursuant to Section 18-502(b) of the Act.

(d) If an event requiring a winding up of the Company occurs before the purchase price for the Interest is determined under Section 17.2(b), then the purchase and sale shall not occur. Instead, the Affected Member or its successors shall be entitled to

receive in the liquidation of the Company the same amount that person would have received had the Affected Member continued to be a Member or not become a Bankrupt Member.

ARTICLE XVIII
DISSOLUTION OF THE COMPANY

The happening of any one of the following events shall work an immediate dissolution of the Company:

(a) the unanimous written consent of the Members; or

(b) any other event causing dissolution as described in section 18-801 (a)(4) or (5) of the Act.

ARTICLE XIX
WINDING UP AND TERMINATION OF THE COMPANY

SECTION 19.1 LIQUIDATOR. If the Company is dissolved and wound up for any reason, a liquidator (the "Liquidator") shall commence to wind up the affairs of the Company and to liquidate and sell its assets. The Management Committee shall serve as the Liquidator. The Liquidator shall have full right and discretion to determine the time, manner and terms of sale or sales of Company property pursuant to such liquidation having due regard to the activity and condition of the relevant market and general financial and economic conditions. The Liquidator appointed in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto or their legal representatives or successors in interest, all of the powers conferred upon the Management Committee under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder, for and during such period of time, not to exceed two years after the date of dissolution of the Company, as shall be reasonably required in the good faith judgment of the Liquidator to complete the liquidation and dissolution of the Company as provided for herein, including, without limitation, the following specific powers:

(a) The power to continue to manage and operate any business of the Company during the period of such liquidation or dissolution proceedings, excluding, however, the power to make and enter into contracts that may extend beyond the period of liquidation.

(b) The power to make sales and incident thereto to make deeds, bills of sale, assignments and transfers of assets and properties of the Company; provided, that the Liquidator may not impose personal liability upon any of the Members under any such instrument.

(c) The power to borrow funds as may, in the good faith judgment of the Liquidator, be reasonably required to pay debts and obligations of the Company or operating expenses, and to execute and/or grant deeds of trust, mortgages, security

agreements, pledges and collateral assignments upon and encumbering any of the Company properties as security for repayment of such loans or as security for payment of any other indebtedness, of the Company; provided, that the Liquidator shall not have the power to create any personal obligation on any of the Members to repay such loans or indebtedness other than out of available proceeds of foreclosure or sale of the properties or assets as to which a lien or liens are granted as security for payment thereof.

(d) The power to settle, release, compromise or adjust any claims asserted to be owing by or to the Company, and the right to file, prosecute or defend lawsuits and legal proceedings in connection with any such matters.

SECTION 19.2 RESERVES. After making payment or provision for payment of all debts and liabilities of the Company and all expenses of liquidation, the Liquidator may set up, for a period not to exceed the two (2) year period set forth in Section 19.1, such cash reserves as the Liquidator may deem reasonably necessary for any contingent liabilities or obligations of the Company. Upon the satisfaction or other discharge of such contingency, the amount of the reserves not retired, if any, will be distributed in accordance with this Article.

SECTION 19.3 LIQUIDATION DISTRIBUTIONS. Upon the winding up and termination of the business and affairs of the Company, its assets (other than cash) shall be sold and its liabilities and obligations to creditors and all expenses incurred in its liquidation shall be paid (either by payment or the making of reasonable provision for payment). Thereafter, the net proceeds from such sales (after deducting all selling costs and expenses in connection therewith), together with (at the expiration of the two-year period set forth in Section 19.1) the balance and reserve account referred to in Section 19.2 above, shall be distributed among the Members in accordance with their respective positive balances in their 704(b) Capital Accounts.

SECTION 19.4 ACCOUNTING. Within a reasonable time following the completion of the liquidation of the Company's properties, the Liquidator shall supply to each of the Members a statement prepared by the Certified Public Accountants that shall set forth the assets and the liabilities of the Company as of the date of complete liquidation, each Member's pro rata portion of distributions pursuant to Section 19.3 and the amount retained as reserves by the Liquidator pursuant to Section 19.2.

SECTION 19.5 ONLY RECOURSE TO COMPANY ASSETS. Each holder of an interest in the Company shall look solely to the assets of the Company for all distributions with respect to the Company and its Capital Contribution thereto (including the return thereof) and share of profits or losses thereof, and shall have no other recourse therefor (upon dissolution or otherwise) against the Company, the Management Committee or the Liquidator. No holder of an interest in the Company shall have any right to demand or receive property other than cash upon dissolution and termination of the Company.

SECTION 19.6 TERMINATION. Upon the completion of the liquidation of the Company and the distribution of all Company funds, the Company shall terminate and the Liquidator shall (and is hereby given the power and authority to) execute, acknowledge, swear to and record all documents required to effectuate the dissolution and termination of the Company. No Member shall be required to restore any deficit balance existing in any of its Capital Accounts upon the

liquidation and termination of the Company provided that such Member has made all Capital Contributions that it has agreed to make as contemplated by this Agreement.

ARTICLE XX
NOTICES

To be effective, all notices and demands under this Agreement must be in writing (including telex, facsimile, telecopier or similar writing) and sent to the addresses of the Members or their respective assigns set forth on the signature pages hereof. Notices delivered in accordance with the foregoing shall be deemed to have been given made and effective upon receipt. Any Member or his assignee may designate a different address to which notices or demands shall thereafter be directed by written notice given in the manner hereinabove required and delivered to the Company at its principal office as hereinabove, set forth. Notice to all the Members shall be deemed to be notice to the Company.

ARTICLE XXI
AMENDMENT OF AGREEMENT

This Agreement may be modified or amended from time to time solely by the written agreement of the Members holding Membership Interests representing 100% of the Sharing Ratios.

ARTICLE XXII
REPRESENTATIONS, WARRANTIES AND COVENANTS

Each Member hereby represents and warrants to the other Members that (i) it is duly organized and validly existing in the jurisdiction of its organization, with full power and authority to enter into and perform its obligations under this Agreement; (ii) it has validly executed this Agreement, and upon delivery this Agreement shall be a binding obligation of such party, enforceable against such party in accordance with its terms; and (iii) its entry into this Agreement and the performance of its obligations hereunder will not require the approval of any governmental body or regulatory authority and will not violate, conflict with or cause a default under any of its organizational documents, any contractual covenant or restriction by which such party is bound, or any applicable law, regulation, rule, ordinance, order, judgment or decree.

ARTICLE XXIII
MISCELLANEOUS

SECTION 23.1 NO PARTITION. The Members agree that the Company properties are not and will not be subject to or otherwise suitable for partition. Accordingly, each Member hereby irrevocably waives any and all rights that it may have to maintain any action for partition of any Company property.

SECTION 23.2 ENTIRE AGREEMENT. This Agreement, and the additional documents and agreements executed in connection herewith or referred to herein and therein, constitute the entire agreement among the parties hereto with respect to the subject matter hereof. They supersede any prior agreement or understandings among them, and this Agreement may not be modified or amended in any manner other than as set forth herein.

SECTION 23.3 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE.

SECTION 23.4 BINDING EFFECT. Except as herein otherwise specifically provided, this Agreement shall be binding upon and inure to the benefit of the parties and their legal representatives, heirs, administrators, executors, successors and assigns.

SECTION 23.5 CONTEXT. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in the masculine, the feminine or the neuter gender shall include the masculine, feminine and neuter.

SECTION 23.6 CAPTIONS. Captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit or extend the scope or intent of this Agreement or any provision hereof.

SECTION 23.7 EFFECT OF INVALID PROVISION. If any provision of this Agreement, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

SECTION 23.8 COUNTERPART EXECUTION. This Agreement may be executed in several counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument. It shall not be necessary for all Members to execute the same counterpart hereof.

SECTION 23.9 LAWS AND REGULATORY BODIES. This Agreement and the obligations of the Partners hereunder are subject to all applicable laws, rules, orders and regulations of governmental authorities having jurisdiction and in the event of conflict, said laws, rules, orders and regulations of governmental authorities having jurisdiction shall control. If, as a result of any transaction (including but not limited to any acquisition) entered into in connection with the formation of the Company, any regulatory agency (including but not limited to FERC or FTC) or court of competent jurisdiction seeks or orders divestiture or sale of any pipeline assets or interests, the Members agree that any such divestiture or sale will be satisfied solely through (i) divestiture or sale of the pipeline assets held at such time by one or more Operating Subsidiaries or (ii) divestiture or sale of a portion of the Membership Interest held by the Members; provided, that in the case of (ii) above, the portion of Membership Interest sold or divested by Leviathan Deepwater will equal the total amount of Membership Interests sold or divested by the ANR Subs in the aggregate, and vice versa. In no event shall the Company, any Member or any Affiliate of any Member be required to litigate with any regulatory agency to oppose such divestiture or sale. In no event shall any Member or any Affiliate of any Member be required by any other Member to divest or sell any ownership interest in any pipeline other than those owned by the Operating Subsidiaries to resolve any investigation, litigation or regulatory proceeding arising out of the formation of the Company. The Members agree to work cooperatively to resolve any agency investigation or other regulatory proceeding and agree to share the reasonable costs of any third party experts or consultants retained to assist in resolving

such investigation or proceeding. The Members will equally share any gain or loss arising from any divestiture or sale of assets of the Company or the Operating Subsidiaries undertaken to resolve or prevent any agency investigation, litigation or regulatory proceeding.

SECTION 23.10 BUSINESS OPPORTUNITY. Participation in the Company shall not in any way restrain any Member or its Affiliates or any officers, directors, shareholders, members, employees, agents or other representatives of any of them in other present or future business activities, opportunities, transactions, Ventures or other arrangements of any nature or description, whether or not any such activity is competitive with the business of the Company or any of the Company's Affiliates, or in any way preclude or restrict any of them from entering into a joint venture, partnership or other business arrangement with the Company. None of any Member or any Member's Affiliates or any officers, directors, shareholders, members, employees, agents or other representatives of any of them shall under any circumstances be obligated or bound to offer or present to the Company any business opportunity offered to such Person as a prerequisite to the acquisition of or investment in such business opportunity by any of them. Other than for tax purposes, nothing herein is intended to create a partnership, joint venture, agency or other relationship creating fiduciary or quasi-fiduciary duties or similar duties and obligations or subject the Members to joint and several or vicarious liability or to impose any duty, obligation or liability that would arise therefrom with respect to any or all of the Members.

SECTION 23.11 ENTITLEMENT TO CERTIFICATES. Every owner of a Membership Interest in the Company, unless and to the extent the Company elects otherwise, shall be entitled to have a certificate, in such form as is approved by the Company and conforms with applicable law, certifying the Membership Interest owned by it. Further, subject to the other provisions of this Agreement, for purposes of providing for transfer of, perfecting a security interest in, and other relevant matters related to, a Membership Interest, the Membership Interest shall be deemed to be a "security" subject to the rules set forth in Chapters 8 and 9 of the Texas Uniform Commercial Code and any similar Uniform Commercial Code provision adopted by the States of New York or Delaware or any other relevant jurisdiction.

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

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and in the year first above written.

Address:
500 Renaissance Center
Detroit, Michigan 48243
Telephone: (313) 496-2194
FAX: (313) 496-3299

American Natural Offshore Company
By: /s/ WILLIAM L. JOHNSON

Name: William L. Johnson
Title: Senior Vice President

Address:
500 Renaissance Center
Detroit, Michigan 48243
Telephone: (313) 496-2194
FAX: (313) 496-3299

Texas Offshore Pipeline System, Inc.
By: /s/ WILLIAM L. JOHNSON

Name: William L. Johnson
Title: Senior Vice President

Address:
500 Renaissance Center
Detroit, Michigan 48243
Telephone: (313) 496-2194
FAX: (313) 496-3299

Unitex Offshore Transmission Company
By: /s/ WILLIAM L. JOHNSON

Name: William L. Johnson
Title: Senior Vice President

Address:
500 Renaissance Center
Detroit, Michigan 48243
Telephone: (313) 496-2194
FAX: (313) 496-3299

ANR Western Gulf Holdings, L.L.C.
By: /s/ WILLIAM L. JOHNSON

Name: William L. Johnson
Title: Senior Vice President

Address:
1001 Louisiana-Suite 2600
Houston, Texas 77002
Telephone: (713) 420-2131
FAX: (713) 420-5472

Leviathan Deepwater, L.L.C.
By: /s/ T. DARTY SMITH

Name: T. Darty Smith
Title: Vice President

Exhibit A
To
Limited Liability Company Agreement
Of
Deepwater Holdings, L.L.C.

The Sharing Ratios of the Members of Deepwater Holdings, L.L.C. are as follows:

Member	Sharing Ratio
Leviathan Deepwater, L.L.C.	50.000%
American Natural Offshore Company	14.819%
Texas Offshore Pipeline System, Inc	14.819%
Unitex Offshore Transmission Company	2.717%
ANR Western Gulf Holdings, L.L.C	17.645%
Total	100.000%

EXHIBIT 10.19

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PURCHASE AND SALE AGREEMENT

BETWEEN

LEVIATHAN DEEPWATER, L.L.C.

AS SELLER

AND

ANR WESTERN GULF HOLDINGS, L.L.C.

AS BUYER

DATED AS OF SEPTEMBER 30, 1999

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PURCHASE AND SALE AGREEMENT

TABLE OF CONTENTS

Exhibits to Purchase and Sale Agreement:

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT is made and entered into as of the 30th day of September, 1999 between Leviathan Deepwater, L.L.C., a Delaware limited liability company ("Seller") and ANR Western Gulf Holdings, L.L.C., a Delaware limited liability company ("Buyer").

WHEREAS, Seller owns a 59.66% membership interest in Deepwater Holdings, L.L.C., a Delaware limited liability company ("Holdings"), and Buyer (together with its affiliates) owns a 40.34% membership interest in Holdings;

WHEREAS, Seller desires to sell to Buyer and Buyer desires to purchase from Seller a 9.66% membership interest in Holdings (the "Purchased Interest"), subject to and in accordance with the terms of this Agreement;

NOW, THEREFORE, in consideration of the mutual promises made herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and subject to the conditions hereinafter set forth, the Parties hereto agree as follows:

ARTICLE I
DEFINITIONS

1.1 Definitions. The terms set forth below shall have the meanings ascribed to them in this Article I or in the part of this Agreement referred to below:

Affiliate: with respect to an entity, any other entity controlling, controlled by or under common control with such entity. As used in this definition, the term "control," including the correlative terms "controlling," "controlled by" and "under common control with" shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management or policies of an entity, whether through ownership of voting securities, by contract or otherwise.

Agreement: this Purchase and Sale Agreement, as amended, restated, supplemented, or otherwise modified from time to time.

Business Day: any day other than a Saturday, a Sunday or a day on which banks in Houston, Texas are authorized or required by law to be closed.

Buyer: as defined in the preamble.

Buyer Indemnified Party: as defined in Section 7.1.

Claim: any demand, claim, action, investigation, cause of action, legal proceeding or arbitration, whether or not ultimately determined to be valid.

Claim Notice: as defined in Section 7.3.1.

Closing: as defined in Section 2.2.

Closing Date: as defined in Section 2.2.

Code: the Internal Revenue Code of 1986, as amended.

Election Period: as defined in Section 7.3.1.

Encumbrance: any lien, pledge, condemnation proceeding, claim, restriction, security interest, mortgage, preferential right, option, defect in title or similar encumbrance.

Environmental Laws: any and all federal, state and local laws, statutes, regulations, rules, orders, ordinances or permits of any governmental authority pertaining to health, the environment, wildlife or natural resources in effect in any and all jurisdictions in which the assets of Stingray or WCDC are located, including, without limitation, the Clean Air Act, as amended, and the Federal Water Pollution Control Act, as amended, the Rivers and Harbors Act of 1899, as amended, the Safe Drinking Water Act, as amended, the Comprehensive Environmental Response, Compensation and Liability Act, as amended, the Superfund Amendments and Reauthorization Act of 1986, as amended, the Resource Conservation and Recovery Act, as amended, the Hazardous and Solid Waste Amendments Act of 1984, as amended, the Toxic Substances Control Act, as amended, the Occupational Safety and Health Act, as amended, the Oil Pollution Act, as amended, the Pipeline Safety Act, as amended, the Natural Gas Pipeline Safety Act, as amended, the Hazardous Liquid Pipeline Safety Act, as amended, and the Hazardous Materials Transportation Act, as amended.

Governmental Authority: any court, governmental department, commission, council, board, agency or other instrumentality of the United States of America or any state, county, municipality or local government.

LLC Agreement: the limited liability company agreement of Holdings, as amended, restated, supplemented or otherwise modified to the date hereof.

Holdings: as defined in the preamble.

HSR Act: the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

Indemnified Party: as defined in Section 7.3.1.

Indemnifying Party: as defined in Section 7.3.1.

Indemnity Notice: as defined in Section 7.3.4.

Legal Requirement: all applicable laws, rules, regulations, codes, ordinances, permits, bylaws, variances, orders, conditions, and licenses of a Governmental Authority.

Loss: any loss, damage, cost, liability or expense (including reasonable costs of defense and investigations, settlements, and reasonable attorneys' and experts' fees) or penalties or fines.

Membership Interest: as defined in the LLC Agreement.

Notices: as defined in Section 10.5.

Parties: Seller and Buyer.

Party: Seller or Buyer.

Person: an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

Purchased Interest: as defined in the preamble.

Purchase Price: as defined in Section 2.1.

Reasonable Efforts: the efforts that a prudent person or entity desirous of achieving a result would use in similar circumstances to ensure that such result is achieved expeditiously; provided, however, that an obligation to use Reasonable Efforts under this Agreement does not require the person or entity subject to that obligation to take actions that would incur any unreasonable out-of-pocket cost or expense in connection therewith.

Seller: as defined in the preamble.

Seller Indemnified Parties: as defined in Section 7.2.

Taxes: all federal, state, local or foreign taxes, assessments or other Governmental Authority charges, excluding income taxes, together with any interest or penalties and other assessments thereon or related thereto.

Third Party Claim: as defined in Section 7.3.1.

1.2 Terminology. All article, section, subsection, schedule and exhibit references used in this Agreement are to this Agreement unless otherwise specified. All schedules and exhibits attached to this Agreement constitute a part of this Agreement and are incorporated herein. Unless the context of this Agreement clearly requires otherwise (a) the singular shall include the plural and the plural shall include the singular wherever and as often as may be appropriate, (b) the words "includes" or "including" shall mean "including without limitation," and (c) the words "hereof," "herein," "hereunder," and similar terms in this Agreement shall refer to this Agreement as a whole and not any particular section or article in which such words appear. Currency amounts referenced herein are in United States Dollars. References to

"generally accepted accounting principles" herein shall refer to such principles in effect in the United States of America as of the date of the statement to which such phrase refers.

ARTICLE II
PURCHASE AND SALE

2.1 The Transactions. Subject to and in accordance with the terms and conditions of this Agreement, Seller agrees to sell, assign, convey and transfer to Buyer, and Buyer agrees to purchase and accept from Seller, at the Closing the Purchased Interest for an aggregate amount equal to $26,122,000 (the "Purchase Price").

2.2 Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Akin, Gump, Strauss, Hauer & Feld, L.L.P., 1900 Pennzoil Place, South Tower, 711 Louisiana Street, Houston, Texas 77002 commencing at 10:00 a.m., local time, on (i) September 30, 1999, unless the conditions set forth in Sections 6.1 and 6.2 have not been fulfilled or waived by the applicable Party or (ii) such other date as the Parties shall agree in writing. The date on which the Closing actually occurs is referred to herein as the "Closing Date."

2.3 Actions at Closing. At the Closing the following shall occur:

2.3.1 Seller will deliver Membership Interest certificates representing all of the Purchased Interest endorsed in blank and/or duly executed assignments of Membership Interest (in the form set forth in Exhibit "A") to Buyer, and

2.3.2 Buyer shall pay, or cause to be paid, to Seller an amount equal to the Purchase Price as set forth in Section 2.1. The amount payable by Buyer to Seller shall be payable by Buyer by wire transfer or delivery of other immediately available funds pursuant to Seller's instructions.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer that:

3.1 Organization and Good Standing. Seller is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware. Seller is qualified to do business as a foreign corporation in all other jurisdictions where failure to be so qualified would have an adverse effect on the transactions contemplated hereby.

3.2 Authority of Seller. Seller has all requisite limited liability company power and authority to enter into this Agreement and the other agreements contemplated herein to which it is a party, to consummate the transactions contemplated hereby and to perform all the terms and conditions hereof and thereof to be performed by it. The execution, delivery and performance of

this Agreement and the other agreements contemplated herein by Seller and the transactions contemplated hereby to be consummated by Seller have been duly authorized by all requisite limited liability company action by Seller. This Agreement and the other agreements contemplated herein have been duly executed and delivered by Seller and constitute a valid and binding agreement of Seller enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency and other similar laws relating to or affecting the enforcement of creditors' rights generally and to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

3.3 No Violations. The execution and delivery of this Agreement by Seller and the consummation of the transactions and agreements contemplated herein to be consummated by Seller do not and will not:

3.3.1 violate any provision of its certificate of formation, limited liability company agreement, or any equivalent governing instruments of Seller, or the LLC Agreement;

3.3.2 violate any provision of or require any filing, consent, authorization or approval under any Legal Requirement binding upon Seller;

3.3.3 result in a breach of, constitute a default under, or require any consent, authorization or approval under (i) any mortgage, indenture, loan or credit agreement or any other agreement or instrument evidencing indebtedness for money borrowed, or any financing lease to which Seller is a party or by which it is bound or to which any of its assets is subject, or (ii) in any material respect, any other agreement or instrument to which either Seller is a party or by which it is bound or to which any of its assets is subject; or

3.3.4 result in the creation or imposition of any Encumbrance on any asset of Holdings.

3.4 Title to Purchased Interest. Seller owns beneficially and of record the Purchased Interest, free and clear of all Encumbrances. Seller has full legal right to sell, assign and transfer the Purchased Interest to Buyer and will, upon delivery of the assignment of Membership Interest in the form of Exhibit "A", as well as the delivery of any appropriate certificates representing the Purchased Interest to Buyer pursuant to the terms hereof, transfer to Buyer good and valid title to the Purchased Interest free and clear of any and all Encumbrances.

3.5 Governmental and Third Party Approvals. No consent, approval, waiver, order or authorization of, or registration, declaration or filing with, any Governmental Authority or any other third party is required to be obtained or made in connection with the execution and delivery of this Agreement by Seller or the consummation by Seller of the transactions contemplated herein.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller:

4.1 Organization and Good Standing. Buyer is a Delaware limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware. Buyer is qualified to do business as a foreign entity in all other jurisdictions where the properties now owned or leased by Buyer or the nature of the business now conducted by it requires it to be so qualified.

4.2 Authority of Buyer. Buyer has all requisite limited liability company power and authority to enter into this Agreement and the other agreements contemplated herein to which it is a party, to consummate the transactions contemplated hereby and to perform all the terms and conditions hereof and thereof to be performed by it. The execution, delivery and performance of this Agreement and the other agreements contemplated herein by Buyer and the transactions contemplated hereby and thereby to be consummated by Buyer have been duly authorized by all requisite limited liability company action by Buyer. This Agreement and the other agreements contemplated herein have been duly executed and delivered by Buyer and constitutes a valid and binding agreement of Buyer enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency and other similar laws relating to or affecting the enforcement of creditors' rights generally and to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

4.3 No Violations. The execution and delivery of this Agreement by Buyer and the consummation of the transactions and agreements contemplated herein to be consummated by Buyer do not and will not:

4.3.1 violate any provision of its certificate of formation, limited liability company agreement, or any equivalent governing instruments of Buyer;

4.3.2 violate any provision of or require any filing, consent, authorization or approval under any Legal Requirement binding upon Buyer;

4.3.3 conflict with, result in a breach of, constitute a default under, or require any consent, authorization or approval under (i) any mortgage, indenture, loan or credit agreement or any other agreement or instrument evidencing indebtedness for money borrowed, or any financing lease to which Buyer is a party or by which it is bound or to which any of its properties is subject or (ii) in any material respect, any other agreement or instrument to which Buyer is a party or by which it is bound or to which any of its properties is subject.

4.4 Acquisition as Investment. Buyer or its designee, as appropriate, is acquiring the Purchased Interest for its own account as an investment without the present intent to sell, transfer or otherwise distribute the Purchased Interest to any other person or entity.

4.5 Brokerage or Finders Fees. Buyer and its Affiliates have no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

ARTICLE V
ADDITIONAL AGREEMENTS AND COVENANTS

5.1 Covenants of Seller. Seller covenants and agree with Buyer as follows:

5.1.1 Transaction Costs. Seller shall bear and pay all of the costs, fees and expenses incurred by or on behalf of it in connection with the transactions contemplated by this Agreement.

5.1.2 Tax Election. Seller agrees, and Seller will cause its affiliated member(s) of Holdings, if any, to agree, to timely make, in the 1999 Holdings' tax return, the election under Internal Revenue Code Section 754 to adjust the basis of partnership property in conjunction with the transfer of the Purchased Interest contemplated herein. In addition, Seller agrees to cause its affiliated members of Stingray Pipeline Company, L.L.C. and West Cameron Dehydration Company, L.L.C. to timely make, in the appropriate Stingray and WCDC tax returns, the election under Internal Revenue Code Section 754 to adjust the basis of partnership property in conjunction with the transfers of the purchased interests described in the Purchase and Sale Agreement dated of even date herewith by and between NGPL Offshore Company and MidCon Dehydration Corp as Sellers and Leviathan Gas Pipeline Partners, L.P., as Buyer.

5.2 Covenants of Buyer. Buyer covenants and agrees with Seller as follows:

5.2.1 Transaction Costs. Buyer shall bear and pay all of the costs, fees and expenses incurred by or on behalf of it in connection with the transactions contemplated by this Agreement.

5.2.2 Tax Election. Buyer agrees, and Buyer will cause its affiliated member(s) of Holdings, if any, to agree, to timely make, in the 1999 Holdings' tax return, the election under Internal Revenue Code Section 754 to adjust the basis of partnership property in conjunction with the transfer of the Purchased Interest contemplated herein.

5.3 Mutual Covenants. Buyer and Seller each covenant and agree as follows:

5.3.1 Transfer Taxes. Buyer and Seller shall be equally responsible for the payment of all state and local transfer, sales, use or other similar Taxes resulting from the transactions contemplated by this Agreement.

5.3.2 Reasonable Efforts. Subject to the terms and conditions of this Agreement, each Party will use its Reasonable Efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper, or advisable under

applicable Legal Requirements to consummate the transactions contemplated by this Agreement, including satisfying the conditions to closing.

5.3.3 Certain Filings. Buyer and Sellers shall cooperate with one another (i) in determining whether any action by or in respect of, or filing with, any Governmental Authority is required, or any actions, consents, approvals, or waivers are required to be obtained from parties to any material agreements, in connection with the consummation of the transactions contemplated by this Agreement, and (ii) in taking such actions or making such filings, furnishing information required in connection therewith and seeking timely to obtain such actions, consents, approvals, or waivers.

5.3.4 Notices of Certain Events. Each of the Buyer and Seller shall promptly notify the other Party hereto of:

(a) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

(b) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement;

(c) any actions, suits, claims, investigations or proceedings commenced or, to its knowledge, threatened against, relating to, or involving or otherwise affecting such Party that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to any provision of this Agreement or that relate to the consummation of the transactions contemplated by this Agreement; and

(d) (i) the discovery by such party that any representation or warranty contained in this Agreement is untrue or inaccurate in any material respect, (ii) the occurrence or failure to occur of any event which occurrence or failure to occur would be likely to cause any of the representations or warranties in this Agreement to be untrue or incorrect in any material respect at the Closing Date, except for representations and warranties that speak as of a specified date, which need only be true and correct as of the specified date and (iii) any material failure on its part to comply with or satisfy any covenant, conditions or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section 5.3.4 shall not limit or otherwise affect the remedies available hereunder to the Party receiving such notice.

ARTICLE VI
CONDITIONS TO CLOSING

6.1 Buyer's Obligation to Close. Buyer's obligation to close under this Agreement is subject to the fulfillment, on the Closing Date, of each of the following conditions (except to the extent that Buyer shall have hereafter agreed in writing to waive one or more of such conditions):

6.1.1 Litigation. There shall not be pending or threatened any litigation or proceeding (filed by a person or entity other than Buyer or its Affiliates) to restrain or prohibit any material portion of the transactions contemplated by this Agreement or to obtain material damages or other material relief in connection with the consummation of such transactions.

6.1.2 Compliance with Agreement. Seller shall have performed and complied in all material respects with all covenants required by this Agreement to be performed or complied with by Seller on or prior to the Closing.

6.1.3 Representations and Warranties. The representations and warranties of Seller contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date, except that those representations and warranties which address matters only as of a particular date shall remain true and correct as of such date.

6.1.4 HSR. Buyer and Seller shall have made all necessary filings under the HSR Act with respect to the consummation of the transactions contemplated by this Agreement and have received early termination of the waiting period under the HSR Act with respect thereto.

6.1.5 Regulatory Approval. Prior to or simultaneously with the Closing hereunder, Buyer and Seller shall have received all required regulatory approvals and authorizations in form and substance acceptable to each Party.

6.1.6 Third Party Consents. Prior to or simultaneously with the Closing hereunder, Buyer and Seller shall have received all required third party consents and approvals to the transactions contemplated under this Agreement and the other agreements contemplated herein.

6.1.7 Closings. The closing of the transactions contemplated in the Contribution and Assignment Agreement dated of even date herewith between Affiliates of Buyer and Affiliates of Seller and other agreements contemplated therein shall occur immediately prior to the Closing hereunder.

6.2 Seller's Obligation to Close. The obligation of Seller to close under this Agreement is subject to the fulfillment on the Closing Date of each of the following conditions (except to the extent that Seller shall have hereafter agreed in writing to waive one or more of such conditions):

6.2.1 Litigation. There shall not be pending or threatened any litigation or proceeding (filed by a person or entity other than Seller or its Affiliates) to restrain or prohibit any material portion of the transactions contemplated by this Agreement or to obtain material damages or other material relief in connection with the consummation of such transactions.

6.2.2 Compliance with Agreement. Buyer shall have performed and complied in all material respects with all covenants required by this Agreement to be performed or complied with by Buyer on or prior to the Closing.

6.2.3 Representations and Warranties. The representations and warranties of Buyer contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date, except that those representations and warranties which address matters only as of a particular date shall remain true and correct as of such date.

6.2.4 HSR. Buyer and Seller shall have made all necessary filings under the HSR Act with respect to the consummation of the transactions contemplated by this Agreement and have received early termination of the waiting period under the HSR Act with respect thereto.

6.2.5 Regulatory Approval. Prior to or simultaneously with the Closing hereunder, Buyer and Seller shall have received all required regulatory approvals and authorizations in form and substance acceptable to each Party.

6.2.6 Third Party Consents. Prior to or simultaneously with the Closing hereunder, Buyer and Seller shall have received all required third party consents and approvals to the transactions contemplated under this Agreement and the other agreements contemplated herein.

6.2.7 Closings. The closing of the transactions contemplated in the Contribution and Assignment Agreement dated of even date herewith between Affiliates of Buyer and Affiliates of Seller and other agreements contemplated therein shall occur immediately prior to the Closing hereunder.

ARTICLE VII
INDEMNIFICATION

7.1 Indemnification of Buyer. Seller shall indemnify and defend Buyer, its Affiliates (including any Affiliates designated by Buyer to purchase the Purchased Interest if the Closing occurs) and their directors, officers, employees, contractors, agents and other representatives (each a "Buyer Indemnified Party") against, and hold each Buyer Indemnified Party harmless from any Loss that such Buyer Indemnified Party incurs to the extent arising out of or resulting from any of the following:

7.1.1 the failure of any of the representations and warranties of Seller contained in this Agreement to be true and correct as of the date made or the inaccuracy of any such representation or warranty as of the date made; or

7.1.2 Seller's breach or the failure of Seller to perform or satisfy in any material respect any covenant made by, or other obligation of, Seller herein.

7.2 Indemnification of Seller. Subject to Sections 7.4 and 7.5, Buyer shall indemnify and defend Seller and its Affiliates and their directors, officers, employees, contractors, agents and other representatives ("Seller Indemnified Parties") against, and hold each Seller Indemnified Party harmless from any Loss that such Seller Indemnified Party incurs, to the extent arising out of or resulting from any of the following:

7.2.1 the failure of any of the representations and warranties of Buyer contained in this Agreement to be true and correct as of the date made or the inaccuracy of any such representation or warranty as of the date made; or

7.2.2 Buyer's breach or the failure of Buyer to perform or satisfy in any material respect any covenant made by, or other obligation of, Buyer herein.

7.3 Indemnification Procedures. All claims for indemnification under this Agreement shall be asserted and resolved as follows:

7.3.1 A party claiming indemnification under this Agreement (an "Indemnified Party") with respect to any third-party Claim or Claims asserted against the Indemnified Party ("Third Party Claim") that could give rise to a right of indemnification under this Agreement shall promptly (a) notify the party from whom indemnification is sought (the "Indemnifying Party") of the Third Party Claim and (b) transmit to the Indemnifying Party a written notice ("Claim Notice") describing in reasonable detail the nature of the Third Party Claim, a copy of all papers served with respect to such Third Party Claim (if any), the Indemnified Party's best estimate of the amount of damages attributable to the Third Party Claim and the basis of the Indemnified Party's request for indemnification under this Agreement. Subject to Section 7.3.2, failure to provide such Claim Notice shall not affect the right of the Indemnified Party's indemnification hereunder except to the extent the Indemnifying Party is prejudiced thereby. Within 30 days after receipt of any Claim Notice (the "Election Period"), the Indemnifying Party shall notify the Indemnified Party (x) whether the Indemnifying Party disputes its potential liability to the Indemnified Party under this Article VII with respect to such Third Party Claim and (y) whether the Indemnifying Party desires to defend the Indemnified Party against such Third Party Claim; provided that if the Indemnifying Party fails to so notify the Indemnified Party during the Election Period, the Indemnifying Party shall be deemed to have elected to dispute such liability.

7.3.2 If the Indemnifying Party notifies the Indemnified Party within the Election Period that the Indemnifying Party does not dispute its potential liability to the Indemnified Party under this Article VII and that the Indemnifying Party elects to assume the defense of the Third Party Claim, then the Indemnifying Party shall have the right to defend, at its sole cost and expense, such Third Party Claim by all appropriate proceedings, which proceedings shall be prosecuted diligently by the Indemnifying Party to a final conclusion or settled at the discretion of the Indemnifying Party in accordance with this Section 7.3.2. The Indemnifying Party shall have full control of such defense and proceedings, including any compromise or settlement thereof; provided that the Indemnifying Party shall not enter into any settlement agreement providing for a finding

of responsibility or liability on the part of the Indemnified Party or providing any material sanction or material restriction upon the conduct of any business by the Indemnified Party without the Indemnified Party's consent, which consent shall not unreasonably be withheld. The Indemnified Party is hereby authorized, at the sole cost and expense of the Indemnifying Party (but only if the Indemnified Party is actually entitled to indemnification hereunder), to file, during the Election Period, any motion, answer or other pleadings which the Indemnified Party shall deem necessary or appropriate to protect its interests or those of the Indemnifying Party and not prejudicial to the Indemnifying Party (it being understood and agreed that if an Indemnified Party takes any such action, the Indemnifying Party shall be relieved of its obligations hereunder with respect to such Third Party Claim to the extent that such action prejudiced the Indemnifying Party). If requested by the Indemnifying Party, the Indemnified Party agrees, at the sole cost and expense of the Indemnifying Party, to cooperate with the Indemnifying Party and its counsel in contesting any Third Party Claim which the Indemnifying Party elects to contest, including the making of any related counterclaim against the person or entity asserting the Third Party Claim or any cross-complaint against any person or entity. The Indemnified Party may participate in, but not control, any defense or settlement or any Third Party Claim controlled by the Indemnifying Party pursuant to this Section 7.3, and the Indemnified Party shall bear its own costs and expenses with respect to such participation.

7.3.3 If the Indemnifying Party fails to notify the Indemnified Party within the Election Period that the Indemnifying Party elects to defend the Indemnified Party pursuant to Section 7.3.2, or if the Indemnifying Party elects to defend the Indemnified Party pursuant to Section 7.3.2 but fails to diligently prosecute or settle the Third Party Claim, then the Indemnified Party shall have the right to defend, at the sole cost and expense of the Indemnifying Party (but only if the Indemnified Party is actually entitled to indemnification hereunder), the Third Party Claim by all appropriate proceedings, which proceedings shall be promptly and vigorously prosecuted by the Indemnified Party to a final conclusion or settled. The Indemnified Party shall have full control of such defense and proceedings; provided, however, that the Indemnified Party may not enter into, without the Indemnifying Party's consent, which shall not be unreasonably withheld, any compromise or settlement of such Third Party Claim. The Indemnifying Party may participate in, but not control, any defense or settlement controlled by the Indemnified Party pursuant to this Section 7.3.3, and the Indemnifying Party shall bear its own costs and expenses with respect to such participation.

7.3.4 In the event any Indemnified Party should have a claim against any Indemnifying Party hereunder which does not involve a Third Party Claim, the Indemnified Party shall promptly transmit to the Indemnifying Party a written notice (the "Indemnity Notice") describing in reasonable detail the nature of the claim, the Indemnified Party's best estimate of the amount of damages attributable to such claim and the basis of the Indemnified Party's request for indemnification under this Agreement. If the Indemnifying Party does not notify the Indemnified Party within 60 days from its receipt of the Indemnity Notice that the Indemnifying Party disputes such claim, the Indemnifying Party shall be deemed to have disputed such claim. If the

Indemnifying Party has disputed (or is deemed to have disputed) such claim, such dispute shall be resolved by arbitration in accordance with Section 9.1.

7.4 Negligence. SUBJECT TO SECTION 7.5, AN INDEMNIFIED PARTY SHALL BE ENTITLED TO INDEMNIFICATION HEREUNDER IN ACCORDANCE WITH THE TERMS HEREOF, REGARDLESS OF WHETHER THE LOSS OR CLAIM GIVING RISE TO SUCH INDEMNIFICATION OBLIGATION IS THE RESULT OF THE SOLE, JOINT, CONCURRENT OR COMPARATIVE NEGLIGENCE, STRICT LIABILITY OR VIOLATION OF ANY LAW OF OR BY SUCH INDEMNIFIED PARTY. THE PARTIES AGREE THAT THIS PARAGRAPH CONSTITUTES A CONSPICUOUS LEGEND.

7.5 Limitation on Liabilities.

7.5.1 BUYER AND SELLER (I) AGREE THAT ONLY ACTUAL DAMAGES SHALL BE RECOVERABLE UNDER THIS AGREEMENT AND (II) HEREBY WAIVE ANY RIGHT TO RECOVER, AND AGREE THAT THE TERM LOSSES SHALL NOT COVER, SPECIAL, PUNITIVE, CONSEQUENTIAL, INCIDENTAL OR EXEMPLARY DAMAGES (WHETHER BASED ON STATUTE, CONTRACT, TORT OR OTHERWISE, AND WHETHER OR NOT ARISING FROM THE INDEMNIFYING PARTY'S SOLE, JOINT OR CONCURRENT NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT) EXCEPT TO THE EXTENT ANY SUCH PARTY SUFFERS SUCH DAMAGES TO AN UNAFFILIATED THIRD-PARTY IN CONNECTION WITH A THIRD-PARTY CLAIM, IN WHICH EVENT SUCH DAMAGES SHALL BE RECOVERABLE.

7.6 Survival. The representations and warranties in Article III shall survive the Closing solely for purposes of this Article VII and shall terminate four years and six months after the Closing Date. The representations and warranties in Article IV shall survive the Closing solely for purposes of this Article VII and shall terminate four years and six moths after the Closing Date. No Claim can be brought with respect to any inaccuracy or failure of any representation and warranty under this Agreement unless a Claim Notice or Indemnity Notice specifying the inaccuracy or failure of the representation or warranty forming the basis of such Claim has been delivered to the Party making such representation or warranty prior to the termination date of such representation or warranty as described in this Section 7.6. Notwithstanding anything to the contrary in this Agreement, the indemnification provisions of this Agreement shall be the exclusive remedies for any Claim based upon this Agreement or the transactions described herein following Closing. In furtherance of the foregoing, all other remedies available at law or in equity, in tort, contract or otherwise are hereby waived, released and discharged by Seller and Buyer.

ARTICLE VIII
TERMINATION RIGHTS

8.1 Termination. This Agreement may be terminated and the transactions contemplated hereby abandoned as follows:

8.1.1 By the mutual written consent of Buyer and Seller at any time prior to the Closing;

8.1.2 By Buyer or Seller if an order to restrain, enjoin or otherwise prevent the consummation of the transactions contemplated hereby shall have been entered;

8.1.3 By Seller at any time prior to the Closing if the Closing shall not have occurred on or before September 30, 1999 by reason of a failure of any condition precedent under Section 6.2 unless the failure results primarily from the breach by Seller of any representation, warranty or covenant contained in this Agreement; or

8.1.4 By Buyer at any time prior to the Closing if the Closing shall not have occurred on or before September 30, 1999 by reason of a failure of any condition precedent under Section 6.1, unless the failure results primarily from Buyer itself breaching any representation, warranty or covenant contained in this Agreement.

8.2 Effect of Termination. In the event of any termination of this Agreement pursuant to Section 8.1, (a) Seller and Buyer shall have no obligation or liability to each other except that the provisions of Article VII, IX and X shall survive any such termination, and (b) nothing herein and no termination pursuant hereto will relieve any party from liability for any breach of this Agreement prior to such termination or, with respect to those provisions that survive such termination, prior to or following termination.

ARTICLE IX
ARBITRATION

9.1 Arbitration.

9.1.1 Any and all claims, counterclaims, demands, cause of action, disputes, controversies, and other matters in question arising out of or relating to this Agreement, any provision hereof, the alleged breach of any such provision, or in any way relating to the subject matter of this Agreement or the relationship between the Parties created by this Agreement, involving the Parties and/or their respective representatives (all of which are referred to herein as "Claims"), even though some or all of such Claims allegedly are extra-contractual in nature, whether such Claims sound in contract, tort, or otherwise, at law or in equity, under State or federal law, whether provided by statute or the common law, for damages or any other relief, shall be resolved by binding arbitration in accordance with this Section 9.1.

9.1.2 It is the intention of the Parties that the arbitration shall be conducted pursuant to the Federal Arbitration Act, as such Act is modified by this Agreement. The validity, construction, and interpretation of this Section 9.1, and all procedural aspects of the arbitration conducted pursuant to this Section 9.1, including the determination of the issues that are subject to arbitration (i.e., arbitrability), the scope of the arbitrable issues, allegations of "fraud in the inducement" to enter into this Agreement, or this arbitration provision, allegations of waiver, laches, delay or other defenses to arbitrability, and the rules governing the conduct of the arbitration (including the time for filing an answer, the time for the filing of counterclaims, the times for amending the pleadings, the specificity of the pleadings, the extent and scope of discovery, the issuance of subpoenas, the times for the designation of experts, whether the arbitration is to be stayed pending resolution of related litigation involved third parties not bound by this Agreement, the receipt of evidence, and the like), shall be decided by the arbitrators. The arbitration shall be administered by the American Arbitration Association (the "AAA"), and shall be conducted pursuant to the Commercial Arbitration Rules of the AAA, as modified by this Agreement. In deciding the substance of the parties' Claims, the arbitrators shall refer to the substantive laws of the State of Texas for guidance (excluding Texas choice-of-law principles that might call for the application of some other State's law). Notwithstanding any other provision in this Section 9.1 to the contrary, the Parties expressly agree that the arbitrators shall have absolutely no authority to award incidental, special, treble, exemplary or punitive damages of any type under any circumstances regardless of whether such damages may be available under Texas law, the law of any other State, or federal law, or under the Federal Arbitration Act, or under the Commercial Arbitration Rules of the AAA, the parties hereby waiving their right, if any, to recover incidental, special, treble, exemplary or punitive damages in connection with any such Claims.

9.1.3 The arbitration proceeding shall be conducted in Houston, Texas before a panel of three arbitrators appointed in accordance with the Commercial Arbitration Rules of the AAA consisting of persons from any of the following categories: (i) attorneys having practiced in the area of natural gas transportation law for at least ten (10) years, (ii) engineers with at least ten (10) years of experience in the natural gas transportation industry, or (iii) accountants with at least ten (10) years of experience in the natural gas transportation industry. The arbitrators shall conduct a hearing as soon as reasonably practicable after appointment of the third arbitrator, and a final decision completely disposing of all Claims that are the subject of the arbitration proceedings shall be rendered by the arbitrators as soon as reasonably practicable after the hearing. There shall be no transcript of the hearing before the arbitrators. The arbitrators' ultimate decision after final hearing shall be in writing, but shall be as brief as possible, and the arbitrators shall not assign reasons for their ultimate decision. In case the arbitrators award monetary damages to either Party, the arbitrators shall certify in their award that they have not included any incidental, special, treble, exemplary or punitive damages.

9.1.4 The fees and expenses of the arbitrators shall be borne equally by the Parties, but the decision of the arbitrators may include such award of the arbitrators' fees and expenses and of other costs and attorneys' fees as the arbitrators determine appropriate.

9.1.5 To the fullest extent permitted by law, the arbitration proceeding and the arbitrators' award shall be maintained in confidence by the Parties.

9.1.6 The award of the arbitrators shall be binding upon the parties and final and nonappealable to the maximum extent permitted by law, and judgment thereon may be entered in a court of competent jurisdiction and enforced by any Party as a final judgment of such court.

ARTICLE X
GENERAL

10.1 Exclusive Agreement. This Agreement and the attached exhibit set forth the entire agreement and understanding of the Parties in respect of the transactions contemplated hereby and supersede all prior agreements, arrangements and undertakings (oral or written) relating to the subject matter hereof. No representation, promise, inducement or statement of intention has been made by any Party which is not embodied in or superseded by this Agreement or in the agreements and documents to be executed pursuant hereto, and no Party shall be bound by or liable for any alleged representation, promise, inducement or statement of intention not so set forth.

10.2 Successors and Assigns. All of the terms, covenants, representations, warranties and conditions of this Agreement shall be binding upon, and inure to the benefit of, and be enforceable by, the Parties and their respective permitted successors and assigns (and in the case of indemnities to the benefit of all persons indemnified). This Agreement and the rights and obligations hereunder shall not be assigned by any Party hereto without the prior written consent of the other Party.

10.3 Amendments. This Agreement may be amended, modified, superseded or canceled, and any of the terms, covenants, representations, warranties or conditions hereof may be waived, only by a written instrument executed by the Parties, or, in the case of a waiver, by or on behalf of the Party waiving compliance. The failure of any Party at any time or times to require performance of any provisions hereof shall in no manner affect the right at a later time to enforce the same. No waiver by any Party of any condition, or of any breach of any term, covenant, representation or warranty contained in this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of any breach of any other term, covenant, representation or warranty.

10.4 Further Assurances. Each Party agrees to execute such further instruments or documents as the other Party may from time to time reasonably request in order to confirm or carry out the transactions contemplated in this Agreement; provided that no such instrument or document shall expand a Party's liability beyond that contemplated in this Agreement.

10.5 Notices. All notices, requests, demands and other communications (collectively, "Notices") required or permitted to be given hereunder shall be in writing and delivered personally, or by facsimile transmission or mailed first class, postage prepaid, registered or certified mail, as follows:

If to Buyer, to:

ANR Western Gulf Holdings, L.L.C.
500 Renaissance Center
Detroit, Michigan 48243
Attention: President
Facsimile: (313) 496-3555

If to Seller, to:

Leviathan Deepwater, L.L.C.
El Paso Energy Building
1001 Louisiana
Houston, Texas 77002
Attention: President
Facsimile Number: (713) 420-5472

All Notices shall be effective upon receipt. Any Party may change its Notice address by giving written Notice to the other in the manner specified above.

10.6 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES.

10.7 Severability. In the event any of the provisions hereof are held to be invalid or unenforceable under any Legal Requirement, the remaining provisions hereof shall not be affected thereby. In such event, the Parties agree and consent that such provisions and this Agreement shall be modified and reformed so as to effect the original intent of the Parties as closely as possible with respect to those provisions which were held to be invalid or unenforceable.

10.8 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute but one agreement.

10.9 Expenses. Except as expressly provided in this Agreement, whether or not the transactions contemplated hereby are consummated, each Party shall pay its own expenses incident to the preparation of the Agreement and for consummating the transaction.

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

IN WITNESS WHEREOF, the Parties have duly executed this instrument the day and year first above written.

SELLER:

LEVIATHAN DEEPWATER, L.L.C.

By: /s/ T. DARTY SMITH

Name: T. Darty Smith

Title: Vice President

BUYER:

ANR WESTERN GULF HOLDINGS, L.L.C.

By: /s/ WILLIAM L. JOHNSON

Name: William L. Johnson

Title: Senior Vice President

Exhibit A: Form of Assignment

EXHIBIT A

Assignment

This Assignment is made and entered into as of September ___, 1999 by and between Leviathan Deepwater, a Delaware limited liability company ("Assignor") and ANR Western Gulf Holdings, L.L.C., a Delaware limited liability company ("Assignee").

WHEREAS, in accordance with that certain Purchase and Sale Agreement dated as of September __, 1999 (the "Purchase and Sale Agreement") between Assignor and Assignee, Assignor desires to assign the Subject Interest (herein defined) to Assignee;

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

1. Assignment. Assignor hereby assigns, conveys, transfers, and contributes to Assignee, on the terms herein provided, all of its rights, title and interest in and to the property described on Exhibit "A" attached hereto (the "Subject Interest"). The Subject Interest is being assigned, along with other contributions, assignments and commitments, to Assignor in exchange for the execution and delivery of this Assignment and the other agreements executed in connection with the Purchase and Sale Agreement.

2. Purchase and Sale Agreement. THIS ASSIGNMENT IS SUBJECT TO THE TERMS AND CONDITIONS OF THE PURCHASE AND SALE AGREEMENT, INCLUDING WITHOUT LIMITATION THE PROVISIONS THEREOF THAT LIMIT IN CERTAIN RESPECTS THE LIABILITY OF ASSIGNOR IN CONNECTION HEREWITH AND SET FORTH THE EXCLUSIVE REMEDIES OF THE PARTIES IN CONNECTION HEREWITH.

3. Entire Agreement. This Assignment, the Purchase and Sale Agreement and the other agreements executed in connection and contemporaneously herewith constitute the entire agreement and supersede all prior (oral or written) or oral contemporaneous proposals or agreements, all previous negotiations and all other communications or understandings between the parties hereto with respect to the subject matter hereof.

4. Amendment and Modification. All amendments, supplements and modifications to this Assignment shall be in writing and signed by each of the parties hereto.

5. Counterparts. This Assignment may be executed in multiple counterparts, each of which, when executed, shall be deemed an original, and all of which shall constitute but one and the same instrument.

6. Parties Bound by Agreement. This Assignment shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns.

7. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES.

8. Exhibits and Schedules. All exhibits, schedules and the like contained herein or attached hereto are integrally related to this Assignment, and are hereby made a part of this Assignment for all purposes.

9. Further Assurances. Subject to the terms and conditions set forth in this Assignment, each of the parties hereto agrees to use all reasonable efforts to take, or to cause to be taken, all actions, and to do, or to cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Assignment. In case, at any time after the execution of this Assignment, any further action is necessary or desirable to carry out its purposes, the proper officers or directors of the parties hereto shall take or cause to be taken all such necessary action.

10. Severability. Any term or provision of this Assignment that is invalid or unenforceable in any jurisdiction shall be ineffective as to such jurisdiction, to the extent of such invalidity or unenforceability, without rendering invalid or unenforceable the remaining terms and provisions of this Assignment or affecting the validity or enforceability of any terms and provisions of this Assignment in any other jurisdiction. If any provision of this Assignment is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable.

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

IN WITNESS WHEREOF, the undersigned have executed this Assignment as of the date first above written.

ASSIGNOR:

LEVIATHAN DEEPWATER, L.L.C.

By: ----------

Name: ----------

Title: ----------

ASSIGNEE

ANR WESTERN GULF HOLDINGS, L.L.C.

By: ----------

Name: ----------

Title: ----------

AGREED TO AND ACCEPTED
THIS ___ DAY OF SEPTEMBER, 1999

DEEPWATER HOLDINGS, L.L.C.

By: ----------

Name: ----------

Title: ----------

Exhibit A to Assignment

A 9.66% membership interest in Deepwater Holdings, L.L.C., a Delaware limited liability company.

AMENDMENT NO. 1 TO FABRICATION AGREEMENT

This Amendment No. 1 (this "Amendment") dated as of August 31, 1999, to that certain Fabrication Agreement made and entered into as of July 16, 1999 (as in effect on the date hereof, the "Contract") by and between DELOS OFFSHORE COMPANY ("Company"), a Delaware limited liability company, and MODEC INTERNATIONAL LLC ("Contractor"), a Delaware limited liability company, is entered into by and between Company and Contractor. Hereinafter, Company and Contractor may be referred to individually as a "Party" and collectively as the "Parties."

W I T N E S S E T H:

WHEREAS, Company and Contractor are parties to the Contract wherein Contractor agreed to design, fabricate, assemble and deliver facilities in accordance with the terms of such Contract, and Company agreed to pay for such Work (as defined in the Contract) performed by Contractor; and

WHEREAS, Company and Contractor now desire to amend the Contract to (i) redefine the order of priority of the appendices in the event of any conflict between the provisions of the Contract Documents (as defined in the Contract), and (ii) modify the notice periods specified in certain of the provisions of the Contract.

NOW, THEREFORE in consideration of the premises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Company and Contractor hereby stipulate and agree as follows:

1. Definitions. Terms defined in this Amendment have the meanings specified herein, and capitalized terms not defined herein, but defined in the Contract, are used herein as therein defined.

2. Amendments. The Contract shall be and is hereby amended as follows:

A. Article 2.3 is hereby amended by deleting subsections (a), (b) and (c) in their entirety, and substituting the following:

a) this Fabrication Agreement,

b) Appendices A, B, C, E, F, G, H, K, N, M, L, J, I, O, P and D.

B. Section 6.2 is hereby amended by replacing the term "seven (7) Days" each time it appears in the second and third paragraphs with the term "14 Days."

C. Section 12.2 is hereby amended by replacing the phrase "within seven (7) Days" in the first paragraph with the following phrase:

"within 21 Days (except with respect to offshore Work, in which case it shall be submitted within two (2) Days)".

D. Article 16.1 is hereby amended by replacing the phrase "within seven (7) Days" in the first paragraph with the following phrase:

"within 21 Days (except with respect to offshore Work, in which case it shall be prepared within two (2) Days)".

Article 16.1 is further amended by replacing the phrase "within seven (7) Days" in the second paragraph with the following phrase:

"within 21 Days (except with respect to offshore Work, in which case it shall be presented within two (2) Days)".

Article 16.1 is further amended by replacing the phrase "within seven (7) Days" in the fourth paragraph with the following phrase:

"within 21 Days (except with respect to offshore Work, in which case it shall be informed within two (2) Days)".

E. Article 28.2 is hereby amended by replacing the term "14 Days" in the first line with "21 Days."

3. No Other Waivers or Amendments. Except as expressly waived or amended hereby, the Contract shall remain in full force and effect in accordance with its terms, without any waiver, amendment or modification of any provision thereof.

4. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

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

6. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF TEXAS, WITHOUT REGARD TO ANY CONFLICTS OF LAWS PRINCIPLES WHICH, IF APPLIED, MIGHT PERMIT OR REQUIRE THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the Parties have caused this Amendment No. 1 to Fabrication Agreement to be signed by their respective duly authorized representatives effective as of the day and year first written in the preamble.

COMPANY:

DELOS OFFSHORE COMPANY, L.L.C.

/s/ JAMES H. LYTAL

James H. Lytal
President

CONTRACTOR:

MODEC INTERNATIONAL LLC

/s/ K. MATSUNAGA

K. Matsunaga
President

EXHIBIT 10.20

SUNDAY SILENCE FIELD DEVELOPMENT

FABRICATION AGREEMENT

DELOS OFFSHORE COMPANY, L.L.C.
HOUSTON

JULY 1999

TABLE OF CONTENTS

APPENDICES

FABRICATION AGREEMENT

This Fabrication Agreement (this "Contract") effective as of July 16, 1999 (the "Effective Date") is by and between DELOS OFFSHORE COMPANY ("Company"), a Delaware limited liability company, and MODEC INTERNATIONAL LLC ("Contractor"), a Delaware limited liability company. Hereinafter, Company and Contractor may be referred to individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, Contractor is in the business to design, fabricate, assemble and deliver facilities in accordance with Appendix A - Scope of Work ("Work"); and

WHEREAS, Company desires and has need of the type of Work provided by Contractor; and

WHEREAS, Company and Contractor desire to enter into a contract whereby Contractor shall provide such Work to Company pursuant to the terms and conditions of this agreement and as defined in Appendix A; and

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements contained herein and for other good and valuable consideration the adequacy and sufficiency of which are hereby acknowledged, the Parties hereby stipulate and agree as follows:

PART 1 GENERAL PROVISIONS

ART. 1 DEFINITIONS

a) Acceptance Certificate means the certificate to be issued by Company in accordance with Art. 23.5.

b) Affiliate means, with respect to a relevant Person, any Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such relevant Person. For purposes of this definition, the term "control" (including its derivatives and similar terms) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the relevant Person, whether through the ownership or control of voting interests, by contract or otherwise.

c) Appendices means the following appendices which are attached hereto and incorporated herein for all purposes: Appendix A - Scope of Work, Appendix B - Compensation, Appendix C - Contract Schedule, Appendix D - Administration Requirements, Appendix E - Specifications, Appendix F - Drawings, Appendix G - Company Provided Items, Appendix H - Subcontractors, Appendix I - Company's Insurances, etc., Appendix J - Contractor Parent Company Guarantee, Appendix K - Contractor's Proprietary Information, Appendix L - Invitation to Bid, Appendix M - Agreed Upon

Exceptions and Clarifications, Appendix N - Contractor's Bid Proposal, Appendix O - Contractor Insurance, and Appendix P - Company Parent Company Guarantee.

d) Company shall have the meaning given to such term in the preamble.

e) Company Indemnified Party means, other than any Contractor Indemnified Parties, each of (i) Company and its Affiliates, (ii) the contractors, subcontractors, agents, invitees and other representatives of Company and its Affiliates, (iii) any member, co-owner, partner, parent or other business participant with the Company or any visitor of any such Person and (iv) the directors, officers, employees and other representatives of any such Person described in (i), (ii), and (iii) above.

f) Company Provided Items shall have the meaning given to such term in Appendix G.

g) Company's Representative means the Person who at any time is appointed in accordance with Art. 3 to act on behalf of the Company.

h) Completion Certificate means the certificate to be issued by Company in accordance with Art. 19.

i) Contract means this Fabrication Agreement and Appendices as stated in Art. 2, and, any amendments, supplements or modifications thereto from time to time.

j) Contract Documents shall have the meaning given to such term in Art. 2.1.

k) Contract Object means the item which Contractor, according to the Contract, shall deliver, together with all parts thereof, except for Company Provided Items before their incorporation into the Contract Object.

l) Contract Price means the total sum payable to Contractor in accordance with Appendix B, as that sum is increased or decreased in accordance with the provisions of this Contract.

m) Contract Schedule shall have the meaning given to such term in Appendix C.

n) Contractor shall have the meaning given to such term in the preamble.

o) Contractor Indemnified Party means, other than any Company Indemnified Parties, to the extent they are performing services or delivering goods in connection with this Contract, each of (i) Contractor and its Affiliates (ii) the contractors, subcontractors, agents, invitees and other representatives of Contractor or its Affiliates, (iii) any member, co-owner, partner, parent or other business participant with the Contractor or any visitor of any such Person and (iv) the directors, officers, employees and other representatives of any such Person described in (i), (ii), and (iii) above.

p) Date Data shall have the meaning given to such term in Art. 40.2.

q) Day means a consecutive calendar day unless otherwise stated.

r) Delivery Date means the date of delivery of the Contract Object set out in Appendix C, or as varied in accordance with the provisions of Art. 12 through 16.

s) Delivery Protocol means the document to be executed by both Parties in accordance with Art. 19 upon the delivery of the Contract Object.

t) Disputed Variation Order means a Variation Order issued in accordance with Art. 16.2.

u) Drawings and Specifications shall have the meaning given to such term in Appendix A.

v) Effective Date shall have the meaning given to such term in the preamble.

w) Force Majeure means strikes, seizure, casualty loss, labor disturbance, earthquakes, riots, fire, governmental action or inaction, war, acts of God, named tropical storms, or any other cause similar or dissimilar to the foregoing beyond the reasonable control of the Party whose performance is affected and which by the exercise of reasonable diligence said Party is unable to prevent or provide against.

x) FPF Support Structure shall have the meaning given to such term in Appendix A.

y) Framework Contract means a contract entered into by Company where the obligations concerning the scope of the delivery and delivery date have not been specified.

z) Guarantee Period means the period stated in Art. 23.2.

aa) Installation Agreement means that certain Installation Agreement between Company and Contractor to be executed within 30 Days following the Effective Date, which shall relate to the transportation and installation of the Contract Object.

bb) Materials means all items required for the Work, other than Company Provided Items and working equipment.

cc) Party shall have the meaning given to such term in the preamble.

dd) Parties shall have the meaning given to such term in the preamble.

ee) Progress Milestone means the following critical timing deadlines: (i) major structural steel fabrication of the FPF Support Structure must begin during September 1999 and (ii) the Contract Object must have fabrication completed and loaded-out and ready for tow no later than March 1, 2001, such exact date to be mutually agreed upon by the Parties.

ff) Person means any individual or entity, including, without limitation, any corporation, limited liability company, joint venture, joint stock company,

general or limited partnership, trust, agency, association, organization, government authority (including any agency or administrative group thereof) or other entity.

gg) Products shall have the meaning given to such term in Art. 23.6.

hh) Site means a place where Work is performed.

ii) Subcontract means an agreement entered into between Contractor and a Subcontractor for the supply of goods or services in connection with the Work.

jj) Subcontractor means a third party who has entered into an agreement with Contractor for the supply of goods or services in connection with the Work.

kk) Third Party means any party other than Company Indemnified Parties and Contractor Indemnified Parties.

ll) Variation means a variation to the Work, Scope of Work, Contract Schedule, Specifications, Drawings and Company Provided Items made in accordance with the provisions of Art. 12 through 16.

mm) Variation Order shall have the meaning given to such term in Appendix D.

nn) Work means all work which Contractor shall perform or cause to be performed in accordance with the Contract, as further defined by Appendix A.

oo) Year 2000 Compliant shall have the meaning given to such term in Art 40.2.

ART. 2 CONTRACT DOCUMENTS - INTERPRETATION

2.1 The Contract Documents consist of this Fabrication Agreement and the following Appendices:

Appendix A: Scope of Work
Appendix B: Compensation
Appendix C: Contract Schedule
Appendix D: Administration Requirements
Appendix E: Specifications
Appendix F: Drawings
Appendix G: Company Provided Items
Appendix H: Subcontractors
Appendix I: Company's Insurances, etc.
Appendix J: Contractor Parent Company Guarantee
Appendix K: Contractor's Proprietary Information
Appendix L: Invitation to Bid
Appendix M: Agreed Upon Exceptions and Clarifications
Appendix N: Contractor's Bid Proposal
Appendix O: Contractor Insurance
Appendix P: Company Parent Company Guarantee

2.2 References made in the Contract to the expressions stated in Art. 2.1 are references to the content of the specific Appendix referred to, including such variations as may have been made in accordance with the provisions of Art. 12 through 16.

2.3 In the event of any conflict between the provisions of the Contract Documents, they shall be given priority in the following order:

a) this Fabrication Agreement,

b) all Appendices, except Appendix D, in the order as aforementioned in Art. 2.1,

c) Appendix D.

ART. 3 REPRESENTATIVES OF THE PARTIES

3.1 Prior to commencement of the Work each Party shall appoint a representative with authority to act on its behalf in all matters concerning the Contract, and appoint a deputy to act in its stead. Without prejudice to Art. 8.1 first paragraph, each Party may, by giving 14 Days notice to the other Party, substitute a representative or deputy.

3.2 A representative or his deputy may delegate specific tasks to one or more Persons appointed by him. In such case the other Party's representative shall be notified of the authority given to such appointed Person or Persons.

3.3 Contractor shall afford Company's Representative access to the Site and the Work during working hours. The same access shall be afforded Persons authorized by Company's Representatives, provided that notification of such authorization has been given in reasonable time.

If, in the opinion of Contractor, the progress of the Work is impeded by the presence or absence of Company's Representatives or Persons authorized by him, Contractor shall without undue delay submit a request in accordance with Art. 16.1.

PART 2 PERFORMANCE OF THE WORK

ART. 4 OBLIGATIONS OF CONTRACTOR - MAIN RULES

4.1 Contractor shall perform the Work in a professional and workmanlike manner in accordance with the Contract. As part of such performance Contractor shall:

a) give priority to safety in order to protect life, health, property and environment, and

b) cooperate with Company's Representative and Persons appointed by him in accordance with Art. 3.

4.2 Contractor shall take care of the Contract Object, Company Provided Items and Materials and shall ensure in accordance with Art. 6, that they are kept in good order and condition. Unless specifically agreed to by Company, Contractor shall not have the right to make temporary use of Company Provided Items or Materials to be incorporated into the Contract Object, other than for the purpose of fulfilling the Contract. Company may prohibit any temporary use of Company Provided Items.

4.3 Within the framework of Appendices A, B and C, Contractor has a duty to cooperate with Company and other contractors and to organize its operations to ensure that all activities on a Site are carried out efficiently and without delay. However, Contractor is under no obligation to subordinate its execution plan to ensure overall efficiency unless additional costs or schedule delays, if any, are reimbursed by Company to Contractor.

However, any craft, equipment or labor required to perform such work by Company shall be performed by Contractor or its subcontractor if Contractor or subcontractor has the necessary craft, equipment or labor available in the shipyard, fabrication yard or manufacturing plant or the offshore site where the work is to be performed.

To the extent stated in Appendices A, B or C, Company is entitled to perform work or let other contractors perform work on the Contract Object. If Company desires such work to be performed which is not contained in Appendices A, B or C, the provisions of Art. 12 through 16 apply accordingly.

ART. 5 AUTHORITY REQUIREMENTS - PERMITS

5.1 Contractor shall keep himself informed of and comply with:

a) laws and regulations which apply on the Site and at the place where the Contract Object is to be used according to the Contract,

b) requirements and orders of classification societies and public authorities,

c) current trade union and wage agreements.

If laws and regulations as stated in a) above have been adopted and requirements and orders as stated in b) above have been issued after the signature of the Contract and necessitate Variations to the Work or its execution, and this affects Contractor's costs or progress, either Party may request a change in the Contract Price or Contract Schedule reflecting the effect of such decisions or variations. Changes in the way in which public authorities apply such laws or regulations mentioned in a) above shall be dealt with in the same way. The rules in Art. 12 through 16 apply accordingly.

5.2 Contractor and Company shall each obtain and maintain each required permit or approval as defined in Appendix A, D and G. Contractor and Company shall, as soon as reasonably practicable following the Effective Date, mutually agree upon which

permits are required, the Party responsible for obtaining each permit and the time period for obtaining such permits.

5.3 Company may require that Contractor submits to Company such information about the performance of the Work and about Contractor Indemnified Parties as Company is obliged to submit to public authorities.

ART. 6 DRAWING - SPECIFICATIONS - COMPANY PROVIDED ITEMS

6.1 Contractor shall make a reasonable effort to detect defects (patent and/or latent, discrepancies and inconsistencies ("errors") in the Drawings and Specifications.

Contractor shall within seven (7) Days of detecting such defects notify Company of any such "errors" discovered. If Contractor does not notify Company of an "error" that he has discovered, and as a result, Company incurs direct extra costs in connection with the Work, which are not covered by insurance, warranties or guarantees, then all such costs shall be borne by Contractor. However, any and all costs or delays resulting from soil and environmental data and topside design details and all Company supplied data shall be for the account of Company. Contractor shall have the right to submit a request for a Variation Order in accordance with Art. 12 through 16 for the cost and delivery impact of inaccurate, incomplete, insufficient and/or incorrect Company supplied data.

6.2 Company will remain responsible for the correct design and fabrication of Company Provided Items as well as timely delivery so as to have no adverse effect on the Contract Schedule and/or sequencing of the Work

Upon receipt of Company Provided Items Contractor shall make an immediate visual inspection and within seven (7) Days of their receipt give notice to Company of any "errors" discovered by such inspection.

Within a reasonable time thereafter, and not later than the time limit given in Appendix G, Contractor shall carry out such examinations as are described in Appendix G. Contractor shall notify Company within seven (7) days of detecting defects of any such "errors" discovered.

If Contractor does not notify Company of an "error" that he has discovered and as a result, Company incurs direct extra costs in connection with the Work which are not covered by insurance, or loses rights, warranties or guarantees, then, subject to the limitations set forth in Art 23, all such costs incurred shall be borne by Contractor.

6.3 Upon receipt of notice from Contractor in accordance with Art. 6.1 or 6.2, Company shall, without undue delay, either have the necessary corrections made, or give Contractor instructions in accordance with Art. 12 through 16 as to how he shall proceed.

ART. 7 SUBCONTRACTS

7.1 Contractor shall not enter into any Subcontract concerning parts of the Work without the prior consent of Company, which shall not be unreasonably withheld. Company shall notify Contractor of its decision within seven (7) Days after having been asked by Contractor. However, such consent is not required for deliveries of work by Subcontractors listed in Appendix H - Subcontractors, nor for minor purchases or limited use of hired labor.

7.2 Contractor is responsible according to the Contract for the fulfillment of Subcontracts.

If Company enters into Framework Contracts with one or more contractors and, subject to prior agreement with Contractor, these are assigned to Contractor, Company shall delay the Delivery Date if necessary due to the assignment to Contractor of the Framework Contracts, as agreed upon by the Parties, and shall bear Contractor's direct extra costs, provided Contractor can document that a contractor to a Framework Contract is unable to deliver by a deadline stated in the Framework Contract, or if deadlines are not stipulated in the Framework Contract, Contractor documents that a delivery cannot be used within the agreed Contract Schedule. These provisions shall, however, not apply if it can be shown that the delay is due to circumstances under Contractor's control. In other respects, the provisions in the third paragraph of Art. 7.2 apply to Framework Contracts assigned to Contractor after entry into the Contract.

If, after entry into the Contract, Company, with prior agreement of Contractor, assigns a subcontract to Contractor, or appoints a subcontractor, and the subcontract conditions were unknown to Contractor at the time of entry into the Contract, then if conditions which were undisclosed to Contractor cause a delay in the Contract Schedule or result in additional costs to Contractor, then Contractor shall be entitled to submit a request for a Variation Order in accordance with Art. 12 through 16. If a subcontractor as mentioned in the second and third paragraphs of Article 7.2 goes into liquidation and the subcontract delivery in question is therefore annulled, Contractor is entitled to an adjustment in the Contract Schedule and Contract Price, pursuant to the rules in Art. 12 through 16.

7.3 Subcontractor shall state that:

a) the Subcontract may be assigned to Company,

b) Subcontractor is included in Contractor Indemnified Parties with regard to the provisions of Art. 30,

c) Art. 22 concerning title; etc. shall apply in the relationship between Contractor and the Subcontractor, and

d) Company shall have the rights to documents and computer programs stated in Art. 32 and the rights to inventions in Art. 33.

Such Subcontracts shall also contain those provisions of the Contract which are necessary to enable Contractor to fulfil its obligations in accordance with the Contract.

However, Company is only entitled to request copies showing provisions of price and payment, when Company shall compensate the Subcontract on a reimbursable basis.

ART. 8 LABOR FOR THE WORK

8.1 Appointment, transfer or replacement of personnel described as key personnel in Appendix D - Administration Requirements, shall be approved by Company. Approval shall not be unreasonably withheld.

Contractor shall at its own cost replace personnel who, in Company's reasonable opinion, conduct themselves in an improper manner or are unsuitable to perform their tasks.

8.2 Contractor shall at its own cost ensure that personnel performing parts of the Work offshore shall have previously passed a safety course and medical examinations, in accordance with the existing laws and regulations, unless the relevant public authorities have granted a dispensation.

ART. 9 MINERALS MANAGEMENT SERVICE (MMS) OBLIGATIONS

9.1 This project has been approved for Royalty Relief and those obligations to the Minerals Management Service ("MMS") to which the Company is committed relative to the Sunday Silence Field Development and related timing (i.e., Project Schedule) and cost control are of critical importance to the performance of the Work. Upon Company's request, Contractor shall assist Company in the honoring of those commitments. Where Contractor's assistance results in an impact on Contractor's Work, Contractor shall be entitled to submit a request for a Variation Order pursuant to Art. 12 through 16. Contractor's sole liability for any loss of royalty relief which is caused by Contractor's late performance of the Work shall be as set forth in Art. 24 and Art. 26.

ART. 10 QUALITY ASSURANCE

10.1 Contractor shall have an implemented and documented system for quality assurance in accordance with the requirements stated in Appendix D - Administration Requirements.

10.2 Company's Representative and personnel authorized by him shall, following reasonable notice, have the right to undertake quality audits and verification of Contractor's and any Subcontractors' quality assurance.

PART 3 PROGRESS OF THE WORK

ART. 11 CONTRACT SCHEDULE - DELAYED PROGRESS

11.1 Contractor shall perform the Work in accordance with Appendix C - Contract Schedule.

If Contractor should have cause to believe that the Work cannot be carried out in accordance with the milestones set out in the Contract Schedule, he shall within seven (7) Days notify Company accordingly.

11.2 If in Contractor's opinion the Work cannot be performed according to Appendix C - Contract Schedule, owing to circumstances for which Company is to indemnify him, the provisions in Art. 16 shall apply accordingly. A request for a Variation Order must be presented before the expiration of the time limits set forth in Art. 27.1 and 28.2, respectively.

11.3 If in Contractor's opinion the Work cannot be performed according to Appendix C - Contract Schedule, for reasons for which Contractor is responsible, he shall within seven (7) Days after notification according to Art. 11.1 communicate:

a) the cause of the delay,

b) its estimated effect on the Contract Schedule and other parts of the Work, and

c) the measures which Contractor considers appropriate to avoid, recover or limit the delay.

Company shall within seven (7) Days notify Contractor of its view of the information provided by Contractor in accordance with Art. 11.3 a), b) and c). Such notification shall not release Contractor from any of its obligations under Art. 11.1, Art. 24 or any other provisions of this Contract.

If the measures proposed or implemented by Contractor are insufficient to avoid or recover the delay, then Company may require Contractor to take measures considered necessary. If Contractor maintains that it has no obligation to implement the measures required by Company, the variation provisions provided in Art. 12 through 16 shall apply, accordingly.

PART 4 VARIATIONS AND CANCELLATION

ART. 12 RIGHT TO VARY THE WORK

12.1 Company has the right to order such Variations to the Work as in Company's opinion are desirable.

Variations may include an increase or decrease in the quantity, character, quality, kind or execution of the Work or any part thereof, as well as changes to the Contract Schedule.

Nevertheless, Company has no right to order Variation work which cumulatively exceeds that which the Parties could reasonably have expected when the Contract was entered into.

12.2 When Company orders a Variation to the Work to be performed, Contractor shall submit within seven (7) Days an estimate to Company, unless the Parties agree that it is unnecessary. Company may require the submission of such estimate prior to ordering Variation work to be performed. The estimate shall contain:

a) a description of the Variation work in question,

b) a detailed schedule for the execution of the Variation work showing the required resources and significant milestones.

c) the effect on the Contract Price, showing the rates used when preparing the estimate, and

d) the effect on the Contract Schedule, with documentation demonstrating such effect.

Company shall pay Contractor's necessary and documented costs for preparing the estimates required by Company. The provisions of Art. 12 through 15 shall apply, accordingly.

12.3 Contractor may propose a Variation to the Work in accordance with Art. 12.

According to the provisions in Art. 3.3, 4.3, 5.1, 6.1, 6.3, 7.2, 11.2, 18.3, 27.1 and 28.2 and any other applicable Articles, Contractor has the right to request variation in the Contract Price and/or the Contract Schedule.

ART. 13 EFFECTS OF A VARIATION TO THE WORK

13.1 All Contractor's obligations under the Contract also apply to Variations to the Work, unless otherwise agreed.

13.2 Unless otherwise agreed between the Parties, the price for Variations to the Work shall be determined according to the provisions set forth in Appendix B.

13.3 If the net effect of all Variations to the Work is such that the Contract Price becomes less than the original Contract Price, then Company shall increase the Contract Price by six percent (6%) of the difference.

13.4 The effects of Variation work on the Contract Schedule shall be agreed upon in the particular Variation Order for such work, on the basis of the accumulated net effect of a variation.

Subject to the limitations which follow from Art. 12.1, Company may require Contractor to undertake special measures to avoid Variation work having an effect on the Contract Schedule, or to limit delays as much as possible. The provisions in Art. 12 through 16 shall apply, accordingly.

13.5 A Variation to the Work caused by Contractor's defective performance of the Work and/or Contractor's delay in the Contract Schedule shall not entail any variations to the Contract Price or the Contract Schedule in favor of Contractor.

ART. 14 ISSUE OF VARIATION ORDERS

14.1 All Variations to the Work required in accordance with the provisions of Art. 12 and 13 shall be made by means of a Variation Order issued by Company in accordance with the provisions of this Article and Appendix D.

Company may also order Variations to the Work by means of a "drawing revision." In the context of Art. 14, 15 and 16, "drawing revision" means any change to Drawings or Specifications where the change is clearly identified and has been submitted to Contractor in accordance with such special procedures as are set forth in Appendix D - Administration Requirements.

14.2 A Variation Order shall be expressly identified as such and be issued on a prescribed form. It shall contain a complete description of the Variation work and the schedule for its execution, together with the effects on the Contract Price and the Contract Schedule, so far as practicable, and the effects, if any, on the provisions of the Contract. Such effects as are not recorded on the original Variation Order shall be recorded in an addendum to it.

ART. 15 CONSEQUENCES OF VARIATION ORDERS - DISPUTES ABOUT CONSEQUENCES

15.1 On receipt of a Variation Order or a "drawing revision" as described in Art. 14.1, Contractor shall implement it without undue delay, even if the effect of the Variation Order or "drawing revision" on the Contract Price, the Contract Schedule and other provisions of the Contract has not yet been agreed.

15.2 If the Parties agree that there is a Variation, but disagree as to the Variation's effect on the Contract Price, then Company shall pay Contractor provisional compensation

calculated in accordance with Appendix B. Payment shall be made in accordance with the provisions of Art. 20. The undisputed amount shall be due for payment 30 Days after Company receives the invoice.

Compensation paid for the Variation work for which there is a dispute as to the Variation's effect on the Contract Price shall be considered final unless, within six (6) months of the issue of the Variation Order by Company, Contractor has begun dispute resolution proceedings as provided for in Art. 37.2 or Company and Contractor agree on an alternate sum to provisional compensation paid by Company pursuant to Art. 15.2.

If a price for the Variation work is decided other than the compensation paid in accordance with the first paragraph of this Art. 15.2, interest shall be paid on the difference between the compensation paid and the final price and shall accrue at the rate of 10% per annum.

If Contractor has presented a request for a Variation Order which satisfies the conditions in the third paragraph of Art. 16.1, interest shall begin to be charged from the date when the work would have been paid for if it had been part of the Work, but no earlier than 30 Days after the presentation of the request for the Variation Order. Interest shall similarly accrue on amounts that are not disputed between the Parties. If Company issues a Variation Order without any previous request having been presented for the Variation work, interest shall begin to accrue from the due date according to the first paragraph.

15.3 If the Parties disagree as to the effect that a Variation Order will have on the Contract Schedule, then the views of both Parties shall be recorded on the Variation Order.

If Company requires implementation of the measures stated in Art. 13.4, to avoid or limit the delay which, in the opinion of Contractor, will result from a variation to the Contract Schedule, then the provisions of Art. 15.2 shall apply accordingly. Company shall in such case require such measures to be taken in accordance with the provisions of Art. 16 regarding disputed variations.

15.4 Neither Company's payment nor Contractor's implementation of a Variation Order or a "drawing revision" shall affect the Parties' possible claims for variations to the Contract Price or the Contract Schedule.

ART. 16 DISPUTE AS TO WHETHER A VARIATION TO THE WORK EXISTS - DISPUTED VARIATION ORDER

16.1 If Company requests performance of specific work which in Contractor's opinion is not part of its obligations under the Contract, then Contractor shall request Company to issue a Variation Order and shall, within seven (7) Days, prepare an estimate in accordance with Art. 12.2. In the case of a "drawing revision" as described in

Art. 14.1, this Art. 16.1 shall apply only if Contractor requests a variation in the Contract Price or Contract Schedule as a result of the revision.

If Contractor has not presented a request for a Variation Order within seven (7) Days after Company has requested the work to be performed, then Contractor loses the right to consider the work as Variation work in accordance with Art. 12.

A request for a Variation Order shall be presented by means of a prescribed form known as a Variation Order request, such form which is in Appendix D. It shall contain a specified description of the work the request relates to and the effects which in Contractor's opinion it will have on the Contract Schedule and the Contract Price.

If Contractor presents a request which, in substance; is a request for a Variation Order without using the above mentioned form, Company is entitled to treat the request as a request for a Variation Order. In that case, Contractor shall be informed in writing within seven (7) Days.

16.2 When Contractor has made a request within the time limit specified in Art. 16.1 and Company agrees with such request, Company shall, within fourteen (14) Days, issue a Variation Order in accordance with the provisions of Art. 14. If Company is of the opinion that the work referenced in Contractor's request for a Variation Order is a part of the Work, it shall be expressly recorded that the Variation Order is disputed ("Disputed Variation Order"). A Disputed Variation Order shall be expressly identified as such and shall be issued on a special form, which shall identify the work in dispute between the Parties and state Company's reason for regarding the Variation Order as disputed. Upon receiving a Disputed Variation Order, Contractor shall implement it within seven (7) Days.

16.3 If Contractor is of the opinion that it is entitled to a Variation to the Work because of delay, or actions by Company or extra measures, or other changes resulting from breach of Contract by Company, or from Force Majeure, the provisions of this Art. 16 shall apply accordingly. A request for a Variation Order must be made before the expiration of the time limits stated in Art. 27.1 and Art. 28.2, respectively.

ART. 17 CANCELLATION

17.1 Company may by written notice to Contractor cancel the Contract with the consequence that the performance of the Work ceases.

17.2 Following such cancellation, Company shall pay:

a) the unpaid balance due to Contractor for that part of the Work already performed.

b) all costs incurred by Contractor and its Subcontractors in connection with Materials and Services ordered prior to receipt of the notice of cancellation by Contractor, and compensation for work performed on such Materials prior to

the said date, provided that such costs are not covered by payment under Art. 17.2 a).

c) all necessary cancellation charges and administration costs incurred by Contractor in connection with the cancellation,

d) Contractor's and Subcontractors' other expenses directly attributable to an orderly closeout of the Contract, calculated as far as possible in accordance with the provisions of Art. 13.2.

Payment shall be made in accordance with the provisions of Art. 20.

17.3 In addition to the amounts stated in Art. 17.2, Company shall pay, within 30 Days after receiving an invoice, a cancellation fee equal to the lesser of:

a) 2% of the Contract Price, or

b) 4% of the part of the Contract Price which is not paid at the date of cancellation and which shall not be paid pursuant to Art. 17.2 a).

Company shall only be entitled to deduct from the cancellation fee such claims as have been presented to Contractor prior to the date of cancellation and have been accepted by Contractor.

17.4 Contractor shall, in accordance with Company's instructions, make its best efforts to cancel Subcontracts on terms acceptable to Company. If Company cannot accept the cancellation terms, then Contractor shall assign such Subcontracts to Company.

If Company cancels the Contract, all of Contractor warranty obligations on the Work not yet performed will cease and Contractor's Performance Guarantee shall be rendered null and void as to such uncompleted Work on the date of such cancellation, and such Performance Guarantee shall be returned to Contractor within 30 Days of such cancellation. However, all of Contractor warranty obligations and Contractor's Performance Guarantee as to all Work completed prior to the cancellation by Company shall remain in full force and effect subsequent to any such cancellation.

17.5 The Parties shall execute a Delivery Protocol stating each Party's view of the percentage of the Contract Object and the Work delivered and completed, calculated in accordance with the principles of progress measurement stated in the Contract. Company shall also issue a Completion Certificate which reflects the Delivery Protocol. The provisions of Art. 19 shall apply accordingly.

Contractor shall deliver copies of all plans, drawings, specifications and other documents which Company is entitled to use in accordance with Art. 32 and 33.

17.6 Company shall, at its own cost, remove the Contract Object, Materials and Company Provided Items from Contractor's Site.

If such removal is not done within 60 Days, then Contractor may, having first given notice to Company, remove them to a suitable location for storage at Company's cost and risk. Contractor shall, until the Contract Object, Materials and Company Provided Items have been removed, keep them in a safe manner at Company's cost and risk.

ART. 18 COMPANY'S RIGHT TEMPORARILY TO SUSPEND THE WORK

18.1 Company may temporarily suspend the performance of the Work, by giving notice to Contractor.

The notice shall specify which part of the Work shall be suspended, the effective date of the suspension and the expected date for resumption of the Work. Furthermore, it shall state the mobilization plan and any support functions which shall be maintained while the Work is suspended.

Contractor shall resume the Work after notification by Company. The date of resumption of the Work shall be determined with due consideration of the mobilization plan, and the support functions that have been maintained during the suspension.

18.2 Company shall compensate Contractor for all necessary expenses arising from:

a) demobilization of personnel and equipment,

b) safeguarding the Contract Object, Company Provided Items and related Materials and equipment,

c) personnel, Subcontractors and equipment which must be kept available in accordance with the mobilization plan,

d) moving the Contract Object, if necessary, so that it does not interfere unreasonably with Contractor's other activities, and

e) other expenses incurred by Contractor as a result of suspension of the Work.

Contractor's claim for work performed shall be calculated in accordance with Art. 13.2.

18.3 If suspension of the Work affects the Contract Schedule or if Contractor claims that it does, then the provisions of Art. 12 through 16 concerning variations to the Contract Schedule and the Contract Price shall apply accordingly.

PART 5 DELIVERY AND PAYMENT

ART. 19 DELIVERY AND COMPLETION OF THE WORK

19.1 The Delivery Date and delivery of the Contract Object shall occur when (i) the Parties jointly, upon Contractor's request, execute a Delivery Protocol in a form substantially

similar to that set forth in Appendix D, (ii) the Contract Object has been completed in all material respects and has passed the tests specified in the Contract, and (iii) the Contract Object is ready for tow.

The Delivery Protocol shall be executed even if minor parts of the Work remain incomplete, provided that such remaining parts do not have practical significance for the use of the Contract Object, or for later construction work to be performed by other contractors.

19.2 The Delivery Protocol shall be executed when the conditions set forth in Art. 19.1 have been met, provided that Contractor has requested the execution of such Delivery Protocol no earlier than 30 Days before and no later than two (2) Days before the proposed date of execution of such Delivery Protocol.

The Delivery Protocol shall contain a thorough list of any outstanding items of the Work, and information regarding when such items shall be complete. When the Parties disagree, both views shall be recorded in the Delivery Protocol.

The Delivery Protocol shall be dated and signed by both Parties.

19.3 Company shall issue the Completion Certificate for the Work, as defined by Appendix A, Scope of Work, on the date the Delivery Protocol is executed. The issuance by the Company of the Completion Certificate shall be expressly conditioned upon the satisfactory completion by the Contractor of the outstanding Work items as outlined in the Delivery Protocol. Further, the issuance of the Completion Certificate shall in no way relieve or release Contractor from its obligations to perform guarantee Work and/or Work yet to be completed under the terms of this Contract.

19.4 If the Contract requires parts of the Contract Object to be delivered progressively, then the provisions of Art. 19.1, 19.2 and 23 apply accordingly to deliveries of such parts; provided, however, that progressive delivery of parts of the Contract Object shall not act to extend the Guarantee Period set forth in Art. 23.2 and 23.3.

ART. 20 PAYMENT OF THE CONTRACT PRICE, INVOICING AND AUDIT

20.1 Company shall pay the Contract Price to Contractor within the time limits and in accordance with the provisions stated in this Article and elsewhere in the Contract. Company has no obligation to pay until Contractor has submitted a guarantee in accordance with Art. 21.

The Parties agree that, consistent with the agreed upon payment schedule and without reducing Company's duty to pay Contractor for all Work performed by Contractor, Company shall not be required to pay more than US$8 million in 1999 for the Work under this Contract, with the remainder of the amounts otherwise due to Contractor

for 1999 to be invoiced on or before January 1, 2000 and payable thereafter within 30 Days in accordance with Art. 20.3.

20.2 Unless otherwise prescribed in Appendix B - Compensation, the following provisions shall apply to invoicing:

a) The cut-off date for data-collection and invoicing for the Work is the last Sunday in each calendar month.

b) Within ten (10) Days of a cut-off date, Contractor shall submit to Company an invoice for the part of the Contract Price payable in respect of Work performed up to that cut-off date.

c) The invoice shall be prepared in accordance with the provisions of Appendix B - Compensation, and Art. 12 through 16. Documentation necessary for control of the invoiced amount shall be appended.

20.3 Company shall, within 30 Days after receipt of an invoice which satisfies the requirements in Art. 20.2, pay the undisputed amount due to Contractor according to the invoice. Unless otherwise provided for in the Contract, the following deductions may be made from the payment:

a) any previous payments on account to Contractor which relate to, or directly concern, the work covered by the invoice,

b) such parts of the invoiced amount as are insufficiently documented or otherwise disputed, provided Company, within ten (10) Days following receipt, specifies what documentation is considered insufficient and/or what the dispute concerns,

c) all amounts due to Company from Contractor, provided that Company is entitled to make such deductions in accordance with the Contract.

20.4 Within 90 Days after issue of the Completion Certificate, Contractor shall submit its proposal for the final account. The proposal shall contain a breakdown of the total compensation for the Work, including all claims to be made by Contractor, less any amounts due to Company. The proposal shall contain documentation relating to each item included in the breakdown.

Claims not included in the proposed final account cannot be submitted later by Contractor. This does not apply to compensation for Work performed after issue of the Completion Certificate.

Within 90 Days of receiving the proposed final account, Company must notify Contractor of any objections to the proposal. Company must state the grounds for its objections. If Company does not object within the time limit, Contractor's proposal shall be regarded as accepted.

20.5 Company is entitled to audit at Contractor's and its Subcontractor's premises all payments for reimbursable work to Contractor and its Subcontractors. Company's right to audit does not apply to a Subcontractor where the Subcontract entails minor purchases and limited use of hired labor.

Contractor may require the audit to be performed by a neutral auditor where he can show that there is a possibility of confidential information, or information which is not relevant for the purposes of the audit, being disclosed to the wrong parties.

Company is entitled to audit during the period of Contract and for up to 2 years after the end of the year of issue of the Completion Certificate.

Payment shall not affect Company's audit rights. If charges are proven incorrect, then a new account shall be prepared, whether or not this is in the favor of Contractor.

ART. 21 GUARANTEE

21.1 As soon as reasonably practicable following the Effective Date but in no event longer than 14 regular business days, Contractor shall cause Modec, Inc. and FMC Corp. to execute a guarantee of Contractor's obligations under the Contract, such guarantee to include material terms which are substantially similar to the material terms set forth in Appendix J - Contractor Parent Company Guarantee. Further, Contractor represents and warrants that Modec Inc. and FMC Corp. have agreed to and will execute such guarantee.

21.2 As soon as reasonably practicable following the Effective Date but in no event longer than 14 regular business days, Company shall cause Leviathan Gas Pipeline Partners L.P. to execute a guarantee of Company's obligations under the Contract, such guarantee to include material terms which are substantially similar to the material terms set forth in Appendix P - Company Parent Company Guarantee. Further, Company represents and warrants that Leviathan Gas Pipeline Partners L.P. have agreed to and will execute such guarantee.

21.3 The guarantees referenced in Art. 21.1 and 21.2 above shall be valid until the end of the Guarantee Period.

ART. 22 TITLE TO THE CONTRACT OBJECT-RIGHT TO DEMAND DELIVERY

22.1 Title to the Contract Object shall pass to Company progressively as the Work is performed and Contractor is compensated accordingly. Title to Materials passes to Company when Contractor is paid for such Materials by Company.

As soon as Materials and Company Provided Items arrive at a Site, Contractor shall mark them with an identification number and Company's name, and as far as possible, shall keep them separate from other items.

22.2 During the performance of the Work and on delivery and only with respect to payments which have been made by Company, Contractor agrees that the Contract Object, Materials and all other items owned by Company shall be free and clear of all liens, attachments, encumbrances and rights whatsoever, incurred prior to or concurrently with the performance and delivery of the Work to Company, other than those for which Company is responsible. Further, and subject to the restrictions in the preceding sentence, CONTRACTOR SHALL DEFEND, INDEMNIFY AND SAVE COMPANY HARMLESS FROM AND AGAINST ANY AND ALL LOSSES RESULTING DIRECTLY OR INDIRECTLY FROM SUCH LIENS AND/OR SIMILAR LEGAL PROCESS AND/OR ATTACHMENTS.

22.3 Subject to Art. 22.1, Company shall have the right to register its title to the Contract Object, Company Provided Items, Materials and the Contract. Contractor shall, at Company's cost and without undue delay, execute and deliver to Company such documents, and take such actions as Company requires to effect such registration, including ensuring, that title to deliveries by Subcontractors be so registered, if Company cannot do so itself.

22.4 If Contractor claims, based on nonpayment by Company of disputed amounts under the Contract, that Contractor is entitled to refuse to deliver the Contract Object, Materials, or other items to which Company claims it is entitled under the Contract, then Company may in all cases demand delivery and delivery shall be immediate in return for:

a) payment of the outstanding amount due to Contractor under the Contract, insofar as the amount is not in dispute, and

b) a guarantee issued by Company for any further amounts which Contractor maintains are due under the Contract, but which Company considers it has no obligation to pay.

ART. 23 CONTRACTOR GUARANTEE - ACCEPTANCE CERTIFICATE

23.1 With the execution of consumable items and excepting normal wear and tear, Contractor guarantees and warrants the performance of the Work. Contractor also guarantees and warrants that Materials delivered by it for incorporation into the Contract Object are new, and that any engineering performed by Contractor will be in accordance with the Drawings and Specifications and industry standards for the oil and gas industry. Contractor guarantees and warrants that all of its equipment is in good working order and condition, that all of Contractor's personnel are trained and capable of operating and shall operate such equipment and perform the Work in a safe and workmanlike manner.

Contractor hereby warrants and guarantees the Work to the extent that Contractor will repair or replace at Contractor's own expense, any defects in such workmanship. Contractor also guarantees and warrants that the Contract Object will conform during

the Guarantee Period to the Drawings and Specifications which are valid at the time of delivery (final documentation). This guarantee does not apply to Company Provided Items unless required by Art. 6.1 and 6.2.

Contractor's liability for defects covered by the guarantee shall be determined in. accordance with the provisions of Art. 25.

23.2 The Guarantee Period begins on the date of signing of the Delivery Protocol. It expires, unless otherwise extended pursuant to Art. 23.3, on the first occurring of the following times:

a) 15 months from the signing of the Delivery Protocol, or

b) 15 months from the date Company has taken over the Contract Object in accordance with the Contract, where the conditions for signing the Delivery Protocol in accordance with Art. 19.1 have not been fulfilled.

Notwithstanding the foregoing, Contractor shall provide an extended limited warranty for the FMC Spring Tensioners recommended for use by Contractor for the duration of the first installation or ten (10) years, whichever comes first. The warranty will cover design, workmanship and materials used in the Spring Tensioner. This warranty includes an annual inspection by the manufacturer's technician, replacement of all parts integral to the tensioner and all required maintenance. Additionally, if Company determines through the operational performance of the Spring Tensioners that the system does not functionally satisfy the design expectations and preinstallation test results, then subject to Art. 25.4, Contractor shall, at its option and its own cost, either repair the existing system back to a fully functional system, or remove and replace the entire system, at no cost to Company, with an alternate system that meets the operational requirements. Company shall have the opportunity to review and approve the installation and/or repair procedures, such approval which shall not be unreasonably withheld.

23.3 In case Contractor performs guarantee work during the Guarantee Period, he guarantees those parts of the Work affected by the guarantee work. This guarantee applies for 15 months after the date of completion of the guarantee work. The length of the guarantee for such parts of the Work shall, however, under no circumstances extend beyond 24 months after completion of the first guarantee work.

23.4 Contractor shall, to the maximum extent reasonably possible, obtain guarantees and warranties from its subcontractors, vendors and suppliers regarding all material manufactured and/or supplied by those parties and incorporated into, attached to, or in anyway affixed to or used in connection with the Work and the components of that material that (i) provide the same coverage as the guarantees and warranties given by Contractor in this Art. 23, (ii) are freely assignable to, or directly enforceable by, Company, and (iii) provide for prompt recovery, repairs, or replacement and

installation services for non-compliant items. Contractor shall assign such guarantees and warranties to Company and shall assist and cooperate fully with Company in seeking remedies thereunder, except that no provision of this Art. 23 shall obligate Contractor to join Company in litigation to enforce Company's or Contractor's rights under said supplier warranties. Assignment of any warranties and guarantees pursuant to this Art. 23.4 shall not limit, alter or waive any rights of Company under this Contract or otherwise modify the obligations of Contractor under this Contract.

Company shall be entitled to enforce the guarantees given by Subcontractors, where such guarantees are more beneficial to Company than Contractor's guarantee pursuant to this Article.

23.5 Company shall issue the Acceptance Certificate when all the Work, as defined by Appendix A - Scope of Work to this Contract and Appendix A - Scope of Work to the Installation Agreement, has been completed. Issuance of the Acceptance Certificate does not in any way relieve or release Contractor from obligations to perform guarantee work during the Guarantee Period pursuant to Art. 23.2.

23.6 Contractor hereby represents and warrants that all applicable materials, supplies and products, including but not limited to, equipment, software, hardware, microprocessing chips, other data processing devices and services, and parts and components thereof (collectively the "Products"), supplied or furnished by Contractor are and will be Year 2000 Compliant.

This representation and warranty shall survive until the earlier of 24 months or upon termination of this Contract. In the event that such warranty compliance requires the acquisition of additional Products, the expense for any such associated or additional acquisitions which may be required (including, without limitation, data conversion tools) shall be borne exclusively by Contractor.

23.7 The remedies provided in this Contract between Company and Contractor shall be exclusive and in lieu of any other remedies with respect to the subject matter available to the parties, and ANY IMPLIED WARRANTIES OF FITNESS FOR PURPOSE, MERCHANTABILITY AND OTHER IMPLIED OR STATUTORY REMEDIES (EXCLUDING WARRANTIES OF TITLE) WHICH ARE INCONSISTENT WITH THIS CONTRACT ARE EXPRESSLY WAIVED BY COMPANY. Contractor makes no other warranties, either express or implied thereof, except as expressly set forth in this Contract.

PART 6 BREACH OF CONTRACT

ART. 24 CONTRACTOR'S DELAY

24.1 Save what is stated in Art. 11 concerning delayed progress, delay occurs when Work prescribed in the Contract Schedule has not been completed in accordance with the Contract.

24.2 If: (a) a claim, demand or lawsuit is instituted by any Third Party against Company or Contractor based upon the design or specifications of the Contract Object, Materials or similar claims, and such claim, demand or lawsuit results in any deadline in the Progress Milestones or the Delivery Date as set forth on the Contract Schedule being missed, or

(b) the Work is delayed for reasons within Contractor's or Contractor Indemnified Parties' control causing any deadline in the Progress Milestones or the Delivery Date as set forth on the Contract Schedule to be missed,

then a default by Contractor shall be deemed to have occurred, and the following shall apply accordingly:

(i) in the event the September 30, 1999 Progress Milestone is missed, Contractor shall pay daily liquidated damages in the amount of 0.20% of the Contract Price per Day until the earlier of the Day the Work which should have been completed on or before such Progress Milestone is completed or until the maximum cumulative liability for liquidated damages has been paid in accordance with Art. 24.4;

(ii) in the event the March 1, 2001 Progress Milestone is missed, Contractor shall pay daily liquidated damages in the amount of 0.10% of the Contract Price per Day until the earlier of the Day the Work which should have been completed on or before such Progress Milestone is completed or until the maximum cumulative liability for liquidated damages has been paid in accordance with Art. 24.4.

24.3 If a default as described in Art. 24.2 has occurred and Company is subjected to a loss in whole or in part of royalty relief for the Sunday Silence project due to such breach, then within seven (7) Days of losing such royalty relief, Company shall elect to either: (1) waive any further payment of the liquidated damages imposed by Art. 24.2 against Contractor and continue to operate under the terms of the Contract, (ii) terminate the Contract without further assessment of damages, pay for and take immediate possession of any and all Materials, and pay Contractor for the Work completed prior to the time of the termination, or (iii) suspend Work pursuant to Art. 18.1 and 18.2, during which time no liquidated damages will be assessed against Contractor.

Further, if (a) a default has occurred pursuant to Art. 24.2(i), (b) Company has not lost the royalty relief in whole or in part for the Sunday Silence project, and (c) Company has not elected to terminate the Contract pursuant to Art. 24.3(ii), then if Contractor meets the March 1, 2001 Progress Milestone, an amount equal to the amount of liquidated damages previously paid by Contractor in accordance with

Art. 24.2(i) shall be reimbursed by Company to Contractor upon the completion of the Work and Company waives any night to assess any liquidated damages against Contractor under Art. 24.2(i).

24.4 Notwithstanding the above, Contractor's cumulative liability for liquidated damages under Art. 24.2 is limited to 10% of the Contract Price. The assessment of liquidated damages and the right to terminate as described in Art. 24 and 26 shall be Company's sole and exclusive remedy for late completion.

Accrued liquidated damages and the reimbursement of liquidated damages shall be settled in connection with the final account, in accordance with Art. 20.4.

24.5 Upon Contractor's reasonable request, Company shall be obligated to provide Contractor with verbal updates as to Company's communications and negotiations with the MMS regarding the royalty relief referenced in Art. 24.3. Additionally, Contractor may assist Company in such negotiations with the MMS.

24.6 In addition to the provisions of Art. 24.3, Company may terminate the Contract in accordance with Art. 26 due to delay. The provisions stated in Art. 11, Art. 24 and Art. 26 are Company's sole remedies against Contractor's delay.

ART. 25 CONTRACTOR'S DEFECTS AND GUARANTEE LIABILITY

25.1 If the Contract Object has a defect when delivered to Company, whether stated in the Delivery Protocol or not, or if a defect arises for which Contractor is liable under its guarantee in accordance with Art. 23, then Contractor is responsible for the defect in accordance with the provisions of this Article.

Notwithstanding the foregoing paragraph, Contractor is, however, liable for a defect only if Company has given notice of the defect, within 14 Days after having discovered the defect. Such notice must, in any case, have been given at the latest before the expiration of the Guarantee Period. If the notice concerns defects in guarantee work, then it must have been given before the expiration of the period set forth in Art. 23.3. All notices to Contractor under this Article shall be in writing.

The notice to Contractor shall contain a specific description of the defect.

25.2 When Contractor is responsible for a defect, it shall, at its own cost and within six (6) Days, rectify it, commence rectification, or submit a rectification plan to Company for Company's review and comment.

Contractor shall notify Company of which measures it intends to apply and the time schedule for rectification. Company shall notify Contractor of its views on the rectification plans without undue delay. Company shall not unreasonably prevent Contractor from performing the planned rectification.

25.3 If Contractor is unable to rectify a defect within the time schedule as originally agreed upon by the parties pursuant to Art. 25.2, then Company shall be entitled to rectify the defect itself or to engage a Third Party to do so. In such case, Contractor shall pay the necessary costs of rectification, provided Company acts in a reasonable manner. However, in no case shall the amount Contractor is obligated to pay be more than the sum of Contractor's good faith estimated amount it would have cost Contractor to rectify the defect plus 15%.

If in accordance with this Art. 25.3, the rectification work is performed by parties other than Contractor or if the work is left undone, Contractor shall not be obligated to guarantee such rectification work.

25.4 Contractor's liability for rectification work and for costs under Art. 25.3 is limited to 15% of the Contract Price, above which amount Company agrees to release and hold harmless Contractor.

Contractor is under no circumstances liable for costs relating to:

a) dismantling of other objects than the Contract Object to provide access to the Contract Object,

b) board and lodging offshore,

c) transport to, from and at the offshore location,

d) heavy lift operations offshore,

e) extra costs associated with guarantee work performed below the water line.

ART. 26 TERMINATION DUE TO CONTRACTOR'S BREACH OF CONTRACT

26.1 Company is entitled to terminate the Contract with immediate effect by notifying Contractor when:

a) Company has become entitled to be paid maximum liquidated damages in accordance with Art. Art. 24.2, or

b) Contractor is in material breach of a material provision of the Contract and has not agreed to implement reasonable actions to cure the breach within 14 Days, or

c) Contractor becomes insolvent or stops its payments, or

d) a default by Contractor pursuant to Art. 24.3 has occurred, subject to the limitations set forth in Art. 24.3.

26.2 Upon termination of the Contract, Company is entitled to take over from Contractor the Contract Object, Materials, Company Provided Items, Subcontracts, documents and other rights necessary to enable Company to complete the Contract Object, either by itself or with the help of others.

Company is entitled either by itself or with the assistance of any Third Party, to use Contractor's Site, equipment, tools, drawings, etc. as necessary to complete the Contract Object, provided such use is compensated for and is of a limited duration, and provided further that business secrets, know-how and other information which Company or such Third Party acquire shall be used only for completion of the Contract Object. The use of any Subcontractor site shall first require the consent of said Subcontractor.

Contractor is entitled to be paid for Work actually performed and for plant and equipment taken over by Company in accordance with the first paragraph of this Art. 26.2, less any amounts due from Contractor to Company.

26.3 When the Contract is terminated, Company shall also be entitled to enforce one or more of the following claims:

a) Company may claim damages for delay in the form of liquidated damages in accordance with the provisions of Art. 24.2; and

b) Company may claim damages for defects and other breaches of Contract, subject to the limitations set forth in Art. 25.4.

Notwithstanding anything to the contrary contained in this Contract, Contractor's total liability (under this Art. 26.3, Art. 24, Art. 25 and the responsibility for carrying out measures requested under Art. 11.4) shall in no circumstances exceed 25% of the Contract Price. Notwithstanding any other provision of this Contract to the contrary, such limitation of liability shall encompass all liabilities under such Articles, whether under contract at law, in equity or in admiralty.

26.4 In all cases where Company takes over the Work from Contractor, Contractor cannot guarantee proper completion and/or quality of the Work, and, therefore Contractor's warranty obligations cease with respect to any Work not completed at the point Company takes over the Work.

ART. 27 COMPANY'S BREACH OF CONTRACT

27.1 If Company is late in delivering Company Provided Items, Drawings, Specifications or access to installation site, or is in breach of any other material obligations under the Contract, then Contractor may be entitled to an adjustment of the Contract Schedule and/or the Contract Price in accordance with the provisions of Art. 12 through 16, as applicable. Such adjustment shall reflect the actual costs of the delay caused to Contractor by Company's breach of Contract.

Contractor has a corresponding right with respect to delay caused by defects, discrepancies and inconsistencies in Company Provided Items, Drawings or Specifications. Nevertheless, such adjustment shall not be made insofar as the delay is due to Contractor not fulfilling its obligations in accordance with Art. 6.

A Variation Order shall be issued in accordance with Art. 12 through 16 in respect of adjustments in the Contract Schedule, Contract Price and other consequences resulting from Company's breach of Contract. Contractor loses its right to request a Variation Order if it has not made such request within 30 Days after discovery of the breach of Contract.

27.2 Contractor is entitled to terminate the Contract with immediate effect by notifying Company when:

a) Company has failed to make payment of an undisputed amount to Contractor within 30 Days of such payment becoming due,

b) Company is in substantial breach of the Contract and has not agreed to implement reasonable actions to cure the breach within 14 Days, or

c) Company becomes insolvent.

PART 7 FORCE MAJEURE

ART. 28 EFFECTS OF FORCE MAJEURE

28.1 Except for Company's obligation to make payment in accordance with Art. 20, a Party shall not be considered to be in default in the performance of its obligations to the extent that it proves that such performance has been prevented by Force Majeure. The Party affected by Force Majeure shall give written notice to the other Party as soon as possible, but not later than seven (7) days after having been so affected. Failure to give this notice shall preclude such Party from claiming Force Majeure.

28.2 Within 14 Days after a Force Majeure condition affecting Contractor's ability to perform its operations hereunder has ended, Contractor shall present any claim for adjustment of the Delivery Date with particulars of such claim. Such proposal shall state additional time necessary for repairs and other remedies, or for remobilization of personnel and equipment, and measures by Contractor to accelerate performance of the affected portion of the Work, or otherwise to mitigate the effect of Force Majeure.

28.3 If Company claims a Force Majeure situation and as a result is prevented from delivering the Company Supplied Items or otherwise carrying out other of its obligations to Contractor, Contractor shall have the right to submit a request for a Variation Order pursuant to Art. 12 through 16 for such additional compensation and extension of the Delivery Date as Contractor can document it is entitled to by reason of Company's inability to carry out its obligations to Contractor.

28.4 The Party prevented from performing by the Force Majeure condition shall resume performance as soon as reasonably possible after the Force Majeure condition ceases.

28.5 If a Force Majeure situation lasts without interruption for 90 Days or more, then each Party shall have the right to cancel the Contract, by notice to the other Party. The provisions of Article 17.2, 17.4, 17.5 and 17.6 shall apply accordingly.

28.6 WHEN THE DELIVERY DATE WHICH WOULD HAVE APPLIED IN THE ABSENCE OF FORCE MAJEURE IS REACHED AND FORCE MAJEURE STILL CONTINUES, COMPANY IS ENTITLED TO DEMAND DELIVERY OF THE CONTRACT OBJECT. COMPANY SHALL, IN ADDITION, ISSUE A VARIATION ORDER IN ACCORDANCE WITH ART. 12 THROUGH 16, AS APPLICABLE.

28.7 A FAILURE OF THE PRODUCTS CAUSED BY OR CONTRIBUTED TO BECAUSE SUCH PRODUCTS IS NOT YEAR 2000 COMPLIANT AS DEFINED IN ART. 40 IN THIS CONTRACT IS NOT TO BE CONSIDERED AS A FORCE MAJEURE EVENT.

PART 8 LIABILITY AND INSURANCES

ART. 29 LOSS OF OR DAMAGE TO THE CONTRACT OBJECT OR COMPANY PROVIDED ITEMS

29.1 If loss of or damage to the Contract Object occurs between the start of the Work until the time when the Delivery Protocol has been signed or should have been signed in accordance with Art. 19.1 and 19.2, Contractor shall carry out necessary measures to ensure that the Work is completed in accordance with the Contract. The same applies if any loss of or damage to Materials or Company Provided Items occurs while they are at Site under any Contractor Indemnified Party's safekeeping and control.

CONTRACTOR'S OBLIGATION TO CARRY OUT MEASURES STATED HEREIN APPLIES REGARDLESS OF WHETHER NEGLIGENCE IN ANY FORM HAS BEEN SHOWN BY ANY COMPANY INDEMNIFIED PARTY. However, in the case of such negligence by a Company Indemnified Party, any and all schedule delays will be addressed in accordance with the Variation Order procedures in Art. 12 through 16.

29.2 Company agrees to procure and maintain during the period of the performance of the Work, a Builder's All Risk Insurance policy in accordance with Art. 31 covering all necessary repairs to or replacement of the Work and all Materials incorporated or to be incorporated therein. Company shall require its underwriters to name Contractor as co-insured under such policy and require its underwriters to waive all rights of subrogation against Contractor Indemnified Parties. Company shall assume liability and responsibility for any losses for which an exclusion applies. Company shall

deliver a certified copy of its Builder's All Risk Insurance to Contractor prior to the commencement of the Work.

29.3 Contractor shall be liable for the deductible associated with the Builder's All Risk Insurance referenced in Art. 29.2 up to a maximum as defined in Appendix I, above which amount Company shall be liable.

ART. 30 EXCLUSION OF LIABILITY - INDEMNIFICATION

30.1 Contractor Indemnity

CONTRACTOR RELEASES EACH COMPANY INDEMNIFIED PARTY FROM ANY LIABILITY TO CONTRACTOR FOR, AND CONTRACTOR WILL DEFEND, INDEMNIFY AND HOLD EACH COMPANY INDEMNIFIED PARTY HARMLESS FROM AND AGAINST, ALL LOSSES, BY WHOMEVER BROUGHT, BASED ON PERSONAL INJURY OR DEATH, WHENEVER OCCURRING, SUFFERED OR INCURRED BY ANY CONTRACTOR INDEMNIFIED PARTY ARISING FROM OR RELATED IN ANY WAY TO PERFORMANCE OF THE WORK OR CAUSED BY THE CONTRACT OBJECT HEREUNDER, REGARDLESS OF HOW SUCH PERSONAL INJURY OR DEATH IS CAUSED AND EVEN IF CAUSED BY THE NEGLIGENCE, WHETHER SOLE OR CONCURRENT OR ACTIVE OR PASSIVE, OR OTHER LEGAL FAULT, INCLUDING STRICT LIABILITY THE UNSEAWORTHINESS OF ANY VESSEL AND THE UNAIRWORTHINESS OF ANY AIRCRAFT AND INCLUDING PRE-EXISTING CONDITIONS, OF ANY COMPANY INDEMNIFIED PARTY.

CONTRACTOR RELEASES EACH COMPANY INDEMNIFIED PARTY FROM ANY LIABILITY TO CONTRACTOR FOR, AND CONTRACTOR WILL DEFEND, INDEMNIFY AND HOLD EACH COMPANY INDEMNIFIED PARTY HARMLESS FROM AND AGAINST, ALL LOSSES, BY WHOMEVER BROUGHT, BASED ON PROPERTY DAMAGE OR LOSS, WHENEVER OCCURRING, SUFFERED OR INCURRED BY EACH CONTRACTOR INDEMNIFIED PARTY ARISING FROM OR RELATED IN ANY WAY TO PERFORMANCE OF THE WORK OR THE CONTRACT OBJECT HEREUNDER, REGARDLESS OF HOW SUCH DAMAGE OR LOSS IS CAUSED AND EVEN IF CAUSED BY THE NEGLIGENCE, WHETHER SOLE OR CONCURRENT OR ACTIVE OR PASSIVE, OR OTHER LEGAL FAULT, INCLUDING STRICT LIABILITY, THE UNSEAWORTHINESS OF ANY VESSEL AND THE UNAIRWORTHINESS OF ANY AIRCRAFT AND INCLUDING PRE-EXISTING CONDITIONS, OF ANY COMPANY INDEMNIFIED PARTY; PROVIDED, HOWEVER, THAT CONTRACTOR'S INDEMNIFICATION OBLIGATIONS HEREUNDER SHALL NOT EXTEND TO ANY PORTION OF THE WORK FOR WHICH

COMPANY HAS EXPRESSLY ASSUMED THE RISK OF LOSS PURSUANT TO THIS AGREEMENT.

30.2 Company Indemnity

COMPANY RELEASES EACH CONTRACTOR INDEMNIFIED PARTY FROM ANY LIABILITY TO COMPANY FOR, AND COMPANY WILL DEFEND, INDEMNIFY AND HOLD EACH CONTRACTOR INDEMNIFIED PARTY HARMLESS FROM AND AGAINST, ALL LOSSES, BY WHOMEVER BROUGHT, BASED ON PERSONAL INJURY OR DEATH, WHENEVER OCCURRING, SUFFERED OR INCURRED BY ANY COMPANY INDEMNIFIED PARTY ARISING FROM OR RELATED IN ANY WAY TO PERFORMANCE OF THE WORK OR CAUSED BY THE CONTRACT OBJECT HEREUNDER, REGARDLESS OF HOW SUCH PERSONAL INJURY OR DEATH IS CAUSED AND EVEN IF CAUSED BY THE NEGLIGENCE, WHETHER SOLE OR CONCURRENT OR ACTIVE OR PASSIVE, OR OTHER LEGAL FAULT, INCLUDING STRICT LIABILITY THE UNSEAWORTHINESS OF ANY VESSEL AND THE UNAIRWORTHINESS OF ANY AIRCRAFT AND INCLUDING PRE-EXISTING CONDITIONS, OF ANY CONTRACTOR INDEMNIFIED PARTY.

COMPANY RELEASES EACH CONTRACTOR INDEMNIFIED PARTY FROM ANY LIABILITY TO COMPANY FOR, AND COMPANY WILL DEFEND, INDEMNIFY AND HOLD EACH CONTRACTOR INDEMNIFIED PARTY HARMLESS FROM AND AGAINST, ALL LOSSES, BY WHOMEVER BROUGHT, BASED ON PROPERTY DAMAGE OR LOSS, WHENEVER OCCURRING, SUFFERED OR INCURRED BY EACH COMPANY INDEMNIFIED PARTY ARISING FROM OR RELATED IN ANY WAY TO PERFORMANCE OF THE WORK OR THE CONTRACT OBJECT HEREUNDER, REGARDLESS OF HOW SUCH DAMAGE OR LOSS IS CAUSED AND EVEN IF CAUSED BY THE NEGLIGENCE, WHETHER SOLE OR CONCURRENT OR ACTIVE OR PASSIVE, OR OTHER LEGAL FAULT, INCLUDING STRICT LIABILITY, THE UNSEAWORTHINESS OF ANY VESSEL AND THE UNAIRWORTHINESS OF ANY AIRCRAFT AND INCLUDING PRE-EXISTING CONDITIONS, OF ANY CONTRACTOR INDEMNIFIED PARTY; PROVIDED, HOWEVER, THAT COMPANY'S INDEMNIFICATION OBLIGATIONS HEREUNDER SHALL NOT EXTEND TO ANY PORTION OF THE WORK FOR WHICH CONTRACTOR HAS EXPRESSLY ASSUMED THE RISK OF LOSS PURSUANT TO THIS AGREEMENT.

30.3 Third Parties

Until the issuance of the Acceptance Certificate, Contractor shall indemnify all Company Indemnified Parties from:

a) costs resulting from the requirements of public authorities in connection with the removal of wrecks, or pollution from vessels or other floating devices provided by Contractor Indemnified Parties for use in connection with the Work (subject to Art. 39), and

b) claims arising out of loss or damage suffered by anyone other than a Contractor Indemnified Party and a Company Indemnified Party in connection with the Work or caused by the Contract Object,

but only to the extent of Contractor Indemnified Parties' negligence or other fault attributable to Contractor Indemnified Parties.

Company shall indemnify Contractor Indemnified Parties from and against claims mentioned in the paragraph above, to the extent that they exceed the limitations of liability mentioned in Art. 30.4 below, regardless of any form of liability, whether strict liability or by negligence (including sole or concurrent or active or passive) in whatever form by Contractor Indemnified Parties.

After issue of the Acceptance Certificate, Company shall indemnify Contractor Indemnified Parties from and against any claims of the kind mentioned in Art. 30.3 a) and b) above, regardless of any form of liability, whether strict liability or by negligence (including sole or concurrent or active or passive) in whatever form by Contractor Indemnified Parties. Further, after issue of the Acceptance Certificate, Contractor shall be under no responsibility to insure against any risk or liabilities in relation to the Contract.

30.4 Limitations on Liability

Contractor's liability for loss or damage arising out of each incident as provided in Art. 30.1 through 30.3 shall be limited to US$1,000,000. However, this does not apply to Contractor's liability for loss or damage for each incident covered by insurances provided in accordance with Art. 31.2, where Contractor's liability extends to the sum recovered under the insurance for the loss of damage. In addition, Contractor should obtain Excess Liability Insurance serving to increase primary limits to other required coverages to US$24,000,000 per occurrence. The Excess Liability Insurance shall remain in force until issuance of the Acceptance Certificate.

30.5 Proprietary and Intellectual Property Indemnity and Related Matters

CONTRACTOR shall indemnify and hold each COMPANY INDEMNIFIED PARTY harmless from suits, claims or cause of actions resulting from infringement of an industrial property right in connection with the work, or any

COMPANY INDEMNIFIED PARTY'S use of the CONTRACT OBJECT. Industrial property rights include patent, trademark, copyright, unfair competition and trade secret rights.

CONTRACTOR shall be liable for any damages, including increased damages because of willful and/or intentional acts, an award of attorneys fees that includes the third party attorneys fees, and/or prejudgment interest, incurred by any COMPANY INDEMNIFIED PARTY as a result of a suit, claim or cause of action for infringement of any industrial property right of any third party, which claim or cause of action arises from the purchase or use of the work or CONTRACT OBJECT.

CONTRACTOR agrees to defend each COMPANY INDEMNIFIED PARTY and their privies against all suits, claims and causes of action for infringement by the work or CONTRACT OBJECT of the industrial property rights of any third party.

If a temporary, preliminary or a permanent injunction is obtained against any COMPANY INDEMNIFIED PARTY'S use of the work or CONTRACT OBJECT, or any portion thereof by reason of an infringement of an industrial property right, CONTRACTOR will, at its option and expense, use commercially reasonable effort to either

(i) Procure for any COMPANY INDEMNIFIED PARTY the right to continue using the work and CONTRACT OBJECT, or

(ii) Replace or modify for any COMPANY INDEMNIFIED PARTY the work and CONTRACT OBJECT or such infringing portion thereof so that it no longer infringes such industrial property right, so long as the utility or performance of the work and CONTRACT OBJECT is not adversely affected by such replacement or modification and the work and CONTRACT OBJECT continues to materially conform with the specifications of the work or CONTRACT OBJECT.

If COMPANY INDEMNIFIED PARTY is damaged as a result from non-use of the work or CONTRACT OBJECT purchased under this contract, where non-use results from a court order not to make or use the work or CONTRACT OBJECT as a result of a lawsuit brought by a third party for infringement by the work or CONTRACT OBJECT of an industrial property right, then COMPANY INDEMNIFIED PARTY shall be reimbursed from contractor for actual damages from said non-use incurred by COMPANY INDEMNIFIED PARTY up to a limit of $1,000,000.

CONTRACTOR shall also indemnify and hold each COMPANY INDEMNIFIED PARTY harmless for any claim, cause of action or suit, such as for trade and business torts, for use of the work or CONTRACT OBJECT

Under the contract which is caused in whole or part by CONTRACTOR, which is brought against a COMPANY INDEMNIFIED PARTY by a third party. CONTRACTOR shall defend and pay all costs and expenses in defending a claim, cause of action or suit for such dispute.

The provisions of this section on defense and indemnification shall survive the expiration of the term of this contract. The privileges and benefits enjoyed under this section on defense and indemnification shall inure to the benefit of COMPANY INDEMNIFIED PARTIES' privies, including a subsequent owner of an interest of any COMPANY INDEMNIFIED PARTY.

If it becomes necessary for COMPANY INDEMNIFIED PARTIES to enforce this indemnification provision against CONTRACTOR, CONTRACTOR shall pay for COMPANY INDEMNIFIED PARTIES' attorneys' fees, court costs, litigation expenses and any other costs or expenses associated with the enforcement action.

30.6 Notice of Claim

Whenever any claim shall arise for indemnification hereunder, the indemnified party shall promptly notify the indemnifying party of the claim and, when known, the facts constituting the basis for such claim, except that in the event of any claim for indemnification hereunder resulting from or in connection with any claim or legal proceedings by a Third Party, such notice shall specify, if known, the amount or an estimate of the amount of the liability arising therefrom.

The Parties shall give each other information and other assistance needed for handling the claim. Neither Party shall, without the consent of the other Party, approve of a claim which shall be indemnified, in whole or in part, by the other Party.

30.7 Consequential Damages

Notwithstanding anything to the contrary contained elsewhere in this Contract, no Company Indemnified Party or Contractor Indemnified Party shall be liable to any member of the other group for any consequential, incidental or indirect damages (whether liquidated or unliquidated), including, but not limited to, loss of use, loss of profit, loss of revenue, loss of product or production, reservoir damage, or loss of hole, damage due to blowout or cratering, whenever arising under this Contract or as a result of, relating to or in connection with the Work under the Contract and no claim shall be made by any Contract Indemnified Party Group or Company Indemnified Party against any member of the other group regardless of whether such claim is based or claimed to be based on negligence (including, sole, joint, active, passive, concurrent or gross negligence), unseaworthiness, unairworthiness, fault, breach of warranty, breach of agreement, statute, strict liability or otherwise.

Art. 31 INSURANCES

31.1 Company shall provide and maintain the insurances described below and in Appendix I - Company's Insurances, etc.

a) Builder's all risk insurance, or equivalent insurance, covering the Contract Object, Materials and Company Provided Items against physical loss or damage, in accordance with the insurance conditions.

b) Transport insurance covering the Contract Object, Materials and Company Provided Items against physical loss or damage during transportation, in accordance with the insurance conditions.

c) Liability insurance covering Company's liability under Art. 30.3 for claims arising from each accident.

Such insurance coverage shall be effective from the start of the Work and shall not expire until issue of the Acceptance Certificate.

The policies shall state that Company and Contractor are named insureds, and the insurers shall waive any right of subrogation against Contractor Indemnified Parties, but only to the extent of Contractor Indemnified Parties' obligations under this Contract.

31.2 Contractor shall, and shall cause each authorized subcontractor to, carry insurance as specified in Appendix O.

31.3 If one of the Parties fails to take out insurance according to its obligations of this Article, then the other Party is entitled to take out such insurance and claim a refund of the costs from the Party in default.

31.4 When any incident occurs for which coverage is granted under one of the Parties' insurance policies, the other Party shall notify that Party without undue delay, enclosing a description of the incident that gives rise to the insurance claim. When the Party whose insurance policy covers the claim, handles the claim, the other Party shall provide it with reasonable assistance, without claiming compensation.

31.5 Each Party shall support its mutual indemnity obligations with respect to injury or death of any Person or damage to or loss of property by liability insurance coverage in the amounts set forth herein.

PART 9 PROPRIETARY RIGHTS, ETC.

ART. 32 RIGHTS TO DOCUMENTS AND COMPUTER PROGRAMS

32.1 Documents and computer programs provided by Company to Contractor, or which are developed mainly on the basis of such documents and computer programs, shall

remain the exclusive property of Company. The same applies to all copies of the aforementioned documents and computer programs.

Such documents, computer programs or copies shall not be used by Contractor other than for the purpose of the Work. Such documents, computer programs or copies shall be returned to Company at the expiration of the Contract, unless otherwise agreed between Company and Contractor.

32.2 Documents and computer programs provided by Contractor to Company, or which are developed mainly on the basis of such documents and computer programs, including, but not limited to, technical data, design, drawings, plans, reports, specifications and other materials employed in the design, fabrication, assembly, installation and operation of the Work, shall remain the exclusive property of Contractor. The same applies to all copies of the aforementioned documents and computer programs.

Company shall be entitled to use such documents, computer programs and copies only in connection with the operation, repair, modification and maintenance of the Contract Object or Contractor supplied equipment, unless otherwise prescribed in Appendix K - Contractor's Proprietary Information.

32.3 All other documents, computer programs and copies thereof developed by Contractor or its Affiliate in connection with the Work shall be the property of Contractor.

Company shall be entitled to use such documents, computer programs and copies only in connection with the operation, repair, modification and maintenance of the Contract Object or Contractor supplied equipment, unless otherwise prescribed in Appendix K - Contractor's Proprietary Information.

32.4 The Parties shall ensure that all those who have access to such documents, computer programs and copies thereof as referenced in Art. 32.1 through 32.3 shall comply with the provisions of this Contract. Further, any Third Party to receive such documents shall be required by the Party disclosing the documents, prior to communication of the information, to execute a written covenant and confidentiality agreement with such Party on the same terms specified in this Art. 32 and in Art. 34.1.

ART. 33 INVENTIONS

33.1 Inventions made by Contractor during the performance of the Work shall be the property of Contractor. This does not apply, however, to inventions mainly based on technical information received from Company under Art. 32.1, which inventions shall be the exclusive property of Company.

Contractor shall notify Company of all inventions which shall be Company's exclusive property, and Contractor shall provide the necessary assistance to enable

Company to acquire the patents to the inventions. Company shall pay Contractor for all reasonable costs in connection with such assistance, including compensation to Contractor's employees or others, in accordance with applicable law or general agreements concerning compensation for inventions.

33.2 Company shall grant to Contractor an irrevocable, royalty-free, non-exclusive license to inventions which are Company's exclusive property in accordance with Art. 33.1.

33.3 Contractor shall grant to Company an irrevocable, royalty-free, non-exclusive license to all inventions which are under, or which prior to delivery of the Contract Object come under, Contractor's control, to the extent necessary for Contractor to perform the Work, or for the operation, maintenance, modification and repair of the Contract Object.

Contractor shall also grant to Company an irrevocable, royalty-free, non-exclusive license to inventions made by Contractor in connection with the Work and which are based on technical information from both Parties, without any of them providing the main part of such information. The license shall include a right to use the invention in construction of objects of whatever kind, provided, however, that the license under this paragraph shall at all times be restricted to operations where Company is an operator, and shall at no time include a right to sublicense.

Company shall also grant to Contractor an irrevocable, royalty-free, non-exclusive license to inventions made by Company in connection with the Work and which are based on technical information from both Parties, without any of them providing the main part of such information. The license shall include a right to use the invention in construction of objects of whatever kind, provided, however, that the license under this paragraph shall at no time include a right to sublicense.

ART. 34 CONFIDENTIAL INFORMATION

34.1 All information exchanged between the Parties shall be treated as confidential and shall not be disclosed to a Third Party without the other Party's written permission, unless such information:

a) may be disclosed to a Third Party in accordance with Art. 32 and 33,

b) is already known to the party in question at the time the information was received,

c) is or becomes part of the public domain other than through a fault of a Company Indemnified Party or a Contractor Indemnified Party,

d) is rightfully received from a Third Party, without an obligation of confidentiality.

Each of the Parties may, however, use or disclose confidential information to a Third Party, to the extent necessary for the performance of and control of the Work and use of the Contract Object. In such cases the Parties, prior to disclosing the confidential information to the Third Party, shall ensure that the Third Party executes a written covenant and confidentiality agreement in accordance with Art. 32, 33 and 34, as such Articles are applicable to the confidential information being disclosed.

34.2 Contractor shall not publish information concerning the Work or the Contract without Company's written approval. This approval shall not unreasonably be withheld.

PART 10 OTHER PROVISIONS

ART. 35 ASSIGNMENT OF THE CONTRACT, ETC.

35.1 Company may assign its rights and obligations under the Contract to a Third Party, provided that Company can demonstrate that the assignee has the financial strength required to fulfil Company's obligations under the Contract. At Contractor's request, Company shall provide a guarantee satisfactory to Contractor of the Third Party's performance.

35.2 Contractor may not assign or mortgage the Contract, or a part or interest in it, to a Third Party without Company's written approval. Such approval is not required for an assignment or mortgage to a bank or other financial enterprise.

ART. 36 NOTICES

All notices, claims and other notification to be given in accordance with the provisions of the Contract shall be submitted in writing to the relevant Party's representative under Art. 3, with such address as given in Appendix D - Administration Requirements or as changed by notice.

ART. 37 UNITED STATES LAW AND DISPUTES

37.1 Choice of Law

THIS CONTRACT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND SHALL BE CONSTRUED, INTERPRETED AND GOVERNED BY AND ACCORDING TO, THE LAWS OF THE STATE OF TEXAS, EXCLUDING ANY CONFLICT OF LAWS PRINCIPLES WHICH, IF APPLIED, MIGHT PERMIT OR REQUIRE THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION. NON-EXCLUSIVE VENUE FOR ANY LEGAL PROCEEDING ARISING FROM OR RELATING TO THIS CONTRACT SHALL BE HOUSTON, HARRIS COUNTY, TEXAS.

37.2 Dispute Resolution

The Parties recognize that the amicable settlement of disputes is in their mutual best interests. As such, the Parties agree to promptly notify the other Party of any dispute and to engage in good faith consultations to resolve such a dispute. If such consultations do not resolve the dispute within 30 Days of notification thereof, the Parties agree to submit any dispute to consultations to resolve such a dispute. If such consultations do not resolve the dispute within 30 Days of notification thereof, the Parties agree to submit any dispute to consultations between the Chief Executive Officer of MODEC International LLC and the President, chief executive office or principal of the Company. If such consultations fail to resolve such a dispute within 30 Days, either Party may submit the matter to arbitration under American Arbitration Association Construction Industry Rules as presently in force. The number of arbitrators will be one. The arbitration will be conducted by one mutually agreed arbitrator (or in the absence of agreement, by an arbitrator appointed by the administering body for the arbitration). The arbitrator shall agree that time is of the essence in the rendering of a decision. The place of the arbitration shall be Houston, Texas and the arbitration shall be conducted in English. The arbitrator shall be empowered to order injunctive relief but shall not be empowered to award damages in excess of compensatory damages and each Party hereby irrevocably waives any right to recover such damages with respect to any dispute resolved by arbitration. The decision of the arbitrator will be final and binding upon each Party and may be enforced in any court of competent jurisdiction. The cost and expenses of any such arbitration, including the legal expenses of the prevailing Party, will be borne as determined by the arbitrator. Neither Party shall be excused from the performance of its obligations, alternative dispute resolution or litigation relating hereto. Notwithstanding this provision, nothing in this Contract shall preclude either Party from seeking injunctive relief from a court of competent jurisdiction to preserve the status quo during the pendency of the dispute nor shall either Party be precluded from seeking appropriate judicial relief to enforce or preserve separately available statutory rights.

All statutes of limitations which would otherwise apply to an action at law would apply to an action under this arbitration provision.

ART. 38 EQUAL EMPLOYMENT OPPORTUNITY PROVISIONS

In order to ensure compliance with the Equal Employment Opportunity provisions of Executive Orders 11246, 11375, 11598, 11141, and 11758, the Contractor agrees to and shall be bound by these provisions and all rules and regulations promulgated thereunder, and with all amendments and additions thereto.

Contractor shall be bound by and agrees to the following provisions as contained in Section 202 of Executive Order 11246, to wit:

(1) Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, age or national origin. The

Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be Limited to the following. Employment, upgrading, demotion, or transfer, recruitment or recruitment advertising, layoff or termination rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notice to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

(2) Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, age or national origin.

(3) Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or worker's representative of the Contractor's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) Contractor will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(5) Contractor will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the contracting agency and the Secretary of Labor for the purposes of investigation to ascertain compliance with such rules, regulations and orders.

6) In the event of the Contractor's noncompliance with the nondiscrimination clauses of this contract or with any such rules, regulations, or orders, this contract may be cancelled, terminated or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

7) Contractor will include the provisions of Sections I.A.(1) through I.A.(7) in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance: PROVIDED, HOWEVER, that in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

Contractor certifies that he does not maintain or provide for its employees any segregated facilities at any of its establishments, and that he does not permit its employees to perform their services at any locations, under this contract where segregated facilities are maintained. He certifies further that he will not maintain or provide for its employees any segregated facilities at any of its establishments, and that he will not permit location, under its control, where segregated facilities are maintained. Contractor agrees that a breach of this certification is a violation of the Equal Opportunity Clause in this contract. As used in this certification, the term "segregated facilities" means any waiting rooms, work areas, rest rooms and wash rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment area, transportation and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, creed, color, or national origin, because of habit, local custom or otherwise. He further agrees that (Except where he has obtained identical certifications from proposed subcontractors for specific time periods) he will obtain identical certifications from proposed subcontractors prior to the award of subcontractors exceeding $10,000 which are not exempt from the provisions of Equal Opportunity Clause; that he will retain such certifications in its files; and that he will forward the following notice to such proposed subcontractors (except where the proposed subcontractors have submitted identical certifications for specific time periods):

NOTICE TO PROSPECTIVE SUBCONTRACTORS OF REQUIREMENT FOR CERTIFICATIONS ON NONSEGREGATED FACILITIES

A Certification of Nonsegregated Facilities as required by the May 9, 1965, order on Elimination of Segregated Facilities, by the Secretary of Labor 932 Fed. Reg. 7439, May 19, 1967), must be submitted prior to the award of a subcontract exceeding $10,000 which is not exempt from the provisions of the Equal Opportunity Clause. The Certification may be submitted either for each subcontract or for all subcontracts during a period (i.e., quarterly, semiannually, or annually). (1968 MAR.) (Note: The penalty for making false statements in offers is prescribed in 18 U.S.C. Section 1001.)

ART. 39 POLLUTION CONTROL AND RESPONSIBILITY

39.1 During the performance of the Work under this Contract, the responsibility of Company and the Contractor for control and removal of pollution or contaminations shall be defined as follows:

39.2 Conduct of Operations

Each Contractor Indemnified Party shall exercise all reasonable diligence to conduct its operations in a manner that will prevent pollution and each Contractor Indemnified Party shall comply with all applicable laws, ordinances, rules, regulations and lease or contract provisions regarding pollution, including without limitation those of the U.S. Coast Guard, U.S. Army Corps of Engineers, U.S. Geological Survey, and U.S. Department of Interior. No Contractor Indemnified Party shall permit trash, waste oil, bilge water, or other pollutants to be discharged or to escape into the sea. Each Contractor Indemnified Party will take reasonable measures to instruct its personnel in such matters and to prevent such pollution and will clean up such pollution caused by it in the course of operations relating to this Contract. Contractor shall provide Company with a copy of all environmental response plans covering work conducted hereunder prior to commencement of such work. It is not intended hereby to limit or conflict with the responsibilities of Company and Contractor as further defined within this Exhibit.

39.3 Contractor's Responsibilities

Contractor shall assume all responsibility for, including control and removal of, and release, indemnify and hold each Company Indemnified Party harmless against and from loss, cost or damage arising from pollution or contamination:

(1) Which originates above the surface of the land or water:

(a) from spills or leaks of fuels, lubricants, motor oil, pipe dope, paints, solvents, ballasts, bilge, garbage, sewerage, and other materials exclusive of those covered by subpart (b) below, in each Contractor Indemnified Party's possession and control, WHETHER CAUSED OR BROUGHT ABOUT BY ANY COMPANY INDEMNIFIED PARTY'S NEGLIGENCE (INCLUDING ACTIVE, PASSIVE, SOLE, JOINT OR CONCURRENT NEGLIGENCE) OR ANY OTHER THEORY OF LEGAL LIABILITY, INCLUDING STRICT LIABILITY, THE UNSEAWORTHINESS OF ANY VESSEL AND THE UNAIRWORTHINESS OF ANY AIRCRAFT AND INCLUDING PRE-EXISTING CONDITIONS.

(b) from spills, leaks or dumping of oil emulsion, oil base or chemically treated drilling fluids, contaminated cuttings and lost circulation and fish recovery materials and fluids, when said materials are in each

Contractor Indemnified Party's possession, although their use or disposition may be at Company's direction, and such spill, leak or dumping is a result of any Contractor Indemnified Party's acts or omissions;

(2) Resulting from fire, blowout, cratering, seepage, or any other uncontrolled flow, from surface or subsurface, of oil, gas or water from wells during the conduct of operations hereunder when caused by any Contractor Indemnified Party's acts or omissions, but only up to and not in excess of the first $500,000 per occurrence of such loss, cost or damage;

(3) Resulting from leaking or other uncontrolled flow of oil, gas or water from pipelines, including lines on or in submerged lands, ruptured or damaged by any Contractor Indemnified Party's rig, barge, anchors or other equipment, or by any Contractor Indemnified Party's operations, when such rupture or damage is caused by any Contractor Indemnified Party's acts or omissions, but only up to and not in excess of the first $500,000 per occurrence of such loss, cost or damage.

39.4 Company's Responsibilities

Company shall assume all responsibility for, including control and removal of, and release, indemnify and hold each Contractor Indemnified Party harmless against and from loss, cost or damage arising from pollution or contamination:

(1) Resulting from fire, blowout, cratering, seepage, or any other uncontrolled flow of oil, gas or water from wells during the conduct of operations hereunder when not resulting from any Contractor Indemnified Party's acts or omissions and, excluding the first $500,000 per occurrence of such loss, cost or damage, WHETHER CAUSED OR BROUGHT ABOUT BY ANY CONTRACTOR INDEMNIFIED PARTY'S NEGLIGENCE (INCLUDING ACTIVE, PASSIVE, SOLE, JOINT OR CONCURRENT NEGLIGENCE) OR ANY OTHER THEORY OF LEGAL LIABILITY, INCLUDING STRICT LIABILITY, THE UNSEAWORTHINESS OF ANY VESSEL AND THE UNAIRWORTHINESS OF ANY AIRCRAFT AND INCLUDING PRE-EXISTING CONDITIONS.

(2) Resulting, except as provided in Art. 39.3(1)(b) above, from possession, use or disposition of oil emulsion, oil base or chemically treated drilling fluids, contaminated cuttings, lost circulation, fish recovery materials and fluids, including such possession, use or disposition by any Company Indemnified Party;

(3) Resulting from leakage or other uncontrolled flow of oil, gas or water from pipelines, including lines on or in submerged lands, ruptured or damaged by Contractor Indemnified Party's barge, anchors, or other equipment, or by

Contractor Indemnified Party's operations, when such rupture or damage is not caused by Contractor Indemnified Party's acts or omissions, and excluding the first $500,000 per occurrence of such loss, cost or damage, WHETHER CAUSED OR BROUGHT ABOUT BY ANY CONTRACTOR INDEMNIFIED PARTY'S NEGLIGENCE (INCLUDING ACTIVE, PASSIVE, SOLE, JOINT OR CONCURRENT NEGLIGENCE) OR ANY OTHER THEORY OF LEGAL LIABILITY, INCLUDING STRICT LIABILITY, THE UNSEAWORTHINESS OF ANY VESSEL AND THE UNAIRWORTHINESS OF ANY AIRCRAFT AND INCLUDING PRE-EXISTING CONDITIONS.

39.5 Agreement

Without relieving Contractor of any of its obligations above provided, it is agreed that Company may take part to any degree it deems necessary in the control and removal of any pollution or contamination which is the responsibility of Contractor under the foregoing provisions; and Contractor shall reimburse Company for the cost thereof, subject to any limitations above provided, upon the receipt of billing therefor from Company.

ART. 40 YEAR 2000 WARRANTY

40.1 Contractor hereby represents and warrants to Company that all Products are and will be Year 2000 Compliant.

40.2 This representation and warranty shall survive until the earlier of 24 months or upon termination of this Contract. In the event that such warranty compliance requires the acquisition of additional Products, the expense for any such associated or additional acquisitions which may be required (including, without limitation, data conversion tools) shall be borne exclusively by supplier.

As used herein, "Year 2000 Compliant" means the Product will:

A. function without interruption or human intervention with four-digit year processing on all Date Data, including errors or interruptions from functions which may involve Date Data from more than one century or leap years, regardless of the date of processing or date of Date Data ("Date Data" means any data, input, or output which includes an indication of date);

B. provide results from any operation accurately reflecting any Date Data used in the operation performed, with output in any form, except graphics, having four-digit years;

C. accept two-digit year Date Data in a manner that resolves any ambiguities as to century in a defined manner; and

D. provide data interchange in the ISO 8601:1988 standard of CCYYMMDD

40.3 This warranty shall apply to all Products delivered by supplier now or in the future, including all bug fixes, patches, updates, enhancements, new development, or other software, equipment or documentation. A Product (as such term is defined herein) failure caused by or contributed to be because such Product is not Year 2000 Compliant, as defined above, is not a Force Majeure event.

ART. 41 MISCELLANEOUS

41.1 Taxes

Any duties or tariffs or state or county sales, use or ad valorem taxes which become payable to any authority as a consequence of the performance of the Work shall be paid by Company and Company shall provide Contractor a sales tax exemption certificate; however, Contractor agrees to PROTECT AND KEEP COMPANY SAFE AND HARMLESS against all taxes and fines, penalties, and interest thereon assessed or levied against or on account of the Work related to wages, salaries, or other benefits paid to Contractor's employees or employees of Contractor's subcontractors. Contractor will promptly forward all tax assessments and similar statements or notices to Company for which Company is responsible.

41.2 Effective Date

The effective date of this Contract shall be the date on which this Contract is fully executed by authorized signatories of each of the Parties.

41.3 Amendments

This Contract may not be amended, nor any provision hereof waived, except by a written amendment executed with the same formality as this Contract and executed by duly authorized representatives of the respective Parties.

41.4 Entire Agreement

This Contract constitutes the sole and only agreement of the Parties and supersedes any prior understandings or written or oral agreements between the Parties respecting the within subject matter. No agent, employee or representative of Company has any authority to bind Company to any affirmation, representation or warranty outside of, or in conflict with, the stated terms of this Contract, and Contractor hereby stipulates that it has not relied and will not rely on such an affirmation, representation or warranty.

41.5 Counterparts

This Contract may be executed in multiple counterparts, each of which, when executed, shall be deemed an original, and all of which shall constitute but one and the same instrument.

41.6 Further Assurances

Subject to the terms and conditions set forth in this Contract, each of the Parties agrees to use all reasonable efforts to take, or to cause to be taken, all actions, and to do, or to cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Contract. In case, at any time after the execution of this Contract, any further action is necessary or desirable to carry out its purposes, the proper officers or directors of the Parties shall take or cause to be taken all such necessary action.

41.7 Severability

Any term or provision of this Contract that is invalid or unenforceable in any jurisdiction shall be ineffective as to such jurisdiction, to the extent of such invalidity or unenforceability, without rendering invalid or unenforceable the remaining terms and provisions of this Contract or affecting the validity or enforceability of any terms and provisions of this Contract in any other jurisdiction. If any provision of this Contract is so broad as to be unenforceable, each provision shall be interpreted to be only so broad as is enforceable. A bankruptcy or similar trustee must accept or, to the extent permitted by law, reject this Contract in its entirety.

41.8 Waiver

Neither action taken (including, without limitation, any investigation by or on behalf of either Party) nor inaction pursuant to this Contract, shall be deemed to constitute a waiver of compliance with any representation, warranty, covenant or agreement contained herein by the Party not committing such action or inaction. A waiver by any Party of a particular right, including, without limitation, breach of any provision of this Contract, shall not operate or be construed as a subsequent waiver of that same right or a waiver of any other right.

41.9 No Third Party Beneficiaries

Except to the extent a third party is expressly given rights herein, any agreement herein contained, expressed or implied, shall be only for the benefit of the Parties and their respective legal representatives, successors, and assigns, and such agreements or assumption shall not inure to the benefit of any other Person whomsoever, it being the intention of the Parties that no Person shall be deemed a third party beneficiary of this Contract except to the extent a third party is expressly given rights herein.

ART. 42 OPTION

42.1 For a period of 36 months from the Effective Date for the Sunday Silence unit, Contractor will execute projects and deliver the additional MOSE TI_P platforms to Company with all costs to Contractor, passed through to Company. Contractor will earn a discounted profit of 6% on the total contract value as its profit.

42.2 In addition, Company and Contractor will agree to mutually acceptable incentives and penalties to cost and schedule.

42.3 Contractor will negotiate option pricing for a second unit from its vendors and sub-contractors, on a component basis, when placing the purchase order/contract for scopes of work for the Sunday Silence unit. Contractor will make its best efforts to obtain this option pricing at about the same pricing level as the components for the first unit. To the extent possible, this option pricing will be valid for a period of 12 months from the date of purchase order or subcontract from Contractor, or longer if possible to obtain from the vendor/sub-contractor. Contractor wishes to highlight that approximately 80% of the total cost of the unit is from vendors and sub-contractors. This mechanism will allow the prices, by component, to be firmed up at least for the next 12 months at the low levels available in today's depressed market conditions.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, Contractor and Company have caused this Fabrication Agreement to be duly executed and delivered as of the date and year first above written.

COMPANY

DELOS OFFSHORE COMPANY, LLC.

/s/ JAMES H. LYTAL

James H. Lytal
President

CONTRACTOR

MODEC INTERNATIONAL LLC

/s/ K. MATAUNAGA

Name: K. MATAUNAGA

Title: PRESIDENT & CEO

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

1,000

3-MOS	
DEC-31-2000	
JAN-01-2000	
MAR-31-2000	
	8,146
	0
	9,691
	0
	0
	17,898
	544,807
	146,856
	610,688
	15,849
	502,000
	0
	2,984
	77,851
	119
610,688	
	5,792
	22,800
	1,072
	9,556
	0
	0
	11,380
	1,936
	(3)
	1,939
	0
	0
	0
	1,939
	(0.05)
	(0.05)

Not separately identified in the consolidated financial statements or accompanying notes thereto.
Represents basic and diluted net loss per unit allocated to limited partners.