PROSPECTUS

AUGUST 27, 1999

LEVIATHAN GAS PIPELINE PARTNERS, L.P.
LEVIATHAN FINANCE CORPORATION
$175,000,000

OFFER TO EXCHANGE ALL OUTSTANDING
10 3/8% SERIES A SENIOR SUBORDINATED NOTES DUE 2009

FOR

10 3/8% SERIES B SENIOR SUBORDINATED NOTES DUE 2009
THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933

We are offering to exchange all of our outstanding 10 3/8% Series A Senior Subordinated Notes due 2009 for our registered 10 3/8% Series B Senior Subordinated Notes due 2009. The Series A notes were issued on May 27, 1999. The terms of the Series B notes are substantially identical to the terms of the Series A notes, except that we have registered the Series B notes with the Securities and Exchange Commission. Because we have registered the Series B notes, in most circumstances, the Series B notes will not be subject to certain transfer restrictions and, accordingly, will not be entitled to registration rights. The Series A notes and Series B notes are collectively referred to in this prospectus as the "notes."

THE SERIES B NOTES:

- The Series B notes will mature on June 1, 2009.
- We will pay interest on the Series B notes semi-annually on June 1 and December 1 of each year beginning December 1, 1999 at the rate of 10 3/8% per annum.
- We may redeem the Series B notes at any time after June 1, 2004. Before June 1, 2002, we may redeem up to 33% of the notes with the proceeds of offerings of our equity. If we sell certain assets and do not reinvest the proceeds or repay senior indebtedness or if we experience specific kinds of changes of control, we must offer to purchase the notes.
- If we cannot make payments on the Series B notes when due, our guarantor subsidiaries, if any, must make them instead. Not all of our future subsidiaries will become guarantors of the notes.
- The Series B notes are unsecured obligations and subordinated to all of our and our guarantor subsidiaries' current indebtedness (other than trade payables) and future indebtedness (other than trade payables), unless the terms of that indebtedness expressly provide otherwise.

THE EXCHANGE OFFER:

- Subject to certain customary conditions, which we may waive, the exchange offer is not conditioned upon a minimum aggregate principal amount of Series A notes being tendered.
- Our offer to exchange Series A notes for Series B notes will be open until 5:00 p.m., New York City time, on September 27, 1999, unless we extend the expiration date.
- You should also carefully review the procedures for tendering the Series A notes beginning on page 82 of this prospectus.
- You may withdraw your tenders of Series A notes at any time prior to the expiration of the exchange offer, unless we have already accepted your Series A notes for exchange.
- If you fail to tender your Series A notes, you will continue to hold unregistered securities and your ability to transfer them could be adversely affected.
- The exchange of Series A notes for Series B notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes.

YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS BEGINNING ON PAGE 14 OF THIS PROSPECTUS BEFORE PARTICIPATING IN THE EXCHANGE OFFER.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS PROSPECTUS IS AUGUST 27, 1999

LEVIATHAN MAP

TABLE OF CONTENTS

You may not transfer or resell the Series B notes except as permitted under the Securities Act of 1933 and applicable state securities laws.

The information contained in this prospectus was obtained from us and other sources believed by us to be reliable.

You should rely only on the information contained in this document or any supplement and any information incorporated by reference in this document or any supplement. We have not authorized anyone to provide you with any information that is different. If you receive any unauthorized information, you must not rely on it. You should disregard anything we said in an earlier document that is inconsistent with what is in our prospectus.

You should not assume that the information in this document or any supplement or the information incorporated by reference in this document or any supplement is current as of any date other than the date on the front page of this prospectus. This document is not an offer to sell nor is it seeking an offer to buy these securities in any state or jurisdiction where the offer or sale is not permitted.

NOTICE TO NEW HAMPSHIRE RESIDENTS: Neither the fact that a registration statement or an application for a license has been filed under RSA 421-B with the state of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the state of New Hampshire constitutes a finding by the secretary of state that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that any exemption or exception is available for a security or a transaction means that the Secretary of State of New Hampshire has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client, any representation inconsistent with the provisions of this paragraph.

FORWARD-LOOKING STATEMENTS

This prospectus includes and incorporates by reference forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies.

These forward-looking statements are identified by their use of terms and phrases such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will," and similar terms and phrases, including references to assumptions. These statements are contained in the sections entitled "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and other sections of this prospectus and in the documents incorporated by reference in this prospectus.

These forward-looking statements involve risks and uncertainties that may cause our actual future activities and results of operations to be materially different from those suggested or described in this prospectus. These risks include the risks that are identified in this prospectus, which are primarily listed in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections. These risks are also specifically described in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future or otherwise. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities Exchange Commission under the Securities Exchange Act of 1934. You may read and copy any reports, statements or other information filed by us at the SEC's public reference room at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings with the SEC are also available to the public from commercial document retrieval services and at the SEC's web site at http://www.sec.gov.

We most recently have filed with the SEC the following documents:

- Annual Report on Form 10-K for the year ended December 31, 1998;

- Quarterly Report on Form 10-Q for the quarter ended March 31, 1999;

- Quarterly Report on Form 10-Q for the quarter ended June 30, 1999;

- Proxy Statement dated February 8, 1999 for Special Meeting of Unitholders held on March 5, 1999;

- Current Report on Form 8-K dated June 11, 1999; and

- Current Report on Form 8-K dated July 15, 1999, including amendments.

You may request a copy of any of these filings, at no cost, by writing or telephoning us at the following address or phone number:

Leviathan Gas Pipeline Partners, L.P.
El Paso Energy Building

1001 Louisiana Street, 26th Floor

Houston, Texas 77002
(713) 420-2131
Attention: Investor Relations

PROSPECTUS SUMMARY

This prospectus summary highlights some basic information from this prospectus to help you understand the exchange offer, including the terms of the Series B notes. It likely does not contain all the information that is important to you. You should carefully read this prospectus to understand fully the terms of the exchange offer (including the Series B notes), as well as the tax and other considerations that are important to you in making your investment decision. You should pay special attention to the "Risk Factors" section beginning on page 14 of this prospectus to determine whether the exchange offer and an investment in the Series B notes is appropriate for you. For purposes of this prospectus, unless the context otherwise indicates, when we refer to "us," "we," "our," "ours," "Leviathan" or the "partnership," we are describing ourselves, Leviathan Gas Pipeline Partners, L.P., together with our subsidiaries, including Leviathan Finance Corporation. In this prospectus, the term "Series A notes" refers to the 10 3/8% Series A Senior Subordinated Notes due 2009 that were issued on May 27, 1999. The term "Series B notes" refers to the 10 3/8% Series B Senior Subordinated Notes due 2009 that will be issued in the exchange offer.

THE EXCHANGE OFFER

On May 27, 1999, we completed the private offering of $175.0 million of 10 3/8% Series A Senior Subordinated Notes due 2009. We entered into a registration rights agreement with the initial purchasers in the private offering of the Series A notes in which we agreed, among other things, to deliver to you this prospectus and to complete this exchange offer within 180 days of the original issuance of the Series A notes. You are entitled to exchange in this exchange offer Series A notes that you hold for registered Series B notes with substantially identical terms. You should read the discussion under the headings "Summary of the Terms of the Exchange Offer" beginning on page 7, "Summary of the Terms of the Series B Notes" beginning on page 10, "The Exchange Offer" beginning on page 79 and "Description of Notes" beginning on page 88 for further information regarding the exchange offer and the Series B notes.

We believe that the Series B notes that will be issued in this exchange offer may be resold by you without compliance with the registration and prospectus delivery provisions of the Securities Act, subject to certain conditions.

THE COMPANY

We are Leviathan Gas Pipeline Partners, L.P., a Delaware master limited partnership which commenced operations in 1989 (through a predecessor company) and is listed on the New York Stock Exchange (NYSE: LEV). We are a provider of integrated energy services, including natural gas and oil gathering, transportation, midstream and other related services in the Gulf of Mexico. Either directly or through joint ventures, we own interests in nine operating pipeline systems, which extend approximately 1,500 miles and have a design capacity of 6.8 Bcf of natural gas and 400.0 Mbbls of oil per day. We also own interests in multi-purpose platforms; production handling, dehydration and other energy-related infrastructure facilities; as well as oil and natural gas properties. During 1998, on a pro forma basis after giving effect to the offering of the notes and the transactions described under the caption "The Transactions" in this prospectus, we had total revenues of $100.4 million and consolidated cash flow of $76.3 million, which includes non-recurring reductions estimated to total approximately $13.3 million associated with the termination of a compensation plan ($4.5 million) and curtailment of oil and natural gas production at our Viosca Knoll Block 817 (estimated to be $8.8 million). Excluding such reductions, consolidated cash flow would have been $89.6 million. During the six months ended June 30, 1999, on a pro forma basis, we had total revenues of $56.3 million and consolidated cash flow of $47.8 million.

Leviathan Gas Pipeline Company, our sole general partner, is a wholly owned indirect subsidiary of El Paso Energy Corporation (NYSE: EPG). El Paso Energy is a diversified energy holding company engaged, through its subsidiaries, in the interstate and intrastate transportation, gathering and processing of natural gas; the marketing of natural gas, power and other energy-related commodities; power generation; and the development and operation of energy infrastructure facilities worldwide. In 1998, El Paso Energy

paid approximately $422.0 million to acquire an effective 27.3% interest in us, including all of the general partner interests. In addition, in June 1999, El Paso Energy contributed to us a 49.0% interest in Viosca Knoll Gathering Company in exchange for $19.9 million in cash and $59.8 million in common units. The Viosca Knoll transaction increased El Paso Energy's effective ownership interest in us to 34.5% and is consistent with El Paso Energy's strategy to use us as its primary growth vehicle for future offshore gathering and transportation activities in the Gulf.

We have substantial assets in the Gulf, predominantly offshore Louisiana and Mississippi, which we believe are well-situated to maintain a stable base of operations and to provide growth opportunities by successfully competing for new production in our areas of service, especially those assets in the Deepwater (water depths greater than 1,500 feet), Flextrend (water depths of 600 to 1,500 feet) and subsalt regions. Either directly or through joint ventures, we own interests in:

- eight existing and one planned natural gas pipeline systems;
- an oil pipeline system;
- six strategically-located, multi-purpose platforms;
- production handling and dehydration facilities;
- four producing oil and natural gas properties; and
- a non-producing oil and natural gas property.

In addition, we have recently completed the construction of a wholly owned oil pipeline which we expect to become operational in the fourth quarter of 1999 and, with our joint venture partners, we are constructing two natural gas gathering systems.

In addition to our wholly owned assets and operations, we conduct a large portion of our business through joint ventures/strategic alliances, which we believe are ideally suited for Deepwater operations. We use joint ventures to reduce our capital requirements and risk exposure to individual projects, as well as to develop strategic relationships, realize synergies resulting from combining resources, and benefit from the assets, experience and resources of our partners. Generally, our partners are integrated or very large independent energy companies with substantial interests, operations and assets in the Gulf, including Coastal/ANR, KN Energy/NGPL, Marathon, Shell and Texaco.

Through our strategically-located network of wholly owned and joint venture pipelines and other facilities and businesses, we believe we provide customers with an efficient and cost effective midstream alternative. Today, we offer some customers a unique single point of contact through which they may access a wide range of integrated or independent midstream services, including gathering, transportation, production handling, dehydration and other services. We also provide producers operating in certain Deepwater and Flextrend areas with relatively low-cost access to numerous onshore long-haul pipelines and, accordingly, multiple end-use markets. Additionally, our specialized Deepwater experience and expertise allows us to provide economic operational solutions to producers' other offshore needs.

We plan to focus our Gulf operations on the high profit potential Deepwater, Flextrend and subsalt regions. Our pipeline and infrastructure network currently extends from the shoreline, through the Flextrend and up to and, in some areas, into the Deepwater. The location of some of our facilities in relation to properties currently being developed, as well as to the onshore long-haul pipelines which producers need in order to access the most attractive markets, should provide us with an economic advantage over some of our competitors. We believe more extensive Deepwater operations will permit us to enhance our financial stability and growth for many reasons, including the substantial reserves associated with Deepwater fields and the large capital commitments and longer-term view required by producers developing these regions. Accordingly, we believe that Deepwater projects are less sensitive to near-term hydrocarbon price cycles.

We formed Leviathan Finance Corporation for the sole purpose of co-issuing the notes described in this prospectus. Leviathan Finance has no material assets or operations.

INDUSTRY OVERVIEW

We believe that development and exploration activity in the Gulf will continue and that the Gulf will continue to be one of the most prolific producing regions in the U.S. Today, the Gulf accounts for approximately 20.3% and 25.6% of total U.S. production of oil and natural gas, respectively. Oil production from the Gulf is expected to increase from 1.3 MMbbls/d in 1998 to 1.8 MMbbls/d in 2003, according to industry sources. Production of natural gas is also expected to increase from 14.0 Bcf/d in 1998 to 16.6 Bcf/d in 2003. The principal source of this production growth is expected to be the Flextrend and Deepwater. Recent developments in oil and natural gas exploration and production techniques, such as 3-D seismic analysis, horizontal drilling, remote subsea completions via satellite templates and sea floor wellheads, and non-stationary surface production facilities, have substantially reduced finding, development and production costs, allowing operators to move into the Deepwater regions of the Gulf. By year-end 2003, production from deeper water fields is projected to account for 54.6% and 24.0% of the Gulf's oil and natural gas production, up from 35.6% and 13.4% in 1998.

We have pipelines, platforms and other infrastructure facilities strategically positioned throughout a large portion of the Flextrend area of the Gulf, offshore Louisiana and Mississippi and extending out to and, in some cases, into the Deepwater. Because of their location in relation to the way in which oil and natural gas development has occurred in the Gulf, we expect these assets to contribute significantly to the development of natural gas and oil in surrounding areas of the Flextrend and Deepwater. Historically, development of nascent Gulf regions has started with large pipelines positioned in a north/south direction connecting new, significant discoveries to existing shoreward infrastructure. Then, additional infrastructure has expanded laterally in an east/west direction to access reserves between the north/south pipelines. As additional infrastructure continues to be developed, previously uneconomic or less economic discoveries often become economic or more economic by sharing common facilities and the related costs. Along with the advances in exploration and development technology, we expect this process of lateral expansion, which has been continually repeated in the Gulf, to result in a continued and more complete development of the Flextrend and a more accelerated development of the Deepwater. Numerous major Deepwater discoveries have been announced by Unocal, Shell and other integrated or very large independent energy companies in recent years and such reserves are currently being developed. Recently, Unocal announced that its Mad Dog prospect, located offshore Louisiana in 6,700 feet of water and estimated to contain 400.0 MMbbls to 800.0 MMbbls of oil, could be the largest field ever discovered in the Gulf.

BUSINESS STRATEGY

Our business objective is to maintain and enhance our position as a provider of integrated energy services, to continue to enhance the quality of our cash flow, earnings and other financial results of operations and to provide additional growth opportunities by pursuing the following strategies:

- focus on high potential Deepwater operations, leveraging our existing assets and Deepwater knowledge and expertise;
- provide independent, multiple market access for the Deepwater, Flextrend and subsalt regions of the Gulf;
- offer a single source alternative for a complete range of midstream services;
- diversify our portfolio with respect to geography, projects, customers and services;
- share capital costs and risks through joint ventures/strategic alliances, principally with partners with substantial financial resources and strategic interests, assets and operations in the Gulf, especially in the Deepwater, Flextrend and subsalt regions;
- design new infrastructure projects based on long-term commitments of dedicated production and/or fixed payments, with the ability to expand capacity and service in the future to capture potential growth opportunities; and
- selectively invest in oil and natural gas properties associated with infrastructure opportunities.

RECENT DEVELOPMENTS

ALLEGHENY OIL PIPELINE

We recently completed construction of the Allegheny oil pipeline, a 100% owned crude oil pipeline which is 14 inches in diameter and 40 miles in length and which will connect the Allegheny Field in the Green Canyon area of the Gulf with the Poseidon oil pipeline at Ship Shoal Block 332. This new pipeline, which will have a daily capacity of more than 80.0 Mbbls/d, is scheduled to begin operating in the fourth quarter of 1999. We estimate the construction costs for the Allegheny oil pipeline to total approximately $29.0 million, $12.3 million of which was incurred prior to the offering of the Series A notes.

EWING BANK 958 UNIT

We believe our Ewing Bank 958 Unit development project, formerly known as the Sunday Silence Property, provides us with an opportunity to apply to the Deepwater area several strategies we have successfully implemented in the shallow and Flextrend areas. Similar to three other oil and natural gas properties we have developed, this project is associated with other independent infrastructure opportunities. Although the Ewing Bank 958 Unit development is a stand-alone project, we expect it to position us to play a significant role in the extension of pipeline, platform and other infrastructure facilities and service opportunities in this potential emerging Deepwater region. Currently, we anticipate building gathering extensions off of our Poseidon oil pipeline joint venture and our Manta Ray Offshore Gathering natural gas pipeline joint venture.

Pursuant to our current plan of development for the Ewing Bank 958 Unit, we are constructing a Moses Tension Leg Platform from which we would conduct all activities related to that development, including additional drilling, maintenance, and separation and handling operations. This platform is designed for use in water depths of up to 6,000 feet and will have production handling facilities with a throughput design capacity of 55.0 million cubic feet of natural gas per day and 25,000 barrels of oil per day.

To date there has been no production from the Ewing Bank 958 Unit. We currently own a 100% working interest in our Ewing Bank 958 Unit, which we purchased in October 1998 from a wholly owned, indirect subsidiary of El Paso Energy for $12.2 million. In addition to the initial discovery well drilled in 1994 and the two delineation wells drilled in 1994 and 1998, the Ewing Bank 958 Unit development program may require drilling up to five additional wells, depending on the level of actual production and other factors. As with many of our strategic assets, we continually evaluate various alternatives for the Ewing Bank 958 Unit and the related infrastructure to optimize the amount and quality of our cash flow. Given the size and nature of this project and the various strategic arrangements that might be available with a producer or another industry participant, we believe the Ewing Bank 958 Unit is well suited for a co-ownership, joint venture or other participatory arrangement. If we do not consummate such an arrangement, we may need to raise substantial amounts of additional capital to fund this development project.

NEMO PIPELINE

On August 10, 1999, we formed Nemo Gathering Company, LLC, a joint venture owned 66.1% by Tejas Offshore Pipeline, LLC, a subsidiary of Shell Oil Company, and 33.9% by us, to construct, own and operate a natural gas gathering system. The Nemo System will deliver natural gas production from the Shell-operated Brutus and Glider Deepwater development properties to another of our joint venture pipelines, the Manta Ray Offshore Gathering System. We expect the Nemo System to be placed in service in late 2001 at a total cost of approximately $36.0 million.

THE TRANSACTIONS

UTOS/HIOS/EAST BREAKS ACQUISITION

On June 30, 1999, we acquired 100.0% ownership of two companies from Natural Gas Pipeline Company of America, a subsidiary of KN Energy, Inc., for total consideration of approximately $51.0 million, which companies own a 20.0% membership interest in Western Gulf Holdings, L.L.C.

(which owns 100.0% of both High Island Offshore System, L.L.C. and East Breaks Gathering Company, L.L.C.) and a 33.3% partnership interest in U-T Offshore System. As a result, we now own 66.7% of UTOS and 60.0% of Western Gulf (and, thus, 60.0% of each of HIOS and East Breaks).

LEVIATHAN CREDIT FACILITY

Concurrently with the closing of the offering of the Series A notes, we amended our $375.0 million revolving credit facility to, among other things, extend the maturity from December 1999 to May 2002. As of August 9, 1999, we had $300.0 million outstanding under the revolving credit facility bearing interest at an average floating rate of 7.7% per annum. See "Description of Other Indebtedness -- Leviathan Credit Facility."

VIOSCA KNOLL TRANSACTION

Unitholders attending (in person or by proxy) our March 5, 1999 meeting overwhelmingly approved the Viosca Knoll transaction discussed in this prospectus. On June 1, 1999, after the closing of the offering of the Series A notes, we closed our acquisition of an additional 49.0% interest in Viosca Knoll Gathering Company from a subsidiary of El Paso Energy, which resulted in us owning 99.0% of Viosca Knoll with an option to purchase the remaining 1.0%. We paid El Paso Energy $79.7 million for the 49.0% interest, comprised of $19.9 million in cash and $59.8 million in common units.

Following the closing of the Viosca Knoll transaction, El Paso Energy's effective ownership interest in us is 34.5%. In addition, at the closing of the Viosca Knoll transaction, El Paso Energy contributed approximately $33.4 million in cash to Viosca Knoll, which equalled 50.0% of the principal amount outstanding under Viosca Knoll's credit facility, and we thereafter repaid and terminated that credit facility.

STRUCTURE AND MANAGEMENT OF LEVIATHAN

Leviathan Gas Pipeline Company, our sole general partner and an indirect wholly owned subsidiary of El Paso Energy, manages our activities and conducts our business. We and the general partner utilize the employees of, and management services provided by, El Paso Energy and its affiliates under a management agreement. The following chart depicts the ownership structure of Leviathan and certain of its affiliates after giving effect to the transactions described in this prospectus.

[CHART]

	OWNERSHIP	
- -Green Canyon	100.0%	
- -Tarpon	100.0%	
- -Viosca Knoll	99.0%	(3)
- -UTOS	66.7%	
- -HIOS	60.0%	
- -East Breaks	60.0%	
- -Stingray	50.0%	
- -Nemo	33.9%	
- -Manta Ray Offshore	25.7%	
- -Nautilus	25.7%	
- -Allegheny	100.0%	
- -Poseidon	36.0%	

	OWNERSHIP
- -Viosca Knoll Block 817	100.0%
- -East Cameron Block 373	100.0%
- -Ship Shoal Block 332	100.0%
- -South Timbalier Block 292	100.0%
- -Ship Shoal Block 331	100.0%
- -Garden Banks Block 72	50.0%
- -West Cameron Dehy	50.0%

	OWNERSHIP
- -Viosca Knoll Block 817	100.0%
- -Ewing Bank 958 Unit	100.0%
- -Garden Banks Block 72	50.0%
- -Garden Banks Block 117	50.0%
- -West Delta Block 35	38.0%

- ---

(1) Leviathan Gas Pipeline Company, an indirect wholly owned subsidiary of El Paso Energy, is our general partner. El Paso Energy's 34.5% effective interest in Leviathan includes a 1.0% general partner interest, a 32.5% limited partner interest comprised of approximately 9.0 million common units, and a 1.0% nonmanaging interest in substantially all of Leviathan's subsidiaries. The interest acquired in connection with the Viosca Knoll transaction is held by other El Paso Energy subsidiaries.

(2) Leviathan Finance, not shown in this ownership structure chart, was formed for the sole purpose of co-issuing the notes described herein. Leviathan Finance has no material assets or operations.

(3) Does not reflect the 1.0% interest in Viosca Knoll held by El Paso Energy. We have an option to acquire this remaining 1.0% from El Paso Energy, exercisable after June 1, 2000.

SUMMARY OF THE TERMS OF THE EXCHANGE OFFER

SECURITIES TO BE EXCHANGED.....	On May 27, 1999, we issued $175.0 million aggregate principal amount of Series A notes to the initial purchasers in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). The terms of the Series B notes and the Series A notes are substantially the same in all material respects, except that the Series B notes will be freely transferable by the holders except as otherwise provided in this prospectus. See "The Exchange Offer" beginning on page 79 and "Description of Notes" beginning on page 88 of this prospectus.
THE EXCHANGE OFFER.....	We are offering to exchange up to $175.0 million principal amount of the Series B notes for up to $175.0 million principal amount of the Series A notes. As of the date of this prospectus, Series A notes representing $175.0 million aggregate principal amount are outstanding. The Series B notes will evidence the same debt as the Series A notes, and the Series A notes and the Series B notes will be governed by the same indenture. The Series B notes are described in detail under the heading "Description of Notes" beginning on page 88 of this prospectus.
RESALE.....	We believe that you will be able to freely transfer the Series B notes without registration or any prospectus delivery requirement; however, in connection with a resale of any of their Series B notes, certain broker-dealers may be required to deliver copies of this prospectus and certain of our affiliates may have registration and prospectus delivery requirements.
EXPIRATION DATE.....	The exchange offer will expire at 5:00 p.m., New York City time, September 27, 1999 or a later date and time if we extend it (the "expiration date").
WITHDRAWAL.....	You may withdraw the tender of any Series A notes pursuant to the exchange offer at any time prior to the expiration date. We will return, as promptly as practicable after the expiration or termination of the exchange offer, any Series A notes not accepted for exchange for any reason without expense to you.
INTEREST ON THE SERIES B NOTES AND THE SERIES A NOTES.....	Interest on the Series B notes will accrue from the date of the original issuance of the Series A notes or from the date of the last payment of interest on the Series A notes, whichever is later. No additional interest will be paid on Series A notes tendered and accepted for exchange.
CONDITIONS TO THE EXCHANGE OFFER.....	The exchange offer is subject to certain customary conditions, certain of which may be waived by us. See "The Exchange Offer -- Conditions of the Exchange Offer" beginning on page 85 of this prospectus.

PROCEDURES FOR TENDERING SERIES A NOTES.....	If you wish to accept the exchange offer, you must complete, sign and date the accompanying letter of transmittal in accordance with the instructions in the letter of transmittal, and deliver the letter of transmittal, along with the Series A notes and any other required documentation, to the exchange agent. By executing the letter of transmittal, you will represent to us that, among other things: - any Series B notes you receive will be acquired in the ordinary course of business, - you have no arrangement with any person to participate in the distribution of the Series B notes, and - you are not an affiliate of ours or, if you are an affiliate, you will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable. - if you are a broker-dealer who is receiving Series B notes in exchange for Series A notes that you acquired as a result of market-making or other trading activities, you will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable. If you hold your Series A notes through the Depository Trust Company ("DTC") and wish to participate in the exchange offer, you may do so through the DTC's Automated Tender Offer Program. By participating in the exchange offer, you will agree to be bound by the letter of transmittal as though you had executed such letter of transmittal. We will accept for exchange any and all Series A notes which are properly tendered (and not withdrawn) in the exchange offer prior to the Expiration Date. The Series B notes issued pursuant to the exchange offer will be delivered promptly following the Expiration Date. See "The Exchange Offer -- Acceptance of Series A Notes for Exchange" beginning on page 81 of this prospectus.
EFFECT OF NOT TENDERING....	Series A notes that are not tendered or that are tendered but not accepted will, following the completion of the exchange offer, continue to be subject to the existing restrictions upon transfer thereof. We will have no further obligation to provide for the registration under the Securities Act of such Series A notes.
SPECIAL PROCEDURES FOR BENEFICIAL OWNERS.....	If you are a beneficial owner whose Series A notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and wish to tender such Series A notes in the exchange offer, please contact the registered holder as soon as possible and instruct them to tender on your behalf and comply with our instructions set forth elsewhere in this prospectus.
GUARANTEED DELIVERY PROCEDURES.....	If you wish to tender your Series A notes, you may, in certain instances, do so according to the guaranteed delivery procedures set forth elsewhere in this prospectus under "The Exchange Offer --

	Procedures for Tendering Series A Notes -- Guaranteed Delivery" beginning on page 82 of this prospectus.
REGISTRATION RIGHTS AGREEMENT.....	We sold the Series A notes on May 27, 1999, to the initial purchasers in a private placement in reliance on Rule 144A and Regulation S under the Securities Act. In connection with the sale, we entered into a registration rights agreement with the initial purchasers which grants the holders of the Series A notes certain exchange and registration rights. Except to the extent a holder of the notes is an initial purchaser or a broker-dealer that acquired the Series A notes in a market-making or other trading transaction and has provided us with timely notice, this exchange offer satisfies those rights, which terminate upon consummation of the exchange offer. You will not be entitled to any exchange or registration rights with respect to the Series B notes. For additional information see "Series A Notes Registration Rights" beginning on page 131 of this prospectus.
CERTAIN FEDERAL INCOME TAX CONSIDERATIONS.....	We believe the exchange of Series A notes for Series B notes pursuant to the exchange offer will not constitute a sale or an exchange for federal income tax purposes. See "Certain United States Federal Income Tax Considerations" beginning on page 141 of this prospectus.
USE OF PROCEEDS.....	We will not receive any proceeds from the exchange of notes pursuant to the exchange offer.
EXCHANGE AGENT.....	We have appointed Chase Bank of Texas, N.A. as the exchange agent for the exchange offer. The mailing address and telephone number of the exchange agent are Chase Bank of Texas, N.A., Corporate Trust Operations, Attn: Frank Ivins, P.O. Box 2320, Dallas, Texas 75221-2320, telephone 1-800-275-2048. See "The Exchange Offer -- Exchange Agent" beginning on page 87 of this prospectus.

SUMMARY OF THE TERMS OF THE SERIES B NOTES

The form and terms of the Series B notes are substantially the same as the form and terms of the Series A notes, except that the Series B notes are registered under the Securities Act. As a result, the holders of Series B notes (other than certain broker-dealers) will not have registration rights and liquidated damages rights similar to holders of the Series A notes. Except to the extent held by certain broker-dealers, the Series B notes will not bear legends restricting their transfer.

THE ISSUERS.....	Leviathan Gas Pipeline Partners, L.P. and Leviathan Finance Corporation.
SECURITIES OFFERED.....	$175.0 million aggregate principal amount of 10 3/8% Series B Senior Subordinated Notes due 2009.
MATURITY DATE.....	June 1, 2009.
INTEREST PAYMENT DATES.....	June 1 and December 1 of each year, beginning December 1, 1999.
OPTIONAL REDEMPTION.....	On or after June 1, 2004, we may redeem some or all of the notes at any time at the redemption prices listed in the section "Description of Notes -- Optional Redemption" on page 92 of this prospectus. Before June 1, 2002, we may redeem up to 33% of the original principal amount of the notes with the proceeds of equity offerings by us at the price listed in the section "Description of Notes -- Optional Redemption" on page 92 of this prospectus, provided that at least 67% of the original issue remains outstanding.
MANDATORY OFFER TO REPURCHASE.....	If we sell certain assets and do not reinvest the proceeds or repay senior indebtedness or if we experience specific kinds of changes of control, we must offer to repurchase the notes at the prices listed in the section "Description of Notes -- Repurchase at the Option of Holders" on page 93 of this prospectus.
SUBSIDIARY GUARANTEES.....	Each of our existing subsidiaries will guarantee the notes initially and so long as such subsidiary guarantees our senior debt. Not all of our future subsidiaries will have to become a guarantor. If we cannot make payments on the notes when they are due, the guarantor subsidiaries, if any, must make them instead. See "Description of Notes -- The Guarantees" on page 91 of this prospectus.
RANKING.....	The notes and subsidiary guarantees are senior subordinated indebtedness. They rank behind all of our and our guarantor subsidiaries' current and future indebtedness (other than trade payables and certain other liabilities), except indebtedness that expressly provides that it is not senior to these notes and the subsidiary guarantees. See "Description of Notes -- Subordination" on page 90 of this prospectus. Assuming we had completed the exchange offering of the Series B notes on August 9, 1999, the notes (including the Series B notes) and the subsidiary guarantees: - would have been subordinated to $300.0 million of senior indebtedness; - would have ranked equally with all other liabilities and trade debt of Leviathan or any subsidiary which is a subsidiary guarantor; and

- would have ranked senior to all junior subordinated indebtedness, of which there was none.

CERTAIN COVENANTS..... We will issue the Series B notes, and we issued the Series A notes, under an indenture with Chase Bank of Texas, National Association, as trustee. The indenture will, among other things, restrict our ability and the ability of our subsidiaries to:

- borrow money;
- pay distributions or dividends on equity or purchase equity;
- make investments;
- use assets as security in other transactions;
- enter into sale and lease-back transactions;
- sell certain assets or merge with or into other companies;
- engage in transactions with affiliates; and
- engage in unrelated businesses.

For more details, see the heading "Description of Notes -- Certain Covenants" on page 96 of this prospectus.

REGISTERED EXCHANGE OFFER AND REGISTRATION RIGHTS.... We have agreed to:

- file a registration statement within 60 days after the closing date of the offering of the Series A notes for an offer to exchange those notes for debt securities with identical terms (except for transfer restrictions);
- use our best efforts to cause the registration statement to become effective within 150 days after the closing date of the offering of the Series A notes; and
- complete the registered exchange offer within 180 days after the closing date of the offering of the Series A notes.

Except to the extent we receive notice from any holder of the notes that is a broker-dealer that acquired the Series A notes in market-making or other trading transactions or is an initial purchaser of the Series A notes, the consummation of this exchange offer satisfies our registration obligations described above.

RISK FACTORS

You should carefully consider the discussion of risks beginning on page 14 and the other information included in this prospectus prior to exchanging your Series A notes for Series B notes.

SUMMARY HISTORICAL AND PRO FORMA
CONSOLIDATED FINANCIAL DATA

The historical financial data for each of the three years ended December 31, 1996, 1997 and 1998, and as of December 31, 1997 and 1998 was derived from our consolidated financial statements and notes thereto included elsewhere in this prospectus. The historical financial data as of December 31, 1996 has been derived from our historical consolidated financial statements (not included herein). The historical financial data for each of the six months ended June 30, 1998 and 1999 and as of June 30, 1999 was derived from our unaudited consolidated financial statements and notes thereto included elsewhere in this prospectus. The historical financial data as of June 30, 1998 has been derived from our unaudited historical consolidated financial statements (not included herein). We believe that all material adjustments, consisting only of normal recurring adjustments necessary for the fair presentation of our interim results, have been included. Results of operations for any interim period are not necessarily indicative of the results of operations for the entire year due to the seasonal nature of our business. The unaudited pro forma consolidated financial data reflects (1) the issuance of the notes, (2) the consummation of the Viosca Knoll transaction, (3) the repayment and cancellation of Viosca Knoll's credit facility, (4) the reduction of our revolving credit facility, (5) the consummation of the UTOS/HIOS/East Breaks acquisition and (6) the payment of transaction costs. The unaudited pro forma consolidated financial data is based on the assumptions described in the notes to the unaudited pro forma consolidated financial statements located on pages F-3 through F-10 and is not necessarily indicative of the results of operations that may be achieved in the future. You should read this information along with "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 30, "Business" beginning on page 44 and the consolidated financial statements and notes thereto listed on pages F-1 and F-2.

	YEAR ENDED DECEMBER 31,			PRO FORMA YEAR ENDED DECEMBER 31,	SIX MONTHS ENDED JUNE 30,		PRO FORMA SIX MONTHS ENDED JUNE 30,
	1996	1997	1998	1998	1998	1999	1999
				(UNAUDITED)	(UNAUDITED)		(UNAUDITED)
				(IN THOUSANDS, EXCEPT RATIOS)			
STATEMENT OF OPERATIONS:							
Oil and natural gas sales...	$ 47,068	$ 58,106	$ 31,411	$ 31,939	$ 15,734	$ 15,100	$ 15,141
Gathering, transportation and platform services.....	24,005	17,329	17,320	47,415	7,782	10,798	23,740
Equity in earnings.....	20,434	29,327	26,724	21,048	12,571	19,953	17,404
Total revenue.....	91,507	104,762	75,455	100,402	36,087	45,851	56,285
Operating expenses.....	9,068	11,352	11,369	14,595	5,546	5,025	6,061
Depreciation, depletion and amortization.....	31,731	46,289	29,267	34,797	14,845	13,727	16,315
Impairment, abandonment and other.....	--	21,222	(1,131)	(1,131)	--	--	--
General and administrative expenses and management fee.....	8,540	14,661	16,189	16,343	7,503	5,909	5,972
Total operating costs.....	49,339	93,524	55,694	64,604	27,894	24,661	28,348
Operating income.....	42,168	11,238	19,761	35,798	8,193	21,190	27,937
Interest income and other...	1,710	1,475	771	1,821	157	268	799
Interest and other financing costs.....	(5,560)	(14,169)	(20,242)	(36,151)	(8,429)	(13,868)	(20,805)
Minority interest in (income) loss.....	(427)	7	(15)	(251)	(3)	(80)	(181)
Income (loss) before income taxes.....	37,891	(1,449)	275	1,217	(82)	7,510	7,750
Income tax benefit.....	801	311	471	471	168	177	177
Net income (loss).....	$ 38,692	$ (1,138)	$ 746	$ 1,688	$ 86	$ 7,687	$ 7,927

	YEAR ENDED DECEMBER 31,			PRO FORMA YEAR ENDED DECEMBER 31,	SIX MONTHS ENDED JUNE 30,		PRO FORMA SIX MONTHS ENDED JUNE 30,
	1996	1997	1998	1998	1998	1999	1999
				(UNAUDITED)	(UNAUDITED)		(UNAUDITED)
				(IN THOUSANDS, EXCEPT RATIOS)			
OTHER FINANCIAL DATA:							
Consolidated cash flow(1)...	$ 91,998	$ 77,846	$ 52,804	$ 76,300(4)	$ 23,922	$ 39,340	$ 47,838
Fixed charges(2).....	$ 17,470	$ 15,890	$ 21,308	$ 37,217	$ 8,954	$ 14,623	$ 21,561
Fixed charge coverage ratio(3).....	5.3x	4.9x	2.5x	2.1x	2.7x	2.7x	2.2x
BALANCE SHEET DATA (AT END OF PERIOD):							
Total assets.....	$453,526	$409,842	$442,726	(5)	$406,087	$625,913	$625,913
Total debt.....	227,000	238,000	338,000	(5)	270,000	481,500	481,500
Partners' capital.....	192,023	143,966	82,896	(5)	113,557	120,036	120,036

- ---

(1) For purposes of the above presentation, "consolidated cash flow" has been calculated in accordance with the Indenture. For the exact definition of this term, see "Description of Notes -- Certain Definitions" on page 115 of this prospectus. As defined, generally, "consolidated cash flow" means Leviathan's consolidated net income, plus (1) cash distributions to Leviathan and its restricted subsidiaries from persons other than its restricted subsidiaries, (2) extraordinary losses, (3) income tax expense, (4) interest and other financing costs, to the extent deducted and calculated in consolidated net income, (5) depreciation, depletion and amortization and (6) other non-cash expenses, to the extent deducted and calculated in consolidated net income, less (7) extraordinary non-cash items that increase Leviathan's consolidated net income and (8) earnings attributable to persons other than its restricted subsidiaries. Consolidated cash flow should not be considered in isolation or as a substitute for net income, cash flow or other income or cash flow data prepared in accordance with generally accepted accounting principles or as a measure of our profitability or liquidity.

(2) "Fixed charges" consist of interest costs (whether expensed or capitalized), amortization of debt issue costs and certain pre-tax preferred stock dividend requirements of Leviathan and any restricted subsidiary.

(3) "Fixed charge coverage ratio" is calculated as "consolidated cash flow" divided by "fixed charges."

(4) Consolidated cash flow on a pro forma basis for the year ended December 31, 1998 excluding estimated non-recurring reductions totaling approximately $13.3 million would have been $82.1 million. The non-recurring reductions include (1) approximately $4.5 million of compensation expense related to grants under our Unit Appreciation Plan, which was terminated in October 1998 and replaced with a compensation plan that is not expected to require the incurrence of similar compensation expenses, and (2) approximately $8.8 million related to lower production from our interest in Viosca Knoll Block 817, a producing property which we elected to curtail during 1998 due to downstream pipeline capacity constraints which were alleviated in late 1998 as a result of the expansion of the Viosca Knoll system. Consolidated cash flow should not be considered in isolation or as a substitute for net income, cash flow or other income or cash flow data prepared in accordance with generally accepted accounting principles or as a measure of our profitability or liquidity.

(5) This information is not included in this table as it is not required.

RISK FACTORS

You should carefully consider the following factors in evaluating whether or not you should participate in the exchange offer. Additional risks not presently known by, or considered material to, us may also adversely affect our assets, businesses or prospects or your decision regarding the exchange offer or your investment in the notes.

This prospectus includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934 including, in particular, the statements about our plans, strategies and prospects under the headings "Prospectus Summary," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business." Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that we will achieve such plans, intentions or expectations. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this prospectus are set forth below and elsewhere in this prospectus. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the following cautionary statements.

RISKS RELATED TO THE EXCHANGE OFFER

FAILURE TO EXCHANGE SERIES A NOTES -- IF YOU DO NOT PROPERLY TENDER YOUR SERIES A NOTES, YOU WILL CONTINUE TO HOLD UNREGISTERED SERIES A NOTES AND YOUR ABILITY TO TRANSFER SERIES A NOTES WILL BE ADVERSELY AFFECTED.

We will only issue Series B notes in exchange for Series A notes that are timely received by the exchange agent together with all required documents, including a properly completed and signed letter of transmittal, and not withdrawn. Therefore, you should allow sufficient time to ensure timely delivery of the Series A notes and you should carefully follow the instructions on how to tender your Series A notes. Neither we nor the Exchange Agent are required to tell you of any defects or irregularities with respect to your tender of the Series A notes. If you do not tender your Series A notes or if we do not accept your Series A notes because you did not tender your Series A notes properly, then, after we consummate the exchange offer, you may continue to hold Series A notes that are subject to the existing transfer restrictions. In addition, if you tender your Series A notes for the purpose of participating in a distribution of the Series B notes, you will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the Series B notes. If you are a broker-dealer that receives Series B notes for your own account in exchange for Series A notes that you acquired as a result of market-making activities or any other trading activities, you will be required to acknowledge that you will deliver a prospectus in connection with any resale of such Series B notes. After the exchange offer is consummated, if you continue to hold any Series A notes, you may have difficulty selling them because there will be less Series A notes outstanding.

NO PRIOR MARKET FOR THE NOTES -- YOU CANNOT BE SURE THAT AN ACTIVE, LIQUID TRADING MARKET WILL DEVELOP FOR THE NOTES.

The notes are a new issue of securities with no established trading market and will not be listed on any securities exchange. The liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for high yield securities and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, you cannot be sure that an active trading market will develop for the notes.

The trading market for each series of notes will depend on the number of Series A notes tendered and accepted in the exchange offer. Generally, a limited amount, or "float," of a security could result in less demand to purchase such security and, as a result, could result in lower prices for such security. If a large amount of the Series A notes are not tendered or are tendered and not accepted in the exchange offer, the trading market for the Series B notes could be materially adversely affected. Conversely, if a large amount

of the Series A notes are tendered and accepted, the trading market for the Series A notes could be materially adversely affected.

RISKS RELATED TO OUR FINANCIAL STRUCTURE AND THE NOTES

OUR SUBSTANTIAL INDEBTEDNESS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION AND PREVENT US FROM FULFILLING OUR OBLIGATIONS UNDER THE NOTES.

We have a significant amount of indebtedness and the ability to incur more indebtedness. The following chart presents some of our important credit statistics at and for the six months ended June 30, 1999. The fixed charge coverage ratio is presented on a pro forma basis assuming we had completed the transactions described under "The Transactions" at the beginning of the period specified and the remaining information represents our historical financial condition as all of the transactions described under "The Transactions" have occurred as of June 30, 1999:

	ACTUAL AT JUNE 30, 1999
	(IN MILLIONS)
Total assets	$625.9
Total indebtedness	481.5
Total partners' capital	120.0
Ratio of indebtedness to partners' capital	4.0x

	PRO FORMA SIX MONTHS ENDED JUNE 30, 1999
Fixed charge coverage ratio(1)	2.2x

- ---

(1) As defined on page 13 of this prospectus.

Concurrently with the closing of the offering of the Series A notes, we amended our $375.0 million revolving credit facility to, among other things, extend the maturity from December 1999 to May 2002. As of August 9, 1999, under our $375.0 million revolving credit facility, as amended (which is collateralized by a pledge of the stock of our subsidiaries and supported by guarantees of our subsidiaries), we had $300.0 million outstanding and would have been permitted to borrow up to an additional $44.5 million, all of which would have been senior to the notes. Our substantial indebtedness could have important consequences to you. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to the notes;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to fund future working capital, capital expenditures and other general partnership requirements, future acquisition, construction or development activities, or to otherwise fully realize the value of our assets and opportunities because of the need to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness or to comply with any restrictive terms of our indebtedness;
- limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate; and
- place us at a competitive disadvantage as compared to our competitors that have less debt.

YOUR RIGHT TO RECEIVE PAYMENTS ON THE NOTES IS UNSECURED AND CONTRACTUALLY SUBORDINATED TO OUR EXISTING INDEBTEDNESS AND, POSSIBLY, ANY ADDITIONAL INDEBTEDNESS WE INCUR. FURTHER, THE GUARANTEES OF THE NOTES ARE JUNIOR TO ALL THE GUARANTORS' EXISTING INDEBTEDNESS AND POSSIBLY TO ALL THEIR FUTURE BORROWINGS.

The notes and the subsidiary guarantees rank behind all of our and the subsidiary guarantors' existing indebtedness (other than trade payables and certain other indebtedness) and all additional indebtedness (other than trade payables) we incur unless, and to the extent, that additional indebtedness expressly provides that it ranks equal with, or junior in right of payment to, the notes and the guarantees. Assuming

we had completed the exchange offering of the Series B notes on August 9, 1999, the notes would have been subordinated to $300.0 million of senior indebtedness under our revolving credit facility (which is collateralized by a pledge of all the stock of our subsidiaries and supported by guarantees of our subsidiaries) and the guarantees would have been structurally subordinated to an aggregate $213.8 million of senior indebtedness under the joint venture credit facilities. In addition, our revolving credit facility, as amended, and the aggregated joint venture credit facilities could have provided for up to approximately $44.5 million and $59.9 million, respectively, of additional borrowings.

In addition, all payments on the notes and the guarantees will be blocked in the event of a payment default on our significant senior indebtedness and may be blocked for up to 179 consecutive days in the event of certain non-payment defaults on our significant senior indebtedness.

In the event of a bankruptcy, liquidation, reorganization or similar proceeding relating to us, any subsidiary guarantors or our property, our assets or the assets of the subsidiary guarantors would be available to pay obligators under the notes only after all payments had been made on our or the guarantors' senior indebtedness. Our creditors and the subsidiary guarantors' creditors holding claims which are not subordinated to any applicable senior indebtedness will in all likelihood be entitled to payments before all of our or the subsidiary guarantors' senior indebtedness has been paid in full. Therefore, holders of the notes will participate with trade creditors and all other holders of our and the guarantors' unsubordinated indebtedness in the assets remaining after we and the guarantors have paid all of the senior indebtedness. However, because the note indenture requires that amounts otherwise payable to holders of the notes in a bankruptcy, liquidation, reorganization or similar proceeding be paid to holders of senior indebtedness instead, holders of the notes may receive less, ratably, than holders of trade payables and other creditors in any such proceeding. In any of these cases, we and the subsidiary guarantors may not have sufficient funds to pay all of our creditors and, therefore, holders of notes would receive less, ratably, than the holders of senior indebtedness.

In addition, the notes are effectively subordinated to the claims of all creditors, including trade creditors and tort claimants, of our subsidiaries that are not guarantors. In the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the business of a subsidiary that is not a guarantor, creditors of such subsidiary will generally have the right to be paid in full before any distribution is made to us or the holders of the notes.

OUR INDEBTEDNESS MAY RESTRICT OUR ABILITY TO OPERATE.

Under the terms of our revolving credit facility, we have pledged to lenders our interest in substantially all of our assets, and we must comply with various affirmative and negative covenants. Among other things, these covenants limit our ability to:

- incur additional indebtedness;
- make payments in respect of or redeem or acquire any debt or equity issued by us;
- sell assets;
- make loans or investments;
- acquire or be acquired by other companies; and
- amend certain contractual arrangements.

The restrictions under the credit agreement may prevent us from engaging in certain transactions which might otherwise be considered beneficial to us. Our credit agreement also requires us to make mandatory repayments under certain circumstances, including when we sell certain assets or fail to achieve or maintain certain financial targets.

If we incur additional indebtedness in the future, it would be under our existing credit agreement or under arrangements which, we believe, would have terms and conditions at least as restrictive as those contained in our existing credit agreement. Failure to comply with the terms and conditions of any existing

or future indebtedness would constitute an event of default. If an event of default occurs, the lenders will have the right to foreclose upon the collateral, if any, securing that indebtedness. After such a foreclosure and payment in full of any senior indebtedness, we might not be able to repay in full our indebtedness, including the notes.

FEDERAL AND STATE STATUTES WOULD ALLOW COURTS, UNDER SPECIFIC CIRCUMSTANCES, TO SUBORDINATE FURTHER OR VOID THE NOTES AND THE GUARANTEES AND REQUIRE NOTEHOLDERS TO RETURN PAYMENTS RECEIVED FROM US.

Under the federal bankruptcy law and comparable provisions of state fraudulent transfer laws, a court could further subordinate or void the notes and the guarantees if, at the time we issued the notes and the guarantees, certain facts, circumstances and conditions existed, including that:

- we received less than reasonably equivalent value or fair consideration for the incurrence of such indebtedness; or
- we were insolvent or rendered insolvent by reason of such incurrence; or
- we were engaged in a business or transaction for which our remaining assets constituted unreasonably small capital; or
- we intended to incur, or believed that we would incur, indebtedness we could not repay at its maturity.

In such a circumstance, a court could require the note holders to return to us or pay to our other creditors amounts we paid for the notes. This would entitle other creditors to be paid in full before any payment could be made on the notes. We may not have sufficient assets after the payment to other creditors. The guarantees issued by our subsidiaries could be challenged on the same grounds as the notes. In addition, a creditor may avoid a guarantee based on the level of benefits received by a guarantor compared to the amount of the subsidiary guarantee. The indenture contains a savings clause, which generally limits the obligations of each guarantor to the maximum amount which is not a fraudulent conveyance. If a subsidiary guarantee is avoided, or limited as a fraudulent conveyance or held unenforceable for any other reason, you would not have any claim against the guarantors and would be only creditors of Leviathan and any guarantor whose subsidiary guarantee was not avoided or held unenforceable. In such event, your claims against a guarantor would be subject to the prior payment of all liabilities (including trade payables) of such guarantor. There can be no assurance that, after providing for all prior claims, there would be sufficient assets to satisfy your claims relating to any avoided portions of any of the subsidiary guarantees.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, we would be considered insolvent if:

- the sum of our indebtedness, including contingent liabilities, were greater than the fair value or fair saleable value of all of our assets;
- if the present fair value or fair saleable value of our assets were less than the amount that would be required to pay our probable liability on our existing indebtedness, including contingent liabilities, as it becomes absolute and mature; or
- we could not pay our indebtedness as it becomes due.

There is a risk of a preferential transfer if:

- a subsidiary guarantor declares bankruptcy or its creditors force it to declare bankruptcy within 90 days (or in certain cases, one year) after the issuance of the guarantee; or
- a subsidiary guarantee was made in contemplation of insolvency.

The subsidiary guarantee could be avoided by a court as a preferential transfer. In addition, a court could require you to return any payments made on the notes during the 90-day (or one-year) period.

WE MAY NOT BE ABLE TO REPURCHASE NOTES UPON A CHANGE OF CONTROL.

Upon a change of control, we will be required to repay the amounts outstanding under our revolving credit facility and to offer to repurchase the outstanding notes at 101% of the principal amount, plus accrued and unpaid interest to the date of repurchase. We cannot assure you that we will have sufficient funds available or that we will be permitted by our other debt instruments to fulfill these obligations upon the occurrence of a change of control.

RISKS RELATED TO OUR LEGAL STRUCTURE

THE INTERRUPTION OF DISTRIBUTIONS TO US FROM OUR SUBSIDIARIES AND JOINT VENTURES MAY AFFECT OUR ABILITY TO MAKE PAYMENTS ON THE NOTES.

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

Moreover, pursuant to some of the joint venture credit arrangements, we have agreed to return a limited amount of the distributions made to us by the applicable joint venture if certain conditions exist. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources -- Sources of Cash" beginning on page 36.

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

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

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

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

OUR TAX TREATMENT DEPENDS ON OUR PARTNERSHIP STATUS.

We believe that under current law and regulations we and our subsidiaries which are limited liability companies will be classified as partnerships for federal income tax purposes. However, we have not requested, and will not request, any ruling from the IRS with respect to our or our subsidiaries' respective classifications as partnerships for federal income tax purposes or any other matter affecting us or our subsidiaries. Accordingly, the IRS may adopt positions that differ from our conclusions expressed herein. It may be necessary to resort to administrative or court proceedings in an effort to sustain some or all of our conclusions, and some or all of such conclusions ultimately may not be sustained. We will bear the costs of any such contest with the IRS. Except as specifically noted, this discussion assumes that we and our subsidiaries are treated as partnerships for federal income tax purposes.

If we were classified as an association taxable as a corporation for federal income tax purposes in any taxable year, our income, gains, losses, deductions and credits would be reflected on our tax return rather than being passed through to our partners, and we would be taxed at corporate rates. This would materially and adversely affect our ability to make payments on the notes.

For general discussion of the expected federal income tax consequences of acquiring, owning and disposing of the notes, see "Certain United States Federal Income Tax Considerations" beginning on page 141 of this prospectus.

RISKS RELATED TO OUR BUSINESS

OUR PERFORMANCE DEPENDS ON FACTORS OUT OF OUR CONTROL, INCLUDING THE RATES FOR, AND VOLUME OF, PRODUCTION THAT WE HANDLE.

Our ability to make payments on and to pay or refinance our indebtedness, including the notes, and to fund future working capital, capital expenditures and other general corporate requirements will depend on our ability to generate cash in the future. This, to a certain extent, is subject to economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Our future performance and, therefore, our ability to make payments to you on the notes will largely depend on the volume of, and rates for, the natural gas and oil handled by our pipelines, platforms and other infrastructure. Many factors outside of our control can affect these volumes and rates. The following factors, among others, affect the rates that our pipelines may charge:

- prices for the production handled;
- competition from other pipelines; and
- the maximum rates established by the Federal Energy Regulatory Commission for our regulated pipelines.

Any decrease in the rates charged or volumes handled by any of our pipelines and other facilities could reduce our available cash. Accordingly, we cannot assure you that we will be able to continue to generate enough cash flow to satisfy our existing commitments, including making interest and principal payments on our indebtedness.

Based on our current and anticipated level of operations and revenue growth, we believe our cash flow from operations, available cash and available borrowings under our revolving credit facility will be adequate to conduct our businesses as they currently exist. We cannot assure you, however, that these or other sources of capital will be available to us in amounts sufficient to enable us to pay our indebtedness, including the notes, or to fund our other liquidity needs, including the purchase, construction or other acquisition of assets or businesses in the future. We may need to pay or refinance all or a portion of our indebtedness, including the notes, on or before maturity. We cannot assure you that we will be able to do that on commercially reasonable terms or at all.

OUR FUTURE PERFORMANCE DEPENDS ON SUCCESSFUL EXPLORATION AND DEVELOPMENT OF ADDITIONAL OIL AND NATURAL GAS RESERVES.

The natural gas and oil reserves available to our pipelines and other infrastructure from existing wells naturally decline over time. In order to offset this natural decline, our pipelines and other infrastructure must access additional reserves. This means that our long-term prospects depend upon the successful exploration and development of additional reserves by third parties in areas accessible to our pipelines and other infrastructure.

Finding and developing new natural gas and oil reserves from offshore properties is very expensive. The Flextrend and Deepwater areas, especially, will require large capital expenditures by third party producers for exploration, development drilling, installation of production facilities and pipeline extensions to reach the new wells.

Many economic and business factors out of our control can adversely affect the decision by any third party producer to explore for and develop new reserves. These factors include relatively low natural gas and oil prices, cost and availability of equipment, capital budget limitations or the lack of available capital. For example, because of the recent decline in hydrocarbon prices, the level of overall oil and natural gas activity in the Gulf has declined from recent years. If hydrocarbon prices remain low and capital spending by the energy industry continues to decrease or remains at low levels for prolonged periods, our results of operations and cash flow could suffer. Consequently, we cannot assure you that additional reserves will be discovered or developed in the near future, or that they exist at all.

IF WE PROCEED WITH THE DEVELOPMENT OF OUR EWING BANK 958 UNIT WITHOUT A PARTNER WHO WILL SHARE A SIGNIFICANT PORTION OF THE COSTS, WE WILL REQUIRE MORE CAPITAL THAN IS CURRENTLY AVAILABLE FROM OUR EXISTING SOURCES.

The development plan we filed with the U.S. Department of Interior Minerals Management Service ("MMS") estimates that it will cost approximately $100.0 million in drilling costs, including amounts to drill, complete and tie-back the producing wells, and $150.0 million in infrastructure costs, including amounts to design, construct and install the producing platform and export pipelines. These estimates are inherently uncertain, and the drilling costs in particular could exceed materially our forecast because of the uncertainties and difficulties associated with Deepwater drilling operations.

We currently do not have, and may not be able to obtain, the capital required to undertake 100% of the development of our Ewing Bank 958 Unit and the related infrastructure. While we expect to have a partner in this project pursuant to an exchange, sale, farmout, joint venture or similar arrangement, we cannot assure you that we will be successful in structuring such an arrangement. If no such arrangement exists, we will have to raise additional capital through another source or we will not be able to proceed with this development as currently planned. We cannot assure you that any such source of capital would be available to complete this project or that this project will be completed as contemplated, if at all.

PRICE AND VOLUME VOLATILITY IS SUBSTANTIALLY OUT OF OUR CONTROL AND IT COULD HAVE AN ADVERSE AFFECT ON OUR PRODUCTION BUSINESS.

Our business and, to a certain extent, our ability to repay our indebtedness will be substantially affected by our future production from our oil and natural gas properties. The level of success of our future production from such properties is largely dependent on factors out of our control, such as the volume of, and prices realized for, the natural gas and oil produced from our oil and natural gas properties. In 1998, oil and natural gas prices dramatically declined, and we cannot assure you that there will not be further declines in commodity prices. Based on 1998 production levels of our currently producing properties which are depleting assets, for every $0.10 decline in the average price for natural gas and every $1.00 decline in the average price for oil we actually realized, our cash flow from operations would be reduced by $1.1 million and $0.5 million, respectively.

WE WILL FACE COMPETITION FROM THIRD PARTIES TO HANDLE ANY NEW PRODUCTION.

Even if additional reserves exist in the areas accessed by our pipelines and are ultimately produced, we cannot assure you that any of these reserves will be gathered, transported, processed or otherwise handled by any of our pipelines and other infrastructure. We would compete with others for any such production on the basis of many factors, including:

- geographic proximity to the production;
- costs of connection;
- available capacity;
- rates; and
- access to onshore markets.

POTENTIAL FUTURE EXPANSIONS MAY SUBSTANTIALLY INCREASE THE LEVEL OF OUR INDEBTEDNESS AND MAY ADVERSELY AFFECT OUR BUSINESS, IF WE CANNOT EFFECTIVELY INTEGRATE THESE NEW OPERATIONS.

We intend to continue to construct, purchase and otherwise acquire assets (including entire businesses) that we believe will present opportunities to realize significant synergies, expand our role in the energy infrastructure business and/or increase our market position. This strategy may require substantial capital, and we may not be able to raise the necessary funds on satisfactory terms or at all.

We regularly engage in discussions with respect to potential acquisition and investment opportunities. If we consummate any future acquisitions, our capitalization and results of operations may change significantly and you will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in determining the application of these funds.

We are currently considering some specific future acquisitions or investments, although we cannot assure you that we will be able to reach agreement with respect to any such opportunities. If consummated, any such acquisition would likely result in the incurrence of indebtedness and contingent liabilities and an increase in interest expense and amortization expenses related to goodwill and other intangible assets, which could have a material adverse effect upon our business.

Acquisitions and business expansions involve numerous risks, including difficulties in the assimilation of the operations, technologies, services and products of the acquired companies or business segments and the diversion of management's attention from other business concerns. For all of these reasons, if any such acquisitions or expansions occur, our business could be adversely affected.

FERC REGULATION AND A CHANGING REGULATORY ENVIRONMENT COULD AFFECT OUR CASH FLOW.

The Federal Energy Regulatory Commission extensively regulates certain of our pipelines. This regulation extends to such matters as:

- rate structures;
- rates of return on equity;
- the services that our regulated pipelines are permitted to perform;
- their ability to seek recovery of various categories of costs;
- the acquisition, construction and disposition of assets; and
- to an extent, the level of competition in the interstate pipeline industry.

Given the extent of this regulation, the extensive changes in FERC policy over the last several years, the evolving nature of regulation and the possibility for additional changes, we cannot assure you that the

current regulatory regime will remain unchanged or of the effect any changes in that regime would have on our financial position, results of operations or cash flows.

Our regulated pipelines are over 20 years old. As a result, each such pipeline has depreciated significant portions of its initial capital expenditures. Unless those pipelines make additional capital expenditures, they could be fully depreciated within five years. This would reduce the rate base and increase the likelihood that FERC would reduce the approved rates for each of those pipelines.

OUR ACTUAL PROJECT COSTS COULD EXCEED OUR FORECAST, AND OUR CASH FLOW FROM PROJECTS MAY NOT BE IMMEDIATE.

Our forecast contemplates significant expenditures for the acquisition, construction and expansion of our pipelines and related infrastructure. Underwater operations, especially those in water depths in excess of 600 feet, are very expensive and involve much more uncertainty and risk than other operations. Further, if a problem occurs, the solution (if one exists) may be very expensive and time consuming. Accordingly, there is an increase in the frequency and amount of cost overruns related to underwater operations, especially in depths in excess of 600 feet. We cannot assure you that we will be able to complete our projects at the costs currently estimated. If we experience material cost overruns, we would have to finance these overruns using one or more of the following methods:

- borrowing from our revolving credit facility;

- using cash from operations;

- delaying other planned projects;

- issuing additional debt or equity.

Any or all of these methods may not be available when needed or could adversely affect our future results of operations.

Our revenues may not increase immediately upon the expenditure of funds on a particular project. For instance, if we build a new pipeline, the construction will occur over an extended period of time and we may not receive any material increase in revenue from that project until after the reserves committed to it are developed and produced. If our revenues do not increase at projected levels because of substantial unanticipated delays of any future projects, we might not meet our obligations as they become due.

CHANGES OF CONTROL OF OUR GENERAL PARTNER MAY ADVERSELY AFFECT YOU.

Our results of operations and ability to pay amounts due under the notes could be adversely affected if there is a change in management resulting from a change of control of our general partner. El Paso Energy is not restricted from selling the general partner or any of the common units it holds. Such actions, however, result in a change of control under the terms of the indenture governing the notes. As a result, El Paso Energy could sell control of our general partner to another company with less familiarity and experience with our businesses and with different business philosophies and objectives. We cannot assure you that any such acquiror would continue our current business strategy, or even a business strategy economically compatible with our current business strategy.

EL PASO ENERGY AND ITS AFFILIATES MAY HAVE CONFLICTS OF INTEREST WITH US AND, ACCORDINGLY, YOU.

El Paso Energy is a New York Stock Exchange-traded company whose principal operations include the interstate and intrastate transportation, gathering and processing of natural gas; the marketing of natural gas, power, and other energy-related commodities; power generation and the development and operation of energy infrastructure facilities worldwide. El Paso Energy invested $422.0 million in August 1998 to acquire beneficial control of our general partner (it holds, indirectly through our general partner and certain other subsidiaries, a 34.5% interest in us, including 100% of the general partner interest). With respect to future investments, El Paso Energy's strategy is for us to serve as its primary offshore gathering

and transportation growth vehicle in the Gulf (when practical), although El Paso Energy is not precluded from retaining gathering and transportation opportunities for itself.

El Paso Energy (through a wholly owned subsidiary) elects all of the general partner's directors, who in turn select all of our executive officers and those of the general partner. In addition, El Paso Energy's beneficial control and ownership of 32.5% of our outstanding units could have a substantial effect on the outcome of some actions requiring unitholder approval.

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

In addition, we have, and we expect to enter into other, significant business relationships with El Paso Energy, our general partner and their affiliates. For instance, in January 1999, we entered into an agreement with El Paso Energy to purchase substantially all of its interest in Viosca Knoll gathering system, and in October 1998, we purchased the Ewing Bank 958 Unit from El Paso Energy. See "Certain Relationships and Related Transactions" beginning on page 76 and "Business -- Recent Developments, Acquisitions and New Projects" beginning on page 48 for a further discussion of the Viosca Knoll and Ewing Bank 958 Unit transactions.

We and our general partner and its affiliates share and, therefore, will compete for, the time and effort of general partner personnel who provide services to us. Officers of the general partner and its affiliates do not, and will not be required to, spend any specified percentage or amount of time on our business. Since these shared officers function as both our representatives and those of our general partner and its affiliates, conflicts of interest could arise between our general partner and its affiliates, on the one hand, and us or you, on the other.

In most instances in which an actual or potential conflict of interest arises between us, on the one hand, and our general partner or its affiliates, on the other hand, there will be a benefit to our general partner or its affiliates in which neither we nor you will share. Such conflicts may arise in situations which include (1) compensation paid to the general partner, which includes incentive distributions and reimbursements for reasonable general and administrative expenses; (2) payments to the general partner and its affiliates for any services rendered to us or on our behalf; (3) our general partner's determination of which direct and indirect costs we must reimburse; (4) decisions to enter into and the terms of transactions between us and our general partner or any of its affiliates, including transactions involving joint ventures, acquisitions and gathering and transportation; (5) the acquisition or operation of businesses by our general partner or its affiliates that would compete with us; and (6) our general partner's determination to establish cash reserves under certain circumstances and thereby decrease cash available for distributions to unitholders.

OUR PARTNERSHIP AGREEMENT PURPORTS TO LIMIT OUR GENERAL PARTNERS' FIDUCIARY DUTIES AND CERTAIN OTHER OBLIGATIONS RELATING TO US.

In addition, our general partner (Leviathan Gas Pipeline Company), but not El Paso Energy or any of its other affiliates, will owe certain fiduciary duties to us and will be liable for all our debts (other than non-recourse debts) to the extent not paid by us. Further, certain provisions of our partnership agreement contain exculpatory language purporting to limit the liability of the general partner to us and our unitholders. For example, the partnership agreement provides that:

- borrowings of money by us, or the approval thereof by the general partner, will not constitute a breach of any duty of the general partner to us or our unitholders whether or not the purpose or effect of the borrowing is to permit distributions on common units or to result in or increase incentive distributions to the general partner;

- any action taken by the general partner consistent with the standards of reasonable discretion set forth in certain definitions in our partnership agreement will be deemed not to breach any duty of the general partner to us or to our unitholders; and

- in the absence of bad faith by the general partner, the resolution of conflicts of interest by the general partner will not constitute a breach of the partnership agreement or a breach of any standard of care or duty.

Provisions of the partnership agreement also purport to modify the fiduciary duty standards to which the general partner would otherwise be subject under Delaware law, under which a general partner owes its limited partners the highest duties of good faith, fairness and loyalty. Such duty of loyalty would generally prohibit the general partner from taking any action or engaging in any transaction as to which it had a conflict of interest. The partnership agreement permits the general partner to exercise the discretion and authority granted to it in that agreement in managing us and in conducting its retained operations, so long as its actions are not inconsistent with our interests. The general partner and its officers and directors may not be liable to us or to our unitholders for certain actions or omissions which might otherwise be deemed to be a breach of fiduciary duty under Delaware or other applicable state law. Further, the partnership agreement requires us to indemnify the general partner to the fullest extent permitted by law, which indemnification, in light of the exculpatory provisions in the partnership agreement, could result in us indemnifying the general partner for its negligent acts.

A NATURAL DISASTER OR OTHER CATASTROPHE COULD DAMAGE OUR PIPELINES AND OTHER INCOME-PRODUCING ASSETS, CURTAIL THEIR OPERATIONS AND, POSSIBLY, ADVERSELY AFFECT OUR CASH FLOW.

If one or more of our pipelines or other income-producing assets is damaged by severe weather or any other natural disaster, accident or catastrophe, our operations could be significantly interrupted. Similar interruptions could result from damage to production facilities or other production stoppages arising from factors beyond our control. These interruptions might range from a week or less for a minor incident to six months or a year or more for a major interruption. Any event that interrupts the fees generated by our pipelines or other income-producing assets, or which causes us to make significant expenditures not covered by insurance, could adversely impact the market price of, and the amount of cash available for payment of, the notes. Further, although we carry business interruption insurance that we consider to be appropriate, we cannot assure you that it would cover all types of interruptions that might occur, and in the future we may not be able to obtain desirable insurance on commercially reasonable terms.

ENVIRONMENTAL COSTS AND LIABILITIES AND CHANGING ENVIRONMENTAL REGULATION COULD AFFECT OUR CASH FLOW.

Our operations are subject to extensive federal, state and local regulatory requirements relating to environmental affairs, health and safety, waste management and chemical products. Governmental authorities have the power to enforce compliance with applicable regulations and permits and to subject violators to civil and criminal penalties, including civil fines, injunctions or both. Third parties may also have the right to pursue legal actions to enforce compliance. We will probably make expenditures in connection with environmental matters as part of normal capital expenditure programs. However, future environmental law developments, such as stricter laws, regulations or enforcement policies, could

significantly increase our cost of handling, manufacture, use, emission or disposal of substances or wastes. Moreover, as with other companies engaged in similar or related businesses, our operations always have some risk of environmental costs and liabilities because we handle petroleum products. We cannot assure you that we will not incur material environmental costs and liabilities.

THE YEAR 2000 PROBLEM MAY RESULT IN DECREASED REVENUES FOR US IF THIRD PARTIES DO NOT ADEQUATELY ADDRESS THEIR YEAR 2000 CONCERNS.

We are substantially completed with the assessment, remediation and implementation phases of our Year 2000 project. However, the responses that we have received from third parties, including partners, third party customers and vendors and operators of joint ventures in which we have an interest, regarding their Year 2000 efforts are inconclusive. Further, certain of our systems and processes may be interrelated with systems outside of our control.

Unsuccessful Year 2000 efforts, either on our part or on the part of third parties, may adversely affect our financial position, results of operations and/or cash flows. A significant portion of the oil and natural gas handled by our pipelines is owned by third parties. Accordingly, failure by the owners of oil and natural gas to be ready for the Year 2000 could significantly disrupt the flow of the hydrocarbons to customers. However, in many cases, the owners have no direct contractual relationship with us, and we are relying on our customers to verify the Year 2000 readiness of the producers from whom they purchase oil and natural gas. A portion of our revenue is based upon fees paid by our customers for the reservation of capacity and a portion of the revenue is based upon the volume of actual throughput. As such, short-term disruptions in throughput caused by factors beyond our control may have a financial impact on us and could cause operational problems for our customers. Longer-term disruptions could materially impact our operational and financial condition, and therefore affect the market price of, and our ability to make payments on, the notes.

THE TRANSACTIONS

SERIES A NOTES TRANSACTIONS

In connection with the completion of the offering of the Series A notes, we consummated the transactions described below.

LEVIATHAN CREDIT FACILITY

We amended our $375.0 million revolving credit facility to, among other things, extend the maturity from December 1999 to May 2002. As of August 9, 1999, we had $300.0 million outstanding under our revolving credit facility bearing interest at an average floating rate of 7.7% per annum. For additional information on our revolving credit facility, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" beginning on page 36 and "Description of Other Indebtedness -- Leviathan Credit Facility" beginning on page 133.

VIOSCA KNOLL TRANSACTION

Prior to the offering of the Series A notes, Viosca Knoll Gathering Company was owned 50.0% by us and 50.0% by El Paso Energy (through a wholly owned subsidiary). In January 1999, we entered into an agreement with El Paso Energy to acquire an additional 49.0% interest in Viosca Knoll, which would result in us owning 99.0% of Viosca Knoll, with an option to purchase the remaining 1.0%. The acquisition price for the additional 49.0% interest was $79.7 million, comprised of 25.0% in cash (approximately $19.9 million) and 75.0% in common units (2,661,870 common units based on a price of $22.4625 per unit).

Following the consummation of the Viosca Knoll transaction in June 1999, El Paso Energy's effective ownership interest in us is 34.5%. In addition, at the closing of the Viosca Knoll transaction, El Paso Energy contributed approximately $33.4 million in cash to Viosca Knoll, which equalled 50.0% of the principal amount outstanding under Viosca Knoll's credit facility. Thereafter, we repaid in full and terminated the Viosca Knoll credit facility. For additional information on the Viosca Knoll transaction, see "Business -- Natural Gas and Oil Pipelines -- Viosca Knoll System" beginning on page 52.

OTHER POST-SERIES A NOTES TRANSACTIONS

In addition, we closed the following transaction on June 30, 1999.

UTOS/HIOS/EAST BREAKS ACQUISITION

Prior to June 30, 1999, we owned a 33.3% partnership interest in U-T Offshore System and a 40.0% membership interest in Western Gulf Holdings, L.L.C. (which owns 100% of each of High Island Offshore System, L.L.C. and East Breaks Gathering Company, L.L.C.). On June 30, 1999, we acquired, for total consideration of approximately $51 million, two companies from Natural Gas Pipeline Company of America, a subsidiary of KN Energy, Inc., which companies owned 33.3% of UTOS and 20.0% of Western Gulf. As a result, we now own 66.7% of UTOS and 60.0% of Western Gulf (and, thus, 60.0% of each of HIOS and East Breaks). We also acquired ownership interests in certain offshore pipeline laterals as part of the transaction. For additional information on the UTOS /HIOS /East Breaks acquisition, see "Business -- Recent Developments, Acquisitions and New Projects -- UTOS /HIOS /East Breaks Acquisition, Joint Venture Restructuring and East Breaks Pipeline Construction" on page 48.

USE OF PROCEEDS

We will not receive any cash proceeds from the issuance of the Series B notes. In consideration for issuing the Series B notes as contemplated in this prospectus, we will receive in exchange Series A notes in like principal amount, which will be canceled and as such will not result in any increase in our indebtedness.

Our net proceeds from the offering of the Series A notes were approximately $168.5 million. We used the net proceeds as follows:

USE	AMOUNT (IN MILLIONS)
To reduce the balance outstanding under, and to extend, our credit facility	$115.2
To repay the Viosca Knoll credit facility	33.4
To consummate the Viosca Knoll transaction	19.9
Total	$168.5

Concurrently with the closing of the offering of the Series A notes, we amended our revolving credit facility to, among other things, extend the maturity from December 1999 to May 2002. We used approximately $115.2 million of the offering proceeds to temporarily reduce the outstanding balance to approximately $250.0 million (subject to adjustment) and to pay related fees and expenses. As of August 9, 1999, we had $300.0 million outstanding under the revolving credit facility bearing interest at an average floating rate of 7.7% per annum. Over the past 12 months, we used borrowings under the revolving credit facility to, among other things, (1) finance the acquisition and development of our non-producing property, the Ewing Bank 958 Unit ($30.0 million), (2) finance the construction and installation of a new platform and production handling facilities at East Cameron Block 373 ($9.4 million), (3) pay amounts related to the abandonment of the Ewing Bank flowlines ($2.9 million), (4) finance the construction of the Allegheny oil pipeline ($22.8 million), and (5) pay our management in connection with the accelerated vesting of the Unit Rights discussed in "Management -- Executive Compensation -- Unit Rights Appreciation Plan" ($8.6 million) beginning on page 73.

The price for our acquisition of the additional interest in Viosca Knoll was $79.7 million, of which $19.9 million was paid in cash with proceeds from the offering of the Series A notes and $59.8 million was paid in our newly issued common units. In addition, we repaid in full and terminated the Viosca Knoll credit facility on June 1, 1999. Of the approximately $66.7 million which was repaid under this credit facility, $33.4 million came from proceeds of the offering of the Series A notes and the remaining approximately $33.4 million was contributed by El Paso Energy to Viosca Knoll at the closing of the acquisition. Over the past 12 months, Viosca Knoll used borrowings under its credit facility for the addition of compression facilities to and expansion of the Viosca Knoll system and for other working capital needs. For additional information on the Viosca Knoll transaction, see "The Transactions" beginning on page 26 and "Business -- Natural Gas and Oil Pipelines -- Viosca Knoll System" beginning on page 52.

In addition, on June 30, 1999, we paid approximately $51.0 million in connection with the acquisition of additional interests in UTOS and Western Gulf described in "Business -- Recent Developments, Acquisitions and New Projects -- UTOS/HIOS/East Breaks Acquisition -- Joint Venture Restructuring and East Breaks Pipeline Construction," all of which was paid in cash.

CAPITALIZATION

The following table sets forth our unaudited consolidated capitalization on a historical basis as of June 30, 1999 and reflects (1) the issuance of the notes, (2) the consummation of the Viosca Knoll transaction, (3) the repayment and cancellation of Viosca Knoll's credit facility, (4) the reduction of our revolving credit facility, (5) the payment of transaction costs, and (6) the consummation of the UTOS/HIOS/East Breaks acquisition. See "Use of Proceeds" beginning on page 27. You should read this table along with "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 31 and our consolidated financial statements and notes thereto listed on pages F-1 and F-2.

	AS OF JUNE 30, 1999
	(IN THOUSANDS)
Long-term debt:	
Revolving credit facility(1)	$306,500
Senior subordinated notes due 2009	175,000
Total long-term debt	481,500
Minority interest	(249)
Partners' capital	120,036
Total capitalization	$601,287

- ---

(1) See "Use of Proceeds" beginning on page 27 and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" beginning on page 36 for additional information concerning the amendment of the revolving credit facility and the repayment of borrowings under the revolving credit facility with net proceeds from the offering of the Series A notes.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The historical financial information for each of the three years ended December 31, 1996, 1997 and 1998 and as of December 31, 1997 and 1998 was derived from our consolidated financial statements and notes thereto included elsewhere in this prospectus. The historical financial information for the years ended December 31, 1994 and 1995 and as of December 31, 1994, 1995 and 1996 has been derived from our historical consolidated financial statements (not included herein). The historical financial data for each of the six months ended June 30, 1998 and 1999 and as of June 30, 1999 was derived from our unaudited consolidated financial statements and notes thereto included elsewhere in this prospectus. The historical financial data as of June 30, 1998 has been derived from our unaudited historical consolidated financial statements (not included herein). We believe that all material adjustments, consisting only of normal recurring adjustments necessary for the fair presentation of our interim results, have been included. Results of operations for any interim period are not necessarily indicative of the results of operations for the entire year due to the seasonal nature of our business. You should read this information along with "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 31, "Business" beginning on page 44 and the consolidated financial statements and notes thereto listed on pages F-1 and F-2.

	YEAR ENDED DECEMBER 31,					SIX MONTHS ENDED JUNE 30,	
	1994	1995	1996	1997	1998	1998	1999
						(UNAUDITED)	
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS AND RATIOS)						
STATEMENT OF OPERATIONS:							
Oil and natural gas sales	$ 796	$ 1,858	$ 47,068	$ 58,106	$ 31,411	$ 15,734	$ 15,100
Gathering, transportation and platform services	18,554	20,547	24,005	17,329	17,320	7,782	10,798
Equity in earnings	14,786	19,588	20,434	29,327	26,724	12,571	19,953
Total revenue	34,136	41,993	91,507	104,762	75,455	36,087	45,851
Operating expenses	1,876	4,092	9,068	11,352	11,369	5,546	5,025
Depreciation, depletion and amortization	5,085	8,290	31,731	46,289	29,267	14,845	13,727
Impairment, abandonment and other	--	--	--	21,222	(1,131)	--	--
General and administrative expenses and management fee	5,408	7,069	8,540	14,661	16,189	7,503	5,909
Total operating costs	12,369	19,451	49,339	93,524	55,694	27,894	24,661
Operating income	21,767	22,542	42,168	11,238	19,761	8,193	21,190
Interest income and other	1,293	1,884	1,710	1,475	771	157	268
Interest and other financing costs	(912)	(833)	(5,560)	(14,169)	(20,242)	(8,429)	(13,868)
Minority interest in (income) loss	(216)	(251)	(427)	7	(15)	(3)	(80)
Income (loss) before income taxes	21,932	23,342	37,891	(1,449)	275	(82)	7,510
Income tax benefit	136	603	801	311	471	168	177
Net income (loss)	$ 22,068	$ 23,945	$ 38,692	$ (1,138)	$ 746	$ 86	$ 7,687
Basic and diluted income (loss) per unit	$ 1.02	$ 0.97	$ 1.57	$ (0.06)	$ 0.02	$ 0.00	$ 0.25
Distributions declared per common unit	$ 1.20	$ 1.20	$ 1.45	$ 1.85	$ 2.10	$ 1.05	$ 1.05
Distributions declared per preference unit	$ 1.20	$ 1.20	$ 1.45	$ 1.85	$ 1.60	$ 1.05	$ 0.55

	YEAR ENDED DECEMBER 31,					SIX MONTHS ENDED JUNE 30,	
	1994	1995	1996	1997	1998	1998	1999
						(UNAUDITED)	
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS AND RATIOS)						
OTHER FINANCIAL DATA:							
Capital expenditures.....	$ 98,398	$173,632	$101,721	$ 41,957	$ 66,111	$ 19,366	$ 92,818
Consolidated cash flow(1).....	$ 28,316	$ 36,523	$ 91,998	$ 77,846	$ 52,804	$ 23,922	$ 39,340
Fixed charges(2).....	$ 912	$ 6,102	$ 17,470	$ 15,890	$ 21,308	$ 8,954	$ 14,623
Fixed charge coverage ratio(3)...	31.0x	6.0x	5.3x	4.9x	2.5x	2.7x	2.7x
Ratio of earnings to fixed charges(4).....	25.3x	4.0x	2.5x	0.8x	1.0x	0.9x	1.5x
BALANCE SHEET DATA (AT END OF PERIOD):							
Total assets.....	$231,043	$398,696	$453,526	$409,842	$442,726	$406,087	$625,913
Total debt.....	$ 8,000	$135,780	$227,000	$238,000	$338,000	$270,000	$481,500
Total partners' capital.....	$192,431	$186,841	$192,023	$143,966	$ 82,896	$113,557	$120,036

- ---

(1) For purposes of the above presentation, "consolidated cash flow" has been calculated in accordance with the Indenture. For the exact definition of this term, see "Description of Notes -- Certain Definitions" on page 111 of this prospectus. As defined, generally, "consolidated cash flow" means Leviathan's consolidated net income, plus (1) cash distributions to Leviathan and its restricted subsidiaries from persons other than its restricted subsidiaries, (2) extraordinary losses, (3) income tax expense, (4) interest and other financing costs, to the extent deducted and calculated in consolidated net income, (5) depreciation, depletion and amortization and (6) other non-cash charges, to the extent deducted and calculated in consolidated net income, less (7) extraordinary non-cash items that increase Leviathan's consolidated net income and (8) earnings attributable to persons other than its restricted subsidiaries. Consolidated cash flow should not be considered in isolation or as a substitute for net income, cash flow or other income or cash flow data prepared in accordance with generally accepted accounting principles or as a measure of our profitability or liquidity.

(2) "Fixed charges" consist of interest costs (whether expensed or capitalized), amortization of debt issue costs and certain pre-tax preferred stock dividend requirements of Leviathan and any restricted subsidiary.

(3) "Fixed charge coverage ratio" is calculated as "consolidated cash flow" divided by "fixed charges."

(4) For the purpose of this calculation, "earnings" represents income (loss) from continuing operations before income taxes and minority interest, plus fixed charges exclusive of interest capitalized. As a result of the loss incurred in 1997, we were unable to fully cover the indicated fixed charges by $3.2 million. During 1997, we recorded a non-recurring asset impairment of $21.2 million. If the impairment had not occurred, the ratio of earnings to fixed charges would have equalled 2.1x. During the year ended December 31, 1998, we incurred non-recurring expenses of $3.7 million primarily as a result of El Paso Energy's acquisition of our general partner in August 1998, which caused us to be unable to fully cover the indicated fixed charges by $776,000. If the non-recurring expenses had not occurred, the ratio of earnings to fixed charges would have equalled 1.1x.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with (1) our consolidated financial statements and the notes thereto beginning on page F-3 of this prospectus and (2) the information set forth under the heading "Selected Financial Data." The following discussion should assist your understanding of our financial position and results of operations for the six months ended June 30, 1999 and 1998 and for each of the years ended December 31, 1998, 1997 and 1996. Unless the context otherwise requires, all references below to "we," "us" or "our" are also references to our subsidiaries.

OVERVIEW

We are primarily engaged in the gathering, transportation and production of natural gas and crude oil in the Gulf. Through our subsidiaries and joint ventures, we own interests in eight existing natural gas pipeline systems, an oil pipeline system, six multi-purpose platforms, a dehydration facility, four producing oil and natural gas properties and one non-producing oil and natural gas property. In addition, we have recently completed the construction of a wholly owned oil pipeline which we expect to become operational in the fourth quarter of 1999 and, with our joint venture partners, we are constructing two natural gas gathering systems.

The natural gas pipelines, located primarily offshore Louisiana and Mississippi, gather and transport natural gas for producers, marketers, pipelines and end-users for a fee. Our current interests in the natural gas pipelines consist of: 100% interest in each of Green Canyon and Tarpon; a 99.0% interest in Viosca Knoll; a 50.0% interest in Stingray; a 60.0% interest in HIOS; a 66.7% interest in UTOS; and an effective 25.7% interest in each of Manta Ray Offshore and Nautilus. The natural gas pipelines include 1,200 miles of pipeline with a throughput capacity of 6.8 Bcf of natural gas per day.

We own a 36.0% interest in the Poseidon oil pipeline. The Poseidon oil pipeline is located primarily offshore Louisiana and consists of approximately 300 miles of pipeline with a throughput capacity of 400.0 Mbbls of oil per day.

We operate and own interests in six strategically-located, multi-purpose platforms in the Gulf, including a 100% interest in five platforms -- Viosca Knoll Block 817, East Cameron Block 373, Ship Shoal Block 332, South Timbalier Block 292 and Ship Shoal Block 331 -- and a 50.0% interest in the Garden Banks 72 platform. These platforms have production handling capabilities which complement our pipeline operations and play a key role in the development of oil and natural gas reserves. We also own a 50.0% interest in West Cameron Dehy, a dehydration and production handling facility located at the northern terminus of the Stingray system, onshore Louisiana.

RECENT FINANCING DEVELOPMENTS

PREFERENCE UNIT CONVERSION. Holders of approximately 71% of our remaining outstanding preference units as of August 12, 1999 opted to convert those units into common units by the expiration of our second 90 day conversion option period, which commenced on May 14, 1999 and ended on August 12, 1999. During the first conversion option period, during substantially the same period in 1998, approximately 94% of our then outstanding preference units were converted into common units. As a result of the completion of the second conversion option period, a total of 291,299 preference units are outstanding.

SUBORDINATED NOTES OFFERING. On May 27, 1999, we borrowed $175 million pursuant to the issuance, at par, of Series A Senior Subordinated Notes (along with the related indenture, the "subordinated notes"). These subordinated notes, which were issued under an indenture, bear interest at a rate of 10 3/8% per annum, payable semi-annually, mature on June 1, 2009, and are currently guaranteed by all of our subsidiaries. For more information about our subordinated notes, see "--Liquidity and Capital Resources--Sources of Cash."

EXTENSION OF OUR CREDIT FACILITY. Concurrently with the closing of the offering of our subordinated notes, we amended our $375.0 million revolving credit facility to, among other things, extend the maturity to May 2002 from December 1999. As of August 9, 1999, we had $300.0 million outstanding under the revolving credit facility bearing interest at an average floating rate of 7.7% per annum.

NEW WESTERN GULF JOINT VENTURE CREDIT FACILITY. Western Gulf, which owns HIOS and East Breaks, entered into a $100.0 million revolving credit facility in February 1999 with a syndicate of commercial banks to fund substantially all of the costs of the East Breaks system and other working capital needs of Western Gulf, East Breaks and HIOS. This credit facility is secured by certain assets of the joint venture and matures in February 2004. As of August 9, 1999, Western Gulf had $50.1 million outstanding under its credit facility, bearing interest at an average floating rate of 6.5% per annum, and $50.1 million of additional availability under the facility. Including the 20% interest we recently acquired from NGPL, we now own 60.0% of Western Gulf.

TERMINATION OF VIOSCA KNOLL JOINT VENTURE CREDIT FACILITY. In connection with our acquisition of substantially all of the interest that we did not previously own in our Viosca Knoll joint venture, we repaid the balance outstanding under and terminated the $100.0 million credit facility which that joint venture had obtained in December 1996.

RESULTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 1999 COMPARED WITH SIX MONTHS ENDED JUNE 30, 1998

Oil and natural gas sales totaled $15.1 million for the six months ended June 30, 1999 as compared with $15.7 million for the same period in 1998. The decrease is attributable to (1) substantially lower realized oil and natural gas prices and (2) normal production declines from our oil and natural gas properties, partially offset by production from properties we acquired in August 1998. During the six months ended June 30, 1999, we produced and sold 6,877 MMcf of natural gas and 193.0 Mbbls of oil at average prices of $1.83 per Mcf and $12.69 per barrel, respectively. During the same period in 1998, we produced and sold 4,874 MMcf of natural gas and 308.0 Mbbls of oil at average prices of $2.16 per Mcf and $16.53 per barrel, respectively.

Revenue from gathering, transportation and platform services totaled $8.3 million for the six months ended June 30, 1999, net of $2.4 million related to the effect of consolidating Viosca Knoll's results beginning June 1, 1999, as compared with $7.8 million for the same period in 1998. The increase of $0.5 million primarily reflects an increase of $2.7 million in platform services revenue from our East Cameron Block 373 platform which was placed in service in April 1998, offset by decreases of (1) $1.3 million in gathering revenue as a result of lower throughput on the Green Canyon and Tarpon systems primarily due to normal declines in production and (2) $0.9 million in platform services revenue from our Viosca Knoll Block 817 platform as a result of lower third party platform access fees because we acquired additional working interests in the Viosca Knoll Block 817 property in August 1998.

Revenue from our joint ventures totaled $20.0 million for the six months ended June 30, 1999 as compared with $11.8 million for the same period in 1998 after taking out the effect of consolidating Viosca Knoll's results of operations beginning June 1, 1999. The increase of $8.2 million primarily reflects increases of (1) $0.8 million related to Stingray as a result of reductions in prior period estimates for reserves for uncollectible revenues and (2) $8.4 million from POPCO, West Cameron Dehy, Nautilus and Manta Ray Offshore as a result of increased throughput offset by a decrease of $1.0 million as a result of decreased throughput on HIOS and UTOS. Total natural gas throughput volumes for our joint ventures increased approximately 3.0% from the six months ended June 30, 1998 to the same period in 1999 primarily as a result of increased throughput on the Viosca Knoll, Nautilus and Manta Ray Offshore systems. Oil volumes from Poseidon totaled 29.5 MMbbls and 15.7 MMbbls for the six months ended June 30, 1999 and 1998, respectively.

Depreciation, depletion and amortization totaled $13.4 million for the six months ended June 30, 1999 after taking out the effect of consolidating Viosca Knoll's results of operations beginning on June 1, 1999

as compared with $14.8 million for the same period in 1998. The decrease of $1.4 million reflects a decrease of $1.8 million in depreciation and depletion of oil and natural gas wells and facilities located on the Viosca Knoll Block 817, Garden Banks Block 72 and the Garden Banks Block 117 as a result of decreased depletion and abandonment accrual rates offset by $0.4 million of depreciation on our East Cameron Block 373 and Ship Shoal Block 331 platforms placed in service after March 31, 1998.

General and administrative expenses, including the management fee allocated from our general partner, totaled $5.9 million for the six months ended June 30, 1999 as compared with $7.5 million for the same period in 1998. The decrease of $1.6 million reflects decreases of (1) $0.1 million in management fees allocated by our general partner to us and (2) $1.5 million in our direct general and administrative expenses in the 1998 period primarily related to the appreciation and vesting of unit rights granted to certain of our officers and employees under a compensation plan that was terminated in October 1998.

Interest and other financing costs, excluding capitalized interest, for the six months ended June 30, 1999 totaled $14.6 million as compared with $8.4 million for the same period in 1998. During the six months ended June 30, 1999 and 1998, we capitalized $0.8 million and $0.5 million, respectively, of interest costs in connection with construction projects and drilling activities in progress during such periods. During the six months ended June 30, 1999 and 1998, we had outstanding indebtedness under our credit facility averaging approximately $332.0 million and $254.0 million, respectively, at average interest rates of 7.3% and 6.5% per annum. Additionally, our subordinated notes, issued in May 1999, bear interest at 10 3/8% per annum.

Net income for the six months ended June 30, 1999 totaled $7.7 million, or $0.25 per unit, as compared with $0.1 million, or $0.00 per unit, for the six months ended June 30, 1998 as a result of the items discussed above.

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

Oil and natural gas sales totaled $31.4 million for the year ended December 31, 1998 as compared with $58.1 million for the same period in 1997. The decrease is attributable to (1) substantially lower realized oil and natural gas prices, (2) decreased production as a result of two tropical storms and Hurricane Georges passing through the Gulf during the third quarter of 1998, (3) normal production declines from our oil and natural gas properties and (4) the lack of acceptable markets downstream of the Viosca Knoll system. The production decline attributable to the capacity constraints of the downstream transporter was alleviated during the third quarter of 1998. During the year ended December 31, 1998, we produced and sold 11,324 MMcf of natural gas and 540.0 Mbbls barrels of oil at average prices of $2.01 per Mcf and $15.69 per barrel, respectively. During the same period in 1997, we produced and sold 19,792 MMcf of natural gas and 801.0 Mbbls barrels of oil at average prices of $2.08 per Mcf and $20.61 per barrel, respectively.

Revenue from gathering, transportation and platform services totaled $17.3 million for each of the years ended December 31, 1998 and 1997. The activity for 1998 remained consistent with the prior year as a result of an increase of $5.5 million in platform services revenue from our East Cameron Block 373 platform, which was placed in service in April 1998, offset by decreases of (1) $2.8 million related to the cessation of production in May 1997 from the only well connected to the Ewing Bank system, (2) $1.9 million as a result of lower throughput on the Green Canyon system and the contribution of a significant portion of the Manta Ray system to Manta Ray Offshore on January 17, 1997, resulting in revenue from these assets being included in equity in earnings for the entire year ended December 31, 1998 as compared with a portion of the year ended December 31, 1997 and (3) $0.8 million in platform revenue services from our Viosca Knoll Block 817 platform as a result of lower oil and natural gas volumes processed on the platform due to capacity constraints of a downstream transporter which were alleviated during the third quarter of 1998. Throughput volumes for our wholly owned gathering systems decreased approximately 8.0% for the year ended December 31, 1998 as compared with the same period in 1997.

Revenue from our joint ventures totaled $26.7 million for the year ended December 31, 1998 as compared with $29.3 million for the same period in 1997. The decrease of $2.6 million primarily reflects

decreases of (1) $6.7 million related to non-recurring start-up costs, changes in prior period estimates and a change in equity ownership of Nautilus and Manta Ray Offshore and (2) $2.5 million related to Stingray and HIOS as a result of increased maintenance costs and decreased throughput offset by an increase of $6.6 million from Poseidon, Viosca Knoll, UTOS and West Cameron Dehy as a result of increased throughput. Total natural gas throughput volumes for our joint ventures increased approximately 20.0% from the year ended December 31, 1997 to the same period in 1998 primarily as a result of increased throughput on the Viosca Knoll, UTOS, Nautilus and Manta Ray Offshore systems. Oil volumes from Poseidon totaled 35.6 MMbbls and 19.0 MMbbls for the year ended December 31, 1998 and 1997, respectively. Our joint ventures were impacted by two tropical storms and Hurricane Georges passing through the Gulf during the third quarter of 1998.

Operating expenses totaled $11.4 million for each of the years ended December 31, 1998 and 1997. The 1998 activity remained consistent with the prior year as a result of lower operating and transportation costs associated with our oil and natural gas properties offset by higher operating costs associated with the East Cameron Block 373 platform placed in service in April 1998, the acquisition of the Ship Shoal Block 331 platform in August 1998 and additional activities associated with the Ship Shoal Block 332 platform.

Depreciation, depletion and amortization totaled $29.3 million for the year ended December 31, 1998 as compared with $46.3 million for the same period in 1997. The decrease of $17.0 million reflects decreases of (1) $14.0 million in depreciation and depletion on oil and natural gas wells and facilities located on the Viosca Knoll Block 817, Garden Banks Block 72 and the Garden Banks Block 117 as a result of decreased production from these leases and slightly lower estimated abandonment obligations and (2) $3.0 million in depreciation on pipelines, platforms and facilities as a result of us fully depreciating our investment in the Ewing Bank and Ship Shoal systems in June 1997, offset by increased depreciation attributable to our East Cameron Block 373 and Ship Shoal Block 331 platforms placed in service in 1998.

Impairment, abandonment and other totaled ($1.1 million) for the year ended December 31, 1998 and represented the excess of accrued costs over actual costs incurred associated with the abandonment of our Ewing Bank flowlines. Impairment, abandonment and other totaled $21.2 million for the year ended December 31, 1997 and consisted of a non-recurring charge to reserve our investment in certain gathering facilities and other assets associated with Tatham Offshore's Ewing Bank 914 #2 well and Ship Shoal Block 331 property, to accrue our abandonment obligations associated with the gathering facilities serving these properties, to reserve our noncurrent receivable related to the prepayment of the demand charge obligations under certain agreements related to the Ewing Bank and Ship Shoal leases and to accrue certain abandonment obligations associated with its oil and natural gas properties.

General and administrative expenses, including the management fee allocated from our general partner, totaled $16.2 million for the year ended December 31, 1998 as compared with $14.7 million for the same period in 1997. The increase of $1.5 million reflects increases of (1) $1.0 million in management fees allocated by our general partner to us as a result of our increased construction and operational activities and (2) $0.5 million in our direct general and administrative expenses primarily related to the vesting and appreciation of unit rights to certain of our officers and employees.

Interest income and other totaled $0.8 million for the year ended December 31, 1998 as compared with $1.5 million for the same period in 1997.

Interest and other financing costs, excluding capitalized interest, for the year ended December 31, 1998 totaled $20.2 million as compared with $14.2 million for the same period in 1997. During the year ended December 31, 1998 and 1997, we capitalized $1.1 million and $1.7 million, respectively, of interest costs in connection with construction projects and drilling activities in progress during such periods. During the years ended December 31, 1998 and 1997, we had outstanding indebtedness averaging approximately $288.0 million and $232.5 million, respectively.

Net income for the year ended December 31, 1998 totaled $0.7 million, or $0.02 per unit, as compared with a net loss of $1.1 million, or $0.06 per unit, for the year ended December 31, 1997 as a result of the items discussed above.

YEAR ENDED DECEMBER 31, 1997 COMPARED WITH YEAR ENDED DECEMBER 31, 1996

Oil and natural gas sales totaled $58.1 million for the year ended December 31, 1997 as compared with $47.1 million for the year ended December 31, 1996. The increase of $11.0 million is attributable to increased production from our oil and natural gas properties as a result of initiating full production from Viosca Knoll Block 817 in March 1996, Garden Banks Block 72 in May 1996 and Garden Banks Block 117 in July 1996. During the year ended December 31, 1997, we produced and sold 19,792 MMcf of natural gas and 801.0 Mbbls of oil at average prices of $2.08 per Mcf and $20.61 per barrel, respectively. During 1996, we produced and sold 15,730 MMcf of natural gas and 393.0 Mbbls of oil at average prices of $2.37 per Mcf and $21.76 per barrel, respectively.

Revenue from gathering, transportation and platform services totaled $17.3 million for the year ended December 31, 1997 as compared with $24.0 million for the year ended December 31, 1996. The decrease of $6.7 million reflects decreases of (1) $7.6 million as a result of the contribution of a significant portion of the Manta Ray system to Manta Ray Offshore in January 1997 resulting in revenue from these assets being included in equity in earnings for the remainder of the year ended December 31, 1997 and (2) $3.0 million related to lower throughput on the Ewing Bank system offset by increases of (1) $1.8 million in platform services from our Viosca Knoll Block 817 platform as a result of additional oil and natural gas volumes processed on the platform and (2) $2.1 million from the Tarpon and Green Canyon systems primarily related to (x) the deregulation of the Tarpon system allowing us to recognize additional revenue during the current period related to the gathering fees collected in prior periods and (y) new production attached to these systems. Throughput volumes for our wholly owned gathering systems decreased 34.0% for the year ended December 31, 1997 as compared with the year ended December 31, 1996 primarily due to an 82.0% decline from the Ewing Bank system due to a downhole mechanical problem in May 1997 which caused Tatham Offshore's Ewing Bank 914 #2 well to be shut-in.

Revenue from our joint ventures totaled $29.3 million for the year ended December 31, 1997 as compared with $20.4 million for the year ended December 31, 1996. The increase of $8.9 million primarily reflects increases of (1) $2.9 million from Viosca Knoll and UTOS as a result of increased throughput, (2) $1.6 million from Poseidon, which placed the Poseidon system in service in three-phases, April 1996, December 1996 and December 1997, (3) $0.4 million from West Cameron Dehy, (4) $3.7 million from Manta Ray Offshore related to the Manta Ray assets contributed by Leviathan and (5) $2.2 million from Nautilus, primarily as a result of Nautilus recognizing as other income an allowance for funds used during construction, offset by (6) a $1.9 million decrease in Stingray and HIOS as a result of increased maintenance costs during 1997. Total natural gas throughput volumes for our joint ventures increased approximately 9.0% from 1996 to 1997 primarily as a result of increased throughput on the Viosca Knoll and UTOS systems as well as the addition of the Manta Ray Offshore system throughput as a joint venture, as discussed above. Oil volumes from Poseidon totaled 19.0 MMbbls for the year ended December 31, 1997 as compared with 7.5 MMbbls for the period from inception of operations in April 1996 through December 31, 1996.

Operating expenses for the year ended December 31, 1997 totaled $11.4 million as compared with $9.1 million for the year ended December 31, 1996. The increase of $2.3 million is primarily attributable to additional maintenance costs related to the platforms we operate and our operation of one additional oil and natural gas well during 1997.

Depreciation, depletion and amortization totaled $46.3 million for the year ended December 31, 1997 as compared with $31.7 million for the year ended December 31, 1996. The increase of $14.6 million reflects an increase of $19.7 million in depreciation and depletion on the oil and natural gas wells and facilities located on Viosca Knoll Block 817, Garden Banks Block 72 and Garden Banks Block 117 as a result of increased production from these leases which initiated production in December 1995, May 1996

and July 1996, respectively, offset by a decrease of $5.1 million in depreciation on pipelines, platforms and facilities.

Impairment, abandonment and other totaled $21.2 million for the year ended December 31, 1997 and consisted of a non-recurring charge to reserve our investment in certain gathering facilities and other assets associated with Tatham Offshore's Ewing Bank 914 #2 well and Ship Shoal Block 331 property, to accrue our abandonment obligations associated with the gathering facilities serving these properties, to reserve our noncurrent receivable related to the prepayment of the demand charge obligations under certain agreements related to the Ewing Bank and Ship Shoal leases and to accrue certain abandonment obligations associated with its oil and natural gas properties.

General and administrative expenses, including the management fee allocated from our general partner, totaled $14.7 million for the year ended December 31, 1997 as compared with $8.5 million for the year ended December 31, 1996. General and administrative expenses for the year ended December 31, 1996 were reduced by a one-time $1.4 million reimbursement from Poseidon as a result of our management of the initial construction of Poseidon. Excluding this one-time reimbursement by Poseidon, general and administrative expenses for the year ended December 31, 1997 increased $4.7 million as compared to the year ended December 31, 1996. This increase reflects (1) a $1.5 million increase in management fees allocated by our general partner to us as a result of our increased construction and operational activities, (2) a $3.6 million increase in our direct general and administrative expenses primarily related to the appreciation and vesting of unit appreciation rights granted to certain officers and employees in 1995, 1996 and 1997 and (3) a $0.4 million decrease in the reimbursement to El Paso Energy for certain tax liabilities pursuant to the management agreement with us.

Interest income and other totaled $1.5 million for the year ended December 31, 1997 as compared with $1.7 million for the year ended December 31, 1996.

Interest and other financing costs, excluding capitalized interest, for the year ended December 31, 1997 totaled $14.2 million as compared with $5.6 million for the year ended December 31, 1996. During the years ended December 31, 1997 and 1996, we capitalized $1.7 million and $11.9 million, respectively, of interest costs in connection with construction projects and drilling activities in progress during such periods. During the years ended December 31, 1997 and 1996, we had outstanding indebtedness averaging approximately $232.5 million and $181.4 million, respectively.

Net loss for the year ended December 31, 1997 totaled $1.1 million, or $0.06 per unit, as compared with net income of $38.7 million, or $1.57 per unit, for the year ended December 31, 1996 as a result of the items discussed above.

LIQUIDITY AND CAPITAL RESOURCES

SOURCES OF CASH. We intend to satisfy our capital requirements and other working capital needs primarily from cash on hand, cash from operations and borrowings under our revolving credit facility (discussed below). However, depending on market and other factors, we may issue additional equity to raise cash or acquire assets, as in the acquisition of the additional interest in Viosca Knoll. Net cash provided by operating activities for the year ended December 31, 1998 and for the six months ended June 30, 1999 totaled $25.7 million and $23.6 million, respectively. In addition to funds available under our credit facility or from the issuance of equity, we may use debt securities to raise cash to fund our working capital requirements, such as the cash portion of the Viosca Knoll transaction and to repay borrowings under Viosca Knoll's credit facility. At June 30, 1999, we had cash and cash equivalents of $3.3 million.

Cash from operations is derived from (1) payments for gathering natural gas through our 100% owned pipelines, (2) platform access and production handling fees, (3) cash distributions from our joint ventures and (4) the sale of oil and natural gas attributable to our interest in our producing properties. Oil and natural gas properties are depleting assets and will produce reduced volumes of oil and natural gas in the future unless additional wells are drilled or recompletions of existing wells are successful. See "Business -- Oil and Natural Gas Properties" beginning on page 57 for current rates from our properties.

Our cash flows from operations will be affected by the ability of each of our joint ventures to make distributions. Distributions from such entities are also subject to the discretion of their respective management committees. Further, each of Stingray, Poseidon and Western Gulf is party to a credit agreement under which it has outstanding obligations that may restrict the payments of distributions to its owners. We received distributions from our joint ventures during the year ended December 31, 1998 and for the six months ended June 30, 1999 totaling $31.2 million and $24.1 million, respectively.

We entered into an indenture dated May 27, 1999 with Chase Bank of Texas, National Association, pursuant to which we issued $175 million in aggregate principal amount of our subordinated notes. We capitalized $5.2 million of debt issue costs related to the issuance of the subordinated notes. The subordinated notes bear interest at a rate of 10 3/8% per annum, payable semi-annually, on June 1 and December 1, mature on June 1, 2009 and are junior to substantially all of our other indebtedness other than trade payables and indebtedness that by its terms expressly states it is equal or junior to the subordinated notes. Generally, we do not have the right to prepay the subordinated notes prior to May 31, 2004, and thereafter, we may prepay the subordinated notes at a premium of 5% of the face amount, which premium declines ratably through maturity. Although the subordinated notes are unsecured, all of our subsidiaries have guaranteed those obligations. The subordinated notes contain customary terms and conditions, including various affirmative and negative covenants and the obligation to offer to repurchase the notes at a premium under certain circumstances. Among other things, the terms of the subordinated notes limit our ability to make distributions to our unitholders, redeem or otherwise reacquire any of our equity, incur additional indebtedness, incur or permit to exist certain liens, make additional investments, engage in transactions with affiliates, engage in certain types of businesses and dispose of assets under certain circumstances, including if certain financial tests are not satisfied or there is a default. In addition, we will be obligated to offer to repurchase the subordinated notes if we experience certain types of changes of control or if we dispose of certain assets and do not reinvest the proceeds or repay senior indebtedness.

We currently have a revolving credit facility providing for up to $375.0 million of available credit, subject to customary terms and conditions, including certain limitations on incurring additional indebtedness (including borrowings under this facility) if certain financial targets are not achieved and maintained. In addition, we will be required to prepay a portion of the balance outstanding under our credit facility to the extent such financial targets are not achieved and maintained. We may borrow money under the credit agreement for general partnership purposes, including financing capital expenditures, working capital requirements, and, subject to certain limitations, distributions to our unitholders. We may also utilize this credit facility to issue letters of credit as may be required from time to time; however, no letters of credit are currently outstanding. Concurrently with the closing of the offering of the Series A notes, we amended our facility to, among other things, extend the maturity to May 2002 from December 1999. Our revolving credit facility is guaranteed by the general partner and each of our subsidiaries and is collateralized by (1) the management agreement between the general partner and a subsidiary of El Paso Energy, (2) substantially all of our assets and (3) the general partner's 1.0% general partner interest in us and approximate 1.0% nonmanaging interest in certain of our subsidiaries. Our revolving credit facility has no scheduled amortization prior to maturity. As of August 9, 1999, we had $300.0 million outstanding under our revolving credit facility bearing interest at an average floating rate of 7.7% per annum and approximately $44.5 million of funds are available under the facility. We used all otherwise unapplied proceeds from the offering of the Series A notes (approximately $112.3 million) to temporarily reduce the balance outstanding under our credit facility, and we borrowed approximately $51.0 million on June 30, 1999 under this facility in connection with closing HIOS/East Breaks/UTOS acquisition.

Poseidon has a revolving credit facility with a syndicate of commercial banks to provide up to $150.0 million for other working capital needs of Poseidon. Poseidon's ability to borrow money under the facility is subject to certain customary terms and conditions, including certain limitations on incurring additional indebtedness (including borrowings under this credit facility) if certain financial targets are not achieved and maintained. In addition, Poseidon will be required to prepay a portion of the balance outstanding under this credit facility to the extent such financial targets are not achieved and maintained. The Poseidon credit facility has no scheduled amortization prior to maturity. The Poseidon credit facility is collateralized by a substantial portion of Poseidon's assets and matures on April 30, 2001. As of August 9,

1999, Poseidon had $140.0 million outstanding under its credit facility bearing interest at an average floating rate of 6.5% per annum and had approximately $10.0 million of additional funds available under the facility.

Stingray has an existing term loan agreement with a syndicate of commercial banks which matures on March 31, 2003. The agreement requires Stingray to make 18 quarterly principal payments of approximately $1.6 million commencing December 31, 1998. The term loan agreement is principally collateralized by current and future natural gas transportation contracts between Stingray and its customers. On the earlier to occur of March 31, 2003 or the accelerated due date pursuant to the Stingray credit agreement, if Stingray has not paid all amounts due under its credit agreement, we are obligated to pay the lesser of (1) $8.5 million, (2) the aggregate amount of distributions received by us from Stingray subsequent to January 1, 1998 or (3) 50.0% of any then outstanding amounts due pursuant to the Stingray credit agreement. We do not expect to have to pay any amount pursuant to this obligation. As of August 9, 1999, Stingray had $23.7 million outstanding under its term loan agreement bearing interest at an average floating rate of 6.3% per annum.

Western Gulf, which owns all of HIOS and East Breaks, entered into a revolving credit facility with a syndicate of commercial banks in February 1999 to provide up to $100.0 million for the construction of the East Breaks system and for other working capital needs of Western Gulf, East Breaks and HIOS. Western Gulf's ability to borrow money under the facility is subject to certain customary terms and conditions, including certain limitations on incurring additional indebtedness (including borrowings under this credit facility) if certain financial targets are not achieved and maintained. In addition, Western Gulf would be required to prepay a portion of the balance outstanding under this credit facility to the extent such financial targets are not achieved and maintained. The credit facility has no scheduled amortization prior to its maturity in February 2004. The Western Gulf credit facility is collateralized by Western Gulf's ownership interest in HIOS and East Breaks and substantially all of the material contracts and agreements of East Breaks and Western Gulf, and supported by the guarantee of East Breaks. In addition, we have agreed to return up to $3.0 million in distributions paid to us by Western Gulf under certain circumstances. As of August 9, 1999, Western Gulf had $50.1 million outstanding under this credit facility bearing interest at a floating rate of 6.5% per annum and had approximately $49.9 million of additional funds available under this facility. See "Business -- Recent Developments, Acquisitions and New Projects -- UTOS/HIOS/East Breaks Acquisition, Joint Venture Restructuring and East Breaks Pipeline Construction" beginning on page 46.

Prior to the closing of the offering of the Series A notes, Viosca Knoll had a revolving credit facility with a syndicate of commercial banks to provide up to $100.0 million for other working capital needs of Viosca Knoll, which we repaid in full and terminated on June 1, 1999 in connection with our acquisition of an additional 49.0% in Viosca Knoll from El Paso Energy. See "Description of Other Indebtedness -- Joint Venture Credit Arrangements."

In connection with the Viosca Knoll transactions on June 1, 1999, our general partner contributed approximately $0.6 million to us in order to maintain its 1.0% capital account balance as required by our partnership agreement.

USES OF CASH. Our primary capital requirements are (1) quarterly distributions to holders of preference units and common units and to the general partner, including incentive distributions, as applicable, (2) expenditures for the maintenance of our pipelines and related infrastructure and the acquisition and construction of additional energy-related infrastructure, (3) expenditures related to our producing oil and natural gas properties, (4) expenditures relating to the development of our non-producing property, the Ewing Bank 958 Unit, (5) administrative expenses (including management fees) and other operating expenses, (6) contributions to our joint ventures as required to fund capital expenditures for new facilities, (7) debt service on our outstanding indebtedness, including temporarily reducing the balance outstanding under our revolving credit facility with approximately $112.3 million of proceeds from the offering of the Series A notes, (8) repaying the balance outstanding under the Viosca Knoll credit facility and (9) acquiring the additional interests in UTOS/HIOS/East Breaks.

During the year ended December 31, 1998 and the six months ended June 30, 1999, we paid distributions to our partners totaling $62.4 million and $31.3 million, respectively, including $11.1 million and $5.6 million to our general partner as incentive distributions. On July 19, 1999, we declared our second quarter cash distribution of $0.275 per preference unit and $0.525 per common unit covering the three months ended June 30, 1999. The distributions were paid on August 13, 1999 to all holders of record of common and preference units at the close of business on July 30, 1999. In April 1999, we declared our first quarter cash distribution of $0.275 per preference unit and $0.525 per common unit for the period from January 1, 1999 through March 31, 1999 which was paid on May 14, 1999 to all holders of record of preference units and common units as of April 30, 1999. We believe that we will be able to continue to pay at least the current quarterly distributions of $0.275 per preference unit and $0.525 per common unit for the foreseeable future. At these distribution rates, the quarterly distributions total $17.4 million in respect of the preference units, common units and general partner interest. Distributions of our available cash are effectively made 98.0% to unitholders and 2.0% to the general partner, subject to the payment of incentive distributions.

In April 1998, we completed the construction and installation of a new platform and production handling facilities at East Cameron Block 373 at a cost of $30.2 million, $9.4 million of which was incurred in 1998. See "Business -- Offshore Platforms and Other Facility -- East Cameron Block 373" beginning on page 55.

During 1998, we paid $2.9 million related to the abandonment of the Ewing Bank flowlines and $8.6 million to our management in connection with the accelerated vesting of the unit rights discussed in "Management -- Executive Compensation -- Unit Rights Appreciation Plan" beginning on page 73.

Substantially all of the capital expenditures by Poseidon, East Breaks, Viosca Knoll and Stingray were funded by borrowings under separate joint venture credit facilities, and any future capital expenditures by East Breaks, Poseidon, HIOS and Stingray are anticipated to be funded by borrowings under such credit facilities. As previously discussed, we repaid in full ($66.7 million) and terminated Viosca Knoll's credit facility upon the closing of the Viosca Knoll transaction. Our cash capital expenditures (including construction and installation of the Allegheny oil pipeline and development costs of the Ewing Bank 958 Unit) and equity investments and acquisitions for the year ended December 31, 1998 and for the six months ended June 30, 1999 were $66.1 million and $92.8 million, respectively. We have in the past contributed existing assets to joint ventures as partial consideration for ownership interest therein and may in the future contribute existing assets, including cash, to new joint ventures as partial consideration for ownership interest.

Interest costs incurred by us totaled $19.2 million and $14.6 million, respectively, for the year ended December 31, 1998 and for the six months ended June 30, 1999. We capitalized $1.1 million and $0.8 million, respectively, of such interest costs in connection with construction projects and drilling activities in process during such periods.

On June 1, 1999, we closed our acquisition of an additional 49.0% interest in Viosca Knoll, for which $19.9 million of the consideration paid was cash. On June 30, 1999, we paid approximately $51.0 million in connection with the acquisition of the additional interests in Western Gulf and UTOS.

We anticipate that our capital expenditures and equity investments for 1999 will relate to continuing acquisition, construction and development activities, including the completion of the Allegheny oil pipeline, the construction of the Nemo pipeline and the development of the Ewing Bank 958 Unit. We anticipate funding such cash requirements primarily with available cash flow, borrowings under our credit facility and, depending on the capital requirements and related market conditions, issuing additional debt and/or equity. Further, with respect to the development of the Ewing Bank 958 Unit as currently planned, we anticipate consummating an exchange, sale, farmout, joint venture or similar arrangement to share in the drilling and infrastructure costs associated with that development. If we do not make such an arrangement, we will have to raise additional capital through another source or we will not be able to proceed with this development as currently planned. We cannot assure you that any such source of capital would be available to complete this development.

NEW ACCOUNTING STANDARDS

REPORTING ON THE COSTS OF START-UP ACTIVITIES. In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities." This statement defines start-up activities, requires start-up and organization costs to be expensed as incurred and requires that any such costs that exist on the balance sheet be expensed upon adoption of this pronouncement. We adopted the provisions of this statement on January 1, 1999, the impact of which was not material to our financial position or results of operations.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires that entities recognize all derivative investments as either assets or liabilities on the balance sheet and measure those instruments at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as a hedge transaction. For fair-value hedge transactions in which we are hedging changes in an asset's, liability's or firm commitment's fair value, changes in the fair value of the derivative instrument will generally be offset in the income statement by changes in the hedged item's fair value. For cash-flow hedge transactions, in which we are hedging the variability of cash flows related to a variable-rate asset, liability, or a forecasted transaction, changes in the fair value of the derivative instrument will be reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges will be recognized in current-period earnings. This statement was amended by SFAS No. 137 issued in June 1999. The amendment defers the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. We have not yet determined the impact that the adoption of SFAS No. 133 will have on our financial position or results of operations.

ACCOUNTING FOR CONTRACTS INVOLVED IN ENERGY TRADING AND RISK MANAGEMENT ACTIVITIES. In November 1998, the Emerging Issues Task Force ("EITF") reached a consensus on EITF 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." EITF 98-10 requires energy trading contracts to be recorded at fair value on the balance sheet, with the changes in fair value included in earnings and is effective for fiscal years beginning after December 15, 1998. We adopted the provisions of EITF 98-10 effective January 1, 1999, the resulting impact of which did not have a material impact on our financial position or results of operations.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We may utilize derivative financial instruments for purposes other than trading to manage our exposure to movements in interest rates and commodity prices. In accordance with procedures established by our Board of Directors, we monitor current economic conditions and evaluate our expectations of future prices and interest rates when making decisions with respect to risk management.

INTEREST RATE RISK. We utilize both fixed and variable rate long-term debt. We are exposed to some market risk due to the floating interest rate under our credit facility. Under our credit facility, the remaining principal and the final interest payments are due in March 2002. As of August 9, 1999, indebtedness outstanding under our credit facility was $300.0 million at an average interest rate of 7.7% per annum. A 1 1/2% increase in interest rates could result in a $4.5 million annual increase in interest expense on the total existing principal balance. We are exposed to similar risk under the credit facilities and loan agreements entered into by our joint ventures. See "-- Liquidity and Capital Resources." We have determined that it is not necessary to participate in interest rate-related derivative financial instruments because we currently do not expect significant short-term increases in the interest rates charged under our credit facility or the various joint venture credit facilities and loan agreements.

COMMODITY PRICE RISK. We hedge a portion of our oil and natural gas production to reduce our exposure to fluctuations in the market prices thereof. We use commodity price swap transactions whereby monthly settlements are based on differences between the prices specified in the commodity price swap agreements and the settlement prices of certain futures contracts quoted on the New York Mercantile

Exchange ("NYMEX") or certain other indices. We settle the commodity price swap transactions by paying the negative difference or receiving the positive difference between the applicable settlement price and the price specified in the contract. The commodity price swap transactions we use differ from futures contracts in that there are no contractual obligations which require or allow for the future delivery of the product. The credit risk from our price swap contracts is derived from the counter-party to the transaction, typically a major financial institution. We do not require collateral and do not anticipate non-performance by this counter-party, which does not transact a sufficient volume of transactions with us to create a significant concentration of credit risk. Gains or losses resulting from hedging activities and the termination of any hedging instruments are initially deferred and included as an increase or decrease to oil and natural gas sales in the period in which the hedged production is sold. For the six months ended June 30, 1999, we recorded a net loss of $0.7 million related to hedging activities.

As of June 30, 1999, we had open sales swap transactions for 10,000 MMbtu of natural gas per day for calendar 2000 at a fixed price to be determined at our option equal to the February 2000 Natural Gas Futures Contract on NYMEX as quoted at any time during 1999 and January 2000, to and including the last two trading days of the February 2000 contract, minus $0.5450 per MMbtu. Additionally, we had open sales swap transactions of 10,000 MMbtu of natural gas per day at a fixed price to be determined at our option equal to the January 2000 Natural Gas Futures Contract on NYMEX as quoted at any time during 1999, to and including the last two trading days of the January 2000 contract, minus $0.50 per MMbtu.

At June 30, 1999, we had open crude oil hedges on approximately 500 barrels per day for the remainder of calendar 1999 at an average price of $16.10 per barrel.

If we had settled our open natural gas hedging positions as of June 30, 1999 based on the applicable settlement prices of the NYMEX futures contracts, we would have recognized a loss of approximately $2.2 million.

YEAR 2000

The Year 2000 issue is the result of computer programs that were written using two digits rather than four to define the year. We have established a project team that works with the El Paso Energy executive steering committee to coordinate the phases of our Year 2000 project to ensure that our key automated systems and related processes will remain functional through Year 2000. Those phases include: (1) awareness, (2) assessment, (3) remediation, (4) testing, (5) implementation of the necessary modifications and (6) contingency planning (which was previously included as a component of our implementation phase). We have hired outside consultants and are involved in several industry trade-groups to supplement our project team.

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

The assessment phase consists of conducting an inventory of our key automated systems and related processes, analyzing and assigning levels of criticality to those systems and processes, identifying and prioritizing resource requirements, developing validation strategies and testing plans, and evaluating business partner relationships. We estimate that we are more than three-quarters complete with the portion of the assessment phase to determine the nature and impact of the Year 2000 date change for hardware and equipment, embedded chip systems, and third-party developed software. The assessment phase of the project involves, among other things, efforts to obtain representations and assurances from third parties, including joint ventures, partners, customers and vendors, that their hardware and equipment products, embedded chip systems and software products being used by or impacting us are or will be modified to be Year 2000 compliant. To date, the responses from such third parties, although generally encouraging, are inconclusive. Although we intend to interact only with those third parties that have Year 2000 compliant computer systems, it is impossible for us to monitor all such systems. As a result, we cannot predict the potential consequences if our joint ventures, partners, customers or vendors are not Year 2000 compliant. We are currently evaluating the exposure associated with such business partner relationships.

The remediation phase involves converting, modifying, replacing or eliminating selected key automated systems identified in the assessment phase. The testing phase involves the validation of the identified key automated systems. We are utilizing test tools and written procedures to document and validate, as necessary, its unit, system, integration and acceptance testing. The implementation phase involves placing the converted or replaced key automated systems into operations. In some cases, the implementation phase will also involve the implementation of contingency plans needed to support business functions and processes that may be interrupted by Year 2000 failures that are outside our control. As of August 9, 1999, we are substantially completed with each phase.

The contingency planning phase consists of developing a risk profile of our critical business processes and then providing for actions we will pursue to keep such processes operational in the event of Year 2000 disruptions. The focus of such contingency planning is on prompt response to Year 2000 events, and a plan for subsequent resumption of normal operations. The plan is expected to assess the risk of significant failure to critical processes performed by us, and to address the mitigation of those risks. The plan will also consider any significant failures in the event the most reasonably likely worst case scenario develops, as discussed below. In addition, the plan is expected to factor in the severity and duration of the impact of a significant failure. As of August 9, 1999, the contingency plan was substantially completed. This Year 2000 contingency plan will continue to be modified and adjusted through the year as additional information from key external business partners becomes available.

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

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

Presently, we intend to reassess our estimate of Year 2000 costs in the event we complete an acquisition of, or make a material investment in, substantial facilities or another business entity.

Management does not expect the costs of our Year 2000 project will have a material adverse effect on our financial position, results of operations or cash flows. However, based on information available at this time, we cannot conclude that disruption caused by internal or external Year 2000 related failures will not adversely effect us. Specific factors which may affect the success of our Year 2000 efforts and the frequency or severity of Year 2000 disruption or amount of any expense include failure by us or our outside consultants to properly identify deficient systems, the failure of the selected remedial action to

adequately address the deficiencies, the failure by us or our outside consultants to complete the remediation in a timely manner (due to shortages of qualified labor or other factors), the failure of other parties to joint ventures in which we are involved to meet their obligations, both financial and operational under the relevant joint venture agreements to remediate assets used by the joint venture, unforeseen expenses related to the remediation of existing systems or the transition to replacement systems, and the failure of third parties, including joint ventures, to become Year 2000 compliant or to adequately notify us of potential noncompliance.

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

BUSINESS

OVERVIEW

We are a provider of integrated energy services, including natural gas and oil gathering, transportation, midstream and other related services in the Gulf. We commenced operations in 1989, through a predecessor company, with the objective of becoming a major natural gas gatherer and transporter in the Gulf, with specific focus on the emerging Deepwater, and identifying and exploiting other energy-related opportunities. When we completed our initial public offering in 1993, we owned interests in seven pipeline systems, which extended approximately 721 miles and had a design capacity of 5.0 Bcf of natural gas per day. Either directly or through joint ventures, we now own interests in nine operating pipeline systems, which extend approximately 1,500 miles and have a design capacity of 6.8 Bcf of natural gas and 400.0 Mbbls of oil per day. We also own multi-purpose platforms; production handling, dehydration and other energy-related infrastructure facilities; as well as oil and natural gas properties.

Our general partner is a wholly owned indirect subsidiary of El Paso Energy. El Paso Energy is a diversified energy holding company engaged, through its subsidiaries, in the interstate and intrastate transportation, gathering and processing of natural gas; the marketing of natural gas, power and other energy-related commodities; power generation; and the development and operation of energy infrastructure facilities worldwide. In 1998, El Paso Energy paid approximately $422.0 million to acquire an effective 27.3% interest in us, including all of the general partner interests. In addition, at the closing of the offering of the Series A notes, El Paso Energy contributed to us a 49.0% interest in Viosca Knoll in exchange for $19.9 million in cash and $59.8 million in common units. The Viosca Knoll transaction increased El Paso Energy's effective ownership interest in us to 34.5% and is consistent with El Paso Energy's strategy to use us as its primary growth vehicle for future offshore gathering and transportation activities in the Gulf, when practical.

We have substantial assets in the Gulf, primarily offshore Louisiana and Mississippi, which we believe are well-situated to maintain a stable base level of operations and to provide growth opportunities by successfully competing for new production in our areas of service, especially those assets in the Deepwater (water depths greater than 1,500 feet), Flextrend (water depths of 600 to 1,500 feet) and subsalt regions. Either directly or through joint ventures, we own interests in:

- eight existing and one planned natural gas pipeline systems;
- an oil pipeline system;
- six strategically-located, multi-purpose platforms;
- production handling and dehydration facilities;
- four producing oil and natural gas properties; and
- one non-producing oil and natural gas property.

In addition, with our joint venture partners, we are constructing two natural gas pipelines through newly created joint ventures, East Breaks Gathering Company, L.L.C. and Nemo Gathering Company, LLC, and we have recently completed the construction of a wholly owned oil pipeline which we expect to become operational in the fourth quarter of 1999, the Allegheny System.

In the past six years, our operations have grown through the acquisition and construction of energy-related infrastructure, including:

- acquiring all of the Manta Ray system and constructing and acquiring a 50.0% interest in the Viosca Knoll system in 1994;
- constructing two multi-purpose platforms located at Viosca Knoll Block 817 and Garden Banks Block 72 in 1995 and early 1996, respectively;

- forming Flextrend Development Company, L.L.C. to acquire, develop and produce oil and natural gas reserves located in the Gulf in 1995;

- completing construction of the Poseidon system, a sour crude oil pipeline system in which we own a 36.0% working interest, in 1996;

- acquiring an effective 25.7% interest in each of Nautilus and Manta Ray Offshore, to which we contributed substantially all of the Manta Ray system (originally acquired and constructed during a period from 1992 to 1994), in 1997;

- constructing a multi-purpose platform located in East Cameron Block 373 and acquiring a 100% working interest in the Ewing Bank 958 Unit in 1998; and

- acquiring in 1999 an additional 49.0% interest in the Viosca Knoll system, an additional 33.3% interest in UTOS and an additional indirect (through Western Gulf) 20.0% interest in HIOS and East Breaks, in June 1999.

In addition to our wholly owned assets and operations, we conduct a large portion of our business through joint ventures/strategic alliances, which we believe are ideally suited for Deepwater operations. We use joint ventures to reduce our capital requirements and risk exposure to individual projects, as well as to develop strategic relationships, realize synergies resulting from combining resources, and benefit from the assets, experience and resources of our partners. Generally, our partners are integrated or very large independent energy companies with substantial interests, operations and assets in the Gulf, including Coastal/ANR, KN Energy/NGPL, Marathon, Shell and Texaco.

Through our strategically-located network of wholly owned and joint venture pipelines and other facilities and businesses, we believe we provide customers with an efficient and cost effective midstream alternative. Today, we offer some customers a unique single point of contact through which they may access a wide range of integrated or independent midstream services, including gathering, transportation, production handling, dehydration and other services. We also provide producers operating in certain Deepwater and Flextrend areas with relatively low-cost access to numerous onshore long-haul pipelines and, accordingly, multiple end-use markets. Additionally, our specialized Deepwater experience and expertise allows us to provide economic operational solutions to producers' other offshore needs.

INDUSTRY OVERVIEW

We believe that development and exploration activity in the Gulf will continue and that the Gulf will continue to be one of the most prolific producing regions in the U.S. Today, the Gulf accounts for approximately 20.3% and 25.6% of total U.S. production of oil and natural gas, respectively. Oil production from the Gulf is expected to increase from 1.3 MMbbls/d in 1998 to 1.8 MMbbls/d in 2003, according to the Potential Gas Committee, which is comprised of academic institutions, government agencies and industry participants. That committee also expects production of natural gas to increase from 14.0 Bcf/d in 1998 to 16.6 Bcf/d in 2003. The principal source of this production growth is expected to be the Flextrend and Deepwater. Recent developments in oil and natural gas exploration and production techniques, such as 3-D seismic analysis, horizontal drilling, remote subsea completions via satellite templates and sea floor wellheads, and non-stationary surface production facilities, have substantially reduced finding, development and production costs allowing operators to move into the Deepwater regions of the Gulf. For instance, the number of blocks under lease in the Gulf in water depths greater than 600 feet has increased from approximately 3,100 in February 1998 to approximately 4,200 in February 1999. By year-end 2003, production from deeper water fields is projected to account for 54.6% and 24.0% of the Gulf's oil and natural gas production, respectively, up from 35.6% and 13.4% in 1998, respectively, according to the Potential Gas Committee.

We have pipelines, platforms and other infrastructure facilities strategically positioned throughout a large portion of the Flextrend area of the Gulf, offshore Louisiana and Mississippi and extending out to and, in some areas, into the Deepwater. Because of their location in relation to the way in which oil and

natural gas development has occurred in the Gulf, we expect these assets to contribute significantly to the development of natural gas and oil in surrounding areas of the Flextrend and Deepwater. Historically, development of nascent Gulf regions has started with large pipelines positioned in a north/south direction connecting new, significant discoveries to existing shoreward infrastructure. Then, additional infrastructure has expanded laterally in an east/west direction to access reserves between the north/south pipelines. As this pipeline infrastructure became more accessible to more producing regions, the incremental cost of placing reserves on production declined, which facilitated the development of projects that could not support the installation of pipelines on a stand-alone basis. This process of lateral expansion has been continually repeated as advances in exploration and development technology have allowed producers to economically explore for oil and natural gas in progressively deeper water areas. We believe that the exploration and development of the deeper water areas will accelerate in the future and, as a result, will continue to provide attractive opportunities for companies strategically positioned to access production in those areas.

In part because of the technological advancements and the expanded pipeline infrastructure, the Gulf Coast was the only part of the United States to see an increase in potential natural gas supplies in the last two years, while total U.S. natural gas supplies have declined over that same period, according to the Potential Gas Committee. That committee also projects that the Gulf coast natural gas resource base, including proved reserves, increased from 264.9 trillion cubic feet to 265.5 trillion cubic feet during 1998; thus, the Gulf was the only major producing region in the U.S. which replaced more reserves than were produced in 1998. Further, in April 1999, Unocal announced that its Mad Dog prospect, located offshore Louisiana in 6,700 feet of water, drilled to a depth of 24,000 feet and estimated to contain 400 MMbbls to 800 MMbbls of oil, could be the largest oil field ever discovered in the Gulf. The Unocal field is an example of today's rapidly increasing Deepwater hydrocarbon discoveries and production. Construction by us and others of the pipeline infrastructure necessary to deliver this production to onshore markets is expected to remain critical to the expansion and development efforts in these deeper water regions.

We believe that we are strategically positioned to take advantage of new discoveries and increased production in the Deepwater, Flextrend and subsalt regions of the Gulf. In addition to comprising a significant portion of the network of pipelines in the shallow waters of the Gulf off of Louisiana, our pipelines also have substantial east/west facilities on the edge of portions of the Flextrend and deeper water. We also have several existing and planned extensions into the deeper water regions. However, we cannot assure you that additional reserves in those areas will actually be developed or, if developed, that any of our pipelines will gather, transport or otherwise handle that production.

BUSINESS STRATEGY

Our strategically-positioned assets, as well as our knowledge and expertise, enhance our ability to capitalize on infrastructure and other energy-related business opportunities in the Gulf, particularly in the deeper water regions. By implementing the following business strategies, we expect to maintain our position as a provider of integrated energy services, including natural gas and oil gathering, transportation, midstream and other related services in the Gulf.

- FOCUS ON HIGH POTENTIAL DEEPWATER.

  We believe Deepwater operations will provide us with significantly greater profit opportunities for a number of reasons. First, our existing assets are well-positioned for expansion into the Deepwater. Because of the location of certain of our assets, we believe such expansion projects can be implemented at a lower cost relative to our competition, thus enhancing our goal of being a low-cost provider of gathering, transportation, production handling and other midstream services. Second, Deepwater projects require large capital investment by producers and, in return, produce substantial reserves and cash flow, when successful. Given the significant return potential, such projects are undertaken with a longer-term view toward the commodity cycle and are substantially less sensitive to near-term oil and natural gas prices. Therefore, by focusing on Deepwater projects we expect to increase the stability of our operations and financial results.

- PROVIDE MULTIPLE MARKET ACCESS FOR DEEPWATER, FLEXTREND AND SUBSALT GULF PRODUCTION.

Our primary customers are Deepwater and Flextrend producers, including those focusing on the subsalt area of the Gulf. Unlike some of our competitors, we connect to numerous onshore, long-haul pipelines and can offer producers access to multiple end-use markets. Our ability to provide multiple pipeline connections and broad market access is important, because it allows producers to take advantage of pricing differentials, mitigate capacity constraints and avoid temporary suspensions of service.

- OFFER A SINGLE SOURCE ALTERNATIVE FOR A COMPLETE RANGE OF MIDSTREAM SERVICES.

Through our strategically-located network of wholly owned and joint venture pipelines, other facilities and businesses, we offer some customers a unique single point of contact through which they may access a wide range of midstream services and assets, including (1) gathering, transportation, production handling, dehydration, compression, pumping and other handling services for both natural gas and oil, (2) access to platforms, compression and other infrastructure facilities, (3) significant Flextrend and Deepwater experience and expertise, and (4) other related assets and services. Under the more conventional system used by many of our competitors, producers must contact and negotiate with a number of unaffiliated parties, including natural gas pipelines, oil pipelines, processors and other service providers, with potentially competing interests. By providing a complete range of services between the wellhead and the shore, we believe we provide producers with a more efficient midstream solution, which should result in increased revenue opportunities.

- SHARE CAPITAL COSTS AND RISKS WITH STRATEGIC JOINT VENTURE PARTNERS.

Given the significant cost to expand energy-related infrastructure in the Flextrend and Deepwater areas of the Gulf, we seek opportunities to undertake such projects through joint ventures or partnerships, principally with partners with substantial financial resources and substantial strategic interests, assets and operations, especially in the Deepwater, Flextrend and subsalt regions of the Gulf. By forming such joint ventures or partnerships, we reduce our capital requirements, mitigate our risk exposure to individual projects, develop strategic business relationships with other industry participants and benefit from the assets, experience and resources of our partners. Generally, our partners are integrated or very large independent energy companies with substantial interests, operations and assets in the Gulf, including Coastal/ANR, KN Energy/NGPL, Marathon, Shell and Texaco.

- DESIGN NEW INFRASTRUCTURE PROJECTS BASED ON DEDICATED PRODUCTION UNDER LONG-TERM COMMITMENTS AND/OR FIXED PAYMENT ARRANGEMENTS WITH THE ABILITY TO EXPAND CAPACITY AND SERVICES IN THE FUTURE TO CAPTURE POTENTIAL GROWTH OPPORTUNITIES.

We base decisions to construct new infrastructure on both firm long-term dedication agreements (and/or fixed payment arrangements) and our assessment of potential production in the vicinity of the dedication. This strategy allows us to recover our initial investment and receive a base return through a stable, predictable source of cash flow. We also design our new pipeline, platform, production handling and other hydrocarbon handling facilities with additional capacity and with the flexibility to expand capacity or provide additional services, as required. For example, we may design a platform to allow it to act as a pipeline landing and maintenance hub or to facilitate drilling and development activities. Although this approach increases the original cost of the asset, we believe that such capacity and flexibility allows us to more effectively compete for new production and to lower the overall cost of our services.

- SELECTIVELY INVEST IN OIL AND NATURAL GAS PROPERTIES ASSOCIATED WITH INFRASTRUCTURE OPPORTUNITIES.

In areas we serve or desire to serve, we pursue opportunistic investments in pipelines, platforms, production handling facilities and other infrastructure assets, as well as selective investment in oil and natural gas properties. By providing infrastructure to previously unserved geographic regions, we can accelerate the development of oil and natural gas properties in that area. The ability to access

common facilities allows producers to share the high fixed costs associated with infrastructure and, in certain circumstances, results in the economic development of otherwise marginal reserves and in an increase in the total reserves produced from that region. Further, we will invest in oil and natural gas properties when such investment will augment the utilization of our existing assets or lead to a strategic infrastructure opportunity.

RECENT DEVELOPMENTS, ACQUISITIONS AND NEW PROJECTS

UTOS/HIOS/EAST BREAKS ACQUISITION, JOINT VENTURE RESTRUCTURING AND EAST BREAKS PIPELINE CONSTRUCTION. In December 1998, the partners of HIOS, a Delaware partnership then owned 40.0% by us, 40.0% by subsidiaries of ANR and 20.0% by a subsidiary of NGPL, restructured the joint venture arrangement by (1) creating a holding company named Western Gulf Holdings, L.L.C., (2) converting HIOS, which owns a regulated natural gas pipeline located in the Gulf, into a limited liability company named High Island Offshore System, L.L.C., and (3) forming a new limited liability company named East Breaks Gathering Company, L.L.C. to construct and operate an unregulated natural gas pipeline system. Western Gulf owns 100% of each of HIOS and East Breaks.

On June 30, 1999, we acquired NGPL's 20.0% membership interest in Western Gulf together with their 33.3% partnership interest in UTOS and certain other offshore pipeline laterals for total consideration of approximately $51.0 million. As a result of this transaction, we now own 60.0% of Western Gulf (and, thus, 60.0% of HIOS and East Breaks) and 66.7% of UTOS. ANR owns the remaining 40.0% of Western Gulf and 33.3% of UTOS.

The East Breaks system will initially consist of 85 miles of an 18 to 20-inch pipeline and related facilities connecting the Diana and Hoover prospects, which were developed by Exxon Company USA and BP Amoco Plc in Alaminos Canyon Block 25 in the Gulf, with the HIOS system. The majority of the construction of the East Breaks system will occur in 1999 and the system is anticipated to be in service in late 2000 at an estimated cost of approximately $90.0 million. East Breaks entered into long-term agreements with Exxon and BP Amoco involving the commitment and the gathering and handling of production from the Diana and Hoover prospects. All of the natural gas to be produced from 11 blocks in the East Breaks and Alaminos Canyon areas will be dedicated for transportation services on the HIOS system.

In February 1999, Western Gulf entered into a $100.0 million revolving credit facility with a syndicate of commercial banks to provide funds for substantially all of the costs of the East Breaks system and for other working capital needs of Western Gulf, East Breaks and HIOS. Western Gulf's ability to borrow money under its credit facility is subject to certain customary terms and conditions, including certain limitations on incurring additional indebtedness (including borrowings under this credit facility) if certain financial targets are not achieved and maintained. In addition, Western Gulf would be required to prepay a portion of the balance outstanding under this credit facility to the extent such financial targets are not achieved and maintained. The credit facility has no scheduled amortization prior to maturity. This credit facility is collateralized by Western Gulf's ownership interest in HIOS and East Breaks and substantially all of the material contracts and agreements of East Breaks and Western Gulf, and supported by a guarantee from East Breaks, and matures in February 2004. As of August 9, 1999, Western Gulf had $50.1 million outstanding under its credit facility, bearing interest at an average floating rate of 6.5% per annum, and $49.9 million of additional availability under the facility.

VIOSCA KNOLL TRANSACTION. Prior to the closing of the offering of the Series A notes, Viosca Knoll Gathering Company was effectively owned 50.0% by us and 50.0% by El Paso Energy (through a wholly owned subsidiary). In January 1999, we entered into an agreement to acquire an additional 49.0% interest in Viosca Knoll from El Paso Energy, which would result in us owning 99.0% of Viosca Knoll with an option to purchase the remaining 1.0% interest. In exchange for El Paso Energy's contribution of its Viosca Knoll interest, we paid El Paso Energy $79.7 million for the 49.0% interest, comprised of $19.9 in cash and $59.8 million in common units. The acquisition of the Viosca Knoll interest closed on June 1, 1999.

Following the closing of the Viosca Knoll transaction, El Paso Energy's effective ownership interest in us is 34.5%. As required by our partnership agreement, our general partner contributed approximately $0.6 million to us on the closing date of the Viosca Knoll transaction in order to maintain its 1.0% capital account. In addition, at the closing of the Viosca Knoll transaction, El Paso Energy contributed to Viosca Knoll approximately $33.4 million in cash, which equaled 50.0% of the principal amount outstanding under Viosca Knoll's credit facility, and we thereafter repaid ($66.7 million) and terminated that credit facility. For a complete description of the Viosca Knoll Transaction, see "-- Natural Gas and Oil Pipelines -- Viosca Knoll System" beginning on page 52.

ALLEGHENY OIL PIPELINE. We recently completed construction of the Allegheny oil pipeline, a 100% owned crude oil pipeline that is 14 inches in diameter and 40 miles in length connecting the Allegheny Field in the Green Canyon area of the Gulf with the Poseidon oil pipeline at Ship Shoal Block 332. This new pipeline, which will have a daily capacity of more than 80.0 Mbbls/d, is scheduled to begin operating in October 1999. We estimate construction and tie-in costs for the Allegheny oil pipeline to total approximately $27.0 million, $22.8 million of which has been incurred prior to the offering of the Series A notes.

EWING BANK 958 UNIT. We believe our Ewing Bank 958 Unit development project, formerly known as the Sunday Silence Property, provides us with an opportunity to apply to the Deepwater area several strategies we have successfully implemented in the shallow and Flextrend areas. Similar to three other oil and natural gas properties we have developed, this project is associated with other independent infrastructure opportunities. Although the Ewing Bank 958 Unit development is a stand-alone project, we expect it to position us to play a significant role in the extension of pipeline, platform and other infrastructure facilities and service opportunities in this potential emerging Deepwater region. Currently, we anticipate building gathering extensions off of our Poseidon oil pipeline joint venture and our Manta Ray Offshore Gathering natural gas pipeline joint venture.

Pursuant to our current plan of development for the Ewing Bank 958 Unit, we are constructing a Moses Tension Leg Platform from which we would conduct all activities related to that development, including additional drilling, maintenance, and separation and handling operations. This platform is designed for use in water depths of up to 6,000 feet and will have production handling facilities with a throughput design capacity of 55.0 MMcf of natural gas per day and 25,000 barrels of oil per day.

To date there has been no production from the Ewing Bank 958 Unit. We currently own a 100% working interest in our Ewing Bank 958 Unit, which we purchased in October 1998 from a wholly owned, indirect subsidiary of El Paso Energy for $12.2 million. The Ewing Bank 958 Unit is located in approximately 1,500 feet of water and has received a royalty abatement from the MMS for the first 52.5 MMbbls of oil equivalent to be produced from the field. In addition to the initial discovery well drilled in 1994 and the two delineation wells drilled in 1994 and 1998, the Ewing Bank 958 Unit development program may require drilling up to five additional wells, depending on the level of actual production and other factors. As with many of our strategic assets, we continually evaluate various alternatives for the Ewing Bank 958 Unit and the related infrastructure, including joint ventures, strategic alliances and other business arrangements. If we do not consummate such an arrangement, we may need to raise substantial amounts of additional capital to fund this development project.

NEMO PIPELINE. On August 10, 1999, we formed Nemo Gathering Company, LLC, a joint venture owned 66.1% by Tejas Offshore Pipeline, LLC and 33.9% by us, to construct, own and operate a natural gas gathering system. The Nemo System will deliver natural gas production from the Shell-operated Brutus and Glider Deepwater development properties to another of our joint venture pipelines, the Manta Ray Offshore Gathering System. We expect the Nemo System to be placed in service in late 2001 at a total cost of approximately $36.0 million.

NATURAL GAS AND OIL PIPELINES

GENERAL. We conduct a significant portion of our business activities through joint ventures, currently organized as general partnerships or limited liability companies, with subsidiaries of other substantial

energy companies, including Marathon, Shell, Texaco, Coastal/ANR, KN Energy/NGPL and El Paso Energy. These joint ventures include Stingray and UTOS, both of which are partnerships, and Manta Ray Offshore, HIOS, Poseidon, Nautilus, East Breaks and West Cameron Dehydration, all of which are limited liability companies. Management decisions related to the joint ventures are made by management committees comprised of representatives of each partner or member, as applicable, with authority appointed in direct relationship to ownership interests.

Through our operating subsidiaries and our joint ventures, we own interests in eight operating natural gas pipeline systems, strategically located offshore Texas, Louisiana and Mississippi, which handle natural gas for producers, marketers, pipelines and end-users for a fee. Our natural gas pipelines include over 1,200 miles of pipeline with a throughput capacity of approximately 6.8 Bcf of natural gas per day. During the years ended December 31, 1998, 1997 and 1996, the natural gas pipelines handled an average of approximately 3.2 Bcf, 2.7 Bcf and 2.7 Bcf, respectively, of natural gas per day. Each of our natural gas pipelines interconnects with one or more long-line transmission pipelines that provide access to multiple markets in the eastern half of the United States. In addition, our East Breaks system, which has a design capacity of approximately 400.0 MMcf of natural gas per day, is being constructed and is expected to be placed in service in late-2000. Our HIOS system is expected to be the primary beneficiary of the East Breaks volumes.

None of our natural gas pipelines functions as a merchant to purchase and resell natural gas, thus avoiding the commodity risk associated with the purchase and resale of natural gas. Each of Nautilus, Stingray, HIOS and UTOS is currently classified as a "natural gas company" under the Natural Gas Act of 1938, as amended (the "NGA"), and is therefore subject to regulation by the FERC, including regulation of rates. None of Manta Ray Offshore, Viosca Knoll, Green Canyon Pipe Line Company, L.L.C., Ewing Bank Gathering Company, L.L.C., East Breaks, or Tarpon Transmission Company is currently, nor is East Breaks expected to be, considered a "natural gas company" under the NGA.

We own a 36.0% interest in the Poseidon oil pipeline, a major sour crude oil pipeline system that was built in response to an increased demand for additional sour crude oil pipeline capacity in the central Gulf. Poseidon was constructed and placed in service in three separate phases. Today, Poseidon has a maximum design capacity of 400.0 Mbbls of oil per day. During 1998, 1997 and 1996, the Poseidon oil pipeline transported an average of approximately 97.5 Mbbls, 52.0 Mbbls and 30.0 Mbbls, respectively, of oil per day. During April 1999, this system averaged 170.0 Mbbls of oil per day. We expect Poseidon's throughput to increase substantially in the next several years as development progresses on the significant proved properties committed to that system.

The following table sets forth certain information with respect to our operating pipelines. Currently, we operate all of our 100% owned pipelines and the Viosca Knoll system, and we are scheduled to become the operator of the Stingray system on or before October 1, 1999. The remaining joint venture pipelines are operated by unaffiliated companies. In addition, with our joint venture partners, we are constructing two natural gas pipelines through newly created joint ventures, East Breaks Gathering Company, L.L.C.

and Nemo Gathering Company, LLC, and we have recently completed the construction of a wholly owned oil pipeline which we expect to become operational in the fourth quarter of 1999, the Allegheny System.

	GREEN CANYON	TARPON	MANTA RAY OFFSHORE(1)	VIOSCA KNOLL	STINGRAY	HIOS	UTOS	NAUTILUS	POSEIDON
Ownership interest.....	100%	100%	25.7%	99%(9)	50%	60%	66.7%	25.7%	36%
Unregulated(U)/ Regulated(R)(2).....	U	U	U	U	R	R	R	R	U
In-service date.....	1990	1978	1987/88	1994	1975	1977	1978	1997	1996
Approximate capacity (MMcf per day).....	220	80	755	1,000(3)	1,120	1,800	1,200	600	--
Approximate capacity (Mbbls per day).....	--	--	--	--	--	--	--	--	400
Aggregate miles of pipeline.....	68	40	225	125	417	204	30	101	314
Average gross throughput (MMcf/Mbbls per day) for calendar year ended:									
December 31, 1998.....	126	63	281	570	658	842	479	153	97
December 31, 1997.....	148	50	195(4)	388	706	880	316	--(6)	52(7)
December 31, 1996.....	142	33	217(5)	288	747	930	309	--(6)	30(7)
Average net throughput (MMcf/Mbbls per day) for calendar year ended(8):									
December 31, 1998.....	126	63	72	285(10)	329	337(11)	159(12)	39	35
December 31, 1997.....	148	50	195(4)	194(10)	353	352(11)	105(12)	--(6)	19(7)
December 31, 1996.....	142	33	217(5)	144(10)	373	372(11)	103(12)	--(6)	11(7)

- ---

(1) In January 1997, we contributed substantially all of the Manta Ray Gathering system (approximately 160 miles of pipeline) to Manta Ray Offshore, decreasing our ownership in this system from 100% to an effective 25.7%. We continue to own and develop 19 miles of oil pipeline which were formerly a part of the Manta Ray Gathering system.

(2) Regulated pipelines are subject to extensive rate regulation by the FERC under the Natural Gas Act.

(3) The original maximum design capacity of the Viosca Knoll system was 400 MMcf of natural gas per day. In 1996, Viosca Knoll installed a 7,000 horsepower compressor on our Viosca Knoll Block 817 platform to allow the Viosca Knoll system to increase its throughput capacity to approximately 700 MMcf of natural gas per day. In 1997, Viosca Knoll added approximately 25 miles of parallel 20-inch pipelines, increasing its throughput capacity to approximately 1,000 MMcf of natural gas per day.

(4) Represents throughput specifically allocated to us by Manta Ray Offshore during the initial year of operations.

(5) Represents 100% ownership interest during this period.

(6) The Nautilus system was placed in service in late December 1997.

(7) The Poseidon oil pipeline was placed in service in three phases, in April 1996, December 1996 and December 1997.

(8) Represents throughput net to our interest.

(9) We expect to acquire the remaining 1.0% interest in Viosca Knoll from El Paso Energy after June 1, 2000.

(10) Represents throughput net to our 50.0% ownership interest during such period.

(11) Represents throughput net to our 40.0% ownership interest during such period.

(12) Represents throughput net to our 33.3% ownership interest during such period.

GREEN CANYON SYSTEM. The Green Canyon system, 100% owned and operated by us, is an unregulated natural gas transmission system consisting of approximately 68 miles of 10- to 20-inch diameter offshore pipeline which transports natural gas from the South Marsh Island, Eugene Island, Garden Banks

and Green Canyon areas in the Gulf to the west leg of the South Lateral owned by Transcontinental Gas Pipe Line Corporation ("Transco") for transportation to shore in eastern Louisiana.

TARPON SYSTEM. The Tarpon system, 100% owned and operated by us, is an unregulated natural gas transmission facility consisting of approximately 40 miles of 16-inch diameter offshore pipeline that extends from the Ship Shoal Block 274, South Addition, to the Eugene Island Area, South Addition, in an area of the Gulf adjacent to the Green Canyon system.

MANTA RAY OFFSHORE SYSTEM. The Manta Ray Offshore system, indirectly owned 25.7% by us, 50.0% by Tejas Offshore Pipelines (a subsidiary of Shell) and 24.3% by Marathon Oil Company, is an unregulated natural gas transmission system consisting of (1) three separate gathering lines, all located offshore Louisiana in the Gulf, which consist of a total of 76 miles of 12- to 24-inch diameter pipeline,

each interconnecting offshore with the east leg of the Transco's Southeast Louisiana Lateral, which provides transportation for natural gas to shore in eastern Louisiana, (2) approximately 51 miles of dual 14- and 16-inch diameter pipelines, with the 16-inch pipeline extending from Green Canyon Block 29 and the 14-inch pipeline extending from South Timbalier Block 301 northwesterly to a shallow water junction platform with production handling facilities located at Ship Shoal Block 207 and (3) approximately 47 miles of 24-inch pipeline extending from Green Canyon Block 65 to Ship Shoal Block 207. Affiliates of Marathon and Shell have dedicated for gathering on the Manta Ray Offshore system significant deepwater acreage positions in the area. Marathon operates the Manta Ray Offshore system. Manta Ray is a subsidiary of Neptune, in which we own a 25.7% interest.

VIOSCA KNOLL SYSTEM. The Viosca Knoll system is an unregulated gathering system designed to serve the Main Pass, Mississippi Canyon and Viosca Knoll areas of the Gulf, southeast of New Orleans, offshore Louisiana. It consists of 125 miles of predominantly 20-inch diameter natural gas pipelines and a 7,000 horsepower compressor. The system provides its customers access to the facilities of a number of major interstate pipelines, including El Paso Energy, Columbia Gulf Transmission Company, Sonat, Transco and Destin Pipeline Company.

The base system was constructed in 1994 and is comprised of (1) an approximately 94 mile, 20-inch diameter pipeline from a platform in Main Pass Block 252 owned by Shell to a pipeline owned by a wholly owned El Paso Energy subsidiary at South Pass Block 55 and (2) a six mile, 16-inch diameter pipeline from an interconnection with the 20-inch diameter pipeline at our Viosca Knoll Block 817 platform to a pipeline owned by Southern Natural Gas Company at Main Pass Block 289. A 7,000 horsepower compressor was installed in 1996 on the Viosca Knoll Block 817 platform to allow the Viosca Knoll system to effect deliveries at the operating pressures on downstream interstate pipelines with which it is interconnected. The additional capacity created by such compression allowed Viosca Knoll to transport new natural gas volumes during 1997 from the Shell operated Southeast Tahoe and Ram-Powell fields as well as other new deepwater projects in the area. Recently, Viosca Knoll added approximately 25 miles of parallel 20-inch pipelines to the system east of the Viosca Knoll Block 817 platform to improve deliverability from certain Main Pass producing areas and redeliveries into the Transco pipeline at Main Pass Block 261 and the Destin pipeline at Main Pass Block 260. We operate the Viosca Knoll system.

Prior to the closing of the offering of the Series A notes, Viosca Knoll was owned 50.0% by us and 50.0% by El Paso Energy (through a wholly owned subsidiary). In June 1999, we acquired all of El Paso Energy's interest in Viosca Knoll, other than a 1.0% interest, for $79.7 million, comprised of 25.0% in cash ($19.9 million) and 75.0% in common units (2,661,870 common units based on a price of $22.4625 per unit). At the closing of that transaction, (1) El Paso Energy contributed its interest in Viosca Knoll to us and approximately $33.4 million in cash to Viosca Knoll, which equaled 50.0% of the principal amount then outstanding under Viosca Knoll's credit facility, (2) we delivered to El Paso Energy the cash and common units discussed above and (3) as required by our partnership agreement, the general partner contributed approximately $604,000 to us in order to maintain its 1.0% capital account balance. Upon consummation of the acquisition, our partnership agreement was amended to ensure that, even though El Paso Energy beneficially owns an effective interest in us of 34.5%, the other unitholders will still have the votes necessary to remove the general partner and to call a meeting for such a purpose.

As a result of the acquisition, we own 99.0% of Viosca Knoll and have the option to acquire the remaining 1.0% interest during the six-month period commencing on the day after the first anniversary of the closing date. The option exercise price, payable in cash, is equal to the sum of $1.6 million plus the amount of additional distributions which would have been paid, accrued or been in arrears had we acquired the remaining 1.0% of Viosca Knoll at the initial closing by issuing additional common units in lieu of a cash payment of $1.7 million.

Although certain federal and state securities laws would otherwise limit El Paso Energy's ability to dispose of any common units held by it, El Paso Energy would have the right on three occasions to require us to file a registration statement covering such common units for a three-year period and to participate in offerings made pursuant to certain other registration statements filed by us during a ten-year period. Such

registrations would be at our expense and, generally, would allow El Paso Energy to dispose of all or any of its common units. There can be no assurance (1) regarding how long El Paso Energy may hold any of its common units or (2) that El Paso Energy's disposition of a significant number of common units in a short period of time would not depress the market price of the common units.

Our unitholders of record as of January 28, 1999 ratified and approved the transactions in a meeting held March 5, 1999 based upon the ratification, approval and recommendation of the Board of Directors of the general partner and a Special Committee of independent directors of the general partner and based a fairness opinion of an independent financial advisor.

The acquisition of Viosca Knoll's interest closed on June 1, 1999.

STINGRAY SYSTEM. The Stingray system, owned 50.0% by us and 50.0% by NGPL, is a regulated natural gas transmission system consisting of (1) approximately 361 miles of 6- to 36-inch diameter pipeline that transports natural gas from the HIOS, West Cameron, East Cameron and Vermilion lease areas in the Gulf to onshore transmission systems at Holly Beach, Cameron Parish, Louisiana, (2) approximately 12 miles of 16-inch diameter pipeline and approximately 31 miles of 20-inch diameter pipeline, connecting the Garden Banks Block 191 lease operated by Chevron U.S.A. Production Company and our 50.0%-owned Garden Banks Block 72 platform, respectively, to the system, and (3) approximately 13 miles of 16-inch diameter pipeline connecting our platform at East Cameron Block 373 to the Stingray system at East Cameron Block 338. NGPL will continue to operate the Stingray system until we take over those operations, probably by October 1, 1999.

HIOS SYSTEM. The HIOS system, indirectly owned 60.0% by us and 40.0% by ANR, is a regulated natural gas transmission system consisting of approximately 204 miles of pipeline comprised of three supply laterals, the West, Central and East Laterals, that connect to a 42-inch diameter mainline. The HIOS system transports natural gas received from fields located in the Galveston, Garden Banks, HIOS, West Cameron and East Breaks areas of the Gulf to a junction platform owned by HIOS located in West Cameron Block 167. There, it interconnects with the UTOS system and a pipeline owned by ANR for further transportation to points onshore. ANR operates the HIOS system. HIOS is a subsidiary of Western Gulf, in which we own a 60.0% interest.

Prior to June 30, 1999, NGPL owned 20.0% of Western Gulf (and, thus, 20.0% of HIOS). On June 30, we acquired NGPL's 20.0% interest in Western Gulf, together with its 33.3% interest in UTOS and certain offshore pipeline laterals, for total consideration of approximately $51.0 million.

UTOS SYSTEM. The UTOS system, owned 66.7% by us and 33.3% by ANR, is a regulated natural gas transmission system consisting of approximately 30 miles of 42-inch diameter pipeline extending from a point of interconnection with the HIOS system at West Cameron Block 167 to the Johnson Bayou production handling facility. The UTOS system transports natural gas from the terminus of the HIOS system at West Cameron Block 167 to the Johnson Bayou facility, where it interconnects with several pipelines. The UTOS system is essentially an extension of the HIOS system, as almost all the natural gas transported through UTOS comes from the HIOS system. UTOS also owns the Johnson Bayou facility, which provides primarily natural gas and liquids separation and natural gas dehydration for natural gas transported on the HIOS and UTOS systems. ANR operates the UTOS system.

Prior to June 30, 1999, NGPL owned 33.3% of UTOS. On June 30, we acquired NGPL's 33.3% interest in UTOS, together with its 20.0% interest in Western Gulf and certain offshore pipeline laterals, for total consideration of approximately $51.0 million.

NAUTILUS SYSTEM. The Nautilus system, indirectly owned 25.7% by us, 50.0% by Tejas and 24.3% by Marathon, is a regulated natural gas transmission system consisting of 101 miles of 30-inch pipeline running downstream from Ship Shoal Block 207 and connecting to a natural gas production handling plant onshore Louisiana operated by Exxon and some other facilities downstream of that plant and effects deliveries to multiple interstate pipelines. Affiliates of Marathon and Tejas have dedicated to the Nautilus system certain deepwater acreage positions in the area. Marathon operates and maintains the Nautilus

system and Tejas performs financial, accounting and administrative services for Nautilus. Nautilus is a subsidiary of Neptune, in which we own a 25.7% interest.

POSEIDON SYSTEM. The Poseidon system, owned 36.0% by us, 36.0% by Texaco, Inc. and 28.0% by a subsidiary of Marathon, is an unregulated major new sour crude oil pipeline system that was built in response to an increased demand for additional sour crude oil pipeline capacity in the central Gulf. The Poseidon system consists of (1) approximately 117 miles of 16- to 20-inch diameter pipeline extending in an easterly direction from our 50.0%-owned platform located at Garden Banks Block 72 to our platform located at Ship Shoal Block 332, (2) approximately 122 miles of 24-inch diameter pipeline extending in a northerly direction from the Ship Shoal Block 332 platform to Houma, Louisiana and (3) approximately 58 miles of 16-inch diameter pipeline extending northwesterly from Ewing Bank Block 873 to the Texaco-operated Eugene Island Pipeline System at Ship Shoal Block 141. In July 1998, Poseidon completed a 17-mile extension of 16-inch pipeline from Garden Banks Block 260 to South Marsh Island Block 205. Texaco pipelines and related facilities accept oil from Poseidon at Larose and Houma, Louisiana and redeliver it to St. James, Louisiana, a significant market hub for batching, handling and transportation of oil. Currently, Texaco operates the Poseidon system and has contracted with Equilon Pipeline Company, LLC, a newly-formed joint venture between Texaco and Shell, to operate and perform the administrative functions related to Poseidon and the Poseidon system. In April 1999, Texaco assigned its membership interest in Poseidon to Equilon.

OIL AND NATURAL GAS SUPPLY

A substantial portion of the reserves handled by our pipelines is committed pursuant to long-term contracts, for the productive life of the relevant field. Nonetheless, these reserves and other reserves that may become available to our pipelines are depleting assets and, as such, will be produced over a finite period. Each of our pipelines must access additional reserves to offset the natural decline in production from existing connected wells or the loss of any other production to a competitor.

As somewhat reflected by throughput for 1998, Manta Ray Offshore, Viosca Knoll and Tarpon obtained commitments from new fields and some additional commitments from existing fields. However, Green Canyon, Stingray, HIOS and UTOS were not able to offset reductions in throughput associated with normal production declines for committed reserves with throughput associated with commitments of additional reserves. Nevertheless, we believe that there will be sufficient reserves available to the natural gas pipelines for transportation to maintain throughput at or near current levels for at least several years.

In addition to the production commitments from Texaco and Marathon, Poseidon has been successful in obtaining long-term commitments of production from several properties containing significant reserves. Poseidon has contracted with affiliates of Exxon, Phillips Petroleum, BP Amoco, Anadarko, Newfield Exploration, Mobil, Amerada Hess, Oryx, Sun, PennzEnergy, Enterprise Oil, British Borneo, Occidental and us. We anticipate that Poseidon will add more commitments as new subsalt and Deepwater fields are developed in the area which the Poseidon system serves, but we cannot assure you any such commitment would be made or when the production from such commitment would be initiated. However, we do believe that there should be significant increases in reserves committed to the Poseidon system for at least the next several years.

Tatham Offshore's Ewing Bank Block 914 #2 well was the only production dedicated to the Ewing Bank system. In May 1997, the well was shut in due to a mechanical problem. After approximately one year of evaluating certain remedies to place the well on production, we decided, along with Tatham Offshore, to abandon the well and the Ewing Bank system in May 1998.

OFFSHORE PLATFORMS AND OTHER FACILITIES

GENERAL. Offshore platforms play a key role in the development of oil and natural gas reserves and, thus, in the offshore pipeline network. Platforms are used to interconnect the offshore pipeline grid and to provide an efficient means to perform pipeline maintenance and to locate compression, separation,

production handling and other facilities. In addition to numerous platforms owned by our joint ventures, we own six strategically located platforms in the Gulf.

The following table sets forth certain information with respect to our platforms.

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

- ----------

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

Further, we recently began construction of a Moses Tension Leg Platform in connection with the development of our Ewing Bank 958 Unit.

VIOSCA KNOLL BLOCK 817. We constructed a multi-purpose platform located in Viosca Knoll Block 817 in 1995. We used this platform as a base for conducting drilling operations for oil and natural gas reserves located on the Viosca Knoll Block 817 lease. In addition, the platform serves as a base for landing other Deepwater production in the area, thereby generating platform access and production handling fees for us. A 7,000 horsepower compressor was installed in 1996 on the Viosca Knoll Block 817 platform to allow the Viosca Knoll system to effect deliveries at the operating pressures on downstream interstate pipelines with which it is interconnected. The additional capacity created by such compression allowed Viosca Knoll to transport new natural gas volumes during 1997 from the Shell-operated Southeast Tahoe and Ram-Powell fields as well as other new Deepwater projects in the area. Viosca Knoll leases space on this platform from us for the location of the new compression equipment for the Viosca Knoll system. We own 100% of the Viosca Knoll 817 platform.

GARDEN BANKS BLOCK 72. We own a 50.0% interest in a multi-purpose platform located in Garden Banks Block 72. This platform is located at the south end of the Stingray system and serves as the westernmost terminus of the Poseidon system. We also use this platform in our drilling and production operations. It now serves as the landing site for production from our Garden Banks Block 117 lease located in an adjacent lease block.

EAST CAMERON BLOCK 373. In 1998, we placed in service a new multi-purpose platform located in East Cameron Block 373 at a construction cost of $30.2 million. This four pile production platform with production handling facilities is strategically located to exploit deeper water reserves in the East Cameron and Garden Banks areas of the Gulf and is the terminus for an extension of the Stingray system. Kerr McGee Corporation has rights to utilize a portion of the platform and has committed its production from multiple blocks in the East Cameron and Garden Banks areas to be processed on this platform and transported through the Stingray system. We own 100% of the East Cameron Block 373 platform.

SHIP SHOAL BLOCK 332. We own a 100% interest in a platform located in Ship Shoal Block 332 which serves as a junction platform for natural gas pipelines in the Manta Ray Offshore system as well as an eastern junction for the Poseidon system.

SOUTH TIMBALIER BLOCK 292. The South Timbalier Block 292 platform is a 100%-owned facility located at the easternmost terminus of the Manta Ray Offshore system and serves as a landing site for natural gas production in that area.

SHIP SHOAL BLOCK 331. In August 1998, in connection with El Paso Energy's acquisition of our general partner, we acquired the Ship Shoal Block 331 platform, a production facility located 75 miles off

the coast of Louisiana in approximately 370 feet of water. Pogo Producing Company has certain rights to utilize the platform pursuant to a production handling and use of space agreement. We own 100% of the Ship Shoal Block 331 platform.

OTHER FACILITIES. Through our 50.0% ownership interest in West Cameron Dehy, we own an interest in certain dehydration facilities located at the northern terminus of the Stingray system, onshore Louisiana.

MAINTENANCE

Each of our pipelines requires regular and thorough maintenance. The interior of pipelines is maintained through the regular "pigging" of the lines. Pigging involves propelling a large spherical object through the line which collects, or pushes, any condensate and other liquids on the walls or at the bottom of the pipeline through the line and out the far end. More sophisticated pigging devices include those with scrapers, brushes and x-ray devices; however, such pigging devices are usually deployed only on an as needed basis. Corrosion inhibitors are also injected into all of the systems through the flow stream on a continuous basis. To prevent external corrosion of the pipe, sacrificial anodes are fastened to the pipeline at prescribed intervals, providing protection from sea water. Our platforms are painted to the waterline every three to five years to prevent atmospheric corrosion. Sacrificial anodes are also fastened to the platform legs below the waterline to prevent corrosion. A sacrificial anode is a zinc aluminum alloy fixture that is attached to the exterior of a steel object to attract the corrosive reaction that occurs between steel and saltwater to the fixture itself, thus protecting the steel object from corrosion. Remotely operated vehicles or divers inspect our platforms below the waterline, usually every five years.

The Stingray, HIOS, Viosca Knoll, Manta Ray Offshore and Poseidon systems include platforms that are manned on a continuous basis. The personnel onboard those platforms are responsible for site maintenance, operations of the facilities on the platform, measurement of the natural gas stream at the source of production and corrosion control (pig launching and inhibitor injection).

COMPETITION

Each of our natural gas pipelines is located in or near natural gas production areas that are served by other pipelines. As a result, each of our natural gas pipeline systems faces competition from both regulated and unregulated systems. Some of these competitors are not subject to the same level of rate and service regulation as, and may have a lower cost structure than, our natural gas pipelines. Other competing pipelines, such as long-haul transporters, have rate design alternatives unavailable to our natural gas pipelines. Consequently, those competing pipelines may be able to provide service on more flexible terms and at rates significantly below the rates offered by our natural gas pipelines. The principal competitors of our regulated pipeline systems are Shell, Texaco, ANR, Transco, Trunkline Gas Co., Texas Eastern, Columbia Gas Transmission and their affiliates.

The Poseidon system was built as a result of our belief that additional sour crude oil capacity was required to transport new subsalt and Deepwater oil production to shore. Poseidon's principal competitors for additional crude oil production are Equilon Pipeline Company, LLC (a 36.0% owner of Poseidon), which owns the Texaco-operated Eugene Island Pipeline and the Shell-operated Amberjack systems that compete with Poseidon and oil pipelines built, owned and operated by producers to handle their own production and, as capacity is available, production for others. Our pipelines compete for new production with these and other competitors on the basis of geographic proximity to the production, cost of connection, available capacity, transportation rates and access to onshore markets. In addition, the ability of the pipelines to access future reserves will be subject to the ability of the pipelines or the producers to fund the anticipated significant capital expenditures required to connect the new production.

CUSTOMERS AND CONTRACTS

GENERAL. The rates we charge for our services are dependent on (1) whether the relevant pipeline, platform, production handling, dehydration or other facility is regulated or unregulated -- established maximum rate or fully negotiated rate, (2) the quality of the service required by the customer --

interruptible or firm, and (3) the amount and term of the reserve commitment by the customer. A significant portion of our arrangements involve life-of-reserve commitments with both firm and interruptible components. Generally, we receive a price per unit (Mcf of natural gas or barrel of oil or water) handled. And depending on transaction specific factors, for firm arrangements, we often also receive a monthly fixed fee which is paid by the customer regardless of the level of throughput, except under individually specified circumstances.

The Poseidon system receives crude oil from committed properties under buy/sell agreements, often surviving for the life of the property. The same factors described above affect the contract amounts and other terms.

PRINCIPAL CUSTOMERS. See our consolidated financial statements and notes thereto located elsewhere in this prospectus for certain information regarding our principal transportation customers.

OIL AND NATURAL GAS PROPERTIES

GENERAL. We conduct exploration and production activities through a subsidiary that is an independent energy company engaged in the development and production of reserves located offshore the U.S. in the Gulf focusing principally on the Flextrend and Deepwater areas. As of December 31, 1998, we owned interests in four producing and one non-producing oil and natural gas properties, comprised of thirteen lease blocks in the Gulf covering 66,369 gross (54,278 net) acres. We sell the majority of our oil and natural gas production to Offshore Gas Marketing, Inc., our affiliate and an indirect wholly owned subsidiary of El Paso Energy.

The following is a description of our currently held properties.

VIOSCA KNOLL BLOCK 817. Viosca Knoll Block 817 is a producing property that is comprised of 5,760 gross and net acres located 40 miles off the coast of Louisiana in approximately 670 feet of water. Initially, we acquired a 75.0% working interest in Viosca Knoll Block 817 from the sea-floor through the stratigraphic equivalent of the base of the Tex X-6 Sand, subject to certain reversionary rights. In connection with El Paso Energy's acquisition of our general partner, those reversionary rights were relinquished and we acquired the remaining 25.0% working interest in Viosca Knoll Block 817. This working interest is subject to a production payment that entitles the holders in the aggregate to 25.0% of the proceeds from the production attributable to this working interest (after deducting all leasehold operating expenses, including platform access and production handling fees) until the holders have received the aggregate sum of $16.0 million. At December 31, 1998, the unpaid portion of the production payment obligation totaled $11.1 million.

As operator, we concluded a drilling program and placed eight wells on production on Viosca Knoll Block 817. We do not anticipate drilling any more wells or having any other major expenditures with respect to this property except for the possible recompletion of certain existing wells. From inception of production in December 1995 through December 31, 1998, the Viosca Knoll property has produced 42,661 MMcf of natural gas and 67.6 Mbbls of oil, net to our interest. During June 1999, Viosca Knoll Block 817 produced an aggregate of approximately 35.0 MMcf of natural gas per day. Natural gas production from Viosca Knoll Block 817 is dedicated to us for gathering through the Viosca Knoll system and oil production is transported through a Shell-operated system. Our recent expansion of the Viosca Knoll system eliminated downstream pipeline capacity constraints on that system and is expected to allow us to produce Viosca Knoll Block 817 at optimal rates in the future.

GARDEN BANKS BLOCK 72. Garden Banks Block 72 covers 5,760 gross (2,880 net) acres and is located 120 miles off the coast of Louisiana in approximately 550 feet of water. In 1995, we acquired a 50.0% working interest (approximately 40.2% net revenue interest) in Garden Banks Block 72, subject to certain reversionary interests which were relinquished in connection with El Paso Energy's acquisition of our general partner. A subsidiary of Occidental Petroleum Company owns the remaining 50.0% working interest in Garden Banks Block 72.

Since May 1996, we have placed five wells on production at Garden Banks Block 72. We do not anticipate drilling any more wells or having any other major expenditures with respect to this property except for the possible recompletion of certain existing wells. Production at Garden Banks Block 72 totaled 2,979 MMcf of natural gas and 902.1 Mbbls of oil, net to our interest, from the inception of production in May 1996 through December 31, 1998. During June 1999, the five wells produced a total of approximately 1.2 Mbbls of oil and 3.6 MMcf of natural gas per day. Natural gas production from Garden Banks Block 72 is being transported through the Stingray system and the oil production is delivered to the Poseidon oil pipeline.

GARDEN BANKS BLOCK 117. Garden Banks Block 117 covers 5,760 gross (2,880 net) acres adjacent to Garden Banks Block 72 and is located in approximately 1,000 feet of water. In 1995, we acquired a 50.0% working interest (approximately 37.5% net revenue interest) in Garden Banks Block 117, subject to certain reversionary interests which were relinquished in connection with El Paso Energy's acquisition of our general partner. Midcon Exploration owns the remaining 50.0% working interest in Garden Banks Block 117.

In July 1996 and May 1997, we completed and initiated production from the Garden Banks Block 117 #1 and #2 wells, respectively. During June 1999, these wells produced a total of approximately 1.2 Mbbls of oil and 2.6 MMcf of natural gas per day. Since inception of production through December 31, 1998, Garden Banks Block 117 produced 1,327 MMcf of natural gas and 761.8 Mbbls of oil, net to our interest. We do not anticipate drilling any more wells on this property except for a recompletion of the Garden Banks 117 #2 well. Natural gas production from Garden Banks Block 117 is transported on the Stingray system and oil production is delivered to the Poseidon oil pipeline.

WEST DELTA BLOCK 35. In connection with El Paso Energy's acquisition of our general partner, we acquired a 38.0% non-operating working interest in West Delta Block 35, a producing field located 10 miles off the coast of Louisiana in approximately 60 feet of water covering 4,985 gross (1,894 net) acres. The West Delta Block 35 field commenced production in July 1993. Since August 14, 1998 through December 31, 1998, West Delta Block 35 produced 272 MMcf of natural gas and 2.2 Mbbls of oil, net to our interest.

EWING BANK 958 UNIT. We purchased the Ewing Bank 958 Unit in October 1998 from a wholly owned, indirect subsidiary of El Paso Energy. Our current plan of development contemplates the construction of a gathering system and a Moses Tension Leg Platform. This platform, which may be used in up to 6,000 feet of water, will have production handling facilities with a throughput design capacity of 55.0 MMcf of natural gas per day and 25,000 barrels of oil per day. Accordingly, we recently began construction of the Moses Tension Leg Platform, which will be designed to support a deck and topside facilities weighing up to 6,000 short tons and process 25,000 barrels of oil per day and 55.0 MMcf of natural gas per day. In addition to the initial discovery well drilled in 1994 and the two delineation wells drilled in 1994 and 1998, the Ewing Bank 958 Unit development program could require drilling up to five additional wells, depending on the level of actual production and other factors. To date there has been no production from the Ewing Bank 958 Unit.

COMPETITION

The oil and natural gas industry is intensely competitive. In all segments of our business, we compete with a substantial number of other companies, including some with larger technical staffs and greater financial and operational resources. Many such competitors are more vertically integrated than we are -- that is, they not only acquire, explore for, develop, produce, gather and transport oil and natural gas reserves, but also carry on refining operations, generate electricity and market refined products. As a result, many of our competitors may be better positioned to acquire and exploit prospects, hire personnel, market production and withstand the effects of general and/or industry-specific economic changes. We also face potential competition from companies not previously active in oil and natural gas who may choose to acquire reserves to establish a firm supply or simply as an investment. In addition, the oil and natural gas

industry competes with other industries supplying energy and fuel to industrial, commercial and individual consumers.

OIL AND NATURAL GAS RESERVES

The following estimates of our total proved developed and proved undeveloped reserves of oil and natural gas as of December 31, 1998 have been made by Netherland, Sewell & Associates, Inc., an independent petroleum engineering consulting firm.

	OIL (BARRELS)	NATURAL GAS (MCF)	
	PROVED DEVELOPED	PROVED DEVELOPED	PROVED UNDEVELOPED
Viosca Knoll Block 817	80,592	21,700,344	2,452,000
Garden Banks Block 72	495,437	2,306,934	--
Garden Banks Block 117	991,888	1,645,839	--
West Delta Block 35	9,599	779,179	--
Total	1,577,516	26,432,296	2,452,000

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

Furthermore, production from Garden Banks Block 117, Garden Banks Block 72 and Viosca Knoll Block 817 was initiated in July 1996, May 1996 and December 1995, respectively, and, accordingly, estimates of future production are based on this limited history. Estimates with respect to proved undeveloped reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than upon actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be substantial, in the estimated reserves. A significant portion of our reserves is based upon volumetric calculations.

The following table sets forth, as of December 31, 1998, the estimated future net cash flows and the present value of estimated future net cash flows, discounted at 10.0% per annum, from the production and sale of the proved developed and undeveloped reserves attributable to our interest in oil and natural gas properties as of such date, as determined by Netherland, Sewell in accordance with the requirements of applicable accounting standards, before income taxes.

	DECEMBER 31, 1998		
	PROVED DEVELOPED	PROVED UNDEVELOPED	TOTAL PROVED
	(IN THOUSANDS)		
Undiscounted estimated future net cash flows from proved reserves before income taxes(1)	$28,457	$864	$29,321
Present value of estimated future net cash flows from proved reserves before income taxes, discounted at 10.0%(2)	$26,131	$541	$26,672

- ---

(1) The average oil and natural gas prices, as adjusted by lease for gravity and Btu content, regional posted price differences and oil and natural gas price hedges in place and weighted by production over the life of the proved reserves, used in the calculation of estimated future net cash flows at December 31, 1998 are $9.80 per barrel of oil and $1.53 per Mcf of natural gas.

(2) We estimate that, if all other factors (including the estimated quantities of economically recoverable reserves) were held constant, a $1.00 per barrel change in oil prices from that used in the Netherland, Sewell reserve report would change the December 31, 1998 present value of future net cash flows from proved reserves by approximately $1.3 million or a $0.10 per Mcf change in gas prices from that used in the Netherland, Sewell reserve report would change such present value by approximately $3.1 million.

In accordance with applicable requirements of the Securities and Exchange Commission, the estimated discounted future net revenue from estimated proved reserves are based on prices and costs at fiscal year end unless future prices or costs are contractually determined at such date. Actual future prices and costs may be materially higher or lower. Actual future net revenue also will be affected by factors such as actual production, supply and demand for oil and natural gas, curtailments or increases in consumption by natural gas purchasers, changes in governmental regulations or taxation and the impact of inflation on costs.

In accordance with the methodology approved by the SEC, specific assumptions were applied in the computation of the reserve evaluation estimates. Under this methodology, future net cash flows are determined by reducing estimated future gross cash flows to us for oil and natural gas sales by the estimated costs to develop and produce the underlying reserves, including future capital expenditures, operating costs, transportation costs, royalty and overriding royalty burdens, production payments and net profits interest expense on certain of our properties.

Future net cash flows were discounted at 10.0% per annum to arrive at discounted future net cash flows. The 10.0% discount factor used to calculate present value is required by the SEC, but such rate is not necessarily the most appropriate discount rate. Present value of future net cash flows, irrespective of the discount rate used, is materially affected by assumptions as to timing of future oil and natural gas prices and production, which may prove to be inaccurate. In addition, the calculations of estimated net revenue do not take into account the effect of certain cash outlays, including, among other things, general and administrative costs, interest expense and partner distributions. The present value of future net cash flows shown above should not be construed as the current market value as of December 31, 1998, or any prior date, of the estimated oil and natural gas reserves attributable to our properties.

PRODUCTION, UNIT PRICES AND COSTS

The following table sets forth certain information regarding the production volumes of, average unit prices received for and average production costs for our sale of oil and natural gas for the periods indicated:

	OIL (BARRELS) YEAR ENDED DECEMBER 31,			NATURAL GAS (MMCF) YEAR ENDED DECEMBER 31,		
	1998	1997	1996	1998	1997	1996
Net production(1)	540,000	801,000	393,000	11,324	19,792	15,730
Average sales price(1)	$ 15.69	$ 20.61	$ 21.76	$ 2.01	$ 2.08	$ 2.37
Average production costs(2)	$ 3.04	$ 1.98	$ 1.59	$ 0.51	$ 0.33	$ 0.27

- ----------

(1) The information regarding production and unit prices excludes overriding royalty interests.

(2) The components of production costs may vary substantially among wells depending on the methods of recovery employed and other factors, but generally include third party transportation expenses, maintenance and repair, labor and utilities costs.

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

ACREAGE

The following table sets forth our developed and undeveloped oil and natural gas acreage as of December 31, 1998. Undeveloped acreage is considered to be those lease acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and natural gas, regardless of whether or not such acreage contains proved reserves. Gross acres in the following table refer to the number of acres in which we own directly a working interest. The number of net acres is our fractional ownership of working interests in the gross acres.

	GROSS	NET
Developed acreage	6,792	5,416
Undeveloped acreage	59,577	48,862
Total acreage	66,369	54,278

OIL AND NATURAL GAS DRILLING ACTIVITY

The following table sets forth the gross and net number of productive, dry and total exploratory wells and development wells that we have drilled in each of the respective years:

	YEAR ENDED DECEMBER 31,					
	1998		1997		1996	
	GROSS	NET	GROSS	NET	GROSS	NET
Exploratory						
Natural gas	--	--	--	--	--	--
Oil	--	--	--	--	1.00	0.50
Dry	--	--	--	--	--	--
Total	--	--	--	--	1.00	0.50
Development						
Natural gas	--	--	--	--	7.00	5.00
Oil	1.00	1.00	--	--	5.00	2.75
Dry	--	--	--	--	3.00	1.75
Total	1.00	1.00	--	--	15.00	9.50

The following table sets forth our ownership in producing wells at December 31, 1998:

	GROSS	NET
Natural gas	10.00	8.26
Oil	6.00	3.00
Total	16.00	11.26

MAJOR ENCUMBRANCES

All of the operating assets in which we own an interest are owned by our subsidiaries or joint ventures. Substantially all of our assets (primarily our interests in our subsidiaries) and our subsidiaries' assets are pledged as collateral to secure obligations under our credit facility. In addition, certain of our joint ventures currently have, and others are expected to have, credit facilities pursuant to which substantially all of such joint ventures' assets are or would be pledged.

REGULATION

The oil and natural gas industry is extensively regulated by federal and state authorities in the U.S. Numerous departments and agencies, both federal and state, have issued rules and regulations binding on the oil and natural gas industry and its individual members, some of which carry substantial penalties for the failure to comply. Legislation affecting the oil and natural gas industry is under constant review and statutes are constantly being adopted, expanded or amended. The regulatory burden on the oil and natural gas industry increases its cost of doing business.

GENERAL. The design, construction, operation and maintenance of our natural gas pipelines and of certain of their natural gas transmission facilities are subject to regulation by the Department of Transportation under the Natural Gas Pipeline Safety Act of 1968 as amended (the "NGPSA"). Operations in offshore federal waters are regulated by the Department of Interior and the FERC. Under the Outer Continental Shelf Lands Act (the "OCSLA") as implemented by the FERC, pipelines that transport natural gas across the OCS must offer nondiscriminatory transportation of natural gas. Substantially all of the pipeline network owned by our pipelines is located in federal waters in the Gulf, and the related rights-of-way were granted by the federal government, the agencies of which oversee such pipeline operations. Federal rights-of-way require compliance with detailed federal regulations and orders which regulate such operations.

Poseidon is subject to regulation under the Hazardous Liquid Pipeline Safety Act ("HLPSA"). In addition, under the OCSLA, as implemented by the FERC, pipelines that transport crude oil across the OCS must offer "equal access" to other potential shippers of crude. The Poseidon system is located in federal waters in the Gulf, and its right-of-way was granted by the federal government. Therefore, the FERC may assert that it has jurisdiction to compel Poseidon to grant access under the OCSLA to other shippers of crude oil upon the satisfaction of certain conditions and to apportion the capacity of the line among owner and non-owner shippers.

RATES. Each of our regulated pipelines (the Nautilus, Stingray, HIOS and UTOS systems) is classified as a "natural gas company" by the NGA. Consequently, the FERC has jurisdiction over these regulated pipelines with respect to transportation of natural gas, rates and charges, construction of new facilities, extension or abandonment of service and facilities, accounts and records, depreciation and amortization policies and certain other matters. In addition, these regulated pipelines hold certificates of public convenience and necessity issued by the FERC authorizing their facilities, activities and services.

Under the terms of the regulated pipelines' tariffs on file at the FERC, the regulated pipelines may not charge or collect more than the maximum rates on file with the FERC. FERC regulations permit natural gas pipelines to charge maximum rates that generally allow pipelines the opportunity to (1) recover operating expenses, (2) recover the pipeline's undepreciated investment in property, plant and equipment ("rate base") and (3) receive an overall allowed rate of return on the pipeline's rate base. We

believe that even after the rate base of any regulated pipeline is substantially depleted, the FERC will allow such regulated pipeline to recover a reasonable return, whether through a management fee or otherwise.

Each of the Nautilus, Stingray, HIOS and UTOS systems is currently operating under agreements with their respective customers that provide for rates that have been approved by the FERC.

On March 13, 1997, the FERC issued an order declaring Tarpon's facilities exempt from NGA regulation under the gathering exception, thereby terminating Tarpon's status as a "natural gas company" under the NGA. Tarpon has agreed, however, to continue service for shippers that have not executed replacement contracts on the terms and conditions, and at the rate reflected in, its last effective regulated tariff for two years from the date of the order. None of the Green Canyon, Ewing Bank, Manta Ray Offshore or Viosca Knoll systems is currently, nor do we expect East Breaks to be, considered a "natural gas company" under the NGA. Consequently, these companies are not subject to extensive FERC regulation under the NGA or the Natural Gas Policy Act of 1978, as amended (the "NGPA"), and are thus allowed to negotiate the rates and terms of service with their respective shippers, subject to the "equal access" requirements of the OCSLA.

The FERC has asserted its NGA rate jurisdiction over services performed through gathering facilities owned by a natural gas company (as defined in the NGA) when such services were performed "in connection with" transportation services provided by such natural gas company. Whether, and to what extent, the FERC should exercise any NGA rate jurisdiction it may be found to have over gathering facilities owned either by natural gas companies or affiliates thereof is subject to case-by-case review by the FERC. Based on current FERC policy and precedent, we do not anticipate that the FERC will assert or exercise any NGA rate jurisdiction over the Green Canyon, Ewing Bank, Manta Ray Offshore, Viosca Knoll or East Breaks systems, so long as the services provided through such lines are not performed "in connection with" transportation services performed through any of the regulated pipelines.

The FERC has generally disclaimed jurisdiction to set rates for oil pipelines in the OCS under the Interstate Commerce Act. As a result, Poseidon, as operator of the Poseidon system, has not filed tariffs with the FERC for the Poseidon system.

PRODUCTION AND DEVELOPMENT. Our production and development operations are subject to regulation at the federal and state levels. Such regulation includes requiring permits for the drilling of wells and maintaining bonds and insurance requirements in order to drill or operate wells, and regulating the location of wells, the method of drilling and casing wells, the surface use and restoration of properties upon which wells are drilled and the plugging and abandoning of wells. Our production and development operations are also subject to various conservation laws and regulations. These include the regulation of the size of drilling and spacing units or proration units, the density of wells that may be drilled, the levels of production, and the unitization or pooling of oil and natural gas properties.

We presently have interests in or rights to offshore leases located in federal waters. Federal leases are administered by the MMS. Individuals and entities must qualify with the MMS prior to owning and operating any leasehold or right-of-way interest in federal waters. Such qualification with the MMS generally involves filing certain documents with the MMS and obtaining an area-wide performance bond and, in some cases, supplemental bonds representing security deemed necessary by the MMS in excess of the area-wide bond requirements for facility abandonment and site clearance costs.

OPERATIONAL HAZARDS AND INSURANCE

Pipelines, platforms and other offshore assets may experience damage as a result of an accident or other natural disaster, especially in the deeper water regions. In addition, our production and development operations are subject to the usual hazards incident to the drilling and production of natural gas and crude oil, such as blowouts, cratering, explosions, uncontrollable flows of oil, natural gas or well fluids, fires, pollution, releases of toxic gas and other environmental hazards and risks. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or

environmental damages and suspension of operations. To mitigate the impact of repair costs associated with such an accident or disaster, we maintain insurance of various types that we consider to be adequate to cover our operations. In our opinion, this insurance provides reasonable coverage for all of our assets except for our 50.0% interest in the assets of Stingray, for which insurance providing reasonable coverage is carried at the Stingray partnership level. The insurance package is subject to deductibles that we consider reasonable and not excessive. Our insurance does not cover every potential risk associated with operating pipelines or the drilling and production of oil and natural gas. Consistent with insurance coverage generally available to the industry, our insurance policies do not provide coverage for losses or liabilities relating to pollution, except for sudden and accidental occurrences. We do, however, have certificates of financial responsibility of not less than $35.0 million per offshore facility and/or lease.

The occurrence of a significant event not fully insured or indemnified against, or the failure of a party to meet its indemnification obligations, could materially and adversely affect our operations and financial condition. We believe that we are adequately insured for public liability and property damage to others with respect to its operations. However, we can give no assurance that we will be able to maintain adequate insurance in the future at rates we consider reasonable.

INDUSTRY CONDITIONS

Profitability and cash flow in the oil and natural gas industry largely depend on the market prices of oil and natural gas, which historically have been seasonal, cyclical, volatile and driven by general economic developments, governmental regulations and many other factors, including weather and political conditions. Commodity prices for hydrocarbons were very volatile in 1998 and continue to be in 1999, including some significant declines. These commodity prices also declined dramatically from 1981 until the mid-1980's and increased noticeably from the mid-1980's through the early 1990's.

Supply and demand conditions and regulatory factors have been the primary contributors to this oil and natural gas price volatility as well as a related restructuring of certain segments of the energy industry. Increases in worldwide oil production capability and decreases in energy consumption have brought about substantial surpluses in oil supplies in recent years. This, in turn, has resulted in substantial domestic competition between oil and natural gas for end-use markets. Changes in government regulations relating to the production, transportation and marketing of natural gas have also resulted in significant changes in the historical marketing patterns of the natural gas industry. Generally, these changes have resulted in the abandonment by many pipelines of long-term contracts for the purchase of natural gas, the development by natural gas producers of their own marketing programs to take advantage of new regulations requiring pipelines to transport natural gas for regulated fees, and the emergence of various types of marketing companies and other aggregators of natural gas supplies.

As a result of the recent steep decline in energy commodity prices, internal and external sources of cash have become constrained, and accordingly, some industry participants have reduced offshore exploration and development budgets. The future direction of these commodity prices is uncertain, as are the long-term effects on the industry.

ENVIRONMENTAL

GENERAL. Our operations are subject to extensive federal, state and local statutory and regulatory requirements relating to environmental affairs, health and safety, waste management and chemical products. In recent years, these requirements have become increasingly stringent and in certain circumstances, they impose "strict liability" on a company, rendering it liable for environmental damage without regard to negligence or fault on the part of such company. To our knowledge, our operations are in substantial compliance, and are expected to continue to comply in all material respects, with applicable environmental laws, regulations and ordinances.

It is possible, however, that future developments, such as stricter environmental laws, regulations or enforcement policies could affect the handling, manufacture, use, emission or disposal of substances or wastes by us or our pipelines. In addition, some risk of environmental costs and liabilities is inherent in our

operations and products as it is with other companies engaged in similar or related businesses, and there can be no assurance that we will not incur material costs and liabilities, including substantial fines and criminal sanctions for violation of environmental laws and regulations. Furthermore, we will likely be required to increase our expenditures during the next several years to comply with higher industry and regulatory safety standards. However, such expenditures cannot be accurately estimated at this time.

PIPELINES. In addition to the NGA, the NGPA and the OCSLA, several federal and state statutes and regulations may pertain specifically to the operations of our pipelines. The Hazardous Materials Transportation Act, 49 U.S.C. sec. 5101 et seq., as amended, regulates materials capable of posing an unreasonable risk to health, safety and property when transported in commerce. The NGPSA and the HLPSA authorize the development and enforcement of regulations governing pipeline transportation of natural gas and hazardous liquids. Although federal jurisdiction is exclusive over regulated pipelines, the statutes allow states to impose additional requirements for intrastate lines if compatible with federal programs. Both Texas and Louisiana have developed regulatory programs that parallel the federal program for the transportation of natural gas by pipelines.

SOLID WASTE. The operations of our pipelines may generate or transport both hazardous and nonhazardous solid wastes that are subject to the requirements of the federal Resource Conservation and Recovery Act ("RCRA"), as amended, 42 U.S.C. sec. 6901 et. seq., and its regulations, and comparable state statutes and regulations. Further, it is possible that some wastes that are currently classified as nonhazardous, via exemption or otherwise, perhaps including wastes currently generated during pipeline operations, may, in the future, be designated as "hazardous wastes," which would then be subject to more rigorous and costly treatment, storage, transportation and disposal requirements. Such changes in the regulations may result in additional expenditures or operating expenses by Leviathan. On August 8, 1998, the Environmental Protection Agency ("EPA") added four petroleum refining wastes to the list of RCRA hazardous wastes. While the full impact of the rule has yet to be determined, the rule may, as of February 1999, impose increased expenditures and operating expenses on us or our pipelines, which may take on increased obligations relating to the treatment, storage, transportation and disposal of certain petroleum refining wastes that previously were not regulated as hazardous waste.

HAZARDOUS SUBSTANCES. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. sec. 9601 et. seq., and comparable state statutes, also known as "Superfund" laws, impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons that cause or contribute to the release of a "hazardous substance" into the environment. These persons include the current owner or operator of a site, the past owner or operator of a site, and companies that transport, dispose of, or arrange for the disposal of the hazardous substances found at the site. CERCLA also authorizes the EPA or state agency, and in some cases, third parties, to take actions in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. Despite the "petroleum exclusion" of Section 101(14) that currently encompasses natural gas, we may nonetheless generate or transport "hazardous substances" within the meaning of CERCLA, or comparable state statutes, in the course of our ordinary operations. And, certain petroleum refining wastes that previously were not regulated as hazardous waste may now fall within the definition of CERCLA hazardous substances. Thus, we may be responsible under CERCLA or the state equivalents for all or part of the costs required to cleanup sites where a release of a hazardous substance has occurred.

AIR. Our operations may be subject to the Clean Air Act ("CAA"), 42 U.S.C. sec. 7401-7642, and comparable state statutes. The 1990 CAA amendments and accompanying regulations, state or federal, may impose certain pollution control requirements with respect to air emissions from operations, particularly in instances where a company constructs a new facility or modifies an existing facility. We may also be required to incur certain capital expenditures in the next several years for air pollution control equipment in connection with maintaining or obtaining operating permits and approvals addressing other air emission-related issues. However, we do not believe our operations will be materially adversely affected by any such requirements.

WATER. The Federal Water Pollution Control Act ("FWPCA") or Clean Water Act, 33 U.S.C. sec. 1311 et. seq., imposes strict controls against the unauthorized discharge of produced waters and other oil and natural gas wastes into navigable waters. The FWPCA provides for civil and criminal penalties for any unauthorized discharges of oil and other hazardous substances in reportable quantities, and, along with the Oil Pollution Act of 1990 ("OPA"), 33 U.S.C. sec.sec. 2701-2761, imposes substantial potential liability for the costs of removal, remediation and damages. Similarly, the OPA imposes liability for the discharge of oil into or upon navigable waters or adjoining shorelines. Among other things, the OPA raises liability limits, narrows defenses to liability and provides more instances in which a responsible party is subject to unlimited liability. One provision of the OPA requires that offshore facilities establish and maintain evidence of financial responsibility of up to $35.0 million or any amount up to $150.0 million if the EPA determines that a greater amount is justified based on the relative operational, environmental, human health and other risks posed by the quantity or quality of the oil involved. State laws for the control of water pollution also provide varying civil and criminal penalties and liabilities in the case of an unauthorized discharge of petroleum, its derivatives or other hazardous substances into state waters. Further, the Coastal Zone Management Act ("CZMA"), 16 U.S.C. sec.sec. 1451-1464, authorizes state implementation and development of programs containing management measures for the control of nonpoint source pollution to restore and protect coastal waters.

ENDANGERED SPECIES. The Endangered Species Act ("ESA"), 7 U.S.C. sec. 136, seeks to ensure that activities do not jeopardize endangered or threatened plant and animal species, nor destroy or modify the critical habitat of such species. Under the ESA, certain exploration and production operations, as well as actions by federal agencies or funded by federal agencies, must not significantly impair or jeopardize the species or its habitat. The ESA provides for criminal penalties for willful violations of this act. Other statutes which provide protection to animal and plant species and thus may apply to our operations are the Marine Mammal Protection Act, the Marine Protection and Sanctuaries Act, the Fish and Wildlife Coordination Act, the Fishery Conservation and Management Act, and the Migratory Bird Treaty Act. The National Historic Preservation Act, 16 U.S.C. sec. 3470, may impose similar requirements.

COMMUNICATION OF HAZARDS. The Occupational Safety and Health Act, as amended ("OSHA"), 29 U.S.C. sec.sec. 651 et. seq., the Emergency Planning and Community Right-to-Know Act, as amended ("EPCRA"), 42 U.S.C. sec.sec. 11001 et. seq., and comparable state statutes require us to organize and disseminate information to employees, state and local organizations, and the public about the hazardous materials used in its operations and its emergency planning.

EMPLOYEES

Prior to August 1998, we and the general partner depended primarily upon the employees and management services provided by DeepTech International Inc. pursuant to a management agreement, although one of our subsidiaries had 10 full-time employees based in Houma, Louisiana to perform operational functions for its natural gas pipeline and platform operations. Since El Paso Energy's acquisition of our general partner, El Paso Energy through its subsidiaries has provided such services under the management agreement. Accordingly, El Paso Energy hired substantially all of the employees comprising our management team and those employees performing the operational functions. We reimburse the general partner for all reasonable general and administrative expenses and other reasonable expenses incurred by the general partner and its affiliates for or on behalf of us, including, but not limited to, amounts paid by the general partner to El Paso Energy and its affiliates under the management agreement. In addition to the employees provided by affiliates of El Paso Energy under the management agreement, affiliates of El Paso Energy currently have 15 full-time employees based in Houma, Louisiana that spend all their time performing operational functions related to our natural gas pipeline and platform operations. As we continue to operate more facilities, such as Stingray and the facilities under construction, we will require more personnel.

LEGAL PROCEEDINGS

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

In particular, we are a defendant in a lawsuit filed by Transcontinental Gas Pipe Line Corporation ("Transco") in the 157th Judicial District Court, Harris County, Texas on August 30, 1996. Transco alleges that, pursuant to a platform lease agreement entered into on June 28, 1994, Transco has the right to expand its facilities and operations on the offshore platform by connecting additional pipeline receiving and appurtenant facilities. We have denied Transco's request to expand its facilities and operations because the lease agreement does not provide for such expansion and because Transco's activities will interfere with the Manta Ray Offshore system and our existing and planned activities on the platform. Transco has requested a declaratory judgment and is seeking damages. The case is set to be tried in November 1999. It is the opinion of management that adequate defenses exist and that the final disposition of this suit individually, and all of our other pending legal proceedings in the aggregate, will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Leviathan and several subsidiaries of El Paso Energy have been made defendants in United States ex rel Grynberg v. El Paso Natural Gas Company, et al. litigation. Generally, the complaint in this motion alleges an industry-wide conspiracy to underreport the heating value as well as the volumes of the natural gas produced from federal and Indian lands, thereby depriving the United States government of royalties. The complaint remains sealed. We believe the complaint is without merit and therefore will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

EL PASO ENERGY'S ACQUISITION OF OUR GENERAL PARTNER

Effective August 14, 1998, El Paso Energy completed the $422.0 million acquisition of our general partner, which became a wholly owned indirect subsidiary of El Paso Energy. The material terms of the acquisition and the related transactions, as they relate to us, are as follows:

(1) El Paso Energy acquired the majority interest of Leviathan Holdings Company, which owns 100% of our general partner, by acquiring DeepTech International Inc. for an aggregate of $365.0 million, and acquired the minority interests of Leviathan Holdings and two other affiliates of Leviathan Holdings for an aggregate of $55.0 million. Therefore, following those acquisitions by El Paso Energy, El Paso Energy owned an overall 27.3% effective interest in us, comprised of a 1.0% general partner interest, a 25.3% limited partner interest comprised of 6,291,894 common units and a 1.0% nonmanaging membership interest in most of our subsidiaries. Following the closing of the acquisition of the Viosca Knoll interest discussed in "-- Natural Gas and Oil Pipelines -- Viosca Knoll System," El Paso Energy (through a subsidiary) acquired an additional 7.2% effective interest in us represented by 2,661,870 common units.

(2) On August 14, 1998, Tatham Offshore, Inc. (an affiliate of ours through August 1998) transferred its remaining assets located in the Gulf to us in exchange for the 7,500 shares of Tatham Offshore Series B 9% Senior Convertible Preferred Stock owned by us. We acquired Tatham Offshore's right, title and interest in and to Viosca Knoll Block 817 (subject to an existing production payment obligation), West Delta Block 35, the platform located at Ship Shoal Block 331 and other lease blocks not material to our current operations. Our net cash expenditure for these transactions totaled $0.8 million representing (a) $2.8 million of abandonment costs relating to wells located at Ewing Bank Blocks 914 and 915 offset by (b) $2.0 million of net cash generated from producing properties from January 1, 1998 through August 14, 1998. In addition, we assumed all remaining abandonment and restoration obligations associated with the platform and leases.

AVAILABLE INFORMATION

We are subject to the reporting requirements of the Exchange Act. This means that we file reports and other information with the Securities and Exchange Commission. You can inspect and/or copy these reports and other information at offices maintained by the SEC, including:

- The principal offices of the SEC located at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549;

- The Regional Offices of the SEC located at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511;

- The Regional Offices of the SEC located at 7 World Trade Center, New York, New York 10048; and

- The SEC's website at http://www.sec.gov.

Further, our common units are listed on the New York Stock Exchange, and you can inspect similar information at the offices of the New York Stock Exchange, located at 20 Broad Street, New York, New York 10005.

MANAGEMENT

OUR DIRECTORS AND EXECUTIVE OFFICERS

We and the general partner utilize the employees of and management services provided by El Paso Energy and its affiliates under our management agreement. We reimburse the general partner for reasonable general and administrative expenses, and other reasonable expenses, incurred by the general partner and its affiliates, for or on our behalf, including, without limitation, fees paid by the general partner to El Paso Energy and its affiliates pursuant to our management agreement. We also reimburse affiliates of our general partner for costs related to insurance and operational personnel that spend all of their time in connection with our operations.

Some of our officers and the general partner's officers and directors are also officers and directors of El Paso Energy and its affiliates. Such officers and directors may spend a substantial amount of time managing the business and affairs of the general partner and El Paso Energy and its affiliates and may face a conflict regarding the allocation of their time between our interests and the other business interests of the general partner and El Paso Energy and its affiliates. Mr. Sims and Mr. Lytal entered into employment agreements with five-year terms with El Paso Energy pursuant to which they would continue to serve as Chief Executive Officer and President, respectively, of the general partner and us. However, pursuant to the terms of their respective employment agreements, Messrs. Sims and Lytal have the right to terminate such agreements upon 30 days notice and El Paso Energy has the right to terminate such agreements under certain circumstances. The general partner may retain, acquire and invest in businesses that compete with us, subject to certain limitations. However, the ability of El Paso Energy and its other affiliates to retain, acquire and invest in businesses that compete with us is not subject to any limitations.

Certain provisions of our partnership agreement contain exculpatory language purporting to (1) limit the liability of the general partner to us and our unitholders and (2) modify the fiduciary duty standards to which the general partner would otherwise be subject under Delaware law. Our partnership agreement provides that (1) any action taken by the general partner consistent with the standards of reasonable discretion set forth in certain definitions in our partnership agreement will not breach any duty of the general partner to us or to our unitholders, (2) in the absence of bad faith by the general partner, the resolution of conflicts of interest by the general partner will not breach our partnership agreement or any standard of care or duty and (3) the general partner and its officers and directors may not be liable to us or to our unitholders for certain actions or omissions which might otherwise be deemed to be a breach of fiduciary duty under Delaware or other applicable state law. Further, the partnership agreement requires us to indemnify the general partner to the fullest extent permitted by law, which indemnification, in light of the exculpatory provisions in the partnership agreement, could result in us indemnifying the general partner for negligent acts.

DIRECTORS AND EXECUTIVE OFFICERS OF THE GENERAL PARTNER

The following table sets forth certain information as of June 30, 1999, regarding our executive officers and the executive officers and directors of the general partner who provide services to us. Each executive officer of the general partner holds the same executive position for us. Directors are elected annually by the general partner's sole stockholder, Leviathan Holdings Company, and hold office until their successors are elected and qualified. Each executive officer named in the following table has been elected to serve until his successor is duly appointed or elected or until his earlier removal or resignation from office.

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

NAME	AGE	POSITION(S)
William A. Wise	53	Director and Chairman of the Board
Grant E. Sims	43	Director and Chief Executive Officer
James H. Lytal	41	Director and President
H. Brent Austin	44	Director and Executive Vice President
Robert G. Phillips	44	Director and Executive Vice President
Keith B. Forman	41	Vice President and Chief Financial Officer
D. Mark Leland	37	Vice President and Controller
Michael B. Bracy	57	Director
H. Douglas Church	61	Director
Malcolm Wallop	66	Director

WILLIAM A. WISE has served as a director and Chairman of the Board of the general partner since August 1998, Chairman of the Board of El Paso Energy since January 1994 and Chief Executive Officer of El Paso Energy since June 1990. Mr. Wise served as President of El Paso Energy from January 1990 until April 1996 and from July 1998 to the present. Mr. Wise served as President and Chief Operating Officer of El Paso Energy from April 1989 to December 1989. From March 1987 until April 1989, Mr. Wise was an Executive Vice President of El Paso Energy and a Senior Vice President of El Paso Energy from January 1984 to February 1987. Mr. Wise is a member of the Boards of Directors of Battle Mountain Gold Company and Chase Bank of Texas and is Chairman of the Board of El Paso Tennessee Pipeline Co.

GRANT E. SIMS has served as a director of the general partner since July 1995 and as our Chief Executive Officer and the Chief Executive Officer of general partner since August 1994. Mr. Sims served as our President and President of the general partner from March 1994 through June 1995. In addition, Mr. Sims has served as a director and Senior Vice President of DeepTech International Inc. since July 1993 and served as a director of Offshore Gas Marketing, Inc., a subsidiary of DeepTech, from December 1992 to March 1994. Prior to his employment with DeepTech, Mr. Sims spent ten years with Transco in various capacities, most recently directing Transco's non-jurisdictional natural gas activities.

JAMES H. LYTAL has served as a director of the general partner since July 1995 and as our President and President of the general partner since August 1994. He served as our Senior Vice President and Senior Vice President of the general partner from August 1994 to June 1995. Prior to joining us, Mr. Lytal was Vice President -- Business Development for American Pipeline Company from December 1992 to August 1994. Prior thereto, Mr. Lytal served as Vice President -- Business Development for United Gas Pipe Line Company from March 1991 to December 1992. Prior thereto, Mr. Lytal has served in various capacities in the oil and natural gas exploration and production and natural gas pipeline industries with Texas Oil and Gas, Inc. and American Pipeline Company from September 1980 to March 1991.

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

ROBERT G. PHILLIPS has served as a director and an Executive Vice President of the general partner and as our Executive Vice President since August 1998. Mr. Phillips has served as President of El Paso Field

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

KEITH B. FORMAN has served as our Chief Financial Officer and Chief Financial Officer of the general partner since January 1992 and served as a director of the general partner from July 1992 to August 1998. Prior to joining us, Mr. Forman served as Vice President of the Natural Gas Pipeline Group of Manufacturers Hanover Trust Company which he joined in 1982. His account responsibility included interstate natural gas transmission companies and natural gas gathering companies.

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

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

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

MALCOLM WALLOP has served as a director of the general partner since August 1998 and as a director of El Paso Energy since February 1995. Mr. Wallop became Chairman of Western Gulf Strategy Group on January 1, 1999. Since January 1996, Mr. Wallop has served as President for Frontiers of Freedom Foundation, a political foundation. For eighteen years prior thereto, Mr. Wallop was a member of the United States Senate. He is a member of the Board of Directors of Hubbell Inc. and Sheridan State Bank.

COMPENSATION OF DIRECTORS

Directors of the general partner are entitled to reimbursement for their reasonable out-of-pocket expenses in connection with their travel to and from, and attendance at, meetings of the Board or committees thereof. Mr. Paul Thompson III, Mr. George L. Ball and Mr. William A. Bruckmann, III, directors of the general partner until their resignation on August 14, 1998, were paid an annual fee of $36,000 plus $1,000 per meeting attended. Current non-employee directors are paid an annual fee of $30,000. Officers of the general partner and our officers are elected by, and serve at the discretion of, the Board.

Pursuant to our former non-employee director compensation arrangements, we were obligated to pay each non-employee director 2.5% of the general partner's Incentive Distribution as a profit participation fee. During the year ended December 31, 1998, we paid the Messrs. Thompson, Ball and Bruckmann a total of $600,000 as a profit participation fee. In connection with El Paso Energy's acquisition of Leviathan, Messrs. Thompson, Ball and Bruckmann resigned and the compensation arrangements were terminated.

In August 1998, we adopted the 1998 Unit Option Plan for Non-Employee Directors to provide us with the ability to issue unit options to attract and retain the services of knowledgeable directors. Unit options to purchase a maximum of 100,000 common units may be issued pursuant to this plan. Under this plan, we granted (1) 1,500 unit options to Mr. Wallop in August 1998 to acquire an equal number of common units at $27.34375 per unit, (2) 1,500 unit options to Mr. Bracy in October 1998 to acquire an equal number of common units at $25.00 per unit and (3) 1,500 unit options to Mr. Church in January 1999 to acquire an equal number of common units at $20.625 per unit. Each unit option vests immediately at the date of grant and shall expire ten years from such date, but shall be subject to earlier termination in the event that Messrs. Wallop, Bracy and Church cease to be a director of the general partner for any reason, in which case the unit options expire 36 months after such date except in the case of death, in which case the unit options expire 12 months after such date. This plan is administered by a management committee consisting of the Chairman of the Board and such other senior officers of the general partner or its affiliates as the Chairman of the Board shall designate.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

We do not currently have a compensation committee or another committee performing similar functions, and all such matters which would be considered by such committee are acted upon by the full Board of Directors. The Board of Directors, administers and interprets the Omnibus Plan. See "Management -- Executive Compensation -- Omnibus Plan" beginning on page 73.

AUDIT AND CONFLICTS COMMITTEE

Currently, Messrs. Bracy, Church and Wallop, who are neither officers nor employees of the general partner nor any of its affiliates, serve as the Audit and Conflicts Committee of the Board of Directors of the general partner and of us. Mr. Wallop is a director of El Paso Energy. Through August 14, 1998, Messrs. Thompson, Ball and Bruckmann, who were neither officers nor employees of the general partner nor any of its affiliates, served as the Audit and Conflicts Committee.

The Audit and Conflicts Committee provides two primary services. First, it advises the Board of Directors in matters regarding the system of internal controls and the annual independent audit, and reviews our policies and practices, as well as those of the general partner. Second, the Audit and Conflicts Committee, at the request of the general partner, reviews specific matters as to which the general partner believes there may be a conflict of interest in order to determine if the resolution of such conflict proposed by the general partner is fair and reasonable to us. Except as otherwise required by the rules of the NYSE, the Audit and Conflicts Committee only reviews matters concerning potential conflicts of interest at the request of the general partner, which has sole discretion to determine which such matters to submit to that committee. Any such matters approved by a majority vote of the Audit and Conflicts Committee will be conclusively deemed (1) to be fair and reasonable to us, (2) approved by all of our limited partners and (3) not a breach by the general partner of any duties it may owe to us. However, it is possible that such procedure in itself may constitute a conflict of interest.

COMPENSATION OF THE GENERAL PARTNER

The general partner receives no remuneration in connection with our management other than: (1) distributions in respect of its general and limited partner interests in us and its nonmanaging interest in certain of our subsidiaries; (2) incentive distributions in respect of its general partner interest, as provided in our partnership agreement; and (3) reimbursement for all direct and indirect costs and expenses incurred on our behalf, all selling, general and administrative expenses incurred by the general partner for or on our behalf and all other expenses necessary or appropriate to the conduct of the business of, and allocable to, us, including, but not limited to, the management fees paid by the general partner to El Paso Energy and its affiliates under our management agreement.

EXECUTIVE COMPENSATION

Our executive officers (who are also executive officers of the general partner) are compensated by El Paso Energy (and, prior to consummation of El Paso Energy's acquisition of Leviathan, were compensated by Leviathan's parent) and do not receive compensation from the general partner or us for their services in such capacities with the exception of awards pursuant to the Unit Rights Appreciation Plan and Omnibus Plan discussed below.

UNIT RIGHTS APPRECIATION PLAN

In 1995, we adopted the Unit Rights Appreciation Plan to provide us with the ability of making awards of unit rights to certain officers and employees of the general partner or its affiliates as an incentive for these individuals to continue in the service of us or our affiliates. Under the Unit Rights Plan, we granted 1.2 million unit rights to certain officers and employees of the general partner or its affiliates that provided for the right to purchase, or realize the appreciation of, a preference unit or a common unit, pursuant to the provisions of the Unit Rights Plan. The Unit Rights Plan was administered by a committee of the Board of Directors of the general partner comprised of two or more non-employee directors. The aggregate number of rights that could have been issued pursuant to the Unit Rights Plan could not exceed 400,000 rights per calendar year and 4 million rights over the term of that plan, subject to adjustment. No participant could have been granted more than 400,000 rights in any calendar year. The exercise price covered by the rights granted pursuant to that plan was the closing price of the preference units as reported on the NYSE on the date on which rights were granted pursuant to that plan.

The exercise prices covered by these rights granted pursuant to this plan ranged from $15.6875 to $21.50, the closing prices of the preference units as reported on the NYSE on the grant date of the respective rights. As a result of the "change of control" occurring upon the closing of El Paso Energy's acquisition of Leviathan, the rights fully vested and the holders of those rights elected to be paid $8.6 million, the amount equal to the difference between the grant price of those rights and the average of the high and the low sales price of the common units on the date of exercise. Upon the exercise of all of the rights outstanding, that plan was terminated. We replaced that plan with the Omnibus Plan described below.

OMNIBUS PLAN

In August 1998, we adopted the 1998 Omnibus Compensation Plan to provide us with the ability to issue unit options to attract and retain the services of knowledgeable officers and key management personnel. Unit options to purchase a maximum of 3 million common units may be issued pursuant to the Omnibus Plan. The Plan is administered by the Board. The Board interprets, prescribes, amends and rescinds rules relating to the Omnibus Plan, selects eligible participants, makes grants to participants who are not Section 16 insiders pursuant to the Exchange Act, and takes all other actions necessary for the Omnibus Plan administration, which actions shall be final and binding upon all the participants.

In August 1998, we granted 930,000 unit options to employees of our general partner to purchase an equal number of common units at $27.1875 per unit pursuant to the Omnibus Plan. These unit options, none of which are exercisable, remain outstanding as of April 30, 1999.

REPORT FROM COMPENSATION COMMITTEE REGARDING EXECUTIVE COMPENSATION

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

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

(1) To fairly compensate the knowledgeable officers and key management personnel working for us and our affiliates for their contributions to our short-term and long-term performance.

(2) To allow us to attract, motivate and retain the management personnel necessary to our success by providing an Omnibus Plan comparable to that offered by companies with which we compete for such management personnel.

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

SUMMARY COMPENSATION TABLE

The following table sets forth information concerning the annual compensation earned by our Chief Executive Officer and each of our other four most highly compensated executive officers whose annual salary and bonus from us during the year ended December 31, 1998 exceeded $100,000:

		ANNUAL COMPENSATION(2)				LONG-TERM COMPENSATION AWARDS	
NAME/PRINCIPAL POSITION	FISCAL YEAR	SALARY ($)	BONUS ($)	MARKET VALUE OF UNITS ISSUED	OTHER ANNUAL COMPENSATION ($)	OPTIONS (#)	ALL OTHER COMPENSATION ($)
Grant E. Sims.....	1998	--	--	--	--	215,000(3)	--
Chief Executive Officer	1997	--	--	--	--	125,000(4)	--
	1996	--	--	--	--	90,000(4)	--
James H. Lytal.....	1998	--	--	--	--	215,000(3)	--
President	1997	--	--	--	--	125,000(4)	--
	1996	--	--	--	--	90,000(4)	--
Keith B. Forman.....	1998	--	--	--	--	215,000(3)	--
Chief Financial Officer	1997	--	--	--	--	125,000(4)	--
	1996	--	--	--	--	90,000(4)	--
John H. Gray(1).....	1998	--	--	--	--	--	--
Chief Operating Officer	1997	--	--	--	--	125,000(4)	--
	1996	--	--	--	--	90,000(4)	--
Donald V. Weir(1).....	1998	--	--	--	--	--	--
Vice President	1997	--	--	--	--	--	--
	1996	--	--	--	--	--	--
T. Darty Smith.....	1998	--	--	--	--	70,000(3)	--
Vice President	1997	--	--	--	--	50,000(4)	--
	1996	--	--	--	--	20,000(4)	--
Bart H. Heijermans.....	1998	--	--	--	--	40,000(3)	--
Vice President	1997	--	--	--	--	--	--
	1996	--	--	--	--	--	--

- ----------

(1) John H. Gray, our former Chief Operating Officer, and Donald V. Weir, our former Vice President, resigned their positions in connection with the consummation of El Paso Energy's acquisition of our general partner on August 14, 1998.

(2) Other than awards made under our incentive arrangements, all other compensation was paid by El Paso Energy and/or our previous parent.

(3) Issued pursuant to the Omnibus Plan.

(4) Issued pursuant to the Unit Rights Plan.

OPTION GRANTS

The following table sets forth certain information concerning the unit options granted to the named officers during the year ended December 31, 1998:

NAME	NUMBER OF COMMON UNITS UNDERLYING OPTIONS GRANTED	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE ($/SH)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF UNIT PRICE APPRECIATION FOR OPTION TERM	
					5% ($)	10% ($)
Grant E. Sims.....	215,000(1)	23%	$27.1875	8/14/2008	$3,676,086	$9,315,923
James H. Lytal.....	215,000(1)	23%	$27.1875	8/14/2008	$3,676,086	$9,315,923
Keith B. Forman.....	215,000(1)	23%	$27.1875	8/14/2008	$3,676,086	$9,315,923
T. Darty Smith.....	70,000(1)	8%	$27.1875	8/14/2008	$1,196,865	$3,033,091
Bart H. Heijermans...	40,000(1)	4%	$27.1875	8/14/2008	$ 683,923	$1,733,195

- ---

(1) These unit options were issued pursuant to the Omnibus Plan and are not immediately exercisable. One half of the unit options are considered vested and exercisable one year after at the date of grant and the remaining one-half of the units options are considered vested and exercisable one year after the first anniversary of the date of grant. The unit options shall expire 10 years from such grant date, but shall be subject to earlier termination in the event that a participant ceases employment with the general partner for retirement or disability, in which case the unit options expire 36 months after such date; for termination without cause, one year after such date; for voluntary termination, three months after such date; and death, twelve months after such date.

OPTION EXERCISES AND YEAR-END VALUE TABLE

The following table sets forth certain information concerning the unit options held by the relevant officers at December 31, 1998 or exercised by those officers during the year then ended:

NAME	SHARES ACQUIRED ON EXERCISE(#)	VALUE REALIZED($)	NUMBER OF EXERCISABLE/ UNEXERCISABLE(2)	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END EXERCISABLE/ UNEXERCISABLE
Grant E. Sims.....	215,000(1)	$1,745,938(1)	-- /215,000	-$-/$--
James H. Lytal.....	215,000(1)	1,745,938(1)	-- /215,000	--/ --
Keith B. Forman.....	215,000(1)	1,745,938(1)	-- /215,000	--/ --
T. Darty Smith.....	70,000(1)	416,875(1)	-- /70,000	--/ --
Bart H. Heijermans.....	--	--	-- /40,000	--/ --

- ---

(1) As a result of the "change of control" occurring upon El Paso Energy's acquisition of our general partner, the rights issued pursuant to the Unit Rights Plan fully vested and the holders of the rights elected to be paid the amount equal to the difference between the grant price of the right and the average of the high and the low sales price of the common units on the date of exercise.

(2) All unexercisable options in this column relate to options issued pursuant to the Omnibus Plan.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

MANAGEMENT FEES

Substantially all of the individuals who perform the day-to-day financial, administrative, accounting and operational functions for us, as well as those who are responsible for our direction are currently employed by El Paso Energy. Under a management agreement between a subsidiary of El Paso Energy and our general partner, a management fee is charged to our general partner which is intended to approximate an allocation for the costs of resources allocated by El Paso Energy and its affiliates in connection with operational, financial, accounting and administrative matters. The management agreement expires on June 30, 2002, and may be terminated thereafter upon 90 days notice by either party. Under our partnership agreement, our general partner is reimbursed for all reasonable general and administrative expenses and other reasonable expenses that it and its affiliates incur on our behalf, including amounts payable by our general partner to a subsidiary of El Paso Energy under the management agreement.

In connection with El Paso Energy's acquisition of our general partner, our general partner amended its management agreement to provide for a monthly management fee of $775,000. Prior to that, the management fee represented an allocation of costs attributable to our business, primarily based on a time and space methodology. Effective November 1, 1995, July 1, 1996 and July 1, 1997, primarily as a result of our increased activities, the annual management fee was 45.3%, 54.0% and 52.0% of such costs. Our general partner charged us $9.3 million, $8.1 million and $6.6 million under our management agreement for the years ended December 31, 1998, 1997 and 1996, and $4.6 million and $4.7 million for the six months ended June 30, 1998, and 1999.

In addition, our general partner must reimburse El Paso Energy and its affiliates for certain tax liabilities resulting from, among other things, additional taxable income allocated to our general partner due to (1) the issuance of additional preference units in 1994 and (2) the investment of such proceeds in additional acquisitions or construction projects. During the years ended December 31, 1998, 1997 and 1996, our general partner charged us $489,000, $713,000 and approximately $1.2 million for additional taxable income allocated to the general partner.

PLATFORM ACCESS AND TRANSPORTATION AGREEMENTS

VIOSCA KNOLL. For the years ended December 31, 1998, 1997 and 1996, we received approximately $1.1 million, $1.9 million and $1.9 million, respectively, from Tatham Offshore as platform access and production handling fees related to our platform located in Viosca Knoll Block 817.

For the years ended December 31, 1998, 1997 and 1996, we charged Viosca Knoll approximately $2.5 million, $2.1 million and $249,000, respectively, for expenses and platform access fees related to the Viosca Knoll Block 817 platform.

In addition, for the years ended December 31, 1998, 1997 and 1996, Viosca Knoll reimbursed us $152,000, $47,000 and $254,000, respectively, for costs we incurred in connection with the acquisition and installation of a booster compressor on our Viosca Knoll Block 817 platform.

During the years ended December 31, 1998, 1997 and 1996, Viosca Knoll charged us approximately $1.9 million, $3.9 million and $3.2 million, respectively, for transportation services related to transporting production from the Viosca Knoll Block 817 lease.

GARDEN BANKS. During the years ended December 31, 1998, 1997 and 1996, Poseidon charged us approximately $1.4 million, $2.0 million and $1.0 million, respectively, for transportation services related to transporting production from the Garden Banks Block 72 and 117 leases.

OTHER

We have agreed to sell all of our oil and natural gas production to Offshore Gas Marketing, Inc. a wholly owned subsidiary of El Paso Energy, on a month to month basis. This agreement provides Offshore

Gas Marketing fees equal to 2.0% of the sales value of crude oil and condensate and $0.015 per dekatherm of natural gas for selling our production. During the years ended December 31, 1998, 1997 and 1996, our oil and natural gas sales to Offshore Gas Marketing totaled approximately $31.2 million, $57.8 million and $46.2 million, respectively.

We are party to a management agreement with Viosca Knoll under which we charge Viosca Knoll a base fee of $100,000 annually in exchange for providing financial, accounting and administrative services to Viosca Knoll. For each of the years ended December 31, 1998, 1997 and 1996, we charged Viosca Knoll $100,000 in accordance with this agreement.

For the years ended December 31, 1998 and 1997, we charged Manta Ray Offshore approximately $1.3 million and $287,000, respectively, under management and operations agreements.

In connection with El Paso Energy's acquisition of our general partner, Mr. Grant E. Sims and Mr. James H. Lytal entered into employment agreements with five year terms with El Paso Energy under which they would continue to serve as our and our general partner's Chief Executive Officer and President, respectively. However, under their respective employment agreements, Messrs. Sims and Lytal have the right to terminate such agreements upon 30 days notice and El Paso Energy has the right to terminate these agreements under certain circumstances.

Under our former non-employee director compensation arrangements, we were obligated to pay each non-employee director 2.5% of the general partner's incentive distribution as a profit participation fee. During the years ended December 31, 1998 and 1997, we paid the three non-employee directors of Leviathan a total of $621,000 and $313,000, respectively, as a profit participation fee. As a result of El Paso Energy's acquisition of our general partner, the three non-employee directors resigned and the compensation arrangements were terminated.

We reimburse affiliates of our general partner for costs related to insurance and operational personnel that spend all of their time in connection with our operations. During the last four months of 1998 and the six months ended June 30, 1999, we reimbursed $660,000 and $1.1 million to these affiliates.

VIOSCA KNOLL ACQUISITION

We acquired 49.0% of the partnership interest in Viosca Knoll we did not previously own and an option to acquire the remaining 1.0% from El Paso Energy in June 1999 for $79.7 million comprised of $19.9 million in cash and $59.8 million in common units. See "Business -- Recent Developments, Acquisitions and New Projects -- Viosca Knoll Transaction" beginning on page 48 and "-- Natural Gas and Oil Pipelines -- Viosca Knoll System" beginning on page 52.

EWING BANK 958 UNIT ACQUISITION

In October 1998, we purchased a 100% working interest in the Ewing Bank 958 Unit from a wholly owned, indirect subsidiary of El Paso Energy for $12.2 million. See "Business -- Recent Developments, Acquisitions and New Projects -- Ewing Bank 958 Unit" beginning on page 49.

PRINCIPAL UNITHOLDERS

The following table sets forth, as of August 1, 1999, the beneficial ownership of our outstanding equity securities, by (1) each person who we know to beneficially own more than 5.0% of our outstanding units, (2) each director of the general partner and (3) all directors and executive officers of the general partner as a group.

	COMMON UNITS		PREFERENCE UNITS	
BENEFICIAL OWNER	NUMBER	PERCENT	NUMBER	PERCENT
El Paso Energy(1)	(1)	(1)	--	--
Grant E. Sims	33,000(2)	*	--	--
James H. Lytal	6,050(3)	*	--	--
Keith B. Forman	1,000	*	--	--
Robert G. Phillips	1,000	*	--	--
William A. Wise	9,670(4)	*	--	--
H. Brent Austin	1,000	*	--	--
D. Mark Leland	--	--	--	--
Michael B. Bracy	6,500(5)	*	--	--
H. Douglas Church	1,500(5)	*	--	--
Malcolm Wallop	1,500(5)	*	--	--
Executive officers and directors of Leviathan as a group (10 persons)	61,220	*	--	--

- ---

* Less than 1%.

(1) El Paso Energy beneficially owns all of the outstanding capital stock of our general partner, the general partner of Leviathan. The address for our general partner and El Paso Energy is El Paso Energy Building, 1001 Louisiana Street, Houston, Texas 77002. El Paso Energy indirectly owns all of the general partner's outstanding common stock, par value $0.10 per share. The general partner has no other class of capital stock outstanding. As of August 1, 1999, our general partner, through its ownership of 6,291,894 common units, its 1.0% general partner interest and its approximate 1.0% nonmanaging interest in certain of our subsidiaries, effectively owned a 27.3% interest in us. Another subsidiary of El Paso Energy owns 2,661,870 common units. As a result, El Paso Energy effectively owns a 34.5% interest in us.

(2) Mr. Sims disclaims beneficial ownership of 2,000 common units held in trust for his 18 year old son.

(3) Mr. Lytal may be deemed to be the beneficial owner of 34 common units owned by Mr. Lytal's son, a minor.

(4) This number excludes 3,625 units owned by Mr. Wise's children, for which he disclaims beneficial ownership.

(5) Includes the option to acquire 1,500 common units pursuant to the 1998 Unit Option Plan for Non-Employee Directors. See "Management -- Compensation of Directors" beginning on page 71.

THE EXCHANGE OFFER

EXCHANGE TERMS

$175.0 million principal amount of Series A notes are currently issued and outstanding. The maximum principal amount of Series B notes that will be issued in exchange for Series A notes is $175.0 million. The terms of the Series B notes and the Series A notes are substantially the same in all material respects, except that the Series B notes will be freely transferable by the holders except as provided in this prospectus.

The Series B notes will bear interest at a rate of 10 3/8% per year, payable semi-annually on June 1 and December 1 of each year, beginning on December 1, 1999. Holders of Series B notes will receive interest from the date of the original issuance of the Series A notes or from the date of the last payment of interest on the Series A notes, whichever is later. Holders of Series B notes will not receive any interest on Series A notes tendered and accepted for exchange. In order to exchange your Series A notes for transferable Series B notes in the exchange offer, you will be required to make the following representations:

- any Series B notes will be acquired in the ordinary course of your business;
- you have no arrangement with any person to participate in the distribution of the Series B notes; and
- you are not our "affiliate," as defined in Rule 405 of the Securities Act, or if you are our affiliate, you will comply with the applicable registration and prospectus delivery requirements of the Securities Act.

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, we will accept for exchange any Series A notes properly tendered in the exchange offer, and the Exchange Agent will deliver the Series B notes promptly after the expiration date of the exchange offer. We expressly reserve the right to delay acceptance of any of the tendered Series A notes or terminate the exchange offer and not accept for exchange any tendered Series A notes not already accepted if any conditions set forth under "Conditions of the Exchange Offer" beginning on page 85 have not been satisfied or waived by us or do not comply, in whole or in part, with any applicable law.

If you tender your Series A notes, you will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of the Series A notes. We will pay all charges, expenses and transfer taxes in connection with the exchange offer, other than certain taxes described below under "Transfer Taxes."

EXPIRATION DATE; EXTENSIONS; TERMINATION; AMENDMENTS

The exchange offer will expire on the expiration date, which is at 5:00 p.m., New York City time, on September 27, 1999, unless extended by us. We expressly reserve the right to extend the exchange offer on a daily basis or for such period or periods as we may determine in our sole discretion from time to time by giving oral, confirmed in writing, or written notice to the exchange agent and by making a public announcement by press release to the Dow Jones News Service prior to 9:00 a.m., New York City time, on the first business day following the previously scheduled expiration date. During any extension of the exchange offer, all Series A notes previously tendered, not validly withdrawn and not accepted for exchange will remain subject to the exchange offer and may be accepted for exchange by us.

To the extent we are legally permitted to do so, we expressly reserve the absolute right, in our sole discretion, to:

- waive any condition to the exchange offer and
- amend any of the terms of the exchange offer.

Any waiver or amendment to the exchange offer will apply to all Series A notes tendered, regardless of when or in what order the Series A notes were tendered. If we make a material change in the terms of the exchange offer or if we waive a material condition of the exchange offer, we will disseminate additional exchange offer materials, and we will extend the exchange offer to the extent required by law.

We expressly reserve the right, in our sole discretion, to terminate the exchange offer if any of the conditions set forth under "Conditions of the Exchange Offer" beginning on page 85 exist. Any such termination will be followed promptly by a public announcement. In the event we terminate the exchange offer, we will give immediate notice to the exchange agent, and all Series A notes previously tendered and not accepted for payment will be returned promptly to the tendering holders.

In the event that the exchange offer is withdrawn or otherwise not completed, Series B notes will not be given to holders of Series A notes who have validly tendered their Series A notes.

RESALE OF SERIES B NOTES

Based on interpretations of the SEC staff set forth in no action letters issued to third parties, we believe that Series B notes issued under the exchange offer in exchange for Series A notes may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act, if:

- you are not our "affiliate" within the meaning of Rule 405 under the Securities Act;

- you are acquiring Series B notes in the ordinary course of your business; and

- you do not intend to participate in the distribution of the Series B notes; or

- if you are an initial purchaser or a broker-dealer who is receiving Series B notes in exchange for Series A notes that you acquired as a result of market-making or other trading activities, you will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

If you tender Series A notes in the exchange offer with the intention of participating in any manner in a distribution of the Series B notes:

- you cannot rely on those interpretations by the SEC staff, and

- you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction and that such a secondary resale transaction must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K.

Unless an exemption from registration is otherwise available, any security holder intending to distribute Series B notes should be covered by an effective registration statement under the Securities Act containing the selling security holder's information required by Item 507 of Regulation S-K under the Securities Act. This prospectus may be used for an offer to resell, a resale or other retransfer of Series B notes only as specifically set forth in this prospectus. If you are a broker-dealer, you may only participate in the exchange offer if you acquired the Series A notes as a result of market-making activities or other trading activities. Each broker-dealer that receives Series B notes for its own account in exchange for Series A notes, where such Series A notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the Series B notes. Please read the section captioned "Plan of Distribution" beginning on page 142 for more details regarding the transfer of Series B notes.

ACCEPTANCE OF SERIES A NOTES FOR EXCHANGE

We will accept for exchange Series A notes validly tendered pursuant to the exchange offer, or defectively tendered, if such defect has been waived by us or satisfied, on the expiration date if the conditions specified below under "Conditions of the Exchange Offer" have been satisfied or waived. We will not accept Series A notes for exchange subsequent to the expiration date. Tenders of Series A notes will be accepted only in principal amounts equal to $1,000 or integral multiples of $1,000.

We expressly reserve the right, in our sole discretion, to:

- delay acceptance for exchange of Series A notes tendered under the exchange offer, subject to Rule 14e-1 under the Exchange Act, which requires that an offeror pay the consideration offered or return the securities deposited by or on behalf of the holders promptly after the termination or withdrawal of a tender offer, or

- terminate the exchange offer and not accept for exchange any Series A notes not theretofore accepted for exchange, if any of the conditions set forth below under "Conditions of the Exchange Offer" have not been satisfied or waived by us or in order to comply in whole or in part with any applicable law. In all cases, Series B notes will be issued only after timely receipt by the exchange agent of certificates representing Series A notes, or confirmation of book-entry transfer, a properly completed and duly executed letter of transmittal, or a manually signed facsimile thereof, and any other required documents. For purposes of the exchange offer, on the expiration date, we will be deemed to have accepted for exchange validly tendered Series A notes, or defectively tendered Series A notes with respect to which we have waived such defect, if, as and when we give oral, confirmed in writing, or written notice to the exchange agent. Promptly after the expiration date, we will deposit the Series B notes with the exchange agent, who will act as agent for the tendering holders for the purpose of receiving the Series B notes and transmitting them to the holders. The exchange agent will deliver the Series B notes to holders of Series A notes accepted for exchange after the exchange agent receives the Series B notes.

If, for any reason, we delay acceptance for exchange of validly tendered Series A notes or we are unable to accept for exchange validly tendered Series A notes, then the exchange agent may, nevertheless, on our behalf, retain tendered Series A notes, without prejudice to our rights described under "Expiration Date; Extensions; Termination; Amendments" beginning on page 79, "Conditions of the Exchange Offer" beginning on page 85 and "Withdrawal of Tenders" beginning on page 84, subject to Rule 14e-1 under the Exchange Act, which requires that an offeror pay the consideration offered or return the securities deposited by or on behalf of the holders thereof promptly after the termination or withdrawal of a tender offer.

If any tendered Series A notes are not accepted for exchange for any reason, or if certificates are submitted evidencing more Series A notes than those that are tendered, certificates evidencing Series A notes that are not exchanged will be returned, without expense, to the tendering holder or, in the case of Series A notes tendered by book-entry transfer into the exchange agent's account, at a book-entry transfer facility under the procedure set forth under "Procedures for Tendering Series A Notes -- Book-Entry Transfer" beginning on page 83, such Series A notes will be credited to the account maintained at such book-entry transfer facility from which such Series A notes were delivered, unless otherwise requested by such holder under "Special Delivery Instructions" in the letter of transmittal, promptly following the expiration date or the termination of the exchange offer.

Tendering holders of Series A notes exchanged in the exchange offer will not be obligated to pay brokerage commissions or transfer taxes with respect to the exchange of their Series A notes other than as described in "Transfer Taxes" beginning on page 86 or in Instruction 7 to the letter of transmittal. We will pay all other charges and expenses in connection with the exchange offer.

PROCEDURES FOR TENDERING SERIES A NOTES

Any beneficial owner whose Series A notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee or held through a book-entry transfer facility and who wishes to tender Series A notes should contact such registered holder promptly and instruct such registered holder to tender Series A notes on such beneficial owner's behalf.

Tender of Series A Notes Held Through DTC. The exchange agent and the Depository Trust Company, known as DTC have confirmed that the exchange offer is eligible for the DTC automated tender offer program. Accordingly, DTC participants may electronically transmit their acceptance of the exchange offer by causing DTC to transfer Series A notes to the exchange agent in accordance with DTC's automated tender offer program procedures for transfer. DTC will then send an agent's message to the exchange agent.

The term "agent's message" means a message transmitted by DTC, received by the exchange agent and forming part of the book-entry confirmation, which states that DTC has received an express acknowledgment from the participant in DTC tendering Series A notes that are the subject of that book-entry confirmation that the participant has received and agrees to be bound by the terms of the letter of transmittal, and that we may enforce such agreement against such participant. In the case of an agent's message relating to guaranteed delivery, the term means a message transmitted by DTC and received by the exchange agent, which states that DTC has received an express acknowledgment from the participant in DTC tendering Series A notes that they have received and agree to be bound by the notice of guaranteed delivery.

Tender of Series A Notes Held in Physical Form. For a holder to validly tender Series A notes held in physical form:

- the exchange agent must receive at its address set forth in this prospectus a properly completed and validly executed letter of transmittal, or a manually signed facsimile thereof, together with any signature guarantees and any other documents required by the instructions to the letter of transmittal, and

- the exchange agent must receive certificates for tendered Series A notes at such address, or such Series A notes must be transferred pursuant to the procedures for book-entry transfer described above. A confirmation of such book-entry transfer must be received by the exchange agent prior to the expiration date. A holder who desires to tender Series A notes and who cannot comply with the procedures set forth herein for tender on a timely basis or whose Series A notes are not immediately available must comply with the procedures for guaranteed delivery set forth below.

LETTERS OF TRANSMITTAL AND SERIES A NOTES SHOULD BE SENT ONLY TO THE EXCHANGE AGENT, AND NOT TO US OR TO ANY BOOK-ENTRY TRANSFER FACILITY.

THE METHOD OF DELIVERY OF SERIES A NOTES, LETTERS OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT IS AT THE ELECTION AND RISK OF THE HOLDER TENDERING SERIES A NOTES. DELIVERY OF SUCH DOCUMENTS WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE EXCHANGE AGENT. IF SUCH DELIVERY IS BY MAIL, WE SUGGEST THAT THE HOLDER USE PROPERLY INSURED, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, AND THAT THE MAILING BE MADE SUFFICIENTLY IN ADVANCE OF THE EXPIRATION DATE OF THE EXCHANGE OFFER TO PERMIT DELIVERY TO THE EXCHANGE AGENT PRIOR TO SUCH DATE. NO ALTERNATIVE, CONDITIONAL OR CONTINGENT TENDERS OF SERIES A NOTES WILL BE ACCEPTED.

Signature Guarantees. Signatures on the letter of transmittal must be guaranteed by an eligible institution unless:

- the letter of transmittal is signed by the registered holder of the Series A notes tendered therewith, or by a participant in one of the book-entry transfer facilities whose name appears on a security position listing it as the owner of those Series A notes, or if any Series A notes for principal amounts not tendered are to be issued directly to the holder, or, if tendered by a participant in one of the book-entry transfer facilities, any Series A notes for principal amounts not tendered or not

accepted for exchange are to be credited to the participant's account at the book-entry transfer facility, and neither the "Special Issuance Instructions" nor the "Special Delivery Instructions" box on the letter of transmittal has been completed, or

- the Series A notes are tendered for the account of an eligible institution.

An eligible institution is a firm that is a participant in the Security Transfer Agents Medallion Program or the Stock Exchange Medallion Program, which is generally a member of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office in the United States.

Book-Entry Transfer. The exchange agent will seek to establish a new account or utilize an existing account with respect to the Series A notes at DTC promptly after the date of this prospectus. Any financial institution that is a participant in the book-entry transfer facility system and whose name appears on a security position listing it as the owner of the Series A notes may make book-entry delivery of Series A notes by causing the book-entry transfer facility to transfer such Series A notes into the exchange agent's account. HOWEVER, ALTHOUGH DELIVERY OF SERIES A NOTES MAY BE EFFECTED THROUGH BOOK-ENTRY TRANSFER INTO THE EXCHANGE AGENT'S ACCOUNT AT A BOOK-ENTRY TRANSFER FACILITY, A PROPERLY COMPLETED AND VALIDLY EXECUTED LETTER OF TRANSMITTAL, OR A MANUALLY SIGNED FACSIMILE THEREOF, MUST BE RECEIVED BY THE EXCHANGE AGENT AT ONE OF ITS ADDRESSES SET FORTH IN THIS PROSPECTUS ON OR PRIOR TO THE EXPIRATION DATE, OR ELSE THE GUARANTEED DELIVERY PROCEDURES DESCRIBED BELOW MUST BE COMPLIED WITH. The confirmation of a book-entry transfer of Series A notes into the exchange agent's account at a book- entry transfer facility is referred to in this prospectus as a "book-entry confirmation." Delivery of documents to the book-entry transfer facility in accordance with that book-entry transfer facility's procedures does not constitute delivery to the exchange agent.

Guaranteed Delivery. If you wish to tender your Series A notes and:

(1) certificates representing your Series A notes are not lost but are not immediately available,

(2) time will not permit your letter of transmittal, certificates representing your Series A notes and all other required documents to reach the exchange agent on or prior to the expiration date, or

(3) the procedures for book-entry transfer cannot be completed on or prior to the expiration date, you may tender if all of the following are complied with:

- your tender is made by or through an eligible institution;

- on or prior to the expiration date, the exchange agent has received from the eligible institution a properly completed and validly executed notice of guaranteed delivery, by manually signed facsimile transmission, mail or hand delivery, in substantially the form provided with this prospectus. The notice of guaranteed delivery must:

(a) set forth your name and address, the registered number(s) of your Series A notes and the principal amount of Series A notes tendered,

(b) state that the tender is being made thereby and

(c) guarantee that, within three New York Stock Exchange trading days after the date of the notice of guaranteed delivery, the letter of transmittal or facsimile thereof properly completed and validly executed, together with certificates representing the Series A notes, or a book-entry confirmation, and any other documents required by the letter of transmittal and the instructions thereto, will be deposited by the eligible institution with the exchange agent; and

(d) the exchange agent receives the properly completed and validly executed letter of transmittal or facsimile thereof with any required signature guarantees, together with certificates for all Series A notes in proper form for transfer, or a book-entry confirmation,

and any other required documents, within three New York Stock Exchange trading days after the date of the notice of guaranteed delivery.

Other Matters. Series B notes will be issued in exchange for Series A notes accepted for exchange only after timely receipt by the exchange agent of:

- certificates for (or a timely book-entry confirmation with respect to) your Series A notes,
- a properly completed and duly executed letter of transmittal or facsimile thereof with any required signature guarantees, or, in the case of a book-entry transfer, an agent's message, and
- any other documents required by the letter of transmittal.

All questions as to the form of all documents and the validity, including time of receipt, and acceptance of all tenders of Series A notes will be determined by us, in our sole discretion, the determination of which shall be final and binding. ALTERNATIVE, CONDITIONAL OR CONTINGENT TENDERS OF SERIES A NOTES WILL NOT BE CONSIDERED VALID. We reserve the absolute right to reject any or all tenders of Series A notes that are not in proper form or the acceptance of which, in our opinion, would be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tender as to particular Series A notes.

Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding.

Any defect or irregularity in connection with tenders of Series A notes must be cured within the time we determine, unless waived by us. Tenders of Series A notes will not be deemed to have been made until all defects and irregularities have been waived by us or cured. Neither we, the exchange agent, or any other person will be under any duty to give notice of any defects or irregularities in tenders of Series A notes, or will incur any liability to holders for failure to give any such notice.

By signing or agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

- any Series B notes that you receive will be acquired in the ordinary course of your business;
- you have no arrangement or understanding with any person or entity to participate in the distribution of the Series B notes;
- if you are not a broker-dealer, that you are not engaged in and do not intend to engage in the distribution of the Series B notes;
- if you are a broker-dealer that will receive Series B notes for your own account in exchange for Series A notes that were acquired as a result of market-making activities, that you will deliver a prospectus, as required by law, in connection with any resale of those Series B notes; and
- you are not our "affiliate," as defined in Rule 405 of the Securities Act, or, if you are an affiliate, you will comply with any applicable registration and prospectus delivery requirements of the Securities Act.

WITHDRAWAL OF TENDERS

You may withdraw your tender of Series A notes at any time prior to the expiration date.

For a withdrawal to be effective:

- the exchange agent must receive a written notice of withdrawal at one of the addresses set forth below under "-- Exchange Agent" on page 87, or
- you must comply with the appropriate procedures of DTC's automated tender offer program system.

Any notice of withdrawal must:

- specify the name of the person who tendered the Series A notes to be withdrawn and

- identify the Series A notes to be withdrawn, including the principal amount of the Series A notes.

If Series A notes have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn Series A notes and otherwise comply with the procedures of DTC.

We will determine all questions as to the validity, form, eligibility and time of receipt of notice of withdrawal, and our determination shall be final and binding on all parties. We will deem any Series A notes so withdrawn not to have been validly tendered for exchange for purposes of the exchange offer.

Any Series A notes that have been tendered for exchange but that are not exchanged for any reason will be returned to their holder without cost to the holder or, in the case of Series A notes tendered by book-entry transfer into the exchange agent's account at DTC according to the procedures described above, such Series A notes will be credited to an account maintained with DTC for the Series A notes. This return or crediting will take place as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. You may retender properly withdrawn Series A notes by following one of the procedures described under "-- Procedures for Tendering Series A Notes" beginning on page 82 at any time on or prior to the expiration date.

CONDITIONS OF THE EXCHANGE OFFER

We will not be required to accept for exchange, or exchange any Series B notes for, any Series A notes tendered, and we may terminate, extend or amend the exchange offer and may, subject to Rule 14e-1 under the Exchange Act, which requires that an offeror pay the consideration offered or return the securities deposited by or on behalf of the holders thereof promptly after the termination or withdrawal of a tender offer, postpone the acceptance for exchange of Series A notes so tendered if, on or prior to the expiration date, the following shall have occurred:

- we have determined that the offering and sales under the registration statement, the filing of such registration statement or the maintenance of its effectiveness would require disclosure of or would interfere in any material respect with any material financing, merger, offering or other transaction involving the issuers or the subsidiary guarantors of the notes or would otherwise require disclosure of nonpublic information that could materially and adversely affect the issuers or the subsidiary guarantors; or

- we are required by any state or federal securities laws to file an amendment or supplement to the registration statement for the purpose of incorporating quarterly or annual information, which is not automatically effective.

The conditions to the exchange offer are for our sole benefit and may be asserted by us in our sole discretion or may be waived by us, in whole or in part, in our sole discretion, whether or not any other condition of the exchange offer also is waived. We have not made a decision as to what circumstances would lead us to waive any condition, and any waiver would depend on circumstances prevailing at the time of that waiver. Any determination by us concerning the events described in this section shall be final and binding upon all persons.

ALTHOUGH WE HAVE NO PRESENT PLANS OR ARRANGEMENTS TO DO SO, WE RESERVE THE RIGHT TO AMEND, AT ANY TIME, THE TERMS OF THE EXCHANGE OFFER. WE WILL GIVE HOLDERS NOTICE OF ANY AMENDMENTS IF REQUIRED BY APPLICABLE LAW.

TRANSFER TAXES

We will pay all transfer taxes applicable to the transfer and exchange of Series A notes pursuant to the exchange offer. If, however:

- delivery of the Series B notes, and/or certificates for Series A notes for principal amounts not exchanged, are to be made to any person other than the record holder of the Series A notes tendered;

- tendered certificates for Series A notes are recorded in the name of any person other than the person signing any letter of transmittal; or

- a transfer tax is imposed for any reason other than the transfer and exchange of Series A notes to us or our order,

the amount of any such transfer taxes, whether imposed on the recordholder or any other person, will be payable by the tendering holder prior to the issuance of the Series B notes.

CONSEQUENCES OF FAILURE TO EXCHANGE

If you do not exchange your Series A notes for Series B notes in the exchange offer, you will remain subject to the restrictions on transfer of the Series A notes:

- as set forth in the legend printed on the notes as a consequence of the issuance of the Series A notes pursuant to the exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws; and

- otherwise set forth in the memorandum distributed in connection with the private offering of the Series A notes.

In general, you may not offer or sell the Series A notes unless they are registered under the Securities Act, or if the offer or sale is exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement, we do not intend to register resales of the Series A notes under the Securities Act. Based on interpretations of the SEC staff, you may offer for resale, resell or otherwise transfer Series B notes issued in the exchange offer without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that (1) you are not our "affiliate" within the meaning of Rule 405 under the Securities Act, (2) you acquired the Series B notes in the ordinary course of your business, (3) you have no arrangement or understanding with respect to the distribution of the Series B notes to be acquired in the exchange offer, and (4) you are not a broker-dealer receiving Series B notes in exchange for Series A notes you acquired in market-making or other trading activities. If you tender Series A notes in the exchange offer for the purpose of participating in a distribution of the Series B notes:

- you cannot rely on the applicable interpretations of the SEC; and

- you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction and that such a secondary resale transaction must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K.

EXCHANGE AGENT

Chase Bank of Texas, N.A. has been appointed as exchange agent for the exchange offer. You should direct questions and requests for assistance, requests for additional copies of this prospectus, the letter of transmittal or any other documents to the exchange agent. You should send certificates for Series A notes, letters of transmittal and any other required documents to the exchange agent addressed as follows:

CHASE BANK OF TEXAS, NATIONAL ASSOCIATION

By Registered or Certified Mail
or Overnight Courier:
Chase Bank of Texas, N.A.
Corporate Trust Operations
P.O. Box 2320
Dallas, Texas 75221-2320
1-800-275-2048
Attn: Frank Ivins

By Hand in Dallas:
Chase Bank of Texas, N.A.
Corporate Trust Operations
1201 Main Street
Dallas, Texas 75202
1-800-275-2048
Attn: Frank Ivins

By Facsimile:
(for eligible institutions only)
(214) 672-5746

Confirm by Telephone:
(214) 672-5678

DESCRIPTION OF NOTES

You can find the definitions of certain terms used in this description under the subheading "Certain Definitions." In this description, the word "issuers" refers only to Leviathan and Leviathan Finance and not to any of their subsidiaries and any reference to "Leviathan" or "Leviathan Finance" does not include any of their respective subsidiaries.

The issuers issued the Series A notes under an Indenture (the "Indenture") dated May 27, 1999 among the issuers, the Subsidiary Guarantors and Chase Bank of Texas, National Association, as trustee (the "Trustee") in a private transaction that was not subject to the registration requirements of the Securities Act. The Series B notes will be issued under the same Indenture. The terms of the notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (the "Trust Indenture Act").

The following description is a summary of the material provisions of the Indenture. It does not restate that agreement in its entirety. We urge you to read the Indenture because it, and not this description, defines your rights as holders of these notes. The Indenture has been filed with the SEC and copies are available upon request from Leviathan. Certain terms used herein are defined below under "-- Certain Definitions" beginning on page 115.

GENERAL

The Series A notes and the Series B notes will constitute a single class of debt securities under the Indenture. If the exchange offer is completed, holders of Series A notes who do not exchange their Series A notes for Series B notes will vote together with holders of the Series B notes for all relevant purposes under the Indenture. In that regard, the Indenture requires that certain actions by holders, including acceleration following an event of default, must be taken, and certain rights must be exercised, by specified minimum percentages of the aggregate principal amount of the outstanding securities issued under the Indenture. In determining whether the required holders have given any notice, consent or waiver or taken any other action permitted under the Indenture, any Series A notes that remain outstanding after the exchange offer will be aggregated with the Series B notes, and the holders of the Series A notes and the Series B notes will vote together as a single series. All references in this prospectus to specified percentages in aggregate principal amount of the notes means, at any time after the exchange offer is completed, the percentages in aggregate principal amount of the Series A notes and the Series B notes collectively then outstanding.

The term "notes" as used in this prospectus refers collectively to the Series A notes and the Series B notes.

BRIEF DESCRIPTION OF THE NOTES AND THE GUARANTEES

The Notes

These notes:

- are general unsecured obligations of the issuers;
- are subordinated in right of payment to all existing and future Senior Debt of the issuers, including borrowings under the Leviathan Credit Facility;
- are senior or equal in right of payment to any future subordinated Indebtedness of the issuers; and
- are unconditionally guaranteed by the Subsidiary Guarantors.

The Guarantees

These notes are guaranteed by the following subsidiaries of Leviathan:

- Delos Offshore Company, L.L.C.,
- Ewing Bank Gathering Company, L.L.C.,
- Flextrend Development Company, L.L.C.,

- Green Canyon Pipe Line Company, L.L.C.,
- Leviathan Oil Transport Systems, L.L.C.,
- Leviathan Operating Company, L.L.C.,
- Manta Ray Gathering Company, L.L.C.,
- Moray Pipeline Company, L.L.C.,
- Natoco, L.L.C.,
- Poseidon Pipeline Company, L.L.C.,
- Sailfish Pipeline Company, L.L.C.,
- Stingray Holding, L.L.C.,
- Tarpon Transmission Company,
- Transco Hydrocarbons Company, L.L.C.,
- Texam Offshore Gas Transmission, L.L.C.,
- Transco Offshore Pipeline Company, L.L.C.,
- UTOS Holding, L.L.C.,
- VK Deepwater Gathering Company, L.L.C.,
- VK-Main Pass Gathering Company, L.L.C., and
- Viosca Knoll Gathering Company.

Each Guarantee of a Subsidiary Guarantor of these notes:

- is a general unsecured obligation of that Subsidiary Guarantor;
- is subordinated in right of payment to all existing and future Senior Debt of that Subsidiary Guarantor; and
- is senior or equal in right of payment to any future subordinated Indebtedness of that Subsidiary Guarantor.

As of August 9, 1999, the issuers and the Subsidiary Guarantors had total Senior Debt of $300.0 million. As indicated above and as discussed in detail below under the subheading "Subordination," payments on the notes will be subordinated to the payment of Senior Debt. The Indenture will permit Leviathan and the Subsidiary Guarantors to incur additional Senior Debt. The Guarantee of each Subsidiary Guarantor will be subordinated to all Senior Debt of that Subsidiary Guarantor. As a result of Leviathan's acquisition of an additional interest in Viosca Knoll Gathering Company, Viosca Knoll became a Subsidiary of Leviathan and a guarantor of the Leviathan Credit Facility and, therefore, a Subsidiary Guarantor of these notes.

As of the date of the Indenture, all of our Subsidiaries (other than Leviathan Finance) will be "Restricted Subsidiaries." Certain Subsidiaries in the future may not be Subsidiary Guarantors. Also, under the circumstances described below under the subheading "Certain Covenants -- Designation of Restricted and Unrestricted Subsidiaries," we will be permitted to designate certain of our Subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the Indenture. Unrestricted Subsidiaries will not guarantee the notes. In addition, Leviathan has invested, and may invest in the future, in Joint Ventures. The rights of Leviathan to receive assets from any Subsidiary that is not a Subsidiary Guarantor or from any Joint Venture that are attributable to Leviathan's Equity Interests therein (and thus the ability of the holders of the notes to benefit indirectly from such assets) are subject to the claims of all existing and future third party indebtedness and liabilities (including trade debt) of such Subsidiary or Joint Venture.

PRINCIPAL, MATURITY AND INTEREST

The issuers will issue notes with a maximum aggregate principal amount of $175.0 million. The issuers will issue notes in denominations of $1,000 and integral multiples of $1,000. The notes will mature on June 1, 2009.

Interest on these notes will accrue at the rate of 10 3/8% per annum and will be payable semi-annually in arrears on June 1 and December 1, commencing on December 1, 1999. The issuers will make each interest payment to the holders of record of these notes on the immediately preceding May 15 and November 15.

Interest on these notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

METHODS OF RECEIVING PAYMENTS ON THE NOTES

If a holder has given wire transfer instructions to the issuers, the issuers will make all payments of principal of, premium, if any, and interest and Liquidated Damages, if any, on the notes in accordance with those instructions. All other payments on these notes will be made at the office or agency of the Paying Agent and Registrar within the City and State of New York unless the issuers elect to make interest payments by check mailed to the holders at their address set forth in the register of holders.

PAYING AGENT AND REGISTRAR FOR THE NOTES

The Trustee will initially act as Paying Agent and Registrar. The issuers may change the Paying Agent or Registrar without prior notice to the holders of the notes, and the issuers or any of their Subsidiaries may act as Paying Agent or Registrar.

TRANSFER AND EXCHANGE

A holder may transfer or exchange notes in accordance with the Indenture. The Registrar and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and the issuers may require a holder to pay any taxes and fees required by law or permitted by the Indenture. The issuers are not required to transfer or exchange any note selected for redemption or repurchase (except in the case of a note to be redeemed or repurchased in part, the portion not to be redeemed or repurchased). Also, the issuers are not required to transfer or exchange any note for a period of 15 days before a selection of notes to be redeemed or between a record date and the next succeeding interest payment date.

The registered holder of a note will be treated as the owner of it for all purposes.

SUBORDINATION

The payment of principal of, premium, if any, and interest and Liquidated Damages, if any, and other Obligations on, the notes, including upon the acceleration or redemption of the notes, will be subordinated to the prior payment in full in cash of all Senior Debt of the issuers.

The holders of Senior Debt of the issuers will be entitled to receive payment in full in cash of all Obligations due in respect of Senior Debt (including interest after the commencement of any of the following specified proceedings at the rate specified in the applicable Senior Debt, whether or not such interest would be an allowed claim in such proceeding), before the holders of notes will be entitled to receive any payment or distribution with respect to the notes (except that holders of notes may receive and retain Permitted Junior Securities and payments made from the trust described under "-- Legal

Defeasance and Covenant Defeasance," provided that the funding of such trust was permitted), in the event of any payment or distribution to creditors of an issuer:

(1) in a liquidation or dissolution of that issuer;

(2) in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to that issuer or its property;

(3) in an assignment for the benefit of creditors; or

(4) in any marshalling of that issuer's assets and liabilities.

Neither of the issuers may make any payment or distribution (whether by redemption, purchase, defeasance or otherwise) in respect of the notes (except in Permitted Junior Securities or from the trust described under "-- Legal Defeasance and Covenant Defeasance") if:

(1) a default in the payment of principal, premium or interest (and other Obligations in the case of the Credit Facilities) on Designated Senior Debt occurs and is continuing; or

(2) any other default occurs and is continuing on Designated Senior Debt that permits holders of the Designated Senior Debt to accelerate its maturity and the Trustee receives a notice of such default (a "Payment Blockage Notice") from the Issuers or the holders of any Designated Senior Debt (or their representative).

Payments on the notes may and shall be resumed:

(1) in the case of a payment default, upon the date on which such default is cured or waived; and

(2) in case of a nonpayment default, the earlier of the date on which such nonpayment default is cured or waived and 179 days after the date on which the applicable Payment Blockage Notice is received, unless the maturity of any Designated Senior Debt has been accelerated.

No new Payment Blockage Notice may be delivered unless and until 360 days have elapsed since the effectiveness of the immediately prior Payment Blockage Notice.

No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee shall be, or be made, the basis for a subsequent Payment Blockage Notice unless such default shall have been cured or waived for a period of not less than 120 days.

If the Trustee or any holder receives payment that violates the above, such payment shall be held in trust by the Trustee or such holder for the benefit of, and upon written request shall be paid to, the holder of Designated Senior Debt. Holders of the notes shall have subrogation rights.

The issuers must promptly notify holders of Senior Debt if payment of the notes is accelerated because of an Event of Default.

As a result of the subordination provisions described above, in the event of a bankruptcy, liquidation or reorganization of Leviathan or Leviathan Finance, holders of these notes may recover less ratably than creditors of such issuers who are holders of Senior Debt. See "Risk Factors -- Risks Related to Our Financial Structure and the Notes" beginning on page 15.

THE GUARANTEES

The Subsidiary Guarantors will jointly and severally guarantee the issuers' obligations under these notes. Each Guarantee and the related obligations will be subordinated to the prior payment in full of all Senior Debt of that Subsidiary Guarantor. The obligations of each Subsidiary Guarantor under its Guarantee will be limited as necessary to prevent that Guarantee from constituting a fraudulent

conveyance under applicable law. See "Risk Factors -- Risks Related to Our Financial Structure and the Notes" beginning on page 15.

The Obligations of each Subsidiary Guarantor with respect to the notes under its Guarantee will be subordinated to its Senior Debt on the same basis as the notes are subordinated to Senior Debt.

A Subsidiary Guarantor may not incur any Indebtedness which is subordinate or junior in ranking in any respect to any of its Senior Debt unless such Indebtedness is Senior Debt or is expressly subordinated in right of payment to the Senior Debt of such Subsidiary Guarantor to at least the same extent as the Guarantee of such Subsidiary Guarantor.

A Subsidiary Guarantor may not consolidate with or merge with or into (whether or not such Subsidiary Guarantor is the surviving Person), another Person unless:

(1) immediately after giving effect to that transaction, no Default or Event of Default exists; and

(2) the Person (if not otherwise a Subsidiary Guarantor) formed by or surviving any such consolidation or merger assumes all the obligations of that Subsidiary Guarantor pursuant to a supplemental indenture satisfactory to the Trustee, except as provided in the next paragraph.

Leviathan or any Subsidiary Guarantor, however, may be merged or consolidated with or into any one or more Subsidiary Guarantors or Leviathan.

The Guarantee of a Subsidiary Guarantor will be released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Subsidiary Guarantor (including by way of merger or consolidation), if Leviathan applies the Net Proceeds of that sale or other disposition in accordance with the applicable provisions of the Indenture; or

(2) in connection with any sale or other disposition of all of the Equity Interests of a Subsidiary Guarantor, if Leviathan applies the Net Proceeds of that sale in accordance with the applicable provisions of the Indenture applicable to Asset Sales; or

(3) if Leviathan designates any Restricted Subsidiary that is a Subsidiary Guarantor as an Unrestricted Subsidiary; or

(4) at such time as such Subsidiary Guarantor ceases to guarantee any other Indebtedness of Leviathan.

See "Repurchase at the Option of Holders -- Asset Sales" beginning on page 95.

Any Restricted Subsidiary that guarantees Indebtedness of either of the issuers or any other Restricted Subsidiary at a time when it is not a Subsidiary Guarantor shall execute a Guarantee.

OPTIONAL REDEMPTION

Prior to June 1, 2002, the issuers may on any one or more occasions redeem up to 33% of the aggregate principal amount of notes originally issued under the Indenture at a redemption price of 110 3/8% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, with the net cash proceeds of one or more Equity Offerings. However, at least 67% of the aggregate principal amount of notes must remain outstanding immediately after the occurrence of such redemption (excluding notes held by Leviathan, Leviathan Finance and its Restricted Subsidiaries). Any redemption must occur within 90 days of the date of the closing of such Equity Offering.

Except pursuant to the preceding paragraph, the notes will not be redeemable at the issuers' option prior to June 1, 2004.

On or after June 1, 2004, the issuers may redeem all or a part of these notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set

forth below plus accrued and unpaid interest thereon, if any, and Liquidated Damages, if any, to the applicable redemption date, if redeemed during the 12-month period beginning on June 1st of the years indicated below:

YEAR	PERCENTAGE
2004	105.188%
2005	103.458%
2006	101.729%
2007 and thereafter	100.000%

SELECTION AND NOTICE

If less than all of the notes are to be redeemed at any time, the Trustee will select notes for redemption as follows:

(1) if the notes are listed, in compliance with the requirements of the principal national securities exchange on which the notes are listed; or

(2) if the notes are not so listed or there are no such requirements, on a pro rata basis, by lot or by such method as the Trustee shall deem fair and appropriate.

No notes of $1,000 or less shall be redeemed in part. Notices of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address. Notices of redemption may not be conditional.

If any note is to be redeemed in part only, the notice of redemption that relates to that note shall state the portion of the principal amount thereof to be redeemed. A new note in principal amount equal to the unredeemed portion of the original note will be issued in the name of the holder thereof upon cancellation of the original note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest and Liquidated Damages, if applicable, ceases to accrue on notes or portions of them called for redemption unless the Issuers default in making such redemption payment.

REPURCHASE AT THE OPTION OF HOLDERS

Change of Control

If a Change of Control occurs, each holder of notes will have the right to require the issuers to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of that holder's notes pursuant to the Change of Control Offer. In the Change of Control Offer, the issuers will offer a Change of Control Payment in cash equal to 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest thereon, if any, and Liquidated Damages, if any, to the date of purchase (the "Change of Control Payment"). Within 30 days following any Change of Control, the issuers will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase notes on the Change of Control Payment Date specified in such notice, pursuant to the procedures required by the Indenture and described in such notice. The issuers will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control.

On the Change of Control Payment Date, the issuers will, to the extent lawful;

(1) accept for payment all notes or portions thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all notes or portions thereof so tendered; and

(3) deliver or cause to be delivered to the Trustee the notes so accepted together with an Officers' Certificate stating the aggregate principal amount of notes or portions thereof being purchased by Leviathan.

The Paying Agent will promptly mail to each holder of notes so tendered the Change of Control Payment for such notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new note equal in principal amount to any unpurchased portion of the notes surrendered, if any; provided that each such new note will be in a principal amount of $1,000 or an integral multiple thereof. The issuers will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

Prior to complying with any of the provisions of this "Change of Control" covenant, but in any event within 90 days following a Change of Control, the issuers will either repay all outstanding Senior Debt or obtain the requisite consents, if any, under all agreements governing outstanding Senior Debt to permit the repurchase of notes required by this covenant.

The provisions described above that require the issuers to make a Change of Control Offer following a Change of Control will be applicable regardless of whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holder of the notes to require that the issuers repurchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

Leviathan's outstanding Senior Debt currently prohibits Leviathan from purchasing any notes, and also provides that certain change of control events with respect to Leviathan would constitute a default under the agreements governing the Senior Debt. Any future credit agreements or other agreements relating to Senior Debt to which Leviathan becomes a party may contain similar restrictions and provisions. Moreover, the exercise by the holders of their right to require the issuers to repurchase the notes could cause a default under such Senior Debt, even if the Change of Control does not, due to the financial effect of such a repurchase on Leviathan. If a Change of Control occurs at a time when Leviathan is prohibited from purchasing notes, Leviathan could seek the consent of its senior lenders to the purchase of notes or could attempt to refinance the borrowings that contain such prohibition. If Leviathan does not obtain such a consent or repay such borrowings, Leviathan will remain prohibited from purchasing notes. In such case, Leviathan's failure to purchase tendered notes would constitute an Event of Default under the Indenture which would, in turn, in all likelihood constitute a default under such Senior Debt. In such circumstances, the subordination provisions in the Indenture would likely restrict payments to the holders of notes. Finally, the issuers' ability to pay cash to the holders upon a repurchase may be limited by Leviathan's then existing financial resources. We cannot assure you that sufficient funds will be available when necessary to make any required repurchases.

Notwithstanding the preceding paragraphs of this covenant, the issuers will not be required to make a Change of Control Offer upon a Change of Control and a holder will not have the right to require the issuers to repurchase any notes pursuant to a Change of Control Offer if a third party makes an offer to purchase the notes in the manner, at the times and otherwise in substantial compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer and purchases all notes validly tendered and not withdrawn under such purchase offer.

The definition of Change of Control includes a phrase relating to the sale, transfer, lease, conveyance or other disposition of "all or substantially all" of the assets of Leviathan and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require Leviathan to repurchase such notes as a result of a sale, transfer, lease, conveyance or other disposition of less than all of the assets of Leviathan and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

Asset Sales

The issuers will not, and will not permit any of Leviathan's Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) Leviathan (or the Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Sale at least equal to the fair market value of the assets or Equity Interests issued or sold or otherwise disposed of;

(2) such fair market value is determined by (a) an executive officer of Leviathan if the value is less than $5.0 million, as evidence by an Officers' Certificate delivered to the Trustee or (b) the Board of Directors of the General Partner if the value is $5.0 million or more, as evidenced by a resolution of such Board of Directors of the General Partner; and

(3) at least 75% of the consideration therefor received by Leviathan or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following shall be deemed to be cash:

(a) any liabilities (as shown on the issuer's or such Restricted Subsidiary's most recent balance sheet) of Leviathan or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the notes or any Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases Leviathan or such Restricted Subsidiary from further liability; and

(b) any securities, notes or other obligations received by Leviathan or any such Restricted Subsidiary from such transferee that are within 90 days after the Asset Sale (subject to ordinary settlement periods) converted by such issuer or such Restricted Subsidiary into cash (to the extent of the cash received in that conversion).

Within 360 days after the receipt of any Net Proceeds from an Asset Sale, Leviathan or a Restricted Subsidiary may apply (or enter into a definitive agreement for such application within such 360-day period, provided that such capital expenditure or purchase is closed within 90 days after the end of such 360-day period) such Net Proceeds at its option:

(1) to repay Senior Debt of Leviathan and/or its Restricted Subsidiaries (or to make an offer to repurchase or redeem Senior Debt, provided that such repurchase or redemption closes within 45 days after the end of such 360-day period) with a permanent reduction in availability for any revolving credit Indebtedness;

(2) to make a capital expenditure in a Permitted Business;

(3) to acquire other long-term tangible assets that are used or useful in a Permitted Business; or

(4) to invest in any other Permitted Business Investment or any other Permitted Investments other than Investments in Cash Equivalents, Interest Swaps or Currency Agreements.

Pending the final application of any such Net Proceeds, we may temporarily reduce revolving credit borrowings or otherwise invest such Net Proceeds in any manner that is not prohibited by the Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the preceding paragraph will constitute Excess Proceeds. When the aggregate amount of Excess Proceeds exceeds $10.0 million, the issuers will make a pro rata offer (an "Asset Sale Offer") to all holders of notes and all holders of other Indebtedness that is pari passu with the notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of notes and such other pari passu Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of principal amount plus accrued and unpaid interest (including any Liquidated Damages in the case of the notes), if any, and premium, if any, to the date of purchase, and will be payable in cash. If any Excess

Proceeds remain after consummation of an Asset Sale Offer, Leviathan may use such Excess Proceeds for any purpose not otherwise prohibited by the Indenture, including, without limitation, the repurchase or redemption of Indebtedness of the issuers or any Subsidiary Guarantor that is subordinated to the notes or, in the case of any Subsidiary Guarantor, the Guarantee of such Subsidiary Guarantor. If the aggregate principal amount of notes tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds allocated for repurchases of notes pursuant to the Asset Sale Offer for notes, the Trustee shall select the notes to be purchased on a pro rata basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero.

The term Asset Sale excludes:

(1) any transaction whereby assets or properties (including (a) ownership interests in any Subsidiary or Joint Venture and (b) in the case of an exchange or contribution for tangible assets, up to 25% in the form of cash, Cash Equivalents, accounts receivable or other current assets), owned by Leviathan or a Restricted Subsidiary are exchanged or contributed for the Equity Interests of a Joint Venture or Unrestricted Subsidiary in a transaction that satisfies the requirements of a Permitted Business Investment or for other assets (not more than 25% of which consists of cash, Cash Equivalents, accounts receivables or other current assets) or properties (including interests in any Subsidiary or Joint Venture) so long as (i) the fair market value of the assets or properties (if other than a Permitted Business Investment) received are substantially equivalent to the fair market value of the assets or properties given up, and (ii) any cash received in such exchange or contribution by Leviathan or any Restricted Subsidiary is applied in accordance with the foregoing "-- Asset Sales" provision;

(2) any sale, transfer or other disposition of cash or Cash Equivalents;

(3) any sale, transfer or other disposition of Restricted Investments; and

(4) any sale, transfer or other disposition of interests in oil and gas leaseholds (including, without limitation, by abandonment, farm-ins, farm-outs, leases, swaps and subleases), hydrocarbons and other mineral products in the ordinary course of business of the oil and gas operations conducted by Leviathan or any Restricted Subsidiary, which sale, transfer or other disposition is made by Leviathan or any Restricted Subsidiary.

CERTAIN COVENANTS

Restricted Payments

The issuers will not, and will not permit any of their Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of Leviathan's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving Leviathan or any of its Restricted Subsidiaries) or to the direct or indirect holders of Leviathan's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than distributions or dividends payable in Equity Interests of Leviathan (other than Disqualified Equity) and other than distributions or dividends payable to Leviathan or a Restricted Subsidiary);

(2) except to the extent permitted in clause 4 below, purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving an Issuer) any Equity Interests of Leviathan or any of its Restricted Subsidiaries (other than any such Equity Interests owned by Leviathan or any of its Restricted Subsidiaries);

(3) except to the extent permitted in clause 4 below, make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness that is pari passu with or subordinated to the notes or the Guarantees (other than the notes or the Guarantees), except (a) a payment of interest or principal at the Stated Maturity thereof, (b) a purchase, redemption, acquisition or retirement required to be made pursuant to the terms of such Indebtedness

(including pursuant to an asset sale or change of control provision) and (c) any such Indebtedness of Leviathan or a Restricted Subsidiary owned by Leviathan or a Restricted Subsidiary; or

(4) make any Investment other than a Permitted Investment or a Permitted Business Investment (all such payments and other actions set forth in clauses (1) through (4) above being collectively referred to as "Restricted Payments"),

unless, at the time of and after giving effect to such Restricted Payment, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof and either:

(1) if the Fixed Charge Coverage Ratio for Leviathan's four most recent fiscal quarters for which internal financial statements are available is not less than 1.75 to 1.0 through March 31, 2001, and 2.0 to 1.0 thereafter, such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by Leviathan and its Restricted Subsidiaries during the quarter in which such Restricted Payment is made, is less than the sum, without duplication, of (a) Available Cash constituting Cash from Operations as of the end of the immediately preceding quarter, (b) the aggregate net cash proceeds of any (i) substantially concurrent capital contribution to Leviathan from any Person (other than a Restricted Subsidiary of Leviathan) made after the Issue Date, (ii) substantially concurrent issuance and sale made after the Issue Date of Equity Interests (other than Disqualified Equity) of Leviathan or from the issuance or sale made after the Issue Date of convertible or exchangeable Disqualified Equity or convertible or exchangeable debt securities of Leviathan that have been converted into or exchanged for such Equity Interests, (iii) to the extent that any Restricted Investment that was made after the Issue Date is sold for cash or Cash Equivalents or otherwise liquidated or repaid for cash or Cash Equivalents, the lesser of the refund of capital or similar payment made in cash or Cash Equivalents with respect to such Restricted Investment (less the cost of such disposition, if any) and the initial amount of such Restricted Investment (other than to a Restricted Subsidiary of Leviathan), and (c) the net reduction in Investments in Restricted Investments resulting from dividends, repayments of loans or advances, or other transfers of assets in each case to Leviathan or any of its Restricted Subsidiaries from any Person (including, without limitation, Unrestricted Subsidiaries) or from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, to the extent such amounts have not been included in Available Cash constituting Cash from Operations for any period commencing on or after the Issue Date (items (b) and (c) being referred to as "Incremental Funds"), less (d) the aggregate amount of Incremental Funds previously expended pursuant to this clause (1) or clause (2) below; or

(2) if the Fixed Charge Coverage Ratio for Leviathan's four most recent fiscal quarters for which internal financial statements are available is less than 1.75 to 1.0 through March 31, 2001, and 2.0 to 1.0 thereafter, such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by Leviathan and its Restricted Subsidiaries during the quarter in which such Restricted Payment is made, is less than the sum, without duplication, of (a) $40.0 million less the aggregate amount of all Restricted Payments made by Leviathan and its Restricted Subsidiaries pursuant to this clause (2)(a) during the period ending on the last day of the fiscal quarter of Leviathan immediately preceding the date of such Restricted Payment and beginning on the Issue Date, plus (b) Incremental Funds to the extent not previously expended pursuant to this clause (2) or clause (1) above.

For purposes of clauses (1) and (2) above, the term "substantially concurrent" means that either (x) the offering was consummated within 120 days of the date of determination or (y) the offering was consummated within 24 months of the date of determination and the proceeds therefrom were used for the purposes expressly stated in the documents related thereto and may be traced to such use by segregating, separating or otherwise specifically identifying the movement of such proceeds.

So long as no Default has occurred and is continuing or would be caused thereby, the preceding provisions will not prohibit:

(1) the payment by Leviathan or any Restricted Subsidiary of any distribution or dividend within 60 days after the date of declaration thereof, if at said date of declaration such payment would have complied with the provisions of the Indenture;

(2) the redemption, repurchase, retirement, defeasance or other acquisition of any pari passu or subordinated Indebtedness of Leviathan or any of its Restricted Subsidiaries or of any Equity Interests of Leviathan or any of its Restricted Subsidiaries in exchange for, or out of the net cash proceeds of, a substantially concurrent (a) capital contribution to Leviathan or such Restricted Subsidiary from any Person (other than Leviathan or another Restricted Subsidiary) or (b) sale (a sale will be deemed substantially concurrent if such redemption, repurchase, retirement, defeasance or acquisition occurs not more than 120 days after such sale) (other than to a Restricted Subsidiary of Leviathan) of (i) Equity Interests (other than Disqualified Equity) of Leviathan or such Restricted Subsidiary or (ii) Indebtedness that is subordinated to the notes or the Guarantees, provided that such new subordinated Indebtedness with respect to the redemption, repurchase, retirement, defeasance or other acquisition of pari passu or subordinated Indebtedness (W) is subordinated to the same extent as such refinanced subordinated Indebtedness, (X) has a Weighted Average Life to Maturity of at least the remaining Weighted Average Life to Maturity of the refinanced subordinated Indebtedness, (Y) is for the same principal amount as either such refinanced subordinated Indebtedness plus original issue discount to the extent not reflected therein or the redemption or purchase price of such Equity Interests (plus reasonable expenses of refinancing and any premiums paid on such refinanced subordinated Indebtedness) and (Z) is incurred by Leviathan or the Restricted Subsidiary that is the obligor on the Indebtedness so refinanced or the issuer of the Equity Interests so redeemed, repurchased or retired; provided, however, that the amount of any net cash proceeds that are utilized for any such redemption, repurchase or other acquisition or retirement shall be excluded or deducted from the calculation of Available Cash and Incremental Funds;

(3) the defeasance, redemption, repurchase or other acquisition of pari passu or subordinated Indebtedness of Leviathan or any Restricted Subsidiary with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;

(4) the payment of any distribution or dividend by a Restricted Subsidiary to Leviathan or to the holders of its Equity Interests (other than Disqualified Equity) on a pro rata basis;

(5) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of Leviathan or any Restricted Subsidiary of Leviathan held by any member of the General Partner's or Leviathan's or any Restricted Subsidiary's management pursuant to any management equity subscription agreement or stock option agreement or to satisfy obligations under any Equity Interests appreciation rights or option plan or similar arrangement; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed $2.0 million in any 12-month period;

(6) the acquisition on or before December 31, 2000 of preference units of Leviathan outstanding on the date of issuance of the original notes under the Indenture, provided that the aggregate amount paid to acquire preference units shall not exceed $2.0 million; and

(7) any payment by Leviathan pursuant to section 3.1(b) of the Management Agreement to compensate for certain tax liabilities resulting from certain allocated income.

In computing the amount of Restricted Payments previously made for purposes of the immediately preceding paragraph, Restricted Payments made under clauses (1) (but only if the declaration of such dividend or other distribution has not been counted in a prior period) and, to the extent of amounts paid to holders other than Leviathan or a Restricted Subsidiary, (4) shall be included, and Restricted Payments made under clauses (2), (3), (5), (6) and (7) and, except to the extent noted above, (4) shall not be

included. The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by Leviathan or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any assets or securities that are required to be valued by this covenant shall be determined by the Board of Directors of the General Partner whose resolution with respect thereto shall be delivered to the Trustee.

Incurrence of Indebtedness and Issuance of Disqualified Equity

Leviathan will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt), and Leviathan will not issue any Disqualified Equity and will not permit any of its Restricted Subsidiaries to issue any Disqualified Equity; provided, however, that Leviathan and any Restricted Subsidiary may incur Indebtedness (including Acquired Debt), and Leviathan and the Restricted Subsidiaries may issue Disqualified Equity, if the Fixed Charge Coverage Ratio for Leviathan's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Equity is issued would have been at least 2.0 to 1.0 through March 31, 2001, and 2.25 to 1.0 thereafter, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred, or the Disqualified Equity had been issued, as the case may be, at the beginning of such four-quarter period.

So long as no Default shall have occurred and be continuing or would be caused thereby, the first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "Permitted Debt"):

(1) the incurrence by Leviathan and any Restricted Subsidiary of the Indebtedness under Credit Facilities and the guarantees thereof; provided that the aggregate principal amount of all Indebtedness of Leviathan and the Restricted Subsidiaries outstanding under all Credit Facilities after giving effect to such incurrence does not exceed $375.0 million less the aggregate amount of all repayments of Indebtedness under a Credit Facility that have been made by Leviathan or any of its Restricted Subsidiaries in respect of Asset Sales to the extent such repayments constitute a permanent reduction of commitments under such Credit Facility;

(2) the incurrence by Leviathan and its Restricted Subsidiaries of Existing Indebtedness;

(3) the incurrence by Leviathan and the Subsidiary Guarantors of Indebtedness represented by the notes and the Guarantees and the related Obligations;

(4) the incurrence by Leviathan or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of Leviathan or such Restricted Subsidiary, in an aggregate principal amount not to exceed $10.0 million at any time outstanding;

(5) the incurrence by Leviathan or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance or replace, Indebtedness (other than intercompany Indebtedness) that was not incurred in violation of the Indenture;

(6) the incurrence by Leviathan or any of its Restricted Subsidiaries of intercompany Indebtedness between or among Leviathan and any of its Restricted Subsidiaries; provided, however, that:

(a) if Leviathan or any Subsidiary Guarantor is the obligor on such Indebtedness, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all

Obligations with respect to the notes, in the case of Leviathan, or the Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor, and

(b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than Leviathan or a Restricted Subsidiary thereof and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either Leviathan or a Restricted Subsidiary thereof, shall be deemed, in each case, to constitute an incurrence of such Indebtedness by Leviathan or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the incurrence by Leviathan or any of its Restricted Subsidiaries of Hedging Obligations that are incurred for the purpose of fixing or hedging foreign currency exchange rate risk of Leviathan or any Restricted Subsidiary or interest rate risk with respect to any floating rate Indebtedness of Leviathan or any Restricted Subsidiary that is permitted by the terms of this Indenture to be outstanding or commodities pricing risks of Leviathan or any Restricted Subsidiary in respect of hydrocarbon production from properties in which Leviathan or any of its Restricted Subsidiaries owns an interest;

(8) the guarantee by Leviathan or any of the Restricted Subsidiaries of Indebtedness of Leviathan or a Restricted Subsidiary that was permitted to be incurred by another provision of this covenant;

(9) bid, performance, surety and appeal bonds in the ordinary course of business, including guarantees and standby letters of credit supporting such obligations, to the extent not drawn;

(10) the incurrence by Leviathan or any of its Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (10), not to exceed $10.0 million;

(11) the incurrence by Leviathan's Unrestricted Subsidiaries of Non-Recourse Debt; provided, however, that if any such Indebtedness ceases to be Non-Recourse Debt of an Unrestricted Subsidiary, such event shall be deemed to constitute an incurrence of Indebtedness by a Restricted Subsidiary of Leviathan that was not permitted by this clause (11);

(12) the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and the payment of dividends on Disqualified Equity, in the form of additional shares of the same class of Disqualified Equity, provided, in each such case, that the amount thereof is included in Fixed Charges of Leviathan as so accrued, accredited or amortized; and

(13) Indebtedness incurred by Leviathan or any of its Restricted Subsidiaries arising from agreements or their respective bylaws providing for indemnification, adjustment of purchase price or similar obligations.

For purposes of determining compliance with this "-- Incurrence of Indebtedness and Issuance of Disqualified Equity" covenant, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (12) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, Leviathan will be permitted to classify such item of Indebtedness in any manner that complies with this covenant. An item of Indebtedness may be divided and classified in one or more of the types of Permitted Indebtedness.

Limitation on Layering

Leviathan will not incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is subordinate or junior in right of payment to any Senior Debt of Leviathan and senior in any respect in right of payment to the notes. No Subsidiary Guarantor will incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is subordinate or junior in right of payment

to any Senior Debt of such Subsidiary Guarantor and senior in any respect in right of payment to such Subsidiary Guarantor's Guarantee.

Liens

Leviathan will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind securing Indebtedness, Attributable Debt or trade payables on any asset now owned or hereafter acquired, except Permitted Liens, without making effective provision whereby all Obligations due under the notes and Indenture or any Guarantee, as applicable, will be secured by a Lien equally and ratably with any and all Obligations thereby secured for so long as any such Obligations shall be so secured.

Dividend and Other Payment Restrictions Affecting Subsidiaries

Leviathan will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Equity Interests to Leviathan or any of Leviathan's Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to Leviathan or any of the other Restricted Subsidiaries;

(2) make loans or advances to or make other investments in Leviathan or any of the other Restricted Subsidiaries; or

(3) transfer any of its properties or assets to Leviathan or any of the other Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements as in effect on the Issue Date and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of any such agreements or any Existing Indebtedness to which such agreement relates, provided that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are no more restrictive, taken as a whole, with respect to such distribution, dividend and other payment restrictions and loan or investment restrictions than those contained in such agreement, as in effect on the date of the Indenture;

(2) the Leviathan Credit Facility and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings thereof, provided that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are no more restrictive, taken as a whole, with respect to such distribution, dividend and other payment restrictions and loan or investment restrictions than those contained in such Credit Facility as in effect on the date of the Indenture;

(3) the Indenture, the notes and the Guarantees;

(4) applicable law;

(5) any instrument governing Indebtedness or Equity Interests of a Person acquired by Leviathan or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than such Person, or the property or assets of such Person, so acquired, provided that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(6) customary non-assignment provisions in licenses and leases entered into in the ordinary course of business and consistent with past practices;

(7) purchase money obligations for property acquired in the ordinary course of business that impose restrictions on the property so acquired of the nature described in clause (3) of the preceding paragraph;

(8) any agreement for the sale or other disposition of a Restricted Subsidiary that contains any one or more of the restrictions described in clauses 1 through 3 of the preceding paragraph by such Restricted Subsidiary pending its sale or other disposition, provided that such sale or disposition is consummated, or such restrictions are canceled or terminated or lapse, within 90 days;

(9) Permitted Refinancing Indebtedness, provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are no more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(10) Liens securing Indebtedness otherwise permitted to be issued pursuant to the provisions of the covenant described above under the caption "-- Liens" that limit the right of Leviathan or any of its Restricted Subsidiaries to dispose of the assets subject to such Lien;

(11) any agreement or instrument relating to any property or assets acquired after the Issue Date, so long as such encumbrance or restriction relates only to the property or assets so acquired and is not and was not created in anticipation of such acquisitions;

(12) any agreement or instrument relating to any Acquired Debt of any Restricted Subsidiary at the date on which such Restricted Subsidiary was acquired by Leviathan or any Restricted Subsidiary (other than Indebtedness incurred in anticipation of such acquisition and provided such encumbrances or restrictions extend only to property of such acquired Restricted Subsidiary);

(13) any agreement or instrument governing Indebtedness permitted to be incurred under the Indenture, provided that the terms and conditions of any such restrictions and encumbrances, taken as a whole, are not materially more restrictive than those contained in the Indenture, taken as a whole;

(14) provisions with respect to the disposition or distribution of assets or property in joint venture agreements and other similar agreements, including clawback agreements, to maintain financial performance or results of operations of a joint venture entered into in the ordinary course of business; and

(15) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business.

Merger, Consolidation, or Sale of Assets

Neither of the issuers may, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not such issuer is the survivor); or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to another Person; unless:

(1) either: (a) such issuer is the surviving entity of such transaction; or (b) the Person formed by or surviving any such consolidation or merger (if other than such issuer) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is an entity organized or existing under the laws of the United States, any state thereof or the District of Columbia, provided that Leviathan Finance may not consolidate or merge with or into any entity other than a corporation satisfying such requirement for so long as Leviathan remains a partnership;

(2) the Person formed by or surviving any such consolidation or merger (if other than such issuer) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made assumes all the obligations of such issuer under the notes and the Indenture pursuant to agreements reasonably satisfactory to the Trustee;

(3) immediately after such transaction no Default or Event of Default exists;

(4) such issuer or the Person formed by or surviving any such consolidation or merger (if other than such issuer):

(a) will have Consolidated Net Worth immediately after the transaction equal to or greater than the Consolidated Net Worth of such issuer immediately preceding the transaction; and

(b) will, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to Incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "Incurrence of Indebtedness and Issuance of Disqualified Equity;"

(5) such issuer has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and, if a supplemental indenture is required, such supplemental indenture comply with the Indenture and all conditions precedent therein relating to such transaction have been satisfied.

Notwithstanding the foregoing paragraph, Leviathan is permitted to reorganize as any other form of entity in accordance with the procedures established in the Indenture; provided that

(1) the reorganization involves the conversion (by merger, sale, contribution or exchange of assets or otherwise) of Leviathan into a form of entity other than a limited partnership formed under Delaware law;

(2) the entity so formed by or resulting from such reorganization is an entity organized or existing under the laws of the United States, any state thereof or the District of Columbia;

(3) the entity so formed by or resulting from such reorganization assumes all the obligations of Leviathan under the notes and the Indenture pursuant to agreements reasonably satisfactory to the Trustee;

(4) immediately after such reorganization no Default or Event of Default exists; and

(5) such reorganization is not adverse to the holders of the notes (for purposes of this clause (5) it is stipulated that such reorganization shall not be considered adverse to the holders of the notes solely because the successor or survivor of such reorganization (i) is subject to federal or state income taxation as an entity or (ii) is considered to be an "includible corporation" of an affiliated group of corporations within the meaning of Section 1504(b)(i) of the Code or any similar state or local law).

The "Merger, Consolidation, or Sale of Assets" covenant described in the first paragraph of this section will not apply to a merger or consolidation, or any sale, assignment, transfer, lease, conveyance or other disposition of assets between or among Leviathan and any of its Restricted Subsidiaries.

No Subsidiary Guarantor may consolidate with or merge with or into (whether or not such Subsidiary Guarantor is the surviving Person) another Person, whether or not affiliated with such Subsidiary Guarantor, but excluding Leviathan or another Subsidiary Guarantor, unless (i) subject to the provisions of the following paragraph, the Person formed by or surviving any such consolidation or merger (if other than such Subsidiary Guarantor) assumes all the obligations of such Subsidiary Guarantor pursuant to the Subsidiary Guarantor's Guarantee of the notes and the Indenture pursuant to a supplemental indenture and (ii) immediately after giving effect to such transaction, no Default or Event of Default exists. Any Subsidiary Guarantor may be merged or consolidated with or into any one or more Subsidiary Guarantors.

In the event of a sale or other disposition of all or substantially all of the assets of any Subsidiary Guarantor, by way of merger, consolidation or otherwise, or a sale or other disposition of all or substantially all of the Equity Interests of any Subsidiary Guarantor, then such Subsidiary Guarantor (in the event of a sale or other disposition, by way of such a merger, consolidation or otherwise, of all of the Equity Interests of such Subsidiary Guarantor) or the Person acquiring the property (in the event of a sale

or other disposition of all or substantially all of the assets of such Subsidiary Guarantor) will be released and relieved of any obligations under its Guarantee; provided that the transaction complies with the provisions set forth under "Asset Sales."

Transactions with Affiliates

Leviathan will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each, an "Affiliate Transaction"), unless:

(1) such Affiliate Transaction is on terms that are no less favorable to Leviathan or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by Leviathan or such Restricted Subsidiary with an unrelated Person; and

(2) Leviathan delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $10.0 million, a resolution of the Board of Directors of the General Partner set forth in the Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the General Partner; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $25.0 million, either (I) an opinion as to the fairness to Leviathan of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing recognized as an expert in rendering fairness opinions on transactions such as those proposed, (II) with respect to assets classified, in accordance with GAAP, as property, plant and equipment on Leviathan's or such Restricted Subsidiary's balance sheet, a written appraisal from a nationally recognized appraiser showing the assets have a fair market value not less than the consideration to be paid (provided that if the fair market value determined by such appraiser is a range of values or otherwise inexact, the Board of Directors of the General Partner shall determine the exact fair market value, provided that it shall be within the range so determined by the appraiser), (III) in the case of gathering, transportation, marketing, hedging, production handling, operating, construction, storage, platform use, or other operational contracts, any such contracts are entered into in the ordinary course of business on terms substantially similar to those contained in similar contracts entered into by Leviathan or any Restricted Subsidiary and third parties or, if none of Leviathan or any Restricted Subsidiary has entered into a similar contract with a third party, that the terms are no less favorable than those available from third parties on an arm's-length basis, as determined by the Board of Directors of the General Partner or (IV) in the case of any transaction between Leviathan or any of its Restricted Subsidiaries and any Affiliate thereof in which Leviathan beneficially owns 50% or less of the Voting Stock and one or more Persons not Affiliated with Leviathan beneficially own (together) a percentage of Voting Stock at least equal to the interest in Voting Stock of such Affiliate beneficially owned by Leviathan, a resolution of the Board of Directors of the General Partner set forth in the Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the General Partner. Even though a particular Affiliate Transaction or series of Affiliate Transactions may be covered by two or more of clauses (I) through (IV) above, the compliance with any one of such applicable clauses shall be satisfactory.

The following items shall not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) transactions pursuant to the Management Agreement as in effect on the date hereof,

(2) any employment, equity option or equity appreciation agreement or plan entered into by Leviathan or any of its Restricted Subsidiaries in the ordinary course of business and, as applicable, consistent with the past practice of Leviathan or such Restricted Subsidiary;

(3) transactions between or among Leviathan and/or its Restricted Subsidiaries;

(4) Restricted Payments that are permitted by the provisions of the Indenture described above under the caption "-- Restricted Payments;"

(5) transactions effected in accordance with the terms of agreements as in effect on the closing date of the issuance of the notes;

(6) customary compensation, indemnification and other benefits made available to officers, directors or employees of Leviathan or a Restricted Subsidiary, including reimbursement or advancement of out-of-pocket expenses and provisions of officers' and directors' liability insurance; and

(7) loans to officers and employees made in the ordinary course of business in an aggregate amount not to exceed $1.0 million at any one time outstanding.

Additional Subsidiary Guarantees

If Leviathan or any of its Restricted Subsidiaries acquires or creates another Restricted Subsidiary after the date of the Indenture that guarantees any Indebtedness of either of the issuers, then that newly acquired or created Restricted Subsidiary must become a Subsidiary Guarantor and execute a supplemental indenture satisfactory to the Trustee and deliver an Opinion of Counsel to the Trustee within 10 Business Days of the date on which it was acquired or created. If a Restricted Subsidiary that is not then a Subsidiary Guarantor guarantees Indebtedness of either of the issuers or any other Restricted Subsidiary, such Restricted Subsidiary shall execute and deliver a Guarantee. Leviathan will not permit any of its Restricted Subsidiaries, directly or indirectly, to guarantee or pledge any assets to secure the payment of any other Indebtedness of either issuer unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for the guarantee of the payment of the notes by such Restricted Subsidiary, which guarantee shall be senior to or pari passu with such Restricted Subsidiary's guarantee of or pledge to secure such other Indebtedness, unless such other Indebtedness is Senior Debt, in which case the guarantee of the notes may be subordinated to the guarantee of such Senior Debt to the same extent as the notes are subordinated to such Senior Debt. Notwithstanding the foregoing, any Guarantee of a Restricted Subsidiary that was incurred pursuant to this paragraph shall provide by its terms that it shall be automatically and unconditionally released upon the release or discharge of the guarantee which resulted in the creation of such Restricted Subsidiary's Subsidiary Guarantee, except a discharge or release by, or as a result of payment under, such guarantee.

Designation of Restricted and Unrestricted Subsidiaries

The General Partner may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default or Event of Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, all outstanding Investments owned by Leviathan and its Restricted Subsidiaries in the Subsidiary so designated will be deemed to be an Investment made as of the time of such designation and will reduce the amount available for Restricted Payments under the first paragraph of the covenant described above under the caption "-- Restricted Payments", for Permitted Investments or for Permitted Business Investments, as applicable. All such outstanding Investments will be valued at their fair market value at the time of such designation. That designation will only be permitted if such Restricted Payment, Permitted Investments or Permitted Business Investments would be permitted at that time and such

Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. All Subsidiaries of an Unrestricted Subsidiary shall be also Unrestricted Subsidiaries. The Board of Directors of the General Partner may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if a Default or Event of Default is not continuing, the redesignation would not cause a Default or Event of Default and provided that, if at the time of such designation such Subsidiary is a Subsidiary Guarantor, after giving effect to such designation, Leviathan and its remaining Restricted Subsidiaries could incur at least $1.00 of additional Indebtedness under the limitation on indebtedness included in the first paragraph under the caption "Incurrence of Indebtedness and Issuance of Disqualified Equity" above. A Subsidiary may not be designated as an Unrestricted Subsidiary unless at the time of such designation, (x) it has no Indebtedness other than Non-Recourse Debt; (y) no portion of the Indebtedness or any other obligation of such Subsidiary (whether contingent or otherwise and whether pursuant to the terms of such Indebtedness or the terms governing the organization and operation of such Subsidiary or by law) (A) is guaranteed by Leviathan or any other Restricted Subsidiary, except as such Indebtedness is permitted by the covenants under "-- Restricted Payments" and "-- Incurrence of Indebtedness and Issuance of Disqualified Equity" above, (B) is recourse to or obligates Leviathan or any Restricted Subsidiary in any way (including any "claw-back", "keep-well" or "make-well" agreements or other agreements, arrangements or understandings to maintain the financial performance or results of operations of such Subsidiary, except as such Indebtedness or Investment is permitted by the covenants captioned "-- Incurrence of Indebtedness and Issuance of Disqualified Equity" and "-- Restricted Payments") or (C) subjects any property or assets of Leviathan or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof; and (z) no Equity Interests of a Restricted Subsidiary are held by such Subsidiary, directly or indirectly. Upon the designation of a Restricted Subsidiary that is a Subsidiary Guarantor as an Unrestricted Subsidiary, the Guarantee of such entity shall be released.

Sale and Lease-Back Transactions

Leviathan will not, and will not permit any of its Restricted Subsidiaries to, enter into any sale and lease-back transaction; provided that Leviathan or any Restricted Subsidiary that is a Subsidiary Guarantor may enter into a sale and lease-back transaction if:

(1) Leviathan or that Subsidiary Guarantor, as applicable, could have (a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and lease-back transaction under the Fixed Charge Coverage Ratio test in the first paragraph of the covenant described above under the caption "-- Incurrence of Additional Indebtedness and Issuance of Disqualified Equity," and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "-- Liens;"

(2) the gross cash proceeds of that sale and lease-back transaction are at least equal to the fair market value, as determined in good faith by the Board of Directors of the General Partner, of the property that is the subject of such sale and lease-back transaction; and

(3) the transfer of assets in that sale and lease-back transaction is permitted by, and Leviathan applies the proceeds of such transaction in compliance with, the covenant described above under the caption "-- Repurchase at the Option of Holders -- Asset Sales."

Business Activities

Leviathan will not, and will not permit any Restricted Subsidiary to, engage in any business other than Permitted Businesses.

Payments for Consent

Leviathan will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the notes unless such consideration is offered to be paid and is paid to all holders of the notes that consent, waive or agree to

amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Reports

Whether or not required by the SEC, so long as any notes are outstanding, Leviathan will file with the SEC (unless the SEC will not accept such a filing) within the time periods specified in the SEC's rules and regulations, and upon request, Leviathan will furnish (without exhibits) to the Trustee for delivery to the holders of the notes:

(1) all quarterly and annual financial information that would be required to be contained in a filing with the SEC on Forms 10-Q and 10-K if Leviathan were required to file such Forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report on the annual financial statements by Leviathan's certified independent accountants; and

(2) all current reports that would be required to be filed with the SEC on Form 8-K if Leviathan were required to file such reports.

If as of the end of any such quarterly or annual period Leviathan has designated any of its Subsidiaries as Unrestricted Subsidiaries or if Leviathan owns more than 50% of Western Gulf or UTOS but such entity or any of its Subsidiaries still is designated as a Joint Venture, then Leviathan shall deliver (promptly after such SEC filing referred to in the preceding paragraph) to the Trustee for delivery to the holders of the notes quarterly and annual financial information required by the preceding paragraph as revised to include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in Management's Discussion and Analysis of Financial Condition and Results of Operations, of the financial condition and results of operations of Leviathan and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries and each such designated Joint Venture of Leviathan.

In addition, whether or not required by the SEC, Leviathan will make such information available to securities analysts, investors and prospective investors upon request.

EVENTS OF DEFAULT AND REMEDIES

Each of the following is an Event of Default:

(1) default for 30 days in the payment when due of interest on, or Liquidated Damages with respect to, the notes, whether or not prohibited by the subordination provisions of the Indenture;

(2) default in payment when due of the principal of or premium, if any, on the notes, whether or not prohibited by the subordination provisions of the Indenture;

(3) failure by Leviathan or any of its Subsidiaries to comply with the provisions described under the captions "-- Change of Control" or "-- Asset Sales."

(4) failure by Leviathan or any of its Restricted Subsidiaries for 60 days after notice to comply with any of the other agreements in the Indenture (provided that notice need not be given, and an Event of Default shall occur, 60 days after any breach of the covenants under "-- Certain Covenants -- Restricted Payments," "-- Certain Covenants -- Incurrence of Indebtedness and Issuance of Disqualified Equity" and "-- Merger, Consolidation or Sale of Assets");

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by an issuer or any of Leviathan's Restricted Subsidiaries (or the payment of which is guaranteed by Leviathan or any of

its Restricted Subsidiaries), whether such Indebtedness or guarantee now exists or is created after the date of the Indenture, if that default:

(a) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "Payment Default"); or

(b) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $10.0 million or more;

(6) failure by an issuer or any of Leviathan's Restricted Subsidiaries to pay final judgments aggregating in excess of $10.0 million, which judgments are not paid, discharged or stayed for a period of 60 days;

(7) except as permitted by the Indenture, any Guarantee shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in force and effect or any Subsidiary Guarantor, or any Person acting on behalf of any Subsidiary Guarantor, shall deny or disaffirm its obligations under its Guarantee; and

(8) certain events of bankruptcy or insolvency with respect to Leviathan or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the issuers, all outstanding notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the then outstanding notes may declare all the notes to be due and payable immediately. Notwithstanding the foregoing, so long as any Credit Facility shall be in full force and effect, if an Event of Default pursuant to clause (5) above with regard to such Credit Facility shall have occurred and be continuing, the notes shall not become due and payable until the earlier to occur of (x) five business days following delivery of written notice of such acceleration of the notes to the agent under such Credit Facility and (y) the acceleration of any Indebtedness under such Credit Facility.

Holders of the notes may not enforce the Indenture or the notes except as provided in the Indenture. Subject to certain limitations, holders of a majority in principal amount of the then outstanding notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest.

The holder of a majority in aggregate principal amount of the notes then outstanding by notice to the Trustee may on behalf of the holders of all of the notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest (or Liquidated Damages, if any) on, or the principal of, the notes.

The Issuers and the Subsidiary Guarantors are required to deliver to the Trustee annually a statement regarding compliance with the Indenture. Upon any officer of the General Partner or Leviathan Finance becoming aware of any Default or Event of Default, the Issuers are required to deliver to the Trustee a statement specifying such Default or Event of Default.

NO PERSONAL LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES AND STOCKHOLDERS

No past, present or future director, officer, partner, employee, incorporator, stockholder or member of the issuers, the General Partner, or any Subsidiary Guarantor, as such, shall have any liability for any obligations of the issuers or the Subsidiary Guarantors under the notes, the Indenture, the Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of

notes by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the federal securities laws.

LEGAL DEFEASANCE AND COVENANT DEFEASANCE

The issuers may, at their option and at any time, elect to have all of the issuers' obligations discharged with respect to the outstanding notes and all obligations of the Subsidiary Guarantors discharged with respect to their Guarantees ("Legal Defeasance") except for:

(1) the rights of holders of outstanding notes to receive payments in respect of the principal of, premium, if any, and interest on such notes when such payments are due (but not the Change of Control Payment or the payment pursuant to an Asset Sale Offer) from the list referred to below;

(2) the issuer's obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the issuers' obligations in connection therewith;

(4) the Legal Defeasance provisions of the Indenture; and

(5) the issuers' rights of optional redemption.

In addition, Leviathan may, at its option and at any time, elect to have the obligations of the issuers and the Guarantors released with respect to certain covenants that are described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with those covenants shall not constitute a Default or Event of Default with respect to the notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under "Events of Default" will no longer constitute an Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the issuers must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the notes, cash in U.S. dollars, non-callable U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest on the outstanding notes at the Stated Maturity thereof or on the applicable redemption date, as the case may be, and Leviathan must specify whether the notes are being defeased to maturity or to a particular redemption date;

(2) in the case of Legal Defeasance, Leviathan shall have delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that (a) Leviathan has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the date of the Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the holders of the outstanding notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, Leviathan shall have delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the holders of the outstanding notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the

same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing either: (a) on the date of such deposit (other than a Default or Event of Default resulting from the incurrence of Indebtedness all or a portion of the proceeds of which shall be applied to such deposit); or (b) or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which Leviathan or any of its Restricted Subsidiaries is a party or by which Leviathan or any of its Restricted Subsidiaries is bound;

(6) Leviathan must have delivered to the Trustee an Opinion of Counsel to the effect that after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally;

(7) Leviathan must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by Leviathan with the intent of preferring the holders of notes over the other creditors of Leviathan with the intent of defeating, hindering, delaying or defrauding other creditors of Leviathan; and

(8) Leviathan must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

AMENDMENT, SUPPLEMENT AND WAIVER

Without the consent of each holder affected, an amendment or waiver may not (with respect to any notes held by a non-consenting holder):

(1) reduce the principal amount of notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any note or alter or waive the provisions with respect to the redemption of the notes (other than provisions relating to the covenants described above under the caption "-- Repurchase at the Option of Holders"):

(3) reduce the rate of or change the time for payment of interest on any note;

(4) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest on the notes (except a rescission of acceleration of the notes by the holders of at least a majority in aggregate principal amount of the notes and a waiver of the payment default that resulted from such acceleration);

(5) make any note payable in money other than that stated in the notes;

(6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of notes to receive payments of principal of or premium, if any, or interest on the notes;

(7) waive a redemption payment with respect to any note (other than a payment required by one of the covenants described above under the caption "-- Repurchase at the Option of Holders");

(8) except as otherwise permitted in the Indenture, release any Subsidiary Guarantor from its obligations under its Guarantee or the Indenture or change any Guarantee in any manner that would adversely affect the rights of holders; or

(9) make any change in the preceding amendment and waiver provisions (except to increase any percentage set forth therein).

In addition, any amendment to, or waiver of, the provisions of the Indenture relating to subordination that adversely affects the rights of the holders of the notes will require the consent of the holders of at least 75% in aggregate principal amount of notes then outstanding.

Notwithstanding the preceding, without the consent of any holder of notes, the issuers, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture or the notes:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated notes in addition to or in place of certificated notes;

(3) to provide for the assumption of an issuer's or Subsidiary Guarantor's obligations to holders of notes in the case of a merger or consolidation or sale of all or substantially all of such issuer's assets;

(4) to add or release Subsidiary Guarantors pursuant to the terms of the Indenture;

(5) to make any change that would provide any additional rights or benefits to the holders of notes or surrender any right or power conferred upon the issuers or the Subsidiary Guarantors by the Indenture that does not adversely affect the rights under the Indenture of any holder of the Notes;

(6) to comply with requirements of the SEC in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act;

(7) to evidence or provide for the acceptance of appointment under the Indenture of a successor Trustee;

(8) to add any additional Events of Default; or

(9) to secure the notes and/or the Guarantees.

CONCERNING THE TRUSTEE

If the Trustee becomes a creditor of an issuer or any Subsidiary Guarantor, the Indenture limits its right to obtain payment of claims in certain cases, or to realize on certain property received in aspect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the SEC for permission to continue or resign.

The holders of a majority in principal amount of the then outstanding notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default shall occur and be continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of notes, unless such holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

ADDITIONAL INFORMATION

Anyone who receives this prospectus may obtain a copy of the Indenture and Registration Rights Agreement without charge by writing to Leviathan at El Paso Energy Building, 1001 Louisiana, Houston, Texas 77002, Attention: Investor Relations.

BOOK-ENTRY, DELIVERY AND FORM

Except as set forth below, the Series B notes will be represented by one permanent global registered note in global form and the Series A notes, if any remain outstanding after the exchange offer, will be represented by one permanent global [unregistered] note, in each case without interest coupons (the "Global notes"). The Global notes will be deposited with, or on behalf of, The Depository Trust Company ("DTC") and registered in the name of Cede & Co., as nominee of DTC, or will remain in the custody of the Trustee pursuant to the FAST Balance Certificate Agreement between DTC and the Trustee.

The descriptions of the operations and procedures of DTC, the Euroclear System ("Euroclear") and Cedel Bank ("Cedel") set forth below are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them from time to time. Neither Leviathan nor the Initial Purchasers takes any responsibility for these operations or procedures, and investors are urged to contact the relevant system or its participants directly to discuss these matters.

DEPOSITARY PROCEDURES

DTC has advised Leviathan that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "Direct Participants") and to facilitate the clearance and settlement of transactions in those securities between Direct Participants through electronic book-entry changes in accounts of Participants. The Direct Participants include securities brokers and dealers (including the Initial Purchasers), banks, trust companies, clearing corporations and certain other organizations, including Euroclear and Cedel. Access to DTC's system is also available to other entities that clear through or maintain a direct or indirect, custodial relationship with a Direct Participant (collectively, the "Indirect Participants").

DTC has advised Leviathan that, pursuant to DTC's procedures, (i) upon deposit of the Global notes, DTC will credit the accounts of the Direct Participants designated by the Initial Purchasers with portions of the principal amount of the Global notes that have been allocated to them by the Initial Purchasers, and (ii) DTC will maintain records of the ownership interests of such Direct Participants in the Global notes and the transfer of ownership interests by and between Direct Participants. DTC will not maintain records of the ownership interests of, or the transfer of ownership interests by and between, Indirect Participants or other owners of beneficial interests in the Global notes. Direct Participants and Indirect Participants must maintain their own records of the ownership interests of, and the transfer of ownership interests by and between, Indirect Participants and other owners of beneficial interests in the Global notes.

The laws of some states in the United States require that certain persons take physical delivery in definitive, certificated form, of securities that they own. This may limit or curtail the ability to transfer beneficial interest in a Global note to such persons. Because DTC can act only on behalf of Direct Participants, which in turn act on behalf of Indirect Participants and others, the ability of a person having a beneficial interest in a Global note to pledge such interest to persons or entities that are not Direct Participants in DTC, or to otherwise take actions in respect of such interests, may be affected by the lack of physical certificates evidencing such interests. For certain other restrictions on the transferability of the notes see "-- Transfers of Interests in Global Notes for Certificated Notes."

EXCEPT AS DESCRIBED IN "-- TRANSFERS ON INTERESTS IN GLOBAL NOTES FOR CERTIFICATED NOTES," OWNERS OF BENEFICIAL INTERESTS IN THE GLOBAL NOTES WILL NOT HAVE NOTES REGISTERED IN THEIR NAMES, WILL NOT RECEIVE PHYSICAL DELIVERY OF NOTES IN CERTIFICATED FORM AND WILL NOT BE CONSIDERED THE REGISTERED OWNERS OR HOLDERS THEREOF UNDER THE INDENTURE FOR ANY PURPOSE.

Under the terms of the Indenture, the issuers, the Subsidiary Guarantors and the Trustee will treat the persons in whose names the notes are registered (including notes represented by Global notes) as the owners thereof for the purpose of receiving payments and for any and all other purposes whatsoever. Payments in respect of the principal of premium, if any, and interest and Liquidated Damages, if any, on Global notes registered in the name of DTC or its nominee will be payable by the Trustee to DTC or its

nominee as the registered holder under the Indenture. Consequently, none of the issuers, the Trustee nor any agent of the issuers or the Trustee has or will have any responsibility or liability for (i) any aspect of DTC's records or any Direct Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interests in the Global notes or for maintaining, supervising or reviewing any of DTC's records or any Direct Participant's or Indirect Participant's records relating to the beneficial ownership interests in any Global note or (ii) any other matter relating to the actions and practices of DTC or any of its Direct Participants or Indirect Participants.

DTC has advised the issuers that its current payment practice (for payments of principal, interest and the like) with respect to securities such as the notes is to credit the accounts of the relevant Direct Participants with such payment on the payment date in amounts proportionate to such Direct Participant's respective ownership interests in the Global notes as shown on DTC's records. Payments by Direct Participants and Indirect Participants to the beneficial owners of the notes will be governed by standing instructions and customary practices between them and will not be the responsibility of DTC, the Trustee, the issuers or the Subsidiary Guarantors. None of the issuers, the Subsidiary Guarantors or the Trustee will be liable for any delay by DTC or its Direct Participants or Indirect Participants in identifying the beneficial owners of the notes, and the issuers and the Trustee may conclusively relay on and will be protected in relying on instructions from DTC or its nominee as the registered owner of the notes for all purposes.

The Global notes will trade in DTC's Same-day Funds Settlement System and, therefore, transfers between Direct Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in immediately available funds. Transfers between Indirect Participants (other than Indirect Participants who hold an interest in the notes through Euroclear or CEDEL) who hold an interest through a Direct Participant will be effected in accordance with the procedures of such Direct Participant but generally will settle in immediately available funds. Transfers between and among Indirect Participants who hold interests in the notes through Euroclear and CEDEL will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes described herein, cross-market transfers between Direct Participants in DTC, on the one hand, and Indirect Participants who hold interests in the notes through Euroclear or CEDEL, on the other hand, will be effected by Euroclear's or CEDEL's respective Nominee through DTC in accordance with DTC's rules on behalf of Euroclear or CEDEL; however, delivery of instructions relating to crossmarket transactions must be made directly to Euroclear or CEDEL and within their established deadlines (Brussels time for Euroclear and UK time for CEDEL). Indirect Participants who hold interest in the notes through Euroclear and CEDEL may not deliver instructions directly to Euroclear's and CEDEL's Nominee. Euroclear and CEDEL will, if the transaction meets its settlement requirements, deliver instructions to its respective Nominee to deliver or receive interests on Euroclear's or CEDEL's behalf in the relevant Global note in DTC, and make or receive payment in accordance with normal procedures for same-day fund settlement applicable to DTC.

Because of time zone differences, the securities accounts of an Indirect Participant who holds an interest in the notes through Euroclear or CEDEL purchasing an interest in a Global Note from a Direct Participant in DTC will be credited, and any such crediting will be reported to Euroclear or CEDEL during the European business day immediately following the settlement date of DTC in New York. Although recorded in DTC's accounting records as of DTC's settlement date in New York, Euroclear and CEDEL customers will not access to the cash amount credited to their accounts as a result of a sale of an interest in a Regulation S Global Note to a DTC Participant unit the European business for Euroclear and CEDEL immediately following DTC's settlement date.

DTC has advised Leviathan that it will take any action permitted to be taken by a holder of notes only at the direction of one or more Direct Participants to whose account interests in the Global notes are credited and only in respect of such portion of the aggregate principal amount of the notes to which such Direct Participant or Direct Participants has or have given direction. However, if there is an Event of Default under the notes, DTC reserves the right to exchange Global notes (without the direction of one or

more of its Direct Participants) for legended notes in certificated form, and to distribute such certificated forms of notes to its Direct Participants. See "-- Transfers of Interests in Global Notes for Certificated Notes" below.

Although DTC, Euroclear and CEDEL have agreed to the foregoing procedures to facilitate transfers of interests in the Global notes among Direct Participants, including Euroclear and CEDEL, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. None of the issuers, the Subsidiary Guarantors, the Initial Purchasers or the Trustee shall have any responsibility for the performance by DTC, Euroclear and CEDEL or their respective Direct and Indirect Participants of their respective obligations under the rules and procedures governing any of their operations.

The information in this section concerning DTC, Euroclear and CEDEL and their book-entry systems has been obtained from sources that the issuers believe to be reliable, but the issuers take no responsibility for the accuracy thereof.

Transfers of Interests in Global Notes for Certificated Notes

An entire Global note may be exchanged for definitive notes in registered, certificated form without interest coupons ("Certificated notes") if (i) DTC (x) notifies the issuers that it is unwilling or unable to continue as depositary for the Global notes and the issuers thereupon fail to appoint a successor depositary within 90 days or (y) has ceased to be a clearing agency registered under the Exchange Act, (ii) the issuers, at their option, notify the Trustee in writing that they elect to cause the issuance of Certificated notes or (iii) there shall have occurred and be continuing a Default or an Event of Default with respect to the notes. In any such case, the issuers will notify the Trustee in writing that, upon surrender by the Direct and Indirect Participants of their interest in such Global note, Certificated notes will be issued to each person that such Direct and Indirect Participants and the DTC identify as being the beneficial owner of the related notes.

Beneficial interests in the Global notes held by any Direct or Indirect Participant may be exchanged for Certificated notes upon request to DTC, by such Direct Participant (for itself or on behalf of an Indirect Participant), to the Trustee in accordance with customary DTC procedures. Certificated notes delivered in exchange for any beneficial interest in any Global note will be registered in the names, and issued in any approved denominations, requested by DTC on behalf of such Direct or Indirect Participants (in accordance with DTC's customary procedures).

None of the issuers, the Subsidiary Guarantors or the Trustee will be liable for any delay by the holder of any Global note or DTC in identifying the beneficial owners of notes, and the issuers and the Trustee may conclusively rely on, and will be protected in relying on, instructions from the holder of the Global note or DTC for all purposes.

Same Day Settlement and Payment

The Indenture requires that payments in respect of the notes represented by the Global notes (including principal, premium, if any, interest and Liquidated Damages, if any) be made by wire transfer of immediately available same day funds to the accounts specified by the holder of interests in such Global Note. With respect to Certificated notes, the issuers will make all payments of principal, premium, if any, interest and Liquidated Damages, if any, by wire transfer of immediately available same day funds to the accounts specified by the holders thereof or, if no such account is specified, by mailing a check to each such holder's registered address. The issuers expect that secondary trading in the Certificated notes will also be settled in immediately available funds.

REGISTRATION RIGHTS; LIQUIDATED DAMAGES

Leviathan, Leviathan Finance, the Subsidiary Guarantors and the Initial Purchasers entered into the Registration Rights Agreement on May 27, 1999. For a summary discussion of the terms of the

Registration Rights Agreement, see "Series A Notes Registration Rights" beginning on page 131 of this prospectus.

CERTAIN DEFINITIONS

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"Acquired Debt" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary of, such specified Person, but excluding Indebtedness which is extinguished, retired or repaid in connection with such Person merging with or becoming a Subsidiary of such specific Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10% or more of the Voting Stock of a specified Person shall be deemed to be control by the other Person; provided, further, that any third Person which also beneficially owns 10% or more of the Voting Stock of a specified Person shall not be deemed to be Affiliate of either the specified Person or the other Person merely because of such common ownership in such specified Person. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" shall have correlative meanings. Notwithstanding the foregoing, the term "Affiliate" shall not include a Restricted Subsidiary of any specified Person.

"Asset Sale" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights, other than sales of inventory in the ordinary course of business consistent with past practices; provided that the sale, conveyance or other disposition of all or substantially all of the assets of Leviathan or Leviathan and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption "-- Change of Control", and/or the provisions described above under the caption "-- Merger, Consolidation or Sale of Assets" and not by the provisions of the Asset Sale covenant; and

(2) the issuance of Equity Interests by any of Leviathan's Restricted Subsidiaries or the sale by Leviathan or any of its Restricted Subsidiaries of Equity Interests in any of its Restricted Subsidiaries;

Notwithstanding the preceding, the following items shall not be deemed to be Asset Sales:

(1) any single transaction or series of related transactions that: (a) involves assets having a fair market value of less than $1.0 million; or (b) results in net proceeds to Leviathan and its Restricted Subsidiaries of less than $1.0 million;

(2) a transfer of assets between or among Leviathan and its Restricted Subsidiaries;

(3) an issuance of Equity Interests by a Restricted Subsidiary to Leviathan or to another Restricted Subsidiary;

(4) a Restricted Payment that is permitted by the covenant described above under the caption "-- Restricted Payments;" and

(5) a transaction of the type described in the last paragraph of the covenant entitled "Asset Sales."

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

"Available Cash" has the meaning assigned to such term in the Partnership Agreement, as in effect on the date of the Indenture.

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

"Cash Equivalent" means:

(1) United States dollars or, in an amount up to the amount necessary or appropriate to fund local operating expenses, other currencies;

(2) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof) having maturities of not more than one year from the date of acquisition;

(3) certificates of deposit, time deposits and Eurodollar deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding 365 days, demand and overnight bank deposits and other similar types of investments routinely offered by commercial banks, in each case, with any domestic commercial bank having capital and surplus in excess of $500.0 million and a Thompson Bank Watch Rating of "B" or better or any commercial bank of any other country that is a member of the Organization for Economic Cooperation and Development ("OECD") and has total assets in excess of $500.0 million;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper having one of the two highest ratings obtainable from Moody's Investors Service, Inc. or Standard & Poor's Ratings Group and in each case maturing within six months after the date of acquisition; and

(6) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition.

"Cash from Operations" shall have the meaning assigned to such term in the Partnership Agreement, as in effect on the date of the Indenture.

"Change of Control" means the occurrence of any of the following:

(1) the sale, transfer, lease, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of Leviathan and its Restricted Subsidiaries taken as a whole to any "person" (as such term is used in Section 13(d)(3) of the Exchange Act) other than the El Paso Group;

(2) the adoption of a plan relating to the liquidation or dissolution of Leviathan or the General Partner; and

(3) such time as the El Paso Group ceases to own, directly or indirectly, the general partner interests of Leviathan, or members of the El Paso Group cease to serve as the only general partners of Leviathan.

Notwithstanding the foregoing, a conversion of Leviathan from a limited partnership to a corporation, limited liability company or other form of entity or an exchange of all of the outstanding limited partnership interests for capital stock in a corporation, for member interests in a limited liability company or for Equity Interests in such other form of entity shall not constitute a Change of Control, so long as following such conversion or exchange the El Paso Group beneficially owns, directly or indirectly, in the aggregate more than 50% of the Voting Stock of such entity, or continues to own a sufficient number of the outstanding shares of Voting Stock of such entity to elect a majority of its directors, managers, trustees or other persons serving in a similar capacity for such entity.

"Consolidated Cash Flow" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus:

(1) an amount equal to the dividends or distributions paid during such period in cash or Cash Equivalents to such Person or any of its Restricted Subsidiaries by a Person that is not a Restricted Subsidiary of such Person; plus

(2) an amount equal to any extraordinary loss of such Person and its Restricted Subsidiaries plus any net loss realized by such Person and its Restricted Subsidiaries in connection with an Asset Sale, to the extent such losses were deducted in computing such Consolidated Net Income; plus

(3) the provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; plus

(4) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with aspect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net payments, if any, pursuant to Hedging Obligations), to the extent that any such expense was deducted in computing such Consolidated Net Income, excluding any such expenses to the extent incurred by a Person that is not a Restricted Subsidiary of the Person for which the calculation is being made; plus

(5) depreciation, depletion and amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income (excluding any such expenses to the extent incurred by a Person that is not a Restricted Subsidiary;) minus

(6) non-cash items increasing such Consolidated Net Income for such period, other than items that were accrued in the ordinary course of business, in each case, on a consolidated basis and determined in accordance with GAAP.

Notwithstanding the preceding, the provision for taxes based on the income or profits of, and the depreciation and amortization and other non-cash charges of, a Restricted Subsidiary of Leviathan shall be added to Consolidated Net Income to compute Consolidated Cash Flow of Leviathan only to the extent

that a corresponding amount would be permitted at the date of determination to be dividended or distributed to Leviathan by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary or its stockholders.

"Consolidated Net Income" means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; provided that:

(1) the aggregate Net Income (but not net loss in excess of such aggregate Net Income) of all Persons that are Unrestricted Subsidiaries shall be excluded (without duplication);

(2) the earnings included therein attributable to all entities that are accounted for by the equity method of accounting and the aggregate Net Income (but not net loss in excess of such aggregate Net Income) included therein attributable to all entities constituting Joint Ventures that are accounted for on a consolidated basis (rather than by the equity method of accounting) shall be excluded;

(3) the Net Income of any Restricted Subsidiary shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement (other than the Indenture or its Guarantee), instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders;

(4) the Net Income of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded; and

(5) the cumulative effect of a change in accounting principles shall be excluded.

"Consolidated Net Worth" means, with respect to any Person as of any date, the sum of:

(1) the consolidated equity of the common stockholders (or consolidated partners' capital in the case of a partnership) of such Person and its consolidated Subsidiaries as of such date as determined in accordance with GAAP; plus

(2) the respective amounts reported on such Person's balance sheet as of such date with respect to any series of preferred stock (other than Disqualified Equity) that by its terms is not entitled to the payment of dividends unless such dividends may be declared and paid only out of net earnings in respect of the year of such declaration and payment, but only to the extent of any cash received by such Person upon issuance of such preferred stock.

"Credit Facilities" means, with respect to Leviathan, Leviathan Finance or any Restricted Subsidiary, one or more debt facilities or commercial paper facilities, including the Leviathan Credit Facility, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

"Default" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"Designated Senior Debt" means any Senior Debt permitted under the Indenture the principal amount of which is $25.0 million or more and that has been designated by Leviathan as "Designated Senior Debt."

"Disqualified Equity" means any Equity Interest that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder

thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the date on which the notes mature. Notwithstanding the preceding sentence, any Equity Interest that would constitute Disqualified Equity solely because the holders thereof have the right to require Leviathan or a Restricted Subsidiary to repurchase such Equity Interests upon the occurrence of a change of control or an asset sale shall not constitute Disqualified Equity if the terms of such Equity Interests provide that Leviathan or Restricted Subsidiary may not repurchase or redeem any such Equity Interests pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "-- Certain Covenants -- Restricted Payments."

"El Paso Energy" means El Paso Energy Corporation, a Delaware corporation, and its successors.

"El Paso Group" means, collectively, (1) El Paso Energy, (2) each Person of which El Paso Energy is a direct or indirect Subsidiary and (3) each Person which is a direct or indirect Subsidiary of any Person described in (1) or (2) above.

"Equity Interests" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited);

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, and any rights (other than debt securities convertible into capital stock) warrants or options exchangeable for or convertible into such capital stock; and

(5) all warrants, options or other rights to acquire any of the interests described in clauses (1) - (4) above (but excluding any debt security that is convertible into, or exchangeable for, any of the interests described in clauses (1) - (4) above).

"Equity Offering" means any sale for cash of Equity Interests of Leviathan (excluding sales made to any Restricted Subsidiary and excluding sales of Disqualified Equity).

"Existing Indebtedness" means the aggregate principal amount of Indebtedness of Leviathan and its Restricted Subsidiaries in existence on the date of the Indenture, which (excluding Indebtedness outstanding under the Leviathan Credit Facility) is zero.

"Fixed Charges" means, with respect to any Person for any period, without duplication, (A) the sum of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries (excluding for purposes of this clause (1) consolidated interest expense included therein that is attributable to Indebtedness of a Person that is not a Restricted Subsidiary of the Person for which the calculation is being made) for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts, and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net payments, if any, pursuant to Hedging Obligations; plus

(2) the consolidated interest of such Person and its Restricted Subsidiaries that was capitalized during such period (excluding for purposes of this clause (2) any such consolidated interest included therein that is attributable to Indebtedness of a Person that is not a Restricted Subsidiary); plus

(3) any interest expense on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such guarantee or Lien is called upon, provided that this clause (3) excludes interest on "claw-back", "make-well" or "keep-well" payments made by Leviathan or any Restricted Subsidiary; plus

(4) the product of (a) all dividend payments, whether or not in cash, on any series of Disqualified Equity of such Person or any of its Restricted Subsidiaries, other than dividend payments on Equity Interests payable solely in Equity Interests of Leviathan (other than Disqualified Equity) or to Leviathan or a Restricted Subsidiary of Leviathan, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP; less

(B) to the extent included in (A) above, amortization or write-off of deferred financing costs of such Person and its Restricted Subsidiaries during such period and any charge related to, or any premium or penalty paid in connection with, incurring any such Indebtedness of such Person and its Restricted Subsidiaries prior to its Stated Maturity.

In the case of both (A) and (B), such amounts will be determined after elimination of intercompany accounts among such Person and its Restricted Subsidiaries and in accordance with GAAP.

"Fixed Charge Coverage Ratio" means, with respect to any specified Person for any period, the ratio of the Consolidated Cash Flow of such Person and its Restricted Subsidiaries for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays or redeems any Indebtedness (other than revolving credit borrowings not constituting a permanent commitment reduction) or issues or redeems Disqualified Equity subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such incurrence (and the application of the net proceeds thereof), assumption, guarantee, repayment or redemption of Indebtedness, or such issuance or redemption of Disqualified Equity, as if the same had occurred at the beginning of the applicable four-quarter reference period (and if such Indebtedness is incurred to finance the acquisition of assets (including, without limitation, a single asset, a division or segment or an entire company) that were conducting commercial operations prior to such acquisition, there shall be included pro forma net income for such assets, as if such assets had been acquired on the first day of such period).

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date shall be deemed to have occurred on the first day of the four-quarter reference period and Consolidated Cash Flow for such reference period shall be calculated without giving effect to clause (4) of the proviso set forth in the definition of Consolidated Net Income;

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) interest on outstanding Indebtedness of the specified Person or any of its Restricted Subsidiaries as of the last day of the four-quarter reference period shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on such last day after giving effect to any Hedging Obligation then in effect; and

(5) if interest on any Indebtedness incurred by the specified Person or any of its Restricted Subsidiaries on such date may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate or other rates, then the interest rate in effect on the last day of the four-quarter reference period will be deemed to have been in effect during such period.

"GAAP" means United States generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements, and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect from time to time.

"guarantee" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets, or through letters of credit or reimbursement, "claw-back," "make-well," or "keep-well" agreements in respect thereof, of all or any part of any Indebtedness.

"Hedging Obligations" means, with respect to any Person, the net obligations (not the notional amount) of such Person under interest rate and commodity price swap agreements, interest rate and commodity price cap agreements, interest rate and commodity price collar agreements and foreign currency and commodity price exchange agreements, options or futures contract or other similar agreements or arrangements or hydrocarbon hedge contract or forward sale contract, in each case designed to protect such Person against fluctuations in interest rates, of foreign exchange rates, or commodity prices.

"Indebtedness" means, with respect to any specified Person, any indebtedness of such Person, whether or not contingent, in respect of:

(1) borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof), other than standby letters of credit and performance bonds issued by such Person in the ordinary course of business, to the extent not drawn;

(3) banker's acceptances;

(4) representing Capital Lease Obligations;

(5) all Attributable Debt of such Person in respect of Sale and Lease-Back Transactions not involving a Capital Lease Obligation;

(6) the balance deferred and unpaid of the purchase price of any property, except any such balance that constitutes an accrued expense or trade payable incurred in the ordinary course of business;

(7) representing Disqualified Equity; or

(8) representing any Hedging Obligations other than to (in the ordinary course of business and consistent with prior practice) hedge risk exposure in the operations, ownership of assets or the management of liabilities of Leviathan and its Restricted Subsidiaries;

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and,

to the extent not otherwise included, the guarantee by such Person of any indebtedness of any other Person, provided that a guarantee otherwise permitted by the Indenture to be incurred by Leviathan or a Restricted Subsidiary of Indebtedness incurred by Leviathan or a Restricted Subsidiary in compliance with the terms of the Indenture shall not constitute a separate incurrence of Indebtedness.

The amount of any Indebtedness outstanding as of any date shall be:

(1) the accreted value thereof, in the case of any Indebtedness issued with original issue discount; and

(2) the principal amount thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

For purposes of clause (7) of the preceding paragraph, Disqualified Equity shall be valued at the maximum fixed redemption, repayment or repurchase price, which shall be calculated in accordance with the terms of such Disqualified Equity as if such Disqualified Equity were repurchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture; provided, however, that if such Disqualified Equity is not then permitted by its terms to be redeemed, repaid or repurchased, the redemption, repayment or repurchase price shall be the book value of such Disqualified Equity. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability of any guarantees at such date; provided that for purposes of calculating the amount of any non-interest bearing or other discount security, such Indebtedness shall be deemed to be the principal amount thereof that would be shown on the balance sheet of the issuer thereof dated such date prepared in accordance with GAAP, but that such security shall be deemed to have been incurred only on the date of the original issuance thereof. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

"Investments" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the forms of direct or indirect loans (including guarantees of Indebtedness or other obligations), advances (other than advances to customers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of the lender and commission, moving, travel and similar advances to officers and employees made in the ordinary course of business) or capital contributions, purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. For purposes of the definition of "Unrestricted Subsidiary," the definition of "Restricted Payment" and the covenant described under the "Limitation on Restricted Payments" covenant (i) "Investment" shall include the portion (proportionate to Leviathan's Equity Interest in such Subsidiary) of the fair market value of the net assets of any Subsidiary of Leviathan or any of its Restricted Subsidiaries at the time that such Subsidiary is designated an Unrestricted Subsidiary; provided, however, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, Leviathan or such Restricted Subsidiary shall be deemed to continue to have a permanent "Investment" in such Subsidiary at the time immediately before the effectiveness of such redesignation less (y) the portion (proportionate to Leviathan's or such Restricted Subsidiary's Equity Interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation, and (ii) any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors of the General Partner. If Leviathan or any Restricted Subsidiary of Leviathan sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of Leviathan such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of Leviathan, Leviathan shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Restricted Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "-- Restricted Payments."

"Leviathan Credit Facility" means the Third Amended and Restated Credit Agreement to be entered into among Leviathan, Leviathan Finance, the lenders from time to time party thereto and The Chase Manhattan Bank, as administrative agent, including any deferrals, renewals, extensions, replacements, refinancings or refundings thereof, and any amendments, modifications or supplements thereto and any agreement providing therefor (including any restatement thereof and any increases in the amount of commitments thereunder), whether by or with the same or any other lenders, creditors, group of lenders or group of creditors and including related notes, guarantees, collateral security documents and other instruments and agreements executed in connection therewith.

"Lien" means, with respect to any asset, any mortgage, lien (statutory or otherwise), pledge, charge, security interest, hypothecation, assignment for security, claim, preference, priority or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement or any lease in the nature thereof, any option or other agreement to grant a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statute) of any jurisdiction.

"Liquidated Damages" means all liquidated damages then owing pursuant to the Registration Rights Agreement.

"Net Income" means, with respect to any Person, the consolidated net income (loss) of such Person and its Restricted Subsidiaries, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

(1) the aggregate gain (but not loss in excess of such aggregate gain), together with any related provision for taxes on such gain, realized in connection with:

(a) any Asset Sale; or

(b) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries; and

(2) the aggregate extraordinary gain (but not loss in excess of such aggregate extraordinary gain), together with any related provision for taxes on such aggregate extraordinary gain (but not loss in excess of such aggregate extraordinary gain).

"Net Proceeds" means, with respect to any Asset Sale or sale of Equity Interests, the aggregate proceeds received by Leviathan or any of its Restricted Subsidiaries in cash or Cash Equivalents in respect of any Asset Sale or sale of Equity Interests (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any such sale), net of, without duplication, (i) the direct costs relating to such Asset Sale or sale of Equity Interests, including, without limitation, brokerage commissions and legal, accounting and investment banking fees, sales commissions, recording fees, title transfer fees, and any relocation expenses incurred as a result thereof, (ii) taxes paid or payable as a result thereof, in each case after taking into account any available tax credits or deductions and any tax sharing arrangements and amounts required to be applied to the repayment of Indebtedness secured by a Lien on the asset or assets that were the subject of such Asset Sale or sale of Equity Interests, (iii) all distributions and payments required to be made to minority interest holders in Restricted Subsidiaries as a result of such Asset Sale and (iv) any amounts to be set aside in any reserve established in accordance with GAAP or any amount placed in escrow, in either case for adjustment in respect of the sale price of such asset or assets or for liabilities associated with such Asset Sale or sale of Equity Interests and retained by Leviathan or any of its Restricted Subsidiaries until such time as such reserve is reversed or such escrow arrangement is terminated, in which case Net Proceeds shall include only the amount of the reserve so reversed or the amount returned to Leviathan or its Restricted Subsidiaries from such escrow arrangement, as the case may be.

"Non-Recourse Debt" means Indebtedness as to which:

(1) neither Leviathan nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is

directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender of such Indebtedness;

(2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the notes) of Leviathan or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and

(3) the lenders have been notified in writing that they will not have any recourse to the stock or assets of Leviathan or any of its Restricted Subsidiaries;

provided that in no event shall Indebtedness of any Person which is not a Restricted Subsidiary fail to be Non-Recourse Debt solely as a result of any default provisions contained in a guarantee thereof by Leviathan or any of its Restricted Subsidiaries provided that Leviathan or such Restricted Subsidiary was otherwise permitted to incur such guarantee pursuant to the Indenture.

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursement obligations, damages and other liabilities payable under the documentation governing any Indebtedness.

"Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of Leviathan Gas Pipeline Partners, L.P., dated as of February 19, 1993, as such may be amended, modified or supplemented from time to time.

"Permitted Business" means (1) gathering, transporting (by barge, pipeline, ship, truck or other modes of hydrocarbon transportation), terminalling, storing, producing, acquiring, developing, exploring for, processing, dehydrating and otherwise handling hydrocarbons, including, without limitation, constructing pipeline, platform, dehydration, processing and other energy-related facilities, and activities or services reasonably related or ancillary thereto, and (2) any other business that does not constitute a reportable segment (as determined in accordance with GAAP) for Leviathan's annual audited consolidated financial statements.

"Permitted Business Investments" means Investments by Leviathan or any of its Restricted Subsidiaries in any Unrestricted Subsidiary of Leviathan or in any Person that does not constitute a direct or indirect Subsidiary of Leviathan (a "Joint Venture"), provided that

(1) either (a) at the time of such Investment and immediately thereafter, Leviathan could incur $1.00 of additional Indebtedness under the first paragraph in the limitation of indebtedness set forth under the caption "-- Incurrence of Indebtedness and Issuance of Disqualified Equity" above or (b) such Investment is made with the proceeds of Incremental Funds;

(2) if such Unrestricted Subsidiary or Joint Venture has outstanding Indebtedness at the time of such Investment, either (a) all such Indebtedness is non-recourse to Leviathan and its Restricted Subsidiaries or (b) any such Indebtedness of such Unrestricted Subsidiary or Joint Venture that is recourse to Leviathan or any of its Restricted Subsidiaries (which shall include all Indebtedness of such Unrestricted Subsidiary or Joint Venture for which Leviathan or any of its Restricted Subsidiaries may be directly or indirectly, contingently or otherwise, obligated to pay, whether pursuant to the terms of such Indebtedness, by law or pursuant to any guaranty or "claw-back", "make-well" or "keep-well" arrangement) could, at the time such Investment is made and, if later, at the time any such Indebtedness is incurred, be incurred by Leviathan and its Restricted Subsidiaries in accordance with the limitation on indebtedness set forth in the first paragraph under the caption "-- Incurrence of Indebtedness and Issuance of Disqualified Equity" above; and

(3) such Unrestricted Subsidiary's or Joint Venture's activities are not outside the scope of the Permitted Business.

The term "Joint Venture" shall include Western Gulf Holdings, L.L.C. ("Western Gulf") and its Subsidiaries (including High Island Offshore System, L.L.C. ("HIOS") and U-T Offshore System

("UTOS") and its Subsidiaries), and no such Person shall constitute a Restricted Subsidiary for purposes of the Indenture (even if such Person is then a Subsidiary of Leviathan), until such time as the Board of Directors of the General Partner designates, in a manner consistent with the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or a Restricted Subsidiary as an Unrestricted Subsidiary, each as described under "Certain Covenants-Designation of Restricted and Unrestricted Subsidiaries," Western Gulf or UTOS, including one or more of its Subsidiaries, as the case may be, as a Restricted Subsidiary or an Unrestricted Subsidiary.

"Permitted Investments" means:

(1) any Investment in, or that results in the creation of, any Restricted Subsidiary of Leviathan;

(2) any Investment in Leviathan or in a Restricted Subsidiary of Leviathan (excluding redemptions, purchases, acquisitions or other retirements of Equity Interests in Leviathan) at any one time outstanding;

(3) any Investment in cash or Cash Equivalents;

(4) any Investment by Leviathan or any Restricted Subsidiary of Leviathan in a Person if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary of Leviathan; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, Leviathan or a Restricted Subsidiary of Leviathan;

(5) any Investment made as a result of the receipt of consideration consisting of other than cash or Cash Equivalents from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "-- Repurchase at the Option of Holders -- Asset Sales;"

(6) any acquisition of assets solely in exchange for the issuance of Equity Interests (other than Disqualified Equity) of Leviathan;

(7) payroll advances in the ordinary course of business and other advances and loans to officers and employees of Leviathan or any of its Restricted Subsidiaries, so long as the aggregate principal amount of such advances and loans does not exceed $1.0 million at any one time outstanding;

(8) Investments in stock, obligations or securities received in settlement of debts owing to Leviathan or any of its Restricted Subsidiaries as a result of bankruptcy or insolvency proceedings or upon the foreclosure, perfection or enforcement of any Lien in favor of Leviathan or any such Restricted Subsidiary, in each case as to debt owing to Leviathan or any of its Restricted Subsidiary that arose in the ordinary course of business of Leviathan or any such Restricted Subsidiary;

(9) any Investment in Hedging Obligations;

(10) any Investments in prepaid expenses, negotiable instruments held for collection and lease, utility, workers' compensation and performance and other similar deposits and prepaid expenses made in the ordinary course of business;

(11) any Investments required to be made pursuant to any agreement or obligation of Leviathan or any Restricted Subsidiary in effect on the Issue Date and listed on a schedule to the Indenture; and

(12) other Investments in any Person engaged in a Permitted Business (other than an Investment in an Unrestricted Subsidiary) having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (12) since the date of the Indenture and existing at the time the Investment, which is the subject of the determination, was made, not to exceed $5.0 million.

"Permitted Junior Securities" means: (1) nonmandatorily redeemable Equity Interests in Leviathan or any Subsidiary Guarantor, as reorganized or readjusted; or (2) debt securities of Leviathan or any Subsidiary Guarantor as reorganized or readjusted that are subordinated to all Senior Debt and any debt securities issued in exchange for Senior Debt to substantially the same extent as, or to a greater extent than, the notes and the Guarantees are subordinated to Senior Debt pursuant to the Indenture, provided that the rights of the holders of Senior Debt under the Leviathan Credit Agreement are not altered or impaired by such reorganization or readjustment.

"Permitted Liens" means:

(1) Liens on the assets of Leviathan and any Subsidiary securing Senior Debt;

(2) easements, rights-of-way, restrictions, minor defects and irregularities in title and other similar charges or encumbrances not interfering in any material respect with the business of Leviathan or its Restricted Subsidiaries;

(3) Liens securing reimbursement obligations of Leviathan or a Restricted Subsidiary with respect to letters of credit encumbering only documents and other property relating to such letters of credit and the products and proceeds thereof;

(4) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual or warranty requirements of Leviathan and its Restricted Subsidiaries;

(5) Liens in favor of Leviathan or any of the Restricted Subsidiaries;

(6) any interest or title of a lessor in the property subject to a Capital Lease Obligation;

(7) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with Leviathan or any Restricted Subsidiary of Leviathan, provided that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with Leviathan or such Restricted Subsidiary;

(8) Liens on property existing at the time of acquisition thereof by Leviathan or any Restricted Subsidiary of Leviathan, provided that such Liens were in existence prior to the contemplation of such acquisition and relate solely to such property, accessions thereto and the proceeds thereof;

(9) Liens to secure the performance of tenders, bids, leases, statutory obligations, surety or appeal bonds, government contracts, performance bonds or other obligations of a like nature incurred in the ordinary course of business;

(10) Liens on any property or asset acquired, constructed or improved by Leviathan or any Restricted Subsidiary (a "Purchase Money Lien"), which (A) are in favor of the seller of such property or assets, in favor of the Person constructing or improving such asset or property, or in favor of the Person that provided the funding for the acquisition, construction or improvement of such asset or property, (B) are created within 360 days after the date of acquisition, construction or improvement, (C) secure the purchase price or construction or improvement cost, as the case may be, of such asset or property in an amount up to 100% of the fair market value (as determined by the Board of Directors of the General Partner) of such acquisition, construction or improvement of such asset or property, and (D) are limited to the asset or property so acquired, constructed or improved (other than proceeds thereof, accessions thereto and upgrades thereof);

(11) Liens to secure performance of Hedging Obligations of Leviathan or a Restricted Subsidiary;

(12) Liens existing on the date of the Indenture and Liens on any extensions, refinancing, renewal, replacement or defeasance of any Indebtedness or other obligation secured thereby;

(13) Liens on and pledges of the Equity Interests of any Unrestricted Subsidiary or any Joint Venture owned by Leviathan or any Restricted Subsidiary to the extent securing Non-Recourse Debt

or Indebtedness (other than Permitted Debt) otherwise permitted by the first paragraph under "-- Incurrence of Indebtedness and Issuance of Disqualified Equity;"

(14) statutory Liens of landlords and warehousemen's, carriers', mechanics', suppliers', materialman's, repairmen's, or other like Liens (including contractual landlord's liens) arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate proceedings, if a reserve or appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor;

(15) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other similar types of social security, old age pension or public liability obligations;

(16) Liens on pipelines or pipeline facilities that arise by operation of law;

(17) Liens arising under operating agreements, joint venture agreements, partnership agreements, oil and gas leases, farm out agreements, division orders, contracts for sale, transportation or exchange of oil and natural gas, unitization and pooling declarations and agreements, area of mutual interest agreements and other agreements arising in the ordinary course of Leviathan's or any Restricted Subsidiary's business that are customary in the Permitted Business;

(18) judgment and attachment Liens not giving rise to a Default or Event of Default;

(19) Liens securing the Obligations of the issuers under the notes and the indenture and of the Subsidiary Guarantors under the Guarantees;

(20) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded, provided that any reserve or other appropriate provision as shall be required in conformity with GAAP shall have been made therefor;

(21) Liens arising from protective filings made in the appropriate office(s) for the filing of a financing statement in the applicable jurisdiction(s) in connection with any lease, consignment or similar transaction otherwise permitted hereby, which filings are made for the purpose of perfecting the interest of the secured party in the relevant items, if the transaction were subsequently classified as a sale secured lending arrangement;

(22) Liens arising out of consignment or similar arrangements for sale of goods;

(23) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(24) Liens securing any Indebtedness which includes a covenant that limits liens in a manner substantially similar to the covenant entitled "Liens;" and

(25) Liens incurred in the ordinary course of business of Leviathan or any Restricted Subsidiary of Leviathan with respect to obligations that do not exceed $5.0 million at any one time outstanding.

"Permitted Refinancing Indebtedness" means any Indebtedness of Leviathan or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of Leviathan or any of its Restricted Subsidiaries (other than intercompany Indebtedness); provided that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount of (or accreted value, if applicable), plus accrued interest on the Indebtedness so extended, refinanced, renewed, replaced, defeased or refunded (plus the amount of necessary fees and expenses incurred in connection therewith and any premiums paid on the Indebtedness refinanced);

(2) such Permitted Refinancing Indebtedness has a final maturity date no earlier than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

(3) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the notes or the Guarantees, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the notes or the Guarantees, as the case may be, on terms at least as favorable to the holders of notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and

(4) such Indebtedness is incurred either by Leviathan or by the Restricted Subsidiary who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"Restricted Investment" means an Investment other than a Permitted Investment or a Permitted Business Investment.

"Restricted Subsidiary" of a Person means any Subsidiary of the referenced Person that is not an Unrestricted Subsidiary, provided that UTOS, Western Gulf and their Subsidiaries (including HIOS) shall not constitute a Restricted Subsidiary of Leviathan, even if such Person is then a Subsidiary of Leviathan, until such time as either such entity becomes a Restricted Subsidiary in the manner provided in the final paragraph under the definition of "Permitted Business Investments" above. Notwithstanding anything in the Indenture to the contrary, Leviathan Finance shall be designated as a Restricted Subsidiary of Leviathan.

"Senior Debt" means:

(1) all Indebtedness outstanding under Credit Facilities and all Hedging Obligations with respect thereto;

(2) any other Indebtedness permitted to be incurred by Leviathan and the Restricted Subsidiaries under the terms of the Indenture, unless the instrument under which such Indebtedness is incurred expressly provides that it is on a parity with or subordinated in right of payment to the notes; and

(3) all Obligations with respect to the items listed in the preceding clauses (1) and (2).

Notwithstanding anything to the contrary in the preceding, Senior Debt will not include:

(1) any Indebtedness that is expressly subordinate or junior in right of payment to any Indebtedness of Leviathan or any Subsidiary Guarantor;

(2) Indebtedness evidenced by the notes or the Guarantees;

(3) any liability for federal, state, local or other taxes owed or owing by Leviathan or any Subsidiary Guarantor;

(4) any Indebtedness of Leviathan or any of its Subsidiaries to any of its Subsidiaries or other Affiliates;

(5) any trade payables; or

(6) any Indebtedness that is incurred in violation of the Indenture.

"Significant Subsidiary" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act and the Exchange Act, as such Regulation is in effect on the date hereof.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which such payment of interest or principal was scheduled to be paid in the

original documentation governing such Indebtedness, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof

"Subsidiary" means, with respect to any Person:

(1) any corporation, association or other business entity of which more than 50% of the Voting Stock is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (whether general or limited), limited liability company or joint venture (a) the sole general partner or the managing general partner or managing member of which is such Person or a Subsidiary of such Person, or (b) if there are more than a single general partner or member, either (i) the only general partners or managing members of which are such Person and/or one or more Subsidiaries of such Person (or any combination thereof) or (ii) such Person owns or controls, directly or indirectly, a majority of the outstanding general partner interests, member interests or other Voting Stock of such partnership, limited liability company or joint venture, respectively;

provided, however, that each of Western Gulf and its Subsidiaries (including HIOS and East Breaks) shall be deemed not to be a Subsidiary of Leviathan or any of its Subsidiaries unless, and to the extent, any of Western Gulf or any of its Subsidiaries is redesignated as a Subsidiary of Leviathan in accordance with the terms of the Indenture.

"Subsidiary Guarantors" means each of:

(1) Delos Offshore Company, L.L.C.; Ewing Bank Gathering Company, L.L.C.; Flextrend Development Company, L.L.C.; Green Canyon Pipe Line Company, L.L.C.; Leviathan Oil Transport Systems, L.L.C.; Leviathan Operating Company, L.L.C.; Manta Ray Gathering Company, L.L.C.; Moray Pipeline Company, L.L.C.; Natoco, L.L.C.; Poseidon Pipeline Company, L.L.C.; Sailfish Pipeline Company, L.L.C.; Stingray Holding, L.L.C.; Tarpon Transmission Company; Transco Hydrocarbons Company, L.L.C.; Texam Offshore Gas Transmission, L.L.C.; Transco Offshore Pipeline Company, L.L.C.; UTOS Holding, L.L.C.; VK Deepwater Gathering Company, L.L.C.; VK-Main Pass Gathering Company, L.L.C.; and, as a result of the acquisition from El Paso Energy of an additional interest in Viosca Knoll Gathering Company as described in this prospectus, Viosca Knoll Gathering Company; and

(2) any other Subsidiary that executes a Guarantee in accordance with the provisions of the Indenture; and

(3) their respective successors and assigns.

Notwithstanding anything in the Indenture to the contrary, Leviathan Finance shall not be a Subsidiary Guarantor.

"U.S. Government Obligations" means securities that are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged; (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case under clauses (i) or (ii) above, are not callable or redeemable at the option of the issuers thereof: or (iii) depository receipts issued by a bank or trust company as custodian with respect to any such U.S. Government Obligations or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a Depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such Depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation evidenced by such Depository receipt.

"Unrestricted Subsidiary" means any Subsidiary of Leviathan (other than Leviathan Finance) that is designated by the Board of Directors of the General Partner as an Unrestricted Subsidiary pursuant to a Board Resolution, provided that, at the time of such designation, (x) no portion of the Indebtedness or other obligation of such Subsidiary (whether contingent or otherwise and whether pursuant to the terms of such Indebtedness or the terms governing the organization of such Subsidiary or by law (a) is guaranteed by Leviathan or any other Restricted Subsidiary, (B) is recourse to or obligates Leviathan or any Restricted Subsidiary in any way (including any "claw-back," "keep-well," "make-well" or other agreements, arrangements or understandings to maintain the financial performance or results of operations of such Subsidiary or to otherwise infuse or contribute cash to such Subsidiary). or (C) subjects any property or assets of Leviathan or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction of such Indebtedness, unless such Investment or Indebtedness is permitted by the provisions of the Indenture described above under the captions "-- Restricted Payments" and "-- Incurrence of Indebtedness and Issuance of Disqualified Equity," (y) no Equity Interests of a Restricted Subsidiary are held by such Subsidiary, directly or indirectly, and (z) the amount of Leviathan's Investment, as determined at the time of such designation, in such Subsidiary since the Issue Date to the date of designation is treated as of the date of such designation as a Restricted Investment, Permitted Investment or Permitted Business Investment, as applicable.

Any designation of a Subsidiary of Leviathan as an Unrestricted Subsidiary shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolutions of the Board of Directors of the General Partner giving effect to such designation and an Officers' Certificate certifying that such designation compiled with the preceding conditions and was permitted by the covenant described above under the caption "--Certain Covenants-Restricted Payments." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of Leviathan as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "Incurrence of Indebtedness and Issuance of Preferred Stock," Leviathan shall be in default of such covenant. The Board of Directors of the General Partner may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation shall be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of Leviathan of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption "-- Certain Covenants -- Incurrence of Indebtedness and Issuance of Disqualified Equity," calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period; and (2) no Default or Event of Default would be in existence following such designation.

"Voting Stock" of any Person as of any date means the Equity Interests of such Person pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers, general partners or trustees of any Person (irrespective of whether or not, at the time, Equity Interests of any other class or classes shall have, or might have, voting power by reason of the occurrence of any contingency) or, with respect to a partnership (whether general or limited), any general partner interest in such partnership.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

"Wholly Owned Restricted Subsidiary" means any Restricted Subsidiary of which all of the outstanding Equity Interests (other than directors' qualifying shares, if any, or other ownership interests required by applicable law to be held by third parties) shall at the time be owned by Leviathan and its

Restricted Subsidiaries; provided that up to 1.0101% of such Person may be owned by the General Partner.

SERIES A NOTES REGISTRATION RIGHTS

The issuers, the subsidiary guarantors and the initial purchasers entered into the Registration Rights Agreement on May 27, 1999. In the Registration Rights Agreement, the issuers and subsidiary guarantors agreed to file the exchange offer registration statement with the SEC within 60 days after the closing date, and use their respective best efforts to have it declared effective at the earliest possible time, but in no event later than 150 days after the closing date. The issuers and the subsidiary guarantors also agreed to use their best efforts to cause the exchange offer registration statement to be effective continuously, to keep the exchange offer open for a period of not less than 20 business days and cause the exchange offer to be consummated no later than the 30th business day after it is declared effective by the SEC. The Registration Rights Agreement provides the following. Pursuant to the exchange offer, certain holders of notes which constitute Transfer Restricted Securities (defined below) may exchange their Transfer Restricted Securities for Series B notes, which will be registered and will contain terms substantially identical in all material respects to the Series A notes. To participate in the exchange offer, each holder must represent that it is not an affiliate of Leviathan, that it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the Series B notes, that it is acquiring the Series B notes in the Exchange Offer in its ordinary course of business, and that it is not a broker-dealer who is receiving Series B notes in exchange for Series A notes that it acquired as a result of market-making or other trading activities or, if it is such a person, that it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

If (i) the exchange offer is not permitted by applicable law or SEC policy or (ii) any holder of notes which are Transfer Restricted Securities notifies Leviathan prior to the 20th business day following the consummation of the exchange offer that (a) it is prohibited by law or SEC policy from participating in the exchange offer, (b) it may not resell the Series B notes acquired by it in the exchange offer to the public without delivering a prospectus, and the prospectus contained in the exchange offer registration statement is not appropriate or available for such resales by it, or (c) it is a broker-dealer and holds notes acquired directly from Leviathan or any of Leviathan's affiliates, the issuers and the subsidiary guarantors will file with the SEC a shelf registration statement to register for public resale the Transfer Restricted Securities held by any such holder who provides Leviathan with certain information for inclusion in the shelf registration statement.

For the purposes of the Registration Rights Agreement, "Transfer Restricted Securities" means each Series A note or Series B note until the earliest of the date of which (i) such Series A note is exchanged in the exchange offer and entitled to be resold to the public by the holder thereof without complying with the prospectus delivery requirements of the Securities Act, (ii) such Series A note or Series B note has been disposed of in accordance with the shelf registration statement, (iii) such Series B note is disposed of by a broker-dealer pursuant to the "Plan of Distribution" beginning on page 142 contemplated by the exchange offer registration statement (including delivery of the prospectus contained therein) or (iv) such Series A note or Series B note is distributed to the public pursuant to Rule 144 under the Securities Act.

The Registration Rights Agreement provides that (1) if the issuers and the subsidiary guarantors fail to file an exchange offer registration statement with the SEC on or prior to the 60th day after the closing date, (2) if the exchange offer registration statement is not declared effective by the SEC on or prior to the 150th day after the closing date, (3) if the exchange offer is not consummated on or before the 30th business day after the exchange offer registration statement is declared effective, (4) if obligated to file the shelf registration statement and the issuers and the subsidiary guarantors fail to file the shelf registration statement with the SEC on or prior to the 60th day after such filing obligation arises, (5) if obligated to file a shelf registration statement and the shelf registration statement is not declared effective on or prior to the 150th day after the obligation to file a shelf registration statement arises, or (6) subject to certain

conditions, if the exchange offer registration statement or the shelf registration statement, as the case may be, is declared effective but thereafter ceases to be effective or useable in connection with resales of the Transfer Restricted Securities, for such time of non-effectiveness or non-usability (each, a "Registration Default"), the issuers and the subsidiary guarantors agree to pay to each holder of Transfer Restricted Securities affected thereby liquidated damages ("Liquidated Damages") in an amount equal to $0.05 per week per $1,000 in original principal amount of Transfer Restricted Securities held by such holder for each week or portion thereof that the Registration Default continues for the first 90 day period immediately following the occurrence of such Registration Default. The amount of the Liquidated Damages shall increase by an additional $0.05 per week per $1,000 in original principal amount of Transfer Restricted Securities with respect to each subsequent 90 day period until all Registration Defaults have been cured, up to a maximum amount of Liquidated Damages of $0.50 per week per $1,000 in principal amount of Transfer Restricted Securities. None of the issuers and the subsidiary guarantors shall be required to pay Liquidated Damages for more than one Registration Default at any given time. Upon curing all Registration Defaults, Liquidated Damages will cease to accrue.

All accrued Liquidated Damages shall be paid by the issuers and the subsidiary guarantors to holders entitled thereto by wire transfer to the accounts specified by them or by mailing checks to their registered address if no such accounts have been specified.

Holders of the Series A notes will be required to make certain representations to the issuers (as described in the Registration Rights Agreement) in order to participate in the exchange offer and will be required to deliver information to be used in connection with the shelf registration statement and to provide comments on the shelf registration statement within the time periods set forth in the Registration Rights Agreement in order to have their notes included in the shelf registration statement.

If the issuers effect the registered exchange offer, the issuers will be entitled to close the registered exchange offer 20 business days after the commencement thereof; provided that the issuers have accepted all Series A notes theretofore validly rendered in accordance with the terms of the exchange offer and no brokers-dealers continue to hold any Series A notes.

The summary herein of certain provisions of the Registration Rights Agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Registration Rights Agreement, a copy of which has been filed with the SEC and is available upon request to Leviathan.

DESCRIPTION OF OTHER INDEBTEDNESS

SUBORDINATED NOTES

We entered into an indenture dated May 27, 1999 with Chase Bank of Texas, National Association, pursuant to which we issued $175 million in aggregate principal amount of the subordinated notes. We capitalized $5.2 million of debt issue costs related to the issuance of the subordinated notes. The subordinated notes bear interest at a rate of 10 3/8% per annum, payable semi-annually, on June 1 and December 1, mature on June 1, 2009 and are junior to substantially all of our other indebtedness other than trade payables and indebtedness that by its terms expressly states it is equal or junior to the subordinated notes. Generally, we do not have the right to prepay the subordinated notes prior to May 31, 2004, and thereafter, we may prepay the subordinated notes at a premium of 5% of the face amount, which premium declines ratably through maturity. Although the subordinated notes are unsecured, all of our subsidiaries have guaranteed those obligations. The subordinated notes contain customary terms and conditions, including various affirmative and negative covenants and the obligation to offer to repurchase the notes at a premium under certain circumstances. Among other things, the terms of the subordinated notes limit our ability to make distributions to our unitholders, redeem or otherwise reacquire any of our equity, incur additional indebtedness, incur or permit to exist certain liens, make additional investments, engage in transactions with affiliates, engage in certain types of businesses and dispose of assets under certain circumstances, including if certain financial tests are not satisfied or there is a default. In addition, we will be obligated to offer to repurchase the subordinated notes if we experience certain types of changes of control or if we dispose of certain assets and do not reinvest the proceeds or repay senior indebtedness.

LEVIATHAN CREDIT FACILITY

We have a revolving credit facility with a syndicate of commercial banks to provide up to $375.0 million of available credit, subject to customary terms and conditions, including certain limitations on incurring additional indebtedness (including borrowings under this facility) if certain financial targets are not achieved and maintained. In addition, we would be required to prepay a portion of the balance outstanding under our credit facility to the extent such financial targets are not achieved and maintained. As of August 9, 1999 and as of December 31, 1998 and 1997, we had $300.0 million, $338.0 million and $238.0 million, respectively, outstanding under our revolving credit facility. At our election, interest under our revolving credit facility is determined by reference to the reserve-adjusted London interbank offer rate ("LIBOR"), the prime rate or the 90-day average certificate of deposit rate. The interest rate at August 9, 1999 and at December 31, 1998 and 1997 was 7.7%, 7.1% and 6.6% per annum, respectively. We pay a commitment fee on the unused and available to be borrowed portion of the revolving credit facility. This fee varies between 0.25% and 0.375% per annum and was 0.375% per annum at December 31, 1998. Concurrently with the closing of the Series A note offering, we amended our revolving credit facility to, among other things, increase the commitment fee to 0.50% per annum and extend the maturity from December 1999 to May 2002.

We may use amounts remaining under the revolving credit facility for general partnership purposes, including financing capital expenditures, working capital requirements, and, subject to certain limitations, distributions to unitholders. We may also use our revolving credit facility to issue letters of credit from time to time; however, no letters of credit are currently outstanding. The revolving credit facility is guaranteed by the general partner and each of our subsidiaries, and is collateralized by our management agreement, substantially all of our assets and the general partner's 1.0% general partner interest and approximate 1.0% nonmanaging interest in certain of our subsidiaries.

Interest and other financing costs totaled $21.3 million, $15.9 million and $17.5 million for the years ended December 31, 1998, 1997 and 1996, respectively. During the years ended December 31, 1998, 1997 and 1996, we capitalized $1.1 million, $1.7 million and $11.9 million, respectively, of such interest costs in connection with construction projects and drilling activities in progress during such periods. At December 31, 1998 and 1997, the unamortized portion of debt issue costs totaled $2.5 million and $3.7 million, respectively.

JOINT VENTURE CREDIT ARRANGEMENTS

Each of Poseidon, Western Gulf and Stingray is a party to a credit agreement (Viosca Knoll was a party to a credit agreement prior to June 1, 1999) under which it has outstanding obligations that may restrict the payment of distributions to its owners. Poseidon has a revolving credit facility with a syndicate of commercial banks to provide up to $150.0 million for other working capital needs. Poseidon's ability to borrow money under the facility is subject to certain customary terms and conditions, including certain limitations on incurring additional indebtedness (including borrowings under this credit facility) if certain financial targets are not achieved and maintained. In addition, Poseidon would be required to prepay a portion of the balance outstanding under this credit facility to the extent such financial targets are not achieved and maintained. The Poseidon credit facility is collateralized by a substantial portion of Poseidon's assets and matures on April 30, 2001. As of December 31, 1998 and 1997, Poseidon had $131.0 million and $120.5 million, respectively, outstanding under its credit facility bearing interest at an average floating rate of 6.9% and 7.2% per annum, respectively. As of August 9, 1999, Poseidon had $140.0 million outstanding under its credit facility bearing interest at a floating rate of 6.2% per annum and had approximately $10.0 million of additional borrowing available under this facility.

Stingray has an existing term loan agreement with a syndicate of commercial banks which matures on March 31, 2003. This credit agreement requires Stingray to make 18 quarterly principal payments of approximately $1.6 million commencing December 31, 1998, and is principally collateralized by current and future natural gas transportation contracts between Stingray and its customers. As of December 31, 1998 and 1997, Stingray had $26.9 million and $17.4 million, respectively, outstanding under this credit agreement bearing interest at an floating rate of 6.5% per annum. On the earlier to occur of March 31, 2003 or the accelerated due date pursuant to the Stingray credit agreement, if Stingray has not paid all amounts due under its credit agreement, we are obligated to pay the lesser of (1) $8.5 million, (2) the aggregate amount of distributions received by us from Stingray subsequent to January 1, 1998 or (3) 50.0% of any then outstanding amounts due pursuant to the Stingray credit agreement. We do not expect to have to pay any amount pursuant to this obligation. As of August 9, 1999, Stingray had $23.7 million outstanding under this credit facility bearing interest at a floating rate of 6.3% per annum.

In January 1999, Western Gulf entered into a revolving credit facility with a syndicate of commercial banks to provide up to $100.0 million for the construction of the East Breaks system and for other working capital needs of Western Gulf and East Breaks. Western Gulf's ability to borrow money under this credit facility is subject to customary terms and conditions, including certain limitations on incurring additional indebtedness (including borrowings under this credit facility) if certain financial targets are not achieved and maintained. In addition, Western Gulf would be required to prepay a portion of the balance outstanding under this credit facility to the extent such financial targets are not achieved and maintained. This credit facility, which matures in February 2004, is secured by Western Gulf's ownership interest in HIOS and East Breaks, as well as by all of East Breaks' material contracts and assets and supported by the guarantee of East Breaks. In addition, we are obligated to return up to $3.0 million in distributions paid to us by Western Gulf under certain circumstances. As of August 9, 1999, Western Gulf had $50.1 million outstanding under this credit facility bearing interest at a floating rate of 6.4% per annum and had approximately $49.9 million of additional funds available under this facility.

Prior to June 1, 1999, Viosca Knoll had a revolving credit facility with a syndicate of commercial banks to provide up to $100.0 million for the original construction of the Viosca Knoll system and for other working capital needs, including funds for a one-time distribution of $25.0 million to the partners in Viosca Knoll. Upon the consummation of the acquisition of the Viosca Knoll interest, we repaid in full ($66.7 million) and terminated the Viosca Knoll credit facility. Viosca Knoll's ability to borrow money under its credit facility was subject to certain customary terms and conditions, including certain limitations on incurring additional indebtedness (including borrowings under this credit facility) if certain financial targets were not achieved and maintained. In addition, Viosca Knoll was required to prepay a portion of the balance outstanding under this credit facility to the extent such financial targets were not achieved and maintained. The Viosca Knoll credit facility was collateralized by all of Viosca Knoll's material contracts and agreements, receivables and inventory, and matured on December 20, 2001. If Viosca Knoll failed to

pay any principal, interest or other amounts due under to the Viosca Knoll credit facility, Leviathan was obligated to reimburse Viosca Knoll or pay to the banks distributions Leviathan had received from Viosca Knoll up to a maximum of $2.5 million. As of May 31, 1999 and December 31, 1998 and 1997, Viosca Knoll had $66.7 million, $66.7 million and $52.2 million, respectively, outstanding under the Viosca Knoll credit facility bearing interest at an average floating rate of 6.7% per annum.

THE PARTNERSHIP AGREEMENT

The following paragraphs are a summary of certain provisions of our Partnership Agreement. The following discussion is qualified in its entirety by reference to the Partnership Agreement.

PURPOSE

Our stated purposes under the Partnership Agreement are to serve as the managing member of its subsidiaries and to engage in any business activity permitted under Delaware law. The general partner is generally authorized to perform all acts deemed necessary to carry out these purposes and to conduct Leviathan's business. The partnership will continue in existence until December 31, 2043, unless sooner dissolved pursuant to the terms of the Partnership Agreement.

AUTHORITY OF THE GENERAL PARTNER

The general partner has a power of attorney to take certain actions, including the execution and filing of documents, on Leviathan's behalf and with respect to the Partnership Agreement. However, the Partnership Agreement limits the authority of the general partner as follows:

- Without the prior approval of holders of at least a majority of the units, the general partner may not, among other things, (a) sell or exchange all or substantially all of Leviathan's assets (whether in a single transaction or a series of related transactions) or (b) approve on Leviathan's behalf the sale, exchange or other disposition of all or substantially all of the assets of Leviathan's subsidiaries; however, Leviathan or its subsidiaries may mortgage, pledge, hypothecate or grant a security interest in all or substantially all of their assets without such approval;

- With certain exceptions generally described below under "-- Amendment of Partnership Agreement," an amendment to a provision of the Partnership Agreement generally requires the approval of the holders of at least 66 2/3% of the outstanding units;

- With certain exceptions described below, any amendment that would materially and adversely affect the rights and preference of any type or class of partnership interests in relation to other types or classes of partnership interests will require the approval of the holders of at least a majority of such type or class of partnership interest (excluding those held by the general partner and its affiliates); and

- In general, the general partner may not take any action, or refuse to take any reasonable action, the effect of which would be to cause Leviathan or its subsidiaries to be taxable as a corporation or to be treated as an association taxable as a corporation for federal income tax purposes, without the consent of the holders of at least 66 2/3% of the outstanding units, including the vote of the holders of a majority of the preference units (other than preference units held by the general partner and its affiliates).

WITHDRAWAL OR REMOVAL OF THE GENERAL PARTNER

The general partner has agreed not to voluntarily withdraw as general partner of Leviathan on or prior to December 31, 2002 (with limited exceptions described below) without the approval of at least a majority of the remaining outstanding units and by providing an opinion of counsel that (following the selection of a successor) its withdrawal would not result in the loss of limited liability or cause Leviathan or its subsidiaries to be taxed as an entity for federal income tax purposes. However, the general partner may withdraw without such approval of the unitholders, upon 90 days' notice, if more than 50.0% of the outstanding preference units are held or controlled by one person and its affiliates other than the withdrawing general partner and its affiliates.

After December 31, 2002, the general partner may withdraw as such general partner by giving 90 days' written notice. If such an opinion of counsel cannot be obtained, Leviathan and/or its subsidiaries, as the case may be, will be dissolved as a result of such withdrawal.

The general partner may not be removed, with or without cause, as general partner of Leviathan except upon approval by the affirmative vote of (after the closing of the Viosca Knoll transaction) the holders of not less than 55.0% of the outstanding units, subject to the satisfaction of certain conditions.

In the event of withdrawal of the general partner where such withdrawal violates the Partnership Agreement or removal of the general partner for "cause," a successor general partner will have the option to acquire the general partner interest of the departing general partner (the "Departing Partner") in Leviathan and, if requested by the Departing Partner, its nonmanaging interests in its subsidiaries, for a fair market value cash payment. Under all other circumstances where the general partner withdraws or is removed by the limited partners, the Departing Partner will have the option to require the successor general partner to acquire the general partner and nonmanaging interests of the Departing Partner for a fair market value cash payment.

The general partner may transfer all, but not less than all, of its general partner interest in Leviathan and its nonmanaging interests in its subsidiaries without the approval of the limited partners (1) to an affiliate of the general partner or (2) upon its merger or consolidation into another entity or the transfer of all or substantially all of its assets to another entity. In the case of any other transfer, in addition to the foregoing requirements, the approval of the holders of at least a majority of the outstanding units is required, excluding for purposes of such determination units held by the general partner and its affiliates. However, no approval of the unitholders is required for transfers of the stock or other securities of the general partner.

REDEMPTION AND LIMITED CALL RIGHT

After approximately August 2000, any or all of the outstanding preference units may be redeemed at any time at Leviathan's option, exercised in the sole discretion of the general partner, upon at least 30 but not more than 60 days' notice. If, after giving effect to an anticipated redemption, fewer than 1,000,000 preference units would be held by persons other than the general partner and its affiliates, Leviathan must redeem all such preference units if it redeems any preference units.

If at any time not more than 15.0% of the issued and outstanding units of any class are held by persons other than the general partner and its affiliates, the general partner will have the right, which it may assign and transfer to any of its affiliates or to Leviathan, to purchase all, but not less than all, of the outstanding units held by such nonaffiliated persons, as of a record date to be selected by the general partner on at least 30 but not more than 60 days' notice.

AMENDMENT OF PARTNERSHIP AGREEMENT

Amendments to the Partnership Agreement may be proposed only by the general partner. Proposed amendments (other than those described below) must be approved by holders of at least 66 2/3% of the outstanding units, except (1) that any amendment that would have a disproportionate material adverse effect on a class of units will require the approval of the holders of at least a majority of the outstanding units (excluding those held by the general partner and its affiliates) of the class so affected or (2) as otherwise provided in the Partnership Agreement. No provision of the Partnership Agreement that establishes a percentage of outstanding units required to take any action may be amended or otherwise modified to reduce such voting requirement without the approval of the holders of that percentage of outstanding Units constituting the voting requirement sought to be amended.

In general, amendments which would enlarge the obligations of the limited partners or the general partner require the consent of the limited partner or general partner, as applicable. Notwithstanding the foregoing, the Partnership Agreement permits the general partner to make certain amendments to the Partnership Agreement without the approval of any limited partner, including, subject to certain limitations, (1) an amendment that in the sole discretion of the general partner is necessary or desirable in connection with the authorization of additional preference units or other equity securities of Leviathan, (2) any amendment made, the effect of which is to separate into a separate security, separate and apart from the units, the right of preference unitholders to receive any arrearage, and (3) several other

amendments expressly permitted in the Partnership Agreement to be made by the general partner acting alone.

In addition, the general partner may make amendments to the Partnership Agreement without the approval of any limited partner if such amendments do not adversely affect the limited partners in any material respect, or are required by law or by the Partnership Agreement.

No other amendments to the Partnership Agreement will become effective without the approval of at least 95.0% of the units unless Leviathan obtains an opinion of counsel to the effect that such amendment will not cause Leviathan to be taxable as a corporation or otherwise taxed as an entity for federal income tax purposes and will not affect the limited liability of any limited partner or any member of Leviathan's subsidiaries.

MEETINGS; VOTING

Record holders of units on the record date set pursuant to the Partnership Agreement will be entitled to notice of, and to vote at, meetings of limited partners. Meetings of the limited partners may only be called by the general partner or, with respect to meetings called to remove the general partner, by limited partners owning 55% or more of the outstanding units.

The general partner does not anticipate that any meeting of limited partners will be called in the foreseeable future (or that action by written consent will occur). Representation in person or by proxy of two-thirds (or a majority, if that is the vote required to take action at the meeting in question) of the outstanding units of the class for which a meeting is to be held will constitute a quorum at a meeting of limited partners. Except for (a) a proposal for removal or withdrawal of the general partner, (b) the sale of all or substantially all of the Partnership's assets or (c) certain amendments to the Partnership Agreement described above, substantially all matters submitted for a vote are determined by the affirmative vote, in person or by proxy, of holders of at least a majority of the outstanding units.

Each record holder of a unit has one vote per unit, according to his percentage interest in Leviathan. However, the Partnership Agreement does not restrict the general partner from issuing units having special or superior voting rights.

INDEMNIFICATION

The Partnership Agreement provides that Leviathan:

- will indemnify the general partner, any Departing Partner and any person who is or was an officer or director of the general partner or any Departing Partner, to the fullest extent permitted by law, and

- may indemnify, to the fullest extent permitted by law, (a) any person who is or was an affiliate of the general partner or any Departing Partner, (b) any person who is or was an employee, partner, agent or trustee of the general partner, any Departing Partner or any such affiliate, or (c) any person who is or was serving at the request of Leviathan as an officer, director, employee, partner, member or agent of another corporation, partnership, joint venture, trust, committee or other enterprise;

(each, as well as any employee, partner or agent of the general partner, any Departing Partner or any of their affiliates, an "Indemnitee") from and against any and all claims, damages, expenses and fines, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as (1) the general partner, Departing Partner or an affiliate of either, (2) an officer, director, employee, partner, agent or trustee of the general partner, any Departing Partner or any of their affiliates or (3) a person serving at the request of Leviathan in any other entity in a similar capacity. Indemnification will be conditioned on the determination that, in each case, the Indemnitee acted in good faith, in a manner which such Indemnitee

believed to be in, or not opposed to, the best interests of Leviathan and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful.

The above indemnification may result in indemnification of Indemnitees for negligent acts, and may include indemnification for liabilities under the Securities Act. Leviathan has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. Any indemnification under these provisions will be only out of Leviathan's assets. Leviathan is authorized to purchase (or to reimburse the general partner or its affiliates for the cost of) insurance against liabilities asserted against and expenses incurred by such persons in connection with Leviathan's activities, whether or not Leviathan would have the power to indemnify such Person against such liabilities under the provisions described above.

GENERAL PARTNER EXPENSES

Our general partner will be reimbursed for its direct and indirect expenses incurred on our behalf on a monthly or other appropriate basis as provided for in the Partnership Agreement, including, without limitation, expenses allocated to the general partner by its affiliates and payments made by our general partner to El Paso Energy and its affiliates pursuant to the management agreement.

CONVERSION OF PREFERENCE UNITS INTO COMMON UNITS.

Holders of approximately 71.0% of our outstanding preference units as of August 12, 1999 opted to convert those units into common units by the expiration of our second 90 day conversion option period, with commenced on May 14, 1999 and ended on August 12, 1999. During the first conversion option period, during substantially the same period in 1998, approximately 94.0% of our preference units were converted to common units. As a result of the second conversion option period, a total of 291,299 preference units remain outstanding after the conversion.

LIMITED LIABILITY

Assuming that a limited partner does not take part in the control of Leviathan's business, and that he otherwise acts in conformity with the provisions of the Partnership Agreement, his liability under Delaware law will be limited, subject to certain possible exceptions, generally to the amount of capital he is obligated to contribute to Leviathan in respect of his units plus his share of any of Leviathan's undistributed profits and assets.

TERMINATION, DISSOLUTION AND LIQUIDATION

Leviathan will continue until December 31, 2043, unless sooner dissolved pursuant to the Partnership Agreement. Leviathan will be dissolved upon (a) the election of the general partner to dissolve Leviathan, if approved by the holders of at least 66 2/3% of the outstanding units, (b) the sale, exchange or other disposition of all or substantially all of Leviathan's assets and properties or its subsidiaries, (c) bankruptcy or dissolution of the general partner or (d) withdrawal or removal of the general partner or any other event that results in its ceasing to be the general partner (other than by reason of transfer in accordance with the Partnership Agreement or withdrawal or removal following approval of a successor). Notwithstanding the foregoing, Leviathan shall not be dissolved if within 90 days after such event the Partners agree in writing to continue its business and to the appointment, effective as of the date of such event, of a successor general partner.

Upon a dissolution pursuant to clause (c) or (d) above, the holders of at least 66 2/3% of the outstanding units may also elect, within certain time limitations, to reconstitute Leviathan and continue its business on the same terms and conditions set forth in the Partnership Agreement by forming a new limited partnership on terms identical to those set forth in the Partnership Agreement and having as a general partner an entity approved by the holders of at least 66 2/3% of the outstanding units, subject to Leviathan's receipt of an opinion of counsel that such reconstitution, continuation and approval will not result in the loss of the limited liability of unitholders or cause Leviathan, the reconstituted limited

partnership or Leviathan's subsidiaries to be taxable as a corporation or otherwise subject to taxation as an entity for federal income tax purposes.

Upon dissolution of Leviathan, unless it is reconstituted and continued as a new limited partnership, a liquidator will liquidate Leviathan's assets and apply the proceeds of the liquidation in the order of priority set forth in the Partnership Agreement. The liquidator may defer liquidation or distribution of Leviathan's assets and/or distribute assets to Partners in kind if it determines that a sale or other disposition of Leviathan's assets would be unsuitable.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

GENERAL

The following is a summary of certain U.S. federal income tax consequences associated with the exchange of Series A notes for Series B notes pursuant to the exchange offer, and does not purport to be a complete analysis of all potential tax effects. This summary is based upon the Internal Revenue Code of 1986, as amended, existing and proposed regulations thereunder, published rulings and court decisions, all as in effect and existing on the date of this prospectus and all of which are subject to change at any time, which change may be retroactive. This summary is not binding on the Internal Revenue Service ("IRS") or on the courts, and no ruling will be requested from the IRS on any issues described below. There can be no assurance that the IRS will not take a different position concerning the matters discussed below. This summary applies only to those persons who are the initial holders of Series A notes, who acquired Series A notes for cash and who hold Series A notes as capital assets, and assumes that the Series A notes were not issued with "original issue discount," as defined in the Internal Revenue Code. It does not address the tax consequences to taxpayers who are subject to special rules, such as financial institutions, tax-exempt organizations, insurance companies and persons who are not "U.S. Holders," or the effect of any applicable U.S. federal estate and gift tax laws or state, local or foreign tax laws. For purposes of this summary, a "U.S. Holder" means a beneficial owner of a note who purchased the notes pursuant to the offering that is for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (A) a court within the U.S. is able to exercise primary supervision over the administration of the trust, and (B) one or more U.S. fiduciaries have the authority to control all substantial decisions of the trust.

EXCHANGE OFFER

The exchange of Series A notes for Series B notes pursuant to the exchange offer should not constitute a taxable exchange for U.S. federal income tax purposes. Accordingly, a U.S. Holder should not recognize gain or loss upon the receipt of Series B notes pursuant to the exchange offer, and a U.S. Holder should be required to include interest on the Series B notes in gross income in the manner and to the extent interest income was includible under the Series A notes. A U.S. Holder's holding period for the Series B notes should include the holding period of the Series A notes exchanged therefor, and such U.S. Holder's adjusted basis in the Series B notes should be the same as the basis of the Series A notes exchanged therefor immediately before the exchange.

THE FOREGOING DISCUSSION IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY. ACCORDINGLY, EACH HOLDER SHOULD CONSULT WITH ITS OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THE EXCHANGE OFFER WITH RESPECT TO ITS PARTICULAR SITUATION, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX LAWS.

PLAN OF DISTRIBUTION

Based on interpretations by the staff of the SEC set forth in no action letters issued to third parties, we believe that you may freely transfer Series B notes issued under the exchange offer in exchange for Series A notes, unless you are:

- our "affiliate" within the meaning of Rule 405 under the Securities Act;
- a broker-dealer or an initial purchaser that acquired Series A notes directly from us; or
- a broker-dealer that acquired Series A notes as a result of market-making or other trading activities without compliance with the registration and prospectus delivery provisions of the Securities Act;

provided that you acquire the Series B notes in the ordinary course of your business and you are not engaged in, and do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of the Series B notes. Broker-dealers receiving Series B notes in the exchange offer in exchange for Series A notes that were acquired in market-making or other trading activities will be subject to a prospectus delivery requirement with respect to resales of the Series B notes.

To date, the staff of the SEC has taken the position that participating broker-dealers may fulfill their prospectus delivery requirements with respect to transactions involving an exchange of securities such as this exchange offer, other than a resale of an unsold allotment from the original sale of the Series A notes, with the prospectus contained in the exchange offer registration statement. Pursuant to the registration agreement, we have agreed to permit such participating broker-dealers to use this prospectus in connection with the resale of Series B notes.

If you wish to exchange your Series A notes for Series B notes in the exchange offer, you will be required to make certain representations to us as set forth in "The Exchange Offer -- Exchange Terms" and "-- Procedures for Tendering Series A Notes -- Other Matters" of this prospectus beginning on pages 78 and 81, respectively, and in the letter of transmittal. In addition, if you are a broker-dealer who receives Series B notes for your own account in exchange for Series A notes that were acquired by you as a result of market-making activities or other trading activities, you will be required to acknowledge that you will deliver a prospectus in connection with any resale by you of those Series B notes. See "The Exchange Offer -- Resale of Series B Notes" beginning on page 79 of this prospectus.

We will not receive any proceeds from any sale of Series B notes by broker-dealers. Broker-dealers who receive Series B notes for their own account in the exchange offer may sell them from time to time in one or more transactions in the over-the-counter market:

- in negotiated transactions;
- through the writing of options on the Series B notes or a combination of such methods of resale;
- at market prices prevailing at the time of resale; or
- at prices related to the prevailing market prices or negotiated prices.

Any resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any broker-dealer or the purchasers of any Series B notes. Any broker-dealer that resells Series B notes it received for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of Series B notes may be deemed to be an "underwriter" within the meaning of the Securities Act, and any profit on any resale of Series B notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. Although the letter of transmittal requires a broker-dealer to deliver a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act as a result of such delivery.

We have agreed to pay all expenses incidental to the exchange offer other than commissions and concessions of any brokers or dealers and will indemnify holders of the Series A notes, including any

broker-dealers, against certain liabilities, including liabilities under the Securities Act, as set forth in the registration rights agreement.

LEGAL MATTERS

Certain legal matters with respect to the offering of the Series B notes being offered will be passed upon for us by Akin, Gump, Strauss, Hauer & Feld, L.L.P., Houston, Texas.

EXPERTS

The consolidated financial statements of Leviathan Gas Pipeline Partners, L.P. and its subsidiaries as of December 31, 1998 and 1997 and for each of the three years in the period ended December 31, 1998 included in this Registration Statement have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Viosca Knoll Gathering Company as of December 31, 1998 and 1997 and for each of the three years in the period ended December 31, 1998 included in this Registration Statement have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The statements of financial position of High Island Offshore System, L.L.C. as of December 31, 1998 and 1997 and the related statements of income, members' equity, and cash flows for each of the three years in the period ended December 31, 1998 included in this Registration Statement have been so included in reliance on the report of Deloitte & Touche LLP, independent auditors, given upon the authority of said firm as experts in auditing and accounting.

The financial statements of Poseidon Oil Pipeline Company, L.L.C. as of December 31, 1998 and 1997 and for the years ended December 31, 1998 and 1997 and for the period from inception (February 14, 1996) through December 31, 1996 included in this Registration Statement have been so included in reliance on the report of Arthur Andersen LLP, independent public accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Neptune Pipeline Company, L.L.C. as of December 31, 1998 and 1997 and for the years then ended included in this Registration Statement have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The balance sheet of Leviathan Finance Corporation as of April 30, 1999 included in this Registration Statement has been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The balance sheet of Leviathan Gas Pipeline Company as of December 31, 1998 included in this Registration Statement has been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The information derived from the report of Netherland, Sewell & Associates, Inc., independent petroleum engineers, with respect to estimated oil and natural gas reserves of Leviathan Gas Pipeline Partners, L.P. and its subsidiaries included in this Registration Statement have been so included in reliance upon the authority of said firm as experts with respect to such matters contained in their report.

INDEX TO FINANCIAL STATEMENTS

INDEX TO FINANCIAL STATEMENTS -- (CONTINUED)

GLOSSARY

The following abbreviations, acronyms or defined terms used in certain financial statements are defined below:

Bcf	Billion cubic feet
East Breaks	East Breaks Gathering Company, L.L.C., a Delaware limited liability company and wholly owned subsidiary of Western Gulf
El Paso Energy	El Paso Energy Corporation, a Delaware corporation and the indirect parent of the General Partner
EPFS	El Paso Field Services Company, a Delaware corporation and a wholly owned subsidiary of El Paso Energy
Equity Investees	Collectively refers to Stingray, West Cameron Dehy, POPCO, Manta Ray Offshore, Nautilus, HIOS, UTOS and prior to June 1, 1999, Viosca Knoll
General Partner	Leviathan Gas Pipeline Company, a Delaware corporation and wholly owned indirect subsidiary of El Paso Energy
Green Canyon	Green Canyon Pipe Line Company, L.L.C., a Delaware limited liability company and wholly owned subsidiary of Leviathan
Gulf	Gulf of Mexico
HIOS	High Island Offshore System, L.L.C., a Delaware limited liability company and wholly owned subsidiary of Western Gulf
Leviathan	Leviathan Gas Pipeline Partners, L.P., a publicly held Delaware master limited partnership, and its subsidiaries, unless the context otherwise requires
Manta Ray Offshore	Manta Ray Offshore Gathering Company, L.L.C., a Delaware limited liability company and owned by Neptune and Ocean Breeze
Mcf	Thousand cubic feet
MMcf	Million cubic feet
MMbtu	Million British thermal units
Nautilus	Nautilus Pipeline Company, L.L.C., a Delaware limited liability company and owned by Neptune and Ocean Breeze
Neptune	Neptune Pipeline Company, L.L.C., a Delaware limited liability company in which Leviathan owns a 25.67%

	member interest
Ocean Breeze.....	Ocean Breeze Pipeline Company, L.L.C., a Delaware limited liability company in which Leviathan owns a 25.67% member interest
NYMEX.....	New York Mercantile Exchange
POPCO.....	Poseidon Oil Pipeline Company, L.L.C., a Delaware limited liability company in which Leviathan owns a 36% member interest
Stingray.....	Stingray Pipeline Company, L.L.C., a Delaware limited liability company in which Leviathan owns a 50% member interest
Tarpon.....	Tarpon Transmission Company, a Texas corporation and wholly owned subsidiary of Leviathan
UTOS.....	U-T Offshore System, a Delaware partnership in which Leviathan collectively owns a 66.67% member interest
West Cameron Dehy.....	West Cameron Dehydration Company, L.L.C., a Delaware limited liability company in which Leviathan owns a 50% member interest
Western Gulf.....	Western Gulf Holdings, L.L.C., a Delaware limited liability company in which Leviathan collectively owns a 60% member interest
Viosca Knoll.....	Viosca Knoll Gathering Company, a Delaware general partnership in which Leviathan owns a 99% partnership interest

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

The unaudited pro forma condensed consolidated statements of operations for the six months ended June 30, 1999 and for the year ended December 31, 1998 have been prepared based on the historical consolidated statements of operations of Leviathan Gas Pipeline Partners, L.P. and its subsidiaries ("Leviathan"). The historical statements of operations were adjusted to give effect to the transactions identified below (the "Transactions") as if the Transactions had occurred on January 1, 1998. An unaudited pro forma consolidated balance sheet is not presented as the historical results of Leviathan as of June 30, 1999 include the results of the Transactions.

Leviathan, a publicly held Delaware master limited partnership, is primarily engaged in the gathering and transportation and production of natural gas and crude oil in the Gulf of Mexico (the "Gulf"). Through its subsidiaries and joint ventures, Leviathan owns interests in certain significant assets, including (i) nine (eight existing and one under construction) natural gas pipelines, (ii) two (one existing and one under construction) crude oil pipeline systems, (iii) six strategically-located multi-purpose platforms, (iv) a dehydration facility, (v) four producing oil and natural gas properties and (vi) a 100% working interest in a non-producing oil and natural gas unit comprised of Ewing Bank Blocks 958, 959, 1002 and 1003.

The unaudited pro forma financial information gives effect to the following Transactions:

(1) In May 1999, Leviathan sold $175 million of Senior Subordinated Notes due May 2009 (the "Subordinated Notes"). Proceeds from the Subordinated Notes were used (a) to fund the cash portion of the acquisition of the additional interest in Viosca Knoll Gathering Company ("Viosca Knoll") as described in (2) below, (b) to repay outstanding principal under Viosca Knoll's credit facility discussed in (2) below, (c) to reduce the balance outstanding on Leviathan's $375 million credit facility, as amended and restated, (the "Credit Facility") and (d) to pay fees and expenses incurred in connection with the sale of the Subordinated Notes and the Credit Facility.

(2) On January 21, 1999, Leviathan entered into a Contribution Agreement with El Paso Field Services Company ("El Paso"), to acquire all of El Paso's interest in Viosca Knoll, other than a 1% interest in profits and capital in Viosca Knoll. At the time the Contribution Agreement was executed, Leviathan and El Paso each beneficially owned a 50% interest in Viosca Knoll. On June 1, 1999 (the "Closing Date"), Leviathan and El Paso consummated the Viosca Knoll transactions. In connection therewith, (i) a subsidiary of El Paso contributed to Viosca Knoll $33,350,000 (the "Capital Contribution"), which amount was equal to 50% of the amount then outstanding under Viosca Knoll's credit facility, (ii) a subsidiary of Leviathan acquired a 49% interest in Viosca Knoll from a subsidiary of El Paso in exchange for the cash payment of $19,930,750 and the issuance of 2,661,870 Common Units, and (iii) as required by Leviathan's Amended and Restated Agreement of Limited Partnership, Leviathan Gas Pipeline Company, Leviathan's general partner, contributed $603,962 to Leviathan in order to maintain its 1% capital account balance. Concurrently with the closing of the Viosca Knoll transactions, Leviathan also contributed $33,350,000 to Viosca Knoll. These funds and the Capital Contribution were used to repay and terminate Viosca Knoll's credit facility. Furthermore, effective on the Closing Date, Leviathan began consolidating the accounts and operations of Viosca Knoll.

(3) On June 30, 1999, Leviathan acquired (i) all of the outstanding stock of Natoco, Inc., which owns a 20% member interest in Western Gulf Holdings, L.L.C. ("Western Gulf"), which in turn owns 100% of High Island Offshore System, L.L.C. ("HIOS") and East Breaks Gathering Company, L.L.C. ("East Breaks"), and Naloco, Inc. (Del.), which owns a 33 1/3% interest in U-T Offshore System ("UTOS") and (ii) various ownership interests in certain lateral pipelines located in the Gulf from Natural Gas Pipeline Company of America ("NGPL"), a subsidiary of KN Energy, Inc. (collectively the "HIOS/UTOS Transactions"). The East Breaks system is currently under construction and will initially consist of 85 miles of pipeline, with a design capacity of over 400 million cubic feet of natural gas per day,

and related facilities connecting the Diana/Hoover prospects developed by Exxon Company USA and BP Amoco plc in Alaminos Canyon Block 25 in the Gulf, with the HIOS system. The new pipeline and related facilities are anticipated to be in service in late 2000. The UTOS system transports natural gas from the terminus of the HIOS system to the Johnson Bayou facility in southern Louisiana with access to one intrastate and four interstate pipelines. Additionally, Stingray Pipeline Company, L.L.C., which is owned 50% by each of Leviathan and NGPL, purchased from NGPL certain offshore laterals that connect to the Stingray pipeline for approximately $5 million. After a transition period that could end as soon as October 1, 1999, but not later than January 1, 2000, Leviathan will assume NGPL's role as operator of the Stingray pipeline, the Stingray Onshore Separation Facility, the West Cameron Dehydration Facility and certain other lateral pipelines (the "Related Facilities"). Leviathan financed this acquisition with funds from the Credit Facility.

The unaudited pro forma condensed consolidated statements of operations are not necessarily indicative of Leviathan's consolidated results of operations that might have occurred had the Transactions been completed at the beginning of the period specified, and do not purport to indicate Leviathan's consolidated results of operations for any future period. The unaudited pro forma condensed consolidated statements of operations should be read in the context of the related historical consolidated statements of operations and notes thereto included in Leviathan's Annual Report on Form 10-K for the year ended December 31, 1998 and Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999.

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 1999

(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)

	HISTORICAL LEVIATHAN	PRO FORMA FINANCING ADJUSTMENTS	HISTORICAL VIOSCA KNOLL	PRO FORMA ACQUISITION ADJUSTMENTS		PRO FORMA
				VIOSCA KNOLL	HIOS/UTOS	
Revenue:						
Oil and natural gas sales	$ 15,100	$ --	$ 49	$ (8)(e)	$ --	$ 15,141
Gathering, transportation and platform services	10,798	--	14,743	(2,446)(e)	645(k)	23,740
Equity in earnings	19,953	--	--	(3,860)(f)	1,040(l)	17,404
					166(l)	
					105(m)	
	45,851	--	14,792	(6,314)	1,956	56,285
Costs and expenses:						
Operating expenses	5,025	--	1,129	(268)(e)	175(k)	6,061
Depreciation, depletion and amortization	13,727	--	2,191	637(g)	198(k)	16,315
				(438)(e)		
General and administrative expenses and management fee	5,909	--	71	(8)(e)	--	5,972
	24,661	--	3,391	(77)	373	28,348
Operating income	21,190	--	11,401	(6,237)	1,583	27,937
Interest and other income	268	--	33	(2)(e)	500(n)	799
Interest and other financing costs	(13,868)	13,868(a)	(1,973)	1,973(h)	--	(20,805)
		(9,078)(b)				
		(294)(b)				
		(11,433)(c)				
Minority interests in (income) loss	(80)	70(d)	--	17(e)	(21)(o)	(181)
				(167)(i)		
Income before income taxes	7,510	(6,867)	9,461	(4,416)	2,062	7,750
Income tax benefit	177	--	--	--	--	177
Net income	$ 7,687	$ (6,867)	$ 9,461	$(4,416)	$2,062	$ 7,927
Weighted average number units outstanding	24,808			2,221(j)		27,029
Basic and diluted net income per unit	$ 0.25					$ 0.24

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

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1998

(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)

	HISTORICAL LEVIATHAN	PRO FORMA FINANCING ADJUSTMENTS	HISTORICAL VIOSCA KNOLL	PRO FORMA ACQUISITION ADJUSTMENTS		PRO FORMA
				VIOSCA KNOLL	HIOS/UTOS	
Revenue:						
Oil and natural gas sales	$ 31,411	$ --	$ 528	$ --	$ --	$ 31,939
Gathering, transportation and platform services	17,320	--	28,806	--	1,289(k)	47,415
Equity in earnings	26,724	--	--	(9,113)(f)	2,679(l)	21,048
					548(l)	
					210(m)	
	75,455	--	29,334	(9,113)	4,726	100,402
Costs and expenses:						
Operating expenses	11,369	--	2,877	--	349(k)	14,595
Depreciation, depletion and amortization	29,267	--	3,860	1,274(g)	396(k)	34,797
Impairment, abandonment and other	(1,131)	--	--	--	--	(1,131)
General and administrative expenses and management fee	16,189	--	154	--	--	16,343
	55,694	--	6,891	1,274	745	64,604
Operating income	19,761	--	22,443	(10,387)	3,981	35,798
Interest and other income	771	--	50	--	1,000(n)	1,821
Interest and other financing costs	(20,242)	20,242(a)	(4,267)	4,267(h)	--	(36,151)
		(18,156)(b)				
		(589)(b)				
		(17,406)(c)				
Minority interests in (income) loss	(15)	161(d)	--	(347)(i)	(50)(o)	(251)
Income before income taxes	275	(15,748)	18,226	(6,467)	4,931	1,217
Income tax benefit	471	--	--	--	--	471
Net income	$ 746	$(15,748)	$18,226	$ (6,467)	$4,931	$ 1,688
Weighted average number units outstanding	24,367			2,662(j)		27,029
Basic and diluted net income per unit	$ 0.02					$ 0.05

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

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA CONDENSED

CONSOLIDATED STATEMENTS OF OPERATIONS

The unaudited pro forma condensed consolidated statements of operations have been prepared to reflect the Transactions described on pages F-4 and F-5 and the application of the adjustments to the historical amounts as described below:

(a) To reverse Leviathan's historical interest expense.

(b) To record (i) interest expense on the Subordinated Notes at a rate of 10 3/8% per annum and (ii) amortization of debt issue costs related to the Subordinated Notes ($5.9 million) over ten years.

(c) To record interest expense and amortization of debt issue costs related to the amended and restated Credit Facility calculated as follows (in thousands):

SIX MONTHS ENDED JUNE 30, 1999	1ST QUARTER	2ND QUARTER	TOTAL
Credit Facility interest expense:			
Outstanding balance at beginning of quarter	$277,079	$294,079	
Quarterly borrowings	17,000	12,421	
Outstanding balance at end of quarter	$294,079	$306,500	
Average outstanding balance	$285,579	$300,290	
Assumed average interest rate	7.5%	7.5%	
Assumed quarterly interest expense	$ 5,355	$ 5,630	$10,985
Less capitalized interest			(755)
Commitment fees and other			82
			1,121see(x)
Amortization of debt issue costs			below
Adjusted interest expense			$11,433
Credit Facility debt issue costs:			
Balance of debt issue costs as of January 1, 1998	$ 3,749		
Amendment and restatement fees	2,975		
	6,724		
Life of Credit Facility	3 years		
Debt issue cost amortization for six months	$ 1,121(x)		

YEAR ENDED DECEMBER 31, 1998	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	TOTAL
Credit Facility interest expense:					
Outstanding balance as of January 1, 1998	$238,000				
Net reduction of Credit Facility(1)	(60,921)				
Outstanding balance at beginning of quarter	177,079	$190,079	$209,079	$230,079	
Quarterly borrowings	13,000	19,000	21,000	47,000	
Outstanding balance at end of quarter	$190,079	$209,079	$230,079	$277,079	
Average outstanding balance	$183,579	$199,579	$219,579	$253,579	
Assumed average interest rate	7.5%	7.5%	7.5%	7.5%	
Assumed quarterly interest expense	$ 3,442	$ 3,742	$ 4,117	$ 4,755	$16,056
Less capitalized interest					(1,066)
Commitment fees					175
Amortization of debt issue costs					2,241see(y) below
Adjusted interest expense					$17,406
Credit Facility debt issue costs:					
Balance of debt issue costs as of January 1, 1998	$ 3,749				
Amendment and restatement fees	2,975				
	6,724				
Life of Credit Facility	3 years				
Annual debt issue cost amortization	$ 2,241(y)				

- ---

(1) The net reduction of the Credit Facility on January 1, 1998 is calculated as follows (in thousands):

Proceeds from the Subordinated Notes	$175,000
Fees and expenses related to sale of the Subordinated Notes	(5,885)
Cash portion of the acquisition of the additional Viosca Knoll interest	(20,741)
Repayment and cancellation of Viosca Knoll's credit facility	(33,350)
Fees and expenses associated with the amended and restated Credit Facility	(2,975)
Consummate the HIOS/UTOS Transactions	(51,128)
Net reduction of the Credit Facility	$ 60,921

(d) To record the minority interest in expense for the approximate 1.0% minority interest ownership in certain of Leviathan's subsidiaries.

(e) To reverse the June 1999 results of operations of Viosca Knoll which are

included in Leviathan's historical results of operations as Leviathan began consolidating Viosca Knoll on June 1, 1999.

(f) To reverse Leviathan's historical equity in earnings of Viosca Knoll.

(g) To record depreciation expense associated with the allocation of the excess purchase price to Viosca Knoll's property and equipment. Such equipment will be depreciated on a straight-line basis over the remaining useful lives of the assets which approximate 25 years.

(h) To reverse interest expense related to Viosca Knoll's credit facility which was repaid with the proceeds from the Capital Contribution and the Subordinated Notes.

(i) To adjust minority interest in income for the approximate 1.0% minority interest ownership in certain of Leviathan's subsidiaries and the 1.0% minority interest ownership in Viosca Knoll.

(j) To adjust weighted average units outstanding for the 2,661,870 common units issued at the Closing Date.

(k) To record transportation revenue, operating expenses and depreciation related to certain pipeline laterals acquired. The pipeline laterals will be depreciated on a straight-line basis over their estimated remaining useful lives of 5 years.

(l) To record Leviathan's additional equity in earnings of HIOS and UTOS calculated as follows (in thousands). Since Leviathan's control of its investments in HIOS and UTOS is expected to be temporary, Leviathan will continue to use the equity method to account for these investments.

	SIX MONTHS ENDED JUNE 30, 1999		YEAR ENDED DECEMBER 31, 1998	
	HIOS	UTOS	HIOS	UTOS
Net investee earnings	$8,498	$798	$19,983	$2,247
Additional ownership interest	20%	33.3%	20%	33.3%
	1,700	266	3,997	748
Adjustment:				
Depreciation(1)	(659)	(100)	(1,318)	(200)
Equity in earnings	$1,041	$166	$ 2,679	$ 548

- ---

(1) Results from purchase price adjustments made in accordance with Accounting Principles Board Opinion No. 16, "Business Combinations." The purchase price of the HIOS/UTOS Transactions exceeded the fair value of net assets acquired by approximately $45.5 million. The excess cost has been preliminarily assigned to property and equipment and will be amortized on a straight-line basis over an estimated remaining life of 30 years.

(m) To record additional equity in earnings of Stingray calculated as 50% of the net earnings related to certain laterals acquired by Stingray in connection with the HIOS/UTOS Transactions.

(n) To record the management fee related to Leviathan's operation of the Related Facilities.

(o) To adjust minority interest in income for the approximate 1.0% minority interest ownership in certain of Leviathan's subsidiaries.

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)

(UNAUDITED)

	QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1999	1998	1999	1998
Revenue	$23,972	$18,373	$ 45,851	$36,087
Costs and expenses				
Operating expenses	2,431	2,708	5,025	5,546
Depreciation, depletion and amortization	7,009	6,978	13,727	14,845
General and administrative expenses and management fee	2,779	2,554	5,909	7,503
	12,219	12,240	24,661	27,894
Operating income	11,753	6,133	21,190	8,193
Interest income and other	165	73	268	157
Interest and other financing costs	(7,766)	(4,707)	(13,868)	(8,429)
Minority interest in income	(43)	(16)	(80)	(3)
Income (loss) before income taxes	4,109	1,483	7,510	(82)
Income tax benefit	79	27	177	168
Net income	$ 4,188	$ 1,510	$ 7,687	$ 86
Weighted average number of units outstanding	25,244	24,367	24,808	24,367
Basic and diluted net income per unit	$ 0.13	$ 0.05	$ 0.25	$ 0.00

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

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

ASSETS

	JUNE 30, 1999 (UNAUDITED)	DECEMBER 31, 1998
Current assets		
Cash and cash equivalents	$ 3,301	$ 3,108
Accounts receivable	9,180	8,588
Other current assets	344	247
Total current assets	12,825	11,943
Equity investments (Notes 2 and 3)	219,732	186,079
Property and equipment, net (Notes 2 and 4)	381,210	241,992
Other noncurrent assets	12,146	2,712
Total assets	$625,913	$442,726
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities		
Accounts payable and accrued liabilities	$ 12,475	$ 11,167
Notes payable (Note 6)	--	338,000
Total current liabilities	12,475	349,167
Notes payable (Note 6)	306,500	--
Long-term debt (Note 6)	175,000	--
Other noncurrent liabilities	12,151	11,661
Total liabilities	506,126	360,828
Commitments and contingencies		
Minority interest	(249)	(998)
Partners' capital (Note 2)	120,036	82,896
Total liabilities and partners' capital	$625,913	$442,726

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

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	1999	1998
Cash flows from operating activities		
Net income	$ 7,687	$ 86
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization	13,727	14,845
Distributions from equity investees	24,108	13,298
Equity in earnings	(19,953)	(12,571)
Other noncash items	721	509
Working capital changes, net of effects of acquisitions	(2,650)	(3,283)
Net cash provided by operating activities	23,640	12,884
Cash flows from investing activities		
Additions to pipelines, platforms and facilities	(14,260)	(12,283)
Investments in equity investees	(4,393)	(4,543)
Acquisition of additional interests in equity investees, net of cash received	(51,128)	--
Net cash flow impact of acquisition of Viosca Knoll	(19,856)	--
Development of oil and natural gas properties	(3,181)	(2,540)
Net cash used in investing activities	(92,818)	(19,366)
Cash flows from financing activities		
Proceeds from notes payable	95,500	50,000
Long-term debt issuance	175,000	--
Repayments of notes payable	(160,350)	(18,000)
Debt issuance costs	(10,126)	--
Distributions to partners	(31,256)	(30,806)
General Partner's contribution	603	--
Net cash provided by financing activities	69,371	1,194
Increase (decrease) in cash and cash equivalents	193	(5,288)
Cash and cash equivalents		
Beginning of period	3,108	6,430
End of period	$ 3,301	$ 1,142

Non-cash Investing Activities: See Note 2 for discussion.

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

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL

(IN THOUSANDS)

	PREFERENCE UNITS	PREFERENCE UNITHOLDERS	COMMON UNITS	COMMON UNITHOLDERS	GENERAL PARTNER(A)	TOTAL
Partners' capital at December 31, 1998	1,017	$7,351	23,350	$ 90,972	$(15,427)	$ 82,896
Net income for the six months ended June 30, 1999 (unaudited)	--	131	--	6,098	1,458	7,687
Issuance of Common Units for acquisition of additional interest in Viosca Knoll (unaudited)	--	--	2,662	59,792	--	59,792
General Partner contribution related to issuance of Common Units (unaudited)	--	--	--	--	603	603
Cash distributions (unaudited)	--	(559)	--	(24,517)	(5,866)	(30,942)
Partners' capital at June 30, 1999 (unaudited)	1,017	$6,923	26,012	$132,345	$(19,232)(b)	$120,036

- ---

(a) Leviathan Gas Pipeline Company owns a 1% general partner interest in Leviathan.

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

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

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1 -- ORGANIZATION AND BASIS OF PRESENTATION:

Leviathan is a provider of integrated energy services, including natural gas and oil gathering, transportation, midstream and other related services in the Gulf. Through its subsidiaries and joint ventures, Leviathan owns interests in significant assets, including (i) nine (eight existing and one under construction) natural gas pipelines (the "Gas Pipelines"), (ii) two (one existing and one under construction) oil pipeline systems, (iii) six strategically-located multi-purpose platforms, (iv) production handling and dehydration facilities, (v) four producing oil and natural gas properties and (vi) a non-producing oil and natural gas property, the Ewing Bank 958 Unit, comprised of Ewing Bank Blocks 958, 959, 1002 and 1003, formerly referred to as the Sunday Silence property. The General Partner performs all management and operational functions for Leviathan and its subsidiaries.

As of June 30, 1999, Leviathan had 26,011,858 Common Units and 1,016,906 Preference Units outstanding. The public owns limited partner interests representing an effective 65.5% interest in Leviathan, comprised of 1,016,906 Preference Units and 17,058,094 Common Units. El Paso Energy, through its subsidiaries, owns an effective 34.5% economic interest in Leviathan, comprised of a 32.5% limited partner interest in the form of 8,953,764 Common Units, its 1% general partner interest in Leviathan and its approximate 1% nonmanaging member interest in certain subsidiaries of Leviathan.

The 1998 Annual Report on Form 10-K for Leviathan includes a summary of significant accounting policies and other disclosures and should be read in conjunction with this Quarterly Report on Form 10-Q. The condensed consolidated financial statements at June 30, 1999, and for the quarters and six months ended June 30, 1999 and 1998 are unaudited. The condensed consolidated balance sheet at December 31, 1998 is derived from audited consolidated financial statements at that date. These financial statements do not include all disclosures required by generally accepted accounting principles, but have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission. In the opinion of management, all material adjustments necessary to present fairly the consolidated financial position and results of operations for such periods have been included. All such adjustments are of a normal recurring nature. Results of operations for any interim period are not necessarily indicative of the results of operations for the entire year due to the seasonal nature of Leviathan's businesses.

NOTE 2 -- ACQUISITIONS:

Viosca Knoll

In January 1999, Leviathan entered into a Contribution Agreement with EPFS to acquire all of EPFS's interest in Viosca Knoll other than a 1% interest in profits and capital of Viosca Knoll. At the time the Contribution Agreement was executed, Leviathan and EPFS each beneficially owned a 50% interest in Viosca Knoll, which was formed in 1994 to construct, own and operate an unregulated gathering system designed to serve the Main Pass, Mississippi Canyon and Viosca Knoll areas of the Gulf. The Viosca Knoll system is comprised of (i) an approximately 94 mile, 20-inch diameter pipeline from a platform in Main Pass Block 252 owned by Shell Offshore, Inc. to a pipeline owned by Tennessee Gas Pipeline Company at South Pass Block 55 and (ii) a six mile 16-inch diameter pipeline from an interconnection with the 20-inch diameter pipeline at Leviathan's Viosca Knoll Block 817 platform to a pipeline owned by Southern Natural Gas Company at Main Pass Block 289.

Leviathan and EPFS closed the Viosca Knoll acquisition on June 1, 1999. In connection therewith, (i) EPFS contributed to Viosca Knoll $33.4 million, which amount was equal to 50% of the amount then outstanding under Viosca Knoll's credit facility, (ii) a subsidiary of EPFS transferred a 49% interest in Viosca Knoll to Leviathan, (iii) Leviathan paid to a subsidiary of EPFS $19.9 million and issued to that subsidiary 2,661,870 Common Units, (iv) Leviathan paid other closing costs of $0.8 million and (v) as

required by Leviathan's Amended and Restated Agreement of Limited Partnership, the General Partner contributed $0.6 million to Leviathan in order to maintain its 1% capital account balance. In addition, during the six months commencing on June 1, 2000, Leviathan has an option to acquire the remaining 1% interest in profits and capital of Viosca Knoll for a cash payment equal to the sum of $1.6 million plus the amount of additional distributions (paid, payable or in arrears) which would have been paid, accrued or been in arrears had Leviathan acquired the remaining 1% of Viosca Knoll on June 1, 1999, by issuing additional Common Units in lieu of a cash payment of $1.7 million. Leviathan used the equity method of accounting for its 50% interest in Viosca Knoll through May 31, 1999. As a result of its acquisition of an additional 49% interest in Viosca Knoll, Leviathan began consolidating Viosca Knoll as of June 1, 1999. The acquisition of Viosca Knoll was accounted for as a purchase and the purchase price was assigned to the assets and liabilities acquired based upon the estimated fair value of those assets and liabilities as of the acquisition date. The fair value of allocations are preliminary and may be revised after the completion of an independent appraisal.

	(IN THOUSANDS)
Fair value of assets acquired	$ 83,061
Cash acquired	434
Fair value of liabilities assumed	(2,962)
Total purchase price	80,533
Issuance of common units	(59,792)
Net cash paid	$ 20,741

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

	SIX MONTHS ENDED JUNE 30,	
	1999	1998
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)	
Revenue	$54,330	$46,021
Operating income	$26,355	$14,334
Net income	$ 9,650	$ 3,005
Basic and diluted net income per unit	$ 0.29	$ 0.09

HIOS/UTOS

On June 30, 1999, subsidiaries of Leviathan acquired from Natural Gas Pipeline Company of America ("NGPL"), a subsidiary of KN Energy, Inc., for total consideration of approximately $51 million, net of cash received, (i) all of the outstanding stock of two of NGPL's wholly-owned subsidiaries, Natoco, Inc. ("Natoco"), which owns a 20% member interest in Western Gulf, which in turn owns 100% of each of HIOS and East Breaks, and Naloco, Inc. (Del.) ("Naloco"), which owns a 33.33% interest in UTOS, and (ii) NGPL's ownership interest in certain lateral pipelines located in the Gulf. In addition, Leviathan will assume NGPL's role as operator of Stingray, the Stingray Offshore Separation Facility and West Cameron Dehydration Facility. Leviathan financed this acquisition with funds borrowed under its $375 million revolving credit facility discussed in Note 6. The purchase price exceeded the fair market value of net assets acquired by approximately $48 million. This excess cost has been preliminary assigned to property and equipment and is to be amortized on a straight line basis over 30 years. After giving effect to the acquisition, Leviathan owns a 60% interest in Western Gulf, and thus an effective 60% interest in each of HIOS and East Breaks and a 66.67% interest in UTOS. Since Leviathan's control is

expected to be temporary, these investments will continue to be accounted for under the equity method of accounting.

Western Gulf was formed in December 1998 by Leviathan, NGPL and ANR Pipeline Company ("ANR") as a holding company for HIOS and East Breaks. HIOS consists of approximately 204 miles of pipeline comprised of three supply laterals, the West, Central and East Laterals, that connect to a 42-inch diameter mainline. The HIOS system was placed in service in 1977 and is used to gather and transport natural gas produced from fields located in the Galveston, Garden Banks, High Island, West Cameron and East Breaks areas of the Gulf to a junction platform owned by HIOS located in West Cameron Block 167. The total capacity of the HIOS system is approximately 1.8 Bcf of natural gas per day. ANR operates the HIOS system. The East Breaks system is currently under construction, with a design capacity of over 400 Mcf of natural gas per day, and will initially consist of 85 miles of an 18 to 20-inch pipeline and related facilities connecting the Diana/Hoover prospects developed by Exxon Company USA ("Exxon") and BP Amoco plc ("BP Amoco") in Alaminos Canyon Block 25, with the HIOS system. The majority of the construction of the East Breaks system will occur in 1999 and the system is anticipated to be in service by mid-2000 at an estimated cost of approximately $90 million.

Prior to June 30, 1999, UTOS was owned equally by Leviathan, NGPL and ANR. The UTOS system was placed in service in 1978 and consists of approximately 30 miles of 42-inch diameter pipeline extending from a point of interconnection with HIOS at West Cameron Block 167 to the Johnson Bayou processing facility in southern Louisiana. The UTOS system transports natural gas from the terminus of the HIOS system at West Cameron Block 167 to the Johnson Bayou facility, where it interconnects with one intrastate and four interstate pipeline systems. UTOS also owns the Johnson Bayou facility, which provides primarily natural gas and liquids separation and natural gas dehydration for natural gas transported on the HIOS and UTOS systems. ANR operates the UTOS system.

The following selected unaudited pro forma information represents Leviathan's consolidated results of operations on a pro forma basis for the six month periods ended June 30, 1999 and 1998, assuming the HIOS/UTOS acquisition, the acquisition of certain lateral pipelines and the effects of becoming the operator of Stingray had occurred on January 1, 1998.

	SIX MONTHS ENDED JUNE 30,	
	1999	1998
	(IN THOUSANDS EXCEPT PER UNIT AMOUNTS)	
Revenue	$47,755	$38,485
Operating income	$22,896	$10,392
Net income (loss)	$ 6,882	$ (230)
Basic and diluted net income (loss) per unit	$ 0.23	$ (0.01)

NOTE 3 -- EQUITY INVESTMENTS:

Leviathan's ownership interest in each of the Equity Investees is included in the summarized financial information that follows:

SUMMARIZED HISTORICAL OPERATING RESULTS

SIX MONTHS ENDED JUNE 30, 1999

(IN THOUSANDS)

(UNAUDITED)

	HIOS(A)	UTOS(A)	VIOSCA KNOLL(B)	STINGRAY	WEST CAMERON DEHY	POPCO	MANTA RAY OFFSHORE(C)	NAUTILUS(C)	TOTAL
Operating revenue.....	$19,350	$2,119	$12,338	$ 9,068	$1,475	$36,217	$ 7,780	$ 4,453	
Other income.....	118	33	31	1,105	13	191	1,144	(123)	
Operating expenses.....	(8,649)	(1,074)	(925)	(5,569)	(142)	(3,814)	(1,997)	(698)	
Depreciation.....	(2,321)	(280)	(1,752)	(3,800)	(8)	(2,301)	(2,523)	(2,964)	
Interest expense.....	--	--	(1,973)	(858)	--	(4,220)	(18)	(182)	
Net earnings (loss).....	8,498	798	7,719	(54)	1,338	26,073	4,386	486	
Ownership percentage.....	40%	33.3%	50%	50%	50%	36%	25.67%	25.67%	
	3,399	266	3,860	(27)	669	9,386	1,126	125	
Adjustments:									
Depreciation(d).....	354	17	--	400	--	(60)	(174)	--	
Contract amortization(d).....	(53)	--	--	--	--	--	--	--	
Other.....	(2)	3	--	721(e)	--	--	--	(57)	
Equity in earnings.....	$3,698	$ 286	$ 3,860	$ 1,094	$ 669	$ 9,326	$ 952	$ 68	$19,953
Distributions(f).....	$4,200	$ 333	$ 6,350	$ 2,501	$ 550	$ 7,463	$ 1,954	$ 757	$24,108

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

(a) As a result of restructuring the joint venture arrangement in December 1998, the partners of HIOS, (i) created a holding company, Western Gulf, (ii) converted the HIOS Delaware partnership into a limited liability company and (iii) formed East Breaks. HIOS owns a regulated natural gas system, and East Breaks is currently constructing an unregulated natural gas system. Leviathan believes the disclosure of separate financial data for HIOS and East Breaks is more meaningful than the consolidated results of Western Gulf. East Breaks has had only construction activity since its inception. On June 30, 1999, Leviathan acquired additional interests in HIOS, East Breaks and UTOS (see Note 2). As a result of the additional interests acquired, Leviathan owns an effective 60% interest in each of HIOS and East Breaks and a 66.7% interest in UTOS.

(b) The information presented for Viosca Knoll as an equity investment is through May 31, 1999. On June 1, 1999, Leviathan began consolidating the results of Viosca Knoll as a result of acquiring an additional 49% interest in Viosca Knoll (see Note 2).

(c) Leviathan owns a 25.67% interest in each of Neptune and Ocean Breeze, which together own 100% of the member interests in each of Manta Ray Offshore, which owns an unregulated natural gas system, and Nautilus, which owns a regulated natural gas system. Leviathan believes the disclosure of separate financial data for Manta Ray Offshore and Nautilus is more meaningful than the consolidated results of Neptune and Ocean Breeze.

(d) Adjustments result from purchase price adjustments made in accordance with

Accounting Principles Board ("APB") Opinion No. 16, "Business Combinations."

(e) Adjustments primarily resulting from changes in prior period estimates of reserves for uncollectible revenue.

(f) Future distributions are at the discretion of the Equity Investees' management committees and could further be restricted by the terms of the Equity Investees' respective credit agreements.

SUMMARIZED HISTORICAL OPERATING RESULTS

SIX MONTHS ENDED JUNE 30, 1998

(IN THOUSANDS)

(UNAUDITED)

	HIOS	UTOS	VIOSCA KNOLL	STINGRAY	WEST CAMERON DEHY	POPCO	MANTA RAY OFFSHORE(A)	NAUTILUS(A)	TOTAL
Operating revenue.....	$21,730	$ 2,384	$14,746	$11,620	$1,191	$19,517	$ 5,234	$ 1,289	
Other income.....	134	57	23	434	2	145	184	17	
Operating expenses.....	(8,632)	(1,260)	(1,263)	(7,611)	(84)	(1,960)	(1,533)	(678)	
Depreciation.....	(2,384)	(279)	(1,893)	(3,489)	(7)	(4,392)	(2,129)	(2,890)	
Interest expense.....	--	--	(1,989)	(1,069)	--	(4,396)	--	(12)	
Net earnings (loss).....	10,848	902	9,624	(115)	1,102	8,914	1,756	(2,274)	
Ownership percentage.....	40%	33.3%	50%	50%	50%	36%	25.67%	25.67%	
	4,339	301	4,812	(58)	551	3,209	451	(584)	
Adjustments:									
Depreciation(b).....	379	16	--	406	--	--	(174)	--	
Contract amortization(b).....	(53)	--	--	(122)	--	--	--	--	
Other.....	(69)	16	--	(24)	--	(60)	--	(765)(c)	
Equity in earnings (loss).....	$ 4,596	$ 333	$ 4,812	$ 202	$ 551	$ 3,149	$ 277	$(1,349)	$12,571
Distributions.....	$ 5,240	$ 333	$ 5,800	$ 1,000	$ 425	$ --	$ 500	$ --	$13,298

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

(a) Leviathan owns a 25.67% interest in each of Neptune and Ocean Breeze, which together own 100% of the member interests in each of Manta Ray Offshore, which owns an unregulated natural gas system, and Nautilus, which owns a regulated natural gas system. Leviathan believes the disclosure of separate financial data for Manta Ray Offshore and Nautilus is more meaningful than the consolidated results of Neptune and Ocean Breeze.

(b) Adjustments result from purchase price adjustments made in accordance with APB Opinion No. 16.

(c) Primarily relates to a revision of the allowance for funds used during construction ("AFUDC") which represents the estimated costs, during the construction period, of funds used for construction purposes.

NOTE 4 -- PROPERTY AND EQUIPMENT:

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

	JUNE 30, 1999	DECEMBER 31, 1998
	(UNAUDITED)	

Property and equipment, at cost		
Pipelines	$ 79,313	$ 64,464
Platforms and facilities	271,049	123,912
Oil and natural gas properties, at cost, using successful efforts method	155,931	152,750
	506,293	341,126
Less accumulated depreciation, depletion, amortization and impairment	125,083	99,134
Property and equipment, net	$381,210	$241,992

NOTE 5 -- BUSINESS SEGMENT INFORMATION:

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

	GATHERING, TRANSPORTATION AND PLATFORM SERVICES	OIL AND NATURAL GAS	EQUITY INVESTMENTS	SUBTOTAL	ELIMINATIONS AND OTHER	TOTAL
QUARTER ENDED JUNE 30, 1999:						
Revenue from external customers	$ 6,425	$ 8,295	$ 9,252	$ 23,972	$ --	$ 23,972
Intersegment revenue	3,136	--	--	3,136	(3,136)	--
Depreciation, depletion and amortization	(2,323)	(4,686)	--	(7,009)	--	(7,009)
Operating income (loss)	4,632	(1,177)	8,298	11,753	--	11,753
Net cash flows	6,956	3,508	13,064	23,528	--	23,528
Segment assets	310,609	77,871	222,038	610,518	15,395	625,913
QUARTER ENDED JUNE 30, 1998:						
Revenue from external customers	$ 4,522	$ 6,599	$ 7,252	$ 18,373	$ --	$ 18,373
Intersegment revenue	2,486	--	--	2,486	(2,486)	--
Depreciation, depletion and amortization	(1,903)	(5,075)	--	(6,978)	--	(6,978)
Operating income (loss)	2,700	(3,061)	6,494	6,133	--	6,133
Net cash flows	4,603	2,014	6,215	12,832	--	12,832
Segment assets	143,340	58,662	188,530	390,532	15,555	406,087
SIX MONTHS ENDED JUNE 30, 1999:						
Revenue from external customers	$ 10,798	$15,100	$ 19,953	$ 45,851	$ --	$ 45,851
Intersegment revenue	6,010	--	--	6,010	(6,010)	--
Depreciation, depletion and amortization	(4,243)	(9,484)	--	(13,727)	--	(13,727)
Operating income (loss)	7,642	(4,043)	17,591	21,190	--	21,190
Net cash flows	11,885	5,441	21,746	39,072	--	39,072
Segment assets	310,609	77,871	222,038	610,518	15,395	625,913
SIX MONTHS ENDED JUNE 30, 1998:						
Revenue from external customers	$ 7,782	$15,734	$ 12,571	$ 36,087	$ --	$ 36,087
Intersegment revenue	5,075	--	--	5,075	(5,075)	--
Depreciation, depletion and amortization	(3,519)	(11,326)	--	(14,845)	--	(14,845)
Operating income (loss)	3,129	(5,109)	10,173	8,193	--	8,193
Net cash flows	6,648	6,217	10,900	23,765	--	23,765
Segment assets	143,340	58,662	188,530	390,532	15,555	406,087

NOTE 6 -- FINANCING TRANSACTIONS:

Senior Subordinated Notes

Leviathan entered into an indenture dated May 27, 1999 with Chase Bank of Texas, National Association, pursuant to which it issued $175 million in aggregate principal amount of Senior Subordinated Notes (along with the indenture, the "Subordinated Notes"). Leviathan capitalized $5.2 million of debt issue costs related to the issuance of the Subordinated Notes. Approximately $19.9 million of the proceeds were used to consummate the Viosca Knoll acquisition (see Note 2), $33.4 million were contributed to Viosca Knoll to repay the remaining unpaid balance of the Viosca Knoll credit facility, and the remaining proceeds were used to reduce the balance outstanding of and to extend Leviathan's revolving credit facility (discussed below).

The Subordinated Notes bear interest at a rate of 10 3/8% per annum, payable semi-annually, on June 1 and December 1, mature on June 1, 2009 and are junior to substantially all of Leviathan's other indebtedness other than trade payables and indebtedness that by its terms expressly states it is equal or junior to the Subordinated Notes. Generally, Leviathan does not have the right to prepay the Subordinated Notes prior to May 31, 2004 and thereafter, Leviathan may prepay the Subordinated Notes at a premium of 5% of the face amount, which premium declines ratably through maturity. Although the Subordinated Notes are unsecured, all of Leviathan's subsidiaries have guaranteed those obligations. The Subordinated Notes contain customary terms and conditions, including various affirmative and negative covenants and the obligation to offer to repurchase the notes at a premium under certain circumstances. Among other things, the terms of the Subordinated Notes limit Leviathan's ability to make distributions to its unitholders, redeem or otherwise reacquire any of its equity, incur additional indebtedness, incur or permit to exist certain liens, make additional investments, engage in transactions with affiliates, engage in certain types of businesses and dispose of assets under certain circumstances, including if certain financial tests are not satisfied or there is a default. In addition, Leviathan will be obligated to offer to repurchase the Subordinated Notes if it experiences certain types of changes of control or if it disposes of certain assets and does not reinvest the proceeds or repay senior indebtedness. Also, Leviathan agreed to file a registration statement for an offer to exchange the Subordinated Notes for debt securities with identical terms and to complete the registered exchange offer within 180 days after June 1, 1999.

Leviathan Credit Facility

Concurrent with the closing of the offering of the Subordinated Notes, Leviathan amended and restated its $375 million credit facility (the "Leviathan Credit Facility") to, among other things, extend its maturity from December 1999 to May 2002. Leviathan incurred approximately $3.0 million related to the amendment and restatement of the credit facility. The Leviathan Credit Facility, as amended, is a revolving credit facility with a syndicate of commercial banks providing for up to $375 million of available credit, subject to customary terms and conditions, including certain limitations on incurring additional indebtedness (including borrowings under this facility) if certain financial targets are not achieved and maintained. In addition, Leviathan will be required to prepay a portion of the balance outstanding under this credit facility to the extent such financial targets are not achieved and maintained. Funds borrowed under the Leviathan Credit Facility are available to Leviathan for general partnership purposes, including financing capital expenditures, working capital requirements and, subject to certain limitations, distributions to the unitholders. The Leviathan Credit Facility can also be utilized to issue letters of credit as may be required from time to time; however, no letters of credit are currently outstanding. The Leviathan Credit Facility, as amended, matures in May 2002; is guaranteed by the General Partner and each of Leviathan's subsidiaries; and is collateralized by (i) the management agreement between the General Partner and a subsidiary of El Paso Energy, (ii) substantially all of the assets of Leviathan and its subsidiaries and (iii) the General Partner's 1% general partner interest in Leviathan and approximate 1% nonmanaging

member interest in certain subsidiaries of Leviathan. The Leviathan Credit Facility has no scheduled amortization prior to maturity. As of June 30, 1999, Leviathan had $306.5 million outstanding under its credit facility bearing interest at an average floating rate of 7.5% per annum.

NOTE 7 -- PARTNERS' CAPITAL INCLUDING CASH DISTRIBUTIONS:

Cash distributions

Leviathan paid cash distributions of $0.275 per Preference Unit and $0.525 per Common Unit for each of the three months ended December 31, 1998 and March 31, 1999 in February 1999 and May 1999, respectively. As a result, the General Partner received incentive distributions of $5.6 million for the six months ended June 30, 1999. On July 19, 1999, Leviathan declared a cash distribution of $0.275 per Preference Unit and $0.525 per Common Unit for the three months ended June 30, 1999 which was paid on August 13, 1999, to all holders of record of Common Units and Preference Units as of July 30, 1999. The General Partner was paid an incentive distribution of $3.2 million for the quarter ended June 30, 1999. At the current distribution rates, the General Partner receives approximately 19% of total cash distributions paid by Leviathan and is thus allocated approximately 19% of Leviathan's net income.

Conversion of Preference Units into Common Units

On May 14, 1999, Leviathan notified the holders of its 1,016,906 then outstanding Preference Units of their opportunity to submit their Preference Units for conversion into an equal number of Common Units during a 90-day period. During the conversion period, 725,607 Preference Units were converted into an equal number of Common Units. The remaining 291,299 Preference Units will retain their distribution preferences over the Common Units; that is, no Common Unitholder or the General Partner will receive any quarterly distribution until each Preference Unitholder has received the minimum quarterly distribution of $0.275 per unit plus any arrearages. Holders of the Common Units and the General Partner are entitled to distributions in excess of $0.275 per unit. Preference Units are not entitled to any such excess distributions.

Holders of Preference Units will have a third and final conversion opportunity in May 2000. Thereafter, any remaining Preference Units may, in certain circumstances, be subject to mandatory redemption at below market trading prices. Further, following this most recent conversion opportunity period, the Preference Units may no longer meet New York Stock Exchange minimum listing requirements and may be delisted.

NOTE 8 -- NET INCOME PER UNIT:

Basic and diluted net income per unit is calculated based upon the net income of Leviathan less an allocation of net income to the General Partner proportionate to its share of cash distributions and is presented below for the quarters and six months ended June 30, 1999 and 1998 (in thousands).

	QUARTER ENDED JUNE 30,					
	1999			1998		
	LIMITED PARTNERS	GENERAL PARTNER	TOTAL	LIMITED PARTNERS	GENERAL PARTNER	TOTAL
Net income(a)	$4,146	$ 42	$4,188	$1,495	$ 15	$1,510
Allocation to General Partner(b)	(753)	753	--	(277)	277	--
Allocation of net income as adjusted for incentive distributions	$3,393	$ 795	$4,188	$1,218	$292	$1,510
Weighted average number of units outstanding(c)	25,244			24,367		
Basic and diluted net income per unit	$ 0.13			$ 0.05		

	SIX MONTHS ENDED JUNE 30,					
	1999			1998		
	LIMITED PARTNERS	GENERAL PARTNER	TOTAL	LIMITED PARTNERS	GENERAL PARTNER	TOTAL
Net income(a)	$ 7,610	$ 77	$7,687	$ 85	$ 1	$ 86
Allocation to General Partner(b)	(1,382)	1,382	--	(16)	16	--
Allocation of net income as adjusted for incentive distributions	$ 6,228	$1,459	$7,687	$ 69	$ 17	$ 86
Weighted average number of units outstanding(c)	24,808			24,367		
Basic and diluted net income per unit	$ 0.25			$ 0.00		

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

(a) Net income is initially allocated 99% to the limited partners as holders of the Preference and Common Units and 1% to the General Partner (see (b)).

(b) Represents allocation of net income to the General Partner proportionate to its share of each quarter's cash distributions which included incentive distributions (see Note 7).

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

NOTE 9 -- RELATED PARTY TRANSACTIONS:

Management fees

Leviathan's partnership agreement provides for reimbursement of expenses incurred by the General Partner, including reimbursement of expenses incurred by El Paso Energy in providing management services to Leviathan, its subsidiaries and the General Partner. The General Partner charged Leviathan $2.3 million, $2.1 million, $4.7 million and $4.6 million for the quarters and six months ended June 30, 1999 and 1998, respectively.

NOTE 10 -- COMMITMENTS AND CONTINGENCIES:

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

Interest Rate Risk

Leviathan utilizes both fixed and variable rate long-term debt. Leviathan is exposed to some market risk due to the floating interest rate under its credit facility. Under the Leviathan Credit Facility, as amended, the remaining principal and the final interest payment are due in May 2002. As of August 9, 1999, Leviathan's credit facility had a principal balance of $300 million at an average floating interest rate of 7.7% per annum. A 1.5% increase in interest rates could result in a $4.5 million annual increase in interest expense on the existing principal balance. Leviathan is exposed to similar risk under the credit facilities and loan agreements entered into by its joint ventures. Leviathan has determined that it is not necessary to participate in interest rate-related derivative financial instruments because it currently does not expect significant short-term increases in the interest rates charged under its credit facility or the various joint venture credit facilities and loan agreements.

Commodity Price Risk

Leviathan hedges a portion of its oil and natural gas production to reduce its exposure to fluctuations in the market prices thereof. Leviathan uses commodity price swap transactions whereby monthly settlements are based on differences between the prices specified in the commodity price swap agreements and the settlement prices of certain futures contracts quoted on the NYMEX or certain other indices. Leviathan settles the commodity price swap transactions by paying the negative difference or receiving the positive difference between the applicable settlement price and the price specified in the contract. The commodity price swap transactions Leviathan uses differ from futures contracts in that there are no contractual obligations which require or allow for the future delivery of the product. The credit risk from Leviathan's price swap contracts is derived from the counterparty to the transaction, typically a major financial institution. Leviathan does not require collateral and does not anticipate nonperformance by this counterparty, which does not transact a sufficient volume of transactions with Leviathan to create a significant concentration of credit risk. Gains or losses resulting from hedging activities and the termination of any hedging instruments are initially deferred and included as an increase or decrease to oil and natural gas sales in the period in which the hedged production is sold. For the quarter and six months ended June 30, 1999 and 1998, Leviathan recorded a net gain (loss) of $(0.4) million, $0.6 million, $(0.7) million and $1.4 million, respectively, related to hedging activities.

As of June 30, 1999, Leviathan has open sales swap transactions for 10,000 MMbtu of natural gas per day for calendar 2000 at a fixed price to be determined at its option equal to the February 2000 Natural Gas Futures Contract on the NYMEX as quoted at any time during 1999 and January 2000, to and including the last two trading days of the February 2000 contract, minus $0.5450 per MMbtu. Additionally, Leviathan has open sales swap transactions of 10,000 MMbtu of natural gas per day at a fixed price to be determined at its option equal to the January 2000 Natural Gas Futures Contract on NYMEX as quoted at any time during 1999, to and including the last two trading days of the January 2000 contract, minus $0.50 per MMbtu.

At June 30, 1999, Leviathan had open crude oil hedges on approximately 500 barrels per day for the remainder of calendar 1999 at an average price of $16.10 per barrel.

If Leviathan had settled its open oil and natural gas hedging positions as of June 30, 1999, based on the applicable settlement prices of the NYMEX futures contracts, Leviathan would have recognized a loss of approximately $2.2 million.

Other

Leviathan is involved from time to time in various claims, actions, lawsuits and regulatory matters that have arisen in the ordinary course of business, including various rate cases and other proceedings before the Federal Energy Regulatory Commission.

Leviathan and several subsidiaries of El Paso Energy have been made defendants in actions brought by Jack Grynberg on behalf of the United States Government under the false claims act. Generally, the complaints allege an industry-wide conspiracy to underreport the heating value as well as the volumes of the natural gas produced from federal and Indian lands, thereby depriving the United States Government of royalties. In April 1999, the U.S. Government filed a notice that it does not intend to intervene in these actions. Grynberg has petitioned the Multidistrict Litigation Panel ("MLP") for consolidation of pre-trial matters. The MLP will not consider this matter until September 1999. Leviathan and El Paso Energy believe the complaint is without merit, and therefore, will not have a material adverse effect on Leviathan's consolidated financial position, results of operations or cash flows.

Leviathan is a defendant in a lawsuit filed by Transco Gas Pipe Line Corporation ("Transco") in the 157th Judicial District Court, Harris County, Texas on August 30, 1996. Transco alleges that, pursuant to a platform lease agreement entered into on June 28, 1994, Transco has the right to expand its facilities and operations on the offshore platform by connecting additional pipeline receiving and appurtenant facilities. Management has denied Transco's request to expand its facilities and operations because the lease agreement does not provide for such expansion and because Transco's activities will interfere with the Manta Ray Offshore system and Leviathan's existing and planned activities on the platform. Transco has requested a declaratory judgment and is seeking damages. The case is set for trial in November 1999. It is the opinion of management that adequate defenses exist and that the final disposition of this suit will not have a material adverse effect on Leviathan's consolidated financial position, results of operations or cash flows.

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

NOTE 11 -- NEW ACCOUNTING PRONOUNCEMENT NOT YET ADOPTED:

In June 1998, Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, was issued by the Financial Accounting Standards Board to establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS No. 133 requires that entities recognize all derivative investments as either assets or liabilities on the balance sheet and measure those instruments at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as a hedge transaction. For fair-value hedge transactions in which Leviathan is hedging changes in an asset's, liability's or firm commitment's fair value, changes in the fair value of the derivative instrument will generally be offset in the income statement by changes in the hedged item's fair value. For cash-flow hedge transactions in which Leviathan is hedging the variability of cash flows related to a variable-rate asset, liability, or a forecasted transaction, changes in the fair value of the derivative instrument will be

reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges will be recognized in current-period earnings. This statement was amended by SFAS No. 137 issued in June 1999. The amendment defers the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. Leviathan is currently evaluating the effects of this pronouncement.

NOTE 12 -- SUBSEQUENT EVENTS:

In August 1999, Leviathan and Tejas Energy, L.L.C. ("Tejas") formed Nemo Gathering Company, LLC ("Nemo") to build a new pipeline (the "Nemo Pipeline") to gather natural gas from the deepwater region of the Gulf.

Nemo, owned 66.08% by Tejas and 33.92% by Leviathan, has entered into a gas gathering agreement with Shell Deepwater Development Inc. ("Shell") and will construct a 24-mile, 20-inch gas gathering line connecting Shell's planned Brutus development with the existing Manta Ray Offshore Gathering System. Gas production from the Brutus development is expected to commence in late 2001. Tejas will operate the line once it is constructed.

Shell plans to install a tension leg platform to develop its Brutus discovery at Green Canyon Block 158 in 2,980 feet of water. The Nemo Pipeline will interconnect with the Manta Ray Offshore Gathering System at Leviathan's platform located in Ship Shoal Block 332.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Unitholders of Leviathan Gas Pipeline Partners, L.P.
and the Board of Directors and Stockholder of
Leviathan Gas Pipeline Company, as General Partner

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of operations, of cash flows and of partners' capital present fairly, in all material respects, the financial position of Leviathan Gas Pipeline Partners, L.P. and its subsidiaries ("Leviathan") at December 31, 1998 and 1997 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles. These financial statements are the responsibility of Leviathan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Houston, Texas
March 19, 1999

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(In thousands)

	DECEMBER 31,	
	1998	1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,108	$ 6,430
Accounts receivable	1,482	1,953
Accounts receivable from affiliates	7,106	6,608
Other current assets	247	653
Total current assets	11,943	15,644
Equity investments	186,079	182,301
Property and equipment:		
Pipelines	64,464	78,617
Platforms and facilities	123,912	97,509
Oil and natural gas properties, at cost, using successful efforts method	152,750	120,296
	341,126	296,422
Less accumulated depreciation, depletion, amortization and impairment	99,134	95,783
Property and equipment, net	241,992	200,639
Investment in Tatham Offshore, Inc. (Notes 1 and 8)	--	7,500
Other noncurrent assets	2,712	3,758
Total assets	$442,726	$409,842
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable and accrued liabilities	$ 10,429	$ 12,522
Accounts payable to affiliates	738	1,032
Notes payable	338,000	--
Total current liabilities	349,167	13,554
Deferred federal income taxes	937	1,399
Notes payable	--	238,000
Other noncurrent liabilities	10,724	13,304
Total liabilities	360,828	266,257
Commitments and contingencies		
Minority interest	(998)	(381)
Partners' capital:		
Preference unitholders' interest	7,351	163,426
Common unitholders' interest	90,972	(15,400)
General Partner's interest	(15,427)	(4,060)
	82,896	143,966
Total liabilities and partners' capital	$442,726	$409,842

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

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per Unit amounts)

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Revenue:			
Oil and natural gas sales	$ 186	$ 276	$ 772
Oil and natural gas sales to affiliates	31,225	57,830	46,296
Gathering, transportation and platform services	13,924	10,029	13,974
Gathering, transportation and platform services to affiliates	3,396	7,300	10,031
Equity in earnings	26,724	29,327	20,434
	75,455	104,762	91,507
Costs and expenses:			
Operating expenses	11,369	11,352	9,068
Depreciation, depletion and amortization	29,267	46,289	31,731
Impairment, abandonment and other	(1,131)	21,222	--
General and administrative expenses	6,416	5,869	788
Management fee and general and administrative expenses allocated from General Partner	9,773	8,792	7,752
	55,694	93,524	49,339
Operating income	19,761	11,238	42,168
Interest income and other	771	1,475	1,710
Interest and other financing costs	(20,242)	(14,169)	(5,560)
Minority interest in (income) loss	(15)	7	(427)
Income (loss) before income taxes	275	(1,449)	37,891
Income tax benefit	471	311	801
Net income (loss)	$ 746	$ (1,138)	$38,692
Weighted average number of units outstanding	24,367	24,367	24,367
Basic and diluted net income (loss) per unit (Note 2)	$ 0.02(a)	$ (0.06)	$ 1.57

- ---

(a) Excludes 933,000 outstanding unit options to purchase an equal number of Common Units of Leviathan as the exercise prices of the unit options were greater than the average market price of the Common Units (Note 7).

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

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Cash flows from operating activities:			
Net income (loss)	$ 746	$ (1,138)	$ 38,692
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Amortization of debt issue costs	2,128	960	1,351
Depreciation, depletion and amortization	29,267	46,289	31,731
Impairment, abandonment and other	(1,131)	21,222	--
Minority interest in income (loss)	15	(7)	427
Equity in earnings	(26,724)	(29,327)	(20,434)
Distributions from equity investments	31,171	27,135	36,823
Deferred income taxes and other	(462)	(323)	(936)
Other noncash items	(310)	(1,596)	(6,560)
Changes in operating working capital:			
Decrease (increase) in accounts receivable	471	4,284	(3,442)
(Increase) decrease in accounts receivable from affiliates	(498)	7,499	(7,512)
Decrease (increase) in other current assets	406	206	(97)
Decrease in accounts payable and accrued liabilities	(9,108)	(5,247)	(23,190)
(Decrease) increase in accounts payable to affiliates	(294)	(2,472)	3,326
Net cash provided by operating activities	25,677	67,485	50,179
Cash flows from investing activities:			
Acquisition and development of oil and natural gas properties	(30,548)	(11,249)	(59,599)
Additions to pipelines, platforms and facilities	(27,368)	(30,708)	(30,095)
Equity investments	(8,195)	--	(12,027)
Proceeds from sales of assets and other	487	188	--
Net cash used in investing activities	(65,624)	(41,769)	(101,721)
Cash flows from financing activities:			
Decrease in restricted cash	--	716	--
Debt issue costs	(928)	(93)	(2,843)
Proceeds from notes payable	129,000	65,000	89,220
Repayments of notes payable	(29,000)	(54,000)	--
Distributions to partners	(62,447)	(47,398)	(33,852)
Net cash provided by (used in) financing activities	36,625	(35,775)	52,525
Net (decrease) increase in cash and cash equivalents	(3,322)	(10,059)	983
Cash and cash equivalents at beginning of year	6,430	16,489	15,506
Cash and cash equivalents at end of year	$ 3,108	$ 6,430	$ 16,489

Supplemental disclosures to the statement of cash flows -- see Note 11.

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

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
(In thousands)

	PREFERENCE UNITS	PREFERENCE UNITHOLDERS	COMMON UNITS	COMMON UNITHOLDERS	GENERAL PARTNER(A)	TOTAL
Partners' capital at December 31, 1995	18,075	$ 192,225	6,292	$ (5,380)	$ (4)	$186,841
Net income for the year ended December 31, 1996	--	28,400	--	9,905	387	38,692
Cash distributions	--	(24,401)	--	(8,494)	(615)	(33,510)
Partners' capital at December 31, 1996	18,075	196,224	6,292	(3,969)	(232)	192,023
Net loss for the year ended December 31, 1997	--	(1,167)	--	(420)	449	(1,138)
Cash distributions	--	(31,631)	--	(11,011)	(4,277)	(46,919)
Partners' capital at December 31, 1997	18,075	163,426	6,292	(15,400)	(4,060)	143,966
Net income for the year ended December 31, 1998	--	63	--	541	142	746
Conversion of Preference Units into Common Units (Note 7)	(17,058)	(127,842)	17,058	127,842	--	--
Cash distributions	--	(28,296)	--	(22,011)	(11,509)	(61,816)
Partners' capital at December 31, 1998	1,017	$ 7,351	23,350	$ 90,972	$(15,427)(b)	$ 82,896

- ---

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

(b) Pursuant to the terms of the Partnership Agreement, no partner shall have any obligation to restore any negative balance in its capital account upon liquidation of Leviathan. Therefore, any net gains from the dissolution of Leviathan's assets would be allocated first to any then-outstanding deficit capital account balance before any of the remaining net proceeds would be distributed to the partners in accordance with their ownership percentages.

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

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- ORGANIZATION:

Leviathan Gas Pipeline Partners, L.P., a publicly held Delaware limited partnership ("Leviathan"), is primarily engaged in the gathering, transportation and production of natural gas and crude oil in the Gulf of Mexico (the "Gulf"). Through its subsidiaries and joint ventures, Leviathan owns interests in significant assets, including (i) eight natural gas pipelines, (ii) a crude oil pipeline system, (iii) six strategically located multi-purpose platforms, (iv) a dehydration facility, (v) four producing oil and natural gas properties and (vi) one undeveloped oil and natural gas property.

Leviathan Gas Pipeline Company, a Delaware corporation and the general partner of Leviathan (the "General Partner"), performs all management and operational functions of Leviathan and its subsidiaries. In August 1998, the General Partner became a wholly-owned indirect subsidiary of El Paso Energy Corporation ("El Paso") pursuant to El Paso's merger with DeepTech International Inc. ("DeepTech"), the indirect parent of the General Partner, as discussed below.

Merger

Effective August 14, 1998, El Paso completed the acquisition of DeepTech by merging a wholly-owned subsidiary of El Paso with and into DeepTech (the "Merger") pursuant to the Agreement and Plan of Merger dated as of February 27, 1998 (as amended, the "Merger Agreement"). The material terms of the Merger and the transactions contemplated by the Merger Agreement and other agreements as these agreements relate to Leviathan are as follows:

(a) Prior to the Merger, Leviathan Holdings Company, which owns 100% of the General Partner, was owned 85% by DeepTech resulting in DeepTech owning an overall 23.2% effective interest in Leviathan. El Paso acquired the minority interests of Leviathan Holdings Company and two other subsidiaries of DeepTech primarily held by former DeepTech management for an aggregate of $55.0 million. As a result, El Paso owns 100% of the General Partner's interest in Leviathan and an overall 27.3% effective interest in Leviathan.

(b) In June 1998, Tatham Offshore, Inc. ("Tatham Offshore"), an affiliate of Leviathan through August 14, 1998, canceled its reversionary interests in certain oil and natural gas properties owned by Leviathan (Note 4).

(c) On August 14, 1998, Tatham Offshore transferred its remaining assets located in the Gulf to Leviathan in exchange for the 7,500 shares of Series B 9% Senior Convertible Preferred Stock (the "Senior Preferred Stock") issued by Tatham offshore (Note 8) and owned by Leviathan (the "Redemption Agreement"). Under the terms of the Redemption Agreement, Leviathan acquired all of Tatham Offshore's right, title and interest in and to Viosca Knoll Blocks 817 (subject to an existing production payment obligation), West Delta Block 35, the platform located at Ship Shoal Block 331 and other lease blocks not material to Leviathan's current operations. The net cash expenditure of Leviathan under the Redemption Agreement totaled $774,000 representing (i) $2,771,000 of abandonment costs relating to wells located at Ewing Bank Blocks 914 and 915 offset by (ii) $1,997,000 of net cash generated from the producing properties from January 1, 1998 through August 14, 1998. In addition, Leviathan assumed all remaining abandonment and restoration obligations associated with the platform and leases.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES:

Principles of consolidation

The accompanying consolidated financial statements include the accounts of those 50% or more owned subsidiaries controlled by Leviathan. The General Partner's approximate 1% nonmanaging interest

in certain subsidiaries of Leviathan represents the minority interest in Leviathan's consolidated financial statements. Investments in which Leviathan owns a 20% to 50% ownership interest are accounted for using the equity method. All significant intercompany balances and transactions have been eliminated in consolidation. Certain amounts from the prior year have been reclassified to conform to the current year's presentation.

Cash and cash equivalents

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

Property and equipment

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

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

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

Estimated dismantlement, restoration and abandonment costs and estimated residual salvage values are taken into account in determining depreciation provisions for gathering pipelines, platforms, related facilities and oil and natural gas properties. Other noncurrent liabilities at December 31, 1998 and 1997 include $10,724,000 and $9,158,0000, respectively, of accrued dismantlement, restoration and abandonment costs.

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

Leviathan evaluates impairment of its property and equipment in accordance with Statement of Financial Accounting Standard ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which requires recognition of impairment losses on long-lived assets (including pipelines, proved properties, wells, equipment and related facilities) if the carrying amount of such assets, grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows from other assets, exceeds the estimated undiscounted future cash flows of such assets. Measurement of any impairment loss is based on the fair value of the assets.

Capitalization of interest

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

Debt issue costs

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

Revenue recognition

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

Income taxes

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

Tarpon is, and Manta Ray Gathering Systems, Inc. ("Manta Ray") was, prior to its liquidation in May 1996, a subsidiary of Leviathan subject to federal corporate income taxation. Leviathan utilizes an asset and liability approach for accounting for income taxes of Tarpon and Manta Ray that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of other assets and liabilities. Resulting tax liabilities, if any, are borne by Leviathan.

Net income per unit

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

Basic income (loss) per unit and diluted income (loss) per unit for Leviathan are the same for the years ended December 31, 1998, 1997 and 1996 as no dilutive potential units were outstanding during the respective periods. Leviathan includes the outstanding Preference Units in the basic and diluted net income (loss) per unit calculation as if the Preference Units had been converted into Common Units.

Basic and diluted net income (loss) per unit is calculated based upon the net income (loss) of Leviathan less an allocation of net income to the General Partner proportionate to its share of cash distributions and is calculated as follows (in thousands).

	YEAR ENDED DECEMBER 31, 1998			YEAR ENDED DECEMBER 31, 1997		
	LIMITED PARTNERS	GENERAL PARTNER	TOTAL	LIMITED PARTNERS	GENERAL PARTNER	TOTAL
Net income (loss)(a)	$ 738	$ 8	$746	$(1,127)	$(11)	$(1,138)
Allocation to General Partner(b)	(134)	134	--	(460)	460	--
Allocation of net income (loss) as adjusted for Incentive Distributions	$ 604	$142	$746	$(1,587)	$449	$(1,138)
Weighted average number of units outstanding	24,367			24,367		
Basic and diluted net income (loss) per unit	$ 0.02			$ (0.06)		

- ---

(a) Net income (loss) allocated 99% to the limited partners as holders of the Preference and Common Units and 1% to the General Partner.

(b) Represents allocation of net income to the General Partner proportionate to its share of each quarter's cash distributions which included Incentive Distributions (Note 7).

For the year ended December 31, 1996, basic and diluted net income per unit was computed based upon the net income of Leviathan less an allocation of approximately 1% of Leviathan's net income to the General Partner. During 1996, the General Partner only received a 1% allocation of net income as Leviathan did not pay any Incentive Distributions (Note 7) until 1997. The weighted average number of Units outstanding for the year ended December 31, 1996 was 24,366,894 Units.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles and the estimation of oil and natural gas reserves requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the related reported amounts of revenue and expenses during the reporting period. Such estimates and assumptions include those regarding: (i) Federal Energy Regulatory Commission ("FERC") regulations, (ii) oil and natural gas reserve disclosure, (iii) estimated useful lives of depreciable assets and (iv) potential abandonment, dismantlement, restoration and environmental liabilities. Actual results could differ from those estimates. Management believes that its estimates are reasonable.

Unit Options

In August 1998, Leviathan adopted SFAS No. 123, "Accounting for Stock Based Compensation." While SFAS No. 123 encourages entities to adopt the fair value method of accounting for their stock-based compensation plans, this standard permits and Leviathan has elected to utilize the intrinsic value method under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." Prior to August 1998, compensation expense for Leviathan's unit appreciation rights was recorded annually based on the quoted market price of Preference Units at the end of the period and the percentage of vesting which had occurred. A description of Leviathan's option plans and pro forma information regarding net income (loss) and net income (loss) per unit, as calculated under the provisions of SFAS No. 123, are disclosed in Note 7.

Price Risk Management Activities

Leviathan enters into commodity price swap instruments for non-trading purposes to manage its exposure to price fluctuations on anticipated natural gas and crude oil sales transactions. To qualify for hedge accounting, the transactions must reduce the risk of the underlying hedge items, be designated as hedges at inception and result in cash flows and financial impacts which are inversely correlated to the position being hedged. If correlation ceases to exist, hedge accounting is terminated and mark-to-market accounting is applied. Gains and losses resulting from hedging activities and the termination of any hedging instruments are initially deferred and included as an increase or decrease to oil and natural gas sales in the period in which the hedged production is sold. See Note 10.

Recent Pronouncements

Effective January 1, 1998, Leviathan adopted SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." SFAS No. 131 establishes standards for the method public entities report information about operating segments in both interim and annual financial statements issued to unitholders and requires related disclosures about products and services, geographic areas and major customers. See Notes 3, 4, 12 and 13.

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities." This statement defines start-up activities, requires start-up and organization costs to be expensed as incurred and requires that any such costs that exist on the balance sheet be expensed upon adoption of this pronouncement. The statement is effective for fiscal years beginning after December 15, 1998. Leviathan does not expect the implementation of this statement to have a material effect on Leviathan's financial position or results of operations.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires that entities recognize all derivative instruments as either assets or liabilities on the balance sheet and measure those instruments at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as a hedge transaction. For fair-value hedge transactions in which Leviathan is hedging changes in an asset's, liability's or firm commitment's fair value, changes in the fair value of the derivative instrument will generally be offset in the income statement by changes in the hedged item's fair value. For cash-flow hedge transactions, in which Leviathan is hedging the variability of cash flows related to a variable-rate asset, liability, or a forecasted transaction, changes in the fair value of the derivative instrument will be reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges will be recognized in current-period earnings. This statement is effective for fiscal years beginning after June 15, 1999. Leviathan has not yet determined the impact that the adoption of SFAS No. 133 will have on its financial position or results of operations.

In November 1998, the Emerging Issues Task Force ("EITF") reached a consensus on EITF 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." EITF 98-10 requires energy trading contracts to be recorded at fair value on the balance sheet, with the changes in fair value included in earnings and is effective for fiscal years beginning after December 15, 1998. Leviathan adopted the provisions of EITF 98-10 in January 1999 and does not believe that the application of this pronouncement will have a material impact on Leviathan's financial position or results of operations.

NOTE 3 -- EQUITY INVESTMENTS:

Leviathan owns interests of 50% in Viosca Knoll Gathering Company ("Viosca Knoll"), 36% in Poseidon Oil Pipeline Company, L.L.C. ("POPCO"), 50% in Stingray Pipeline Company ("Stingray"), 40% in High Island Offshore System, L.L.C., ("HIOS"), 33 1/3% in U-T Offshore System ("UTOS"), 50% in West Cameron Dehydration Company, L.L.C. ("West Cameron Dehy") and an effective 25.67% interest in each of Manta Ray Offshore Gathering Company, L.L.C. ("Manta Ray Offshore") and Nautilus Pipeline Company, L.L.C. ("Nautilus").

The excess of the carrying amount of the investments accounted for using the equity method over the underlying equity in net assets as of December 31, 1998 is $45,023,000. The difference between the cost of the investments accounted for on the equity method and the underlying equity in net assets is being depreciated on a straight-line basis over the estimated lives of the underlying net assets.

The summarized financial information for investments, which are accounted for using the equity method, is as follows.

SUMMARIZED HISTORICAL OPERATING RESULTS
YEAR ENDED DECEMBER 31, 1998
(In thousands)

	HIOS	VIOSCA KNOLL	STINGRAY	POPCO	WEST CAMERON DEHY	UTOS	MANTA RAY OFFSHORE(A)	NAUTILUS(A)	TOTAL
Operating revenue.....	$ 43,818	$29,334	$ 23,008	$44,522	$2,796	$ 5,174	$10,949	$ 5,403	
Other income.....	--	50	670	290	11	100	488	100	
Operating expenses.....	(19,047)	(3,031)	(16,814)	(4,763)	(183)	(2,466)	(3,710)	(1,979)	
Depreciation.....	(4,772)	(3,860)	(6,852)	(8,846)	(16)	(559)	(4,303)	(5,845)	
Interest expense.....	(16)	(4,267)	(1,668)	(8,671)	--	(2)	--	--	
Net earnings (loss).....	19,983	18,226	(1,656)	22,532	2,608	2,247	3,424	(2,321)	
Ownership percentage.....	40%	50%	50%	36%	50%	33.3%	25.67%	25.67%	
	7,993	9,113	(828)	8,111	1,304	749	879	(596)	
Adjustments:									
Depreciation(b).....	881	--	749	(120)	--	33	(348)	--	
Contract amortization(b).....	(105)	--	(127)	--	--	--	--	--	
Other.....	(149)	--	(49)	--	--	(52)	--	(714)(c)	
Equity in earnings (loss).....	$ 8,620	$ 9,113	$ (255)	$7,991	$1,304	$ 730	$ 531	$ (1,310)	$26,724
Distributions(d).....	$ 9,240	$10,350	$ 1,000	$6,732	$1,100	$ 933	$ 1,182	$ 634	$31,171

- ---

(a) Leviathan owns a 25.67% interest in Neptune Pipeline Company, L.L.C. ("Neptune"). Neptune owns a 99% member interest in each of Manta Ray Offshore, which owns a non-jurisdictional natural gas system, and Nautilus, which owns a jurisdictional natural gas system. Leviathan believes the disclosure of separate financial data for Manta Ray Offshore and Nautilus is more meaningful than the consolidated results of Neptune.

(b) Adjustments result from purchase price adjustments made in accordance with APB Opinion No. 16 "Business Combinations."

(c) Primarily relates to a revision of the allowance for funds used during construction ("AFUDC") which represents the estimated costs, during the construction period, of funds used for construction.

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

SUMMARIZED HISTORICAL OPERATING RESULTS
YEAR ENDED DECEMBER 31, 1997
(In thousands)

	HIOS	VIOSCA KNOLL	STINGRAY	POPCO	WEST CAMERON DEHY	UTOS	MANTA RAY OFFSHORE(A)	NAUTILUS(A)	TOTAL
Operating revenue.....	$ 45,917	$23,128	$ 23,630	$26,161	$2,451	$ 3,785	$ 6,263	$ 54	
Other income.....	--	40	970	209	29	61	1,564	6,489(b)	
Operating expenses.....	(17,101)	(2,115)	(15,612)	(5,782)	(164)	(2,472)	(2,223)	(435)	
Depreciation.....	(4,774)	(2,474)	(7,216)	(6,463)	(16)	(566)	(1,823)	(233)	
Interest expense.....	--	(1,959)	(1,384)	(5,341)	--	37	(1,483)	--	
Net earnings.....	24,042	16,620	388	8,784	2,300	845	2,298	5,875	
Ownership percentage.....	40%	50%	50%	36%	50%	33.3%	25.67%	25.67%	
	9,617	8,310	194	3,162	1,150	281	590	1,508	
Adjustments:									
Depreciation(c).....	845	--	959	(120)	--	35	--	--	
Contract amortization(c).....	(105)	--	(350)	--	--	--	--	--	
Other.....	(228)	--	(49)	(263)	--	(24)	3,082(d)	733	
Equity in earnings.....	$ 10,129	$ 8,310	$ 754	$2,779	$1,150	$ 292	$ 3,672	$2,241	$29,327
Distributions(e).....	$ 12,200	$ 9,650	$ 1,375	$ --	$1,150	$ 200	$ 2,560	$ --	$27,135

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

(a) Leviathan owns a 25.67% interest in Neptune. Neptune owns a 99% member interest in each of Manta Ray Offshore, which owns a non-jurisdictional natural gas system, and Nautilus, which owns a jurisdictional natural gas system. Leviathan believes the disclosure of separate financial data for Manta Ray Offshore and Nautilus is more meaningful than the consolidated results of Neptune.

(b) Includes $6,431,000 related to AFUDC. Recognition of this allowance is appropriate because it constitutes an actual cost of construction. For regulated activities, Nautilus is permitted to earn a return on and recover AFUDC through its inclusion in the rate base and the provision for depreciation. The rate employed for the equity component of AFUDC is the equity rate of return stated in Nautilus' FERC tariff.

(c) Adjustments result from purchase price adjustments made in accordance with APB Opinion No. 16 "Business Combinations."

(d) Represents additional net earnings specifically allocated to Leviathan related to the assets contributed by Leviathan to the Manta Ray Offshore joint venture. Pursuant to the terms of the joint venture agreement, Leviathan managed the operations of the assets contributed to Manta Ray Offshore and was permitted to retain approximately 100% of the net earnings from such assets during the construction phase of the expansion to the Manta Ray Offshore system (January 17, 1997 through December 31, 1997). Effective January 1, 1998, Manta Ray Offshore began allocating all net earnings in accordance with the ownership percentages of the joint venture.

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

SUMMARIZED HISTORICAL OPERATING RESULTS
YEAR ENDED DECEMBER 31, 1996
(In thousands)

	HIOS	VIOSCA KNOLL	STINGRAY	POPCO	WEST CAMERON DEHY	UTOS	TOTAL
Operating revenue	$ 47,440	$13,923	$ 24,146	$7,819	$1,686	$ 3,476	
Other income	97	--	1,186	339	10	48	
Operating expenses	(15,683)	(424)	(14,260)	(3,042)	(162)	(2,511)	
Depreciation	(4,775)	(2,269)	(7,057)	(2,176)	(16)	(560)	
Other expenses	--	(90)	(1,679)	(269)	--	--	
Net earnings	27,079	11,140	2,336	2,671	1,518	453	
Ownership percentage	40%	50%	50%	36%	50%	33.3%	
	10,832	5,570	1,168	962	759	151	
Adjustments:							
Depreciation(a)	783	--	669	--	--	2	
Contract amortization(a)	(105)	--	--	--	--	--	
Rate refund reserve	(417)	--	--	--	--	--	
Other	(107)	--	--	167	--	--	
Equity in earnings	$ 10,986	$ 5,570	$ 1,837	$1,129	$ 759	$ 153	$20,434
Distributions	$ 11,400	$18,450	$ 1,923	$4,000	$ 650	$ 400	$36,823

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

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

SUMMARIZED HISTORICAL BALANCE SHEETS
(In thousands)

	HIOS		VIOSCA KNOLL		STINGRAY		POPCO	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	1998	1997	1998	1997	1998	1997	1998	1997
Current assets	$ 4,662	$ 5,587	$ 5,451	$ 3,354	$ 17,892	$ 20,184	$ 43,338	$ 31,763
Noncurrent assets	12,936	12,081	97,758	98,004	50,109	42,541	233,082	226,055
Current liabilities	2,626	3,380	1,021	11,280	18,960	21,787	40,134	35,864
Long-term debt	--	--	66,700	52,200	20,583	11,600	131,000	120,500
Other noncurrent liabilities	--	199	340	256	12,924	5,289	--	--

	WEST CAMERON DEHY		UTOS		MANTA RAY OFFSHORE		NAUTILUS	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	1998	1997	1998	1997	1998	1997	1998	1997
Current assets	$ 848	$ 455	$ 4,699	$ 3,955	$ 7,250	$ 31,714	$ 2,782	$ 924
Noncurrent assets	647	663	2,745	2,803	135,626	127,731	113,434	120,074
Current liabilities	13	43	4,125	2,900	5,023	32,601	709	3,699

NOTE 4 -- OIL AND NATURAL GAS PROPERTIES:

Capitalized Costs

	DECEMBER 31,	
	1998	1997
	(In thousands)	
Proved properties	$ 53,313	$ 38,790
Wells, equipment and related facilities	99,437	81,506
Total capitalized costs	152,750	120,296
Accumulated depreciation, depletion and amortization	72,194	53,684
Net capitalized costs	$ 80,556	$ 66,612

Costs incurred in the Oil and Natural Gas Acquisitions, Exploration and Development Activities

	YEAR ENDED DECEMBER 31,	
	1998	1997
	(In thousands)	
Acquisitions of proved properties	$16,945	$ 1
Development	17,783	10,522
Capitalized interest	328	726
Total costs incurred	$35,056	$11,249

In October 1998, Leviathan purchased a 100% working interest in Ewing Bank Blocks 958, 959, 1002 and 1003 from a wholly-owned indirect subsidiary of El Paso for $12,235,000. In December 1998, Leviathan completed the drilling of a successful delineation well on the Ewing Bank unit.

In 1995, Leviathan entered into a purchase and sale agreement (the "Purchase and Sale Agreement") with Tatham Offshore pursuant to which Leviathan acquired, subject to certain reversionary rights, a 75% working interest in Viosca Knoll Block 817, a 50% working interest in Garden Banks Block 72 and a 50% working interest in Garden Banks Block 117 (the "Acquired Properties") from Tatham Offshore for $30 million. Leviathan was entitled to retain all of the revenue attributable to the Acquired Properties until it had received net revenue equal to the payout amount, whereupon Tatham Offshore was entitled to receive a reassignment of the Acquired Properties, subject to certain reductions and conditions. In connection with the Merger, Tatham Offshore canceled its reversionary interests in the Acquired Properties (Note 1).

NOTE 5 -- REGULATORY MATTERS:

The FERC has jurisdiction under the Natural Gas Act of 1938, as amended (the "NGA"), and the Natural Gas Policy Act of 1978, as amended (the "NGPA"), over Nautilus, Stingray, HIOS and UTOS (the "Regulated Pipelines") with respect to transportation of natural gas, rates and charges, construction of new facilities, extension or abandonment of service and facilities, accounts and records, depreciation and amortization policies and certain other matters. Leviathan's remaining systems (the "Unregulated Pipelines") are gathering facilities and as such are not currently subject to rate and certificate regulation by the FERC under the NGA and the NGPA. However, the FERC has asserted that it has rate jurisdiction under the NGA over services performed through gathering facilities owned by a natural gas company (as defined in the NGA) when such services are performed "in connection with" transportation services provided by such natural gas company. Whether, and to what extent, the FERC will exercise any NGA rate jurisdiction it may be found to have over gathering facilities owned either by natural gas companies or affiliates thereof is subject to case-by-case review by the FERC. Based on current FERC

policy and precedent, Leviathan does not anticipate that the FERC will assert or exercise any NGA rate jurisdiction over the Unregulated Pipelines so long as the services provided through such lines are not performed "in connection with" transportation services performed through any of the Regulated Pipelines. Both the Regulated and the Unregulated Pipelines are subject to the FERC's administration of the "equal access" requirements of the Outer Continental Shelf Lands Act ("OCSLA").

Poseidon is subject to regulation under the Hazardous Liquid Pipeline Safety Act ("HLPSA"). Operations in offshore federal waters are regulated by the Department of the Interior. In addition, as transporter of hydrocarbons across the Outer Continental Shelf ("OCS"), the Poseidon system must offer "equal access" to other potential shippers of crude. Poseidon is located in federal waters in the Gulf, and its right-of-way was granted by the federal government. Therefore, the FERC may assert that it has jurisdiction to compel Poseidon to grant access under OCSLA to other shippers of crude oil upon the satisfaction of certain conditions and to apportion the capacity of the line among owner and non-owner shippers.

The FERC has generally disclaimed jurisdiction to set rates for oil pipelines in the OCS under the Interstate Commerce Act. As a result, POPCO has not filed tariffs with the FERC for the Poseidon crude oil pipeline system.

Rate Cases

Tarpon. In March 1997, the FERC issued an order declaring Tarpon's facilities exempt from NGA regulation under the gathering exception, thereby terminating Tarpon's status as a "natural gas company" under the NGA. Tarpon has agreed, however, to continue service for shippers that have not executed replacement contracts on the terms and conditions, and at the rates reflected in, its last effective regulated tariff for two years from the date of the order.

Other. Each of Nautilus, Stingray, HIOS, and UTOS are currently operating under agreements with their respective customers that provide for rates that have been approved by the FERC.

NOTE 6 -- INDEBTEDNESS:

Leviathan has a revolving credit facility, as amended and restated (the "Leviathan Credit Facility"), with a syndicate of commercial banks to provide up to $375 million of available credit, subject to certain incurrence limitations. As of December 31, 1998 and 1997, Leviathan had $338 million and $238 million, respectively, outstanding under its credit facility. At the election of Leviathan, interest under the Leviathan Credit Facility is determined by reference to the reserve-adjusted London interbank offer rate ("LIBOR"), the prime rate or the 90-day average certificate of deposit. The interest rate at December 31, 1998 and 1997 was 7.1% and 6.6% per annum, respectively. A commitment fee is charged on the unused and available to be borrowed portion of the credit facility. This fee varies between 0.25% and 0.375% per annum and was 0.375% per annum at December 31, 1998. The amendment to the credit facility in January 1999 increased the commitment fee to 0.50% per annum. Amounts advanced under the Leviathan Credit Facility were used to finance Leviathan's capital expenditures, including construction of platforms and pipelines, investments in equity investees and the acquisition and development of oil and natural gas properties. Amounts remaining under the Leviathan Credit Facility are available to Leviathan for general partnership purposes, including financing capital expenditures, for working capital, and subject to certain limitations, for paying distributions to unitholders. The Leviathan Credit Facility can also be utilized to issue letters of credit as may be required from time to time; however, no letters of credit are currently outstanding. The Leviathan Credit Facility matures in December 1999; is guaranteed by Leviathan and each of Leviathan's subsidiaries; and is collateralized by the management agreement with Leviathan (Note 8), substantially all of the assets of Leviathan and the General Partner's 1% general partner interest in Leviathan and approximate 1% nonmanaging interest in certain subsidiaries of Leviathan. Management

believes it will be able to extend or refinance this credit facility on acceptable terms and conditions prior to its maturity.

Interest and other financing costs totaled $21,308,000, $15,890,000 and $17,470,000 for the years ended December 31, 1998, 1997 and 1996, respectively. During the years ended December 31, 1998, 1997 and 1996, Leviathan capitalized $1,066,000, $1,721,000 and $11,910,000, respectively, of such interest costs in connection with construction projects and drilling activities in progress during such periods. At December 31, 1998 and 1997, the unamortized portion of debt issue costs totaled $2,549,000 and $3,749,000, respectively.

NOTE 7 -- PARTNERS' CAPITAL:

General

As of December 31, 1998, Leviathan had 23,349,988 Common Units and 1,016,906 Preference Units outstanding. Preference Units and Common Units totaling 18,075,000 are owned by the public, representing a 72.7% effective limited partner interest in Leviathan. The General Partner, through its ownership of a 25.3% limited partner interest in the form of 6,291,894 Common Units, its 1% general partner interest in Leviathan and its approximate 1% nonmanaging interest in certain subsidiaries of Leviathan, owns a 27.3% effective interest in Leviathan. See Note 14.

Conversion of Preference Units into Common Units

On May 7, 1998, Leviathan notified the holders of its 18,075,000 then outstanding Preference Units of their right to convert their Preference Units into an equal number of Common Units within a 90-day period. On August 5, 1998, the conversion period expired and holders of 17,058,094 Preference Units, representing approximately 94% of the Preference Units then outstanding, elected to convert to Common Units. As a result, the Preference Period, as defined in the Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement"), ended and the Common Units (including the 6,291,894 Common Units held by Leviathan) became the primary listed security on the New York Stock Exchange ("NYSE") under the symbol "LEV." A total of 1,016,906 Preference Units remain outstanding and trade as Leviathan's secondary listed security on the NYSE under the symbol "LEV.P". Leviathan reallocated partners' capital to reflect this conversion of Preference Units into Common Units.

The remaining Preference Units retain their distribution preferences over the Common Units; that is, holders of such Preference Units will be paid up to the minimum quarterly distribution of $0.275 per unit before any quarterly distributions are made to the Common Unitholders or the General Partner. However, holders of Preference Units will not receive any distributions in excess of the minimum quarterly distribution of $0.275 per unit. Only holders of Common Units and the General Partner will be eligible to receive any such excess distributions. See "Cash Distributions" below.

In accordance with the Partnership Agreement, holders of the remaining Preference Units will have the opportunity to convert their Preference Units into Common Units in May 1999 and May 2000. Thereafter, any remaining Preference Units may, under certain circumstances, be subject to redemption.

Cash Distributions

Leviathan makes quarterly distributions of 100% of its Available Cash, as defined in the Partnership Agreement, to its unitholders and the General Partner. Available Cash consists generally of all the cash receipts of Leviathan plus reductions in reserves less all of its cash disbursements and net additions to reserves. The General Partner has broad discretion to establish cash reserves that it determines are necessary or appropriate to provide for the proper conduct of the business of Leviathan including cash reserves for future capital expenditures, to stabilize distributions of cash to the unitholders and the General

Partner, to reduce debt or as necessary to comply with the terms of any agreement or obligation of Leviathan. Leviathan expects to make distributions of Available Cash within 45 days after the end of each quarter to unitholders of record on the applicable record date, which will generally be the last business day of the month following the close of such calendar quarter.

The distribution of Available Cash for each quarter is subject to the preferential rights of the Preference Unitholders to receive the minimum quarterly distribution of $0.275 per unit for such quarter, plus any arrearages in the payment of the minimum quarterly distribution for prior quarters, if any, before any distribution of Available Cash is made to holders of Common Units for such quarter. The holders of Common Units are not entitled to arrearages in the payment of the minimum quarterly distribution. See the discussion above regarding distributions subsequent to the end of the Preference Period.

Since commencement of operations on February 19, 1993 through December 31, 1998, Leviathan has made distributions to the unitholders equal to and in excess of the minimum quarterly distribution of $0.275 per unit. See Note 16.

Distributions by Leviathan of its Available Cash are effectively made 98% to unitholders and 2% to the General Partner, subject to the payment of incentive distributions to the General Partner if certain target levels of cash distributions to unitholders are achieved ("Incentive Distributions"). As an incentive, the general partner's interest in the portion of quarterly cash distributions in excess of $0.325 per Unit and less than or equal to $0.375 per Unit is increased to 15%. For quarterly cash distributions over $0.375 per Unit but less than or equal to $0.425 per Unit, the general partner receives 25% of such incremental amount and for all quarterly cash distributions in excess of $0.425 per Unit, the general partner receives 50% of the incremental amount. During the years ended December 31, 1998, 1997 and 1996, the General Partner received Incentive Distributions totaling $11,113,000, $3,885,000 and $285,000, respectively. In February 1999, Leviathan paid a cash distribution of $0.275 per Preference Unit and $0.525 per Common Unit and an Incentive Distribution of $2,835,000 to the General Partner.

Unit Rights Appreciation Plan

In 1995, Leviathan adopted the Unit Rights Appreciation Plan (the "Plan") to provide Leviathan with the ability of making awards of unit rights to certain officers and employees of the General Partner or its affiliates as an incentive for these individuals to continue in the service of Leviathan or its affiliates. Under the Plan, Leviathan granted 1,200,000 unit rights to certain officers and employees of the General Partner or its affiliates that provided for the right to purchase, or realize the appreciation of, a Preference Unit or a Common Unit (a "Unit Right"), pursuant to the provisions of the Plan. The exercise prices covered by the Unit Rights granted pursuant to the Plan ranged from $15.6875 to $21.50, the closing prices of the Preference Units as reported on the NYSE on the grant date of the respective Unit Rights. For the years ended December 31, 1997 and 1996, Leviathan had accrued $3,710,000 and $436,000, respectively, related to the appreciation and vestiture of these Unit Rights through such dates. As a result of the "change in control" occurring upon the closing of the Merger, the Unit Rights fully vested and the holders of the Unit Rights elected to be paid $8,591,000, the amount equal to the difference between the grant price of the Unit Rights and the average of the high and the low sales price of the Common Units on the date of exercise. Upon the exercise of all of the Unit Rights outstanding, the Plan was terminated. Leviathan replaced the Plan with the Omnibus Plan discussed below.

Option Plans

In August 1998, Leviathan adopted the 1998 Omnibus Compensation Plan (the "Omnibus Plan") to provide the General Partner with the ability to issue unit options to attract and retain the services of knowledgeable officers and key management personnel. Unit options to purchase a maximum of 3,000,000 Common Units of Leviathan may be issued pursuant to the Omnibus Plan. Unit options granted pursuant

to the Omnibus Plan are not immediately exercisable. One-half of the unit options are considered vested and exercisable one year after the date of grant and the remaining one-half of the unit options are considered vested and exercisable one year after the first anniversary of the date of grant. The unit options shall expire ten years from such grant date, but shall be subject to earlier termination under certain circumstances.

In August 1998, Leviathan adopted the 1998 Unit Option Plan for Non-Employee Directors (the "Director Plan" and collectively with the Omnibus Plan, the "Option Plans") to provide the General Partner with the ability to issue unit options to attract and retain the services of knowledgeable directors. Unit options to purchase a maximum of 100,000 Common Units of Leviathan may be issued pursuant to the Director Plan. Each unit option granted under the Director Plan vests immediately at the date of grant and shall expire ten years from such date, but shall be subject to earlier termination in the event that the director ceases to be a director of the General Partner for any reason, in which case the unit options expire 36 months after such date except in the case of death, in which case the unit options expire 12 months after such date.

The following table summarizes the Option Plans as of and for the year ended December 31, 1998. No unit options had been granted by Leviathan prior to August 1998.

	NUMBER UNITS OF UNDERLYING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	--	$ --
Granted	933,000	27.18
Exercised	--	--
Forfeited	--	--
Canceled	--	--
Outstanding at end of year	933,000(1)	$27.18(3)
Options Exercisable at end of year	3,000(2)	$26.17

- ---

(1) The weighted average remaining contractual life approximates 9.8 years.

(2) The weighted average remaining contractual life approximates 9.6 years.

(3) The exercise prices for outstanding options range from $25.00 to $27.3438.

The fair value of each unit option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: an expected volatility of 37%, a risk-free interest rate of 4.65%, an expected dividend yield of 8% and an expected term of 8 years. The weighted average fair value of the unit options granted during the year ended December 31, 1998 was $4.59. All of the unit options granted during 1998 were granted at market value on the date of grant.

Leviathan applied APB Opinion No. 25 and related interpretations in accounting for its Option Plans, under which no compensation expense has been recognized during 1998 as the exercise price of each grant equaled the market price on the date of grant. Had compensation costs for the Option Plans been determined consistent with the methodology prescribed by SFAS No. 123, Leviathan's net income and net income per unit would have been adjusted to a net loss of $461,000 or $0.015 per unit on a proforma basis. The effects of applying SFAS No. 123 in this pro forma disclosure are not indicative of future amounts.

NOTE 8 -- RELATED PARTY TRANSACTIONS:

Management Fees

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

Effective November 1, 1995, July 1, 1996 and July 1, 1997, primarily as a result of the increased activities of Leviathan, the General Partner amended its management agreement with DeepTech to provide for an annual management fee of 45.3%, 54% and 52%, respectively, of DeepTech's overhead. In connection with the Merger, the General Partner amended its management agreement with DeepTech to provide for a monthly management fee of $775,000. The General Partner charged Leviathan $9,283,000, $8,080,000 and $6,590,000 pursuant to its management agreement with DeepTech for the years ended December 31, 1998, 1997 and 1996, respectively.

The General Partner is also required to reimburse DeepTech for certain tax liabilities resulting from, among other things, additional taxable income allocated to the General Partner due to (i) the issuance of additional Preference Units (including the sale of the Preference Units by Leviathan pursuant to its second public offering) and (ii) the investment of such proceeds in additional acquisitions or construction projects. During the years ended December 31, 1998, 1997 and 1996, the General Partner charged Leviathan $489,000, $713,000 and $1,162,000, respectively, to compensate DeepTech for additional taxable income allocated to the General Partner.

Platform Access and Transportation Agreements

General. In 1993, Leviathan entered into a master gas dedication arrangement with Tatham Offshore (the "Master Dedication Agreement"). Under the Master Dedication Agreement, Tatham Offshore dedicated all production from its Viosca Knoll, Garden Banks, Ewing Bank and Ship Shoal leases as well as certain adjoining areas of mutual interest to Leviathan for transportation. In exchange, Leviathan agreed to install the pipeline facilities necessary to transport production from the areas and certain related facilities and to provide transportation services with respect to such production. Tatham Offshore agreed to pay certain fees for transportation services and facilities access provided under the Master Dedication Agreement. Pursuant to the terms of the Purchase and Sale Agreement (Note 4) and the Redemption Agreement (Note 1), a subsidiary of Leviathan assumed all of Tatham Offshore's obligations under the Master Dedication Agreement and certain ancillary agreements.

Viosca Knoll. For the years ended December 31, 1998, 1997 and 1996, Leviathan received $1,099,000, $1,973,000 and $1,896,000, respectively, from Tatham Offshore as platform access and processing fees related to Leviathan's platform located in Viosca Knoll Block 817.

For the years ended December 31, 1998, 1997 and 1996, Leviathan charged Viosca Knoll $2,447,000, $2,116,000 and $249,000, respectively, for expenses and platform access fees related to the Viosca Knoll Block 817 platform.

In addition, for the years ended December 31, 1998, 1997 and 1996, Viosca Knoll reimbursed $152,000, $47,000 and $254,000, respectively, to Leviathan for costs incurred by Leviathan in connection with the acquisition and installation of a booster compressor on Leviathan's Viosca Knoll Block 817 platform.

During the years ended December 31, 1998, 1997 and 1996, Viosca Knoll charged Leviathan $1,881,000, $3,921,000 and $3,229,000, respectively, for transportation services related to transporting production from the Viosca Knoll Block 817 lease.

Garden Banks. During the years ended December 31, 1998, 1997 and 1996, POPCO charged Leviathan $1,445,000, $2,003,000 and $1,056,000, respectively, for transportation services related to transporting production from the Garden Banks Block 72 and 117 leases.

Ewing Bank. Pursuant to a gathering agreement (the "Ewing Bank Agreement") among Tatham Offshore, DeepTech, and a subsidiary of Leviathan, Tatham Offshore dedicated all natural gas and crude oil produced from eight of its Ewing Bank leases for gathering and redelivery by Leviathan and was obligated to pay a demand and a commodity rate for shipment of all oil and natural gas under this agreement. Pursuant to the Ewing Bank Agreement, Leviathan constructed gathering facilities connecting Tatham Offshore's Ewing Bank 914 #2 well to a third party platform at Ewing Bank Block 826. For the years ended December 31, 1997 and 1996, Tatham Offshore paid Leviathan demand and commodity charges of $54,000 and $349,000, respectively, under this agreement. Additionally, through May 1997, Leviathan received revenue from the oil and natural gas production from the Ewing Bank 914 #2 well as a result of its 7.13% overriding royalty interest in the well. In 1995, Tatham Offshore experienced production problems with its Ewing Bank 914 #2 well and in March 1996, as a result of the continued production problems, Leviathan settled all remaining unpaid demand charge obligations under the Ewing Bank Agreement in exchange for certain consideration as discussed below.

Ship Shoal. Pursuant to the Master Dedication Agreement, Leviathan and Tatham Offshore entered into a gathering and processing agreement (the "Ship Shoal Agreement") pursuant to which Leviathan constructed a gathering line from Tatham Offshore's Ship Shoal Block 331 to interconnect with a third-party pipeline at Leviathan's platform and processing facilities located on Ship Shoal Block 332 in exchange for the dedication of all of the production from Tatham Offshore's Ship Shoal Block 331 and eight additional surrounding leases and receipt of a demand charge of $113,000 per month over a five-year period ending June 1999. During late 1994, all of Tatham Offshore's wells at Ship Shoal Block 331 experienced completion and production problems and in March 1996, as a result of the continued production problems, Leviathan settled all remaining unpaid demand charge obligations under this transportation agreement in exchange for certain consideration as discussed below.

Transportation Agreements Settled. Tatham Offshore was obligated to make demand charge payments to Leviathan pursuant to the Ewing Bank and Ship Shoal Agreements discussed above. However, production problems at Ship Shoal Block 331 and the Ewing Bank 914 #2 well affected Tatham Offshore's ability to pay the demand charge obligations under agreements relative to these properties. As a result, effective February 1, 1996, Leviathan released Tatham Offshore from all remaining demand charge payments under the Ewing Bank Agreement and the Ship Shoal Agreement, a total of $17,800,000. In exchange, Leviathan received 7,500 shares Senior Preferred Stock valued at $7,500,000 and added an additional $7,500,000 to the payout amount under the Purchase and Sale Agreement (Note 4), which was recorded as a noncurrent receivable. Pursuant to the Redemption Agreement, Leviathan exchanged the Senior Preferred Stock for Tatham Offshore's remaining assets located in the Gulf (Note 1).

During 1997, Tatham Offshore announced its intent to reserve its remaining costs associated with the Ewing Bank 914 #2 well and the three wellbores at Ship Shoal Block 331 as a result of production problems. In addition, Leviathan had determined that the designated net revenue from the Acquired

Properties (Note 4) was not likely to be sufficient to satisfy the payout amount and as such, would (i) retain 100% of the net revenue from the Acquired Properties, (ii) bear all abandonment obligations related to these properties and (iii) not realize the $7,500,000 plus accrued interest Leviathan had recorded as a noncurrent receivable related to the settlement of the Ewing Bank and Ship Shoal Agreements discussed above. Accordingly, in June 1997, Leviathan recorded as impairment, abandonment and other expense on the accompanying consolidated statement of operations a non-recurring charge of $21,222,000 to reserve its investment in certain gathering facilities and other assets associated with Tatham Offshore's Ewing Bank 914 #2 well and Ship Shoal Block 331 property ($6,443,000), to fully accrue its abandonment obligations associated with the gathering facilities serving these properties ($3,825,000), to reserve its noncurrent receivable related to the prepayment of the demand charge obligations under the Ewing Bank and Ship Shoal Agreements ($9,094,000) and to accrue certain abandonment obligations associated with its Viosca Knoll and Garden Banks properties ($1,860,000).

During 1998, Leviathan abandoned the Ewing Bank flowlines at a cost of $2,869,000 and recorded a credit to impairment, abandonment and other of $1,131,000, which represented the excess of the accrued costs over the actual costs incurred associated with the abandonment of the flowlines.

Other

Leviathan has agreed to sell all of its oil and natural gas production to Offshore Gas Marketing, Inc. ("Offshore Marketing"), an affiliate of Leviathan, on a month to month basis. The agreement with Offshore Marketing provides Offshore Marketing fees equal to 2% of the sales value of crude oil and condensate and $0.015 per dekatherm of natural gas for selling Leviathan's production. During the years ended December 31, 1998, 1997 and 1996, oil and natural gas sales to Offshore Marketing totaled $31,225,000, $57,830,000 and $46,296,000, respectively.

Pursuant to a management agreement between Viosca Knoll and Leviathan, Leviathan charges Viosca Knoll a base fee of $100,000 annually in exchange for Leviathan providing financial, accounting and administrative services on behalf of Viosca Knoll. For each of the years ended December 31, 1998, 1997 and 1996, Leviathan charged Viosca Knoll $100,000 in accordance with this management agreement.

For the years ended December 31, 1998 and 1997, Leviathan charged Manta Ray Offshore $1,274,000 and $287,000, respectively, pursuant to management and operations agreements.

Mr. Grant E. Sims and Mr. James H. Lytal entered into employment agreements with five year terms with El Paso pursuant to which they would continue to serve as Chief Executive Officer and President, respectively, of the General Partner and Leviathan. However, pursuant to the terms of their respective employment agreements, Messrs. Sims and Lytal have the right to terminate such agreements upon thirty days notice and El Paso has the right to terminate such agreements under certain circumstances.

Pursuant to the former Leviathan non-employee director compensation arrangements, Leviathan was obligated to pay each non-employee director 2 1/2% of the general partners' Incentive Distribution as a profit participation fee. During the years ended December 31, 1998 and 1997, Leviathan paid the three non-employee directors of Leviathan a total of $621,000 and $313,000, respectively, as a profit participation fee. As a result of the Merger, the three non-employee directors resigned and the compensation arrangements were terminated.

During the years ended December 31, 1997 and 1996, Leviathan was charged $3,351,000 and $7,223,000, respectively, by Sedco Forex Division of Schlumberger Technology Corporation ("Sedco Forex") for contract drilling services rendered by the semisubmersible drilling rig, the FPS Laffit Pincay, at its Garden Banks Block 117 project. The FPS Laffit Pincay was owned by an affiliate of DeepTech and managed by Sedco Forex during such period.

POPCO, which owns the Poseidon crude oil pipeline system, entered into certain agreements with a subsidiary of Leviathan which provided for POPCO's use of certain pipelines and platforms owned by such subsidiary for fees which consisted of a monthly rental fee of $100,000 per month for the period from February 1996 to January 1997 and reimbursement of $2,000,000 of capital expenditures incurred in readying one of the platforms for use.

In 1996, a subsidiary of Leviathan received a performance fee of $1,400,000 for managing the construction and installation of the initial 117 mile segment of the Poseidon crude oil pipeline system.

Mr. Charles M. Darling IV, a director of the General Partner and DeepTech through August 14, 1998, was a partner in a law firm until April 1997 that provided legal services to Leviathan. During the years ended December 31, 1997 and 1996, Leviathan incurred $55,000 and $203,000, respectively, for these services.

Dover Technology, Inc., which is 50% owned by DeepTech, performed certain technical and geophysical services for Leviathan in the aggregate amount of $240,000 for the year ended December 31, 1996.

NOTE 9 -- INCOME TAXES:

Leviathan (other than its subsidiaries, Tarpon and Manta Ray) is not subject to federal income taxes. Therefore, no recognition has been given to income taxes other than income taxes related to Tarpon and Manta Ray. The tax returns of Leviathan are subject to examination; if such examinations result in adjustments to distributive shares of taxable income or loss, the tax liability of partners could be adjusted accordingly.

Tarpon is and Manta Ray was, prior to its liquidation in May 1996, a subsidiary of Leviathan that files separate federal income tax returns. The income tax benefit recorded for the years ended December 31, 1998, 1997, and 1996 equals $471,000, $311,000 and $801,000, respectively, and is entirely related to Tarpon. The benefit equals Tarpon's book loss times the effective statutory rate for such period as no material book/tax permanent differences exist. Leviathan's deferred income tax liability at December 31, 1998 and 1997 of $937,000 and $1,399,000, respectively, is entirely related to the differences in the tax and book bases of the pipeline assets of Tarpon. In May 1996, Manta Ray was merged with and into a subsidiary of Leviathan. Manta Ray had no taxable income for the respective periods prior to its liquidation.

NOTE 10 -- COMMITMENTS AND CONTINGENCIES:

Credit Facilities

Each of POPCO, Viosca Knoll and Stingray are parties to a credit agreement under which it has outstanding obligations that may restrict the payment of distributions to its owners.

POPCO has a revolving credit facility, as amended, (the "POPCO Credit Facility") with a syndicate of commercial banks to provide up to $150 million for the construction and expansion of Poseidon and for other working capital needs of POPCO. POPCO's ability to borrow money under the facility is subject to certain customary terms and conditions, including borrowing base limitations. The POPCO Credit Facility is collateralized by a substantial portion of POPCO's assets and matures on April 30, 2001. As of December 31, 1998 and 1997, POPCO had $131,000,000 and $120,500,000, respectively, outstanding under its credit facility bearing interest at an average floating rate of 6.9% and 7.2% per annum, respectively. At December 31, 1998, POPCO had approximately $19,000,000 of additional funds available under the facility.

Viosca Knoll has a revolving credit facility, as amended, (the "Viosca Knoll Credit Facility") with a syndicate of commercial banks to provide up to $100 million for the addition of compression to and expansion of the Viosca Knoll system and for other working capital needs of Viosca Knoll, including funds for a one-time distribution of $25 million to its partners. In December 1996, Leviathan received a $12,500,000 distribution from Viosca Knoll as a result of its 50% interest in Viosca Knoll. Viosca Knoll's ability to borrow money under its credit facility is subject to certain customary terms and conditions, including borrowing base limitations. The Viosca Knoll Credit Facility is collateralized by all of Viosca Knoll's material contracts and agreements, receivables and inventory and matures on December 20, 2001. If Viosca Knoll fails to pay any principal, interest or other amounts due pursuant to the Viosca Knoll Credit Facility, Leviathan is obligated to pay up to a maximum of $2,500,000 in settlement of 50% of Viosca Knoll's obligations under the Viosca Knoll Credit Facility agreement. As of December 31, 1998 and 1997, Viosca Knoll had $66,700,000 and $52,200,000, respectively, outstanding under the Viosca Knoll Credit Facility bearing interest at an average floating rate of 6.7% per annum. At December 31, 1998, Viosca Knoll had approximately $33,300,000 of additional funds available under the facility. See Note 14.

In March 1998, Stingray amended an existing term loan agreement (the "Stingray Credit Agreement") to provide for additional borrowings of up to $11.1 million and to extend the maturity date of the loan from December 31, 2000 to March 31, 2003. The Stingray Credit Agreement requires Stingray to make 18 quarterly principal payments of $1,583,333 commencing December 31, 1998. The term loan agreement is principally collateralized by current and future natural gas transportation contracts between Stingray and its customers. As of December 31, 1998 and 1997, Stingray had $26,917,000 and $17,400,000, respectively, outstanding under the Stingray Credit Agreement bearing interest at an average floating rate of 6.5% per annum. On the earlier to occur of March 31, 2003 or the accelerated due date pursuant to the Stingray Credit Agreement, if Stingray has not settled all amounts due under the Stingray Credit Agreement, Leviathan is obligated to pay the lesser of (i) $8,500,000, (ii) the aggregate amount of distributions received by Leviathan from Stingray subsequent to January 1, 1998, or (iii) 50% of any then outstanding amounts due pursuant to the Stingray Credit Agreement. Management cannot determine the likelihood of Leviathan's potential obligation associated with the Stingray Credit Agreement.

Hedging Activities

Leviathan hedges a portion of its oil and natural gas production to reduce Leviathan's exposure to fluctuations in market prices of oil and natural gas and to meet certain requirements of the Leviathan Credit Facility. Leviathan uses commodity price swap instruments whereby monthly settlements are based on differences between the prices specified in the instruments and the settlement prices of certain futures contracts quoted on the New York Mercantile Exchange ("NYMEX") or certain other indices. Leviathan settles the instruments by paying the negative difference or receiving the positive difference between the applicable settlement price and the price specified in the contract. The instruments utilized by Leviathan differ from futures contracts in that there is no contractual obligation which requires or allows for the future delivery of the product. The credit risk from Leviathan's price swap contracts is derived from the counter-party to the transaction, typically a major financial institution. Management does not require collateral and does not anticipate non-performance by this counter-party, which does not transact a sufficient volume of transactions with Leviathan to create a significant concentration of credit risk. Gains or losses on hedging activities are recognized as oil and gas sales in the period in which the hedged production is sold. For the years ended December 31, 1998, 1997 and 1996, Leviathan recorded a net (gain) loss of ($2,526,000), $6,340,000 and $2,826,000, respectively, from such activities.

As of December 31, 1998, Leviathan had open sales swap transactions for calendar 1999 of 10,000 million British thermal units ("MMbtu") of natural gas per day at a fixed price to be determined at Leviathan's option equal to the February 1999 Natural Gas Futures Contract on NYMEX as quoted at any time during 1998 and January 1999, to and including the last two trading days of the February 1999

contract, minus $0.23 per MMbtu. In January 1999, Leviathan renegotiated this contract to provide for 10,000 MMbtu of natural gas per day for calendar 2000 at a fixed price to be determined at Leviathan's option equal to the February 2000 Natural Gas Futures Contract on NYMEX as quoted at any time during 1999 and January 2000, to and including the last two trading days of the February 2000 contract, minus $0.5450 per MMbtu.

Additionally, Leviathan had open sales swap transactions for calendar 2000 of 10,000 MMbtu of natural gas per day at a fixed price to be determined at Leviathan's option equal to the January 2000 Natural Gas Futures Contract on NYMEX as quoted at any time during 1999, to and including the last two trading days of the January 2000 contract minus, $0.50 per MMbtu.

If Leviathan had settled its open natural gas hedging positions as of December 31, 1998 and 1997 based on the applicable settlement prices of the NYMEX futures contracts, Leviathan would have recognized a loss (gain) of approximately $2.6 million and ($2.2 million), respectively.

Other

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

Leviathan and several subsidiaries of El Paso have been made defendants in United States ex rel Grynberg v. El Paso Natural Gas Company, et al. litigation. Generally, the complaint in this motion alleges an industry-wide conspiracy to underreport the heating value as well as the volumes of the natural gas produced from federal and Indian lands, thereby depriving the United States government of royalties. The complaint remains sealed. Leviathan and El Paso believe the complaint is without merit and therefore will not have a material adverse effect on the consolidated financial position, operations or cash flows of Leviathan.

Leviathan is a defendant in a lawsuit filed by Transco Gas Pipe Line Corporation ("Transco") in the 157th Judicial District Court, Harris County, Texas on August 30, 1996. Transco alleges that, pursuant to a platform lease agreement entered into on June 28, 1994, Transco has the right to expand its facilities and operations on the offshore platform by connecting additional pipeline receiving and appurtenant facilities. Management has denied Transco's request to expand its facilities and operations because the lease agreement does not provide for such expansion and because Transco's activities will interfere with the Manta Ray Offshore system and Leviathan's existing and planned activities on the platform. Transco has requested a declaratory judgment and is seeking damages. The case is set for trial in June 1999. It is the opinion of management that adequate defenses exist and that the final disposition of this suit individually, and all of Leviathan's other pending legal proceedings in the aggregate, will not have a material adverse effect on the consolidated financial position, operations or cash flows of Leviathan.

In the ordinary course of business, Leviathan is subject to various laws and regulations. In the opinion of management, compliance with existing laws and regulations will not materially affect the consolidated financial position, operations or cash flows of Leviathan. Various legal actions which have arisen in the ordinary course of business are pending with respect to the pipeline interests and other assets of Leviathan. Management believes that the ultimate disposition of these actions, either individually or in the aggregate, will not have a material adverse effect on the consolidated financial position, operations or cash flows of Leviathan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 11 -- SUPPLEMENTAL DISCLOSURES TO THE STATEMENT OF CASH FLOWS:

Cash paid, net of amounts capitalized, during each of the periods presented

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
	(In thousands)		
Interest	$17,608	$12,965	$2,890
Taxes	$ --	$ 11	$ 20

Supplemental disclosures of noncash investing and financing activities

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
	(In thousands)		
Decrease (increase) in investment in Tatham Offshore	$ 7,500	$ --	$(7,500)
Additions to oil and natural gas properties	(4,683)	--	--
Additions to platform and facilities	(7,024)	--	--
Assumption of abandonment obligations	4,033	--	--
Increase in other noncurrent receivable	--	--	(7,500)
Increase in deferred revenue	--	--	15,000
Conveyance of assets and liabilities to POPCO	--	--	29,758
Conveyance of assets and liabilities to Manta Ray Offshore and Nautilus	30	72,080	--

NOTE 12 -- MAJOR CUSTOMERS:

As discussed in Note 8, Leviathan sells substantially all of its oil and natural gas production to Offshore Marketing.

The percentage of gathering, transportation and platform services revenue from major customers was as follows:

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
	(In thousands)		
Kerr-McGee Corporation	32%	--	--
Texaco Gas Marketing, Inc	10%	13%	--
Viosca Knoll	13%	--	--
Walter Oil & Gas Corporation	7%	13%	--
Shell Gas Trading Company	--	--	17%
Tatham Offshore	--	--	30%

NOTE 13 -- BUSINESS SEGMENT INFORMATION:

Leviathan's operations consist of three segments: (i) gathering, transportation and platform services, (ii) oil and natural gas and (iii) equity investments. All of Leviathan's operations are conducted in the Gulf. The gathering, transportation and platform services segment owns interests in natural gas systems and platforms strategically located offshore Texas, Louisiana and Mississippi that provides services to producers, marketers, other pipelines and end-users for a fee. Leviathan is engaged in the development and production of hydrocarbons through its oil and natural gas segment (Note 4). Equity investments primarily include Leviathan's nonregulated and regulated gathering and transportation activities that are conducted through joint ventures, organized as general partnerships or limited liability companies, with subsidiaries of major energy companies. The operational and administrative activities of Leviathan's equity investments are primarily conducted by the major energy companies and management decisions related to the operations are made by management committees comprised of representatives of each partner or member, as applicable, with authority appointed in direct relationship to ownership interests (Note 3). Leviathan evaluates segment performance based on operating net cash flows. The accounting policies of the individual segments are the same as those of Leviathan, as a whole, as described in Note 2. The following table summarizes certain financial information for each business segment (in thousands):

	GATHERING, TRANSPORTATION AND PLATFORM SERVICES	OIL AND NATURAL GAS	EQUITY INVESTMENTS	SUBTOTAL	INTERSEGMENT ELIMINATIONS	TOTAL
YEAR ENDED DECEMBER 31, 1998:						
Revenue from external customers...	$ 17,320	$ 31,411	$26,724	$ 75,455	$ --	$ 75,455
Intersegment revenue.....	10,673	--	--	10,673	(10,673)	--
Depreciation, depletion and amortization.....	(7,134)	(22,133)	--	(29,267)	--	(29,267)
Impairment, abandonment and other.....	1,131	--	--	1,131	--	1,131
Operating income (loss).....	9,128	(10,271)	20,904	19,761	--	19,761
YEAR ENDED DECEMBER 31, 1997:						
Revenue from external customers...	$ 17,329	$ 58,106	$29,327	$104,762	$ --	$104,762
Intersegment revenue.....	11,162	--	--	11,162	(11,162)	--
Depreciation, depletion and amortization.....	(9,900)	(36,389)	--	(46,289)	--	(46,289)
Impairment, abandonment and other.....	(10,268)	(10,954)	--	(21,222)	--	(21,222)
Operating income (loss).....	(1,278)	(9,676)	22,192	11,238	--	11,238
YEAR ENDED DECEMBER 31, 1996:						
Revenue from external customers...	$ 24,005	$ 47,068	$20,434	$ 91,507	$ --	$ 91,507
Intersegment revenue.....	10,052	--	--	10,052	(10,052)	--
Depreciation, depletion and amortization.....	(15,002)	(16,729)	--	(31,731)	--	(31,731)
Operating income.....	9,787	15,489	16,892	42,168	--	42,168

NOTE 14 -- SUBSEQUENT EVENTS:

Acquisition of Additional Interest in Viosca Knoll Gathering Company, the Issuance of Common Units to the General Partner and the Amendment to the Partnership Agreement

Currently, Viosca Knoll is effectively owned 50% by Leviathan and 50% by El Paso (Note 3). In January 1999, Leviathan announced its intent to acquire all of El Paso's interest in Viosca Knoll, other than a 1% interest in profits and capital of Viosca Knoll, for approximately $85.26 million (subject to adjustment), comprised of 25% cash (up to a maximum of $21.315 million) and 75% Common Units (up

to a maximum of 3,205,263 Common Units), the number of which will depend on the average closing price of Common Units during the applicable trading reference period. At the closing, (i) El Paso will contribute to Viosca Knoll an amount of money equal to 50% of the amount then outstanding under the Viosca Knoll Credit Facility (currently a total of $66.7 million is outstanding), (ii) Leviathan will deliver to El Paso the cash and Common Units discussed above and (iii) as required by the Partnership Agreement, the General Partner will contribute approximately $650,000 to Leviathan in order to maintain its 1% capital account balance. Then, during the six month period commencing on the day after the first anniversary of that closing date, Leviathan would have the option to acquire the remaining 1% in profits and capital in Viosca Knoll for a cash payment equal to the sum of $1.74 million plus the amount of additional distributions which would have been paid, accrued or been in arrears had Leviathan acquired the remaining 1% of Viosca Knoll at the initial closing by issuing additional Common Units in lieu of a cash payment of $1.74 million.

The number of units actually issued by Leviathan will vary depending on the market price of Common Units during the applicable trading reference period. Such number will be determined by dividing $63.945 million (subject to adjustment) by the average closing sales price for a Common Unit on the NYSE for the ten day trading period ending two days prior to the closing date (the "Market Price"); provided that, for purposes of such calculation, the Market Price will not be less than $19.95 per Common Unit or more than $24.15 per Common Unit. Accordingly, Leviathan will neither issue less than 2,647,826 nor more than 3,205,263 Common Units, subject to adjustments contemplated by the definitive agreements. Based on the closing sales price of the Common Units on March 5, 1999 of $20.875 per unit, Leviathan would issue 3,063,234 Common Units to El Paso, which issuance would constitute approximately 10.9% of the units (Common and Preference) outstanding immediately after such issuance and would result in El Paso owning, indirectly through its subsidiaries, a combined 35.4% effective interest in Leviathan, consisting of a 1% general partnership interest, a 33.4% limited partnership interest comprised of 9,355,128 Common Units and an approximate 1% nonmanaging interest in certain subsidiaries of Leviathan.

Although certain federal and state securities laws would otherwise limit El Paso's ability to dispose of any Common Units held by it, El Paso would have the right on three occasions to require Leviathan to file a registration statement covering such Common Units and to participate in offerings made pursuant to certain other registration statements filed by Leviathan during a ten year period. Such registrations would be at Leviathan's expense and, generally, would allow El Paso to dispose of all or any of its Common Units. If the acquisition is consummated, there can be no assurance regarding how long El Paso may hold any of its Common Units or whether El Paso's disposition of a significant number of Common Units in a short period of time would not depress the market price of the Common Units.

Upon consummation of the acquisition, Leviathan would be the beneficial owner of 99% of Viosca Knoll and have the option to acquire the remaining 1% interest. Leviathan and El Paso entered into a Contribution Agreement dated January 22, 1999, which is effective as of January 1, 1999. Consummation of the acquisition is subject to the satisfaction of certain closing conditions, including, among other things, obtaining certain third party consents. The consent of the lenders under the Leviathan Credit Facility and the Viosca Knoll Credit Facility must be obtained prior to consummating this transaction. There can be no assurance that all such required consents will be obtained. Management believes that the acquisition of the Viosca Knoll interest does not require any federal, state or other regulatory approval.

On January 19, 1999, the Board of Directors of the General Partner unanimously approved and ratified and recommended that the unitholders approve and ratify the acquisition of the additional Viosca Knoll interest. Based upon, among other things, a multi-faceted review and analysis of the acquisition, as well as the recommendation for approval and ratification from the Special Committee of independent directors and the fairness opinion of an independent financial advisor, the Board of Directors of the

General Partner believes that the acquisition is fair to and in the best interests of Leviathan and its unitholders. On March 5, 1999, the unitholders of record as of January 28, 1999, held a meeting and ratified and approved (i) the transactions relating to Leviathan's acquisition of El Paso's interest in Viosca Knoll and (ii) an amendment of the Partnership Agreement to decrease the vote required for approval of certain actions, including the removal of the general partner without cause, from 66 2/3% to 55%.

If the remaining conditions to closing are satisfied, including obtaining certain third party consents, management believes that the closing of the acquisition of the Viosca Knoll interest will occur during the second quarter of 1999.

Joint Venture Restructuring and New Pipeline Construction

In December 1998, the partners of High Island Offshore System, a Delaware partnership between Leviathan (40%), subsidiaries of ANR Pipeline Company ("ANR") (40%) and a subsidiary of Natural Gas Pipeline Company ("NGPL") (20%), restructured the joint venture arrangement by (i) creating a holding company, Western Gulf Holdings, L.L.C. ("Western Gulf"), (ii) converting High Island Offshore System, which owns a jurisdictional natural gas pipeline located in the Gulf, into a limited liability company, HIOS and (iii) forming a new limited liability company, East Breaks Gathering Company, L.L.C. ("East Breaks") to construct and operate a non-jurisdictional natural gas pipeline system. Western Gulf, owned 40% by Leviathan, 40% by ANR and 20% by NGPL, owns 100% of each of HIOS and East Breaks.

In February 1999, Western Gulf entered into a $100 million revolving credit facility (the "Western Gulf Credit Facility") with a syndicate of commercial banks to provide funds for the construction of the East Breaks system and for other working capital needs of Western Gulf. The ability of Western Gulf to borrow money under its credit facility is subject to certain customary terms and conditions, including borrowing base limitations. The credit facility is collateralized by substantially all of the material contracts and agreements of East Breaks and Western Gulf including Western Gulf's ownership in HIOS and East Breaks, and matures in February 2004. As of March 10, 1999, Western Gulf had $44.1 million outstanding under its credit facility bearing interest at an average floating rate of 6.4% per annum and $55.9 million of additional funds were available under the credit facility.

The East Breaks system will initially consist of 85 miles of an 18 to 20-inch pipeline and related facilities connecting the Diana/Hoover prospects developed by Exxon Company USA ("Exxon") and BP Amoco Plc ("BP Amoco") in Alaminos Canyon Block 25 in the Gulf, with the HIOS system. The majority of the construction of the East Breaks system will occur in 1999 and the system is anticipated to be in service in late 2000 at an estimated cost of approximately $90 million. East Breaks entered into long-term agreements with Exxon and BP Amoco involving the commitment, gathering and processing of production from the Diana/Hoover prospects. All of the natural gas to be produced from 11 blocks in the East Breaks and Alaminos Canyon areas will be dedicated for transportation services on the HIOS system.

NOTE 15 -- SUPPLEMENTAL OIL AND NATURAL GAS INFORMATION (UNAUDITED):

Oil and natural gas reserves

The following table represents Leviathan's net interest in estimated quantities of developed and undeveloped reserves of crude oil, condensate and natural gas and changes in such quantities at fiscal year end 1998, 1997 and 1996. Estimates of Leviathan's reserves at December 31, 1998, 1997 and 1996 have been made by the independent engineering consulting firm, Netherland, Sewell & Associates, Inc. Net proved reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are proved reserve volumes that can

be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are proved reserve volumes that are expected to be recovered from new wells on undrilled acreage or from existing wells where a significant expenditure is required for recompletion.

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

	OIL/CONDENSATE (BARRELS)	NATURAL GAS (MCF)
	(In thousands)	
Proved reserves -- December 31, 1995	4,323	61,292
Revisions of previous estimates	(734)	(4,823)
Extensions, discoveries and other additions	294	3,832
Production	(421)	(15,787)
Proved reserves -- December 31, 1996	3,462	44,514
Revisions of previous estimates	(542)	5,441
Production	(801)	(19,792)
Proved reserves -- December 31, 1997	2,119	30,163
Revisions of previous estimates	(33)	1,833
Purchase of reserves in place	32	8,212
Production	(540)	(11,324)
Proved reserves -- December 31, 1998	1,578	28,884
Proved developed reserves -- December 31, 1996	3,149	44,075
Proved developed reserves -- December 31, 1997	2,119	28,324
Proved developed reserves -- December 31, 1998	1,578	26,432

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

Furthermore, Leviathan's wells have only been producing for a short period of time and, accordingly, estimates of future production are based on this limited history. Estimates with respect to proved undeveloped reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than upon actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be substantial, in the estimated reserves. A significant portion of Leviathan's reserves is based upon volumetric calculations.

Future net cash flows

The standardized measure of discounted future net cash flows relating to Leviathan's proved oil and natural gas reserves is calculated and presented in accordance with SFAS No. 69, "Disclosures About Oil and Gas Producing Activities." Accordingly, future cash inflows were determined by applying year-end oil and natural gas prices, as adjusted for hedging and other fixed price contracts in effect, to Leviathan's estimated share of future production from proved oil and natural gas reserves. The average prices utilized in the calculation of the standardized measure of discounted future net cash flows at December 31, 1998 were $9.80 per barrel of oil and $1.53 per Mcf of gas. Future production and development costs were computed by applying year-end costs to future years. As Leviathan is not a taxable entity, no future income taxes were provided. A prescribed 10% discount factor was applied to the future net cash flows.

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

	DECEMBER 31,		
	1998	1997	1996
	(In thousands)		
Future cash inflows	$ 53,299	$104,192	$206,311
Future production costs	(13,412)	(15,895)	(13,019)
Future development costs	(10,566)	(10,463)	(5,328)
Future income tax expenses	--	--	--
Future net cash flows	29,321	77,834	187,964
Annual discount at 10% rate	(2,649)	(10,468)	(32,326)
Standardized measure of discounted future net cash flows	$ 26,672	$ 67,366	$155,638

	DECEMBER 31, 1998		
	PROVED DEVELOPED	PROVED UNDEVELOPED	TOTAL
	(In thousands)		
Undiscounted estimated future net cash flows from proved reserves before income taxes	$28,457	$864	$29,321
Present value of estimated future net cash flows from proved reserves before income taxes, discounted at 10%	$26,131	$541	$26,672

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

	1998	1997	1996
Beginning of year	$ 67,366	$155,638	$115,170
Sales and transfers of oil and natural gas produced, net of production costs	(22,131)	(53,492)	(40,420)
Net changes in prices and production costs	(32,129)	(35,645)	45,358
Extensions, discoveries and improved recovery, less related costs	--	--	17,077
Oil and natural gas development costs incurred during the year	120	11,140	57,501
Changes in estimated future development costs	(443)	(12,439)	(29,421)
Revisions of previous quantity estimates	1,920	(3,817)	(19,686)
Purchase of reserves in place	7,573	--	--
Accretion of discount	6,736	15,564	11,517
Changes in production rates, timing and other	(2,340)	(9,583)	(1,458)
End of year	$ 26,672	$ 67,366	$155,638

NOTE 16 -- SUPPLEMENTAL QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

	YEAR 1998				
	QUARTER ENDED				
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31	YEAR
	(In thousands, except for per Unit data)				
Revenue	$17,714	$18,373	$18,230	$21,138	$75,455
Gross profit(a)	$ 7,010	$ 8,687	$ 8,165	$10,957	$34,819
Net income (loss)	$(1,424)	$ 1,510	$(1,806)	$ 2,466	$ 746
Basic and diluted net income (loss) per unit	$ (0.05)	$ 0.05	$ (0.06)	$ 0.08	$ 0.02
Weighted average number of Units outstanding	24,367	24,367	24,367	24,367	24,367
Distributions declared per Common Unit	$ 0.525	$ 0.525	$ 0.525	$ 0.525	$ 2.10
Distributions declared per Preference Unit	$ 0.525	$ 0.525	$ 0.275	$ 0.275	$ 1.60

	YEAR 1997				
	QUARTER ENDED				
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31	YEAR
	(In thousands, except for per Unit data)				
Revenue	$31,028	$ 28,226	$25,474	$20,034	$104,762
Gross profit(a)	$13,980	$ 11,289	$11,311	$10,541	$ 47,121
Net income (loss)	$ 8,964	$(15,855)	$ 3,274	$ 2,479	$ (1,138)
Basic and diluted net income (loss) per unit	$ 0.32	$ (0.58)	$ 0.12	$ 0.08	$ (0.06)
Weighted average number of Units outstanding	24,367	24,367	24,367	24,367	24,367
Distributions declared per Preference and Common Unit	$ 0.425	$ 0.45	$ 0.475	$ 0.50	$ 1.85

	YEAR 1996				
	QUARTER ENDED				
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31	YEAR
	(In thousands, except for per Unit data)				
Revenue	$19,637	$18,562	$24,214	$29,094	$91,507
Gross profit(a)	$12,437	$10,792	$13,246	$14,233	$50,708
Net income (loss)	$10,910	$ 9,161	$10,006	$ 8,615	$38,692
Basic and diluted net income (loss) per unit	$ 0.44	$ 0.37	$ 0.41	$ 0.35	$ 1.57
Weighted average number of Units outstanding	24,367	24,367	24,367	24,367	24,367
Distributions declared per Preference and Common Unit	$ 0.325	$ 0.35	$ 0.375	$ 0.40	$ 1.45

- ---

(a) Represent revenue less operating and depreciation, depletion and amortization expenses.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholder of
Leviathan Finance Corporation

In our opinion, the accompanying balance sheet presents fairly, in all material respects, the financial position of Leviathan Finance Corporation (the "Company") at April 30, 1999 in conformity with generally accepted accounting principles. This financial statement is the responsibility of the Company's management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Houston, Texas
May 3, 1999

LEVIATHAN FINANCE CORPORATION
(A WHOLLY OWNED SUBSIDIARY OF LEVIATHAN GAS PIPELINE PARTNERS, L.P.)

BALANCE SHEET

APRIL 30, 1999

ASSETS

Subscription receivable from parent	$1,000
Total assets	$1,000

STOCKHOLDER'S EQUITY

Common stock, $1.00 par value, 1,000 shares authorized; 1,000 issued and outstanding	$1,000
Total stockholder's equity	$1,000

The accompanying note is an integral part of this financial statement.

LEVIATHAN FINANCE CORPORATION
(A WHOLLY OWNED SUBSIDIARY OF LEVIATHAN GAS PIPELINE PARTNERS, L.P.)

NOTE TO BALANCE SHEET

NOTE 1 -- ORGANIZATION:

Leviathan Finance Corporation (the "Company"), a Delaware corporation, was formed on April 30, 1999 for the sole purpose of co-issuing $175,000,000 aggregate principal amount of Senior Subordinated Notes due May 2009 (the "Notes") with Leviathan Gas Pipeline Partners, L.P. ("Leviathan"), the Company's parent. Leviathan, a publicly held Delaware master limited partnership, is primarily engaged in the gathering, transportation and production of natural gas and crude oil in the Gulf of Mexico. Through its subsidiaries and joint ventures, Leviathan owns interests in significant assets, including (i) eight natural gas pipelines, (ii) a crude oil pipeline system, (iii) six strategically-located multi-purpose platforms, (iv) a dehydration facility, (v) four producing oil and natural gas properties and (vi) one undeveloped oil and natural gas property.

The Company's subscription receivable was generated from the initial capitalization of the Company in which the Company issued 1,000 shares of common stock at $1.00 par value. The Company has not conducted any operations and all activities have related to the issuance of the Notes.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Partners of Viosca Knoll Gathering
Company (a Delaware general partnership)

In our opinion, the accompanying balance sheet and the related statements of operations, of cash flows and of partners' capital present fairly, in all material respects, the financial position of Viosca Knoll Gathering Company (a Delaware general partnership) ("Viosca Knoll") as of December 31, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles. These financial statements are the responsibility of Viosca Knoll's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Houston, Texas
March 19, 1999

VIOSCA KNOLL GATHERING COMPANY
(A DELAWARE GENERAL PARTNERSHIP)

BALANCE SHEET
(In thousands)

	JUNE 30, 1999	DECEMBER 31, 1998	DECEMBER 31, 1997
	(UNAUDITED)		
ASSETS			
Current assets:			
Cash and cash equivalents	$ 182	$ 155	$ 135
Accounts receivable	3,068	4,885	2,658
Accounts receivable from affiliates	1,590	179	561
Other current assets	232	232	--
Total current assets	5,072	5,451	3,354
Property and equipment:			
Pipelines	145,652	108,121	103,121
Construction-in-progress	67	--	1,449
Other	77	77	24
	145,796	108,198	104,594
Less: Accumulated depreciation	12,811	10,662	6,886
Property, plant and equipment, net	132,985	97,536	97,708
Debt issue costs, net	--	222	296
Total assets	$138,057	$103,209	$101,358
LIABILITIES AND PARTNERS' CAPITAL			
Current liabilities:			
Accounts payable	$ 27	$ 414	$ 3,841
Accounts payable to affiliates	155	552	851
Accrued liabilities	5,102	55	6,588
Total current liabilities	5,284	1,021	11,280
Provision for negative salvage	382	340	256
Notes payable	--	66,700	52,200
	5,666	68,061	63,736
Commitments and contingencies (Note 5)			
Partners' capital:			
VK Deepwater	131,389	17,574	18,811
EPEC Deepwater	1,002	17,574	18,811
	132,391	35,148	37,622
Total liabilities and partners' capital	$138,057	$103,209	$101,358

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

VIOSCA KNOLL GATHERING COMPANY
(A DELAWARE GENERAL PARTNERSHIP)

STATEMENT OF OPERATIONS
(In thousands)

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1999	1998	1998	1997	1996
	(UNAUDITED)				
Revenue:					
Transportation services	$14,743	$14,314	$28,806	$23,128	$13,923
Oil and natural gas sales	49	432	528	--	--
	14,792	14,746	29,334	23,128	13,923
Costs and expenses:					
Operating expenses	1,129	1,181	2,877	1,990	298
Depreciation	2,191	1,893	3,860	2,474	2,269
General and administrative expenses	71	82	154	125	126
	3,391	3,156	6,891	4,589	2,693
Operating income	11,401	11,590	22,443	18,539	11,230
Interest income	33	23	50	40	--
Interest and other financing costs	(1,973)	(1,989)	(4,267)	(1,959)	(90)
Net income	$ 9,461	$ 9,624	$18,226	$16,620	$11,140

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

VIOSCA KNOLL GATHERING COMPANY
(A DELAWARE GENERAL PARTNERSHIP)

STATEMENT OF CASH FLOWS
(In thousands)

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1999	1998	1998	1997	1996
	(UNAUDITED)				
Cash flows from operating activities:					
Net income	$ 9,461	$ 9,624	$ 18,226	$ 16,620	$ 11,140
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation	2,191	1,893	3,860	2,474	2,269
Amortization of debt issue costs	222	37	74	73	--
Changes in operating working capital:					
Decrease (increase) in accounts receivable	1,817	(496)	(2,227)	340	(1,462)
(Increase) decrease in accounts receivable from affiliates	(1,411)	546	382	573	(1,046)
Increase in other current assets	--	--	(232)	--	--
(Decrease) increase in accounts payable	(387)	(3,572)	(3,427)	1,937	1,557
(Decrease) increase in accounts payable to affiliates	(397)	(498)	(299)	513	(2,312)
Decrease (increase) in accrued liabilities	(53)	(6,538)	(6,533)	6,328	(251)
Net cash provided by operating activities	11,443	996	9,824	28,858	9,895
Cash flows from investing activities:					
Additions to pipeline assets	(49)	(1,179)	(3,604)	(27,541)	(5,219)
Construction-in-progress	(67)	--	--	(1,449)	(3,410)
Net cash used in investing activities	(116)	(1,179)	(3,604)	(28,990)	(8,629)
Cash flows from financing activities:					
Proceeds from notes payable	--	11,800	14,500	18,900	33,300
Repayment of notes payable	(66,700)	--	--	--	--
Contributions from partners	68,100	--	--	320	3,018
Distributions to partners	(12,700)	(11,600)	(20,700)	(19,300)	(36,900)
Debt issue costs	--	--	--	(70)	(300)
Net cash (used in) provided by financing activities	(11,300)	200	(6,200)	(150)	(882)
Net increase (decrease) in cash and cash equivalents	27	17	20	(282)	384
Cash and cash equivalents at beginning of year	155	135	135	417	33
Cash and cash equivalents at end of period	$ 182	$ 152	$ 155	$ 135	$ 417
Cash paid for interest, net of amounts capitalized	$ 1,804	$ 1,943	$ 4,180	$ 1,878	$ --
Noncash investing activities:					
Additions to pipeline assets offset by additions to accrued liabilities	$ 5,100	$ --	$ --	$ --	$ --

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

VIOSCA KNOLL GATHERING COMPANY
(A DELAWARE GENERAL PARTNERSHIP)

STATEMENT OF PARTNERS' CAPITAL
(In thousands)

	VK DEEPWATER	EPEC DEEPWATER	TOTAL
Partners' capital at December 31, 1995	$ 31,362	$ 31,362	$ 62,724
Contributions	1,509	1,509	3,018
Distributions	(18,450)	(18,450)	(36,900)
Net income	5,570	5,570	11,140
Partners' capital at December 31, 1996	19,991	19,991	39,982
Contributions	160	160	320
Distributions	(9,650)	(9,650)	(19,300)
Net income	8,310	8,310	16,620
Partners' capital at December 31, 1997	18,811	18,811	37,622
Distributions	(10,350)	(10,350)	(20,700)
Net income	9,113	9,113	18,226
Partners' capital at December 31, 1998	17,574	17,574	35,148
Contributions (unaudited)	34,050	34,050	68,100
Distributions (unaudited)	(6,350)	(6,350)	(12,700)
Transfer ownership interest (unaudited) (Note 9)	48,151	(48,151)	--
Capital contribution related to acquisition of 49% interest (unaudited) (Note 9)	32,382	--	32,382
Net income (unaudited)	5,582	3,879	9,461
Partners' capital at June 30, 1999 (unaudited)	$ 131,389	$ 1,002	$ 132,391

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

VIOSCA KNOLL GATHERING COMPANY
(A DELAWARE GENERAL PARTNERSHIP)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- ORGANIZATION:

Viosca Knoll Gathering Company ("Viosca Knoll") is a Delaware general partnership formed in May 1994 to design, construct, own and operate the Viosca Knoll Gathering System (the "Viosca Knoll system") and any additional facilities constructed or acquired pursuant to the Joint Venture Agreement between VK Deepwater Gathering Company, L.L.C. ("VK Deepwater"), an approximate 99% owned subsidiary of Leviathan Gas Pipeline Partners, L.P. ("Leviathan"), and EPEC Deepwater Gathering Company ("EPEC Deepwater"), an indirect subsidiary of El Paso Energy Corporation ("El Paso"). El Paso, as a result of its merger with DeepTech International Inc. on August 14, 1998, owns an effective 27.3% interest in Leviathan. Each of the partners has a 50% interest in Viosca Knoll. Viosca Knoll is managed by a committee consisting of representatives from each of the partners. Viosca Knoll has no employees. VK Deepwater is the operator of Viosca Knoll and has contracted with an affiliate of EPEC Deepwater to maintain the pipeline and with Leviathan to perform financial, accounting and administrative services.

The Viosca Knoll system is a non-jurisdictional gathering system designed to serve the Main Pass, Mississippi Canyon and Viosca Knoll areas of the Gulf of Mexico (the "Gulf"), southeast of New Orleans, offshore Louisiana. The Viosca Knoll system, has a maximum design capacity of approximately 1 billion cubic feet of natural gas per day and consists of 125 miles of predominantly 20-inch natural gas pipelines and a large compressor. The Viosca Knoll system provides its customers access to the facilities of a number of major interstate pipelines, including Tennessee Gas Pipeline Company, Columbia Gulf Transmission Company, Southern Natural Gas Company, Transcontinental Gas Pipe Line and Destin Pipeline Company.

The base system, comprised of (i) an approximately 94 mile, 20-inch diameter pipeline from a platform in Main Pass Block 252 owned by Shell Offshore, Inc. ("Shell") to a pipeline owned by Tennessee Gas Pipeline Company at South Pass Block 55 and (ii) a six mile, 16-inch diameter pipeline from an interconnection with the 20-inch diameter pipeline at Viosca Knoll Block 817 to a pipeline owned by Southern Natural Gas Company at Main Pass Block 289, was constructed in 1994. A 7,000 horsepower compressor was installed in 1996 on Leviathan's Viosca Knoll 817 platform to allow Viosca Knoll to effect deliveries at the operating pressures on downstream interstate pipelines with which it is interconnected. The additional capacity created by such compression allowed Viosca Knoll to transport new natural gas volumes during 1997 from the Shell-operated Southeast Tahoe and Ram-Powell fields as well as other new deepwater projects in the area. In 1997, Viosca Knoll added approximately 25 miles of parallel 20-inch pipelines.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES:

Cash and cash equivalents

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

Property and equipment

Gathering pipelines and related facilities are recorded at cost and depreciated on a straight-line basis over an estimated useful life of 30 years. Viosca Knoll also calculates a negative salvage provision using the straight-line method based on an estimated cost of abandoning the pipeline of $2.5 million. Other property, plant and equipment is depreciated on a straight-line basis over an estimated useful life of five years. Maintenance and repair costs are expensed as incurred; additions, improvements and replacements

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

Viosca Knoll evaluates impairment of its property and equipment in accordance with Statement of Financial Accounting Standard ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" which requires recognition of impairment losses on long-lived assets if the carrying amount of such assets, grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows from other assets, exceeds the estimated undiscounted future cash flows of such assets. Measurement of any impairment loss will be based on the fair value of the assets.

Capitalization of interest

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

Debt issue costs

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

Revenue recognition

Revenue from pipeline transportation of natural gas is recognized upon receipt of the natural gas into the pipeline system. Revenue from demand charges is recognized in the period the services are provided. Revenue from oil and natural gas sales is recognized upon delivery in the period of production.

Income taxes

Viosca Knoll is not a taxable entity. Income taxes are the responsibility of the partners and are not reflected in these financial statements. However, the taxable income or loss resulting from the operations of Viosca Knoll will ultimately be included in the federal income tax returns of the partners and may vary substantially from income or loss reported for financial statement purposes.

Estimates

The preparation of Viosca Knoll's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions, including those related to potential environmental liabilities and future regulatory status, that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

Recent Pronouncements

In April 1998, the American Institute of Certified Public Accountants issued SOP 98-5, "Reporting on the Costs of Start-Up Activities." This statement defines start-up activities, requires start-up and organization costs to be expensed as incurred and requires that any such costs that exist on the balance sheet be expensed upon adoption of this pronouncement. The statement is effective for fiscal years beginning after December 15, 1998. Viosca Knoll adopted the provisions of this statement on January 1, 1999 resulting in no material impact on its financial position or results of operations.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities," to be effective for all fiscal years beginning after June 15, 2000. SFAS No. 133, as amended, requires that entities recognize all derivative instruments as either assets or liabilities on the balance sheet and measure those instruments at fair value. The accounting for changes in the fair value of a derivative will depend on the intended use of the derivative and the resulting designation. Viosca Knoll is currently evaluating the impact, if any, of SFAS No. 133, as amended.

NOTE 3 -- INDEBTEDNESS:

In December 1996, Viosca Knoll entered into a revolving credit facility (the "Viosca Knoll Credit Facility") with a syndicate of commercial banks to provide up to $100 million for the addition of compression and expansion to the Viosca Knoll System and for other working capital needs of Viosca Knoll, including providing a one time distribution not to exceed $25 million to its partners (Note 7). Viosca Knoll's ability to borrow money under the facility is subject to certain customary terms and conditions, including borrowing base limitations. The Viosca Knoll Credit Facility is collateralized by all of Viosca Knoll's material contracts and agreements, receivables and inventory and matures on December 20, 2001. As of December 31, 1998 and 1997, Viosca Knoll had $66,700,000 and $52,200,000, respectively, outstanding under the Viosca Knoll Credit Facility bearing interest at an average floating rate of 6.7% per annum. As of December 31, 1998, approximately $33,300,000 of additional funds were available under the Viosca Knoll Credit Facility. See Note 8.

Interest and other financing costs totaled $1,973,000 (unaudited), $4,278,000, $2,710,000 and $90,000 for the six months ended June 30, 1999 and for the years ended December 31, 1998, 1997 and 1996, respectively. During the six months ended June 30, 1999 and the years ended December 31, 1998 and 1997, Viosca Knoll capitalized $0 (unaudited), $11,000 and $751,000, respectively, of such costs in connection with construction projects in progress.

NOTE 4 -- RELATED PARTY TRANSACTIONS:

Pursuant to a management agreement dated May 24, 1994 between Viosca Knoll and Leviathan, Leviathan charges Viosca Knoll a base fee of $100,000 annually in exchange for Leviathan providing financial, accounting and administrative services on behalf of Viosca Knoll. For each of the years ended December 31, 1998, 1997 and 1996, Leviathan charged Viosca Knoll $100,000 in accordance with this management agreement.

Viosca Knoll and EPEC Gas Services Company ("EPEC Gas"), an affiliate of EPEC Deepwater, entered into a construction and operation agreement whereby EPEC Gas provided personnel to manage the construction and operation of the Viosca Knoll System in exchange for a one-time management fee of $3,000,000 and provides routine maintenance services on behalf of Viosca Knoll. For the years ended December 31, 1998, 1997 and 1996, EPEC Gas charged Viosca Knoll $415,000, $216,000 and $200,000, respectively, with respect to its operating and maintenance services.

In addition, EPEC Gas and VK-Main Pass Gathering Company, L.L.C. ("VK Main Pass"), a subsidiary of Leviathan, acquired and installed a compressor on the Viosca Knoll 817 Platform, which is owned by Leviathan. The compressor was placed in service in January 1997. For the years ended December 31, 1998, 1997 and 1996, Viosca Knoll reimbursed EPEC Gas $1,762,000, $1,282,000 and $8,072,000, respectively, for construction related costs. For the years ended December 31, 1998, 1997 and 1996, Viosca Knoll reimbursed VK Main Pass $152,000, $47,000 and $254,000, respectively, for construction related items.

Included in transportation services revenue during the years ended December 31, 1998, 1997 and 1996 is $1,881,000, $3,921,000 and $3,229,000, respectively, of revenue earned from transportation services provided to Flextrend Development Company, L.L.C., a subsidiary of Leviathan. Included in operating expenses for the years ended December 31, 1998, 1997 and 1996 is $2,447,000, $2,116,000 and $249,000, respectively, of platform access fees and related expenses charged to Viosca Knoll by VK Main Pass.

NOTE 5 -- COMMITMENTS AND CONTINGENCIES:

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

The Viosca Knoll system is a gathering facility and as such is not currently subject to rate and certificate regulation by the Federal Energy Regulatory Commission (the "FERC"). However, the FERC has asserted that it has rate jurisdiction under the Natural Gas Act of 1938, as amended (the "NGA"), over gathering services performed through gathering facilities owned by a natural gas company (as defined in the NGA) when such services were performed "in connection with" transportation services provided by such natural gas company. Whether, and to what extent, the FERC should exercise any NGA rate jurisdiction it may be found to have over gathering facilities owned either by natural gas companies or affiliates thereof is subject to case-by-case review by the FERC. Based on current FERC policy and precedent, Viosca Knoll does not anticipate that the FERC will assert or exercise any NGA rate jurisdiction over the Viosca Knoll system so long as the services provided through such system are not performed "in connection with" transportation services performed through any of the regulated pipelines of either of the partners.

NOTE 6 -- MAJOR CUSTOMERS:

Transportation revenue from major customers was as follows:

	YEAR ENDED DECEMBER 31,					
	1998		1997		1996	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
Shell Offshore, Inc.	$10,836	38	$11,198	48	$ 5,141	37
Snyder Oil Corporation	4,801	17	3,653	16	3,275	24
Exxon Corporation	3,354	12	498	2	--	--
Amoco Production Company	3,292	11	475	2	--	--
Flextrend Development Company, L.L.C.	1,881	7	3,921	17	3,229	23
Other	4,642	15	3,383	15	2,278	16
	$28,806	100	$23,128	100	$13,923	100

NOTE 7 -- CASH DISTRIBUTIONS:

In March 1995, Viosca Knoll began making monthly distributions of 100% of its Available Cash, as defined in the Joint Venture Agreement, to the partners. Available Cash consists generally of all the cash receipts of Viosca Knoll less all of its cash disbursements less reasonable reserves, including, without limitation, those necessary for working capital and near-term commitments and obligations or other contingencies of Viosca Knoll. Viosca Knoll expects to make distributions of Available Cash within 15 days after the end of each month to its partners. During the six months ended June 30, 1999 and the years ended December 31, 1998, 1997 and 1996, Viosca Knoll paid distributions of $12,700,000 (unaudited), $20,700,000, $19,300,000 and $36,900,000, respectively, to its partners. The distributions paid during 1996 include $25 million of funds provided from borrowings under the Viosca Knoll Credit Facility. The Viosca Knoll Credit Facility Agreement includes a covenant by which distributions are limited to the

greater of net income or 90% of earnings before interest and depreciation as defined in the agreement. See Note 8.

NOTE 8 -- RECENT EVENTS:

In January 1999, EPEC Deepwater announced the sale of (a) all of its interest in Viosca Knoll, other than a 1% interest in profits and capital in Viosca Knoll, to VK Deepwater for approximately $85.26 million (subject to adjustment), comprised of 25% cash (up to a maximum of $21.315 million) and 75% common units of Leviathan (up to a maximum of 3,205,263 common units), the actual number of which will depend on the average closing price of the common units during the applicable trading reference period, and (b) an option to acquire the remaining 1% interest in the profits and capital in Viosca Knoll.

Prior to closing, Viosca Knoll must obtain consent from its lenders under the Viosca Knoll Credit Facility and Leviathan must obtain consent from its lenders as well. At such time, either or both of such credit facilities may be restructured.

At the closing, which is anticipated to be during the second quarter of 1999, (i) EPEC Deepwater will contribute to Viosca Knoll an amount of money equal to 50% of the amount then outstanding under the Viosca Knoll Credit Facility (currently a total of $66.7 million is outstanding) and (ii) VK Deepwater, through Leviathan, will pay El Paso and EPEC Deepwater the cash and common units discussed above. Then, during the six month period commencing on the day after the first anniversary of that closing date, VK Deepwater would have the option to acquire the remaining 1% in profits and capital in Viosca Knoll for a cash payment equal to the sum of $1.74 million plus the amount of additional distributions which would have been paid, accrued or been in arrears had VK Deepwater acquired the remaining 1% of Viosca Knoll at the initial closing by issuing additional common units of Leviathan in lieu of a cash payment of $1.74 million.

NOTE 9 -- CONSUMMATION OF VIOSCA KNOLL TRANSACTIONS (UNAUDITED)

On June 1, 1999, VK Deepwater and EPEC Deepwater consummated the Viosca Knoll transactions (See Note 8). In connection therewith, (i) EPEC Deepwater contributed to Viosca Knoll $33.4 million, and (ii) EPEC Deepwater transferred a 49% interest in Viosca Knoll to VK Deepwater in exchange for a cash payment of approximately $19.9 million and the issuance of 2,661,870 common units of Leviathan valued at $59.8 million. The excess of VK Deepwater's cost over the underlying book value of Viosca Knoll's net assets at June 1, 1999 (approximately $32.3 million) has been pushed down to the financial statements of Viosca Knoll as an adjustment to property and equipment and partners' capital. Accordingly, the financial statements as of and for the six months ended June 30, 1999 are not comparable with prior periods.

INDEPENDENT AUDITORS' REPORT

To the Management Committee
High Island Offshore System, L.L.C.
Detroit, Michigan

We have audited the accompanying statements of financial position of High Island Offshore System, L.L.C. as of December 31, 1998 and 1997, and the related statements of income, members' equity, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the High Island Offshore System, L.L.C.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of High Island Offshore System, L.L.C. as of December 31, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Detroit, Michigan
February 19, 1999

HIGH ISLAND OFFSHORE SYSTEM, L.L.C.

STATEMENTS OF FINANCIAL POSITION

	AS OF JUNE 30, 1999	AS OF DECEMBER 31, 1998	AS OF DECEMBER 31, 1997
	(UNAUDITED)		
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,272,342	$ 868,312	$ 876,845
Accounts receivable	5,872,504	3,777,590	4,709,918
Prepayments	234,151	15,948	--
Total current assets	7,378,997	4,661,850	5,586,763
Gas transmission plant	373,121,843	372,370,180	371,321,033
Less -- accumulated depreciation	366,923,035	364,601,970	359,830,332
Net gas transmission plant	6,198,808	7,768,210	11,490,701
Deferred charges	4,205,497	5,168,277	590,189
Total assets	$ 17,783,302	$ 17,598,337	$ 17,667,653
LIABILITIES AND MEMBERS' EQUITY			
Current liabilities:			
Accounts payable	$ 4,763,200	$ 2,424,849	$ 3,077,779
Unamortized rate reductions for excess deferred federal income taxes	50,337	201,347	302,021
Total current liabilities	4,813,537	2,626,196	3,379,800
Noncurrent liabilities			
Unamortized rate reductions for excess deferred federal income taxes	--	--	198,510
Commitments and contingencies (Note 6)	--	--	--
Members' equity	12,969,765	14,972,141	14,089,343
Total liabilities and members' equity	$ 17,783,302	$ 17,598,337	$ 17,667,653

See notes to the financial statements.

HIGH ISLAND OFFSHORE SYSTEM, L.L.C.

STATEMENTS OF INCOME AND STATEMENTS OF MEMBERS' EQUITY

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1999	1998	1998	1997	1996
	(UNAUDITED)				
STATEMENTS OF INCOME					
Operating revenues:					
Transportation services	$ 19,279,440	$ 21,667,940	$ 43,477,250	$ 45,414,839	$ 47,052,978
Other	188,209	196,280	340,323	502,111	387,764
Total operating revenues	19,467,649	21,864,220	43,817,573	45,916,950	47,440,742
Operating expenses:					
Operation and maintenance	8,540,105	8,521,170	18,935,495	16,975,738	15,548,824
Depreciation	2,321,066	2,384,078	4,771,638	4,773,588	4,775,405
Property taxes	108,854	111,105	111,105	125,368	133,662
Total operating expenses	10,970,025	11,016,353	23,818,238	21,874,694	20,457,891
Net operating income	8,497,624	10,847,867	19,999,335	24,042,256	26,982,851
Other income and deductions	--	--	(16,537)	--	96,624
Total other income and deductions	--	--	(16,537)	--	96,624
Net income	$ 8,497,624	$ 10,847,867	$ 19,982,798	$ 24,042,256	$ 27,079,475
STATEMENTS OF MEMBERS' EQUITY					
Balance at beginning of period	$ 14,972,141	$ 14,089,343	$ 14,089,343	$ 20,547,087	$ 21,967,612
Net income	8,497,624	10,847,867	19,982,798	24,042,256	27,079,475
Capital contributions	--	--	4,000,000	--	--
Distributions to members	(10,500,000)	(13,100,000)	(23,100,000)	(30,500,000)	(28,500,000)
Balance at end of period	$ 12,969,765	$ 11,837,210	$ 14,972,141	$ 14,089,343	$ 20,547,087

See notes to the financial statements.

HIGH ISLAND OFFSHORE SYSTEM, L.L.C.

STATEMENTS OF CASH FLOWS

	SIX MONTHS ENDED JUNE 30,		YEARS ENDED DECEMBER 31,		
	1999	1998	1998	1997	1996
	(UNAUDITED)				
Cash flows from operating activities:					
Net income	$ 8,497,624	$ 10,847,867	$ 19,982,798	$ 24,042,256	$ 27,079,475
Adjustments to reconcile net income to cash provided by operating activities					
Depreciation	2,321,066	2,384,078	4,771,638	4,773,588	4,775,405
Accounts receivable	(2,094,914)	948,775	932,328	7,260	(353,633)
Prepayments	(218,203)	--	(15,948)	211,842	91,444
Deferred charges and other	811,770	242,547	(4,877,271)	(145,294)	67,173
Provision for regulatory matters	--	--	--	--	(1,050,623)
Accounts payable	2,753,441	(643,394)	(335,434)	23,821	(1,515,481)
Cash provided by operating activities	12,070,784	13,779,873	20,458,111	28,913,473	29,093,760
Cash flows from investing activities:					
Capital expenditures	(1,166,754)	(20,478)	(1,366,644)	(822,554)	(209,863)
Cash used in investing activities	(1,166,754)	(20,478)	(1,366,644)	(822,554)	(209,863)
Cash flows from financing activities:					
Capital contributions	--	--	4,000,000	--	--
Distributions to members	(10,500,000)	(13,100,000)	(23,100,000)	(30,500,000)	(28,500,000)
Cash used in financing activities	(10,500,000)	(13,100,000)	(19,100,000)	(30,500,000)	(28,500,000)
Increase (decrease) in cash and cash equivalents	404,030	659,395	(8,533)	(2,409,081)	383,897
Cash and cash equivalents at beginning of period	868,312	876,845	876,845	3,285,926	2,902,029
Cash and cash equivalents at end of period	$ 1,272,342	$ 1,536,240	$ 868,312	$ 876,845	$ 3,285,926

See notes to the financial statements.

HIGH ISLAND OFFSHORE SYSTEM, L.L.C.

NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

NOTE 1 -- FORMATION AND OWNERSHIP STRUCTURE

Description and Business Purpose

Effective December 10, 1998, High Island Offshore System, ("HIOS" or the "Company"), a Delaware partnership, was converted to a Delaware Limited Liability Corporation ("L.L.C."). In January 1999, the members of HIOS, each of which owned a 20% interest, contributed their capital accounts to Western Gulf Holdings, L.L.C. ("Western Gulf") in exchange for an equivalent ownership interest in Western Gulf. As a result, Western Gulf now owns a 100% interest in the Company. Western Gulf was formed to invest in the development of a 85 mile pipeline which will connect to HIOS and extend to the deep water "Diana" prospect containing an estimated 1 trillion cubic feet of reserves. The new line is scheduled to begin transporting gas in late 2000 and is projected to cost $90 million. The line will be owned by East Breaks Gathering Company, L.L.C., which is also owned by Western Gulf.

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

HIOS is managed by a committee consisting of representatives from each of the member companies. HIOS has no employees. ANR Pipeline Company ("ANR") operates the system on behalf of HIOS under an agreement which provides that services rendered to HIOS will be reimbursed at cost ($12.4 million for 1998, $11.4 million for 1997, and $9.6 million for 1996).

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company is regulated by the FERC. In addition, the Company meets the criteria and, accordingly, follows the accounting and reporting requirements of Statement of Financial Accounting Standards No. 71 for regulated enterprises.

Use of Estimates

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

Depreciation

Annual depreciation and negative salvage provisions are computed on a straight-line basis using rates of depreciation which vary by type of property. The annual composite depreciation rates were approximately 1.29% for 1998, 1997, and 1996 which include a provision for negative salvage of .2% for offshore facilities.

Income Taxes

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

Statement of Cash Flows

For purposes of these financial statements, the Company considers short-term investments purchased with an original maturity of three months or less to be cash equivalents. The Company had short-term investments in the amount of $.9 million at December 31, 1998 and 1997. The Company made no cash payments for interest in 1998, 1997, or 1996.

Accounting Pronouncements

The Financial Accounting Standards Board has issued FAS 133, as amended by FAS 137, "Accounting for Derivative Instruments and Hedging Activities," to be effective for all fiscal years beginning after June 15, 2000. FAS 133, as amended requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The accounting for changes in the fair value of a derivative will depend on the intended use of the derivative and the resulting designation. The Company is currently evaluating the impact, if any, of FAS 133, as amended.

NOTE 3 -- REGULATORY MATTERS

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

NOTE 4 -- FAIR VALUE OF FINANCIAL INSTRUMENTS

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

NOTE 5 -- RELATED PARTY TRANSACTIONS

Transportation revenues derived from affiliated pipeline companies were $.8 million for 1998, $6.2 million for 1997, and $16.7 million for 1996. The Company had no accounts receivable balances due from these affiliates for transportation services at December 31, 1998 and 1997.

Both ANR and U-T Offshore System ("UTOS") provide separation, dehydration and measurement services to HIOS. UTOS is equally owned by affiliates of ANR, Natural Gas Pipeline Company of America, and Leviathan Gas Pipeline Partners, L.P. HIOS incurred charges for these services of $2.5 million in 1998, $2.5 million in 1997, and $2.8 million in 1996 from ANR and $2.0 million in 1998, $1.7 million in 1997, and $1.4 million in 1996 from UTOS.

In February 1996, the Company reached an agreement with ANR, which was approved by the FERC, which provides that rates charged by ANR would be $2.8 million for calendar year 1996, $2.5 million per year for calendar years 1997, 1998 and 1999 and $2.2 million for calendar year 2000. The rate would be negotiated for calendar year 2001 and thereafter.

Amounts due to ANR were $1.9 million and $1.8 million at December 31, 1998 and 1997, respectively, and amounts due to UTOS were $.2 million and $.1 million at December 31, 1998 and 1997, respectively.

NOTE 6 -- COMMITMENTS AND CONTINGENCIES

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

NOTE 7 -- LEGAL PROCEEDINGS

In 1996, Jack Grynberg filed a claim under the False Claims Act on behalf of the U.S. government in the U.S. District Court, District of Columbia, against 70 defendants, including the Company. The suit sought damages for the alleged underpayment of royalties due to the purported improper measurement of gas. The 1996 suit was dismissed without prejudice in March 1997 and the dismissal was affirmed by the D.C. Court of Appeals in October 1998. In September 1997, Mr. Grynberg filed 77 separate, similar False Claims Act suits against natural gas transmission companies and producers, gatherers, and processors of natural gas, seeking unspecified damages. The Company has been included in two of the September 1997 suits. The suits were filed in the U.S. District Court, District of Colorado and the U.S. District Court, Eastern District of Michigan. In April 1999, the United States Department of Justice notified the Company that the United States will not intervene in these cases (unaudited).

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying balance sheets of Poseidon Oil Pipeline Company, L.L.C. (a Delaware limited liability company), as of December 31, 1998 and 1997, and the related statements of income, members' equity and cash flows for the years ended December 31, 1998 and 1997, and for the period from inception (February 14, 1996) through December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Poseidon Oil Pipeline Company, L.L.C., as of December 31, 1998 and 1997, and the results of its operations and its cash flows for the years ended December 31, 1998 and 1997, and for the period from inception (February 14, 1996) through December 31, 1996, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
March 18, 1999

POSEIDON OIL PIPELINE COMPANY, L.L.C.

BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

	1998	1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 685,540	$ 1,671,451
Crude oil receivables --		
Related parties	28,216,308	21,729,130
Other	12,179,468	7,316,566
Construction advances to operator (Note 6)	1,234,467	--
Materials, supplies and other	1,022,450	1,045,937
Total current assets	43,338,233	31,763,084
Debt reserve fund (Notes 2 and 4)	4,329,254	3,717,627
Property, plant and equipment, net of accumulated depreciation (Note 3)	228,752,910	222,337,758
Total assets	$276,420,397	$257,818,469
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable --		
Related parties	$ 4,945,839	$ 2,602,133
Other	2,165,159	5,516,554
Crude oil payables --		
Related parties	28,646,791	22,534,661
Other	3,778,243	5,139,391
Other	597,590	70,922
Total current liabilities	40,133,622	35,863,661
Long-term debt (Note 4)	131,000,000	120,500,000
Members' equity (Note 1):		
Capital contributions	107,999,320	107,999,320
Capital distributions	(36,699,320)	(17,999,320)
Retained earnings	33,986,775	11,454,808
Total members' equity	105,286,775	101,454,808
Total liabilities and members' equity	$276,420,397	$257,818,469

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

POSEIDON OIL PIPELINE COMPANY, L.L.C.

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997
AND FOR THE PERIOD FROM INCEPTION (FEBRUARY 14, 1996)
THROUGH DECEMBER 31, 1996

	1998	1997	1996
Crude oil sales	$ 370,431,640	$ 310,828,794	$ 176,849,075
Crude oil purchases	(325,909,477)	(284,667,502)	(169,030,526)
Net sales revenue	44,522,163	26,161,292	7,818,549
Operating costs:			
Transportation costs	1,636,162	3,146,736	858,229
Operating expenses	3,127,134	2,635,717	2,183,375
Depreciation	8,846,395	6,463,327	2,176,157
Total operating costs	13,609,691	12,245,780	5,217,761
Operating income	30,912,472	13,915,512	2,600,788
Other income (expense):			
Interest income	290,745	208,961	339,452
Interest expense	(8,671,250)	(5,340,742)	(269,163)
Net income	$ 22,531,967	$ 8,783,731	$ 2,671,077

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

POSEIDON OIL PIPELINE COMPANY, L.L.C.

STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997
AND FOR THE PERIOD FROM INCEPTION (FEBRUARY 14, 1996)
THROUGH DECEMBER 31, 1996

	MARATHON OIL COMPANY (28%)	POSEIDON PIPELINE COMPANY, L.L.C. (36%)	TEXACO TRADING AND TRANSPORTATION, INC. (36%)	TOTAL
Balance, February 14, 1996.....	$ --	$ --	$ --	$ --
Cash contributions.....	5,200,000	--	36,399,660	41,599,660
Property contributions.....	20,000,000	36,399,660	10,000,000	66,399,660
Cash distributions.....	--	(3,999,660)	(13,999,660)	(17,999,320)
Net income.....	747,901	961,588	961,588	2,671,077
Balance, December 31, 1996.....	25,947,901	33,361,588	33,361,588	92,671,077
Net income.....	2,459,445	3,162,143	3,162,143	8,783,731
Balance, December 31, 1997.....	28,407,346	36,523,731	36,523,731	101,454,808
Net income.....	6,308,951	8,111,508	8,111,508	22,531,967
Cash distributions.....	(5,236,000)	(6,732,000)	(6,732,000)	(18,700,000)
Balance, December 31, 1998.....	$29,480,297	$37,903,239	$ 37,903,239	$105,286,775

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

POSEIDON OIL PIPELINE COMPANY, L.L.C.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997
AND FOR THE PERIOD FROM INCEPTION (FEBRUARY 14, 1996)
THROUGH DECEMBER 31, 1996

	1998	1997	1996
Cash flows from operating activities:			
Net income	$22,531,967	$ 8,783,731	$ 2,671,077
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation	8,846,395	6,463,327	2,176,157
Changes in operating assets and liabilities --			
Crude oil receivables	(11,350,080)	2,509,382	(31,555,078)
Materials, supplies and other	23,487	(952,294)	(93,643)
Accounts payable	(1,007,689)	5,939,637	2,179,050
Crude oil payables	4,750,982	(8,098,087)	35,772,139
Other current liabilities	526,668	(16,110)	87,032
Net cash provided by operating activities	24,321,730	14,629,586	11,236,734
Cash flows from investing activities:			
Capital expenditures	(15,261,547)	(54,024,948)	(110,698,884)
Construction advances to operator, net	(1,234,467)	7,407,710	(7,407,710)
Proceeds from the sale of property, plant and equipment	--	146,250	--
Net cash used in investing activities	(16,496,014)	(46,470,988)	(118,106,594)
Cash flows from financing activities:			
Proceeds from issuance of debt	32,000,000	38,000,000	107,000,000
Cash contributions	--	--	41,599,660
Repayments of long-term debt	(21,500,000)	(1,500,000)	(23,000,000)
Cash distributions	(18,700,000)	--	(17,999,320)
Increase in debt reserve fund	(611,627)	(3,717,627)	--
Net cash provided by financing activities	(8,811,627)	32,782,373	107,600,340
Increase in cash and cash equivalents	(985,911)	940,971	730,480
Cash and cash equivalents, beginning of year	1,671,451	730,480	--
Cash and cash equivalents, end of year	$ 685,540	$ 1,671,451	$ 730,480
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of amounts capitalized	$ 8,596,583	$ 5,342,217	$ 205,713
Supplemental disclosure of noncash financing activities:			
Initial Poseidon property contribution	$ --	$ --	$ 36,399,660
Block 873 Pipeline property contribution	$ --	$ --	$ 30,000,000

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

POSEIDON OIL PIPELINE COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

NOTE 1 -- ORGANIZATION AND NATURE OF BUSINESS

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

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

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

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

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

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Use of Estimates

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

Property, Plant and Equipment

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

Cash and Cash Equivalents

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

Debt Reserve Fund

In connection with the Company's revolving credit facility (see Note 4), the Company is required to maintain a debt reserve account as security on the outstanding balance. At December 31, 1998, the balance in the account totaled $4,329,254 and was comprised of funds earning interest at a money market rate.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short-term receivables, payables and long-term debt. The carrying values of cash and cash equivalents, short-term receivables and payables approximate fair value. The fair value for long-term debt is estimated based on current rates available for similar debt with similar maturities and securities and, at December 31, 1998, approximates the carrying value.

NOTE 3 -- PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at December 31, 1998 and 1997:

	1998	1997
Rights-of-way	$ 3,218,788	$ 3,218,788
Line-fill	11,350,466	11,160,410
Line pipe, line pipe fittings and pipeline construction	223,076,191	206,041,256
Pumping and station equipment	4,613,516	4,584,563
Office furniture, vehicles and other equipment	83,812	67,609
Construction work in progress	3,896,016	5,904,616
	246,238,789	230,977,242
Less -- Accumulated depreciation	(17,485,879)	(8,639,484)
	$228,752,910	$222,337,758

Management evaluates the carrying value of the pipeline in accordance with the guidelines presented under Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS No. 121 establishes standards for measuring the impairment of long-lived assets to be held and used and of those to be disposed. Management believes no impairment of assets exists as of December 31, 1998.

During 1998 and 1997, the Company capitalized approximately $-- and $2,151,000, respectively, of interest cost into property, plant and equipment.

NOTE 4 -- DEBT

The Company maintains a $150,000,000 revolving credit facility with a group of banks. The outstanding balance at December 31, 1998, is $131,000,000. Under the terms of the related credit agreement, the Company has the option to either draw or renew amounts at various maturities ranging from one to 12 months if a Eurodollar interest rate arrangement is selected (6.875 percent to 6.9375 percent at December 31, 1998). These borrowings can then be renewed assuming no event of default exists. Alternatively, the Company may select to borrow under a base interest rate arrangement, calculated in accordance with the credit agreement. The revolving credit facility matures on April 30, 2001.

At December 31, 1998, the entire outstanding balance had been borrowed under the Eurodollar alternative, and it is the Company's intent to extend repayment beyond one year, thus the entire balance has been classified as long-term.

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

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

NOTE 5 -- INCOME TAXES

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

NOTE 6 -- TRANSACTIONS WITH RELATED PARTIES

The Company derives a significant portion of its gross sales and gross purchases from its members and other related parties. The Company generated approximately $263,872,000 in gross affiliated sales and approximately $226,184,000 in gross affiliated purchases for 1998. During 1997 and 1996, the Company generated approximately $19,790,000 and $4,086,000 of net sales revenue from related parties.

The Company paid approximately $558,000 to Equilon in 1998 and $454,000 and $401,000 to TTTI in 1997 and 1996, respectively, for management, administrative and general overhead. In 1998, 1997 and 1996, the Company paid construction management fees of $2,133,507, $1,091,000 and $2,364,000, respectively, to Equilon in connection with the completion of Phase II and Phase III. As of December 31, 1998 and 1997, the Company had outstanding advances to Equilon of approximately $1,234,000 and $--, respectively, in connection with construction work in progress.

NOTE 7 -- CONTINGENCIES

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of members' capital and of cash flows present fairly, in all material respects, the financial position of Neptune Pipeline Company, L.L.C. at December 31, 1998 and 1997, and the result of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Houston, Texas
March 11, 1999

NEPTUNE PIPELINE COMPANY, L.L.C.

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 1998 AND 1997

	1998	1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,016,841	$ 18,531,456
Transportation receivable	1,279,405	764,008
Owing from related parties	2,880,664	11,974,091
Other receivable	104,756	89,821
Total current assets	10,281,666	31,359,376
Pipelines and equipment	261,104,113	249,861,312
Less: accumulated depreciation	12,204,577	2,056,246
	248,899,536	247,805,066
Long-term receivable	160,000	--
Total assets	$259,341,202	$279,164,442
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable	$ 964,761	$ 2,001,863
Owing to related parties	4,784,102	32,779,237
Deferred income	--	20,478
Total current liabilities	5,748,863	34,801,578
Minority interest	1,872,959	1,778,740
Members' equity	251,719,380	242,584,124
Total liabilities and members' equity	$259,341,202	$279,164,442

The accompanying notes are an integral part of these statements.

NEPTUNE PIPELINE COMPANY, L.L.C.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
Operating income:		
Transportation revenue	$16,172,659	$6,317,728
Other gas revenue	180,236	--
Total revenues	16,352,895	6,317,728
Operating expenses:		
Operating & maintenance	3,575,712	1,693,978
Administrative & general	1,455,240	992,520
Depreciation	10,148,332	2,056,246
Property taxes	326,332	--
Total operating expenses	15,505,616	4,742,744
Net operating income	847,279	1,574,984
Other income (expense)		
Other expense	(150,100)	--
Interest income	385,123	362,142
Allowance for funds used during construction	--	6,430,641
Total other income, net	235,023	6,792,783
Net income before minority interest	1,082,302	8,367,767
Minority interest in income of subsidiaries	11,026	81,736
Net income	$ 1,071,276	$8,286,031

The accompanying notes are an integral part of these statements.

NEPTUNE PIPELINE COMPANY, L.L.C.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
Cash flows from operating activities:		
Net income	$ 1,071,276	$ 8,286,031
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation	10,148,332	2,056,246
Allowance for funds used during construction	--	(6,430,641)
Minority interest in income of subsidiaries	11,026	81,736
(Increases) decreases in working capital:		
Transportation receivables	(515,397)	(764,008)
Owing from related parties	9,093,427	(11,974,091)
Other receivable	25,065	(89,503)
Accounts payable	(1,037,102)	2,001,863
Owing to related parties	(30,791,136)	32,779,237
Deferred income	(20,478)	(54,522)
Net cash provided by (used for) operating activities	(12,014,987)	25,892,348
Cash flows used for investing activities:		
Capital expenditures	(9,252,950)	(179,087,955)
Proceeds from property sales and salvage	187,149	--
Contributions in aid of construction	419,000	--
Net cash used for investing activities	(8,646,801)	(179,087,955)
Cash flows provided by financing activities:		
Members' contributed capital	13,985,491	172,512,990
Minority interest contributed capital	83,193	1,696,980
Distributions	(5,921,511)	(2,560,000)
Net cash provided by financing activities	8,147,173	171,649,970
Increase (decrease) in cash and cash equivalents	$(12,514,615)	$ 18,454,363
Reconciliation of beginning and ending balances		
Cash and cash equivalents -- beginning of year	$ 18,531,456	$ 77,093
Increase (decrease) in cash and cash equivalents	(12,514,615)	18,454,363
Cash and cash equivalents -- end of year	$ 6,016,841	$ 18,531,456

The accompanying notes are an integral part of these statements.

NEPTUNE PIPELINE COMPANY, L.L.C.

STATEMENT OF MEMBERS' CAPITAL
AS OF DECEMBER 31, 1998 AND 1997

	TEJAS OFFSHORE PIPELINE LLC/ SHELL SEAHORSE COMPANY	MARATHON GAS TRANSMISSION INC.	SAILFISH PIPELINE COMPANY LLC	TOTAL
Capital account balances at December 31, 1996	$ 1,194	$ 581	$ 612	$ 2,387
Members' contributions	115,473,693	56,659,297	380,000	172,512,990
Contributed assets	4,100,000	--	60,242,716	64,342,716
Net income	3,433,401	1,328,264	3,524,366	8,286,031
Distributions	--	--	(2,560,000)	(2,560,000)
Capital account balances at December 31, 1997	123,008,288	57,988,142	61,587,694	242,584,124
Members' contributions	5,369,182	3,524,321	5,091,988	13,985,491
Net income	585,317	236,169	249,790	1,071,276
Distributions	(3,358,512)	(1,246,864)	(1,316,135)	(5,921,511)
Capital account balances at December 31, 1998	$125,604,275	$60,501,768	$65,613,337	$251,719,380

The accompanying notes are an integral part of these statements.

NEPTUNE PIPELINE COMPANY, L.L.C.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1998

NOTE 1 -- ORGANIZATION AND CONTROL

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

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

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

Neptune was formed to acquire, construct, own and operate through Manta Ray and Nautilus, the Manta Ray System and the Nautilus System and any other natural gas pipeline systems approved by the members. As of December 31, 1998 the Manta Ray System and the Nautilus System are the only pipelines owned by Manta Ray and Nautilus, respectively.

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

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

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

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

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Neptune and its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Regulation

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

Cash and Cash Equivalents

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

Pipelines and Equipment

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

Income Taxes

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

Impairment of Long-Lived Assets

Statement of Financial Accounting Standard (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" requires recognition of impairment losses on long-lived assets if the carrying amount of such assets, grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows from other assets, exceeds the estimated undiscounted future cash flows of such assets. Measurement of any impairment loss is based on the fair value of the asset. At December 31, 1998 and 1997, there were no impairments.

Revenue Recognition

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

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

Fair Value of Financial Instruments

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

Use of Estimates and Significant Risks

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

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

Reclassification

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

NOTE 3 -- RELATED PARTY TRANSACTIONS

Construction Management Agreements

On January 17, 1997, Nautilus entered into a Construction Management Agreement (the Agreement) with Marathon under which Marathon agreed to construct the Nautilus System. As of December 31, 1998 and 1997 respectively, Nautilus had incurred $113,127,385, and $113,041,314 of costs under the Agreement. Of these amounts, $309,238 and $2,665,922 were recorded as liabilities to affiliates at December 31, 1998 and 1997, respectively.

On January 17, 1997, Manta Ray entered into a Construction Management Agreement with Shell Seahorse under which Shell Seahorse agreed to construct the Phase II Facilities. Also on January 17, 1997, Manta Ray entered into a Construction Management Agreement with Marathon under which Marathon agreed to construct a slug catcher. On August 1, 1998, Manta Ray entered into a Construction Management Agreement with Marathon under which Marathon agreed to construct condensate stabilization facilities. As of December 31, 1998 and 1997, Manta Ray had incurred $83,388,913 and $64,016,789, respectively, under these agreements. Of these amounts, $4,236,507 and $7,875,533 were recorded as liabilities to affiliates at December 31, 1998 and 1997, respectively.

Transportation Services

During 1998, $3,881,667 of transportation revenues for Nautilus were derived from related parties. During 1997, Nautilus derived substantially all of its transportation revenue from transportation services provided under agreements with Shell Offshore Incorporated (SOI) and Marathon Oil Company, both of which are affiliates of Nautilus. All transactions were at rates pursuant to the existing tariff. At December 31, 1998 and 1997 respectively, Nautilus had affiliate receivables of $596,090 and $0 relating to transportation and gas imbalances. At December 31, 1998 and 1997, respectively, Nautilus had affiliate payables of $230,730 and $0 relating to transportation and gas imbalances.

In 1998, $4,902,613 of transportation revenues on Manta Ray were derived from related parties. During 1997, Manta Ray derived substantially all of its transportation revenue from transportation services provided under agreements with third parties. All transactions were at negotiated rates. At December 31, 1998 and 1997 respectively, Manta Ray had receivables of $1,857,320 and $639,208 relating to transportation and gas imbalances.

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

Leases

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

Operating and Administrative Expense

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

Other Affiliate Transactions

During 1997, Manta Ray and Nautilus had various transactions relating to construction with member companies or affiliates which resulted in affiliate receivables of $11,337,218 and affiliate payables of $22,237,782.

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

NOTE 4 -- PIPELINES AND EQUIPMENT

Pipelines and equipment at December 31, 1998 and 1997 is comprised of the following (in thousands):

	1998	1997
Pipelines and equipment	$244,835	$242,194
Land	1,107	1,237
AFUDC	6,430	6,430
Construction in progress	8,732	--
Subtotal	261,104	249,861
Accumulated depreciation	12,204	2,056
Total	$248,900	$247,805

At December 31, 1997, included in pipelines and equipment is an accrued estimate of costs incurred to date of $3,022,000. Actual costs incurred during 1998 relating to this accrual totaled $1,855,000. Pipelines and Equipment and Owing to Related Parties have been adjusted in 1998.

During 1998, Nautilus entered into interconnection agreements with certain other parties in which Nautilus agreed to construct interconnection facilities whereby the parties agreed to contribute $619,000 as partial reimbursement for construction costs. Nautilus was reimbursed $419,000 during 1998 and the remaining balance will be paid monthly based on throughput. The receivable balance at December 31, 1998 was $200,000, the current portion of which is $40,000.

NOTE 5 -- REGULATORY MATTERS

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

NOTE 6 -- COMMITMENTS AND CONTINGENCIES

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

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

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

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholder of
Leviathan Gas Pipeline Company

In our opinion, the accompanying balance sheet presents fairly, in all material respects, the financial position of Leviathan Gas Pipeline Company at December 31, 1998 in conformity with generally accepted accounting principles. This financial statement is the responsibility of the Company's management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with generally accepted auditing standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Houston, Texas
June 2, 1999

LEVIATHAN GAS PIPELINE COMPANY
(AN INDIRECT SUBSIDIARY OF EL PASO ENERGY CORPORATION)

BALANCE SHEET
DECEMBER 31, 1998
(In thousands, except share data)

ASSETS

Current assets:	
Cash and cash equivalents	$ 6,409
Accounts receivable from the Partnership (Note 5)	406
Other	22
Total current assets	6,837
Equity investment	18,362
Total assets	$25,199

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:	
Payable to parent	$ 652
Intercompany taxes payable (Note 4)	693
Total current liabilities	1,345
Deferred tax liability (Note 4)	23,154
Total liabilities	24,499
Commitments and contingencies	
Stockholder's equity:	
Common stock, $0.10 par value, 1,000 shares authorized, issued and outstanding	1
Additional paid-in capital	100
Accumulated earnings	599
	700
Total liabilities and stockholder's equity	$25,199

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

LEVIATHAN GAS PIPELINE COMPANY
(AN INDIRECT SUBSIDIARY OF EL PASO ENERGY CORPORATION)

NOTES TO BALANCE SHEET

NOTE 1 -- ORGANIZATION:

Leviathan Gas Pipeline Company ("Leviathan"), a Delaware corporation and indirect wholly-owned subsidiary of El Paso Energy Corporation ("El Paso Energy"), was formed in 1989 to purchase, operate and expand offshore natural gas pipeline systems. El Paso Energy is a diversified energy holding company, engaged, through it subsidiaries, in the interstate and intrastate transportation, gathering and processing of natural gas; the marketing of natural gas, power and other energy-related commodities; power generation; and the development and operation of energy infrastructure facilities worldwide.

In 1993, Leviathan contributed substantially all of its natural gas pipeline operations, certain other assets and liabilities and related acquisition debt to Leviathan Gas Pipeline Partners, L.P. and its subsidiaries (collectively referred to as the "Partnership"), a publicly held Delaware master limited partnership, in exchange for an effective 35.8% interest in the Partnership. Leviathan's effective ownership interest in the Partnership was reduced to 27.3% as a result of an additional public offering by the Partnership in June 1994. The Partnership is primarily engaged in the gathering, transportation and production of oil and natural gas in the Gulf of Mexico and through its subsidiaries and joint ventures, owns interests in significant assets, including (i) eight existing natural gas pipelines, (ii) a crude oil pipeline system, (iii) six strategically-located multi-purpose platforms, (iv) production handling and dehydration facilities, (v) four producing oil and natural gas properties and (vi) a non-producing oil and natural gas property. Leviathan, as general partner, performs all management and operating functions of the Partnership. In August 1998, El Paso Energy paid approximately $422 million to acquire its interest in Leviathan through a merger with DeepTech International Inc. ("DeepTech"), Leviathan's parent.

At December 31, 1998, Preference Units and Common Units totaling 18,075,000 were owned by the public, representing a 72.7% effective limited partner interest in the Partnership. Leviathan, through its ownership of a 25.3% limited partner interest in the form of 6,291,894 Common Units, its 1% general partner interest in the Partnership and its approximate 1% nonmanaging interest in certain subsidiaries of the Partnership, owned a 27.3% effective interest in the Partnership as of December 31, 1998.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES:

Income taxes

Income taxes are based on income reported for tax return purposes along with a provision for deferred income taxes. Deferred income taxes are provided to reflect the tax consequences in future years of differences between the financial statement and tax bases of assets and liabilities at each year-end. Tax credits are accounted for under the flow-through method, which reduces the provision for income taxes in the year the tax credits first become available. Deferred tax assets are reduced by a valuation allowance when, based upon management's estimates, it is more likely than not that a portion of the deferred tax assets will not be realized in the future period. The estimates utilized in the recognition of deferred tax assets are subject to revision in future periods based on new facts or circumstances.

After August 14, 1998, as a result of El Paso Energy's acquisition of DeepTech, Leviathan's results are included in the consolidated federal income tax return of El Paso Energy. On behalf of itself and all members filing in its consolidated federal income tax return, including Leviathan, El Paso Energy adopted a tax sharing policy (the "Policy") which provides, among other things, that (i) each company in a taxable income position will be currently charged with an amount equivalent to its federal income tax computed on a separate return basis and (ii) each company in a tax loss position will be reimbursed currently to the extent its deductions, including general business credits, were utilized in the consolidated tax return. Under the Policy, El Paso Energy will pay all federal income taxes directly to the IRS and will bill or refund, as applicable, its subsidiaries for their applicable portion of such income tax payments.

LEVIATHAN GAS PIPELINE COMPANY
(AN INDIRECT SUBSIDIARY OF EL PASO ENERGY CORPORATION)

NOTES TO BALANCE SHEET -- (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Management believes that the estimates used are reasonable.

Recent Pronouncements

Effective July 1, 1998, Leviathan adopted Statement of Financial Accounting Standard ("SFAS") No. 129, "Disclosure of Information About Capital Structure" which establishes standards for disclosing information about an entity's capital structure previously not required by nonpublic entities. The adoption of this pronouncement did not have a material impact on Leviathan's financial position or results of operations.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 requires that entities recognize all derivative investments as either assets or liabilities on the balance sheet and measure those instruments at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction. For fair-value hedge transactions in which Leviathan is hedging changes in an asset's, liability's or firm commitment's fair value, changes in the fair value of the derivative instrument will generally be offset in the income statement by changes in the hedged item's fair value. For cash-flow hedge transactions, in which Leviathan is hedging the variability of cash flows related to a variable-rate asset, liability, or a forecasted transaction, changes in the fair value of the derivative instrument will be reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges will be recognized in current-period earnings. This statement was amended to be effective for fiscal years beginning after June 15, 2000. Leviathan has not yet determined the impact that the adoption of SFAS No. 133 will have on its financial position or results of operations.

NOTE 3 -- EQUITY INVESTMENT:

Leviathan uses the equity method to account for its investment in the Partnership. Additional income is allocated by the Partnership to Leviathan as a result of the Partnership achieving certain target levels of cash distributions to its unitholders. See discussion of incentive distributions below. The summarized financial information for Leviathan's investment in the Partnership is as follows:

LEVIATHAN GAS PIPELINE PARTNERS, L.P.
SUMMARIZED BALANCE SHEET
DECEMBER 31, 1998
(IN THOUSANDS)

Current assets	$ 11,943
Noncurrent assets	430,783
Current liabilities	11,167
Notes payable	338,000
Other noncurrent liabilities	10,724

LEVIATHAN GAS PIPELINE COMPANY
(AN INDIRECT SUBSIDIARY OF EL PASO ENERGY CORPORATION)

NOTES TO BALANCE SHEET -- (CONTINUED)

The Partnership distributes 100% of available cash, as defined in the Partnership Agreement, on a quarterly basis to the unitholders of the Partnership and to Leviathan, as general partner. During the Preference Period (as defined in the Partnership Agreement), these distributions were effectively made 98% to unitholders and 2% to Leviathan, subject to the payment of incentive distributions to Leviathan if certain target levels of cash distributions to unitholders are achieved. As an incentive, the general partner's interest in the portion of quarterly cash distributions in excess of $0.325 per unit and less than or equal to $0.375 per unit is increased to 15%. For quarterly cash distributions over $0.375 per unit but less than or equal to $0.425 per unit, the general partner receives 25% of such incremental amount and for all quarterly cash distributions in excess of $0.425 per unit, the general partner receives 50% of the incremental amount.

NOTE 4 -- INCOME TAXES:

After August 14, 1998, Leviathan is included in the consolidated federal income tax return filed by El Paso Energy. The Policy provides for the manner of determining payments with respect to federal income tax liabilities (Note 2).

Deferred federal income taxes are primarily attributable to the differences in depreciation rates and in the timing of recognizing income from the Partnership for financial and tax reporting purposes.

Leviathan's deferred income tax liabilities (assets) at December 31, 1998 consisted of the following (in thousands):

Deferred tax liabilities:	
Investment in the Partnership	$23,141
Other	13
Total deferred tax liability	23,154
Deferred tax assets:	
Net operating loss ("NOL") carryforwards	(153)
Alternative minimum tax ("AMT") credit carryforward	(1,719)
Valuation allowance	1,872
Total deferred tax assets	--
Net deferred tax liability	$23,154

As of December 31, 1998, approximately $1,719,000 of AMT credit carryforwards, which have no expiration date, were available to offset future regular tax liabilities. Additionally, as of December 31, 1998, approximately $438,000 of NOL carryforwards, which expire in 2017, were available to offset future tax liabilities.

Leviathan has recorded a valuation allowance (i) to reflect the estimated amount of deferred tax assets that may not be realized due to the expiration of NOL carryforwards and (ii) to reflect the uncertainty that the AMT credit carryforwards will be utilized. Leviathan's NOL and AMT credit carryforwards are subject to separate return limitation year restrictions.

Current amounts due to El Paso Energy for the intercompany charge for federal income taxes totaled $693,000 as of December 31, 1998.

NOTE 5 -- RELATED PARTY TRANSACTIONS:

Leviathan, as general partner of the Partnership, is entitled to reimbursement of all reasonable expenses incurred by it or its affiliates for or on behalf of the Partnership including amounts payable by

NOTES TO BALANCE SHEET -- (CONTINUED)

Leviathan to El Paso Energy under a management agreement whereby El Paso Energy provides operational, financial, accounting and administrative services to Leviathan. The management agreement is intended to reimburse El Paso Energy for the estimated costs of its services provided to Leviathan and the Partnership.

In addition, the management agreement also requires a payment by Leviathan to compensate El Paso Energy for certain tax liabilities resulting from, among other things, additional taxable income allocated to Leviathan due to (i) the issuance of additional Preference Units (including the sale of the Preference Units by the Partnership pursuant to the public offering of additional Preference Units) and (ii) the investment of such proceeds in additional acquisitions or construction projects. The management agreement expires on June 30, 2002, and may thereafter be terminated on 90 days' notice by either party.

NOTE 6 -- COMMITMENTS AND CONTINGENCIES:

In the ordinary course of business, Leviathan is subject to various laws and regulations. In the opinion of management, compliance with existing laws and regulations will not materially effect the financial position of Leviathan. Various legal actions which have arisen in the ordinary course of business are pending with respect to the assets of Leviathan. Management believes that the ultimate disposition of these actions, either individually or in the aggregate, will not have a material adverse effect on Leviathan's financial position.

LOGO

LEVIATHAN GAS PIPELINE PARTNERS, L.P.
LEVIATHAN FINANCE CORPORATION

$175,000,000

OFFER TO EXCHANGE ALL OUTSTANDING
10 3/8% SERIES A SENIOR SUBORDINATED NOTES DUE 2009

FOR

10 3/8% SERIES B SENIOR SUBORDINATED NOTES DUE 2009

PROSPECTUS

AUGUST 27, 1999

We have not authorized any dealer, sales person or other person to give you written information other than this prospectus or to make representations as to matters not stated in this prospectus. You must not rely on unauthorized information. This prospectus is not an offer to sell the notes or our solicitation of your offer to buy the notes in any jurisdiction where that would not be permitted or legal. Neither the delivery of this prospectus nor any sales made hereunder after the date of this prospectus shall create an implication that the information contained herein or the affairs of the company have not changed since the date of this prospectus.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Our partnership agreement provides that we:

- will indemnify our general partner, any Departing Partner and any person who is or was an officer, director or other representative of our general partner, any Departing Partner or us, to the fullest extent permitted by law, and

- may indemnify, to the fullest extent permitted by law, (a) any person who is or was an affiliate of our general partner, any Departing Partner or us, (b) any person who is or was an employee, partner, agent or trustee of our general partner, any Departing Partner, us or any such affiliate, or (c) any person who is or was serving at our request as an officer, director, employee, partner, member, agent or other representative of another corporation, partnership, joint venture, trust, committee or other enterprise;

(each, as well as any employee, partner, agent or other representative of our general partner, any Departing Partner, us or any of their affiliates, an "Indemnitee") from and against any and all claims, damages, expenses and fines, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as (1) our general partner, Departing Partner, us or an affiliate of either, (2) an officer, director, employee, partner, agent, trustee or other representative of our general partner, any Departing Partner, us or any of their affiliates or (3) a person serving at our request in any other entity in a similar capacity. Indemnification will be conditioned on the determination that, in each case, the Indemnitee acted in good faith, in a manner which such Indemnitee believed to be in, or not opposed to, our best interests and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful.

Subject to the terms, conditions and restrictions set forth in our partnership agreement, Section 17-108 of the Delaware Revised Uniform Limited Partnership Act empowers a Delaware limited partnership to indemnify and hold harmless any partner or other person from and against all claims and demands whatsoever.

Section 145(a) of the General Corporation Law of the State of Delaware (the "DGCL") provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no cause to believe his conduct was unlawful.

Section 145(b) of the DGCL provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above, against expenses actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted under similar standards, except that no indemnification may be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine that despite the adjudication of liability, such person is fairly and reasonably entitled to be indemnified for such expenses which the court shall deem proper.

Section 145 of the DGCL further provides that to the extent a director or officer of a corporation has been successful in the defense of any action, suit or proceeding referred to in subsections (a) and (b) or in the defense of any claim, issue, or matter therein, he shall be indemnified against any expenses actually and reasonably incurred by him in connection therewith; that indemnification provided for by Section 145 shall not be deemed exclusive of any other rights to which the indemnified party may be entitled; and that the corporation may purchase and maintain insurance on behalf of a director, officer, employee or agent of the corporation against any liability asserted against him or incurred by him in any such capacity or arising out of his status as such whether or not the corporation would have the power to indemnify him against such liabilities under Section 145.

Section 102(b)(7) of the DGCL provides that a corporation in its original certificate of incorporation or an amendment thereto validly approved by stockholders may eliminate or limit personal liability of members of its board of directors or governing body for breach of a director's fiduciary duty. However, no such provision may eliminate or limit the liability of a director for breaching his duty of loyalty, failing to act on good faith, engaging in intentional misconduct or knowingly violating a law, paying a dividend or approving a stock repurchase which was illegal or obtaining an improper personal benefit. A provision of this type has no effect on the availability of equitable remedies, such as injunction or rescission, for breach of fiduciary duty.

The Certificate of Incorporation of our general partner contains a provision which limits the liability of the directors of the general partner to the general partner or its stockholder (in their capacity as directors but not in their capacity as officers) to the fullest extent permitted by the DGCL. In addition, the Amended and Restated Bylaws of our general partner (as amended and restated, the "Bylaws"), in substance, require the general partner to indemnify each person who is or was a director, officer, employee or agent of the general partner to the full extent permitted by the laws of the State of Delaware in the event such person is involved in legal proceedings by reason of the fact that he is or was a director, officer, employee or agent of the general partner, or is or was serving at the general partner's request as a director, officer, employee or agent of the general partner and its subsidiaries, another corporation, partnership or other enterprise. Our general partner is also required to advance to such persons payments incurred in defending a proceeding to which indemnification might apply, provided the recipient provides an undertaking agreeing to repay all such advanced amounts if it is ultimately determined that he is not entitled to be indemnified. In addition, the Bylaws specifically provide that the indemnification rights granted thereunder are non-exclusive.

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

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us or our general partner pursuant to the foregoing, we and our general partner have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(A) EXHIBITS

EXHIBIT NO.	DESCRIPTION
1.1*	-- Purchase Agreement dated as of May 24, 1999 among (i) Leviathan Gas Pipeline Partners, L.P., (ii) Leviathan Finance Corporation, (iii) Delos Offshore Company, L.L.C., Ewing Bank Gathering Company, L.L.C., Flextrend Development Company, L.L.C., Green Canyon Pipe Line Company, L.L.C., Leviathan Oil Transport Systems, L.L.C., Manta Ray Gathering Company, L.L.C., Poseidon Pipeline Company, L.L.C., Sailfish Pipeline Company, L.L.C., Stingray Holding, L.L.C., Delaware Transco Hydrocarbons Company, L.L.C., Texam Offshore Gas Transmission, L.L.C., Transco Offshore Pipeline Company, L.L.C, Tarpon Transmission Company, Viosca Knoll Gathering Company, VK-Main Pass Gathering Company, L.L.C., VK Deepwater Gathering Company, L.L.C. and the Subsidiary Guarantors from time to time party thereto (collectively, the "Subsidiary Guarantors"), (iv) Donaldson, Lufkin & Jenrette Securities Corporation, and (v) Chase Securities Inc.
3.1	-- Certificate of Limited Partnership of Leviathan (filed as Exhibit 3.1 to Leviathan's Registration Statement on Form S-1, File No. 33-55642).
3.2	-- Amended and Restated Agreement of Limited Partnership of Leviathan (filed as Exhibit 10.41 to Amendment No. 1 to DeepTech's Registration Statement on Form S-1, File No. 33-73538).
3.3	-- Amendment Number 1 to the Amended and Restated Agreement of Limited Partnership of Leviathan (filed as Exhibit 10.1 to Leviathan's Current Report on Form 8-K dated December 31, 1996, File No. 1-11680).
3.4*	-- Amendment Number 2 to the Amended and Restated Agreement of Limited Partnership of Leviathan.
3.5*	-- Certificate of Incorporation of Leviathan Finance Corporation.
3.6*	-- Bylaws of Leviathan Finance Corporation.
4.1*	-- Indenture dated as of May 27, 1999 among Leviathan Gas Pipeline Partners, L.P., Leviathan Finance Corporation, the Subsidiary Guarantors and Chase Bank of Texas, as Trustee.
4.2**	-- First Supplemental Indenture dated as of June 30, 1999.
4.3**	-- Second Supplemental Indenture dated as of July 27, 1999.
4.4*	-- Form of Certificate of 10 3/8% Series A Senior Subordinated Note due 2009 (included in Exhibit 4.1 hereto).
4.5*	-- Form of Certificate of 10 3/8% Series B Senior Subordinated Note due 2009 (included in Exhibit 4.1 hereto).
4.6*	-- Form of Guarantee Notation of securities issued pursuant to the Indenture (included in Exhibit 4.1 hereto).
4.7*	-- A/B Exchange Registration Rights Agreement dated as of May 27, 1999 among Leviathan Gas Pipeline Partners, L.P., Leviathan Finance Corporation, the Subsidiary Guarantors, Donaldson, Lufkin & Jenrette Securities Corporation, and Chase Securities Inc.
5.1**	-- Opinion of Akin, Gump, Strauss, Hauer & Feld, L.L.P.
10.1	-- First Amended and Restated Management Agreement, dated June 27, 1994 and effective as of July 1, 1992, between DeepTech International Inc. ("DeepTech") and the General Partner (filed as Exhibit 10.1 to DeepTech's Annual Report on Form 10-K for 1994, File No. 0-23934).
10.2	-- First Amendment to First Amended and Restated Management Agreement between DeepTech and the General Partner (filed as Exhibit 10.76 to DeepTech's Registration Statement on Form S-1, File No. 33-88688).

EXHIBIT NO.	DESCRIPTION
10.3	-- Second Amendment to First Amended and Restated Management Agreement between DeepTech and the General Partner (filed as Exhibit 10.18 to Leviathan's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, File No. 1-11680).
10.4*	-- Third Amendment to First Amended and Restated Management Agreement between DeepTech and the General Partner.
10.5	-- Fourth Amendment to First Amended and Restated Management Agreement between DeepTech and the General Partner (filed as Exhibit 10.1 to Leviathan's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997, File No. 1-11680).
10.6	-- Fifth Amendment to First Amended and Restated Management Agreement between DeepTech and the General Partner (filed as Exhibit 10.1 to Leviathan's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997, File No. 1-11680).
10.7	-- Sixth Amendment to First Amended and Restated Management Agreement between DeepTech and the General Partner (filed as Exhibit 10.2 to Leviathan's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, File No. 1-11680).
10.8	-- Redemption Agreement dated February 27, 1998 between Tatham Offshore, Inc. and Flextrend Development Company, L.L.C., a subsidiary of Leviathan (filed as Exhibit 10.1 to Leviathan's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998, File No. 1-11680).
10.9	-- Contribution Agreement between Leviathan and El Paso Field Services Company (filed as Exhibit C to Leviathan's Schedule 14A (Rule 14A-101) Proxy Statement effective February 9, 1998).
10.10	-- Leviathan 1998 Unit Option Plan for Non-Employee Directors Effective as of August 14, 1998 (filed as Exhibit 10.2 to Leviathan's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998, File No. 1-11680).
10.11	-- Leviathan Unit Rights Appreciation Plan (filed as Exhibit 10.25 to Leviathan's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, File No. 1-11680).
10.12	-- Leviathan 1998 Omnibus Compensation Plan, Amended and Restated, Effective as of January 1, 1999 (filed as Exhibit 10.9 to Leviathan's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, File No. 1-11680).
10.13	-- Purchase and Sale Agreement between Natural Gas Pipeline Company of America as Seller and Leviathan as Buyer dated as of June 30, 1999 (filed as Exhibit 10.1 to Leviathan's Current Report on Form 8-K dated July 15, 1999, File No. 1-11680).
10.14**	-- Third Amended and Restated Credit Agreement dated as of March 23, 1995, as amended and restated through May 27, 1999 among Leviathan, Leviathan Finance Corporation, The Chase Manhattan Bank, as administrative agent, Credit Lyonnais, as syndication agent, BankBoston, N.A., as documentation agent, and the banks and other financial institutions from time to time parties thereto.
12.1*	-- Statement Regarding Computation of Ratios.
21.1*	-- List of Subsidiaries of the Leviathan Gas Pipeline Partners, L.P.
23.1**	-- Consent of PricewaterhouseCoopers LLP.
23.2**	-- Consent of Deloitte & Touche LLP.
23.3**	-- Consent of Arthur Andersen LLP.
23.4**	-- Consent of Netherland, Sewell & Associates, Inc.

EXHIBIT NO.	DESCRIPTION
23.5**	-- Consent of Akin, Gump, Strauss, Hauer & Feld, L.L.P. (included in Exhibit 5.1 hereto).
24.1*	-- Power of Attorney (included on the signature pages of this Registration Statement on Form S-4).
25.1*	-- Statement of Eligibility of Trustee.
27.1	-- Financial Data Schedule (filed as Exhibit 27 to Leviathan's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, File No. 1-11680).
27.2	-- Financial Data Schedule (filed as Exhibit 27 to Leviathan's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1999, File No. 1-11680).
99.1**	-- Form of Letter of Transmittal for the 10 3/8% Series B Senior Subordinated Note due 2009.
99.2**	-- Form of Notice of Guaranteed Delivery for the 10 3/8% Series B Senior Subordinated Note due 2009.
99.3**	-- Letter to Registered Holders.
99.4**	-- Letter to Registered Holders and Depository Trust Company Participants.
99.5**	-- Letter to Clients of Registered Holders and Depository Trust Company Participants.
99.6**	-- Guidelines for Certificate of Taxpayer Identification Number on substitute Form W-9 (included in Exhibit 99.1 hereto).

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

* Previously filed.

** Filed herewith.

(b) Consolidated Financial Statement Schedules, Years ended December 31, 1996, 1997 and 1998.

All schedules are omitted because the required information is inapplicable or the information is presented in the Consolidated Financial Statements or related notes.

ITEM 22. UNDERTAKINGS

(a) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, each of the undersigned registrants will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(b) Each of the undersigned registrants hereby undertakes that:

(1) for purposes of determining any liability under the Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by Leviathan pursuant to Rule 424(b)(1) or (4) or 497(h) under the Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) for the purpose of determining any liability under the Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(4) hereby undertakes to respond to requests for information that is incorporated by reference into this prospectus pursuant to Item 4, 10(b), 11 or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(5) hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the undersigned registrants have duly caused this Registration Statement to be signed on their behalf by the undersigned, thereunto duly authorized, in the City of Houston, Texas, on August 26, 1999.

LEVIATHAN GAS PIPELINE PARTNERS, L.P.

By: Leviathan Gas Pipeline Company,
its general partner

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman
Title: Chief Financial Officer

LEVIATHAN FINANCE CORPORATION

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman
Title: Chief Financial Officer

DELOS OFFSHORE COMPANY, L.L.C.

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman
Title: Chief Financial Officer

EWING BANK GATHERING COMPANY, L.L.C.

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman
Title: Chief Financial Officer

FLEXTREND DEVELOPMENT COMPANY, L.L.C.

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman
Title: Chief Financial Officer

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

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman
Title: Chief Financial Officer

LEVIATHAN OIL TRANSPORT SYSTEMS, L.L.C.

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman
Title: Chief Financial Officer

LEVIATHAN OPERATING COMPANY, L.L.C.

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman
Title: Chief Financial Officer

MANTA RAY GATHERING COMPANY, L.L.C.

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman
Title: Chief Financial Officer

NALOCO, L.L.C.

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman

Title: Chief Financial Officer

MORAY PIPELINE COMPANY, L.L.C.

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman

Title: Chief Financial Officer

POSEIDON PIPELINE COMPANY, L.L.C.

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman
Title: Chief Financial Officer

SAILFISH PIPELINE COMPANY, L.L.C.

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman
Title: Chief Financial Officer

STINGRAY HOLDING, L.L.C.

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman
Title: Chief Financial Officer

TARPON TRANSMISSION COMPANY

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman
Title: Chief Financial Officer

TRANSCO HYDROCARBONS COMPANY, L.L.C.

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman
Title: Chief Financial Officer

TEXAM OFFSHORE GAS TRANSMISSION, L.L.C.

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman
Title: Chief Financial Officer

TRANSCO OFFSHORE PIPELINE COMPANY, L.L.C.

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman
Title: Chief Financial Officer

UTOS HOLDING, L.L.C.

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman

Title: Chief Financial Officer

VK DEEPWATER GATHERING COMPANY, L.L.C.

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman
Title: Chief Financial Officer

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

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman
Title: Chief Financial Officer

VIOSCA KNOLL GATHERING COMPANY

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman
Title: Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the persons whose signatures appear below, constitute and appoint H. Brent Austin and Britton White Jr., and each of them as their true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for them and in their names, places and steads, in any and all capacities, to sign the Registration Statement to be filed in connection with the exchange offering of Leviathan Gas Pipeline Partners, L.P. and Leviathan Finance Corporation and each of the Subsidiary Guarantors listed on pages II-6 through II-9 and any and all amendments (including post-effective amendments) to the Registration Statement, and any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and the other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as they might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated below:

SIGNATURE	TITLE	DATE
*	Chairman of the Board of the General Partner, on behalf of Leviathan and its subsidiaries	August 26, 1999
William A. Wise		
*	Director and Chief Executive Officer of the General Partner, on behalf of Leviathan and its subsidiaries	August 26, 1999
Grant E. Sims		
*	Director and President of the General Partner, on behalf of Leviathan and its subsidiaries	August 26, 1999
James H. Lytal		
*	Director and Executive Vice President of the General Partner, on behalf of Leviathan and its subsidiaries	August 26, 1999
H. Brent Austin		
*	Director and Executive Vice President of the General Partner, on behalf of Leviathan and its subsidiaries	August 26, 1999
Robert G. Phillips		
*	Vice President and Chief Financial Officer of the General Partner, on behalf of Leviathan and its subsidiaries	August 26, 1999
Keith B. Forman		
*	Vice President and Controller of the General Partner, on behalf of Leviathan and its subsidiaries	August 26, 1999
D. Mark Leland		

SIGNATURE	TITLE	DATE
*	Director of the General Partner, on behalf of Leviathan and its subsidiaries	August 26, 1999
Michael B. Bracy		
*	Director of the General Partner, on behalf of Leviathan and its subsidiaries	August 26, 1999
H. Douglas Church		
*	Director of the General Partner, on behalf of Leviathan and its subsidiaries	August 26, 1999
Malcolm Wallop		

*By: /s/ BRITTON WHITE JR.
Britton White Jr.
Attorney-in-fact

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
1.1*	-- Purchase Agreement dated as of May 24, 1999 among (i) Leviathan Gas Pipeline Partners, L.P., (ii) Leviathan Finance Corporation, (iii) Delos Offshore Company, L.L.C., Ewing Bank Gathering Company, L.L.C., Flextrend Development Company, L.L.C., Green Canyon Pipe Line Company, L.L.C., Leviathan Oil Transport Systems, L.L.C., Manta Ray Gathering Company, L.L.C., Poseidon Pipeline Company, L.L.C., Sailfish Pipeline Company, L.L.C., Stingray Holding, L.L.C., Delaware Transco Hydrocarbons Company, L.L.C., Texam Offshore Gas Transmission, L.L.C., Transco Offshore Pipeline Company, L.L.C, Tarpon Transmission Company, Viosca Knoll Gathering Company, VK-Main Pass Gathering Company, L.L.C., VK Deepwater Gathering Company, L.L.C. and the Subsidiary Guarantors from time to time party thereto (collectively, the "Subsidiary Guarantors"), (iv) Donaldson, Lufkin & Jenrette Securities Corporation, and (v) Chase Securities Inc.
3.1	-- Certificate of Limited Partnership of Leviathan (filed as Exhibit 3.1 to Leviathan's Registration Statement on Form S-1, File No. 33-55642).
3.2	-- Amended and Restated Agreement of Limited Partnership of Leviathan (filed as Exhibit 10.41 to Amendment No. 1 to DeepTech's Registration Statement on Form S-1, File No. 33-73538).
3.3	-- Amendment Number 1 to the Amended and Restated Agreement of Limited Partnership of Leviathan (filed as Exhibit 10.1 to Leviathan's Current Report on Form 8-K dated December 31, 1996, File No. 1-11680).
3.4*	-- Amendment Number 2 to the Amended and Restated Agreement of Limited Partnership of Leviathan.
3.5*	-- Certificate of Incorporation of Leviathan Finance Corporation.
3.6*	-- Bylaws of Leviathan Finance Corporation.
4.1*	-- Indenture dated as of May 27, 1999 among Leviathan Gas Pipeline Partners, L.P., Leviathan Finance Corporation, the Subsidiary Guarantors and Chase Bank of Texas, as Trustee.
4.2**	-- First Supplemental Indenture dated as of June 30, 1999.
4.3**	-- Second Supplemental Indenture dated as of July 27, 1999.
4.4*	-- Form of Certificate of 10 3/8% Series A Senior Subordinated Note due 2009 (included in Exhibit 4.1 hereto).
4.5*	-- Form of Certificate of 10 3/8% Series B Senior Subordinated Note due 2009 (included in Exhibit 4.1 hereto).
4.6*	-- Form of Guarantee Notation of securities issued pursuant to the Indenture (included in Exhibit 4.1 hereto).
4.7*	-- A/B Exchange Registration Rights Agreement dated as of May 27, 1999 among Leviathan Gas Pipeline Partners, L.P., Leviathan Finance Corporation, the Subsidiary Guarantors, Donaldson, Lufkin & Jenrette Securities Corporation, and Chase Securities Inc.
5.1**	-- Opinion of Akin, Gump, Strauss, Hauer & Feld, L.L.P.
10.1	-- First Amended and Restated Management Agreement, dated June 27, 1994 and effective as of July 1, 1992, between DeepTech International Inc. ("DeepTech") and the General Partner (filed as Exhibit 10.1 to DeepTech's Annual Report on Form 10-K for 1994, File No. 0-23934).

EXHIBIT NO.	DESCRIPTION
10.2	-- First Amendment to First Amended and Restated Management Agreement between DeepTech and the General Partner (filed as Exhibit 10.76 to DeepTech's Registration Statement on Form S-1, File No. 33-88688).
10.3	-- Second Amendment to First Amended and Restated Management Agreement between DeepTech and the General Partner (filed as Exhibit 10.18 to Leviathan's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, File No. 1-11680).
10.4*	-- Third Amendment to First Amended and Restated Management Agreement between DeepTech and the General Partner.
10.5	-- Fourth Amendment to First Amended and Restated Management Agreement between DeepTech and the General Partner (filed as Exhibit 10.1 to Leviathan's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997, File No. 1-11680).
10.6	-- Fifth Amendment to First Amended and Restated Management Agreement between DeepTech and the General Partner (filed as Exhibit 10.1 to Leviathan's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997, File No. 1-11680).
10.7	-- Sixth Amendment to First Amended and Restated Management Agreement between DeepTech and the General Partner (filed as Exhibit 10.2 to Leviathan's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, File No. 1-11680).
10.8	-- Redemption Agreement dated February 27, 1998 between Tatham Offshore, Inc. and Flextrend Development Company, L.L.C., a subsidiary of Leviathan (filed as Exhibit 10.1 to Leviathan's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998, File No. 1-11680).
10.9	-- Contribution Agreement between Leviathan and El Paso Field Services Company (filed as Exhibit C to Leviathan's Schedule 14A (Rule 14A-101) Proxy Statement effective February 9, 1998).
10.10	-- Leviathan 1998 Unit Option Plan for Non-Employee Directors Effective as of August 14, 1998 (filed as Exhibit 10.2 to Leviathan's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998, File No. 1-11680).
10.11	-- Leviathan Unit Rights Appreciation Plan (filed as Exhibit 10.25 to Leviathan's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, File No. 1-11680).
10.12	-- Leviathan 1998 Omnibus Compensation Plan, Amended and Restated, Effective as of January 1, 1999 (filed as Exhibit 10.9 to Leviathan's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, File No. 1-11680).
10.13	-- Purchase and Sale Agreement between Natural Gas Pipeline Company of America as Seller and Leviathan as Buyer dated as of June 30, 1999 (filed as Exhibit 10.1 to Leviathan's Current Report on Form 8-K dated July 15, 1999, File No. 1-11680).

EXHIBIT NO.	DESCRIPTION
10.14**	-- Third Amended and Restated Credit Agreement dated as of March 23, 1995, as amended and restated through May 27, 1999 among Leviathan, Leviathan Finance Corporation, The Chase Manhattan Bank, as administrative agent, Credit Lyonnais, as syndication agent, BankBoston, N.A., as documentation agent, and the banks and other financial institutions from time to time party thereto.
12.1*	-- Statement Regarding Computation of Ratios.
21.1*	-- List of Subsidiaries of the Leviathan Gas Pipeline Partners, L.P.
23.1**	-- Consent of PricewaterhouseCoopers LLP.
23.2**	-- Consent of Deloitte & Touche LLP.
23.3**	-- Consent of Arthur Andersen LLP.
23.4**	-- Consent of Netherland, Sewell & Associates, Inc.
23.5*	-- Consent of Akin, Gump, Strauss, Hauer & Feld, L.L.P. (included in Exhibit 5.1 hereto).
24.1*	-- Power of Attorney (included on the signature pages of this Registration Statement on Form S-4).
25.1*	-- Statement of Eligibility of Trustee.
27.1	-- Financial Data Schedule (filed as Exhibit 27 to Leviathan's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, File No. 1-11680).
27.2	-- Financial Data Schedule (filed as Exhibit 27 to Leviathan's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1999, File No. 1-11680).
99.1**	-- Form of Letter of Transmittal for the 10 3/8% Series B Senior Subordinated Note due 2009.
99.2**	-- Form of Notice of Guaranteed Delivery for the 10 3/8% Series B Senior Subordinated Note due 2009.
99.3**	-- Letter to Registered Holders.
99.4**	-- Letter to Registered Holders and Depository Trust Company Participants.
99.5**	-- Letter to Clients of Registered Holders and Depository Trust Company Participants.
99.6**	-- Guidelines for Certificate of Taxpayer Identification Number on substitute Form W-9 (included in Exhibit 99.1 hereto).

- ---

* Previously filed.

** Filed herewith.

EXHIBIT 4.2

LEVIATHAN GAS PIPELINE PARTNERS, L.P.
LEVIATHAN FINANCE CORPORATION, AS THE ISSUERS,

AND

THE SUBSIDIARIES PARTY HERETO, AS SUBSIDIARY GUARANTORS

AND

CHASE BANK OF TEXAS, NATIONAL ASSOCIATION, AS TRUSTEE

FIRST SUPPLEMENTAL INDENTURE

DATED AS OF JUNE 30, 1999

TO

INDENTURE

DATED AS OF MAY 27, 1999

$175,000,000

10 3/8% SENIOR SUBORDINATED NOTES DUE 2009, SERIES A
10 3/8% SENIOR SUBORDINATED NOTES DUE 2009, SERIES B

FIRST SUPPLEMENTAL INDENTURE

THIS FIRST SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of June 30, 1999, is by and among Leviathan Gas Pipeline Partners, L.P., a Delaware limited partnership, Leviathan Finance Corporation, a Delaware corporation, the guarantor parties hereto, and Chase Bank of Texas, National Association, a national banking association, as trustee.

W I T N E S S E T H:

WHEREAS, the Issuers (herein defined), the Subsidiary Guarantors (herein defined) and the Trustee (herein defined) entered into an Indenture, dated as of May 27, 1999 (the "Indenture"), relating to $175,000,000 of the Company's 10 3/8% Senior Subordinated Notes due 2009;

WHEREAS, the Partnership (herein defined) has formed the following Restricted Subsidiaries (herein defined), each of which will become Subsidiary Guarantors under the Indenture pursuant to the terms of this Supplemental Indenture: (i) Leviathan Operating Company, L.L.C., a Delaware limited liability company, (ii) Naloco, L.L.C., a Delaware limited liability company, and (iii) Natoco, L.L.C., a Delaware limited liability company (collectively, the "New Guarantors");

WHEREAS, this Supplemental Indenture is executed and delivered pursuant to Sections 4.14 and 11.01 of the Indenture;

WHEREAS, the Issuers, the Subsidiary Guarantors (which term includes the New Guarantors) and the Trustee desire to enter into this Supplemental Indenture to provide for the Guarantor's guarantee of the payment of securities on the same terms and conditions as the Guarantees by the other Subsidiary Guarantors;

WHEREAS, all conditions precedent provided for in the Indenture relating to this Supplemental Indenture have been complied with; and

NOW, THEREFORE, in consideration of the premises herein contained, and for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the Issuers, the Subsidiary Guarantors and the Trustee mutually covenant and agree for the equal and proportionate benefit of all Holders (herein defined) of the Notes (herein defined) as follows:

SECTION 1. INCORPORATION OF INDENTURE; DEFINITIONS

1.1 INCORPORATION OF INDENTURE. This Supplemental Indenture constitutes a supplement to the Indenture, and the Indenture and this Supplemental Indenture shall be read together and shall have effect so far as practicable as though all of the provisions thereof and hereof are contained in one instrument.

1.2 DEFINITIONS. All capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned to such terms in the Indenture.

SECTION 2. SUPPLEMENTAL PROVISIONS

2.1 UNCONDITIONAL GUARANTEE. Subject to the provisions of Article 11 of the Indenture, each of the New Guarantors shall be a Subsidiary Guarantor under the terms of the Indenture and each hereby, jointly and severally, unconditionally guarantee to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Notes or the Obligations of the Issuers under the Indenture or the Notes, that:

(a) the principal of, premium, interest and Liquidated Damages, if any, on the Notes shall be promptly paid in full when due, whether at the maturity or interest payment or mandatory redemption date, by acceleration, redemption or otherwise, and interest on the overdue principal of, premium, interest and Liquidated Damages, if any, on the Notes, if any, if lawful, and all other Obligations of the Issuers to the Holders or the Trustee under the Indenture and the Notes shall be promptly paid in full or performed, all in accordance with the terms of the Indenture and the Notes; and

(b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at Stated Maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Subsidiary Guarantors shall be jointly and severally obligated to pay the same immediately.

The New Guarantors hereby agree that their obligations hereunder and under the Indenture shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions of the Indenture and the Notes, the recovery of any judgment against the Issuers, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Subsidiary Guarantor. Each New Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Issuers, any right to require a proceeding first against the Issuers, protest, notice and all demands whatsoever and covenant that the Guarantees shall not be discharged except by complete performance of the obligations contained in the Notes and the Indenture.

If any Holder or the Trustee is required by any court or otherwise to return to the Issuers or Subsidiary Guarantors, or any custodian, trustee, liquidator or other similar official acting in relation to either the Issuers or Subsidiary Guarantors, any amount paid by either to the Trustee or such Holder, these Guarantees, to the extent theretofore discharged, shall be reinstated in full force and effect. Each New Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed under the Indenture until payment in full of all obligations guaranteed under the Indenture.

Each New Guarantor further agrees that, as between the Subsidiary Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the Obligations guaranteed under the Indenture may be accelerated as provided in Article 6 of the Indenture for the

purposes of these Guarantees, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed under the Indenture, and (y) in the event of any declaration of acceleration of such Obligations as provided in Article 6 of the Indenture, such Obligations (whether or not due and payable) shall forthwith become due and payable by the Subsidiary Guarantors for the purpose of these Guarantees. The New Guarantors agree that the Subsidiary Guarantors shall have the right to seek contribution from any non-paying Subsidiary Guarantor so long as the exercise of such right does not impair the rights of the Holders under these Guarantees.

2.2 OTHER GUARANTEE TERMS. Each New Guarantor hereby confirms, adopts and acknowledges each of the provisions of the Indenture relating to the Subsidiary Guarantors and the Guarantees, including, but not limited to Articles 4 and 11.

SECTION 3. MISCELLANEOUS

3.1 COUNTERPARTS. This Supplemental Indenture may be signed in counterparts and by the different parties hereto in separate counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument.

3.2 SEVERABILITY. In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

3.3 HEADINGS. The headings of the Sections of this Supplemental Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

3.4 SUCCESSORS. All agreements of the Issuers and the Subsidiary Guarantors in this Supplemental Indenture shall bind their respective successors. All agreements of the Trustee in this Supplemental Indenture shall bind its successors.

3.5 GOVERNING LAW. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

3.6 FULL FORCE AND EFFECT. The Indenture, as supplemented by this Supplemental Indenture, remains in full force and effect and is hereby ratified and confirmed as the valid and binding obligation of the parties hereto.

3.7 TRUSTEE. The Trustee accepts the modifications of trusts referenced in the Indenture and effected by this Supplemental Indenture. Without limiting the generality of the foregoing, the Trustee assumes no responsibility for the correctness of the recitals herein contained, which shall be taken as the statements of the Company and the Subsidiary Guarantors, and the Trustee shall not be responsible or accountable in any way whatsoever for or with respect to the validity or execution or sufficiency of this Supplemental Indenture, and the Trustee makes no representation with respect thereto.

IN WITNESS WHEREOF, the parties hereto have executed this Supplemental Indenture as of the date first above written.

LEVIATHAN GAS PIPELINE PARTNERS, L.P.

/s/ T. Darty Smith
T. Darty Smith
Vice President

LEVIATHAN FINANCE CORPORATION

/s/ T. Darty Smith
T. Darty Smith
Vice President

CHASE BANK OF TEXAS, NATIONAL ASSOCIATION, as Trustee

By: /s/ Mauri J. Cowen
Name: Mauri J. Cowen
Title: Vice President and Trust Officer

GUARANTORS:

LEVIATHAN OPERATING COMPANY, L.L.C.

/s/ T. Darty Smith
T. Darty Smith
Vice President

NATOCO, L.L.C.

/s/ T. Darty Smith
T. Darty Smith
Vice President

NALOCO, L.L.C.

/s/ T. Darty Smith
T. Darty Smith
Vice President

Each of the undersigned hereby ratifies and confirms its respective obligations under the Indenture, as supplemented by this Supplemental Indenture:

EWING BANK GATHERING COMPANY, L.L.C.

/s/ T. Darty Smith
T. Darty Smith
Vice President

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

/s/ T. Darty Smith
T. Darty Smith
Vice President

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

/s/ T. Darty Smith
T. Darty Smith
Vice President

LEVIATHAN OIL TRANSPORT SYSTEMS, L.L.C.

/s/ T. Darty Smith
T. Darty Smith
Vice President

MANTA RAY GATHERING COMPANY, L.L.C.

/s/ T. Darty Smith
T. Darty Smith
Vice President

DELOS OFFSHORE COMPANY, L.L.C.

/s/ T. Darty Smith
T. Darty Smith
Vice President

FLEXTREND DEVELOPMENT COMPANY, L.L.C.

/s/ T. Darty Smith
T. Darty Smith
Vice President

DELOS OFFSHORE COMPANY, L.L.C.

/s/ T. Darty Smith
T. Darty Smith
Vice President

POSEIDON PIPELINE COMPANY, L.L.C.

/s/ T. Darty Smith
T. Darty Smith
Vice President

STINGRAY HOLDING, L.L.C.

/s/ T. Darty Smith
T. Darty Smith
Vice President

TARPON TRANSMISSION COMPANY

/s/ T. Darty Smith
T. Darty Smith
Vice President

TRANSCO HYDROCARBONS COMPANY, L.L.C.

/s/ T. Darty Smith
T. Darty Smith
Vice President

TEXAM OFFSHORE GAS TRANSMISSION, L.L.C.

/s/ T. Darty Smith
T. Darty Smith
Vice President

TRANSCO OFFSHORE PIPELINE COMPANY, L.L.C.

/s/ T. Darty Smith
T. Darty Smith
Vice President

VK DEEPWATER GATHERING COMPANY, L.L.C.

/s/ T. Darty Smith
T. Darty Smith
Vice President

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

/s/ T. Darty Smith
T. Darty Smith
Vice President

SAILFISH PIPELINE COMPANY, L.L.C.

/s/ T. Darty Smith
T. Darty Smith
Vice President

EXHIBIT 4.3

LEVIATHAN GAS PIPELINE PARTNERS, L.P.
LEVIATHAN FINANCE CORPORATION, AS THE ISSUERS,

AND

THE SUBSIDIARIES PARTY HERETO, AS SUBSIDIARY GUARANTORS

AND

CHASE BANK OF TEXAS, NATIONAL ASSOCIATION, AS TRUSTEE

SECOND SUPPLEMENTAL INDENTURE

DATED AS OF JULY 27, 1999

TO

INDENTURE

DATED AS OF MAY 27, 1999

$175,000,000

10 3/8% SENIOR SUBORDINATED NOTES DUE 2009, SERIES A
10 3/8% SENIOR SUBORDINATED NOTES DUE 2009, SERIES B

SECOND SUPPLEMENTAL INDENTURE

THIS SECOND SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of July 27, 1999, is by and among Leviathan Gas Pipeline Partners, L.P., a Delaware limited partnership, Leviathan Finance Corporation, a Delaware corporation, the guarantor parties hereto, and Chase Bank of Texas, National Association, a national banking association, as trustee.

W I T N E S S E T H:

WHEREAS, the Issuers (herein defined), the Subsidiary Guarantors (herein defined) and the Trustee (herein defined) entered into an Indenture, dated as of May 27, 1999 (as in effect on the date hereof, the "Indenture"), relating to $175,000,000 of the Company's 10 3/8% Senior Subordinated Notes due 2009;

WHEREAS, the Partnership (herein defined) has formed the Restricted Subsidiary (herein defined) Moray Pipeline Company, L.L.C. (the "New Guarantor"), which will become a Subsidiary Guarantor under the Indenture pursuant to the terms of this Supplemental Indenture.

WHEREAS, this Supplemental Indenture is executed and delivered pursuant to Sections 4.14 and 11.01 of the Indenture;

WHEREAS, the Issuers, the Subsidiary Guarantors (which term includes the New Guarantor) and the Trustee desire to enter into this Supplemental Indenture to provide for the New Guarantor's guarantee of the payment of securities on the same terms and conditions as the Guarantees by the other Subsidiary Guarantors;

WHEREAS, all conditions precedent provided for in the Indenture relating to this Supplemental Indenture have been complied with; and

NOW, THEREFORE, in consideration of the premises herein contained, and for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the Issuers, the Subsidiary Guarantors and the Trustee mutually covenant and agree for the equal and proportionate benefit of all Holders (herein defined) of the Notes (herein defined) as follows:

SECTION 1. INCORPORATION OF INDENTURE; DEFINITIONS

1.1 INCORPORATION OF INDENTURE. This Supplemental Indenture constitutes a supplement to the Indenture, and the Indenture and this Supplemental Indenture shall be read together and shall have effect so far as practicable as though all of the provisions thereof and hereof are contained in one instrument.

1.2 DEFINITIONS. All capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned to such terms in the Indenture.

SECTION 2. SUPPLEMENTAL PROVISIONS

2.1 UNCONDITIONAL GUARANTEE. Subject to the provisions of Article 11 of the Indenture, the New Guarantor shall be a Subsidiary Guarantor under the terms of the Indenture and each Subsidiary Guarantor hereby, jointly and severally, unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Notes or the Obligations of the Issuers under the Indenture or the Notes, that:

(a) the principal of, premium, interest and Liquidated Damages, if any, on the Notes shall be promptly paid in full when due, whether at the maturity or interest payment or mandatory redemption date, by acceleration, redemption or otherwise, and interest on the overdue principal of, premium, interest and Liquidated Damages, if any, on the Notes, if any, if lawful, and all other Obligations of the Issuers to the Holders or the Trustee under the Indenture and the Notes shall be promptly paid in full or performed, all in accordance with the terms of the Indenture and the Notes; and

(b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at Stated Maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Subsidiary Guarantors shall be jointly and severally obligated to pay the same immediately.

The New Guarantor hereby agrees that its obligations hereunder and under the Indenture shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions of the Indenture and the Notes, the recovery of any judgment against the Issuers, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Subsidiary Guarantor. The New Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Issuers, any right to require a proceeding first against the Issuers, protest, notice and all demands whatsoever and covenant that the Guarantees shall not be discharged except by complete performance of the obligations contained in the Notes and the Indenture.

If any Holder or the Trustee is required by any court or otherwise to return to the Issuers or Subsidiary Guarantors, or any custodian, trustee, liquidator or other similar official acting in relation to either the Issuers or Subsidiary Guarantors, any amount paid by either to the Trustee or such Holder, these Guarantees, to the extent theretofore discharged, shall be reinstated in full force and effect. The New Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed under the Indenture until payment in full of all obligations guaranteed under the Indenture.

The New Guarantor further agrees that, as between the Subsidiary Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the Obligations guaranteed under the Indenture may be accelerated as provided in Article 6 of the Indenture for the

purposes of these Guarantees, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed under the Indenture, and (y) in the event of any declaration of acceleration of such Obligations as provided in Article 6 of the Indenture, such Obligations (whether or not due and payable) shall forthwith become due and payable by the Subsidiary Guarantors for the purpose of these Guarantees. The New Guarantor agrees that the Subsidiary Guarantors shall have the right to seek contribution from any non-paying Subsidiary Guarantor so long as the exercise of such right does not impair the rights of the Holders under these Guarantees.

2.2 OTHER GUARANTEE TERMS. The New Guarantor hereby confirms, adopts and acknowledges each of the provisions of the Indenture relating to the Subsidiary Guarantors and the Guarantees, including, but not limited to Articles 4 and 11.

SECTION 3. MISCELLANEOUS

3.1 COUNTERPARTS. This Supplemental Indenture may be signed in counterparts and by the different parties hereto in separate counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument.

3.2 SEVERABILITY. In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

3.3 HEADINGS. The headings of the Sections of this Supplemental Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

3.4 SUCCESSORS. All agreements of the Issuers and the Subsidiary Guarantors in this Supplemental Indenture shall bind their respective successors. All agreements of the Trustee in this Supplemental Indenture shall bind its successors.

3.5 GOVERNING LAW. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

3.6 FULL FORCE AND EFFECT. The Indenture, as supplemented by this Supplemental Indenture, remains in full force and effect and is hereby ratified and confirmed as the valid and binding obligation of the parties hereto.

3.7 TRUSTEE. The Trustee accepts the modifications of trusts referenced in the Indenture and effected by this Supplemental Indenture. Without limiting the generality of the foregoing, the Trustee assumes no responsibility for the correctness of the recitals herein contained, which shall be taken as the statements of the Company and the Subsidiary Guarantors, and the Trustee shall not be responsible or accountable in any way whatsoever for or with respect to the validity or execution or sufficiency of this Supplemental Indenture, and the Trustee makes no representation with respect thereto.

IN WITNESS WHEREOF, the parties hereto have executed this Supplemental Indenture as of the date first above written.

LEVIATHAN GAS PIPELINE PARTNERS, L.P.

/s/ James H. Lytal
James H. Lytal
President

LEVIATHAN FINANCE CORPORATION

/s/ James H. Lytal
James H. Lytal
President

CHASE BANK OF TEXAS,
NATIONAL ASSOCIATION, as Trustee

By: /s/ Mauri J. Cowen
Name: Mauri J. Cowen
Title: Vice President

NEW GUARANTOR:

MORAY PIPELINE COMPANY, L.L.C.

/s/ James H. Lytal
James H. Lytal
President

Each of the undersigned hereby ratifies and confirms its respective obligations under the Indenture, as supplemented by this Supplemental Indenture:

EWING BANK GATHERING COMPANY, L.L.C.	GREEN CANYON PIPE LINE COMPANY, L.L.C.
/s/ James H. Lytal	/s/ James H. Lytal
James H. Lytal President	James H. Lytal President
GREEN CANYON PIPE LINE COMPANY, L.L.C.	LEVIATHAN OIL TRANSPORT SYSTEMS, L.L.C.
/s/ James H. Lytal	/s/ James H. Lytal
James H. Lytal President	James H. Lytal President
MANTA RAY GATHERING COMPANY, L.L.C.	DELOS OFFSHORE COMPANY, L.L.C.
/s/ James H. Lytal	/s/ James H. Lytal
James H. Lytal President	James H. Lytal President
FLEXTREND DEVELOPMENT COMPANY, L.L.C.	DELOS OFFSHORE COMPANY, L.L.C.
/s/ James H. Lytal	/s/ James H. Lytal
James H. Lytal President	James H. Lytal President
POSEIDON PIPELINE COMPANY, L.L.C.	STINGRAY HOLDING, L.L.C.
/s/ James H. Lytal	/s/ James H. Lytal
James H. Lytal President	James H. Lytal President
TARPON TRANSMISSION COMPANY	TRANSCO HYDROCARBONS COMPANY, L.L.C.
/s/ James H. Lytal	/s/ James H. Lytal
James H. Lytal President	James H. Lytal President

TEXAM OFFSHORE GAS TRANSMISSION, L.L.C.	TRANSCO OFFSHORE PIPELINE COMPANY, L.L.C.
/s/ James H. Lytal	/s/ James H. Lytal
James H. Lytal President	James H. Lytal President
VK DEEPWATER GATHERING COMPANY, L.L.C.	VK-MAIN PASS GATHERING COMPANY, L.L.C.
/s/ James H. Lytal	/s/ James H. Lytal
James H. Lytal President	James H. Lytal President
SAILFISH PIPELINE COMPANY, L.L.C.	LEVIATHAN OPERATING COMPANY, L.L.C.
/s/ James H. Lytal	/s/ James H. Lytal
James H. Lytal President	James H. Lytal President
UTOS HOLDING, L.L.C.	NATOCO, L.L.C.
/s/ James H. Lytal	/s/ James H. Lytal
James H. Lytal President	James H. Lytal President

EXHIBIT 5.1

AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.
ATTORNEYS AT LAW

A REGISTERED LIMITED LIABILITY PARTNERSHIP
INCLUDING PROFESSIONAL CORPORATIONS

AUSTIN
BRUSSELS
DALLAS
HOUSTON
LONDON
LOS ANGELES
MOSCOW
NEW YORK
PHILADELPHIA
SAN ANTONIO
WASHINGTON, D.C.

PENNZOIL PLACE-SOUTH TOWER
711 LOUISIANA STREET
SUITE 1900
HOUSTON, TEXAS 77002
(713) 220-5800
FAX (713) 236-0822

June 21, 1999

Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Ladies and Gentlemen:

We have acted as counsel for Leviathan Gas Pipeline Partners, L.P., a Delaware limited partnership (the "Company") and Leviathan Finance Corporation (together with the Company, the "Issuers"), in connection with the proposed offer by the Issuers to exchange (the "Exchange Offer") all outstanding 10?% Series A Senior Subordinated Notes Due 2009 ($175 million aggregate principal amount outstanding) (the "Outstanding Notes") of the Company for 10?% Series B Senior Subordinated Notes Due 2009 ($175 million aggregate principal amount) (the "Registered Notes") of the Issuers. The Outstanding Notes have been, and the Registered Notes will be, issued pursuant to an Indenture, dated as of May 27, 1999 (the "Indenture"), among the Issuers, the Subsidiary Guarantors named therein, and Chase Bank of Texas, N.A., as trustee (the "Trustee").

In connection with such matters we have examined the Indenture, the registration statement on Form S-4 (No. 333-81143) the Issuers filed with the Securities and Exchange Commission (the "SEC") dated June 21, 1999, for the registration of the Registered Notes (the registration statement, as amended, at the time it becomes effective being referred to as the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), and such records of the Issuers, certificates of public officials and such other documents as we have deemed necessary or appropriate for the purpose of this opinion.

Based upon the foregoing, subject to qualifications hereinafter set forth, and having regard for such legal considerations as we deem relevant, we are of the opinion that the Registered Notes proposed to be issued pursuant to the Exchange Offer (i) have been duly authorized for issuance and (ii) subject to the Registration Statement becoming effective under the Securities Act, and to compliance with any applicable state securities laws, when issued and delivered will be legally binding obligations of the Issuers enforceable against the Issuers in accordance with their terms.

The opinions expressed herein are subject to the following: the enforceability of the Registered Notes may be limited or affected by (i) bankruptcy, insolvency, reorganization, moratorium, liquidation, rearrangement, fraudulent transfer, fraudulent conveyance and other similar laws (including court decisions) now or hereinafter in effect and affecting the rights and remedies of creditors generally or providing for the relief of debtors, (ii) the refusal of a particular court to grant equitable remedies, including, without limitation, specific performance and injunctive relief, and (iii) general principles of equity (regardless of whether such remedies are sought in a proceeding in equity or at law).

The opinions expressed herein are limited exclusively to the laws of the State of New York and the State of Delaware.

We hereby consent to the filing of this opinion as an Exhibit to the Registration Statement and to the reference to Akin, Gump, Strauss, Hauer & Feld, L.L.P. under "Legal Matters" in the Prospectus forming a part of the Registration Statement. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act and the rules and regulations of the SEC thereunder.

Very truly yours,

/s/ AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.

EXHIBIT 10.14

EXECUTION COPY

==========

THIRD AMENDED AND RESTATED
CREDIT AGREEMENT

among

LEVIATHAN GAS PIPELINE PARTNERS, L.P.,

LEVIATHAN FINANCE CORPORATION,

The Several Lenders
from Time to Time Parties Hereto,

CREDIT LYONNAIS,
as Syndication Agent

BANKBOSTON, N.A.
as Documentation Agent

and

THE CHASE MANHATTAN BANK,
as Administrative Agent

Dated as of March 23, 1995,
as amended and restated
through May 27, 1999

==========

CHASE SECURITIES INC., as Lead Arranger
and Book Manager

TABLE OF CONTENTS

Schedules

Exhibits

THIRD AMENDED AND RESTATED CREDIT AGREEMENT, dated as of March 23, 1995, as amended and restated through May 27, 1999 (this "Agreement"), among LEVIATHAN GAS PIPELINE PARTNERS, L.P., a Delaware limited partnership (the "Borrower"), LEVIATHAN FINANCE CORPORATION, a Delaware corporation (the "Co-Borrower"), the several banks and other financial institutions from time to time parties to this Agreement (the "Lenders"), CREDIT LYONNAIS, as syndication agent for the Lenders hereunder (in such capacity, the "Syndication Agent"), BANKBOSTON, N.A., as documentation agent for the Lenders hereunder (in such capacity, the "Documentation Agent"), and THE CHASE MANHATTAN BANK, a New York banking corporation, as administrative agent for the Lenders hereunder (in such capacity, the "Administrative Agent").

W I T N E S S E T H :

WHEREAS, the Borrower, certain of the Lenders, the Administrative Agent and ING (U.S.) Capital Corporation, as co-arranger, are parties to the Amended and Restated Credit Agreement, dated as of March 23, 1995, as amended and restated through December 20, 1996 (and as further amended prior to the date hereof, the "Existing Credit Agreement");

WHEREAS, the Borrower has requested that the Existing Credit Agreement be amended and restated (a) to provide for additional financial institutions as lenders (the "New Lenders"), (b) to extend the Revolving Credit Termination Date, (c) to amend certain covenants, (d) to add the Co-Borrower as a co-borrower under this Agreement on a joint and several basis with the Borrower, and (e) otherwise to amend the Existing Credit Agreement and restate it in its entirety as more fully set forth herein;

WHEREAS, the Lenders and the Administrative Agent are willing to so amend and restate the Existing Credit Agreement, and the New Lenders are willing to become parties hereto, but only on the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto hereby agree that on the Closing Date (as hereinafter defined) the Existing Credit Agreement shall be amended and restated in its entirety as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Acquired Business": as defined in subsection 8.8(e).

"Administrative Agent": as defined in the introductory paragraph of this Agreement.

"Affiliate": as to any Person, any other Person (other than a Subsidiary) which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (i) vote 10% or more of the securities having ordinary voting power for the election of directors of such Person or (ii) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise; provided, that any third Person which also beneficially owns 10% or more of the securities having ordinary voting power for the election of directors (or similar authority) of a Joint Venture or Subsidiary shall not be deemed to be an affiliate of the Borrower and its Subsidiaries or Joint Ventures merely because of such common ownership..

"Aggregate Outstanding Revolving Credit Extensions of Credit": as to any Lender at any time, an amount equal to the sum of (a) the aggregate principal amount of all Revolving Credit Loans made by such Lender then outstanding and (b) such Lender's Commitment Percentage of the L/C Obligations then outstanding.

"Agreement": the Existing Credit Agreement, as amended and restated by this Agreement, as further amended, supplemented or otherwise modified from time to time.

"Alternate Base Rate": for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes hereof: "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in New York City (each change in the Prime Rate to be effective on the date such change is publicly announced); "Base CD Rate" shall mean the sum of (a) the product of (i) the Three-Month Secondary CD Rate and (ii) a fraction, the numerator of which is one and the denominator of which is one minus the C/D Reserve Percentage and (b) the C/D Assessment Rate; "Three-Month Secondary CD Rate" shall mean, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day shall not be a Business Day, the next preceding Business Day) by the Board of Governors of the Federal Reserve System (the "Board") through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate shall not be so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 A.M., New York City time, on such day (or, if such day shall not be a Business Day, on the next preceding Business Day) by the Administrative Agent from three New York City negotiable certificate of deposit dealers of recognized standing selected by it; "C/D Assessment Rate" means for any day as applied to any Revolving Credit Loan, the net annual assessment rate (rounded upward to the nearest 1/100th of 1%) determined by Chase to be payable on such day to the Federal Deposit Insurance Corporation or any successor ("FDIC") for FDIC's insuring time deposits made in Dollars at offices of Chase in the United States; and "Federal Funds

Effective Rate" shall mean, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Base CD Rate or the Federal Funds Effective Rate, or both, for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms thereof, the Alternate Base Rate shall be determined without regard to clause (b) or (c), or both, of the first sentence of this definition, as appropriate, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate shall be effective on the effective day of such change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate, respectively.

"Alternate Base Rate Loans": Revolving Credit Loans the rate of interest applicable to which is based upon the Alternate Base Rate.

"Applicable Margin": for each Type of Revolving Credit Loan, the Commitment Fee payable pursuant to subsection 2.5(a) and the Incremental Commitment Fee payable pursuant to subsection 2.5(b) at any time, the rate per annum based on the ratio of Consolidated Total Indebtedness of the Borrower at such time to Consolidated EBITDA for the most recently ended Calculation Period (the "Leverage Ratio") as set forth under the relevant column heading below:

Leverage Ratio	Eurodollar Loans	Alternate Base Rate Loans	Commitment Fee	Incremental Commitment Fee
Less than or equal to 2.0	1.50%	0.50%	.300%	.1500%
Greater than 2.0 but less than or equal to 3.0	1.75%	0.75%	.375%	.1875%
Greater than 3.0 but less than 4.0	2.25%	1.25%	.500%	.2500%
Greater than or equal to 4.0	2.50%	1.50%	.500%	.2500%

The Applicable Margin, Commitment Fee and Incremental Commitment Fee for any date shall be determined by reference to the Leverage Ratio as of the last day of the fiscal quarter most recently ended as of such date and for the Calculation Period ended on such last day, and any change (x) shall become effective upon the delivery to the Administrative Agent of a certificate of a Responsible Officer of the Borrower (which

certificate may be delivered prior to delivery of the relevant financial statements or may be incorporated in the certificate delivered pursuant to subsection 7.2(b)) with respect to the financial statements to be delivered pursuant to subsection 7.1 for the most recently ended fiscal quarter (a) setting forth in reasonable detail the calculation of the Leverage Ratio at the end of such fiscal quarter and (b) stating that the signer has reviewed the terms of this Agreement and other Loan Documents and has made, or caused to be made under his or her supervision, a review in reasonable detail of the transactions and condition of the Borrower and the Restricted Subsidiaries during the accounting period, and that the signer does not have knowledge of the existence as at the date of such officers' certificate of any Event of Default or Default, and (y) shall apply (i) in the case of the Alternate Base Rate Loans, to Alternate Base Rate Loans outstanding on such delivery date or made on and after such delivery date and (ii) in the case of the Eurodollar Loans, to Eurodollar Loans made on and after such delivery date. It is understood that the foregoing certificate of a Responsible Officer shall be permitted to be delivered prior to, but in no event later than, the time of the actual delivery of the financial statements required to be delivered pursuant to subsection 7.1. Notwithstanding the foregoing, at any time prior to which the first certificate is required to be delivered under subsection 7.2(b) (or prior to the time a certificate as described in this definition is first delivered to the Administrative Agent) and at any time during which the Borrower has failed to deliver the certificate required under subsection 7.2(b) with respect to a fiscal quarter following the date the delivery thereof is due, the Leverage Ratio shall be deemed, solely for the purposes of this definition, to be greater than 4.0 until such time as Borrower shall deliver such compliance certificate.

"Application": an application, in such form as the Issuing Bank may specify, requesting the Issuing Bank to open a Letter of Credit.

"Available Revolving Credit Commitment": as to any Lender at any time, an amount equal to the excess, if any, of (a) the amount of such Lender's Revolving Credit Commitment over (b) such Lender's Aggregate Outstanding Revolving Credit Extensions of Credit.

"Borrower": as defined in the introductory paragraph of this Agreement.

"Borrower Pledge Agreement": the Amended and Restated Pledge and Security Agreement made by the Borrower in favor of the Administrative Agent for the benefit of the Lenders, substantially in the form of Exhibit C hereto, as the same may be amended, supplemented or otherwise modified from time to time.

"Borrower Security Agreement": the Amended and Restated Security Agreement made by the Borrower in favor of the Administrative Agent for the benefit of the Lenders, substantially in the form of Exhibit D hereto, as the same may be amended, supplemented or otherwise modified from time to time.

"Borrowing Date": any Business Day specified in a notice pursuant to subsection 2.3 or 3.2 as a date on which the Borrower requests the Lenders to make Loans or the Issuing Bank to issue a Letter of Credit hereunder.

"Business": as defined in subsection 5.17.

"Business Day": a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"Calculation Period": each period of four consecutive fiscal quarters of the Borrower.

"Capital Lease": any lease of property, real or personal, the obligations of the lessee in respect of which are required in accordance with GAAP to be capitalized on a balance sheet of the lessee.

"Capital Stock": any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants or options to purchase any of the foregoing. In addition, with respect to the Borrower, "Capital Stock" shall include the Preference Units, the Common Units and the General Partnership Interest.

"Cash Equivalents": (i) marketable direct obligations issued or unconditionally guaranteed by the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof; (ii) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having the highest rating obtainable from either Standard & Poor's Ratings Services (or any successor statistical rating organization) ("S&P"), or Moody's Investors Service, Inc. (or any successor statistical rating organization) ("Moody's"); (iii) commercial paper maturing no more than one year from the date of creation thereof and, at the time of acquisition, having the highest rating obtainable from either S&P or Moody's; (iv) certificates of deposit or banker's acceptances maturing within one year from the date of acquisition thereof issued by (x) any Lender, (y) any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia having combined capital and surplus of not less than $250,000,000 or (z) any bank which has a short-term commercial paper rating meeting the requirements of clause (iii) above (any such Lender or bank, a "Qualifying Lender"); (v) eurodollar time deposits having a maturity of less than one year purchased directly from any Lender (whether such deposit is with such Lender or any other Lender hereunder) or issued by any Qualifying Lender; and (vi) repurchase agreements and reverse repurchase agreements with a term of not more than 14 days with any Qualifying Lender relating to marketable direct obligations issued or unconditionally guaranteed by the United States.

"C/D Reserve Percentage": for any day as applied to any Alternate Base Rate Loan, that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) (the "Board"), for determining the maximum reserve requirement for a Depositary

Institution (as defined in Regulation D of the Board) in respect of new non-personal time deposits in Dollars having a maturity of 30 days or more.

"Change in Control": (a) the acquisition by any Person or two or more Persons acting in concert (other than the management of El Paso Energy as of the Closing Date and the shareholders of El Paso Energy as of the Closing Date) of beneficial ownership (within the meaning of Rule 13d-3, promulgated by the Securities and Exchange Commission and now in effect under the Securities Exchange Act of 1934, as amended) of 50% or more of the issued and outstanding shares of voting stock of El Paso Energy; (b) the occurrence of a "change in control" under the Senior Subordinated Note Indenture; or (c) the occurrence of any of the following:

(1) the sale, transfer, lease, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of Borrower and its Restricted Subsidiaries taken as a whole to any "person" (as such term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) other than the El Paso Energy Group;

(2) the adoption of a plan relating to the liquidation or dissolution of the Borrower or the General Partner;

(3) such time as the El Paso Energy Group ceases to own, directly or indirectly, all of the general partner interests of the Borrower or members of the El Paso Energy Group cease to serve as the only general partners of the Borrower; or

(4) such time as the El Paso Energy Group ceases to own a limited partnership interest in the Borrower representing at least 10% of all general, limited, common and other interests in the Borrower; or

(5) all of the general partner interests of the Borrower are not pledged to the Lenders pursuant to the Loan Documents.

Notwithstanding the foregoing, a conversion of the Borrower from a limited partnership to a corporation, limited liability company or other form of entity or an exchange of all of the outstanding limited partnership interests for Capital Stock in a corporation, for member interests in a limited liability company or for any other equity interests in such other form of entity shall not constitute a Change of Control, so long as following such conversion or exchange the El Paso Energy Group beneficially owns, directly or indirectly, in the aggregate more than 50% of the securities having ordinary voting power for the election of directors of such entity, or any combination thereof, and continues to own a sufficient number of the outstanding voting securities of such entity to elect a majority of its directors, managers, trustees or other persons serving in a similar capacity for such entity.

"Chase": The Chase Manhattan Bank.

"Closing Date": the date on which the conditions set forth in subsection 6.1 are first satisfied or waived, which shall occur on or prior to May 28, 1999.

"Co-Borrower": as defined in the introductory paragraph to this Agreement.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Collateral": the "Collateral" as defined in the several Security Documents.

"Commitment Fee": the commitment fee payable pursuant to subsection 2.5(a).

"Commitment Percentage": as to any Lender at any time, with respect to any credit to be extended under, payment or prepayment to be made under, conversion or continuation under, participation in a Letter of Credit issued under, or other matter with respect to, the Revolving Credit Commitments, a percentage, the numerator of which is such Lender's Revolving Credit Commitment and the denominator of which is the aggregate Revolving Credit Commitments then in effect (or, if the Revolving Credit Commitments have been terminated, as to any Lender at any time, a percentage, the numerator of which is such Lender's Aggregate Outstanding Revolving Extensions of Credit and the denominator of which is the Aggregate Outstanding Revolving Extensions of Credit of all Lenders at such time).

"Commodity Hedging Program: any hedge agreement designed to protect the Borrower or any of its Subsidiaries against fluctuations in Petroleum prices.

"Common Unit": a partnership interest of a limited partner of the Borrower representing a fractional part of the partnership interests of all limited partners of the Borrower and having the rights and obligations specified with respect to Common Units in the Partnership Agreement.

"Commonly Controlled Entity": an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group which includes the Borrower and which is treated as a single employer under Section 414 of the Code.

"Consolidated EBITDA": for any period and in accordance with subsection 4.14, the Consolidated Net Income ((i) including earnings and losses from discontinued operations, except to the extent that any such losses represent reserves for losses attributable to the planned disposition of material assets, (ii) excluding extraordinary gains, and gains and losses arising from the sale of material assets, and (iii) including other non-recurring losses) for such period, plus (x) the aggregate amount of cash distributions received by the Borrower and its consolidated Subsidiaries (excluding Unrestricted Subsidiaries and Joint Ventures) from Unrestricted Subsidiaries and Joint Ventures, and (y) to the extent reflected as a charge in the statement of Consolidated Net Income for such period, the sum of (a) interest expense, amortization of debt discount and debt issuance costs (including the write-off of such costs in connection with prepayments of debt) and commissions, discounts and other fees and charges associated with standby

letters of credit, (b) taxes measured by income accrued as an expense during such period, (c) depreciation, depletion, and amortization expense, and (d) non-cash compensation expense resulting from the accounting treatment applied, in accordance with GAAP, to management's equity interest minus the equity of the Borrower and its consolidated Subsidiaries (excluding Unrestricted Subsidiaries and Joint Ventures) in the earnings of Unrestricted Subsidiaries and Joint Ventures.

"Consolidated Interest Expense": for any period, and in accordance with subsection 4.14, total cash interest expense (including that attributable to Capital Leases) of the Borrower and its Subsidiaries (excluding Unrestricted Subsidiaries and Joint Ventures) for such period with respect to all outstanding Indebtedness of the Borrower and such Subsidiaries (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net costs under Hedge Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with GAAP).

"Consolidated Net Income": for any period, and in accordance with subsection 4.14, the net income or net loss of the Borrower and its consolidated Subsidiaries (excluding Unrestricted Subsidiaries and Joint Ventures) for such period determined in accordance with GAAP on a consolidated basis.

"Consolidated Net Worth": as of the date of determination, all items which in conformity with GAAP would be included under shareholders' equity on a consolidated balance sheet of the Borrower and its consolidated Subsidiaries (excluding Unrestricted Subsidiaries) at such date.

"Consolidated Tangible Net Worth": as of the date of determination, Consolidated Net Worth after deducting therefrom the following:

(a) goodwill, including any amounts (however designated on the balance sheet) representing the cost of acquisitions of Subsidiaries in excess of underlying tangible assets;

(b) patents, trademarks, copyrights;

(c) leasehold improvements not recoverable at the expiration of a lease; and

(d) deferred charges (including, but not limited to, unamortized debt discount and expense, organization expenses and experimental and development expenses, but excluding prepaid expenses).

"Consolidated Total Indebtedness": at any time, all Indebtedness of the Borrower and its consolidated Subsidiaries (excluding Unrestricted Subsidiaries) at such time.

"Consolidated Total Senior Indebtedness": at any time, Consolidated Total Indebtedness less the aggregate outstanding principal amount of the Senior Subordinated Notes at such time.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Default": any of the events specified in Section 9, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Delos": Delos Offshore Company, L.L.C., a Delaware limited liability company.

"Documents": as defined in subsection 5.20(b).

"Dollars" and "$": dollars in lawful currency of the United States of America.

"East Breaks": East Breaks Gathering Company, L.L.C., a Delaware limited liability company.

"Environmental Laws": any and all foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other Requirements of Law (including common law) regulating, relating to or imposing liability or standards of conduct concerning protection of human health or the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes, as now or may at any time hereafter be in effect.

"El Paso Energy": El Paso Energy Corporation, a Delaware corporation.

"El Paso Energy Group": collectively, (1) El Paso Energy, and (2) each Person which is a direct or indirect Subsidiary of El Paso Energy.

"Equity Adjustment Date": the date on which an Equity Adjustment Event occurs.

"Equity Adjustment Event": the receipt by the Borrower of at least $75,000,000 in Net Equity Proceeds from the issuance of Common Units and Preference Units after the Closing Date.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurocurrency Reserve Requirements": for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the rates (expressed as a decimal) of reserve requirements in effect on such day (including, without limitation, basic, supplemental,

marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto) dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of such Board) maintained by a member bank of such System.

"Eurodollar Base Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum equal to the rate at which Chase is offered Dollar deposits at or about 10:00 A.M., New York City time, two Working Days prior to the beginning of such Interest Period in the interbank eurodollar market where the eurodollar and foreign currency and exchange operations in respect of its Eurodollar Loans are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the amount of its Eurodollar Loan to be outstanding during such Interest Period.

"Eurodollar Loans": Revolving Credit Loans the rate of interest applicable to which is based upon the Eurodollar Rate.

"Eurodollar Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

$$\frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurocurrency Reserve Requirements}}$$

"Event of Default": any of the events specified in Section 9, provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Ewing Bank": Ewing Bank Gathering Company, L.L.C., a Delaware limited liability company.

"Existing Credit Agreement": as defined in the recitals hereto.

"Expiry Date": with respect to any Letter of Credit at any time, the then stated expiration date of such Letter of Credit as set forth in such Letter of Credit.

"FASB 121": Statement of Financial Accounting Standards No. 121 of the Financial Accounting Standards Board, as the same may be amended and interpreted by the Financial Accounting Standards Board.

"FERC": the Federal Energy Regulatory Commission and any successor thereto.

"Flextrend": Flextrend Development Company, L.L.C., a Delaware limited liability company.

"GAAP": generally accepted accounting principles in the United States of America in effect from time to time.

"General Partner": Leviathan in its capacity as the general partner of the Borrower or any other Person acting as general partner of the Borrower.

"General Partnership Interest": all general partnership interests in the Borrower.

"Governmental Approval": any authorization, consent, approval, license, lease, ruling, permit, tariff, rate, certification, exemption, filing, variance, claim, order, judgment, decree, publication, notice to, declaration of or with or registration by or with any Governmental Authority.

"Governmental Authority": any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Green Canyon": Green Canyon Pipe Line Company, L.L.C., a Delaware limited liability company.

"Guarantee Obligation": as to any Person (the "guaranteeing person"), any obligation of (a) the guaranteeing person or (b) another Person (including, without limitation, any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Guarantees": collectively, the Leviathan Guarantee and the Subsidiaries Guarantee.

"Hazardous Materials": any hazardous materials, hazardous wastes, hazardous constituents, hazardous or toxic substances, petroleum products (including crude oil or any fraction thereof), defined or regulated as such in or under any Environmental Law.

"Hedge Agreements": all interest rate swaps, caps or collar agreements or similar arrangements dealing with interest rates or currency exchange rates or the exchange of nominal interest obligations, either generally or under specific contingencies.

"Incurrence Limitation": on any date of determination, the product of (x) 5.35 (or, from and after the Equity Adjustment Date, 5.00) multiplied by (y) the Consolidated EBITDA for the most recently ended Calculation Period for which financial statements have been delivered pursuant to subsection 7.1. Notwithstanding the foregoing, from the Closing Date to the date on which the certificate of a Responsible Officer of the Borrower is delivered pursuant to subsection 7.2(b) for the Borrower's fiscal quarter ending June 30, 1999 (or, if earlier, the date on which a Responsible Officer of the Borrower delivers a certificate pursuant to clause (x) of the definition of "Applicable Margin" for the fiscal quarter ending June 30, 1999), the Incurrence Limitation shall be the product of (i) 5.35 multipled by (ii) Consolidated EBITDA for the Calculation Period ended March 31, 1999, it being agreed that for such purposes Consolidated EBITDA for each of the second, third and fourth quarters of fiscal year 1998 and the first quarter of fiscal year 1999 shall be deemed to be $23,500,000 and Consolidated EBITDA for the second quarter of fiscal year 1999 shall be calculated in accordance with the definiton thereof.

"Indebtedness": of any Person at any date, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices and which in any event are no more than 120 days past due or, if more than 120 days past due, are being contested in good faith and adequate reserves with respect thereto have been made on the books, of such Person), (b) any other indebtedness of such Person which is evidenced by a note, bond, debenture or similar instrument, (c) all obligations of such Person under Capital Leases, (d) all obligations of such Person in respect of outstanding letters of credit (other than commercial letters of credit with an initial maturity date of less than 90 days), acceptances and similar obligations issued or created for the account of such Person, (e) all liabilities secured by any Lien on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof and (f) for purposes of the covenants set forth in subsection 8.1, the net obligations of such Person under Hedge Agreements.

"Insolvency": with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent": pertaining to a condition of Insolvency.

"Interest Payment Date": (a) as to any Alternate Base Rate Loan, the last day of each March, June, September and December, commencing June 30, 1999, (b) as to any Eurodollar Loan having an Interest Period of three months or less, the last day of such Interest Period, and (c) as to any Eurodollar Loan having an Interest Period longer than three months, each day which is three months or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period.

"Interest Period": with respect to any Eurodollar Loan:

(i) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and

(ii) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not less than three Working Days prior to the last day of the then current Interest Period with respect thereto;

provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(1) if any Interest Period pertaining to a Eurodollar Loan would otherwise end on a day that is not a Working Day, such Interest Period shall be extended to the next succeeding Working Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Working Day;

(2) any Interest Period that would otherwise extend beyond the Revolving Credit Termination Date shall end on the Revolving Credit Termination Date;

(3) any Interest Period pertaining to a Eurodollar Loan that begins on the last Working Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Working Day of a calendar month; and

(4) the Borrower shall select Interest Periods so as not to require a payment or prepayment of any Eurodollar Loan during an Interest Period for such Revolving Credit Loan.

"Issuing Bank": Chase, in its capacity as issuer of any Letter of Credit.

"Joint Venture": any Person in which the Borrower and/or its Subsidiaries hold more than 5% but less than a majority of the equity interests, and which does not constitute a Subsidiary of the Borrower, whether direct or indirect; provided that each of

Western Gulf, UTOS and their respective Subsidiaries shall be deemed to be a Joint Venture for purposes of the Loan Documents until the Borrower designates such Person as a Subsidiary.

"Joint Venture Charter": with respect to each Joint Venture, the partnership agreement, certificate of incorporation, by-laws, limited liability company agreement or other constitutive documents of such Joint Venture, as each of the same may be further amended, supplemented or otherwise modified in accordance with subsection 8.9.

"L/C Commitment Amount": $25,000,000.

"L/C Commitment Percentage": as to any L/C Participant at any time, the percentage determined under paragraph (a) of the definition of "Commitment Percentage" in this subsection 1.1.

"L/C Obligations": at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the Letters of Credit and (b) the aggregate amount of drawings under the Letters of Credit which have not then been reimbursed pursuant to subsection 3.5(a).

"L/C Participants": the collective reference to all Lenders with Revolving Credit Commitments (other than the Issuing Bank).

"Lenders": as defined in the preamble to this Agreement.

"Letters of Credit": as defined in subsection 3.1(a).

"Leverage Ratio": as defined in the definition of "Applicable Margin".

"Leviathan": Leviathan Gas Pipeline Company, a Delaware corporation.

"Leviathan Guarantee": the Amended and Restated Guarantee made by Leviathan in favor of the Administrative Agent, for the benefit of the Lenders, substantially in the form of Exhibit E hereto, as the same may be amended, supplemented or otherwise modified from time to time.

"Leviathan Pledge Agreement (LLC)": the Amended and Restated Pledge and Security Agreement made by Leviathan in favor of the Administrative Agent for the benefit of the Lenders, substantially in the form of Exhibit F hereto, with respect to Leviathan's limited liability company interests in the Subsidiaries, as the same may be amended, supplemented or otherwise modified from time to time.

"Leviathan Pledge Agreement (GP)": the Amended and Restated Pledge Agreement made by Leviathan in favor of the Administrative Agent for the benefit of the Lenders, substantially in the form of Exhibit G hereto, with respect to Leviathan's General Partnership Interest, as the same may be amended, supplemented or otherwise modified from time to time.

"Leviathan Pledge Agreements": collectively, the Leviathan Pledge Agreement (LLC) and the Leviathan Pledge Agreement (GP).

"Leviathan Security Agreement": the Amended and Restated Security Agreement, made by Leviathan in favor of the Administrative Agent for the benefit of the Lenders, substantially in the form of Exhibit H hereto, as the same may be amended, supplemented or otherwise modified from time to time.

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority, preferential arrangement or other security agreement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any Capital Lease having substantially the same economic effect as any of the foregoing).

"Loan Documents": this Agreement, the Revolving Credit Notes, the Guarantees, the Security Documents and the Applications.

"Loan Parties": the Borrower, the Co-Borrower, Leviathan, the Subsidiary Guarantors and each other Affiliate of the Borrower or Leviathan that from time to time is party to a Loan Document.

"LOTS: Leviathan Oil Transport Systems, L.L.C., a Delaware limited liability company.

"Management Agreement": (i) the First Amended and Restated Management Agreement, dated as of June 27, 1994, between DeepTech International Inc. and the General Partner, as amended and in effect on the Closing Date, and as further amended, modified or supplemented from time to time in accordance with subsection 8.9, or (ii) any other agreement or arrangement, reasonably acceptable to the Administrative Agent, providing management, administrative, operational and other functions to the Borrower adequate to allow the Borrower to conduct operations consistent with prior practices.

"Manta Ray": Manta Ray Gathering Company, L.L.C., a Delaware limited liability company.

"Material Adverse Effect": a material adverse effect on (a) the business, operations, property, condition (financial or otherwise) or prospects of the Borrower and its Restricted Subsidiaries taken as a whole, (b) the ability of any Loan Party to perform its obligations under this Agreement or any of the Revolving Credit Notes or any of the other Loan Documents or (c) the validity or enforceability of this Agreement or any of the Revolving Credit Notes or any of the other Loan Documents or the rights or remedies of the Administrative Agent or the Lenders hereunder or thereunder.

"Material Environmental Amount": an amount payable by the Borrower and/or its Subsidiaries in excess of $5,000,000 for remedial costs, compliance costs, compensatory damages, punitive damages, fines, penalties or any combination thereof.

"Materials of Environmental Concern": any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Law, including, without limitation, asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

"Multiemployer Plan": a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Equity Proceeds": 100% of the cash proceeds from the issuance or sale by the Borrower or any of its Restricted Subsidiaries of any equity securities, net of all reasonable out-of-pocket fees (including investment banking fees), commissions, costs and other reasonable out-of-pocket expenses incurred in connection with such issuance or sale. For purposes of calculating "Net Equity Proceeds", fees, commissions and other costs and expenses payable to the Borrower or any of its Affiliates shall be disregarded.

"NGPL": as defined in subsection 4.13(b).

"Non-Recourse Obligations": Indebtedness, Guarantee Obligations and other obligations of any type (a) as to which neither the Borrower nor any Restricted Subsidiary (i) is obligated to provide credit support in any form, or (ii) is directly or indirectly liable, in each case except for clawbacks permitted pursuant to subsections 8.4(e) and (f), and (b) no default with respect to which (including any rights which the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any Indebtedness or Guarantee Obligation of the Borrower or any Restricted Subsidiary to declare a default on such Indebtedness or Guarantee Obligation of the Borrower or any Restricted Subsidiary or cause the payment of any such Indebtedness to be accelerated or payable prior to its stated maturity or cause any such Guarantee Obligation to become payable.

"Obligations": the unpaid principal of and interest on (including interest accruing after the maturity of the Loans and reimbursement obligations in respect of Letters of Credit and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans and all other obligations and liabilities of the Borrower to the Administrative Agent or to any Lender (or, in the case of Hedge Agreements, any affiliate of any Lender), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, any other Loan Document, the Letters of Credit, any Hedge Agreement entered into with any Lender or any affiliate of any Lender or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including all fees, charges and disbursements of counsel to the Administrative Agent or to any Lender that are required to be paid by the Borrower pursuant hereto) or otherwise.

"Participants": as defined in subsection 11.6(b).

"Partnership Agreement": the Amended and Restated Agreement of Limited Partnership of the Borrower among the partners of the Borrower dated as of February 19, 1993 and as in effect on the Closing Date, as amended, modified and supplemented from time to time in accordance with subsection 8.9.

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA.

"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.

"Petroleum": oil, gas and other liquid or gaseous hydrocarbons, including, without limitation, all liquefiable hydrocarbons and other products which may be extracted from gas and gas condensate by the processing thereof in a gas processing plant.

"Plan": at a particular time, any employee benefit plan which is covered by ERISA and in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Pledge Agreements": collectively, the Borrower Pledge Agreement, the Leviathan Pledge Agreements and any other pledge agreement executed and delivered pursuant to subsection 8.17.

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

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

"Preference Unit": a partnership interest in the Borrower representing a fractional part of the partnership interests of all limited partners of the Borrower and having the rights and obligations specified with respect to Preference Units in the Partnership Agreement.

"Properties": the facilities and properties owned, leased or operated by the Borrower or any of its Subsidiaries or any Joint Venture.

"Purchasing Lenders": as defined in subsection 11.6(c).

"Redesignation": any designation of a Restricted Subsidiary as an Unrestricted Subsidiary in accordance with the last sentence of the definition of "Unrestricted Subsidiary"; and any designation of an Unrestricted Subsidiary or a Joint Venture as a

Restricted Subsidiary in accordance with the last sentence of the definition of "Restricted Subsidiary".

"Regulation U": Regulation U of the Board of Governors of the Federal Reserve System as in effect from time to time.

"Reimbursement Obligation": the obligation of the Borrower to reimburse the Issuing Bank pursuant to subsection 3.5(a) for amounts drawn under the Letters of Credit.

"Reorganization": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"Reportable Event": any of the events set forth in Section 4043(b) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .13, .14, .16, .18, .19 or .20 of PBGC Reg. Section 2615.

"Required Lenders": at any time, the holders of at least 51% of the aggregate Revolving Credit Commitments then in effect (or, if the Revolving Credit Commitments have been terminated, the holders of at least 51% of the Aggregate Outstanding Revolving Credit Extentions of Credit of all Lenders).

"Requirement of Law": as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Reserve Report": a report in form and substance reasonably satisfactory to the Administrative Agent certified by Netherland Sewell, Ryder Scott, H.J. Gruy or another independent petroleum engineer acceptable to the Administrative Agent setting forth (a) the amount of and projected production of Petroleum from the proven Petroleum reserves attributable to the Subject Properties and (b) the projected future net income taking into account sales revenues, lease operating expenses, associated production taxes and capital costs, and setting forth the net present value attributable to such reserves attributable to the Subject Properties as of the date of such report (in each case determined using pricing assumptions reasonably satisfactory to the Administrative Agent).

"Responsible Officer": the Chief Executive Officer, the Chief Operating Officer, the President, the Chief Financial Officer, the Treasurer or any vice president of the General Partner or the Borrower.

"Restricted Payment": as defined in subsection 8.7.

"Restricted Subsidiary": any Subsidiary of the Borrower other than an Unrestricted Subsidiary. Subject to the right to redesignate certain Restricted Subsidiaries as Unrestricted Subsidiaries in accordance with the definition of "Unrestricted Subsidiary", all of the Subsidiaries of the Borrower as of the date hereof are

Restricted Subsidiaries. Notwithstanding the foregoing, any Subsidiary which guarantees the Senior Subordinated Notes shall be a Restricted Subsidiary. Any Subsidiary designated as an Unrestricted Subsidiary may be redesignated as a Restricted Subsidiary with the consent of the Required Lenders as long as, after giving effect thereto, no Default or Event of Default has occurred and is continuing and the Borrower would be in pro forma compliance with the covenants set forth in subsection 8.1 after giving effect thereto.

"Revolving Credit Commitment": as to any Lender, the obligation of such Lender to make Revolving Credit Loans to and/or issue or participate in Letters of Credit issued on behalf of the Borrower hereunder in an aggregate principal and/or face amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule I under the heading "Revolving Credit Commitment", as such amount may be reduced from time to time in accordance with the provisions of this Agreement.

"Revolving Credit Commitment Period": the period from and including the date hereof to but not including the Revolving Credit Termination Date or such earlier date on which the Revolving Credit Commitments shall terminate as provided herein.

"Revolving Credit Loans": as defined in subsection 2.1.

"Revolving Credit Note": as defined in subsection 2.2.

"Revolving Credit Termination Date": the third anniversary of the Closing Date, as such termination date may from time to time be extended pursuant to subsection 2.7, and any other date on which the Revolving Credit Commitments are terminated.

"Security Agreements": collectively, the Borrower Security Agreement, the Leviathan Security Agreement and the Subsidiary Security Agreements.

"Security Documents": collectively, the Pledge Agreements and the Security Agreements.

"Senior Subordinated Note Indenture": the Indenture entered into by the Borrower, the Co-Borrower and certain of their respective Subsidiaries in connection with the issuance of the Senior Subordinated Notes, together with all instruments and other agreements entered into by the Borrower, the Co-Borrower or such Subsidiaries in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time in accordance with subsection 8.9.

"Senior Subordinated Notes": the subordinated notes of the Borrower and the Co-Borrower issued on the Closing Date pursuant to the Senior Subordinated Note Indenture.

"Single Employer Plan": any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"Stingray Holding": Stingray Holding, L.L.C., a Delaware limited liability company.

"Subject Properties": the Properties containing Petroleum in which Borrower or any Restricted Subsidiary owns an interest, including, but not limited to, those known as Viosca Knoll 817, Garden Banks 72 and Garden Banks 117 in the Gulf of Mexico.

"Subsidiaries Guarantee": the Amended and Restated Subsidiaries Guarantee made by the Subsidiary Guarantors in favor of the Administrative Agent, for the benefit of the Lenders, substantially in the form of Exhibit J hereto, as the same may be amended, supplemented or otherwise modified from time to time.

"Subsidiary": as to any Person, a corporation, partnership or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower. Notwithstanding the foregoing, each of Western Gulf, UTOS, and their respective Subsidiaries shall be deemed not to be a Subsidiary of the Borrower unless, and to the extent, any of Western Gulf and its Subsidiaries or UTOS and its Subsidiaries, as the case may be, is designated as a Subsidiary of the Borrower in a writing delivered by the Borrower to the Administrative Agent.

"Subsidiary Guarantors": collectively, Delos, Ewing Bank, Flextrend, Green Canyon, LOTS, Manta Ray, Poseidon, Stingray Holding, Tarpon, THC, TOGT, TOPC, VK Deepwater, VK Main Pass, Sailfish, Viosca Knoll (on and after the date Viosca Knoll becomes a Subsidiary), each other Restricted Subsidiary and any other Subsidiary of the Borrower which, from time to time, may become party to the Subsidiaries Guarantee. Notwithstanding anything to the contrary in the Loan Documents, Leviathan Finance Corporation shall be the Co-Borrower and not a Subsidiary Guarantor.

"Subsidiary Security Agreement": each Security Agreement made by each of the Subsidiary Guarantors (including any security agreement executed and delivered pursuant to subsection 8.17) in favor of the Administrative Agent for the benefit of the Lenders, substantially in the form of Exhibit K hereto, as the same may be amended, supplemented or otherwise modified from time to time.

"Tarpon": Tarpon Transmission Company, a Texas corporation.

"THC": Transco Hydrocarbons Company, L.L.C., a Delaware limited liability company.

"TOGT": Texam Offshore Gas Transmission, L.L.C., a Delaware limited liability company.

"TOPC": Transco Offshore Pipeline Company, L.L.C., a Delaware limited liability company.

"Tranche": the collective reference to Eurodollar Loans the Interest Periods with respect to all of which begin on the same date and end on the same later date (whether or not such Revolving Credit Loans shall originally have been made on the same day).

"Transferee": as defined in subsection 11.6(f).

"Type": as to any Revolving Credit Loan, its nature as an Alternate Base Rate Loan or a Eurodollar Loan.

"Uniform Customs": the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be amended from time to time.

"Unrestricted Subsidiary": any Subsidiary of the Borrower (a) which becomes a Subsidiary of the Borrower after the date hereof and, at the time it becomes a Subsidiary, is designated as an Unrestricted Subsidiary, in each case (a) pursuant to a written notice from the Borrower to the Administrative Agent, (b) which has not acquired any assets (other than cash made available pursuant to this Agreement) from the Borrower or any Restricted Subsidiary, (c) which has no Indebtedness, Guarantee Obligations or other obligations other than Non-Recourse Obligations to the extent the applicable guarantor has guaranteed payment of the obligations of the Borrower under this Agreement and (d) which has not guaranteed the Senior Subordinated Notes. Any Subsidiary designated as a Restricted Subsidiary may be redesignated as an Unrestricted Subsidiary with the consent of the Required Lenders as long as, after giving effect thereto, no Default or Event of Default has occurred and is continuing and the Borrower would be in pro forma compliance with the financial covenants after giving effect thereto.

"UTOS": U-T Offshore System, a Delaware general partnership.

"Viosca Knoll": Viosca Knoll Gathering Company, a Delaware joint venture.

"VK Deepwater": VK Deepwater Gathering Company, L.L.C., a Delaware limited liability company.

"VK Main Pass": VK-Main Pass Gathering Company, L.L.C., a Delaware limited liability company.

"West Cameron": West Cameron Dehydration Company, L.L.C., a Delaware limited liability company.

"Western Gulf": Western Gulf Holdings, L.L.C., a Delaware limited liability company, which owns all of High Island Offshore System, L.L.C. and East Breaks Gathering Company, L.L.C. on the Closing Date.

"Working Day": any Business Day on which dealings in foreign currencies and exchange between banks may be carried on in London, England.

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the Revolving Credit Notes or any certificate or other document made or delivered pursuant hereto.

(b) As used herein and in the Revolving Credit Notes, and any certificate or other document made or delivered pursuant hereto, accounting terms relating to the Borrower and its Subsidiaries not defined in subsection 1.1 and accounting terms partly defined in subsection 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, subsection, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2. AMOUNT AND TERMS OF REVOLVING CREDIT COMMITMENTS

2.1 Revolving Credit Commitments. (a) Subject to the terms and conditions hereof, each Lender severally agrees to make revolving credit loans ("Revolving Credit Loans") to the Borrower from time to time during the Revolving Credit Commitment Period in an aggregate principal amount at any one time outstanding which, when added to such Lender's Commitment Percentage of the then outstanding L/C Obligations, does not exceed the amount of such Lender's Revolving Credit Commitment, provided that no such Revolving Credit Loan shall be made if, after giving effect thereto, subsection 2.4 would be contravened. During the Revolving Credit Commitment Period the Borrower may use the Revolving Credit Commitments by borrowing, prepaying the Revolving Credit Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof.

(b) The Revolving Credit Loans may from time to time be (i) Eurodollar Loans, (ii) Alternate Base Rate Loans or (iii) a combination thereof, as determined by the Borrower and notified to the Administrative Agent in accordance with subsections 2.3 and 4.2, provided that no Revolving Credit Loan shall be made as a Eurodollar Loan after the day that is one month prior to the Revolving Credit Termination Date.

(c) The revolving credit loans outstanding on the Closing Date under the Existing Credit Agreement shall continue to be outstanding and shall be continued under this Agreement.

2.2 Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay Revolving Credit Loans to the Administrative Agent for the

account of each Lender the then unpaid principal amount of each Revolving Credit Loan on the Revolving Credit Termination Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Revolving Credit Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Revolving Credit Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this subsection shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Revolving Credit Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Revolving Credit Loans made by it be evidenced by a promissory note substantially in the form of Exhibit A hereto (a "Revolving Credit Note"). In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent and the Borrower. Thereafter, the Revolving Credit Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

2.3 Procedure for Revolving Credit Borrowing. The Borrower may borrow under the Revolving Credit Commitments during the Revolving Credit Commitment Period on any Working Day, if all or any part of the requested Revolving Credit Loans are to be initially Eurodollar Loans, or on any Business Day, otherwise, provided that the Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 10:00 A.M., New York City time, (a) three Working Days prior to the requested Borrowing Date, if all or any part of the requested Revolving Credit Loans are to be initially Eurodollar Loans, or (b) one Business Day prior to the requested Borrowing Date, otherwise), specifying (i) the amount to be borrowed, (ii) the requested Borrowing Date, (iii) whether the borrowing is to be of Eurodollar Loans, Alternate Base Rate Loans or a combination thereof, and (iv) if the borrowing is to be entirely or partly of Eurodollar Loans, the respective amounts of such Type of Revolving Credit Loan and the respective lengths of the initial Interest Periods therefor. Each borrowing under the Revolving Credit Commitments shall be in an amount equal to (x) in the case of Alternate Base Rate Loans, $500,000 or a whole multiple thereof (or, if the then Available Revolving Credit Commitments are less than $500,000, such lesser amount) and (y) in the case of Eurodollar Loans, $1,000,000 or a whole multiple of $100,000 in excess

thereof. Upon receipt of any such notice from the Borrower, the Administrative Agent shall promptly notify each Lender thereof. Each Lender will make the amount of its pro rata share of each borrowing available to the Administrative Agent for the account of the Borrower at the office of the Administrative Agent specified in subsection 11.2 prior to 11:00 A.M., New York City time, on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Administrative Agent by the Lenders and in like funds as received by the Administrative Agent.

2.4 Limitations on Revolving Credit Loans. No requested Revolving Credit Loan shall be made if the sum of the Aggregate Outstanding Revolving Credit Extensions of Credit (after giving effect to such requested Revolving Credit Loan) would exceed the lesser of (a) the then aggregate Revolving Credit Commitments or (b) the Incurrence Limitation then in effect.

2.5 Commitment Fee. The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee for the period from and including the date hereof to the Revolving Credit Termination Date, computed at the rate per annum equal to:

(a) the then Applicable Margin for the Commitment Fee as set forth under the column heading "Commitment Fee" on the average daily amount of the lesser of: (i) the Available Revolving Credit Commitment of such Lender or (ii) an amount equal to such Lender's Commitment Percentage of (x) the Incurrence Limitation then in effect minus (y) the Aggregate Outstanding Revolving Credit Extensions of Credit, plus

(b) the then Applicable Margin for the Incremental Commitment Fee as set forth under the column heading "Incremental Commitment Fee" on the average daily amount equal to such Lender's Commitment Percentage of (i) the Revolving Credit Commitments minus (ii) the Incurrence Limitation then in effect,

during the period for which payment is made, payable quarterly in arrears on the last day of each March, June, September and December, commencing June 30, 1999 and on the Revolving Credit Termination Date or such earlier date as the Revolving Credit Commitments shall terminate as provided herein, commencing on the first of such dates to occur after the date hereof.

2.6 Termination or Reduction of Revolving Credit Commitments. (a) The Borrower shall have the right, upon not less than five Business Days' notice to the Administrative Agent, to terminate the Revolving Credit Commitments or, from time to time, to reduce the amount of the Revolving Credit Commitments, provided that no such termination or reduction shall be permitted if, after giving effect thereto and to any prepayments of the Revolving Credit Loans made on the effective date thereof, the aggregate principal amount of the Revolving Credit Loans then outstanding, when added to the then outstanding L/C Obligations, would exceed the Revolving Credit Commitments then in effect. Any such reduction shall be in an amount equal to $5,000,000 or a whole multiple thereof.

(b) Any reduction of Revolving Credit Commitments pursuant to subsection 2.6(a) above or 4.1(b) shall reduce permanently the Revolving Credit Commitments then in effect.

2.7 Extensions of Revolving Credit Termination Date. The Borrower may, by irrevocable written notice to the Administrative Agent received no later than 120 days prior to the Revolving Credit Termination Date then in effect, request the Lenders to change such Revolving Credit Termination Date to the date 364 days following such then scheduled Revolving Credit Termination Date. Upon receipt of any such notice, the Administrative Agent shall promptly notify each Lender thereof. Each Lender may consent or refuse to consent to such change, in its sole discretion, at any time on or prior to the date which is 60 days prior to the Revolving Credit Termination Date then in effect. Upon the receipt by the Administrative Agent of the written consent of each of the Lenders to such change in the Revolving Credit Termination Date on or prior to 2:00 p.m., New York time, on the date which is 60 days prior to the Revolving Credit Termination Date then in effect, the Revolving Credit Termination Date shall be changed to such subsequent date 364 days following the Revolving Credit Termination Date then in effect, and the term "Revolving Credit Termination Date" for all purposes of this Agreement and the other Loan Documents shall thereupon be deemed to refer to such subsequent date. Any failure of a Lender to provide any such consent shall be deemed to be a refusal to consent to such change.

SECTION 3. LETTERS OF CREDIT

3.1 Issuance of Letters of Credit. (a) Subject to the terms and conditions hereof, the Issuing Bank, in reliance on the agreements of the other Lenders set forth in subsection 3.3(a), agrees to issue letters of credit (the "Letters of Credit") for the account of the Borrower on any Business Day during the Revolving Credit Commitment Period in such form as may be approved from time to time by the Issuing Bank; provided that the Issuing Bank shall have no obligation to issue any Letter of Credit if, after giving effect to such issuance, (1) the L/C Obligations would exceed the L/C Commitment or (2) the Available Revolving Credit Commitment would be less than zero or (3) the Aggregate Outstanding Revolving Credit Extensions of Credit would exceed the lesser of (i) the then aggregate Revolving Credit Commitments or (ii) the Incurrence Limitation then in effect.

(b) Each Letter of Credit shall:

(1) be denominated in Dollars and shall be either (A) a standby letter of credit issued to support obligations of the Borrower or any Restricted Subsidiary, contingent or otherwise, in connection with the working capital and business needs of the Borrower or such Restricted Subsidiary, as the case may be, in the ordinary course of business, or (B) a commercial letter of credit issued in respect of the purchase of goods or services by the Borrower or any Restricted Subsidiary in the ordinary course of business; and

(2) expire no later than the earlier of (A) one year after the date of issuance or renewal thereof in accordance with the term of such Letter of Credit; provided that any

Letter of Credit with a one-year tenure may be renewed for additional one-year periods and (B) five days prior to the Revolving Credit Termination Date.

(c) Each Letter of Credit shall be subject to the Uniform Customs and, to the extent not inconsistent therewith, the laws of the State of New York.

(d) The Issuing Bank shall not at any time be obligated to issue any Letter of Credit hereunder if such issuance would conflict with, or cause the Issuing Bank or any L/C Participant to exceed any limits imposed by, any applicable Requirement of Law.

(e) Letters of Credit issued under the Existing Credit Agreement which are outstanding on the Closing Date shall be deemed to be Letters of Credit issued under this Agreement on the Closing Date.

3.2 Procedure for Issuance of Letters of Credit. The Borrower may from time to time request that the Issuing Bank issue a Letter of Credit by delivering to the Issuing Bank at its address for notices specified herein an Application therefor, completed to the satisfaction of the Issuing Bank, and such other certificates, documents and other papers and information as the Issuing Bank may reasonably request. Upon receipt of any Application, the Issuing Bank will process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby (but in no event shall the Issuing Bank be required to issue any Letter of Credit earlier than three Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed by the Issuing Bank and the Borrower. The Issuing Bank shall furnish a copy of such Letter of Credit to the Borrower promptly following the issuance thereof.

3.3 Participations and Payments in Respect of the Letters of Credit. (a) The Issuing Bank irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce the Issuing Bank to issue Letters of Credit hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from the Issuing Bank, on the terms and conditions hereinafter stated, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's L/C Commitment Percentage in the Issuing Bank's obligations and rights under each Letter of Credit issued hereunder and the amount of each draft paid by the Issuing Bank thereunder.

(b) Each L/C Participant unconditionally and irrevocably agrees with the Issuing Bank that, if a draft is paid under any Letter of Credit for which the Issuing Bank is not reimbursed on the day of such payment in full by the Borrower in immediately available funds, such Lender shall pay to the Issuing Bank upon demand at the Issuing Bank's address for notices specified herein an amount equal to such L/C Participant's L/C Commitment Percentage of the amount of such draft, or any part thereof, which is not so reimbursed. Each L/C Participant's obligation to make each such payment to the Issuing Bank, and the Issuing Bank's right to receive the same, are absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limiting the effect of the foregoing, the occurrence or continuance of a Default or Event of Default or the failure of any other L/C Participant to make any payment

under this subsection, and each L/C Participant further agrees that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each L/C Participant shall indemnify and hold harmless the Issuing Bank from and against any and all losses, liabilities (including, without limitation, liabilities for penalties), actions, suits, judgments, demands, costs and expenses (including reasonable attorneys' fees) resulting from any failure of such L/C Participant to provide, or from any delay in providing, the Issuing Bank with such L/C Participant's L/C Commitment Percentage of such payment in accordance with the provisions of this subsection, but no L/C Participant shall be so liable for any such failure on the part of any other L/C Participant.

(c) If any amount required to be paid by any L/C Participant to the Issuing Bank pursuant to subsection 3.3(a) in respect of any unreimbursed portion of any payment made by the Issuing Bank under any Letter of Credit is paid to the Issuing Bank within two Business Days after the date such payment is due, such L/C Participant shall pay to the Issuing Bank on demand an amount equal to the product of (i) such amount, times (ii) the daily average Federal funds rate, as quoted by the Issuing Bank, during the period from and including the date such payment is required to the date on which such payment is immediately available to the Issuing Bank, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. If any such amount required to be paid by any L/C Participant pursuant to subsection 3.3(a) is not in fact made available to the Issuing Bank by such L/C Participant within two Business Days after the date such payment is due, the Issuing Bank shall be entitled to recover from such L/C Participant, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to Alternate Base Rate Loans hereunder. A certificate of the Issuing Bank submitted to any L/C Participant with respect to any amounts owing under this subsection shall be conclusive in the absence of manifest error.

(d) Whenever, at any time after the Issuing Bank has made payment under any Letter of Credit and has received from any L/C Participant its pro rata share of such payment in accordance with subsection 3.3(a), the Issuing Bank receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise, including proceeds of collateral applied thereto by the Issuing Bank), or any payment of interest on account thereof, the Issuing Bank will distribute to such L/C Participant its pro rata share thereof; provided, however, that in the event that any such payment received by the Issuing Bank shall be required to be returned by the Issuing Bank, such L/C Participant shall return to the Issuing Bank the portion thereof previously distributed by the Issuing Bank to it.

3.4 Fees, Commissions and Other Charges. (a) The Borrower shall pay to the Administrative Agent, for the account of the Issuing Bank, a fronting fee with respect to each Letter of Credit for the period from and including the date of issuance thereof to but not including the Expiry Date thereof, computed at the rate of 1/8 of 1% per annum on the average daily amount of the undrawn and unexpired amount of such Letter of Credit. Such fronting fee shall be payable quarterly in advance on the date of issuance of each Letter of Credit and on the last day of each March, June, September and December thereafter. Such fee shall be nonrefundable.

(b) The Borrower shall pay to the Administrative Agent, for the account of the Issuing Bank and the L/C Participants, a letter of credit commission with respect to each Letter of

Credit for the period from and including the date of issuance thereof to but not including the Expiry Date thereof, computed at the rate of the then Applicable Margin for Eurodollar Loans per annum on the average daily amount of the undrawn and unexpired amount of such Letter of Credit. Such commission shall be payable to the L/C Participants to be shared ratably among them in accordance with their respective L/C Commitment Percentages. Such commission shall be payable quarterly in advance on the date of issuance of each Letter of Credit and on the last day of each March, June, September and December thereafter. Such fee shall be nonrefundable.

(c) In addition to the foregoing fees and commissions, the Borrower shall pay or reimburse the Issuing Bank for such normal and customary costs and expenses as are incurred or charged by the Issuing Bank in issuing, effecting payment under, amending or otherwise administering any Letter of Credit.

(d) The Administrative Agent shall, promptly following its receipt thereof, distribute to the Issuing Bank and the L/C Participants all fees and commissions received by the Administrative Agent for their respective accounts pursuant to this subsection.

(e) The fees and commissions described in the preceding paragraphs (a) and (b) shall be based on a 360 day year. If any amounts in the preceding paragraphs (a) and (b) shall be payable on a day that is not a Working Day, such amount shall be extended to the next succeeding Working Day unless the result of such extension would be to carry such amount into another calendar month in which event such amount shall be payable on the immediately preceding Working Day.

3.5 Reimbursement Obligation of the Borrower. (a) The Borrower agrees to reimburse the Issuing Bank on each date on which the Issuing Bank notifies the Borrower of the date and amount of a draft presented under any Letter of Credit and paid by the Issuing Bank for the amount of (i) such draft so paid and (ii) any taxes, fees, charges or other costs or expenses incurred by the Issuing Bank in connection with such payment. Each such payment shall be made to the Issuing Bank at its address for notices specified herein in lawful money of the United States of America and in immediately available funds.

(b) Unless otherwise notified by the Borrower, each drawing under a Letter of Credit shall constitute a request by the Borrower to the Administrative Agent for a borrowing pursuant to subsection 2.3 of Revolving Credit Loans which are Alternate Base Rate Loans in the amount of such drawing, subject to satisfaction of the conditions set forth in subsection 6.2. The Borrowing Date with respect to such borrowing shall be the date of such drawing.

(c) Interest shall be payable on any and all amounts remaining unpaid by the Borrower under this subsection from the date such amounts become payable (whether at stated maturity, by acceleration or otherwise) until payment in full at the rate which would be payable on any outstanding Alternate Base Rate Loans which were then overdue.

3.6 Obligations Absolute. (a) The Borrower's obligations under this Section 3 shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment which the Borrower may have or have had against the Issuing Bank or any beneficiary of any Letter of Credit.

(b) The Borrower also agrees with the Issuing Bank that the Issuing Bank shall not be responsible for, and the Borrower's Reimbursement Obligations under subsection 3.5(a) shall not be affected by, among other things, (i) the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or (ii) any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or (iii) any claims whatsoever of the Borrower against any beneficiary of any Letter of Credit or any such transferee.

(c) The Issuing Bank shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions caused by the Issuing Bank's gross negligence or willful misconduct.

(d) The Borrower agrees that any action taken or omitted by the Issuing Bank under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence of willful misconduct and in accordance with the standards of care specified in the Uniform Commercial Code of the State of New York, shall be binding on the Borrower and shall not result in any liability of the Issuing Bank to the Borrower.

3.7 Letter of Credit Payments. If any draft shall be presented for payment under any Letter of Credit, the Issuing Bank shall promptly notify the Borrower of the date and amount thereof. The responsibility of the Issuing Bank to the Borrower in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are in conformity with such Letter of Credit.

3.8 Applications. To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Section 3, the provisions of this Section 3 shall apply.

SECTION 4. GENERAL PROVISIONS FOR LOANS

4.1 Optional and Mandatory Prepayments. (a) The Borrower may on the last day of any Interest Period with respect thereto, in the case of Eurodollar Loans, or at any time and from time to time, in the case of Alternate Base Rate Loans, prepay the Revolving Credit Loans, in whole or in part, without premium or penalty, upon at least four Business Days' irrevocable notice to the Administrative Agent, specifying the date and amount of prepayment and whether the prepayment is of Eurodollar Loans, Alternate Base Rate Loans or a combination thereof, and, if of a combination thereof, the amount allocable to each. Upon receipt of any such notice the Administrative Agent shall promptly notify each Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein. Partial prepayments shall be in an aggregate principal amount of $1,000,000 or a whole multiple thereof.

(b) If on any date (including any date on which a certificate of a Responsible Officer of the Borrower is delivered pursuant to subsection 7.2(b)) the sum of the Aggregate Outstanding Revolving Credit Extensions of Credit then outstanding exceeds the lesser of (i) the then aggregate Revolving Credit Commitments or (ii) the then applicable Incurrence Limitation, then, without notice or demand, the Borrower shall, no later than 15 days following such date, prepay the Revolving Credit Loans in an amount equal to such excess. The Borrower may, subject to the terms and conditions of this Agreement, reborrow the amount of any prepayment made under subsection 4.1(c).

(c) The application of any prepayment pursuant to subsections 4.1(b) shall be made first to Alternate Base Rate Loans and second to Eurodollar Loans. Each prepayment of the Loans under subsections 4.1(b) (other than Alternate Base Rate Loans) shall be accompanied by accrued interest to the date of such prepayment on the amount prepaid.

4.2 Conversion and Continuation Options. (a) The Borrower may elect from time to time to convert Eurodollar Loans to Alternate Base Rate Loans by giving the Administrative Agent at least two Business Days' prior irrevocable notice of such election, provided that any such conversion of Eurodollar Loans may only be made on the last day of an Interest Period with respect thereto. The Borrower may elect from time to time to convert Alternate Base Rate Loans to Eurodollar Loans by giving the Administrative Agent at least three Working Days' prior irrevocable notice of such election. Any such notice of conversion to Eurodollar Loans shall specify the length of the initial Interest Period or Interest Periods therefor. Upon receipt of any such notice the Administrative Agent shall promptly notify each Lender thereof. All or any part of outstanding Eurodollar Loans and Alternate Base Rate Loans may be converted as provided herein, provided that (i) no Revolving Credit Loan may be converted into a Eurodollar Loan when any Default or Event of Default has occurred and is continuing and the Administrative Agent has or the Required Lenders have determined that such a conversion is not appropriate, (ii) any such conversion may only be made if, after giving effect thereto, subsection 4.3 shall not have been contravened and (iii) no Revolving Credit Loan may be converted into a Eurodollar Loan after the date that is one month prior to the Revolving Credit Termination Date.

(b) Any Eurodollar Loans may be continued as such upon the expiration of the then current Interest Period with respect thereto by the Borrower giving notice to the Administrative Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in subsection 1.1, of the length of the next Interest Period to be applicable to such Revolving Credit Loans, provided that no Eurodollar Loan may be continued as such (i) when any Default or Event of Default has occurred and is continuing and the Administrative Agent has or the Required Lenders have determined that such a continuation is not appropriate, (ii) if, after giving effect thereto, subsection 4.3 would be contravened or (iii) after the date that is one month prior to the Revolving Credit Termination Date and provided, further, that if the Borrower shall fail to give any required notice as described above in this paragraph or if such continuation is not permitted pursuant to the preceding proviso such Revolving Credit Loans shall be automatically converted to Alternate Base Rate Loans on the last day of such then expiring Interest Period.

4.3 Minimum Amounts of Tranches. All borrowings, conversions and continuations of Revolving Credit Loans hereunder and all selections of Interest Periods hereunder shall be in such amounts and be made pursuant to such elections so that, after giving

effect thereto, (a) the aggregate principal amount of the Revolving Credit Loans comprising each Tranche shall be equal to $2,000,000 or a whole multiple of $100,000 in excess thereof, and (b) the number of Tranches then outstanding shall not exceed eight.

4.4 Interest Rates and Payment Dates. (a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin.

(b) Each Alternate Base Rate Loan shall bear interest at a rate per annum equal to the Alternate Base Rate plus the Applicable Margin.

(c) If all or a portion of (i) the principal amount of any Revolving Credit Loan, (ii) any interest payable thereon or (iii) any commitment fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum which is the higher of (A) the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this subsection plus 2% and (B) the Alternate Base Rate plus 1%, in each case from the date of such non-payment until such amount is paid in full (as well after as before judgment).

(d) Interest shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (c) of this subsection shall be payable from time to time on demand.

4.5 Computation of Interest and Fees. (a) Interest on Alternate Base Rate Loans, commitment fees and interest on overdue interest, commitment fees and other amounts payable hereunder shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed. Interest on Eurodollar Loans shall be calculated on the basis of a 360-day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the Alternate Base Rate or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the quotations used by the Administrative Agent in determining any interest rate pursuant to subsection 4.4(a).

4.6 Inability to Determine Interest Rate. If prior to the first day of any Interest Period:

(a) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the

relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or

(b) the Administrative Agent shall have received notice from the Required Lenders that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lenders (as conclusively certified by such Lenders) of making or maintaining their affected Revolving Credit Loans during such Interest Period,

the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower and the Lenders as soon as practicable thereafter. If such notice is given (x) any Eurodollar Loans requested to be made on the first day of such Interest Period shall be made as Alternate Base Rate Loans, (y) any Revolving Credit Loans that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be converted to or continued as Alternate Base Rate Loans and (z) any outstanding Eurodollar Loans shall be converted, on the first day of such Interest Period, to Alternate Base Rate Loans. Until such notice has been withdrawn by the Administrative Agent, no further Eurodollar Loans shall be made or continued as such, nor shall the Borrower have the right to convert Revolving Credit Loans to Eurodollar Loans.

4.7 Pro Rata Treatment and Payments. (a) Each borrowing by the Borrower from the Lenders hereunder, each payment by the Borrower on account of any commitment fee hereunder and any reduction of the Revolving Credit Commitments of the Lenders shall be made pro rata according to the respective Commitment Percentages of the Lenders. Each payment (including each prepayment) by the Borrower on account of principal of and interest on the Revolving Credit Loans shall be made pro rata according to the respective outstanding principal amounts of the Revolving Credit Loans then held by the Lenders. All payments (including prepayments) to be made by the Borrower hereunder and under the Revolving Credit Notes, whether on account of principal, interest, fees or otherwise, shall be made without set off or counterclaim and shall be made prior to 12:00 Noon, New York City time, on the due date thereof to the Administrative Agent, for the account of the Lenders, at the Administrative Agent's office specified in subsection 11.2, in Dollars and in immediately available funds. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension and with respect to payments of fees, such fees accruing during such extension shall be payable on the next succeeding Business Day. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Working Day, the maturity thereof shall be extended to the next succeeding Working Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Working Day.

(b) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a Borrowing Date that such Lender will not make the amount that would constitute its Commitment Percentage of the borrowing on such date available to the Administrative Agent, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such Borrowing Date, and the Administrative

Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is made available to the Administrative Agent on a date after such Borrowing Date, such Lender shall pay to the Administrative Agent on demand an amount equal to the product of (i) the daily average Federal Funds Effective Rate during such period, times (ii) the amount of such Lender's Commitment Percentage of such borrowing, times (iii) a fraction the numerator of which is the number of days that elapse from and including such Borrowing Date to the date on which such Lender's Commitment Percentage of such borrowing shall have become immediately available to the Administrative Agent and the denominator of which is 360. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this subsection shall be conclusive in the absence of manifest error. If such Lender's Commitment Percentage of such borrowing is not in fact made available to the Administrative Agent by such Lender within three Business Days of such Borrowing Date, the Administrative Agent shall be entitled to recover such amount with interest thereon at the rate per annum applicable to Alternate Base Rate Loans hereunder, on demand, from the Borrower.

4.8 Illegality. Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this Agreement, (a) the commitment of such Lender hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert Alternate Base Rate Loans to Eurodollar Loans shall forthwith be cancelled and (b) such Lender's Revolving Credit Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to Alternate Base Rate Loans on the respective last days of the then current Interest Periods with respect to such Revolving Credit Loans or within such earlier period as required by law. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to subsection 4.11.

4.9 Requirements of Law. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Revolving Credit Note, any Letter of Credit, any Application or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for taxes covered by subsection 4.10 and changes in the rate of tax on the overall net income of such Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender which is not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount which such Lender deems to be material, of making, converting into, continuing or maintaining Eurodollar Loans or issuing or participating in the Letters of Credit or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this subsection, it shall promptly notify the Borrower, through the Administrative Agent, of the event by reason of which it has become so entitled. A certificate as to any additional amounts payable pursuant to this subsection submitted by such Lender, through the Administrative Agent, to the Borrower shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Revolving Credit Notes and all other amounts payable hereunder.

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof does or shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder or under any Letter of Credit to a level below that which such Lender or such corporation could have achieved but for such change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a written request therefor, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction.

4.10 Taxes. (a) All payments made by the Borrower under this Agreement and the Revolving Credit Notes shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding, in the case of the Administrative Agent and each Lender, net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on the Administrative Agent or such Lender, as the case may be, as a result of a present or former connection between the jurisdiction of the government or taxing authority imposing such tax and the Administrative Agent or such Lender (excluding a connection arising solely from the Administrative Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or the Revolving Credit Notes) or any political subdivision or taxing authority thereof or therein (all such non-excluded taxes, levies, imposts, duties, charges, fees, deductions and withholdings being hereinafter called "Taxes"). If any Taxes are required to be withheld from any amounts payable to the Administrative Agent or any Lender hereunder or under the Revolving Credit Notes, the amounts so payable to the Administrative Agent or such Lender shall be increased to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement and the Revolving Credit Notes. Whenever any Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative

Agent for its own account or for the account of such Lender, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof. If the Borrower fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Administrative Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure. The agreements in this subsection shall survive the termination of this Agreement and the payment of the Revolving Credit Notes and all other amounts payable hereunder.

(b) Each Lender that is not incorporated under the laws of the United States of America or a state thereof shall:

(i) deliver to the Borrower and the Administrative Agent (A) two duly completed copies of United States Internal Revenue Service Form 1001 or 4224, or successor applicable form, as the case may be, and (B) an Internal Revenue Service Form W-8 or W-9, or successor applicable form, as the case may be;

(ii) deliver to the Borrower and the Administrative Agent two further copies of any such form or certification on or before the date that any such form or certification expires or becomes obsolete and after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower; and

(iii) obtain such extensions of time for filing and complete such forms or certifications as may reasonably be requested by the Borrower or the Administrative Agent;

unless in any such case an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender so advises the Borrower and the Administrative Agent. Such Lender shall certify (i) in the case of a Form 1001 or 4224, that it is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes and (ii) in the case of a Form W-8 or W-9, that it is entitled to an exemption from United States backup withholding tax. Each Person that shall become a Lender or a Participant pursuant to subsection 11.6 shall, upon the effectiveness of the related transfer, be required to provide all of the forms and statements required pursuant to this subsection, provided that in the case of a Participant such Participant shall furnish all such required forms and statements to the Lender from which the related participation shall have been purchased.

4.11 Indemnity. The Borrower agrees to indemnify each Lender and to hold each Lender harmless from any loss or expense which such Lender may sustain or incur as a consequence of (a) default by the Borrower in payment when due of the principal amount of or interest on any Eurodollar Loan, (b) default by the Borrower in making a borrowing of, conversion into or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (c) default by the

Borrower in making any prepayment after the Borrower has given a notice thereof in accordance with the provisions of this Agreement or (d) the making of a prepayment of Eurodollar Loans on a day which is not the last day of an Interest Period with respect thereto, including, without limitation, in each case, any such loss or expense arising from the reemployment of funds obtained by it or from fees payable to terminate the deposits from which such funds were obtained. This covenant shall survive the termination of this Agreement and the payment of the Revolving Credit Notes and all other amounts payable hereunder.

4.12 Lenders Obligation to Mitigate. Each Lender agrees that, as promptly as practicable after it becomes aware that it has been or will be affected by the occurrence of an event or the existence of a condition described under subsection 4.8, 4.9(a) or 4.10(a), it will, to the extent not inconsistent with such Lender's internal policies, use its best efforts (a) to provide written notice to the Borrower describing such condition and the anticipated effect thereof and (b) to make, fund or maintain the affected Eurodollar Loans of such Lender through another lending office of such Lender if as a result thereof the additional moneys which would otherwise be required to be paid in respect of such Revolving Credit Loans pursuant to subsection 4.8, 4.9 or 4.10(a) would be materially reduced or the illegality or other adverse circumstances which would otherwise require such payment pursuant to subsection 4.8, 4.9(a) or 4.10(a) would cease to exist and if, as determined by such Lender, in its sole discretion, the making, funding or maintaining of such Revolving Credit Loans through such other lending office would not otherwise adversely affect such Revolving Credit Loans or such Lender. The Borrower hereby agrees to pay all reasonable expenses incurred by any Lender in utilizing another lending office of such Lender pursuant to this subsection 4.12.

4.13 Certain Permitted Transactions. Notwithstanding any provision in the Loan Documents and without increasing the obligations of the Lenders under Sections 2 and 3 of this Agreement, the Borrower and its Subsidiaries shall have the right to consummate any of the following transactions:

(a) Viosca Knoll Transactions. The acquisition of additional interests in Viosca Knoll and other related transactions described in the Proxy Statement of the Borrower dated February 8, 1999, including, but not limited to:

(i) acquisition by the Borrower of E1 Paso Energy's 49% interest in Viosca Knoll;

(ii) payment in full of Viosca Knoll's revolving credit facility;

(iii) amendment of the Partnership Agreement; and

(iv) exercise by the Borrower of the option to purchase El Paso Energy's remaining 1% interest in Viosca Knoll;

(b) NGPL Transactions. (i) The acquisition by the Borrower from Natural Gas Pipeline Company of America ("NGPL") of, and the assumption by Borrower of obligations with respect to, (x) NGPL's interest in Western Gulf, (y) NGPL's interest in UTOS and (z) certain of NGPL's offshore pipeline laterals, and (ii) the reorganization of Stingray Pipeline Company, a

Delaware partnership, into a limited liability company; provided that immediately prior to and immediatly following the transactions described in the preceding clauses (i) and (ii), no Default or Event of Default has occurred and is continuing and provided further that immediately after giving effect to any such transaction, the Borrower would be in pro forma compliance with the covenants set forth in subsection 8.1; and

(c) HIOS Reorganization. (i) The reorganization of High Island Offshore System, a Delaware partnership, into a limited liability company, (ii) the creation of Western Gulf and East Breaks and (iii) the capital contributions contemplated by the Limited Liability Company Agreement of Western Gulf dated as of December 11, 1998, including, without limitation, contribution of TOGT's and TOPC's interests in High Island Offshore System, L.L.C., the converted partnership.

4.14 Certain Adjustments.

(a) Acquisition; Redesignation. If the Borrower or any of its Restricted Subsidiaries acquires any Acquired Business or there is a Redesignation of any Subsidiary during any Calculation Period, Consolidated EBITDA for such Calculation Period will be determined on a pro forma basis as if such Acquired Business were acquired, or such Redesignation occurred, on the first day thereof. Such pro forma adjustments will be subject to delivery to the Administrative Agent of a certificate of a Responsible Officer of the Borrower. Such certificate may be delivered at any time with respect to any Redesignation and at any time after the last day of the first fiscal quarter of the Borrower to end after the related acquisition date with respect to any Acquired Business. Each such certificate shall be accompanied by supporting information and calculations with respect to each Acquired Business or Redesignation and such other information as any Lender, through the Administrative Agent, may reasonably request.

(b) Viosca Knoll. After the date on which Viosca Knoll has become a Subsidiary, financial measurements under this Agreement for periods prior to such date shall be calculated as if Viosca Knoll was a Subsidiary and a Restricted Subsidiary during the applicable prior period.

4.15 Redesignated Senior Indebtedness. The Borrower and the Co-Borrower hereby designate all Obligations of the Borrower and its Subsidiaries (including the Co-Borrower) under this Agreement and the other Loan Documents as Designated Senior Indebtedness, as such term is defined in the Senior Subordinated Note Indenture.

SECTION 5. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Revolving Credit Loans and issue or participate in the Letters of Credit, the Borrower hereby represents and warrants to the Administrative Agent and each Lender that:

5.1 Financial Condition. The consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at December 31, 1998, and the related consolidated statements of operations and of cash flows for the fiscal year ended December 31, 1998, reported on by

PricewaterhouseCoopers LLP, copies of which have heretofore been furnished to each Lender, present fairly the consolidated financial condition of the Borrower and its consolidated Subsidiaries as at such date, and the consolidated results of their operations and their consolidated cash flows for the year then ended. The consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at March 31, 1999 and the related consolidated statements of operations and of cash flows for the three months ended March 31, 1999, copies of which have heretofore been furnished to each Lender, present fairly the consolidated financial condition of the Borrower and its consolidated Subsidiaries as at each such date, and the consolidated results of their operations and their consolidated cash flows for the three-month period then ended. All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by such accountants and as disclosed therein and, with respect to the March 31, 1999 financial statements, for the absence of footnotes and year-end adjustments). Except as set forth on Schedule 5.1 or as permitted by subsection 8.4(c), neither the Borrower nor any of its consolidated Subsidiaries had, at the date of the most recent balance sheet referred to above, any material Guarantee Obligation, contingent liability or liability for taxes, or any long-term lease or unusual forward or long-term commitment, including, without limitation, any interest rate or foreign currency swap or exchange transaction, which is not reflected in the foregoing statements or in the notes thereto. Except as set forth on Schedule 5.1, during the period from March 31, 1999 to and including the Closing Date there has been no sale, transfer or other disposition by the Borrower or any of its consolidated Subsidiaries of any material part of its business or property and no purchase or other acquisition of any business or property (including any capital stock of any other Person) material in relation to the consolidated financial condition of the Borrower and its consolidated Subsidiaries at March 31, 1999.

5.2 No Change. Since December 31, 1998 (a) there has been no development or event which has had or could reasonably be expected to have a Material Adverse Effect and (b) no dividends or other distributions have been declared, paid or made upon the Capital Stock of the Borrower except as permitted by subsection 8.7, nor has any of the Capital Stock of the Borrower been redeemed, retired, purchased or otherwise acquired for value by the Borrower or any of its Subsidiaries.

5.3 Existence; Compliance with Law. Each of the Borrower and its Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified as a foreign corporation, limited partnership or limited liability company, as the case may be, and, where applicable, in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.4 Power; Authorization; Enforceable Obligations. (a) The Borrower has the power and authority, and the legal right, to make, deliver and perform this Agreement, the Revolving Credit Notes and the other Loan Documents to which it is a party and to borrow hereunder and has taken all necessary action to authorize the borrowings on the terms and

conditions of this Agreement and the Revolving Credit Notes and to authorize the execution, delivery and performance of this Agreement, the Revolving Credit Notes and the other Loan Documents to which it is a party. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the borrowings hereunder or with the execution, delivery, performance, validity or enforceability of this Agreement or the Revolving Credit Notes or the Applications. This Agreement has been, and each Revolving Credit Note and the Applications will be, duly executed and delivered on behalf of the Borrower. This Agreement constitutes, and each Revolving Credit Note and each other Loan Document to which the Borrower is a party when executed and delivered will constitute, a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(b) Each of the Subsidiary Guarantors has the power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and has taken all necessary action to authorize the execution, delivery and performance of the Loan Documents to which it is a party. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the borrowings hereunder or with the execution, delivery, performance, validity or enforceability of the Loan Documents to which such Subsidiary Guarantor is a party. Each of the Loan Documents to which such Subsidiary Guarantor is a party will be duly executed and delivered on behalf of such Subsidiary Guarantor. Each Loan Document to which such Subsidiary Guarantor is a party will, when executed and delivered, constitute a legal, valid and binding obligation of such Subsidiary Guarantor enforceable against such Subsidiary Guarantor in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

5.5 No Legal Bar. The execution, delivery and performance of this Agreement, the Revolving Credit Notes and the other Loan Documents, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law or Contractual Obligation of any Loan Party, or, to the best knowledge of the Borrower, any Joint Venture any of the interests in which is owned by a Restricted Subsidiary, and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any such Requirement of Law or Contractual Obligation.

5.6 No Material Litigation. Except as set forth on Schedule 5.6, no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower, threatened by or against the Borrower or any of its Subsidiaries, or, to the best knowledge of the Borrower, any Joint Venture any of the interests in which is owned by a Restricted Subsidiary, or against any of its or their respective properties or revenues (a) with respect to this Agreement, the Revolving Credit Notes or any of the other Loan Documents or any of the transactions contemplated hereby or thereby, or (b) which could reasonably be expected to have a Material Adverse Effect.

5.7 No Default. No Loan Party, and, to the best knowledge of the Borrower, no Joint Venture any of the interests in which is owned by a Restricted Subsidiary, is in default under or with respect to any of its Contractual Obligations in any respect which could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

5.8 Ownership of Property; Liens. Each of the Borrower and its Restricted Subsidiaries has good record and marketable title in fee simple to, or a valid leasehold interest in, all its real property necessary for its operations as then conducted, and good title to, or a valid leasehold interest in, all its other property, and none of such property necessary for its operations as then conducted is subject to any Lien except as permitted by subsection 8.3.

5.9 Intellectual Property. The Borrower and each of its Restricted Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, technology, know-how and processes necessary for the conduct of its business as currently conducted except for those the failure to own or license which could not have a Material Adverse Effect (the "Intellectual Property"). No claim has been asserted and is pending by any Person challenging or questioning the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does the Borrower know of any valid basis for any such claim. The use of such Intellectual Property by the Borrower and its Restricted Subsidiaries does not infringe on the rights of any Person, except for such claims and infringements that, in the aggregate, do not have a Material Adverse Effect.

5.10 No Burdensome Restrictions. The Borrower, in good faith, does not believe any Requirement of Law or Contractual Obligation of the Borrower or any of its Restricted Subsidiaries could reasonably be expected to have a Material Adverse Effect.

5.11 Taxes. Each of the Borrower and its Subsidiaries has filed or caused to be filed all tax returns which, to the knowledge of the Borrower, are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the Borrower or its Subsidiaries, as the case may be); no tax Lien has been filed, and, to the knowledge of the Borrower, no claim is being asserted, with respect to any such tax, fee or other charge.

5.12 Federal Regulations. No part of the proceeds of any Revolving Credit Loans will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect or for any purpose which violates the provisions of the Regulations of such Board of Governors. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in said Regulation U.

5.13 ERISA. No Loan Party has or is a party to, or has any matured or contingent obligations under, any Plans.

5.14 Investment Company Act; Other Regulations. The Borrower is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. The Borrower is not subject to regulation under any Federal or State statute or regulation which limits its ability to incur Indebtedness.

5.15 Subsidiaries. The Persons set forth on Schedule 5.15 constitute all of the Subsidiaries of the Borrower, and all Joint Ventures in which the Borrower owns any interest, as of the Closing Date, and the percentage of the equity interests owned by the Borrower in each such Person as of such date. Each of the Subsidiaries listed on Schedule 5.15 is as of the Closing Date a Restricted Subsidiary.

5.16 Purpose of Revolving Credit Loans, Letters of Credit. The proceeds of the Revolving Credit Loans shall be used by the Borrower (a) to refinance Indebtedness under the Existing Credit Agreement and (b) for general corporate purposes. The Letters of Credit shall be used for the purposes described in subsection 3.1(b).

5.17 Environmental Matters. Except as set forth on Schedule 5.17:

(a) To the best knowledge of the Borrower, the Properties do not contain, and have not previously contained, any Materials of Environmental Concern in amounts or concentrations which (i) constitute or constituted a violation of, or (ii) give rise to liability under, any Environmental Law, except in either case insofar as such violation or liability, or any aggregation thereof, could not reasonably be expected to result in the payment of a Material Environmental Amount.

(b) To the best knowledge of the Borrower, the Properties and all operations at the Properties are in compliance, and have in the period commencing six months prior to the date hereof been in compliance, in all material respects with all applicable Environmental Laws, and there is no contamination at, under or about the Properties or violation of any Environmental Law with respect to the Properties or the business operated by the Borrower or any of its Subsidiaries or any Joint Venture (the "Business") which could materially interfere with the continued operation of any material Property or which could reasonably be expected to have a Material Adverse Effect.

(c) Neither the Borrower nor any of its Subsidiaries nor, to the best knowledge of the Borrower or any Joint Venture, has received any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties or the Business, nor does the Borrower have knowledge or reason to believe that any such notice will be received or is being threatened except insofar as such notice or threatened notice, or any aggregation thereof, does not involve a matter or matters that is or could reasonably be expected to result in the payment of a Material Environmental Amount.

(d) To the best knowledge of the Borrower, Materials of Environmental Concern have not been transported or disposed of from the Properties in violation of, or in a manner or to a location which could reasonably be expected to give rise to liability under, any Environmental Law, nor have any Materials of Environmental Concern been generated, treated, stored or disposed of at, on or under any of the Properties in violation of, or in a manner that could reasonably be expected to give rise to liability under, any applicable Environmental Law except insofar as any such violation or liability referred to in this paragraph, or any aggregation thereof, could not reasonably be expected to result in the payment of a Material Environmental Amount.

(e) No judicial proceeding or governmental or administrative action is pending or, to the knowledge of the Borrower, threatened, under any Environmental Law to which the Borrower or any Subsidiary, or, to the best knowledge of the Borrower, any Joint Venture, is or will be named as a party with respect to the Properties or the Business, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Properties or the Business except insofar as such proceeding, action, decree, order or other requirement, or any aggregation thereof, could not reasonably be expected to result in the payment of a Material Environmental Amount.

(f) To the best knowledge of the Borrower, there has been no release or threat of release of Materials of Environmental Concern at or from the Properties, or arising from or related to the operations of the Borrower or any Subsidiary or any Joint Venture, in connection with the Properties or otherwise in connection with the Business, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws except insofar as any such violation or liability referred to in this paragraph, or any aggregation thereof, could not reasonably be expected to result in the payment of a Material Environmental Amount.

(g) There are no Liens arising under or pursuant to any Environmental Laws on any of the real properties or properties owned or leased by any Loan Party, and no government actions have been taken or are in process which could subject any of such properties to such Liens and no Loan Party would be required to place any notice or restriction relating to the presence of Hazardous Materials at any properties owned by it in any deed to such properties.

(h) There have been no environmental investigations, studies, audits, tests, reviews or other analyses conducted by or which are in the possession of any Loan Party in relation to any properties or facility now or previously owned or leased by any Loan Party which have not been made available to the Lenders.

5.18 Accuracy and Completeness of Information. The factual statements contained in the financial statements (other than financial projections) referred to in subsection 5.1, the Loan Documents, the Confidential Information Memorandum dated April 1999 and any other certificates or documents furnished or to be furnished (but only, with respect to documents furnished after the Closing Date, documents provided pursuant to subsection 7.2(d)) to the

Administrative Agent or the Lenders from time to time in connection with this Agreement, taken as a whole, do not and will not, to the knowledge of the Borrower, 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 the Administrative Agent or matters of public knowledge that generally affect any of the industry segments included in the Business of the Borrower, its Subsidiaries or any Joint Venture) necessary in order to make the statements contained therein not misleading in light of the circumstances in which the same were made, such knowledge qualification being given only with respect to factual statements made by Persons other than the Borrower, and all financial projections contained in any such document or certificate have been prepared in good faith based upon assumptions believed by the Borrower to be reasonable.

5.19 Security Documents. The Pledge Agreements are each effective to create in favor of the Administrative Agent, for the ratable benefit of the Lenders, a legal, valid and enforceable security interest in the respective Interests described therein and proceeds thereof, and the Pledge Agreements each constitute a fully perfected first Lien on, and security interest in, all right, title and interest of the Borrower and Leviathan, respectively, in such Interests and Pledged Certificates and in proceeds thereof superior in right to any other Person. Each Security Agreement is effective to create in favor of the Administrative Agent, for the ratable benefit of the Lenders, a legal, valid and enforceable security interest in the respective collateral described therein and proceeds thereof, and the Security Agreements constitute fully perfected, first priority Liens on, and security interests in (subject to the Liens permitted pursuant to subsection 8.3), all right, title and interest of the Borrower and the Subsidiary Guarantors in such collateral and the proceeds thereof superior in right to any other Person other than Liens permitted hereby.

5.20 Joint Venture Charters, Management Agreement, etc. (a) As of the Closing Date, the Administrative Agent has received, with a copy for each Lender, a complete copy of each of the Joint Venture Charters of each Joint Venture any of the interests in which is owned by a Restricted Subsidiary and all amendments thereto, waivers relating thereto and other side letters or agreements affecting the terms thereof.

(b) As of the Closing Date, the Administrative Agent has received a complete copy of the Partnership Agreement, the Management Agreement and each credit agreement to which any Joint Venture any of the interests in which is owned by a Restricted Subsidiary is a party (including all exhibits, schedules and disclosure letters referred to therein or delivered pursuant thereto, if any) and all amendments thereto, waivers, relating thereto and other side letters or agreements affecting the terms thereof (collectively, such agreements and documents described in paragraphs (a) and (b) of this subsection 5.20 are referred to as the "Documents"). None of the Documents has been amended or supplemented, nor have any of the provisions thereof been waived, except (i) pursuant to a written agreement or instrument which has heretofore been consented to in writing by the Required Lenders or (ii) in accordance with the provisions of this Agreement.

(c) Except as disclosed on Schedule 5.6, each of the Documents has been duly executed and delivered by each of the Borrower and its Subsidiaries party thereto and, to the Borrower's knowledge, by each of the other parties thereto, is in full force and effect and constitutes a legal, valid and binding enforceable obligation of each of the Borrower and its

Subsidiaries party thereto and, to the Borrower's knowledge, each other party thereto. None of the Borrower or any of its Subsidiaries party to any of the Documents, is in default in the performance of any of its obligations thereunder in any material respect which would give any other party to such Document a right to accelerate payment of amounts due under, or terminate, such Document.

5.21 Senior Indebtedness. The Obligations constitute "Senior Indebtedness" of the Borrower under and as defined in the Senior Subordinated Note Indenture. The obligations of each Subsidiary Guarantor under the Loan Documents to which it is a party constitute "Senior Debt" of such Subsidiary Guarantor under and as defined in the Senior Subordinated Note Indenture.

5.22 Year 2000 Matters. To the Borrower's knowledge, any reprogramming required to permit the proper functioning (but only to the extent that such proper functioning would otherwise be impaired by the occurrence of the year 2000) in and following the year 2000 of computer systems and other equipment containing embedded microchips, in either case owned or operated by the Borrower or any of its Subsidiaries or otherwise controlled and used or relied upon in the conduct of their business (including any such systems and other equipment supplied by others or with which the computer systems of Holdings, the Borrower or any of its Subsidiaries interface), and the testing of all such systems and other equipment as so reprogrammed, will be completed by September 30, 1999 except for such failure to reprogram or test which would not reasonably be expected to have a Material Adverse Effect. To the Borrower's knowledge, the costs to the Borrower and its Subsidiaries that have not been incurred as of the date hereof for such reprogramming and testing and for the other reasonably foreseeable consequences to them of any improper functioning of other computer systems and equipment containing embedded microchips due to the occurrence of the year 2000 could not reasonably be expected to result in a Default or Event of Default or to have a Material Adverse Effect. Except for any reprogramming referred to above, the computer systems of the Borrower and its Subsidiaries are and, with ordinary course upgrading and maintenance, are expected to continue for the term of this Agreement to be, sufficient for the conduct of their business as currently conducted, except for such insufficiencies as would not reasonably be expected to have a Material Adverse Effect.

SECTION 6. CONDITIONS PRECEDENT

6.1 Conditions to Initial Extensions of Credit. The agreement of each Lender to make the initial extension of credit requested to be made by it is subject to the satisfaction, immediately prior to or concurrently with the making of such extension of credit on the Closing Date, of the following conditions precedent (it being agreed that the conditions described in paragraphs (b), (h), (i) and (j) below may be satisfied at any time prior to the 30th day following the Closing Date unless the Administrative Agent requests that such conditions be satisfied earlier):

(a) Loan Documents. The Administrative Agent shall have received (i) this Agreement, executed and delivered by a duly authorized officer of the Borrower, (ii) for the account of each Lender which requests the same, a Revolving Credit Note executed

and delivered by a duly authorized officer of the Borrower, and (iii) a confirmation of each of the Guarantees and Security Documents, executed and delivered by a duly authorized officer of each Loan Party thereto and satisfactory in form to the Administrative Agent.

(b) Related Agreements. The Administrative Agent shall have received true and correct copies, certified as to authenticity by the Borrower, of the Partnership Agreement, the certificate of limited partnership of the Borrower, the Management Agreement, the limited liability company agreement, or certificate of incorporation and by-laws, as the case may be, of each Subsidiary, the Joint Venture Charter of each Joint Venture and each agreement evidencing, securing or under which is issued Indebtedness of any of the Joint Ventures under their respective credit facilities, and such other documents or instruments as may be reasonably requested by the Administrative Agent, including, without limitation, a copy of any debt instrument, security agreement or other material contract to which any Joint Venture may be a party.

(c) Borrowing Certificate. The Administrative Agent shall have received a certificate of the Borrower, dated the Closing Date, substantially in the form of Exhibit L, with appropriate insertions and attachments, satisfactory in form and substance to the Administrative Agent, executed by the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, President, Treasurer or any Vice President of the Borrower and the Secretary or any Assistant Secretary of the Borrower.

(d) Partnership Proceedings of the Borrower. The Administrative Agent shall have received a copy of the resolutions, in form and substance satisfactory to the Administrative Agent, of the Board of Directors of the General Partner authorizing on behalf of the Borrower (i) the execution, delivery and performance of this Agreement, the Revolving Credit Notes and the other Loan Documents to which the Borrower is a party, (ii) the borrowings contemplated hereunder and (iii) the granting by the Borrower of the Liens created pursuant to the Security Documents to which it is a party, certified by the Secretary or an Assistant Secretary of the General Partner on behalf of the Borrower as of the Closing Date, which certificate shall be in form and substance satisfactory to the Administrative Agent and shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded.

(e) Borrower Incumbency Certificate. The Administrative Agent shall have received a certificate of the Borrower, dated the Closing Date, as to the incumbency and signature of the officers of the Borrower executing any Loan Document, satisfactory in form and substance to the Administrative Agent, executed by the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, President, Treasurer or any Vice President and the Secretary or any Assistant Secretary of the Borrower.

(f) Corporate Proceedings of Leviathan. The Administrative Agent shall have received a copy of the resolutions, in form and substance satisfactory to the Administrative Agent, of the Board of Directors of Leviathan authorizing (i) the execution, delivery and performance of the Loan Documents to which Leviathan is a party and (ii) the granting by it of the Liens created pursuant to the Security Documents to

which it is a party, certified by the Secretary or an Assistant Secretary of Leviathan as of the Closing Date, which certificate shall be in form and substance satisfactory to the Administrative Agent and shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded.

(g) Leviathan Incumbency Certificate. The Administrative Agent shall have received a certificate of Leviathan, dated the Closing Date, as to the incumbency and signature of the officers of Leviathan executing any Loan Document, satisfactory in form and substance to the Administrative Agent, executed by the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, President, Treasurer or any Vice President and the Secretary or any Assistant Secretary of Leviathan.

(h) Proceedings of Subsidiaries. The Administrative Agent shall have received a copy of the resolutions, in form and substance satisfactory to the Administrative Agent, of the Managing Member or the Board of Directors, as applicable, of each Subsidiary of the Borrower which is a party to a Loan Document authorizing (i) the execution, delivery and performance of the Loan Documents to which it is a party and (ii) the granting by it of the Liens created pursuant to the Security Documents to which it is a party, certified by the Secretary or an Assistant Secretary of such Subsidiary as of the Closing Date, which certificate shall be in form and substance satisfactory to the Administrative Agent and shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded.

(i) Subsidiary Incumbency Certificates. The Administrative Agent shall have received a certificate of each Subsidiary of the Borrower which is a Loan Party, dated the Closing Date, as to the incumbency and signature of the officers of such Subsidiary executing any Loan Document, satisfactory in form and substance to the Administrative Agent, executed by the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, President, Treasurer or any Vice President and the Secretary or any Assistant Secretary of each such Subsidiary.

(j) Corporate Documents. The Administrative Agent shall have received true and complete copies of the certificate of incorporation and by-laws of Leviathan and the certificate of formation or certificate of incorporation, as the case may be, of each Subsidiary of the Borrower, certified as of the Closing Date as complete and correct copies thereof by the Secretary or an Assistant Secretary of Leviathan or such Subsidiary, as the case may be.

(k) Consents, Licenses and Approvals. The Administrative Agent shall have received, with a counterpart for each Lender, a certificate of a Responsible Officer of the Borrower (i) attaching copies of all consents, authorizations and filings referred to in subsection 5.4, and (ii) stating that such consents, licenses and filings are in full force and effect, and each such consent, authorization and filing shall be in form and substance satisfactory to the Administrative Agent.

(l) Fees. The Administrative Agent and each Lender shall have received the fees to be received on the Closing Date as separately agreed to between each of them and the Borrower.

(m) Legal Opinion. The Administrative Agent shall have received, with a counterpart for each Lender, the executed legal opinion of Akin, Gump, Strauss, Hauer & Feld, L.L.P., counsel to the Borrower and the other Loan Parties, in form and substance reasonably satisfactory to the Administrative Agent.

(n) Pledged Stock; Stock Powers. The Administrative Agent shall have received the certificates, if any, representing the shares and limited liability company interests pledged pursuant to each of the Pledge Agreements, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof. Each Instruction to Register Pledge referred to in such Pledge Agreements shall have been delivered to the Borrower and its Subsidiaries, and each Initial Transaction Statement referred to in such Pledge Agreements shall have been delivered to the Administrative Agent, as are required by any of the Pledge Agreements.

(o) Actions to Perfect Liens. The Administrative Agent shall have received evidence in form and substance satisfactory to it that all filings, recordings, registrations and other actions, including, without limitation, the filing of duly executed financing statements on form UCC-1 and amendments to financing statements on form UCC-3, necessary or, in the opinion of the Administrative Agent, desirable to perfect the Liens created by the Security Documents shall have been completed.

(p) Insurance. (i) The Administrative Agent shall have received evidence in form and substance satisfactory to it and all of the requirements of subsection 7.5 shall have been satisfied.

(ii) The Lenders shall have received a schedule detailing, and shall be satisfied with, the amount, coverage and carriers of the insurance carried by the Borrower, the Restricted Subsidiaries and Leviathan.

(q) Good Standing Certificates. The Administrative Agent shall have received copies of certificates dated as of a recent date from the Secretary of State or other appropriate authority of such jurisdiction, evidencing the good standing of the Borrower and each other Loan Party in each state where the ownership, lease or operation of property or the conduct of business requires it to qualify as a foreign corporation, partnership or limited liability company, as the case may be.

(r) No Violation. The consummation of the transactions contemplated hereby shall not contravene, violate or conflict with, nor involve any Lender in any violation of, any Requirement of Law.

(s) Litigation, Etc. No suit, action, investigation, inquiry or other proceeding (including, without limitation, the enactment or promulgation of a statute or rule) by or before any arbitrator or any Governmental Authority shall be

pending and no preliminary or permanent injunction or order by a state or federal court shall have been entered (i) in connection with any Loan Document or any of the transactions contemplated hereby or thereby or (ii) which, in any such case could have a Material Adverse Effect.

(t) Senior Subordinated Notes. The Borrower shall have received (i) at least $175,000,000 in gross cash proceeds from the issuance of the Senior Subordinated Notes and (ii) a copy of the Senior Subordinated Note Indenture, certified as of the Closing Date as a complete copy thereof by the Secretary or an Assistant Secretary of the Borrower. The Senior Subordinated Note Indenture shall be satisfactory in form of substance to the Lenders.

(u) Consents. All material governmental and third party approvals (or arrangements satisfactory to the Lenders in lieu of such approvals) necessary or advisable in connection with the transactions and financings contemplated hereby and by the other Loan Documents and the continuing operations of the Borrower, the Subsidiaries and the Joint Ventures (including, without limitation, any consent of other partners of and lenders to any Joint Venture) shall have been obtained and be in full force and effect.

(v) Material Adverse Effect. No event which has or could have a Material Adverse Effect shall have occurred.

(w) No Defaults. There shall exist no event of default (or condition which would constitute an event of default with the giving of notice or the passage of time) under any material Capital Stock, financing agreements, lease agreements, partnership agreements or other material contracts of the Borrower or the Subsidiaries or, to the knowledge of the Borrower, any Joint Venture.

(x) Tax and Labor Matters. The Lenders shall be satisfied with the status of all labor, tax, employee benefit and health and safety matters involving the Borrower and the Restricted Subsidiaries.

(y) Financial Statements. The Administrative Agent shall have received, with a counterpart for each Lender, complete copies of the financial statements described in subsection 5.1.

(z) Commodity Hedging Program. The Administrative Agent shall have received, with a counterpart for each Lender, a report on the status of the Commodity Hedging Programs of the Borrower covering the Borrower's interest in production from the Subject Properties in amounts and for periods reasonably satisfactory to the Administrative Agent.

(aa) Viosca Knoll. The Borrower and its Restricted Subsidiaries shall have executed definitive documentation with El Paso Energy and its Subsidiaries providing for the acquisition no later than June 1, 1999 by the Borrower and its Restricted Subsidiaries of all of the interest of El Paso Energy and its Subsidiaries in Viosca Knoll (other than a

1% interest in profits and capital of Viosca Knoll) on substantially the terms set forth in the Borrower's Proxy Statement dated February 8, 1999.

(bb) Accrued Interest, Fees and Term Loans. The Borrower shall have paid to the Administrative Agent all unpaid interest, commitment fees and letter of credit commissions accrued and all term loans outstanding under the Existing Credit Agreement through the Closing Date.

(cc) Reallocation of Revolving Credit Loans; Assignments. The Lenders shall have reallocated the Revolving Credit Loans outstanding under this Agreement immediately prior to the Closing Date, and the Lenders and the lenders under the Existing Credit Agreement shall be deemed to have made such assignments of the Revolving Credit Commitments among themselves, as directed by the Administrative Agent in order to reflect the Revolving Credit Commitments under this Agreement.

(dd) Additional Matters. All corporate, company, partnership and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by this Agreement and the other Loan Documents shall be reasonably satisfactory in form and substance to the Lenders, and the Lenders shall have received such other documents and legal opinions in respect of any aspect or consequence of the transactions contemplated hereby or thereby as any of them shall reasonably request.

6.2 Conditions to Each Extension of Credit. The agreement of each Lender to make any extension of credit (including the renewal or extension of a Letter of Credit) requested to be made by it on any date (including, without limitation, its initial extension of credit) is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties made by the Borrower and the other Loan Parties in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date (unless such representations and warranties are stated to relate 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).

(b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the extensions of credit requested to be made on such date.

(c) Additional Matters. The Administrative Agent shall have received such other documents and legal opinions in respect of any aspect or consequence of the transactions contemplated hereby or by the other Loan Documents as it shall reasonably request.

Each borrowing by the Borrower hereunder, and each issuance or renewal or extension of a Letter of Credit hereunder, shall constitute a representation and warranty by the Borrower as of the date of such extension of credit or such conversion that the conditions contained in this subsection 6.2 have been satisfied.

SECTION 7. AFFIRMATIVE COVENANTS

The Borrower hereby agrees that, so long as the Revolving Credit Commitments remain in effect, any Revolving Credit Note or any Letter of Credit remains outstanding and unpaid or any other amount is owing to any Lender, the Administrative Agent hereunder, the Borrower shall and (except in the case of delivery of financial information, reports and notices) shall cause each of its Restricted Subsidiaries and, with respect to subsections 7.3 and 7.11, each of its Unrestricted Subsidiaries, to:

7.1 Financial Statements. Furnish to the Administrative Agent, with copies for the Lenders:

(a) as soon as available, but in any event within 120 days after the end of each fiscal year of the Borrower, a copy of the consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such year and the related consolidated statements of income and retained earnings and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by PricewaterhouseCoopers LLP or other independent certified public accountants of nationally recognized standing;

(b) as soon as available, but in any event not later than 60 days after the end of each of the first three quarterly periods of each fiscal year of the Borrower, the unaudited consolidated and consolidating balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated and consolidating statements of income and retained earnings and of cash flows of the Borrower and its consolidated Subsidiaries for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects when considered in relation to the consolidated and consolidating financial statements of the Borrower and its consolidated Subsidiaries (subject to normal year-end audit adjustments);

(c) concurrently with the delivery of the financial statements for any fiscal year described in paragraph (a) of this subsection 7.1, the unaudited consolidating balance sheets of the Borrower and its consolidated Subsidiaries as at the end of such fiscal year and the related unaudited consolidating statements of income and retained earnings and of cash flows of the Borrower and its consolidated Subsidiaries for such fiscal year, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects when considered in relation to the consolidating financial statements of the Borrower and its consolidated Subsidiaries;

(d) as soon as available, but in any event within 120 days after the end of each fiscal year of each material Joint Venture any of the interests in which is owned by a Restricted Subsidiary, a copy of the audited balance sheet of such Joint Venture, as at the

end of such year and the related unaudited statements of income and retained earnings and of cash flows of such Joint Venture, for such year, setting forth in each case in a comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by independent certified public accountants of nationally recognized standing; and

(e) concurrently with the delivery of the financial statements referred to in subsection 7.1(b), the unaudited balance sheet of each Joint Venture any of the interests in which is owned by a Restricted Subsidiary, as at the end of each such quarter of such Joint Venture, and the related unaudited consolidated statements of income and retained earnings and of cash flows of such Joint Venture, for such month and the portion of the fiscal year through the end of such month, setting forth in each case in comparative form the figures for the previous year, in each case received by the Borrower or any of its Subsidiaries during such fiscal quarter;

all such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and (except for the financial statements of any Joint Venture) in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein and, with respect to unaudited interim financial statements, for the absence of footnotes and year-end adjustments).

7.2 Certificates; Other Information. Furnish to the Administrative Agent, with copies for the Lenders:

(a) concurrently with the delivery of the financial statements referred to in subsection 7.1(a), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default relating to accounting issues, except as specified in such certificate;

(b) concurrently with the delivery of the financial statements referred to in subsections 7.1(a) and 7.1(b), a certificate of a Responsible Officer of the Borrower, (i) stating that, to the best of such Officer's knowledge, the Borrower and its Subsidiaries during such period have observed or performed all of their respective covenants and other agreements, and satisfied every condition, contained in this Agreement and in the Revolving Credit Notes and the other Loan Documents to be observed, performed or satisfied by them, and that such Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate, and (ii) setting forth (x) in reasonable detail the calculation of the covenants set forth in subsection 8.1 for the Calculation Period ending on the last day of such fiscal quarter and (y) in reasonable detail the calculation of the Incurrence Limitation as of the last day of the most recent fiscal quarter covered by such certificate;

(c) not later than thirty days prior to the end of each fiscal year of the Borrower, a copy of the projections by the Borrower of the operating budget and cash flow budget of the Borrower for the succeeding fiscal year, such projections to be accompanied by a

certificate of a Responsible Officer to the effect that such projections have been prepared on the basis of sound financial planning practice and that such Officer has no reason to believe they are incorrect or misleading in any material respect;

(d) within five days after the same are sent, copies of all financial statements and reports which the Borrower sends to the holders of its Capital Stock, and within five days after the same are filed, copies of all financial statements and reports which the Borrower may make to, or file with, the Securities and Exchange Commission or any successor or analogous Governmental Authority;

(e) upon the request of any Lender, and to the extent the same have been received by the Borrower or any of its Subsidiaries, a copy of the projections by each Joint Venture any of the interests in which is owned by a Restricted Subsidiary, as the case may be, of the operating budget and cash flow budget of such Joint Venture for the succeeding fiscal year;

(f) upon the request of any Lender, and to the extent the same have been received by the Borrower or any of its Subsidiaries, within thirty days of the end of each of the quarterly periods of each fiscal year of each Joint Venture any of the interests in which is owned by a Restricted Subsidiary, a list of all shippers that have used such Joint Venture during such quarterly period and the volumes and revenues attributable to each such shipper;

(g) upon the request of any Lender, and to the extent the same have been received by the Borrower or any of its Subsidiaries, copies of all compliance certificates delivered by each Joint Venture any of the interests in which is owned by a Restricted Subsidiary, pursuant to any credit agreement to which such Joint Venture is a party;

(h) upon the request of any Lender, within five days after the same are received by the Borrower, a copy of any FERC Form 2 for any Joint Venture any of the interests in which is owned by a Restricted Subsidiary;

(i) concurrently with the delivery of the financial statements referred to in subsection 7.1(a), a certificate signed by the President, Chief Executive Officer, Chief Operating Officer or Chief Financial Officer of the Borrower in the form of Exhibit N hereto. Further, if requested by the Required Lenders (by notice to the Administrative Agent, which will give notice of such request to the Borrower and each Lender), the Borrower shall permit and cooperate with an environmental and safety review made in connection with the operations of Borrower's properties once during each fiscal year of the Borrower, by independent environmental consultants chosen by the Borrower and acceptable to the Required Lenders, which review shall, if requested by such Lender or Lenders, be arranged and supervised by environmental legal counsel for the Lenders, all at the Borrower's cost and expense. The consultant shall render a verbal or written report, as specified by the Lenders, based upon such review, at the Borrower's cost and expense. Notwithstanding anything in this paragraph (i) to the contrary, the maximum amount of cost and expense for which the Borrower shall be responsible with respect to any such review in any fiscal year shall be $25,000;

(j) concurrently with the delivery of the financial statements referred to in subsection 7.1(a), a Reserve Report, at the Borrower's cost and expense;

(k) concurrently with the delivery of the financial statements referred to in subsections 7.1(a) and 7.1(b), a statement of production by blocks of oil and gas setting forth on a monthly basis average sales price received for the Subject Properties;

(l) concurrently with the delivery of the financial statements referred to in subsections 7.1(a) and 7.1(b), a throughput report setting forth the throughputs of each pipeline owned by the Borrower; and

(m) promptly, such additional financial and other information concerning any Loan Party, any Unrestricted Subsidiary or any Joint Venture as any Lender may from time to time reasonably request.

7.3 Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrower or its Subsidiaries, as the case may be, and except where the failure to so pay, discharge or satisfy such obligations could not reasonably be expected to have a Material Adverse Effect.

7.4 Conduct of Business and Maintenance of Existence. Continue to engage in business of the same general type as now conducted by it and preserve, renew and keep in full force and effect its corporate existence and take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business; comply with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

7.5 Maintenance of Property; Insurance. Keep all property useful and necessary in its business in good working order and condition; maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks (but including in any event fire, casualty, public liability and product liability) as are usually insured against in the same general area by companies engaged in the same or a similar business; and furnish to each Lender, upon written request, full information as to the insurance carried. Upon demand by any Lender (by notice to the Administrative Agent, which shall give notice of such demand to the Borrower and each Lender) any insurance policies covering Collateral shall be endorsed to provide that such policies may not be cancelled or reduced or affected in any material manner for any reason without 15 days prior notice to the Lenders. The Borrower shall, and shall cause each of its Restricted Subsidiaries to, at all times maintain liability and other insurance in accordance with and in the amounts set forth on the schedule delivered pursuant to subsection 6.1(p)(ii), which insurance shall be by financially sound and reputable insurers.

7.6 Inspection of Property; Books and Records; Discussions. Keep proper books of records and accounts in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities; and permit representatives of any Lender to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired and to discuss the business, operations, properties and financial and other condition of the Borrower and its Restricted Subsidiaries with officers and employees of the Borrower and its Restricted Subsidiaries and with its independent certified public accountants.

7.7 Notices. Promptly give notice to the Administrative Agent and each Lender of:

(a) the occurrence of any Default or Event of Default;

(b) any (i) default or event of default under any Contractual Obligation of the Borrower or any of its Subsidiaries or (ii) litigation, investigation or proceeding which may exist at any time between the Borrower or any of its Subsidiaries and any Governmental Authority, which in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect;

(c) any litigation or proceeding affecting the Borrower or any of its Subsidiaries in which the amount involved is $5,000,000 or more and not covered by insurance or in which injunctive or similar relief is sought;

(d) the following events, as soon as possible and in any event within 30 days after the Borrower knows or has reason to know thereof: (i) the occurrence or expected occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to a Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the terminating, Reorganization or Insolvency of, any Plan; and

(e) any development or event which could reasonably be expected to have a Material Adverse Effect or cause the incurrence of an environmental liability in excess of the Material Environmental Amount.

Each notice pursuant to this subsection shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Borrower proposes to take with respect thereto.

7.8 Environmental Laws.

(a) Comply with, and ensure compliance by all tenants and subtenants, if any, with, all applicable Environmental Laws and obtain and comply with and maintain, and

ensure that all tenants and subtenants obtain and comply with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect;

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws except to the extent that the same are being contested in good faith by appropriate proceedings and the pendency of such proceedings could not reasonably be expected to have a Material Adverse Effect; and

(c) Defend, indemnify and hold harmless the Administrative Agent and the Lenders, and their respective employees, agents, officers and directors, from and against any and all claims, demands, penalties, fines, liabilities, settlements and damages, and reasonable costs and expenses, of whatever kind or nature known or unknown, contingent or otherwise, arising out of, or in any way relating to the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of the Borrower, any of its Subsidiaries or the Properties, or any orders, requirements or demands of Governmental Authorities related thereto, including, without limitation, attorney's and consultant's fees, investigation and laboratory fees, response costs, court costs and litigation expenses, except to the extent that any of the foregoing arise out of the gross negligence or willful misconduct of the party seeking indemnification therefor. The agreements in this paragraph shall survive repayment of the Revolving Credit Notes and all other amounts payable hereunder.

7.9 Maintenance of Liens of the Security Documents. Promptly, upon the request of the Administrative Agent, at the Borrower's expense, execute, acknowledge and deliver, or cause the execution, acknowledgement and delivery of, and thereafter register, file or record, or cause to be registered, filed or recorded, in an appropriate governmental office, any document or instrument supplemental to or confirmatory of the Security Documents or otherwise deemed by the Administrative Agent necessary or desirable for the continued validity, perfection and priority of the Liens on the collateral covered thereby.

7.10 Pledge of After-Acquired Property. (a) With respect to any right, title or interest of any Loan Party in any Capital Stock or other property of a type subject to the Security Documents and acquired after the Closing Date, promptly grant or cause to be granted to the Administrative Agent, for the benefit of the Lenders, a first Lien of record on all such Capital Stock and property (other than such Capital Stock and property subject to (i) prior Liens in existence at the time of acquisition thereof and not created in anticipation of such acquisition, in which case the Lien of the Lenders shall be of such priority as is permitted by such prior Lien and (ii) other Liens that are expressly permitted by this Agreement), upon terms substantially the same as those set forth in the Security Documents, and satisfy the conditions with respect thereto set forth in subsection 6.1. The Borrower, at its own expense, shall execute, acknowledge and deliver, or cause its Restricted Subsidiaries to execute, acknowledge and deliver, and thereafter register, file or record, or cause its Restricted Subsidiaries to register, file or record, in an appropriate governmental office, any document or instrument deemed by the Administrative

Agent to be necessary or desirable for the creation and perfection of the foregoing Liens and deliver Uniform Commercial Code searches in jurisdictions requested by the Administrative Agent with respect to such Capital Stock and other property and legal opinions requested by the Administrative Agent and shall pay, or cause to be paid, all taxes and fees related to such registration, filing or recording.

(b) With respect to any new Restricted Subsidiary created or acquired after the Closing Date by the Borrower, promptly cause such Restricted Subsidiary to execute and deliver to the Administrative Agent the Subsidiary Guarantee, and, if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to such Restricted Subsidiary and the Subsidiary Guarantee, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

(c) Notwithstanding anything to the contrary in any Loan Document, neither the Borrower nor any Restricted Subsidiary shall be obligated to (a) pledge under the Loan Documents any of its equity interest in any Joint Venture if such pledge is prohibited by any Contractual Obligation or (b) pledge under the Loan Documents any of its real property.

(d) Notwithstanding anything to the contrary in any Loan Document, if the Borrower or any Restricted Subsidiary has pledged its interest in any Joint Venture and the Borrower or such Restricted Subsidiary desires to make a contribution of or investment with such interest to or in a second Joint Venture in accordance with subsection 8.8(f), the Lien held by the Lenders upon such interest shall terminate as long as the interest held by the Borrower or Restricted Subsidiary in the second Joint Venture shall be subject to a Lien under the Loan Documents in accordance with subsection 8.8(f) unless otherwise agreed by the Required Lenders.

7.11 Agreements Respecting Unrestricted Subsidiaries. (a) Operate each Unrestricted Subsidiary in such a manner as to make it apparent to all creditors of such Unrestricted Subsidiary that such Unrestricted Subsidiary is a legal entity separate and distinct from the Borrower or any Restricted Subsidiary and as such is solely responsible for its debts, and such manner shall include, but shall not be limited to, the maintenance of a separate board of directors for such Unrestricted Subsidiary.

(b) In connection with any Indebtedness, Guarantee Obligations or other obligations incurred by each Unrestricted Subsidiary, (i) incur such Indebtedness only on a basis which does not permit, allow or provide for recourse to the Borrower or any Restricted Subsidiary, and (ii) incur any such Indebtedness, Guarantee Obligations or other obligations in excess of $500,000 only under a loan agreement, note, lease, instrument or other contractual obligation that expressly states that such Indebtedness is being incurred by such Unrestricted Subsidiary on a basis which is non-recourse to the Borrower and its Restricted Subsidiaries, provided that no such agreement, note, lease, instrument or other Obligation shall be required to include such statement if such agreement, note, lease, instrument or other obligation was in effect on the date such Subsidiary became an Unrestricted Subsidiary.

7.12 Commodity Hedging Programs. Enter into Commodity Hedging Programs, not to exceed 80% of annual production at any time, covering the Borrower's interest in production of the Subject Properties.

7.13 Joint Venture Charters, Management Agreement, etc. Deliver to the Administrative Agent (a) any amendments to the Documents previously delivered, written waivers relating thereto and other side letters or agreements in writing affecting the terms thereof and (b) any Documents relating to any new Joint Venture any of the interests in which is owned by a Restricted Subsidiary.

SECTION 8. NEGATIVE COVENANTS

The Borrower hereby agrees that, so long as the Revolving Credit Commitments remain in effect, any Revolving Credit Note or any Letter of Credit remains outstanding and unpaid or any other amount is owing to any Lender, the Administrative Agent hereunder, the Borrower shall not, and (except with respect to subsection 8.1) shall not permit any of its Restricted Subsidiaries to, directly or indirectly:

8.1 Financial Condition Covenants.

(a) Tangible Net Worth. Permit Consolidated Tangible Net Worth at any time to be less than $70,000,000.

(b) Interest Coverage Ratio. Permit for any Calculation Period the ratio of (i) Consolidated EBITDA for such period to (ii) Consolidated Interest Expense for such period to be less than 2.0 to 1.0.

(c) Senior Leverage Ratio. Permit, on the last day of any fiscal quarter of the Borrower, the ratio of (x) Consolidated Total Senior Indebtedness to (y) the Consolidated EBITDA for the Calculation Period ending on such date to exceed 3.5 to 1.0 (or, from and after the Equity Adjustment Date, 3.25 to 1.0).

(d) Leverage Ratio. Permit, on the last day of any fiscal quarter of the Borrower the ratio of (x) Consolidated Total Indebtedness at such date to (y) the Consolidated EBITDA for the Calculation Period ending on such date to exceed 5.35 to 1.0 (or, from and after the Equity Adjustment Date, 5.0 to 1.0).

Solely for purposes of paragraphs (b), (c) and (d) of this subsection 8.1, Consolidated EBITDA shall be deemed to be $23,500,000 for each of the Borrower's fiscal quarters ending on June 30, 1998, September 30, 1998, December 31, 1998 and March 31, 1999. The initial test date for the covenants set forth in this subsection 8.1 shall be June 30, 1999.

8.2 Limitation on Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness of the Borrower and its Subsidiaries under the Loan Documents;

(b) Indebtedness of the Borrower to any Subsidiary Guarantor, and of any Subsidiary Guarantor to the Borrower or any other Subsidiary Guarantor;

(c) Indebtedness permitted pursuant to subsections 8.3 and 8.8;

(d) Indebtedness of the Borrower and the Co-Borrower in respect of the Senior Subordinated Notes in an aggregate principal amount not to exceed $200,000,000;

(e) Indebtedness incurred pursuant to any Hedge Agreement to the extent permitted by subsection 8.22;

(f) Indebtedness (i) of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of the Borrower or any Restricted Subsidiary or (ii) to which any asset is subject existing at the time such asset is acquired by the Borrower or any Restricted Subsidiary; provided that (A) no Default shall have occurred and be continuing at the time of, or after giving effect to, the incurring of such Indebtedness and (B) after giving effect to the incurrence of such Indebtedness the Borrower would be in pro forma compliance with the covenants set forth in subsection 8.1; and

(g) other unsecured Indebtedness of the Borrower in an aggregate principal amount not to exceed $10,000,000 outstanding at any time less the aggregate amount of Guarantee Obligations incurred pursuant to subsection 8.4(f) then outstanding.

8.3 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, except for:

(a) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Borrower or its Restricted Subsidiaries, as the case may be, in conformity with GAAP;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 60 days or which are being contested in good faith by appropriate proceedings;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation and deposits securing liability to insurance carriers under insurance or self-insurance arrangements;

(d) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the property

subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or such Restricted Subsidiary;

(f) Liens created pursuant to construction, operating, farmout and maintenance agreements, space lease agreements, Joint Venture Charters and related documents (to the extent requiring a Lien on the equity interest of the Borrower or any Restricted Subsidiary, as the case may be, in the applicable Joint Venture is required thereunder), division orders, contracts for sale, transportation or exchange of oil and natural gas, unitization and pooling declarations and agreements, area of mutual interest agreements and other similar agreements, in each case having ordinary and customary terms and entered into in the ordinary course of business by the Borrower and its Restricted Subsidiaries; and

(g) additional Liens securing Indebtedness and other obligations not to exceed $1,000,000 at any one time outstanding.

This subsection shall not restrict the ability of any Joint Venture or Unrestricted Subsidiary to create, incur, assume or suffer to exist any Lien on any of its property.

8.4 Limitation on Guarantee Obligations. Create, incur, assume or suffer to exist any Guarantee Obligation except:

(a) Guarantee Obligations created pursuant to the Loan Documents;

(b) Guarantee Obligations of the Borrower or any Restricted Subsidiary incurred after the Closing Date in an aggregate amount not to exceed $1,000,000 at any one time outstanding;

(c) Guarantee Obligations constituting performance guarantees provided in the ordinary course of business by the Borrower and its Restricted Subsidiaries supporting obligations of the Borrower and/or Restricted Subsidiaries which obligations have been incurred in the ordinary course of business (including in connection with the operation, construction or acquisition of pipelines, platforms and related facilities);

(d) Guarantee Obligations of any Subsidiary Guarantor in respect of the Senior Subordinated Notes, provided that such Guarantee Obligations are subordinated to such Subsidiary Guarantor's obligations under the Loan Documents to the same extent as the obligations of the Borrower in respect of the Senior Subordinated Notes;

(e) Guarantee Obligations in an aggregate amount not to exceed $11,500,000 at any one time outstanding incurred pursuant to clawback and other similar arrangements; and

(f) Guarantee Obligations, in addition to those described in clause (e) of this subsection 8.4, incurred pursuant to clawback and other similar arrangements in an aggregate amount not to exceed $10,000,000 outstanding at any time less the aggregate amount of Indebtedness incurred pursuant to subsection 8.2(g) then outstanding.

8.5 Limitations on Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or make any material change in its present method of conducting business, except:

(a) any Restricted Subsidiary may be merged or consolidated with or into the Borrower (as long as the Borrower is the surviving entity) or any one or more Restricted Subsidiaries which is a Subsidiary Guarantor (provided that, if any of such Restricted Subsidiaries is not wholly owned by the Borrower and the General Partner, the Restricted Subsidiary or Restricted Subsidiaries in which the Borrower owns the greatest interest shall be the continuing or surviving corporation);

(b) any Restricted Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Borrower or any other Restricted Subsidiary which is a Subsidiary Guarantor and in which, if not wholly owned by the Borrower and the General Partner, the Borrower owns at least the same percentage interests as the Borrower owns in the transferor Restricted Subsidiary; and

(c) the Borrower or any Restricted Subsidiary may enter into a merger, consolidation or share exchange with any other Person so long as:

(i) such transaction is permitted under subsection 8.8;

(ii) such transaction shall be effected in such manner so that (A) if the Borrower is a party to such transaction, the Borrower is the surviving entity and (B) otherwise, the Restricted Subsidiary shall be the continuing or surviving entity;

(iii) at the time of such acquisition and after giving effect thereto, no Default or Event of Default shall have occurred and shall be continuing; and

(d) solely to effect any transaction permitted by subsection 8.6(b).

The transactions permitted under this subsection shall be permitted notwithstanding anything to the contrary in subsection 4(j) of each of the Borrower Pledge Agreement and the Leviathan Pledge Agreement (GP).

8.6 Limitation on Sale of Assets. Convey, sell, lease, assign, transfer or otherwise dispose of any of its property, business or assets (including, without limitation, receivables and leasehold interests), whether now owned or hereafter acquired, except:

(a) as permitted by subsection 8.5; and

(b) as long as no Default or Event of Default has occurred and is continuing or would result therefrom the Borrower and the Restricted Subsidiaries may sell or otherwise dispose of property in any fiscal year having an aggregate value not in excess of 5% of Consolidated Tangible Net Worth calculated on the last day of the prior fiscal quarter.

The transactions permitted under this subsection shall be permitted notwithstanding anything to the contrary in subsection 4(j) of each of the Borrower Pledge Agreement and the Leviathan Pledge Agreement (GP).

8.7 Limitation on Dividends. Declare or pay any dividend or distribution on (other than dividends, including splits, payable solely in non-mandatorily redeemable Capital Stock), or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any shares of any class of Capital Stock of the Borrower or any warrants or options to purchase any such Capital Stock, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of the Borrower or any Restricted Subsidiary (such declarations, payments, setting apart, purchases, redemptions, defeasances, retirements, acquisitions and distributions being herein called "Restricted Payments"), except that as long as no Default or Event of Default has occurred and is continuing or would result therefrom, the Borrower may make Restricted Payments once each fiscal quarter consisting of cash distributions in accordance with the terms of the Partnership Agreement on its Preference Units, its Common Units and the General Partnership Interest.

8.8 Limitation on Investments, Loans and Advances. Make any advance, loan, extension of credit or capital contribution to, or purchase any stock, bonds, notes, debentures or other securities of or any assets constituting a business unit of, or make any other investment in, any Person, except:

(a) extensions of trade credit in the ordinary course of business;

(b) investments in Cash Equivalents;

(c) capital contributions, loans or other investments made by the Borrower to any Restricted Subsidiary which is a Subsidiary Guarantor and by any Restricted Subsidiary to the Borrower or any Restricted Subsidiary which is a Guarantor;

(d) capital contributions, loans or other investments by Subsidiaries of the Borrower or any Joint Venture to or in the Borrower or any Restricted Subsidiary, provided that no Default or Event of Default shall have occurred and be continuing, or would occur as a result of such investment;

(e) other non-hostile acquisitions of equity securities of, or assets constituting a business unit of, any Person (an "Acquired Business"), provided that (i) immediately prior to and after giving effect to any such acquisition, no Default or Event of Default shall have occurred or be continuing (whether under subsection 8.17 or otherwise), (ii) such acquisition is consummated in accordance with applicable law, (iii) if such acquisition is of equity securities of a Person, such Person becomes a Restricted Subsidiary, (iv) the Borrower shall be in pro forma compliance with the covenants set forth in subsection 8.1 after giving effect to such acquisition and (v) the Acquired Business shall not be subject to any material liabilities except as permitted by this Agreement;

(f) the contribution by the Borrower or any Restricted Subsidiary of the equity interests owned by it in a Joint Venture to another Joint Venture or the investment by the Borrower or any Restricted Subsidiary in another Joint Venture to the extent made with equity interests in a Joint Venture owned by it as long as (i) the Borrower or such Restricted Subsidiary receives in exchange equity interests in such transferee Joint Venture and (ii) unless otherwise agreed by the Required Lenders, if the transferred equity interests are subject to a Lien under the Loan Documents, the equity interests received in exchange become subject to a Lien under the Loan Documents; and

(g) other capital contributions, loans or other investments (which shall not include the transactions described in subsection 4.13 or 8.8(f)) in an aggregate amount not to exceed $25,000,000 (i) with respect to the period between the Closing Date to an including 11:59 p.m., Central Standard Time, on December 31, 1999 or (ii) during any fiscal year of the Borrower beginning with the fiscal year commencing on January 1, 2000.

8.9 Limitation on Optional Payments and Modifications of Debt Instruments and Other Agreements. (a) Make any optional payment or prepayment on, redemption of or purchase of, or voluntarily defease, or directly or indirectly voluntarily or optionally purchase, redeem, retire or otherwise acquire, the Senior Subordinated Notes or any other Indebtedness or Guarantee Obligations (other than the Revolving Credit Loans), or make any payment under or on account of the Management Agreement except as required pursuant to the terms thereof, (b) amend, modify or change, or consent or agree to any amendment, modification or change to, any of the terms of the Senior Subordinated Notes or the Senior Subordinated Note Indenture (other than any such amendment, modification or change which would extend the maturity or reduce the amount of any payment of principal thereof or which would reduce the rate or extend the date for payment of interest thereon), (c) amend, modify or change, or consent or agree to any amendment, modification or change to, any of the terms of any Indebtedness or Guarantee Obligations other than the Senior Subordinated Notes and Guarantee Obligations in respect thereof (other than any such amendment, modification or change which would extend the maturity or reduce the amount of any payment of principal thereof or which would reduce the rate or extend the date for payment of interest thereon), except to the extent the same could not reasonably be expected to have a Material Adverse Effect, (d) amend, modify or change, or consent to any amendment, modification or change to, any of the terms of, the Partnership Agreement, the Borrower's certificate of limited partnership, the Management Agreement or any Joint Venture Charter, except to the extent the same could not reasonably be expected to have a Material Adverse Effect, (e) waive or otherwise relinquish any of its rights or causes of action arising out of the Partnership Agreement, the Borrower's certificate of limited partnership, the Management Agreement or any Joint Venture Charter, except to the extent the same could not reasonably be expected to have a Material Adverse Effect or (f) designate any Indebtedness as "Designated Senior Indebtedness" under the Senior Subordinated Note Indenture without the consent of the Administrative Agent (other than the Obligations). Notwithstanding any provision contained in this subsection 8.9, the Borrower and its Restricted Subsidiaries shall have the absolute right to amend any Joint Venture Charter to the extent necessary or reasonably appropriate to evidence the substitution, replacement or other changes of partners, members or owners in any Joint Venture not in violation of subsection 8.19 or subsection 8.21.

8.10 Limitation on Transactions with Affiliates. Subject to the rights set forth in subsection 8.13, enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate unless such transaction is (a) otherwise permitted under this Agreement, and (b) except for the Management Agreement, upon fair and reasonable terms no less favorable to the Borrower or such Restricted Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person which is not an Affiliate.

8.11 Limitation on Sales and Leasebacks. Enter into any arrangement with any Person providing for the leasing by the Borrower or any Restricted Subsidiary of real or personal property which has been or is to be sold or transferred by the Borrower or such Restricted Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of the Borrower or such Restricted Subsidiary.

8.12 Limitation on Changes in Fiscal Year. Permit the fiscal year of the Borrower to end on a day other than December 31.

8.13 Limitation on Lines of Business. Enter into any business, either directly or through any Subsidiary or Joint Venture, except for (a) gathering, transporting (by barge, pipeline, ship, truck or other modes of hydrocarbon transportation), terminalling, storing, producing, acquiring, developing, exploring for, processing, dehydrating and otherwise handling hydrocarbons, including, without limitation, constructing pipeline, platform, dehydration, processing and other energy-related facilities, and activities or services reasonably related or ancillary thereto and (b) other businesses as long as the consolidated total assets principally relating to such other businesses do not exceed 3% of the consolidated total assets of the Borrower and its Restricted Subsidiaries at any time.

8.14 Corporate Documents. Permit the amendment or modification of the limited liability company agreement or certificate of formation or incorporation of any Restricted Subsidiary if such amendment could reasonably be expected to have a Material Adverse Effect, or would authorize or issue any Capital Stock not authorized or issued on the Closing Date, except to the extent such authorization or issuance would have the same substantive effect as any transaction permitted by subsection 8.5 or 8.6.

8.15 Compliance with ERISA. (a) Terminate any Plan so as to result in any material liability to PBGC, (b) engage in any "prohibited transaction" (as defined in Section 4975 of the Code) involving any Plan which could result in a material liability for an excise tax or civil penalty in connection therewith, (c) incur or suffer to exist any material "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived involving any Plan, or (d) allow or suffer to exist any event or condition, which presents a material risk of incurring a material liability to PBGC by reason of termination of any such Plan.

8.16 Limitation on Restrictions Affecting Subsidiaries. Enter into, or suffer to exist, any agreement with any Person, other than the Lenders pursuant hereto and other than the arrangements described in subsections 8.2(c) and 8.4(d) or which exist on the Closing Date, which prohibits or limits the ability of any Restricted Subsidiary to (a) pay dividends or make

other distributions or pay any Indebtedness owed to the Borrower or any Restricted Subsidiary, (b) make loans or advances to or make other investments in the Borrower or any Restricted Subsidiary, (c) transfer any of its properties or assets to the Borrower or any Restricted Subsidiary, (d) create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired.

8.17 Creation of Restricted Subsidiaries. Create or acquire any new Restricted Subsidiary of the Borrower or any of its Restricted Subsidiaries, unless, immediately upon the creation or acquisition of any such Restricted Subsidiary, (a) such Restricted Subsidiary shall become party to the Subsidiaries Guarantee as a Subsidiary Guarantor pursuant to an addendum thereto or other documentation in form and substance reasonably satisfactory to the Administrative Agent, (b) such Restricted Subsidiary shall become party to the Subsidiary Security Agreement as a grantor pursuant to an addendum thereto or other documentation in form and substance reasonably satisfactory to the Administrative Agent, and all actions required to perfect the Liens granted thereby, all filings required thereunder and all consents necessitated thereby shall have been taken, made or obtained, (c) all Capital Stock issued by such Restricted Subsidiary owned by the Borrower or any other Restricted Subsidiary shall have been pledged to the Administrative Agent pursuant to an addendum or amendment to the Borrower Pledge Agreement or other documentation in form and substance satisfactory to the Administrative Agent, (d) all corporate, company, partnership or other proceedings, and all documents, instruments and other legal matters in connection with the creation of such Restricted Subsidiary and the transactions contemplated by this subsection 8.17 shall be reasonably satisfactory in form and substance to the Administrative Agent, and the Administrative Agent shall have received such other documents and legal opinions in respect of any aspect or consequence of such creation or such transactions as it shall reasonably request and (e) no Default or Event of Default shall have occurred and be continuing after giving effect thereto.

8.18 Hazardous Materials. Except to the extent that the same could not reasonably be expected to have a Material Adverse Effect, permit the manufacture, storage, transmission or presence of any Hazardous Materials over or upon any of its properties except in accordance with all applicable Requirements of Law or release, discharge or otherwise dispose of any Hazardous Materials on any of its properties except that the Borrower and its Restricted Subsidiaries may treat, store and transport petroleum, its derivatives, by-products and other hydrocarbons, hydrogen sulfide and sulfur dioxide in the ordinary course of their business.

8.19 Holding Companies. Notwithstanding any other provisions of this Agreement and the other Loan Documents, permit any Restricted Subsidiary which is a general partner in or owner of a general partnership interest in a Joint Venture to incur or suffer to exist any obligations or indebtedness of any kind, whether contingent or fixed (excluding any contingent liability of such Restricted Subsidiary to creditors of such Joint Venture arising solely as a result of its status as a general partner or owner of such Joint Venture and Guarantee Obligations referred to in subsections 8.4(d), 8.4(e) and 8.4(f)) or create or suffer to exist any Liens, in each case except to the extent any such obligations, indebtedness or Liens arise under or pursuant to the Joint Venture Charter for such Joint Venture as in effect on the Closing Date (or, if later, the date of acquisition or formation of such Joint Venture) or the Loan Documents or are otherwise permitted by the Loan Documents; or permit any Restricted Subsidiary which is a general partner in or owner of a general partnership interest in a Joint Venture to acquire any

property or asset after the Closing Date (or, if later, the date of acquisition or formation of such Joint Venture) except for distributions made to it by such Joint Venture; or permit any Restricted Subsidiary which is a general partner in or owner of a general partnership interest in a Joint Venture to engage in any business or activity other than holding the general partnership interest in (or other ownership interest) such Joint Venture held by it on the Closing Date (or, if later, the date of formation of such Joint Venture).

8.20 No Voluntary Termination of Joint Venture Charters. Permit any Restricted Subsidiary which is a partner in, or owner of any interest in, any Joint Venture to voluntarily terminate any Joint Venture Charter and liquidate such Joint Venture to the extent permitted thereunder.

8.21 Actions by Joint Ventures. (a) Consent or agree to or acquiesce in any Joint Venture the interests in which are owned by a Restricted Subsidiary adversely changing its policy of making distributions of available cash to partners, or (b) so long as any interest therein is owned by a Restricted Subsidiary, consent or agree to or acquiesce in any Joint Venture's taking any actions that could reasonably be expected to have a Material Adverse Effect.

8.22 Hedging Transactions. Enter into any interest rate, cross-currency, commodity, equity or other security, swap, collar or similar hedging agreement or purchase any option to purchase or sell or to cap any interest rate, cross-currency, commodity, equity or other security, in any such case, other than to hedge risk exposures in the operation of its business, ownership of assets or the management of its liabilities.

SECTION 9. EVENTS OF DEFAULT

If any of the following events shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Revolving Credit Note or any Reimbursement Obligation which is not funded by a Loan when due in accordance with the terms thereof or hereof; or the Borrower shall fail to pay any interest on any Revolving Credit Note, or any other amount payable hereunder, within five days after any such interest or other amount becomes due in accordance with the terms thereof or hereof; or

(b) Any representation or warranty made or deemed made by the Borrower or any other Loan Party herein or in any other Loan Document or which is contained in any certificate, document or financial or other statement furnished at any time under or in connection with this Agreement shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

(c) The Borrower shall default in the observance or performance of any agreement contained in Section 8 (other than subsection 8.1(a)) or in subsection 7.11; or any Loan Party shall default in the observance or performance of any agreement contained in Section 5(h), (i), (j) or (o) of the Borrower Security Agreement or the Subsidiary Security Agreement, or Section 5(h), (i), (j) or (m) of the Leviathan Security

Agreement, Section 9(j) of the Leviathan Guarantee, Section 4(b) of the Borrower Pledge Agreement or the Leviathan Pledge Agreement (LLC) or Section 5(b) of the Leviathan Pledge Agreement (GP); or the Borrower shall default in the observance or performance of any agreement contained in subsection 8.1(a) and such default shall continue uncured for a period of 15 days; or

(d) The Borrower or any other Loan Party shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (c) of this Section), and such default shall continue unremedied for a period of 30 days after receipt of written notice thereof from the Administrative Agent or any Lender; or

(e) Any Loan Party or any Restricted Subsidiary of the Borrower shall (i) default in any payment of principal of or interest on any Indebtedness (other than the Revolving Credit Notes) or in the payment of any Guarantee Obligation, beyond the period of grace (not to exceed 30 days), if any, provided in the instrument or agreement under which such Indebtedness or Guarantee Obligation was created; or (ii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or Guarantee Obligation or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Guarantee Obligation (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or such Guarantee Obligation to become payable; provided, however, that the aggregate principal amount of Indebtedness and Guarantee Obligations with respect to which such defaults shall have occurred shall equal or exceed $5,000,000; or

(f) (i) Any Loan Party or any Restricted Subsidiary of the Borrower shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or any Loan Party or any Subsidiary of the Borrower shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any Loan Party or any Restricted Subsidiary of the Borrower any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against any Loan Party or any Restricted Subsidiary of the Borrower any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) any Loan Party or any Restricted Subsidiary of the

Borrower shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) any Loan Party or any Restricted Subsidiary of the Borrower shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) (i) Any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of the Borrower or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Borrower or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could have a Material Adverse Effect; or

(h) One or more judgments or decrees shall be entered against the Borrower or any of its Restricted Subsidiaries involving in the aggregate a liability (not paid or fully covered by insurance) of $5,000,000 or more, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof;

(i) If at any time the Borrower or any Restricted Subsidiary shall become liable for remediation and/or environmental compliance expenses and/or fines, penalties or other charges which, in the aggregate, are in excess of the Material Environmental Amount for any Loan Party and the Restricted Subsidiaries; or

(j) For any reason (other than any act on the part of the Administrative Agent or the Lenders) any Security Document or any Guarantee ceases to be in full force and effect or any party thereto (other than the Administrative Agent or the Lenders) shall so assert in writing or the Lien intended to be created by any Security Document ceases to be or is not a valid and perfected Lien having the priority contemplated thereby; or

(k) A Change of Control shall occur; or

(l) Except in connection with transactions permitted by subsection 8.5 and 8.6(b), the Borrower shall cease to own legally and beneficially at least the percentage of the managing limited liability company or other equity interest in each Restricted Subsidiary of the Borrower which is a limited liability company owned by it on the date hereof (or, if later, the date of acquisition or formation of such Subsidiary); or Leviathan

and the Borrower together shall cease to own legally and beneficially the percentage of the equity interest in each Restricted Subsidiary of the Borrower owned by it on the date hereof (or, if later, the date of acquisition or formation of such Subsidiary); or

(m) Any Person (other than any Lender) shall exercise its rights and remedies (other than dilution of the equity interests owned by the Borrower and its Restricted Subsidiaries in any Joint Venture pursuant to contractual dilution provisions existing with respect to the Joint Ventures) with respect to its Lien on any equity interest of any Joint Venture the equity interest in which has been pledged to such Person; provided that in the case of clause (ii), the amount of claims secured by such Lien shall equal or exceed $5,000,000 and such claim shall not have been vacated, discharged, stayed or bonded pending appeal within 30 days from the entry thereof;

(n) (i) The Management Agreement shall cease to be in full force and effect prior to the end of the initial term thereof substantially as in effect on the date hereof; or (ii) El Paso Energy Field Services Inc. or El Paso Energy or any of its wholly-owned Subsidiaries shall default in the observance or performance of any material provision of the Management Agreement; or

(o) the Senior Subordinated Notes or the guarantees thereof shall cease, for any reason, to be validly subordinated to the Obligations or the obligations of the Subsidiary Guarantors under the Loan Documents to which they are parties, as the case may be, as provided in the Senior Subordinated Note Indenture, or any Loan Party, any Affiliate of any Loan Party, the trustee in respect of the Senior Subordinated Notes or the holders of at least 25% in aggregate principal amount of the Senior Subordinated Notes shall so assert;

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (f) above with respect to the Borrower, automatically the Revolving Credit Commitments shall immediately terminate and the Revolving Credit Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) and the Revolving Credit Notes shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower declare the Revolving Credit Commitments to be terminated forthwith, whereupon the Revolving Credit Commitments shall immediately terminate; and (ii) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower, declare the Revolving Credit Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) and the Revolving Credit Notes to be due and payable forthwith, whereupon the same shall immediately become due and payable. If presentment for honor under any Letter of Credit shall not have occurred at the time of an acceleration pursuant to the preceding sentence, the Borrower shall at such time deposit in a cash

collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired amount of the Letters of Credit. The Borrower hereby grants to the Administrative Agent, for the benefit of the Issuing Bank and the Lenders, a security interest in such cash collateral to secure all obligations of the Borrower under this Agreement and the other Loan Documents. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder and under the Revolving Credit Notes. After all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrower hereunder and under the Revolving Credit Notes shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower. The Borrower shall execute and deliver to the Administrative Agent, for the account of the Issuing Bank and the Lenders, such further documents and instruments as the Administrative Agent may request to evidence the creation and perfection of the within security interest in such cash collateral account. Except as expressly provided above in this Section, presentment, demand, protest, notice of intent to accelerate, notice of acceleration and all other notices of any kind are hereby expressly waived.

SECTION 10. THE ADMINISTRATIVE AGENT

10.1 Appointment. Each Lender hereby irrevocably designates and appoints The Chase Manhattan Bank as the Administrative Agent of such Lender under this Agreement and the other Loan Documents, and each such Lender irrevocably authorizes The Chase Manhattan Bank, as the Administrative Agent for such Lender, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent.

10.2 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care.

10.3 Exculpatory Provisions. Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except for its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any officer thereof contained

in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or the Revolving Credit Notes or any other Loan Document or for any failure of the Borrower to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower.

10.4 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any Revolving Credit Note, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Revolving Credit Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the Revolving Credit Notes and the other Loan Documents in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Revolving Credit Notes.

10.5 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

10.6 Non-Reliance on Administrative Agent and Other Lenders. Each Lender expressly acknowledges that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Administrative Agent hereafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by the Administrative

Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Borrower which may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

10.7 Indemnification. The Lenders agree to indemnify the Administrative Agent in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Commitment Percentages in effect on the date on which indemnification is sought under this subsection, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Revolving Credit Notes) be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Administrative Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the Administrative Agent's gross negligence or willful misconduct. The agreements in this subsection shall survive the payment of the Revolving Credit Notes and all other amounts payable hereunder.

10.8 Administrative Agent in Its Individual Capacity. The Administrative Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower as though the Administrative Agent were not the Administrative Agent hereunder and under the other Loan Documents. With respect to its Loans made or renewed by it and any Revolving Credit Note issued to it and with respect to the Letters of Credit, the Administrative Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not the Administrative Agent. The terms "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

10.9 Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 10 days' written notice to the Lenders. If the Administrative Agent

shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall be approved by the Borrower, whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Revolving Credit Notes. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this subsection shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Documents.

10.10 Other Agents. Neither the Syndication Agent nor the Documentation Agent shall have any rights or obligations in its capacity as such.

SECTION 11. MISCELLANEOUS

11.1 Amendments and Waivers. Neither this Agreement, any Revolving Credit Note, any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this subsection. The Required Lenders may, or, with the written consent of the Required Lenders, the Administrative Agent may, from time to time, (a) enter into with the Borrower or the Loan party thereto written amendments, supplements or modifications hereto and to the Revolving Credit Notes and the other Loan Documents for the purpose of adding any provisions to this Agreement or the Revolving Credit Notes or the other Loan Documents or changing in any manner the rights of the Lenders or of the Borrower or any other Loan Party hereunder or thereunder or (b) waive in writing, on such terms and conditions as the Required Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the Revolving Credit Notes or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (i) reduce the amount or extend the scheduled date of maturity of any Revolving Credit Note or of any installment thereof, or reduce the stated rate of any interest or fee payable hereunder or extend the scheduled date of any payment thereof or increase the amount or extend the expiration date of any Lender's Revolving Credit Commitment, in each case without the consent of each Lender affected thereby, or (ii) amend, modify or waive any provision of this subsection or reduce the percentage specified in the definition of Required Lenders, or consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents (except in a transaction permitted by subsection 8.5), in each case without the written consent of all the Lenders, or (iii) amend, modify or waive any provision of Section 10 without the written consent of the then Administrative Agent, (iv) release the Lenders' Liens on all or substantially all of the Collateral under the Security Documents without the consent of each Lender or (v) except to the extent relating to the Redesignation of any Restricted Subsidiary, the sale or other disposition of any Restricted Subsidiary as otherwise permitted by this Agreement or any other transaction permitted by this Agreement, release any Guarantee. Any such waiver and any such amendment, supplement or modification shall apply

equally to each of the Lenders and shall be binding upon the Borrower, the Lenders, the Administrative Agent and all future holders of the Revolving Credit Notes. In the case of any waiver, the Borrower, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the outstanding Revolving Credit Notes and any other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

11.2 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand, or three days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed as follows in the case of the Borrower and the Administrative Agent, and as set forth in Schedule I in the case of the other parties hereto, or to such other address as may be hereafter notified by the respective parties hereto and any future holders of the Revolving Credit Notes:

The Borrower:	Leviathan Gas Pipeline Partners, L.P. El Paso Energy Building 1001 Louisiana Street Houston, Texas 77002 Attention: Chief Financial Officer Telecopy: (713) 420-5477
with a copy to:	Akin, Gump, Strauss, Hauer & Feld, L.L.P. 711 Louisiana, Suite 1900 Houston, Texas 77002 Telecopy: (713) 236-0822 Attention: J. Vincent Kendrick, Esq.
The Administrative Agent:	The Chase Manhattan Bank One Chase Manhattan Plaza 8th Floor New York, New York 10081 Attention: Lisa Pucciarelli Telecopy: (212) 552-5777

provided that any notice, request or demand to or upon the Administrative Agent or the Lenders pursuant to subsection 2.3, 3.2, 2.6, 2.7, 2.11, 4.1 or 4.2 shall not be effective until received, provided, further, that the failure by the Administrative Agent or any Lender to provide a copy to the Borrower's counsel shall not cause any notice to the Borrower to be ineffective.

11.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

11.4 Survival of Representations and Warranties. All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the Revolving Credit Notes.

11.5 Payment of Expenses and Taxes. The Borrower agrees (a) to pay or reimburse the Administrative Agent for all its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the Revolving Credit Notes and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including, without limitation, the fees and disbursements of counsel to the Administrative Agent, (b) to pay or reimburse each Lender and the Administrative Agent for all its costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the Revolving Credit Notes, the other Loan Documents and any such other documents, including, without limitation, the fees and disbursements of counsel to the Administrative Agent and to the several Lenders, (c) to pay, indemnify, and hold each Lender and the Administrative Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the Revolving Credit Notes, the other Loan Documents and any such other documents, and (d) to pay, indemnify, and hold each Lender and the Administrative Agent harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments and suits, and reasonable costs, expenses or disbursements, of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the Revolving Credit Notes and the other Loan Documents, the use of the proceeds of the Revolving Credit Loans, including the use and reliance on electronic, telecommunications or other information or transmission systems in connection with the Loan Documents (all the foregoing in this clause (d), collectively, the "indemnified liabilities"), REGARDLESS OF WHETHER OR NOT SUCH INDEMNIFIED LIABILITIES ARE IN ANY WAY OR TO ANY EXTENT CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY THE ADMINISTRATIVE AGENT OR ANY LENDER, provided, that the Borrower shall have no obligation hereunder to the Administrative Agent or any Lender with respect to indemnified liabilities arising from (i) the gross negligence or willful misconduct of the Administrative Agent or any such Lender or (ii) legal proceedings commenced against the Administrative Agent or any such Lender by any security holder or creditor thereof arising out of and based upon rights afforded any such security holder or creditor solely in its capacity as such.

The agreements in this subsection shall survive repayment of the Revolving Credit Notes and all other amounts payable hereunder.

11.6 Successors and Assigns; Participations; Purchasing Lenders. (a) This Agreement shall be binding upon and inure to the benefit of the Borrower, the Lenders, the Administrative Agent, all future holders of the Revolving Credit Notes and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Lender.

(b) Any Lender may, in the ordinary course of its commercial banking business and in accordance with applicable law, and after notice to the Borrower, at any time sell to one or more banks or other entities ("Participants") participating interests in any Revolving Credit Loan owing to such Lender, any Revolving Credit Note held by such Lender, any Revolving Credit Commitment of such Lender or any other interest of such Lender hereunder and under the other Loan Documents. In the event of any such sale by a Lender of a participating interest to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Revolving Credit Note for all purposes under this Agreement and the other Loan Documents, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents. The Borrower agrees that if amounts outstanding under this Agreement and the Revolving Credit Notes are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement and any Revolving Credit Note to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement or any Revolving Credit Note, provided that, in purchasing such participating interest, such Participant shall be deemed to have agreed to share with the Lenders the proceeds thereof as provided in subsection 11.7(a) as fully as if it were a Lender hereunder. The Borrower also agrees that each Participant shall be entitled to the benefits of subsections 4.9, 4.10 and 4.11 with respect to its participation in the Revolving Credit Commitments, the Revolving Credit Loans and the Letters of Credit outstanding from time to time; provided, that no Participant shall be entitled to receive any greater amount pursuant to such subsections than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred. No Lender shall be entitled to create in favor of any Participant, in the participation agreement pursuant to which such Participant's participating interest shall be created or otherwise, any right to vote on, consent to or approve any matter relating to this Agreement or any other Loan Document except for those specified in clauses (i) to (v) of the proviso of subsection 11.1(b) to the extent the Participant is directly affected thereby.

(c) Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to any Lender or any successor or affiliate thereof and, with the consent of the Borrower and the Administrative Agent (which in each case shall not be unreasonably withheld), to one or more additional banks or financial institutions or funds that regularly purchase loans ("Purchasing Lenders") all or any part of its rights and obligations under this Agreement and the Revolving Credit Notes pursuant to an Assignment and Acceptance,

substantially in the form of Exhibit M, executed by such Purchasing Lender, such transferor Lender (and, in the case of a Purchasing Lender that is not then a Lender or an affiliate thereof, by the Borrower and the Administrative Agent) and delivered to the Administrative Agent for its acceptance and recording in the Register ,provided that no such assignment to an assignee (other than any Lender or any affiliate of any Lender) shall be in an aggregate principal amount of less than $10,000,000 (other than in the case of an assignment of all of a Lender's interest under this Agreement) and the assigning Lender shall have retained at least $10,000,000 of Revolving Credit Commitments (unless it is assigning all of its Revolving Credit Commitments and Revolving Credit Loans), unless otherwise agreed by the Borrower and the Administrative Agent. For purposes of the proviso contained in the preceding sentence, the amount described therein shall be aggregated in respect to each Lender and its related affiliates, if any. Upon such execution, delivery, acceptance and recording, from and after the Transfer Effective Date determined pursuant to such Assignment and Acceptance, (x) the Purchasing Lender thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder with a Revolving Credit Commitment as set forth therein, and (y) the transferor Lender thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of a transferor Lender's rights and obligations under this Agreement, such transferor Lender shall cease to be a party hereto but shall continue to be entitled to the benefit of the indemnity and expense reimbursement provisions of the Loan Documents to the extent relating to matters during the time it was a Lender). Such Assignment and Acceptance shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Lender and the resulting adjustment of Commitment Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement and the Revolving Credit Notes. On or prior to the Transfer Effective Date determined pursuant to such Assignment and Acceptance, the Borrower, at its own expense, shall execute and deliver to the Administrative Agent in exchange for the Revolving Credit Note of the transferor Lender a new Revolving Credit Note to the order of such Purchasing Lender in an amount equal to the Revolving Credit Commitment assumed by it pursuant to such Assignment and Acceptance and, if the transferor Lender has retained Revolving Credit Commitments hereunder, a new Revolving Credit Note to the order of the transferor Lender in an amount equal to the Revolving Credit Commitment retained by it hereunder. Such new Revolving Credit Notes shall be dated the Closing Date, and shall otherwise be in the form of the Revolving Credit Note replaced thereby. The Revolving Credit Notes surrendered by the transferor Lender shall be returned by the Administrative Agent to the Borrower marked "cancelled".

(d) The Administrative Agent, on behalf of the Borrower, shall maintain at its address referred to in subsection 11.2 a copy of each Assignment and Acceptance delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and the Revolving Credit Commitment of, and principal amount of the Revolving Credit Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as the owner of the Revolving Credit Loan recorded therein for all purposes of this Agreement, notwithstanding any notice to the contrary. Any assignment of any Revolving Credit Loan or other Obligations hereunder not evidenced by a Revolving Credit Note shall be effective only upon appropriate entries with respect thereto being

made in the Register. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an Assignment and Acceptance executed by a transferor Lender and Purchasing Lender (and, in the case of a Purchasing Lender that is not then a Lender or an affiliate thereof, by the Borrower and the Administrative Agent) together with payment to the Administrative Agent of a registration and processing fee of $4,000, the Administrative Agent shall (i) promptly accept such Assignment and Acceptance and (ii) on the Transfer Effective Date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Lenders and the Borrower.

(f) The Borrower authorizes each Lender to disclose to any Participant or Purchasing Lender (each, a "Transferee") and any prospective Transferee any and all financial information in such Lender's possession concerning the Borrower and its Affiliates which has been delivered to such Lender by or on behalf of the Borrower pursuant to this Agreement or which has been delivered to such Lender by or on behalf of the Borrower in connection with such Lender's credit evaluation of the Borrower and its Affiliates prior to becoming a party to this Agreement.

(g) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this subsection concerning assignments of Revolving Credit Loans and Revolving Credit Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by a Lender of any Revolving Credit Loan or Revolving Credit Note to any Federal Reserve Bank in accordance with applicable law.

11.7 Adjustments; Set-off. (a) If any Lender (a "benefitted Lender") shall at any time receive any payment of all or part of its Loans or the Reimbursement Obligations owing to it, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 9(i), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's Loans of the same type or the Reimbursement Obligations owing to it, as the case may be, or interest thereon, such benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Loan or the Reimbursement Obligations owing to it, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefitted Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower hereunder or under the Revolving Credit Notes (whether at the stated maturity, by acceleration or otherwise) to set-off and appropriate and apply against such

amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application.

11.8 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

11.9 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11.10 Integration. This Agreement and the other Loan Documents represent the agreement of the Borrower, the Administrative Agent and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

11.11 Usury Savings Clause. It is the intention of the parties hereto to comply with applicable usury laws (now or hereafter enacted); accordingly, notwithstanding any provision to the contrary in this Agreement, the Revolving Credit Notes, any of the other Loan Documents or any other document related hereto, in no event shall this Agreement or any such other document require the payment or permit the collection of interest in excess of the maximum amount permitted by such laws. If from any circumstances whatsoever, fulfillment of any provision of this Agreement or of any other document pertaining hereto or thereto, shall involve transcending the limit of validity prescribed by applicable law for the collection or charging of interest, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstances the Administrative Agent and the Lenders shall ever receive anything of value as interest or deemed interest by applicable law under this Agreement, the Revolving Credit Notes, any of the other Loan Documents or any other document pertaining hereto or otherwise an amount that would exceed the highest lawful rate, such amount that would be excessive interest shall be applied to the reduction of the principal amount owing under the Revolving Credit Notes or on account of any other indebtedness of the Borrower, and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal of such indebtedness, such excess shall be refunded to the Borrower. In determining whether or not the interest paid or payable with respect to any indebtedness of the Borrower to the Administrative Agent and the Lenders, under any specified contingency, exceeds the Highest Lawful Rate (as hereinafter defined), the Borrower, the Administrative Agent and the Lenders shall, to the maximum extent permitted by applicable law, (a) characterize any non-principal

payment as an expense, fee or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof, (c) amortize, prorate, allocate and spread the total amount of interest throughout the full term of such indebtedness so that interest thereon does not exceed the maximum amount permitted by applicable law, and/or (d) allocate interest between portions of such indebtedness, to the end that no such portion shall bear interest at a rate greater than that permitted by applicable law.

To the extent that Article 5069-1D.001 et seq., as amended, of the Texas Revised Civil Statutes is relevant to the Administrative Agent and the Lenders for the purpose of determining the Highest Lawful Rate, the Administrative Agent and the Lenders hereby elect to determine the applicable rate ceiling under such Article by the indicated (weekly) rate ceiling from time to time in effect. Nothing set forth in this subsection 11.11 is intended to or shall limit the effect or operation of subsection 11.12. In no event shall Chapter 346 of the Texas Finance Code (which regulates certain revolving credit loan accounts) apply to this Agreement or the Revolving Credit Notes.

For purposes of this subsection 11.11, "Highest Lawful Rate" shall mean the maximum rate of nonusurious interest that may be contracted for, charged, taken, reserved or received on the Revolving Credit Notes under laws applicable to the Administrative Agent and the Lenders.

11.12 GOVERNING LAW. THIS AGREEMENT AND THE REVOLVING CREDIT NOTES AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT AND THE REVOLVING CREDIT NOTES SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

11.13 Submission To Jurisdiction; Waivers. The Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgement in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower at its address set forth in subsection 11.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this subsection any special, exemplary or punitive damages (including, without limitation, damages arising from the use of electronic, telecommunications or other information transmissions systems in connection with the Loan Documents).

11.14 Acknowledgements. The Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the Revolving Credit Notes and the other Loan Documents;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to the Borrower or any other Loan Party arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between Administrative Agent and Lenders, on one hand, and the Borrower and the other Loan Parties, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture exists among the Lenders or among the Borrower and the other Loan Parties and the Lenders.

11.15 Confidentiality. Each of the Administrative Agent and each Lender agrees that it will hold in confidence, any information provided to such Person pursuant to this Agreement; provided, that nothing in this subsection 11.15 shall be deemed to prevent the disclosure by the Administrative Agent or any Lender of any such information (a) to any employee, officer, director, accountant, attorney or consultant of such Person, or any examiner or other Governmental Authority, (b) that has been or is made public by Leviathan, the Borrower or any of its Subsidiaries or Affiliates or by any third party without breach of this Agreement or that otherwise becomes generally available to the public other than as a result of a disclosure in violation of this subsection 11.15, (c) that is or becomes available to any such Person from a third party on a non-confidential basis, (d) that is required to be disclosed by any Requirement of Law, including to any bank examiners or regulatory authorities, (e) that is required to be disclosed by any court, agency, arbitrator or legislative body, or (f) to any Transferee or proposed Transferee.

11.16 WAIVERS OF JURY TRIAL. THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR THE REVOLVING CREDIT NOTES OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

11.17 ACKNOWLEDGEMENT OF NO CLAIMS, OFFSETS OR DEFENSES; RELEASE BY THE LOAN PARTIES. BORROWER, ON BEHALF OF ITSELF AND EACH OF THE OTHER LOAN PARTIES, ACKNOWLEDGES THAT NO LOAN PARTY NOR ANY OF THEIR RESPECTIVE OWNERS, DIRECTORS, SUCCESSORS, ASSIGNS, AGENTS, OFFICERS, EMPLOYEES, AND REPRESENTATIVES (COLLECTIVELY, THE "BORROWER AFFILIATES PARTIES") HAS ANY CLAIM, DEMAND, RIGHT OF OFFSET, CAUSE OF ACTION IN LAW OR IN EQUITY, LIABILITY OR DAMAGES OF ANY NATURE WHATSOEVER, WHETHER FIXED OR CONTINGENT (HEREINAFTER COLLECTIVE CALLED "CLAIMS") THAT COULD BE ASSERTED IN CONNECTION WITH, OR WHICH WOULD IN ANY OTHER MANNER BE RELATED TO, THE EXISTING CREDIT AGREEMENT OR ANY PROMISSORY NOTES OR OTHER AGREEMENTS, TRANSACTIONS OR OTHER ACTIONS PRIOR TO THE DATE HEREOF INVOLVING ANY OF THE BORROWER AFFILIATED PARTIES AND LENDERS ("THE PRIOR AGREEMENTS AND ACTIVITIES"). NOTWITHSTANDING THE FOREGOING, HOWEVER, BORROWER HEREBY AGREES THAT IN CONSIDERATION OF THE CREDIT EXTENDED TO BORROWER UNDER THE LOAN DOCUMENTS AND AS A MATERIAL INDUCEMENT TO THE LENDERS TO ENTER INTO SUCH LOAN DOCUMENTS AND EXTEND SUCH CREDIT TO BORROWER, BORROWER, ON BEHALF OF ITSELF AND ALL OF THE OTHER BORROWER AFFILIATED PARTIES HEREBY RELEASES AND FOREVER DISCHARGES, EACH LENDER, EACH SUBSEQUENT HOLDER OF ANY OF THE REVOLVING CREDIT NOTES, AND EACH AND ALL OF THEIR PARENT, SUBSIDIARY AND AFFILIATED CORPORATIONS PAST AND PRESENT, AS WELL AS THEIR RESPECTIVE OWNERS, DIRECTORS, SUCCESSORS, ASSIGNS, AGENTS, OFFICERS, EMPLOYEES, AND REPRESENTATIVES (COLLECTIVELY, THE "RELEASED PARTIES"), OF AND FROM ANY AND ALL CLAIMS WHICH BORROWER AND THE OTHER BORROWER AFFILIATED PARTIES MAY HAVE OR HEREAFTER ACQUIRE AGAINST ANY OR ALL OF THE RELEASED PARTIES BY REASON OF, OR RELATED IN ANY WAY TO, THE PRIOR AGREEMENTS AND ACTIVITIES.

11.18 Releases. (a) At such time as the Revolving Credit Loans, the Reimbursement Obligations and any other obligations under this Agreement shall have been paid in full, the Revolving Credit Commitments have been terminated and no Letters of Credit shall be outstanding, the Collateral shall be released from the Liens created by the Loan Documents, and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Loan Party thereunder and under the other Loan Documents shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the respective Loan Parties. At the request and expense of any Loan Party following any such termination, the Administrative Agent shall deliver to such Loan Party any Collateral held by the Administrative Agent under the Security Documents, and execute and deliver to such Loan Party such documents as such Loan Party shall reasonably request to evidence such termination.

(b) If any of the Collateral shall be sold, transferred or otherwise disposed of by any Loan Party in a transaction permitted by this Agreement or such Loan Party is designated as

an Unrestricted Subsidiary in accordance with the terms of this Agreement, then the Lenders authorize the Administrative Agent, at the request and expense of such Loan Party, to execute and deliver to such Loan Party all releases or other documents reasonably necessary or desirable for the release of the Liens created by the applicable Security Documents on such Collateral. At the request and sole expense of the Borrower, the Lenders authorize the Administrative Agent to release a Loan Party from its obligations under the applicable Security Document in the event that all the Capital Stock of such Loan Party shall be sold, transferred or otherwise disposed of in a transaction permitted by this Agreement or such Loan Party is designated as an Unrestricted Subsidiary in accordance with the terms of this Agreement, provided that the Borrower shall have delivered to the Administrative Agent, at least five Business Days prior to the date of the proposed release, a written request for release identifying the relevant Loan Party and the terms of the sale or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by the Borrower stating that such transaction is in compliance with this Agreement and the other Loan Documents.

11.19 Co-Borrower's Obligations. The Co-Borrower is a party hereto for purposes of providing co-extensive obligors for the Obligations (on a joint and several basis), although the parties acknowledge that the Co-Borrower shall not have any substantial assets or other property. All references in this Agreement and the other Loan Documents to the "Borrower" shall be deemed to include a reference to the Co-Borrower, mutatis mutandis, whether or not actual reference is made thereto; provided, that, without limiting the generality of the foregoing, any obligations by any of the parties hereto to the Borrower shall be deemed fulfilled with respect to the Co-Borrower when fulfilled with respect to the Borrower.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

LEVIATHAN GAS PIPELINE PARTNERS, L.P.

By /s/ KEITH FORMAN

Name: Keith Forman
Title: Chief Financial Officer

LEVIATHAN FINANCE CORPORATION

By /s/ KEITH FORMAN

Name: Keith Forman
Title: Chief Financial Officer

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

By /s/ PETER M. LING

Name: Peter M. Ling
Title: Vice President

CREDIT LYONNAIS NEW YORK BRANCH,
as Syndication Agent and as a Lender

By /s/ XAVIER RATOUIS

Name: Xavier Ratouis
Title: Senior Vice President

BANKBOSTON, N.A.,
as Documentation Agent and as a Lender

By /s/ CHRISTOPHER HOLMGREN

Name: Christopher Holmgren
Title: Director

ARAB BANKING CORPORATION (B.S.C.)

By /s/ STEPHEN A. PLAUCHE'

Name: Stephen A. Plauche'
Title: Vice President

THE BANK OF NOVA SCOTIA

By /s/ F.C.H. ASHBY

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

BANK OF SCOTLAND

By /s/ JANET TAFFE

Name: Janet Taffe
Title: Assistant Vice President

THE FIRST NATIONAL BANK OF CHICAGO

By /s/ KENNETH J. FATUR

Name: Kenneth J. Fatur
Title: Vice President

BANK OF AMERICA NT &SA

By /s/ PATRICK DELANEY

Name: Patrick Delaney
Title: Senior Vice President

CREDIT AGRICOLE INDOSUEZ

By /s/ PATRICK COCQUEREL

Name: Patrick Cocquerel
Title: First Vice President,
Managing Director

By /s/ BRIAN D. KNEZEAK

Name: Brian D. Knezeak
Title: First Vice President

CIBC, INC.

By /s/ ROGER COLDEN

Name: Roger Colden
Title: Authorized Signatory

CREDIT SUISSE FIRST BOSTON

By /s/ J. SCOTT KARRO

Name: J. Scott Karro
Title: Associate

By /s/ JAMES P. MORAN

Name: James P. Moran
Title: Director

THE FUJI BANK, LIMITED

By /s/ KAZUYUKI NISHIMURA

Name: Kazuyuki Nishimura
Title: Senior Vice President and Group Head

HIBERNIA NATIONAL BANK

By /s/ GARY CULBERTSON

Name: Gary Culbertson
Title: Assistant Vice President

FIRST UNION NATIONAL BANK

By /s/ PAUL N. RIDDLE

Name: Paul N. Riddle
Title: Managing Director

KBC BANK N.V.

By /s/ ROBERT SNAUFFER

Name: Robert Snauffer
Title: First Vice President

By /s/ RAYMOND F. MURRAY

Name: Raymond F. Murray
Title: First Vice President

WELLS FARGO BANK (TEXAS), N.A.

By /s/ CHRISTINA FAITH

Name: Christina Faith
Title: Assistant Vice President

PNC BANK

By /s/ THOMAS A. MAJESKI

Name: Thomas A. Majeski
Title: Vice President

PARIBAS

By /s/ MARIAN LIVINGSTON

Name: Marian Livingston
Title: Vice President

MEESPIERSON CAPITAL CORP.

By /s/ DARRELL W. HOLLEY

Name: Darrell W. Holley
Title: Senior Vice President

CREDIT LYONNAIS NEW YORK BRANCH

By /s/ XAVIER RATOUIS

Name: Xavier Ratouis
Title: Senior Vice President

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Amendment No. 1 to Form S-4 of Leviathan Gas Pipeline Partners, L.P. and Leviathan Finance Corporation of (i) our reports dated March 19, 1999 relating to the consolidated financial statements of Leviathan Gas Pipeline Partners, L.P. and subsidiaries and the financial statements of Viosca Knoll Gathering Company, (ii) our report dated March 11, 1999 relating to the consolidated financial statements of Neptune Pipeline Company, L.L.C., (iii) our report dated May 3, 1999 relating to the balance sheet of Leviathan Finance Corporation and (iv) our report dated June 2, 1999 relating to the balance sheet of Leviathan Gas Pipeline Company each of which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Houston, Texas

August 26, 1999

EXHIBIT 23.2

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Registration Statement of Leviathan Gas Pipeline Partners, L.P. on Amendment No. 1 to Form S-4 of our report dated February 19, 1999, appearing in this Registration Statement, relating to the statements of financial position of High Island Offshore System, L.L.C. as of December 31, 1998 and 1997 and the related statements of income, members' equity, and cash flows for each of the three years in the period ended December 31, 1998.

We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ DELOITTE & TOUCHE LLP

Detroit, Michigan

August 26, 1999

EXHIBIT 23.3

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report dated March 18, 1999 relating to the financial statements of Poseidon Oil Pipeline Company, L.L.C., as of December 31, 1998 and 1997 and for the years ended December 31, 1998 and 1997 and the period from inception (February 14, 1996) through December 31, 1996, included in this Registration Statement on Form S-4 (No. 333-81143) of Leviathan Gas Pipeline Partners, L.P., and to all references to our Firm in this Registration Statement.

/s/ ARTHUR ANDERSEN LLP

Houston, Texas

August 26, 1999

EXHIBIT 23.4

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS AND GEOLOGISTS

We hereby consent to the use in this Amendment No. 1 to the Registration Statement on Form S-4 of Leviathan Gas Pipeline Partners, L.P. of our reserve report as of December 31, 1998, and all references to our firm appearing in this Registration Statement of Leviathan Gas Pipeline Partners, L.P. for the fiscal year ended December 31, 1998. We also consent to the reference to us under the heading of "Experts" in this Registration Statement.

NETHERLAND, SEWELL & ASSOCIATES, INC.

By: /s/ FREDERIC D. SEWELL

Frederic D. Sewell
President

Dallas, Texas

August 26, 1999

EXHIBIT 99.1

LEVIATHAN GAS PIPELINE PARTNERS, L.P.

LEVIATHAN FINANCE CORPORATION

LETTER OF TRANSMITTAL
FOR
TENDER OF ALL OUTSTANDING

10 3/8% SERIES A SENIOR SUBORDINATED NOTES DUE 2009

IN EXCHANGE FOR

10 3/8% SERIES B SENIOR SUBORDINATED NOTES DUE 2009

THAT HAVE BEEN REGISTERED UNDER THE
SECURITIES ACT OF 1933

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME,

ON MONDAY, SEPTEMBER 27, 1999, UNLESS EXTENDED (THE "EXPIRATION DATE").

SERIES A NOTES TENDERED IN THE EXCHANGE OFFER MAY BE WITHDRAWN AT ANY

TIME PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

Deliver to the Exchange Agent:

CHASE BANK OF TEXAS, N.A.

By Registered or Certified Mail or
Overnight Courier:
Chase Bank of Texas, N.A.
Corporate Trust Operations
P.O. Box 2320
Dallas, Texas 75221-2320
1-800-275-2048
Attn: Frank Ivins

By Hand in Dallas:
Chase Bank of Texas, N.A.
Corporate Trust Operations
1201 Main Street
Dallas, Texas 75202
1-800-275-2048
Attn: Frank Ivins

By Facsimile Transmission:
(for Eligible Institutions Only)

(214) 672-5746

Confirm by Telephone:

(214) 672-5678

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE NUMBER OTHER THAN THE ONE LISTED ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

The undersigned hereby acknowledges receipt and review of the prospectus dated August 27, 1999 of Leviathan Gas Pipeline Partners, L.P., a Delaware limited partnership, and Leviathan Finance Corporation, a Delaware corporation (together, "Leviathan"), and this Letter of Transmittal, which together describe the offer of Leviathan (the "exchange offer") to exchange Leviathan's 10 3/8% Series B Senior Subordinated Notes due 2009 (the "Series B notes"), which have been registered under the Securities Act of 1933, as amended

(the "Securities Act"), pursuant to a registration statement of which the prospectus is a part, for a like principal amount of Leviathan's issued and outstanding 10 3/8% Series A Senior Subordinated Notes due 2009 (the "Series A notes"). Certain terms used but not defined herein have the respective meanings given to them in the prospectus.

Leviathan reserves the right, at any time or from time to time, to extend the exchange offer at its discretion, in which event the term "expiration date" shall mean the latest date to which the exchange offer is extended. Leviathan shall give notice of any extension by giving oral, confirmed in writing, or written notice to the exchange agent and by making a public announcement by press release to the Dow Jones News Service prior to 9:00 a.m., New York City time, on the first business day after the previously scheduled expiration date. The term "business day" shall mean any day that is not a Saturday, Sunday or day on which banks are authorized by law to close in the State of New York.

This Letter of Transmittal is to be used by a holder of Series A notes if original Series A notes, if available, are to be forwarded herewith or an agent's message is to be used if delivery of Series A notes is to be made by book-entry transfer to the account maintained by the exchange agent at The Depository Trust Company (the "book-entry transfer facility") pursuant to the procedures set forth in the prospectus under the caption "The Exchange Offer -- Procedures for Tendering Series A Notes." Holders of Series A notes whose Series A notes are not immediately available, or who are unable to deliver their Series A notes and all other documents required by this Letter of Transmittal to the exchange agent on or prior to the expiration date, or who are unable to complete the procedure for book-entry transfer on a timely basis, must tender their Series A notes according to the guaranteed delivery procedures set forth in the prospectus under the caption "The Exchange Offer -- Procedures for Tendering Series A Notes -- Guaranteed Delivery." See Instruction 2. Delivery of documents to the book-entry transfer facility does not constitute delivery to the exchange agent.

The term "holder" with respect to the exchange offer means any person in whose name Series A notes are registered on the books of Leviathan or any other person who has obtained a properly completed bond power from the registered holder. The undersigned has completed, executed and delivered this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the exchange offer. Holders who wish to tender their Series A notes must complete this Letter of Transmittal in its entirety.

PLEASE READ THE ENTIRE LETTER OF TRANSMITTAL AND THE PROSPECTUS CAREFULLY BEFORE CHECKING ANY BOX BELOW.

THE INSTRUCTIONS INCLUDED WITH THIS LETTER OF TRANSMITTAL MUST BE FOLLOWED. QUESTIONS AND REQUESTS FOR ASSISTANCE OR FOR ADDITIONAL COPIES OF THE PROSPECTUS AND THIS LETTER OF TRANSMITTAL MAY BE DIRECTED TO THE EXCHANGE AGENT.

List below the Series A notes to which this Letter of Transmittal relates. If the space below is inadequate, list the registered numbers and principal amounts on a separate signed schedule and affix the list to this Letter of Transmittal.

DESCRIPTION OF SERIES A NOTES TENDERED

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) EXACTLY AS NAME(S) APPEAR(S) ON SERIES A NOTES OR BOOK-ENTRY ACCOUNT (PLEASE FILL IN, IF BLANK)	SERIES A NOTE(S) TENDERED		
	REGISTERED NUMBER(S)*	AGGREGATE PRINCIPAL AMOUNT REPRESENTED BY NOTE(S)	PRINCIPAL AMOUNT TENDERED**

* Need not be completed by book-entry holders.

** Unless otherwise indicated, any tendering holder of Series A notes will be deemed to have tendered the entire aggregate principal amount represented by such Series A notes. All tenders must be in integral multiples of $1,000.

[ ] CHECK HERE IF TENDERED SERIES A NOTES ARE ENCLOSED HEREWITH.

[ ] CHECK HERE IF TENDERED SERIES A NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING (FOR USE BY ELIGIBLE INSTITUTIONS ONLY):

Name of Tendering Institution:
- ----------

Account Number:
- ----------

Transaction Code Number:
- ----------

[ ] CHECK HERE IF TENDERED SERIES A NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING (FOR USE BY ELIGIBLE INSTITUTIONS ONLY):

Name(s) of registered holder(s) of Series A notes:
- ----------

Date of execution of Notice of Guaranteed Delivery:
- ----------

Window ticket number (if available):
- ----------

Name of eligible institution that guaranteed delivery:
- ----------

Account number (if delivered by book-entry transfer):
- ----------

[ ] CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO:

Name:
- ----------

Address:
- ----------

SIGNATURES MUST BE PROVIDED BELOW
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Subject to the terms and conditions of the exchange offer, the undersigned hereby tenders to Leviathan for exchange the principal amount of Series A notes indicated above. Subject to and effective upon the acceptance for exchange of the principal amount of Series A notes tendered in accordance with this Letter of Transmittal, the undersigned hereby exchanges, assigns and transfers to Leviathan all right, title and interest in and to the Series A notes tendered for exchange hereby. The undersigned hereby irrevocably constitutes and appoints the exchange agent, the agent and attorney-in-fact of the undersigned (with full knowledge that the exchange agent also acts as the agent of Leviathan in connection with the exchange offer) with respect to the tendered Series A notes with full power of substitution to:

- deliver such Series A notes, or transfer ownership of such Series A notes on the account books maintained by the book-entry transfer facility, to Leviathan and deliver all accompanying evidences of transfer and authenticity, and

- present such Series A notes for transfer on the books of Leviathan and receive all benefits and otherwise exercise all rights of beneficial ownership of such Series A notes,

all in accordance with the terms of the exchange offer. The power of attorney granted in this paragraph shall be deemed to be irrevocable and coupled with an interest.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, exchange, assign and transfer the Series A notes tendered hereby and to acquire the Series B notes issuable upon the exchange of such tendered Series A notes, and that Leviathan will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim, when the same are accepted for exchange by Leviathan.

The undersigned acknowledge(s) that this exchange offer is being made in reliance upon interpretations contained in no-action letters issued to third parties by the staff of the Securities and Exchange Commission (the "SEC"), including Exxon Capital Holdings Corporation, SEC No-Action Letter (available April 13, 1989), Morgan Stanley & Co. Inc., SEC No-Action Letter (available June 5, 1991) (the "Morgan Stanley Letter") and Mary Kay Cosmetics, Inc., SEC No-Action Letter (available June 5, 1991), that the Series B notes issued in exchange for the Series A notes pursuant to the exchange offer may be offered for resale, resold and otherwise transferred by holders thereof (other than a broker-dealer who purchased Series A notes exchanged for such Series B notes directly from Leviathan to resell pursuant to Rule 144A or any other available exemption under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Series B notes are acquired in the ordinary course of such holders' business and such holders are not participating in, and have no arrangement with any person to participate in, the distribution of such Series B notes. The undersigned specifically represent(s) to Leviathan that:

- any Series B notes acquired in exchange for Series A notes tendered hereby are being acquired in the ordinary course of business of the person receiving such Series B notes, whether or not the undersigned;

- the undersigned is not participating in, and has no arrangement with any person to participate in, the distribution of Series B notes;

- neither the undersigned nor any such other person is an "affiliate" (as defined in Rule 405 under the Securities Act) of Leviathan or a broker-dealer tendering Series A notes acquired directly from Leviathan.

If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Series B notes. If the undersigned is a broker-dealer that will receive Series B notes for its own account in exchange for Series A notes that were acquired as a result of market-

making activities or other trading activities, it acknowledges that it will deliver a prospectus in connection with any resale of such Series B notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. The undersigned acknowledges that if the undersigned is participating in the exchange offer for the purpose of distributing the Series B notes:

- the undersigned cannot rely on the position of the staff of the SEC in the Morgan Stanley Letter and similar SEC no-action letters, and, in the absence of an exemption therefrom, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction of the Series B notes, in which case the registration statement must contain the selling security holder information required by Item 507 or Item 508, as applicable, of Regulation S-K of the SEC; and

- a broker-dealer that delivers such a prospectus to purchasers in connection with such resales will be subject to certain of the civil liability provisions under the Securities Act and will be bound by the provisions of the registration agreement (including certain indemnification rights and obligations).

The undersigned will, upon request, execute and deliver any additional documents deemed by the exchange agent or Leviathan to be necessary or desirable to complete the exchange, assignment and transfer of the Series A notes tendered hereby, including the transfer of such Series A notes on the account books maintained by the book-entry transfer facility.

For purposes of the exchange offer, Leviathan shall be deemed to have accepted for exchange validly tendered Series A notes when, as and if Leviathan gives oral or written notice thereof to the exchange agent. Any tendered Series A notes that are not accepted for exchange pursuant to the exchange offer for any reason will be returned, without expense, to the undersigned at the address shown below or at a different address as may be indicated herein under "Special Delivery Instructions" as promptly as practicable after the expiration date.

All authority conferred or agreed to be conferred by this Letter of Transmittal shall survive the death, incapacity or dissolution of the undersigned, and every obligation of the undersigned under this Letter of Transmittal shall be binding upon the undersigned's heirs, personal representatives, successors and assigns.

The undersigned acknowledges that the acceptance of properly tendered Series A notes by Leviathan pursuant to the procedures described under the caption "The Exchange Offer -- Procedures for Tendering Series A Notes" in the prospectus and in the instructions hereto will constitute a binding agreement between the undersigned and Leviathan upon the terms and subject to the conditions of the exchange offer.

Unless otherwise indicated under "Special Issuance Instructions," please issue the Series B notes issued in exchange for the Series A notes accepted for exchange and return any Series A notes not tendered or not exchanged, in the name(s) of the undersigned. Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail or deliver the Series B notes issued in exchange for the Series A notes accepted for exchange and any Series A notes not tendered or not exchanged (and accompanying documents, as appropriate) to the undersigned at the address shown below the undersigned's signature(s). In the event that both "Special Issuance Instructions" and "Special Delivery Instructions" are completed, please issue the Series B notes issued in exchange for the Series A notes accepted for exchange in the name(s) of, and return any Series A notes not tendered or not exchanged to, the person(s) so indicated. The undersigned recognizes that Leviathan has no obligation pursuant to the "Special Issuance Instructions" and "Special Delivery Instructions" to transfer any Series A notes from the name of the registered holder(s) thereof if Leviathan does not accept for exchange any of the Series A notes so tendered for exchange.

SPECIAL ISSUANCE INSTRUCTIONS
(SEE INSTRUCTIONS 5 AND 6)

To be completed ONLY (i) if Series A notes in a principal amount not tendered, or Series B notes issued in exchange for Series A notes accepted for exchange, are to be issued in the name of someone other than the undersigned, or (ii) if Series A notes tendered by book-entry transfer that are not exchanged are to be returned by credit to an account maintained at the book-entry transfer facility other than the account indicated above.

Issue Series B notes and/or Series A notes to:

Name:
- ----------
(Please Print or Type)

- ----------

Address:
- ----------

- ----------
(Include Zip Code)

- ----------
(Tax Identification or Social Security Number)

[ ] Credit unexchanged Series A notes delivered by book-entry transfer to the book-entry transfer facility set forth below:

Book-entry transfer facility account number:

(Complete Substitute Form W-9)

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 5 AND 6)

To be completed ONLY if Series A notes in a principal amount not tendered, or Series B notes issued in exchange for Series A notes accepted for exchange, are to be mailed or delivered to someone other than the undersigned, or to the undersigned at an address other than that shown below the undersigned's signature.

Mail or deliver Series B notes and/or Series A notes to:

Name:
- ----------
(Please Print or Type)

- ----------

Address:
- ----------

- ----------
(Include Zip Code)

- ----------
(Tax Identification or Social Security Number)

IMPORTANT

PLEASE SIGN HERE WHETHER OR NOT SERIES A NOTES
ARE BEING PHYSICALLY TENDERED HEREBY

(COMPLETE ACCOMPANYING SUBSTITUTE FORM W-9 ON REVERSE SIDE)

X
- ----------

X
- ----------
(Signature(s) of Registered Holder(s) of Series A Notes)

Dated: 1999
----------,

(The above lines must be signed by the registered holder(s) of Series A notes as name(s) appear(s) on the Series A notes or on a security position listing, or by person(s) authorized to become registered holder(s) by a properly completed bond power from the registered holder(s), a copy of which must be transmitted with this Letter of Transmittal. If Series A notes to which this Letter of Transmittal relate are held of record by two or more joint holders, then all such holders must sign this Letter of Transmittal. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, then such person must set forth his or her full title below and, unless waived by Leviathan, submit evidence satisfactory to Leviathan of such person's authority so to act. See Instruction 5 regarding the completion of this Letter of Transmittal, printed below.)

Name(s):
- ----------
(Please Type or Print)

Capacity:
- ----------

Address:
- ----------

- ----------
(Include Zip Code)

Area Code and Telephone Number:
- ----------

SIGNATURE GUARANTEE

(IF REQUIRED BY INSTRUCTION 5)

Certain signatures must be guaranteed by an eligible institution.

Signature(s) guaranteed by an eligible institution:

- ----------
(Authorized Signature)

- ----------
(Title)

- ----------
(Name of Firm)

- ----------
(Address, Include Zip Code)

- ----------
(Area Code and Telephone Number)

Dated: 1999
- ----------,

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER

1. Delivery of this Letter of Transmittal and Series A Notes or Book-Entry Confirmations. All physically delivered Series A notes or any confirmation of a book-entry transfer to the exchange agent's account at the book-entry transfer facility of Series A notes tendered by book-entry transfer (a "book-entry confirmation"), as well as a properly completed and duly executed copy of this Letter of Transmittal (or facsimile hereof) or agent's message, and any other documents required by this Letter of Transmittal, must be received by the exchange agent at its address set forth herein prior to 5:00 p.m., New York City time, on the expiration date. The method of delivery of the tendered Series A notes, this Letter of Transmittal and all other required documents to the exchange agent is at the election and risk of the holder and, except as otherwise provided below, the delivery will be deemed made only when actually received or confirmed by the exchange agent. Instead of delivery by mail, it is recommended that the holder use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure delivery to the exchange agent before the expiration date. No Letter of Transmittal or Series A notes should be sent to Leviathan.

2. Guaranteed Delivery Procedures. Holders who wish to tender their Series A notes and whose Series A notes are not immediately available or who cannot deliver their Series A notes, this Letter of Transmittal or any other documents required hereby to the exchange agent prior to the expiration date or who cannot complete the procedure for book-entry transfer on a timely basis and deliver an agent's message, must tender their Series A notes according to the guaranteed delivery procedures set forth in the prospectus. Pursuant to such procedures:

- such tender must be made by or through a firm that is a member of a registered national securities exchange or of the National Association of Securities Dealers Inc., a commercial bank or a trust company having an office or correspondent in the United States or an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act (an "eligible institution");

- prior to the expiration date, the exchange agent must have received from the eligible institution a properly completed and duly executed Notice of Guaranteed Delivery (by facsimile transmission, mail or hand delivery) setting forth the name and address of the holder of the Series A notes, the registration number(s) of such Series A notes and the total principal amount of Series A notes tendered, stating that the tender is being made thereby and guaranteeing that, within five business days after the expiration date, this Letter of Transmittal (or facsimile hereof) together with the Series A notes in proper form for transfer (or a book-entry confirmation) and any other documents required hereby, must be deposited by the eligible institution with the exchange agent within five business days after the expiration date; and

- the certificates for all physically tendered shares of Series A notes, in proper form for transfer (or book-entry confirmation, as the case may be) and all other documents required hereby are received by the exchange agent within five business days after the expiration date.

Any holder of Series A notes who wishes to tender Series A notes pursuant to the guaranteed delivery procedures described above must ensure that the exchange agent receives the Notice of Guaranteed Delivery prior to 5:00 p.m., New York City time, on the expiration date. Upon request of the exchange agent, a Notice of Guaranteed Delivery will be sent to holders who wish to tender their Series A notes according to the guaranteed delivery procedures set forth above.

See "The Exchange Offer -- Procedures for Tendering Series A Notes -- Guaranteed Delivery" section of the prospectus.

3. Tender by Holder. Only a holder of Series A notes may tender such Series A notes in the exchange offer. Any beneficial holder of Series A notes who is not the registered holder and who wishes to tender should arrange with the registered holder to execute and deliver this Letter of Transmittal on his behalf or must, prior to completing and executing this Letter of Transmittal and delivering his Series A notes, either make

appropriate arrangements to register ownership of the Series A notes in such holder's name or obtain a properly completed bond power from the registered holder.

4. Partial Tenders. Tenders of Series A notes will be accepted only in integral multiples of $1,000. If less than the entire principal amount of any Series A notes is tendered, the tendering holder should fill in the principal amount tendered in the third column of the box entitled "Description of Series A Notes Tendered" above. The entire principal amount of Series A notes delivered to the exchange agent will be deemed to have been tendered unless otherwise indicated. If the entire principal amount of all Series A notes is not tendered, then Series A notes for the principal amount of Series A notes not tendered and Series B notes issued in exchange for any Series A notes accepted will be sent to the holder at his or her registered address, unless a different address is provided in the appropriate box on this Letter of Transmittal, promptly after the Series A notes are accepted for exchange.

5. Signatures on this Letter of Transmittal; Bond Powers and Endorsements; Guarantee of Signatures. If this Letter of Transmittal (or facsimile hereof) is signed by the record holder(s) of the Series A notes tendered hereby, the signature must correspond with the name(s) as written on the face of the Series A notes without alteration, enlargement or any change whatsoever. If this Letter of Transmittal (or facsimile hereof) is signed by a participant in the book-entry transfer facility, the signature must correspond with the name as it appears on the security position listing as the holder of the Series A notes.

If this Letter of Transmittal (or facsimile hereof) is signed by the registered holder or holders of Series A notes listed and tendered hereby and the Series B notes issued in exchange therefor are to be issued (or any untendered principal amount of Series A notes is to be reissued) to the registered holder, the said holder need not and should not endorse any tendered Series A notes, nor provide a separate bond power. In any other case, such holder must either properly endorse the Series A notes tendered or transmit a properly completed separate bond power with this Letter of Transmittal, with the signatures on the endorsement or bond power guaranteed by an eligible institution.

If this Letter of Transmittal (or facsimile hereof) is signed by a person other than the registered holder or holders of any Series A notes listed, such Series A notes must be endorsed or accompanied by appropriate bond powers, in each case signed as the name of the registered holder or holders appears on the Series A notes.

If this Letter of Transmittal (or facsimile hereof) or any Series A notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by Leviathan, evidence satisfactory to Leviathan of their authority to act must be submitted with this Letter of Transmittal.

Endorsements on Series A notes or signatures on bond powers required by this Instruction 5 must be guaranteed by an eligible institution.

No signature guarantee is required if:

- this Letter of Transmittal (or facsimile hereof) is signed by the registered holder(s) of the Series A notes tendered herein (or by a participant in the book-entry transfer facility whose name appears on a security position listing as the owner of the tendered Series A notes) and the Series B notes are to be issued directly to such registered holder(s) (or, if signed by a participant in the book-entry transfer facility, deposited to such participant's account at such book-entry transfer facility) and neither the box entitled "Special Delivery Instructions" nor the box entitled "Special Issuance Instructions" has been completed; or

- such Series A notes are tendered for the account of an eligible institution.

In all other cases, all signatures on this Letter of Transmittal (or facsimile hereof) must be guaranteed by an eligible institution.

6. Special Issuance and Delivery Instructions. Tendering holders should indicate, in the applicable box or boxes, the name and address (or account at the book-entry transfer facility) to which Series B notes or

substitute Series A notes for principal amounts not tendered or not accepted for exchange are to be issued or sent, if different from the name and address of the person signing this Letter of Transmittal. In the case of issuance in a different name, the taxpayer identification or social security number of the person named must also be indicated.

7. Transfer Taxes. Leviathan will pay all transfer taxes, if any, applicable to the exchange of Series A notes pursuant to the exchange offer. If, however, Series B notes or Series A notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Series A notes tendered hereby, or if tendered Series A notes are registered in the name of any person other than the person signing this Letter of Transmittal, or if a transfer tax is imposed for any reason other than the exchange of Series A notes pursuant to the exchange offer, then the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with this Letter of Transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

EXCEPT AS PROVIDED IN THIS INSTRUCTION 7, IT WILL NOT BE NECESSARY FOR TRANSFER TAX STAMPS TO BE AFFIXED TO THE SERIES A NOTES LISTED IN THIS LETTER OF TRANSMITTAL.

8. Tax Identification Number. Federal income tax law requires that a holder of any Series A notes that are accepted for exchange must provide Leviathan (as payor) with its correct taxpayer identification number ("TIN"), which, in the case of a holder who is an individual is his or her social security number. If Leviathan is not provided with the correct TIN, the holder may be subject to a $50 penalty imposed by the Internal Revenue Service. (If withholding results in an over-payment of taxes, a refund may be obtained). Certain holders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional instructions.

To prevent backup withholding, each tendering holder must provide such holder's correct TIN by completing the Substitute Form W-9 set forth herein, certifying that the TIN provided is correct (or that such holder is awaiting a TIN), and that:

- the holder has not been notified by the Internal Revenue Service that such holder is subject to backup withholding as a result of failure to report all interest or dividends; or

- the Internal Revenue Service has notified the holder that such holder is no longer subject to backup withholding.

If the Series A notes are registered in more than one name or are not in the name of the actual owner, see the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for information on which TIN to report.

Leviathan reserves the right in its sole discretion to take whatever steps are necessary to comply with Leviathan's obligations regarding backup withholding.

9. Validity of Tenders. All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of tendered Series A notes will be determined by Leviathan in its sole discretion, which determination will be final and binding. Leviathan reserves the absolute right to reject any and all Series A notes not properly tendered or any Series A notes the acceptance of which would, in the opinion of Leviathan or its counsel, be unlawful. Leviathan also reserves the absolute right to waive any conditions of the exchange offer or defects or irregularities in tenders as to particular Series A notes. The interpretation of the terms and conditions by Leviathan of the exchange offer (which includes this Letter of Transmittal and the instructions hereto) shall be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Series A notes must be cured within such time as Leviathan shall determine. Neither Leviathan, the exchange agent nor any other person shall be under any duty to give notification of defects or irregularities with regard to tenders of Series A notes nor shall any of them incur any liability for failure to give such notification.

10. Waiver of Conditions. Leviathan reserves the absolute right to waive, in whole or part, any of the conditions to the exchange offer set forth in the prospectus.

11. No Conditional Tender. No alternative, conditional, irregular or contingent tender of Series A notes or transmittal of this Letter of Transmittal will be accepted.

12. Mutilated, Lost, Stolen or Destroyed Series A Notes. Any holder whose Series A notes have been mutilated, lost, stolen or destroyed should contact the exchange agent at the address indicated above for further instructions.

13. Requests for Assistance or Additional Copies. Requests for assistance or for additional copies of the prospectus or this Letter of Transmittal may be directed to the exchange agent at the address or telephone number set forth on the cover page of this Letter of Transmittal. Holders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the exchange offer.

14. Withdrawal. Tenders may be withdrawn only pursuant to the withdrawal rights set forth in the prospectus under the caption "The Exchange Offer -- Withdrawal of Tenders."

IMPORTANT: THIS LETTER OF TRANSMITTAL OR A MANUALLY SIGNED FACSIMILE HEREOF (TOGETHER WITH THE SERIES A NOTES DELIVERED BY BOOK-ENTRY TRANSFER OR IN ORIGINAL HARD COPY FORM) MUST BE RECEIVED BY THE EXCHANGE AGENT, OR THE NOTICE OF GUARANTEED DELIVERY MUST BE RECEIVED BY THE EXCHANGE AGENT, PRIOR TO THE EXPIRATION DATE.

SUBSTITUTE FORM W-9	PART 1 -- PLEASE PROVIDE YOUR TIN IN THE BOX AT THE RIGHT AND CERTIFY BY SIGNING AND DATING BELOW	Social Security Number(s) OR Employer Identification Number
Department of the Treasury Internal Revenue Service PAYER'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER (TIN)	PART 2 -- Certification -- Under penalties of perjury, I certify that: (1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me) and (2) I am not subject to backup withholding either because I have not been notified by Internal Revenue Service ("IRS") that I am subject to backup withholding as a result of failure to report all interest or dividends or the IRS has notified me that I am no longer subject to backup withholding.	PART 3 -- Awaiting TIN [ ] Please complete the Certificate of Awaiting Taxpayer Identification Number below.

CERTIFICATION INSTRUCTIONS -- You must cross out item (2) in Part 2 above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax returns. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS stating that you are no longer subject to backup withholding, do not cross out item (2).

SIGNATURE ---------- DATE---------- , 1999

NAME (Please Print)----------

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE EXCHANGE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 3 OF THE SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number to the payor within 60 days, 31% of all reportable payments made to me thereafter will be withheld until I provide a number.

- ---------- ---------- , 1999

Signature Date

- ----------

Name (Please Print)

CERTIFICATE FOR FOREIGN RECORD HOLDERS

Under penalties of perjury, I certify that I am not a United States citizen or resident (or I am signing for a foreign corporation, partnership, estate or trust).

- ---------- ---------- , 1999

Signature Date

LEVIATHAN GAS PIPELINE PARTNERS, L.P.
LEVIATHAN FINANCE CORPORATION

NOTICE OF GUARANTEED DELIVERY
FOR
TENDER OF ALL OUTSTANDING
10 3/8% SERIES A SENIOR SUBORDINATED NOTES DUE 2009
IN EXCHANGE FOR
10 3/8% SERIES B SENIOR SUBORDINATED NOTES DUE 2009
THAT HAVE BEEN REGISTERED UNDER THE
SECURITIES ACT OF 1933

This form, or one substantially equivalent hereto, must be used by a holder to accept the exchange offer of Leviathan Gas Pipeline Partners, L.P., a Delaware limited partnership, and Leviathan Finance Corporation, a Delaware corporation (together, "Leviathan"), and to tender 10 3/8% Series A Senior Subordinated Notes due 2009 (the "Series A notes") to the exchange agent pursuant to the guaranteed delivery procedures described in "The Exchange Offer -- Procedures for Tendering Series A Notes -- Guaranteed Delivery" beginning on page 79 of the prospectus of Leviathan, dated August 27, 1999 and in Instruction 2 to the related Letter of Transmittal. Any holder who wishes to tender Series A pursuant to such guaranteed delivery procedures must ensure that the exchange agent receives this Notice of Guaranteed Delivery prior to the expiration date (as defined below) of the exchange offer. Certain terms used but not defined herein have the meanings ascribed to them in the prospectus or the Letter of Transmittal.

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME,

ON MONDAY, SEPTEMBER 27, 1999, UNLESS EXTENDED (THE "EXPIRATION DATE").

SERIES A NOTES TENDERED IN THE EXCHANGE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

The Exchange Agent for the Exchange Offer is:

CHASE BANK OF TEXAS, N.A.

By Registered or Certified Mail or
Overnight Courier:
Chase Bank of Texas, N.A.
Corporate Trust Operations
P.O. Box 2320
Dallas, Texas 75221-2320
1-800-275-2048
Attn: Frank Ivins

By Hand in Dallas:
Chase Bank of Texas, N.A.
Corporate Trust Operations
1201 Main Street
Dallas, Texas 75202
1-800-275-2048
Attn: Frank Ivins

By Facsimile Transmission:
(for Eligible Institutions Only)
(214) 672-5746

Confirm by Telephone:
(214) 672-5678

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

THIS NOTICE OF GUARANTEED DELIVERY IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN "ELIGIBLE INSTITUTION" UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE IN THE BOX PROVIDED ON THE LETTER OF TRANSMITTAL FOR GUARANTEE OF SIGNATURES.

Ladies and Gentlemen:

The undersigned hereby tenders to Leviathan, upon the terms and subject to the conditions set forth in the prospectus and the related Letter of Transmittal, receipt of which is hereby acknowledged, the principal amount of Series A notes set forth below pursuant to the guaranteed delivery procedures set forth in the prospectus and in Instruction 2 of the Letter of Transmittal.

The undersigned hereby tenders the Series A notes listed below:

CERTIFICATE NUMBER(S) (IF KNOWN) OF SERIES A NOTES OR ACCOUNT NUMBER AT THE BOOK-ENTRY FACILITY	AGGREGATE PRINCIPAL AMOUNT REPRESENTED	AGGREGATE PRINCIPAL AMOUNT TENDERED

PLEASE SIGN AND COMPLETE

Names of Record Holder(s): ----------

Address(es): ----------

Area Code and Telephone
Number(s): ----------

- ----------

Signature(s): ----------

- ----------

Dated: ----------,
1999

This Notice of Guaranteed Delivery must be signed by the holder(s) exactly as their name(s) appear on certificates for Series A notes or on a security position listing as the owner of Series A notes, or by person(s) authorized to become holder(s) by endorsements and documents transmitted with this Notice of Guaranteed Delivery. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person must provide the following information.

PLEASE PRINT NAME(S) AND ADDRESS(ES)

Name(s): ----------

- ----------

- ----------

Capacity: ----------

Address(es): ----------

- ----------

GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a firm which is a member of a registered national securities exchange or of the National Association of Securities Dealers, Inc., or is a commercial bank or trust company having an office or correspondent in the United States, or is otherwise an "eligible guarantor institution" within the meaning of Rule 17 Ad-15 under the Securities Exchange Act of 1934, guarantees deposit with the exchange agent of the Letter of Transmittal (or facsimile thereof), together with the Series A notes tendered hereby in proper form for transfer (or confirmation of the book-entry transfer of such Series A notes into the exchange agent's account at the book-entry transfer facility described in the prospectus under the caption "The Exchange Offer -- Procedures for Tendering Series A Notes -- Book-Entry Transfer" and in the Letter of Transmittal) and any other required documents, all by 5:00 p.m., New York City time, within five business days following the Expiration Date.

Name of Firm:
- ----------

Address:
- ----------
(INCLUDE ZIP CODE)

Area Code and Telephone Number:

- ----------

- ----------
(AUTHORIZED SIGNATURE)

Name:
- ----------

Title:
- ----------
(PLEASE TYPE OR PRINT)

Date: , 1999
- ----------

DO NOT SEND SERIES A NOTES WITH THIS FORM. ACTUAL SURRENDER OF SERIES A NOTES MUST BE MADE PURSUANT TO, AND BE ACCOMPANIED BY, A PROPERLY COMPLETED AND DULY EXECUTED LETTER OF TRANSMITTAL AND ANY OTHER REQUIRED DOCUMENTS.

INSTRUCTIONS FOR NOTICE OF GUARANTEED DELIVERY

1. Delivery of this Notice of Guaranteed Delivery. A properly completed and duly executed copy of this Notice of Guaranteed Delivery and any other documents required by this Notice of Guaranteed Delivery must be received by the exchange agent at its address set forth herein prior to the Expiration Date. The method of delivery of this Notice of Guaranteed Delivery and any other required documents to the exchange agent is at the election and sole risk of the holder, and the delivery will be deemed made only when actually received by the exchange agent. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. As an alternative to delivery by mail, the holders may wish to consider using an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure timely delivery. For a description of the guaranteed delivery procedures, see Instruction 2 of the Letter of Transmittal.

2. Signatures on this Notice of Guaranteed Delivery. If this Notice of Guaranteed Delivery is signed by the registered holder(s) of the Series A notes referred to herein, the signature must correspond with the name(s) written on the face of the Series A notes without alteration, enlargement, or any change whatsoever. If this Notice of Guaranteed Delivery is signed by a participant of the book-entry transfer facility whose name appears on a security position listing as the owner of the Series A notes, the signature must correspond with the name shown on the security position listing as the owner of the Series A notes.

If this Notice of Guaranteed Delivery is signed by a person other than the registered holder(s) of any Series A notes listed or a participant of the book-entry transfer facility, this Notice of Guaranteed Delivery must be accompanied by appropriate bond powers, signed as the name of the registered holder(s) appears on the Series A notes or signed as the name of the participant shown on the book-entry transfer facility's security position listing.

If this Notice of Guaranteed Delivery is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation, or other person acting in a fiduciary or representative capacity, such person should so indicate when signing and submit with the Letter of Transmittal evidence satisfactory to the Leviathan of such person's authority to so act.

3. Requests for Assistance or Additional Copies. Questions and requests for assistance and requests for additional copies of the prospectus may be directed to the exchange agent at the address specified in the prospectus. Holders may also contact their broker, dealer, commercial bank, trust company, or other nominee for assistance concerning the exchange offer.

EXHIBIT 99.3

LEVIATHAN GAS PIPELINE PARTNERS, L.P.
LEVIATHAN FINANCE CORPORATION
EL PASO ENERGY BUILDING
1001 LOUISIANA, 26TH FLOOR
HOUSTON, TEXAS 77002
(713) 420-2131

August 27, 1999

To the Holders of Leviathan Gas Pipeline Partners'

10 3/8% Series A Senior Subordinated Notes due 2009:

Leviathan Gas Pipeline Partners, L.P., a Delaware limited partnership, and Leviathan Finance Corporation, a Delaware corporation (together, "Leviathan"), is offering to exchange its 10 3/8% Series B Senior Subordinated Notes due 2009 that have been registered under the Securities Act of 1933 (the "Series B notes") for all outstanding 10 3/8% Series A Senior Subordinated Notes due 2009 (the "Series A notes"), upon the terms and subject to the conditions set forth in the enclosed prospectus dated August 27, 1999 (the "Prospectus") and the related letter of transmittal (the "Letter of Transmittal" and, together with the Prospectus, the "Exchange Offer"). The Exchange Offer is conditioned upon a number of factors set out in the Prospectus under "The Exchange Offer -- Conditions of the Exchange Offer" beginning on page 81.

The Series A notes were issued on May 27, 1999 in an original aggregate principal amount of $175 million, the full principal amount of which remains outstanding. The maximum amount of Series B notes that will be issued in exchange for Series A notes is $175 million.

Please read carefully the Prospectus and the other enclosed materials relating to the Exchange Offer. If you require assistance, you should consult your financial, tax or other professional advisors. Holders who wish to participate in the Exchange Offer are asked to respond promptly by completing and returning the enclosed Letter of Transmittal, and all other required documentation, to Chase Bank of Texas, National Association, the exchange agent (the "Exchange Agent"), for the Exchange Offer.

If you have questions regarding the terms of the Exchange Offer, please direct your questions to Chase Bank of Texas, N.A. at 1-800-275-2048.

Thank you for your time and effort in reviewing this request.

Very truly yours,

LEVIATHAN GAS PIPELINE PARTNERS, L.P.
LEVIATHAN FINANCE CORPORATION

EXHIBIT 99.4

LEVIATHAN GAS PIPELINE PARTNERS, L.P.
LEVIATHAN FINANCE CORPORATION

LETTER TO CLIENTS
FOR
TENDER OF ALL OUTSTANDING
10 3/8% SERIES A SENIOR SUBORDINATED NOTES DUE 2009
IN EXCHANGE FOR
10 3/8% SERIES B SENIOR SUBORDINATED NOTES DUE 2009
THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK

CITY TIME, ON MONDAY, SEPTEMBER 27, 1999, UNLESS EXTENDED

(THE "EXPIRATION DATE").
NOTES TENDERED IN THE EXCHANGE OFFER MAY BE
WITHDRAWN AT ANY TIME PRIOR TO 5:00 P.M., NEW YORK
CITY TIME, ON THE EXPIRATION DATE.

To Our Clients:

We are enclosing a prospectus, dated August 27, 1999, of Leviathan Gas Pipeline Partners, L.P., a Delaware limited partnership, and Leviathan Finance Corporation, a Delaware corporation (together, "Leviathan"), and a related Letter of Transmittal (which together constitute the "exchange offer") relating to the offer by Leviathan to exchange its 10 3/8% Series B Senior Subordinated Notes due 2009 (the "Series B notes"), which have been registered under the Securities Act of 1933, as amended, for a like principal amount of Leviathan's issued and outstanding 10 3/8% Series A Senior Subordinated Notes due 2009 (the "Series A notes"), upon the terms and subject to the conditions set forth in the exchange offer.

The exchange offer is not conditioned upon any minimum number of Series A notes being tendered.

We are the holder of record of Series A notes held by us for your account. A tender of such Series A notes can be made only by us as the record holder and pursuant to your instructions. The Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender Series A notes held by us for your account.

We request instructions as to whether you wish to tender any or all of the Series A notes held by us for your account pursuant to the terms and conditions of the exchange offer. We also request that you confirm that we may on your behalf make the representations and warranties contained in the Letter of Transmittal.

Very truly yours,

LEVIATHAN GAS PIPELINE PARTNERS, L.P.
LEVIATHAN FINANCE CORPORATION

PLEASE RETURN YOUR INSTRUCTIONS TO US IN THE ENCLOSED ENVELOPE WITHIN AMPLE TIME TO PERMIT US TO SUBMIT A TENDER ON YOUR BEHALF PRIOR TO THE EXPIRATION DATE.

INSTRUCTIONS TO REGISTERED HOLDER AND/OR BOOK ENTRY TRANSFER PARTICIPANT

To Registered Holder and/or Participant of the Book-Entry Transfer Facility:

The undersigned hereby acknowledges receipt of the prospectus dated August 27, 1999 of Leviathan Gas Pipeline Partners, L.P., a Delaware limited partnership, and Leviathan Finance Corporation, a Delaware corporation (together, "Leviathan"), and the accompanying Letter of Transmittal, that together constitute the offer of Leviathan (the "exchange offer") to exchange Leviathan's 10 3/8% Series B Senior Subordinated Notes due 2009 (the "Series B notes"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), for all of Leviathan's issued and outstanding 10 3/8% Series A Senior Subordinated Notes due 2009 (the "Series A notes"). Certain terms used but not defined herein have the meanings ascribed to them in the prospectus.

This will instruct you, the registered holder and/or book-entry transfer facility participant, as to the action to be taken by you relating to the exchange offer with respect to the Series A notes held by you for the account of the undersigned.

The aggregate face amount of the Series A notes held by you for the account of the undersigned is (fill in amount):

$---------- of the 10 3/8% Series A Senior Subordinated Notes due 2009.

With respect to the exchange offer, the undersigned hereby instructs you (check appropriate box):

[ ] To tender the following Series A notes held by you for the account of the undersigned (insert principal amount of Series A notes to be tendered) (if any): $---------- .

[ ] not to tender any Series A notes held by you for the account of the undersigned.

If the undersigned instructs you to tender the Series A notes held by you for the account of the undersigned, it is understood that you are authorized to make, on behalf of the undersigned (and the undersigned by its signature below, hereby makes to you), the representations and warranties contained in the Letter of Transmittal that are to be made with respect to the undersigned as a beneficial owner, including but not limited to the representations, that:

- the Series B notes acquired in exchange for Series A notes pursuant to the exchange offer are being acquired in the ordinary course of business of the person receiving such Series B notes, whether or not the undersigned;

- the undersigned is not participating in, and has no arrangement with any person to participate in, the distribution of Series B notes within the meaning of the Securities Act; and

- neither the undersigned nor any such other person is an "affiliate" (within the meaning of Rule 405 under the Securities Act) of Leviathan or a broker-dealer tendering Series A notes acquired directly from Leviathan.

If the undersigned is a broker-dealer that will receive Series B notes for its own account in exchange for Series A notes, it acknowledges that it will deliver a prospectus in connection with any resale of such Series B notes.

SIGN HERE

Name of beneficial owner(s): ----------

Signature(s): ----------

Name(s): ----------
(please print)

Address: ----------

Telephone Number: ----------

Taxpayer Identification or Social Security Number: ----------

Date: ----------

EXHIBIT 99.5

LEVIATHAN GAS PIPELINE PARTNERS, L.P.
LEVIATHAN FINANCE CORPORATION
LETTER TO REGISTERED HOLDERS AND
DEPOSITORY TRUST COMPANY PARTICIPANTS FOR
TENDER OF ALL OUTSTANDING
10 3/8% SERIES A SENIOR SUBORDINATED NOTES DUE 2009
IN EXCHANGE FOR
10 3/8% SERIES B SENIOR SUBORDINATED NOTES DUE 2009
THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME,

ON MONDAY, SEPTEMBER 27, 1999, UNLESS EXTENDED (THE "EXPIRATION DATE").

SERIES A NOTES TENDERED IN THE EXCHANGE OFFER MAY BE WITHDRAWN
AT ANY TIME PRIOR TO 5:00 P.M., NEW YORK
CITY TIME, ON THE EXPIRATION DATE.

To Registered Holders and Depository Trust Company Participants:

We are enclosing herewith the material listed below relating to the offer by Leviathan Gas Pipeline Partners, L.P., a Delaware limited partnership, and Leviathan Finance Corporation, a Delaware corporation (together, "Leviathan"), to exchange its 10 3/8% Series B Senior Subordinated Notes due 2009 (the "Series B notes"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), for a like principal amount of Leviathan's issued and outstanding 10 3/8% Series A Senior Subordinated Notes due 2009 (the "Series A notes") upon the terms and subject to the conditions set forth in the prospectus, dated August 27, 1999, and the related Letter of Transmittal (which together constitute the "exchange offer").

Enclosed herewith are copies of the following documents:

1. Prospectus dated August 27, 1999;

2. Letter of Transmittal (together with accompanying Substitute Form W-9 Guidelines);

3. Notice of Guaranteed Delivery;

4. Letter that may be sent to your clients for whose account you hold Series A notes in your name or in the name of your nominee;

5. Letter that may be sent from your clients to you with such client's instruction with regard to the exchange offer (included in item 4. above); and

6. Letter to the holders of Series A notes.

We urge you to contact your clients promptly. Please note that the exchange offer will expire on the Expiration Date unless extended. The exchange offer is not conditioned upon any minimum number of Series A notes being tendered.

Pursuant to the Letter of Transmittal, each holder of Series A notes will represent to Leviathan that:

- the Series B notes acquired in exchange for Series A notes pursuant to the exchange offer are being acquired in the ordinary course of business of the person receiving such Series B notes, whether or not the holder;

- the holder is not participating in, and has no arrangement with any person to participate in, the distribution of Series B notes within the meaning of the Securities Act; and

- neither the holder nor any such other person is an "affiliate" (within the meaning of Rule 405 under the Securities Act) of Leviathan or a broker-dealer tendering Series A notes acquired directly from Leviathan.

If the holder is a broker-dealer that will receive Series B notes for its own account in exchange for Series A notes, it acknowledges that it will deliver a prospectus in connection with any resale of such Series B notes.

The enclosed Letter to Clients contains an authorization by the beneficial owners of the Series A notes for you to make the foregoing representations.

Leviathan will not pay any fee or commission to any broker or dealer or to any other persons (other than the exchange agent) in connection with the solicitation of tenders of Series A notes pursuant to the exchange offer. Leviathan will pay or cause to be paid any transfer taxes payable on the transfer of Series A notes to it, except as otherwise provided in Instruction 7 of the enclosed Letter of Transmittal.

Additional copies of the enclosed materials may be obtained from the exchange agent by calling Chase Bank of Texas, N.A. at 1-800-275-2048.

Very truly yours,

LEVIATHAN GAS PIPELINE PARTNERS, L.P.
LEVIATHAN FINANCE CORPORATION