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

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2001

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NO. 1-11680

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

DELAWARE	76-0396023
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
EL PASO BUILDING 1001 LOUISIANA STREET HOUSTON, TEXAS	77002
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (713) 420-2600

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

The registrant had 34,100,404 common units outstanding as of August 8, 2001.

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

EL PASO ENERGY PARTNERS, L.P.

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

	QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
Operating revenues	$44,987	$26,813	$ 99,489	$45,762
Operating expenses				
Purchased natural gas costs	11,474	4,881	33,764	5,953
Operations and maintenance, net	9,129	1,525	15,509	3,532
Depreciation, depletion and amortization	8,072	6,988	16,374	13,464
Asset impairment charge	--	--	3,921	--
	28,675	13,394	69,568	22,949
Operating income	16,312	13,419	29,921	22,813
Other income (loss)				
Earnings (loss) from unconsolidated affiliates	4,368	6,222	(344)	10,072
Net loss on sales of assets	(870)	--	(11,251)	--
Other income	376	1,085	26,357	1,167
	3,874	7,307	14,762	11,239
Income before interest, income taxes and other charges	20,186	20,726	44,683	34,052
Interest and debt expense	8,283	12,370	19,766	23,750
Minority interest	59	125	100	135
Income tax benefit	--	(136)	--	(139)
	8,342	12,359	19,866	23,746
Net income	11,844	8,367	24,817	10,306
Net income allocated to General Partner	5,904	3,622	10,599	6,854
Net income allocated to Series B unitholders	4,464	--	8,786	--
Net income allocated to limited partners	$ 1,476	$ 4,745	$ 5,432	$ 3,452
Basic and diluted net income per unit	$ 0.04	$ 0.18	$ 0.16	$ 0.13
Weighted average number of units outstanding	34,070	27,029	33,270	27,029

See accompanying notes.

EL PASO ENERGY PARTNERS, L.P.

CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT UNIT AMOUNTS)
(UNAUDITED)

	JUNE 30, 2001	DECEMBER 31, 2000
ASSETS		
Current assets		
Cash and cash equivalents	$ 32,385	$ 20,281
Accounts receivable, net	30,526	32,734
Other current assets	10,752	633
Total current assets	73,663	53,648
Property, plant, and equipment, net	798,026	631,695
Investments in unconsolidated affiliates	73,796	182,734
Other noncurrent assets	32,699	11,182
Total assets	$978,184	$879,259
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities		
Accounts payable	$ 10,590	$ 14,425
Accrued interest	5,326	3,107
Other current liabilities	5,880	2,171
Total current liabilities	21,796	19,703
Long-term debt	580,000	538,000
Other noncurrent liabilities	12,121	12,851
Total liabilities	613,917	570,554
Commitments and contingencies		
Minority interest	--	(2,366)
Partners' capital		
Limited partners		
Series B preference units; 170,000 units issued and outstanding	184,454	175,668
Common units; 34,082,904 and 31,550,314 units issued and outstanding	175,466	132,802
General partner	3,224	2,601
Accumulated other comprehensive income	1,123	--
Total partners' capital	364,267	311,071
Total liabilities and partners' capital	$978,184	$879,259

See accompanying notes.

EL PASO ENERGY PARTNERS, L.P.

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

	SIX MONTHS ENDED JUNE 30, 2001	2000
Cash flows from operating activities		
Net income	$ 24,817	$ 10,306
Adjustments to reconcile net income to net cash from operating activities		
Depreciation, depletion and amortization	16,374	13,464
Asset impairment charge	3,921	--
Net loss on sales of assets	11,251	--
Distributed earnings of unconsolidated affiliates		
(Earnings) loss from unconsolidated affiliates	344	(10,072)
Distributions from unconsolidated affiliates	17,182	15,484
Working capital changes, net of non-cash transactions	(18,724)	1,130
Other	2,074	(972)
Net cash provided by operating activities	57,239	29,340
Cash flows from investing activities		
Additions to property, plant and equipment	(202,781)	(29,482)
Proceeds from sales of assets	108,233	--
Additions to investments in unconsolidated affiliates	(1,487)	(8,888)
Cash paid for acquisitions, net of cash acquired	(8,000)	(26,476)
Other	(330)	(183)
Net cash used in investing activities	(104,365)	(65,029)
Cash flows from financing activities		
Net proceeds from revolving credit facility	187,620	89,090
Revolving credit facility repayments	(446,000)	(11,000)
Net proceeds from issuance of long-term debt	240,879	--
Net proceeds from project financing	49,961	--
Net proceeds from issuance of common units	74,187	--
Distributions to partners	(48,122)	(35,973)
Contribution from General Partner	705	--
Net cash provided by financing activities	59,230	42,117
Increase in cash and cash equivalents	12,104	6,428
Cash and cash equivalents		
Beginning of period	20,281	4,202
End of period	$ 32,385	$ 10,630

See accompanying notes.

EL PASO ENERGY PARTNERS, L.P.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

Our 2000 Annual Report on Form 10-K includes a summary of our significant accounting policies and other disclosures. You should read it in conjunction with this Quarterly Report on Form 10-Q. The financial statements at June 30, 2001, and for the quarters ended June 30, 2001 and 2000, are unaudited. The balance sheet at December 31, 2000, is derived from the audited financial statements. These financial statements do not include all disclosures required by accounting principles generally accepted in the United States, but have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (SEC). In our opinion, all material adjustments, all of which are of a normal recurring nature, have been made to fairly present our results of operations. Information for any interim period may not necessarily indicate the results of operations for the entire year due to the seasonal nature of our businesses. The prior period information includes reclassifications, which were made to conform to the current presentation. These reclassifications have no effect on our reported net income, cash flows or partners' capital.

Our accounting policies are consistent with those discussed in our Form 10-K, except as discussed below. You should refer to the Form 10-K for a further discussion of those policies.

Accounting for Price Risk Management Activities

Our business activities expose us to a variety of risks, including commodity price risk and interest rate risk. Our General Partner identifies risks associated with our businesses and determines which risks we want to manage and which types of instruments we should use to manage those risks.

We adopted Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, on January 1, 2001. As a result, we now record all derivative instruments on the balance sheet at their fair value.

During the normal course of our business, we may enter into contracts that qualify as derivatives according to SFAS No. 133's definition of a derivative. Accordingly, we evaluate our contracts to determine whether derivative accounting is necessary. Contracts that meet the criteria of a derivative and qualify for the normal purchases and normal sales exception are documented in order to be excluded from accounting under SFAS No. 133.

For those instruments entered into to hedge risk, and which qualify as hedges under the provisions of SFAS No. 133, the accounting treatment depends on each instrument's intended use and how it is designated. In addition to its designation, a hedge must be effective. To be effective, changes in the value of the derivative or its resulting cash flows must substantially offset changes in the value or cash flows of the item being hedged.

We have entered into cash flow hedges in the quarter ended June 30, 2001 that qualify for SFAS No. 133 treatment. Changes in the fair value of a derivative designated as a cash flow hedge are recorded in accumulated other comprehensive income for the portion of the change in value of the derivative that is effective. The ineffective portion of the derivative is recorded in earnings in the current period. Classification in the income statement of the ineffective portion is based on the income classification of the item being hedged.

We may also purchase and sell instruments to economically hedge price fluctuations in the commodity markets. These instruments are not documented as hedges due to their short-term nature, or do not qualify under SFAS No. 133 for hedge accounting due to the terms in the instruments. Where such derivatives do not qualify, changes in their fair value are recorded in earnings in the current period.

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

/d	= per day	MMcf	= million cubic feet
Bbl	= barrel	NGL	= natural gas liquids
MBbls	= thousand barrels	Mcf	= thousand cubic feet

When we refer to cubic feet measurements, all measurements are at 14.73 pounds per square inch.

2. ACQUISITIONS AND DISPOSITIONS

EPN Texas

In February 2001, we acquired the south Texas fee-based NGL transportation and fractionation assets (EPN Texas) from a subsidiary of El Paso Corporation for $133 million. We funded the acquisition of these assets by borrowing from our revolving credit facility. These assets include more than 600 miles of NGL gathering and transportation pipelines. The NGL pipeline system gathers and transports unfractionated and fractionated products. We also acquired three fractionation plants with a capacity of approximately 96 MBbls/d. These plants fractionate NGLs into ethane, propane, and butane products which are used by refineries and petrochemical plants along the Texas Gulf Coast. We accounted for the acquisition as a purchase and assigned the purchase price to the assets acquired based upon the estimated fair value of the assets as of the acquisition date.

The following selected unaudited pro forma information represents our consolidated results of operations on a pro forma basis for the six months ended June 30, 2001 and 2000, as if we acquired EPN Texas on January 1, 2000:

	2001	2000
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)	
Operating revenues	$104,531	$62,538
Operating income	$ 32,845	$33,853
Net income	$ 26,039	$15,992
Basic and diluted net income per unit	$ 0.20	$ 0.33

Gulf of Mexico assets

In accordance with a Federal Trade Commission (FTC) order related to El Paso Corporation's merger with The Coastal Corporation, we, along with Deepwater Holdings L.L.C., agreed to sell several of our offshore Gulf of Mexico assets to third parties in January 2001. Total consideration received for these assets was approximately $162 million consisting of approximately $108 million for the assets we sold and approximately $54 million for the assets Deepwater Holdings sold. The offshore assets sold include interests in Stingray, UTOS, Nautilus, Manta Ray Offshore, Nemo, Tarpon and the Green Canyon pipeline assets, as well as interests in two offshore platforms and one dehydration facility. We recognized net losses from the asset sales of approximately $11 million, and Deepwater Holdings recognized losses of approximately $21 million. Our share of Deepwater Holdings' losses was approximately $14 million, which has been reflected in earnings (loss) from unconsolidated affiliates in the accompanying statements of operations.

As additional consideration for the above transactions, El Paso Corporation will make payments to us totaling $29 million. These payments, which began in the first quarter of 2001, will be made in quarterly installments of $2.25 million for the next three years and $2 million in the first quarter of 2004. From this additional consideration, we realized income of approximately $25 million in the first quarter of 2001, which has been reflected in other income in the accompanying statements of operations.

3. PARTNERS' CAPITAL

Public offering of common units

In March 2001, we completed a public offering of 2,250,000 common units. We used the net cash proceeds of $66.8 million to reduce indebtedness under our revolving credit facility. In addition, our General Partner contributed $0.7 million to us in order to satisfy its one percent contribution requirement.

Cash distributions

The following table reflects our per unit cash distributions to our common unitholders and the total incentive distributions paid to our General Partner during the six months ended June 30, 2001:

MONTH PAID	COMMON UNIT	GENERAL PARTNER
	(IN MILLIONS)	
February	$0.550	$4.6
May	$0.575	$5.8

In July 2001, we declared a cash distribution of $0.575 per common unit for the quarter ended June 30, 2001, which we will pay on August 15, 2001, to unitholders of record as of July 31, 2001. In addition, we will pay our General Partner $5.7 million in incentive distributions. At the current distribution rates, our General Partner receives approximately 23 percent of the total cash distributions we pay.

Other

In April 2001, we amended our 1998 Common Unit Plan for Non-Employee Directors to allow for the issuance of restricted units. These units carry voting and dividend rights; however, sale or transfer of the units is restricted. The restrictions on each restricted unit shall end if the director ceases to be a director.

As of June 30, 2001, we received net proceeds of $7.4 million related to the exercise of 278,500 common unit options.

4. PROPERTY, PLANT AND EQUIPMENT

Our property, plant and equipment consisted of the following:

	JUNE 30, 2001	DECEMBER 31, 2000
	(IN THOUSANDS)	
Property, plant and equipment, at cost		
Pipelines	$351,486	$239,920
Platforms and facilities	118,450	127,639
Oil and natural gas properties	156,320	156,320
Natural gas storage facilities	149,654	147,294
Construction work-in-progress	191,732	127,811
	967,642	798,984
Less accumulated depreciation, depletion and amortization	169,616	167,289
Property, plant and equipment, net	$798,026	$631,695

Due to the sale of our interest in the Manta Ray Offshore system in January 2001, we lost a primary connecting point to our Manta Ray pipeline. As a result, we abandoned the Manta Ray pipeline and recorded an impairment of approximately $3.9 million in the first quarter of 2001 which is reflected in the Gathering and Transportation segment.

5. DEBT AND OTHER CREDIT FACILITIES

8.50% Senior Subordinated Notes

In May 2001, we issued $250 million aggregate principal amount of 8.50% Senior Subordinated Notes due 2011. Proceeds of approximately $241 million, net of issuance costs, were used to reduce indebtedness under our revolving credit facility.

Revolving Credit facility

In May 2001, we increased the size of our credit facility from $500 million to $600 million and extended the maturity through May 2004. As of June 30, 2001, we had $60 million outstanding under our revolving credit facility and the average interest rate was 5.66%. We pay a variable commitment fee on the unused portion of the credit facility.

Project finance loan

In August 2000, Argo L.L.C., one of our subsidiaries, obtained a $95 million limited recourse project finance loan from a group of commercial lenders to finance a substantial portion of the total cost of the Prince Tension Leg Platform (TLP), pipelines and other facilities that are being installed in the Prince Field. This loan is a syndication of a construction loan that is convertible into a term loan upon completion of the construction project, subject to the terms of the project finance agreement. We expect completion of this project in the third quarter of 2001. As of June 30, 2001, we had $95 million outstanding under this project finance loan and the average interest rate was 5.8%.

Other credit facilities

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

Deepwater Holdings has a revolving credit facility with a syndicate of commercial banks to provide up to $175 million. As of June 30, 2001, Deepwater Holdings had approximately $111 million outstanding under its credit facility at an average floating interest rate of 5.39%. The proceeds from the sales of Stingray, UTOS and the West Cameron dehydration facility in the first six months of 2001 of approximately $54 million were used to reduce the revolving credit facility balance.

In April 2001, Poseidon amended and restated its credit facility to provide up to $185 million with a maturity of April 2004. As of June 30, 2001, Poseidon had $150 million outstanding under its revolving credit facility at an average floating interest rate of 5.56%.

6. HEDGING ACTIVITIES

A majority of our commodity sales and purchases are at spot market or forward market prices. We use futures, forward contracts, and swaps to limit our exposure to fluctuations in the commodity markets and allow for a fixed cash flow stream from these activities. On January 1, 2001, we adopted the provisions of SFAS No. 133, Accounting for Derivatives and Hedging Activities. We did not have any derivative contracts in place at December 31, 2000, and therefore, there was no transition adjustment recorded on our financial statements. During the quarter ended June 30, 2001, we entered into cash flow hedges. As of June 30, 2001, the fair value of these cash flow hedges included in accumulated other comprehensive income was an unrealized gain of $1.1 million. We estimate the entire amount will be reclassified from accumulated other comprehensive income to earnings over the next 12 months. Reclassifications occur upon physical delivery of the hedged commodity and the corresponding expiration of the hedge. For the quarter and six months ended June 30, 2001, there was no ineffectiveness in our cash flow hedges.

7. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We, along with several subsidiaries of El Paso Corporation, have been named defendants in actions brought by Jack Grynberg on behalf of the U.S. Government under the False Claims Act. Generally, these complaints allege an industry-wide conspiracy to under report the heating value as well as the volumes of the natural gas produced from federal and Native American lands, which deprived the U.S. Government of royalties. These matters have been consolidated for pretrial purposes (In re: Natural Gas Royalties Qui Tam Litigation, U.S. District Court for the District of Wyoming). In May 2001, the court denied the defendants' motions to dismiss.

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

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

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

Environmental

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

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

8. SEGMENT INFORMATION

We segregate our business activities into five distinct operating segments:

- Gathering and Transportation;

- Liquid Transportation and Fractionation;

- Platforms;

- Natural Gas Storage; and

- Oil and Natural Gas Production.

As a result of our acquisition of EPN Texas in February 2001, we began providing NGL transportation and fractionation services and have shown these activities as a separate segment called Liquid Transportation and Fractionation. This segment also includes the liquid transportation services of the Allegheny and Poseidon oil pipelines which were previously reflected in the Gathering and Transportation segment.

With the July 2001 installation of the Prince TLP facility in Ewing Bank Block 1003, we have begun to manage our platform operations separately from our gathering and transportation operations. The facility will process oil and natural gas production from the Prince Field. We expect the first production from the new platform to commence in the third quarter of 2001. Accordingly, we have shown our platforms as a separate segment called Platforms. This segment also includes the East Cameron 373, Viosca Knoll 817, Garden Banks 72, and Ship Shoal 331 and 332 platforms which were previously reflected in the Gathering and Transportation segment.

We have restated the prior periods, to the extent practicable, in order to conform to the current business segment presentation. The restated results of operations for the quarter and six months ended June 30, 2000, are not necessarily indicative of the results which would have been achieved had the revised business structure been in effect during the period.

Each of our segments are business units that offer different services and products. They are managed separately, as each requires different technology and marketing strategies. We measure segment performance using performance cash flows, or an asset's ability to generate cash flow. Performance cash flow should not be considered an alternate to earnings before interest expense and taxes (EBIT) as an indicator of operating performance. The following are results as of and for the periods ended June 30:

QUARTER ENDED JUNE 30, 2001

	GATHERING AND TRANSPORTATION	NATURAL GAS LIQUID TRANSPORTATION AND FRACTIONATION	PLATFORMS	NATURAL GAS STORAGE	OIL AND NATURAL GAS PRODUCTION	OTHER(1)	TOTAL
	(IN THOUSANDS)						
Revenue from external customers	$ 19,938	$ 8,464	$ 4,036	$ 5,490	$ 7,059	$ --	$ 44,987
Intersegment revenue	97	--	3,162	22	--	(3,281)	--
Depreciation, depletion and amortization	2,033	1,465	966	1,401	2,128	79	8,072
Operating income (loss)	5,416	5,316	5,377	2,367	782	(2,946)	16,312
Earnings (loss) from unconsolidated affiliates	(989)	5,357	--	--	--	--	4,368
EBIT	3,909	10,673	5,363	2,367	782	(2,908)	20,186
Performance cash flows(2)	13,299	13,441	6,343	3,768	2,910	(2,845)	36,916
Assets	241,906	200,761	249,629	185,591	55,919	44,378	978,184

QUARTER ENDED JUNE 30, 2000

	GATHERING AND TRANSPORTATION	NATURAL GAS LIQUID TRANSPORTATION AND FRACTIONATION	PLATFORMS	NATURAL GAS STORAGE	OIL AND NATURAL GAS PRODUCTION	OTHER(1)	TOTAL
	(IN THOUSANDS)						
Revenue from external customers	$ 15,194	$ 2,081	$ 3,526	$ --	$ 6,012	$ --	$ 26,813
Intersegment revenue	212	--	3,241	--	--	(3,453)	--
Depreciation, depletion and amortization	2,160	358	1,137	--	3,236	97	

6,988 Operating income
(loss)......... 6,279 1,720
7,983 -- (1,363) (1,200) 13,419
Earnings from unconsolidated
affiliates...................
2,017 4,205 -- -- -- -- 6,222
EBIT............................
8,297 6,924 7,983 -- (1,363)
(1,115) 20,726 Performance cash
flows(2)....... 13,059 7,202
6,870 -- 1,874 (1,019) 27,986
Assets..........................
331,462 77,859 148,044 --
63,053 21,897 642,315

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

(2) Performance cash flows are determined by taking operating income and adding or subtracting, as appropriate, cash distributions from equity investments; depreciation, depletion and amortization; and other items. The calculation of performance cash flows for the 2001 periods excludes the income recognized from El Paso Corporation's additional consideration related to the sales of our Gulf of Mexico assets, losses incurred on the sales of these assets and the impairment of our Manta Ray pipeline.

SIX MONTHS ENDED JUNE 30, 2001

	LIQUID TRANSPORTATION AND FRACTIONATION	NATURAL GAS GATHERING AND TRANSPORTATION	PLATFORMS	NATURAL GAS STORAGE	OIL AND GAS PRODUCTION	OTHER(1)	TOTAL
	(IN THOUSANDS)						
Revenue from external customers	$ 50,897	$ 12,735	$ 7,895	$ 10,448	$17,514	$ --	$ 99,489
Intersegment revenue	213	--	6,336	45	--	(6,594)	--
Depreciation, depletion and amortization	3,311	2,181	3,093	2,802	4,602	385	16,374
Asset impairment charge	3,921	--	--	--	--	--	3,921
Operating income (loss)	9,291	8,271	9,491	4,881	4,568	(6,581)	29,921
Earnings (loss) from unconsolidated affiliates	(9,794)	9,450	--	--	--	--	(344)
EBIT	14,377	17,721	9,459	4,901	4,568	(6,343)	44,683
Performance cash flows(2)	27,873	20,784	12,584	7,683	9,170	(5,951)	72,143
Assets	241,906	200,761	249,629	185,591	55,919	44,378	978,184

SIX MONTHS ENDED JUNE 30, 2000

	LIQUID TRANSPORTATION AND FRACTIONATION	NATURAL GAS GATHERING AND TRANSPORTATION	PLATFORMS	NATURAL GAS STORAGE	OIL AND GAS PRODUCTION	OTHER(1)	TOTAL
	(IN THOUSANDS)						
Revenue from external customers	$ 23,819	$ 3,613	$ 6,526	$ --	$11,804	$ --	$ 45,762
Intersegment revenue	359	--	6,260	--	--	(6,619)	--
Depreciation, depletion and amortization	3,733	990	2,129	--	6,384	228	13,464
Operating income (loss)	14,732	2,617	12,665	--	(2,682)	(4,519)	22,813
Earnings from unconsolidated affiliates	4,698	5,374	--	--	--	--	10,072
EBIT	19,430	8,991	12,665	--	(2,682)	(4,352)	34,052
Performance cash flows(2)	30,384	10,170	12,544	--	3,338	(4,122)	52,314
Assets	331,462	77,859	148,044	--	63,053	21,897	642,315

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

(2) Performance cash flows are determined by taking operating income and adding or subtracting, as appropriate, cash distributions from equity investments; depreciation, depletion and amortization; and other items. The calculation of performance cash flows for the 2001 periods excludes the income recognized from El Paso Corporation's additional consideration related to the sales of our Gulf of Mexico assets, losses incurred on the sales of these assets and the impairment of our Manta Ray pipeline.

9. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

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

SIX MONTHS ENDED JUNE 30, 2001

	DEEPWATER HOLDINGS(1)	POSEIDON	OTHER(2)	TOTAL
OWNERSHIP INTEREST	50%	36%	25.67%	
	(IN THOUSANDS)			
OPERATING RESULTS DATA				
Operating revenues	$ 28,040	$36,982	$1,982	
Other income (loss)	--	250	(85)	
Operating expenses	(8,640)	(2,065)	(590)	
Depreciation	(5,632)	(5,675)	(953)	
Other expenses	(4,779)	(3,735)	222	
Loss on sale	(21,044)	--	--	
Net income (loss)	$(12,055)	$25,757	$ 576	
OUR SHARE				
Allocated (loss) income(3)	$(10,008)	$ 9,273	$ 148	
Adjustments(4)	75	177	(9)	
Earnings (loss) from unconsolidated affiliates	$ (9,933)	$ 9,450	$ 139	$ (344)
Allocated distributions	$ 6,850	$10,332	$ --	$17,182

SIX MONTHS ENDED JUNE 30, 2000

	DEEPWATER HOLDINGS(1)	POSEIDON	OTHER(2)	TOTAL
OWNERSHIP INTEREST	50%	36%	25.67%	
	(IN THOUSANDS)			
OPERATING RESULTS DATA				
Operating revenues	$ 31,121	$30,257	$14,956	
Other income	172	464	1,118	
Operating expenses	(16,117)	(3,843)	(2,720)	
Depreciation	(8,409)	(4,815)	(4,930)	
Other expenses	(3,160)	(5,423)	(216)	
Net income	$ 3,607	$16,640	$ 8,208	
OUR SHARE				
Allocated income(3)	$ 1,548	$ 5,990	$ 2,107	
Adjustments(4)	1,040	(616)	3	
Earnings from unconsolidated affiliates	$ 2,588	$ 5,374	$ 2,110	$10,072
Allocated distributions	$ 7,600	$ 3,564	$ 4,320	$15,484

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

(1) In January 2001, Deepwater Holdings sold its Stingray and West Cameron subsidiaries. Deepwater Holdings sold its interest in its UTOS subsidiary in April 2001.
(2) Other contains Manta Ray Offshore Gathering Company, L.L.C. and Nautilus Pipeline Company L.L.C. In January 2001, we sold our 25.67% interest in

Manta Ray Offshore and our 25.67% interest in Nautilus.

(3) The income (loss) from Deepwater Holdings is not allocated proportionately with our ownership percentage because the capital contributed by us was a larger amount of the total capital at the time of formation. Therefore, we were allocated a larger amount of the amortization of Deepwater Holdings' excess purchase price of its investments. Also, we were allocated a larger portion of Deepwater Holdings' $25 million loss incurred in 2001 due to the sale of Stingray, UTOS, and the West Cameron dehydration facility. Our total share of the losses relating to these sales was approximately $14 million.

(4) We recorded adjustments primarily for differences from estimated year end 2000 and 1999 earnings reported in our Annual Report on Form 10-K and actual earnings reported in the 2000 and 1999 audited annual reports of our unconsolidated affiliates, and for purchase price adjustments under Accounting Principles Board (APB) Opinion No. 16, "Business Combinations."

10. RELATED PARTY TRANSACTIONS

Our transactions with related parties and affiliates are as follows:

	QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
	(IN THOUSANDS)			
Revenues received from related parties				
Oil and natural gas sales	$ 2,788	$5,951	$ 5,477	$11,647
Liquid transportation and fractionation services	6,745	--	9,051	--
Gathering and transportation services	1,118	--	1,921	--
Platform services	1	50	35	50
	$10,652	$6,001	$16,484	$11,697
Expenses paid to related parties				
Purchased natural gas costs	$ 5,730	$1,565	$18,525	$ --
Operating expenses	7,669	5,092	15,251	9,621
	$13,399	$6,657	$33,776	$ 9,621
Reimbursements received from related parties				
Operating expenses	$ 2,694	$5,704	$ 6,218	$10,725

There have been no changes to our related party relationships, except as described below, from our 2000 Annual Report on Form 10-K.

In connection with the sale of Stingray, UTOS, and the West Cameron dehydration facility, we have agreed to continue to operate the systems and facilities through the third quarter of 2001. We continue to receive reimbursements to cover operating activities; however, we no longer consider these reimbursements as transactions with related parties.

At June 30, 2001, and December 31, 2000, our accounts receivable balances due from related parties was approximately $8 million and $2 million, respectively. At June 30, 2001 and December 31, 2000, our accounts payable due to related parties was approximately $5 million and $2 million, respectively.

In connection with the sale of our Gulf of Mexico assets, El Paso Corporation will make quarterly payments to us of $2.25 million for the next three years and $2 million in the first quarter of 2004. At June 30, 2001, the present value of the amounts due from El Paso Corporation were classified as follows:

	(IN THOUSANDS)
Other current assets	$ 7,582
Other noncurrent assets	14,031
	$21,613

In connection with our acquisition of EPN Texas, we entered into a twenty-year transportation and fractionation agreement with El Paso NGL Marketing, L.P., an affiliate of our General Partner. In this agreement, El Paso NGL Marketing has agreed to deliver all of the NGLs derived from processing operations at seven natural gas processing plants in south Texas owned by affiliates of El Paso NGL Marketing to our south Texas NGL gathering and fractionation facilities. We have dedicated 100 percent of the capacity of these facilities to El Paso NGL Marketing.

We conduct all of our hedging activities through El Paso Merchant Energy, an affiliate of our General Partner.

11. COMPREHENSIVE INCOME

Comprehensive income includes the following:

	QUARTER ENDED JUNE 30, 2001	QUARTER ENDED JUNE 30, 2000	SIX MONTHS ENDED JUNE 30, 2001	SIX MONTHS ENDED JUNE 30, 2000
	(IN THOUSANDS)			
Net income	$11,844	$8,367	$24,817	$10,306
Change in value of cash flow hedges	1,123	--	1,123	--
Total comprehensive income	$12,967	$8,367	$25,940	$10,306

12. GUARANTOR FINANCIAL INFORMATION

In May 2001, we purchased our General Partner's 1.01% non-managing ownership interest in twelve of our subsidiaries for $8 million. As a result of this acquisition, all of our subsidiaries, excluding our joint ventures, are wholly owned by us. Our revolving credit facility is guaranteed by us and each of our subsidiaries (excluding our Argo, L.L.C. and Argo I, L.L.C. subsidiaries) and is collateralized by our management agreement, substantially all of our assets, and our General Partner's one percent general partner interest. In addition, all of our Senior Subordinated Notes are guaranteed by all of our subsidiaries except Argo and Argo I. In accordance with Rule 3-10(e) of Regulation S-X, we are providing the following condensed consolidating financial information of us (as the Issuer) and our subsidiaries as if our current organizational structure were in place for all periods presented. The consolidating eliminations column eliminates our investment in consolidated subsidiaries, intercompany payables and receivables and other transactions between subsidiaries.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS FOR THE QUARTER ENDED JUNE 30, 2001

	ISSUER	NON-GUARANTOR SUBSIDIARIES(1)	GUARANTOR SUBSIDIARIES	CONSOLIDATING ELIMINATIONS	CONSOLIDATED TOTAL
	(IN THOUSANDS)				
Operating revenues	$ --	$ --	$ 44,987	$ --	$44,987
Operating expenses					
Purchased natural gas costs	--	--	11,474	--	11,474
Operations and maintenance, net	--	144	8,985	--	9,129
Depreciation, depletion and amortization	24	--	8,048	--	8,072
	24	144	28,507	--	28,675
Operating income (loss)	(24)	(144)	16,480	--	16,312
Other income (loss)					
Earnings from unconsolidated affiliates	--	--	4,368	--	4,368
Net loss on sales of assets	(1,265)	--	395	--	(870)
Other income	368	--	8	--	376
	(897)	--	4,771	--	3,874
Income (loss) before interest and other charges					

(921) (144) 21,251 -- 20,186
Interest and debt income
(expense)......................
5,234 417 (13,934) -- (8,283)
Minority
interest................. -- --
(59) -- (59) ------- ----- ----
---- ------- ------- Net
income...................... $
4,313 $ 273 $ 7,258 $ --
$11,844 ======= ===== ========
======= =======

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE QUARTER ENDED JUNE 30, 2000

	ISSUER	NON-GUARANTOR SUBSIDIARIES(1)	GUARANTOR SUBSIDIARIES	CONSOLIDATING ELIMINATIONS	CONSOLIDATED TOTAL
	(IN THOUSANDS)				
Operating revenues	$ --	$ --	$26,813	$ --	$26,813
Operating expenses					
Purchased natural gas costs	--	--	4,881	--	4,881
Operations and maintenance, net	(3,128)	--	4,653	--	1,525
Depreciation, depletion and amortization	35	--	6,953	--	6,988
	(3,093)	--	16,487	--	13,394
Operating income	3,093	--	10,326	--	13,419
Other income					
Earnings from unconsolidated affiliates	--	--	6,222	--	6,222
Other income	76	--	1,009	--	1,085
	76	--	7,231	--	7,307
Income before interest, income taxes and other charges	3,169	--	17,557	--	20,726
Interest and debt income (expense)	11,380	--	(23,750)	--	(12,370)
Minority interest	10	--	(135)	--	(125)
Income tax benefit	--	--	136	--	136
Net income (loss)	$ 14,559	$ --	$(6,192)	$ --	$ 8,367

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(1) Non-guarantor subsidiaries consist of Argo and Argo I, which were formed in August 2000.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2001

	ISSUER	GUARANTOR SUBSIDIARIES(1)	NON-GUARANTOR SUBSIDIARIES	CONSOLIDATING ELIMINATIONS	CONSOLIDATED TOTAL
	(IN THOUSANDS)				
Operating revenues	$ --	$ --	$ 99,489	$ --	$ 99,489
Operating expenses					
Purchased natural gas costs	--	--	33,764	--	33,764
Operations and maintenance, net	1,792	327	13,390	--	15,509
Depreciation, depletion and amortization	278	--	16,096	--	16,374
Asset impairment charge	--	--	3,921	--	3,921
	2,070	327	67,171	--	69,568
Operating income (loss)	(2,070)	(327)	32,318	--	29,921
Other income (loss)					
Loss from unconsolidated affiliates	--	--	(344)	--	(344)
Net loss on sales of assets	(10,941)	--	(310)	--	(11,251)
Other income	26,322	--	35	--	26,357
	15,381	--	(619)	--	14,762
Income (loss) before interest and other charges	13,311	(327)	31,699	--	44,683
Interest and debt income (expense)	5,130	(143)	(24,753)	--	(19,766)
Minority interest	--	--	(100)	--	(100)
Net income (loss)	$ 18,441	$(470)	$ 6,846	$ --	$ 24,817

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2000

	ISSUER	GUARANTOR SUBSIDIARIES(1)	NON-GUARANTOR SUBSIDIARIES	CONSOLIDATING ELIMINATIONS	CONSOLIDATED TOTAL
	(IN THOUSANDS)				
Operating revenues	$ --	$ --	$ 45,762	$ --	$ 45,762
Operating expenses					

Purchased natural gas
costs.... -- -- 5,953 --
5,953 Operations and
maintenance,
net.........................
-- -- 3,532 -- 3,532
Depreciation, depletion and
amortization................
90 -- 13,374 -- 13,464 ----
---- ----- -------- -------
-------- 90 -- 22,859 --
22,949 -------- ----- -----
--- ------- --------
Operating income
(loss).......... (90) --
22,903 -- 22,813 -------- -
---- -------- ------- -----
--- Other income Earnings
from unconsolidated
affiliates..................
-- -- 10,072 -- 10,072
Other
income...................
157 -- 1,010 -- 1,167 -----
--- ----- -------- -------
-------- 157 -- 11,082 --
11,239 -------- ----- -----
--- ------- -------- Income
before interest, income
taxes and other
charges........ 67 --
33,985 -- 34,052 Interest
and debt expense........ --
-- (23,750) -- (23,750)
Minority
interest................ --
-- (135) -- (135) Income
tax benefit..............
-- -- 139 -- 139 -------- -
---- -------- ------- -----
--- Net
income.....................
$ 67 $ -- $ 10,239 $ -- $
10,306 ======== =====
======== ======= ========

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(1) Non-guarantor subsidiaries consist of Argo and Argo I, which were formed in August 2000.

CONDENSED CONSOLIDATING BALANCE SHEET
JUNE 30, 2001

	ISSUER	GUARANTOR SUBSIDIARIES(1)	NON-GUARANTOR SUBSIDIARIES	CONSOLIDATING ELIMINATIONS	CONSOLIDATED TOTAL
	(IN THOUSANDS)				
Current assets					
Cash and cash equivalents	$ 29,477	$ 2,908	$ --	$ --	$ 32,385
Accounts receivable, net	--	--	22,493	--	22,493
Accounts receivable, affiliate	537,832	--	8,033	(537,832)	8,033
Other current assets	8,562	--	2,190	--	10,752
Total current assets	575,871	2,908	32,716	(537,832)	73,663
Property, plant and equipment, net	1,521	139,376	657,129		798,026
Investments in unconsolidated affiliates	--	--	73,796	--	73,796
Investments in consolidated affiliates	77,554	--	44,071	(121,625)	--
Other noncurrent assets	201,159	1,277	262	(169,999)	32,699
Total assets	$856,105	$143,561	$ 807,974	$(829,456)	$978,184
Current liabilities					
Accounts payable	$ 940	$ 576	$ 4,064	$ --	$ 5,580
Accounts payable, affiliate	--	3,404	539,438	(537,832)	5,010
Accrued interest	4,816	510	--	--	5,326
Other current liabilities	1,082	--	4,798	--	5,880
Total current liabilities	6,838	4,490	548,300	(537,832)	21,796
Long-term debt	485,000	95,000	--	--	580,000
Other noncurrent liabilities	--	--	182,120	(169,999)	12,121
Partners' capital	364,267	44,071	77,554	(121,625)	364,267
Total liabilities and partners' capital	$856,105	$143,561	$ 807,974	$(829,456)	$978,184

CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2000

	ISSUER	GUARANTOR SUBSIDIARIES(1)	NON-GUARANTOR SUBSIDIARIES	CONSOLIDATING ELIMINATIONS	CONSOLIDATED TOTAL

	(IN THOUSANDS)				
Current assets					
Cash and cash equivalents	$ 18,865	$ 1,416	$ --	$ --	$ 20,281
Accounts receivable, net	--	--	36,601	(5,469)	31,132
Accounts receivable, affiliate	620,780	(875)	1,602	(619,905)	1,602
Other current assets	390	--	243	--	633
Total current assets	640,035	541	38,446	(625,374)	53,648
Property, plant and equipment, net	1,798	88,356	541,541	--	631,695
Investments in unconsolidated affiliates	--	--	182,734	--	182,734
Investments in consolidated affiliates	156,175	--	44,542	(200,717)	--
Other noncurrent assets	9,498	1,445	239	--	11,182
Total assets	$807,506	$ 90,342	$ 807,502	$(826,091)	$879,259
Current liabilities					
Accounts payable	$ 1,585	$ 508	$ 15,433	$ (5,469)	$ 12,057
Accounts payable, affiliate	--	--	622,273	(619,905)	2,368
Accrued interest	2,815	292	--	--	3,107
Other current liabilities	(965)	--	3,136	--	2,171
Total current liabilities	3,435	800	640,842	(625,374)	19,703
Long-term debt	493,000	45,000	--	--	538,000
Other noncurrent liabilities	--	--	12,851	--	12,851
Minority interest	--	--	(2,366)	--	(2,366)
Partners' capital	311,071	44,542	156,175	(200,717)	311,071
Total liabilities and partners' capital	$807,506	$ 90,342	$ 807,502	$(826,091)	$879,259

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(1) Non-guarantor subsidiaries consist of Argo and Argo I, which were formed in August 2000.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED JUNE 30, 2001

	ISSUER	NON-GUARANTOR SUBSIDIARIES	GUARANTOR SUBSIDIARIES(1)	CONSOLIDATING ELIMINATIONS	CONSOLIDATED TOTAL
	(IN THOUSANDS)				
Cash flows from operating activities					
Net income (loss)	$ 18,441	$ (470)	$ 6,846	$ --	$ 24,817
Adjustments to reconcile net income to net cash from operating activities					
Depreciation, depletion and amortization	278	--	16,096	--	16,374
Asset impairment charge	--	--	3,921	--	3,921
Net loss on sale of assets	10,941	--	310	--	11,251
Distributed earnings of unconsolidated affiliates					
Loss from unconsolidated affiliates	--	--	344	--	344
Distributions from unconsolidated affiliates	--	--	17,182	--	17,182
Working capital changes, net of non-cash transactions	(18,796)	285	(213)	--	(18,724)
Other	1,867	207	--	--	2,074
Net cash provided by operating activities	12,731	22	44,486	--	57,239
Cash flows from investing activities					
Additions to property, plant and equipment	--	(51,020)	(151,761)	--	(202,781)
Proceeds from sale of assets	89,162	--	19,071	--	108,233
Additions to investments in unconsolidated affiliates	--	--	(1,487)	--	(1,487)
Cash paid for acquisitions, net of cash acquired	--	--	(8,000)	--	(8,000)
Other	--	--	(330)	--	(330)
Net cash provided by (used in) investing activities	89,162	(51,020)	(142,507)	--	(104,365)
Cash flows from financing activities					
Net proceeds from revolving credit facility	187,620	--	--	--	187,620
Revolving credit facility repayments	(446,000)	--	--	--	(446,000)
Net proceeds from issuance of long-term debt	240,879	--	--	--	240,879
Net proceeds from project financing	--	49,961	--	--	49,961
Net proceeds from issuance of common units	74,187	--	--	--	74,187
Advances with affiliates	(100,550)	2,529	98,021	--	--
Distributions to partners	(48,122)	--	--	--	(48,122)
Contribution from General Partner	705	--	--	--	705

--- Net cash provided by (used in) financing activities........ (91,281) 52,490 98,021 -- 59,230 --------- --- ----- --------- -------- --------- Increase in cash and cash equivalents... $ 10,612 $ 1,492 $ -- $ -- 12,104 ========= ======== ========= ======== Cash and cash equivalents Beginning of period................... 20,281 ---- ----- End of period......................... $ 32,385 =========

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(1) Non-guarantor subsidiaries consist of Argo and Argo I, which were formed in August 2000.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED JUNE 30, 2000

	ISSUER	GUARANTOR SUBSIDIARIES(1)	NON-GUARANTOR SUBSIDIARIES	CONSOLIDATING ELIMINATIONS	CONSOLIDATED TOTAL
	(IN THOUSANDS)				
Cash flows from operating activities					
Net income	$ 67	$--	$ 10,239	$ --	$ 10,306
Adjustments to reconcile net income to net cash from operating activities					
Depreciation, depletion and amortization	90	--	13,374	--	13,464
Distributed earnings from unconsolidated affiliates					
Earnings from unconsolidated affiliates	--	--	(10,072)	--	(10,072)
Distributions from unconsolidated affiliates	--	--	15,484	--	15,484
Working capital changes, net of non-cash transactions	3,008	--	(1,878)	--	1,130
Other	(966)	--	(6)	--	(972)
Net cash provided by operating activities	2,199	--	27,141	--	29,340
Cash flows from investing activities					
Additions to property, plant and equipment	(233)	--	(29,249)	--	(29,482)
Additions to investments in unconsolidated affiliates	--		(8,888)		(8,888)
Cash paid for acquisitions, net of cash acquired	--	--	(26,476)	--	(26,476)
Other	(179)	--	(4)	--	(183)
Net cash used in investing activities	(412)	--	(64,617)	--	(65,029)
Cash flows from financing activities					
Net proceeds from revolving credit facility	89,090	--	--	--	89,090
Revolving credit facility repayments	(11,000)	--	--	--	(11,000)
Advances with affiliates	(36,995)	--	36,995	--	--
Distributions to partners	(35,973)	--	--	--	(35,973)
Net cash provided by financing activities	5,122	--	36,995	--	42,117
Increase (decrease) in cash and cash equivalents	$ 6,909	$--	$ (481)	$ --	6,428
Cash and cash equivalents					
Beginning of period					4,202
End of period					$ 10,630

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(1) Non-guarantor subsidiaries consist of Argo and Argo I which were formed in August 2000.

13. NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

Business Combinations

In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, Business Combinations. This statement requires that all transactions that fit the definition of a business combination be accounted for using the purchase method and prohibits the use of the pooling of interests method for all business combinations initiated after June 30, 2001. This statement also established specific criteria for the recognition of intangible assets separately from goodwill and requires unallocated negative goodwill to be written off immediately as an extraordinary item. This standard will have an impact on any business combination we undertake in the future. We are currently evaluating the effects of this pronouncement on our historical financial statements.

Goodwill and Other Intangible Assets

In July 2001, the FASB issued SFAS No. 142, Goodwill and Other Intangible Assets. This statement requires that goodwill no longer be amortized but should be intermittently tested for impairment at least on an annual basis. Other intangible assets are to be amortized over their useful life and reviewed for impairment in accordance with the provisions of SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of. An intangible asset with an indefinite useful life can no longer be amortized until its useful life becomes determinable. This statement has various effective dates, the most significant of which is January 1, 2002. We are currently evaluating the effects of this pronouncement.

Accounting for Asset Retirement Obligations

In July 2001, the FASB approved for issuance SFAS No. 143, Accounting for Asset Retirement Obligations. This statement requires companies to record a liability relating to the retirement and removal of assets used in their business. The liability is discounted to the present value, and the related asset value is increased by the amount of the resulting liability. Over the life of the asset, the liability will be accreted to its future value and eventually extinguished when the asset is taken out of service. The provisions of this statement are effective for fiscal years beginning after June 15, 2002. We are currently evaluating the effects of this pronouncement.

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

The information contained in Item 2 updates, and you should read it in conjunction with, information disclosed in Part II, Items 7, 7A and 8, in our Annual Report on Form 10-K for the year ended December 31, 2000, in addition to the interim financial statements and notes presented in Item 1 of this Quarterly Report on Form 10-Q.

RECENT DEVELOPMENTS

PRINCE TLP

In July 2001, we installed the Prince TLP facility in Ewing Bank Block 1003. The platform was installed in 1,450 feet of water approximately 120 miles south of New Orleans, Louisiana. We managed the construction of the Prince TLP and also own the related pipelines to gather and process oil and natural gas production from the Prince Field. The platform will serve as a landing spot for future oil and natural gas developments in the Ewing Bank and Green Canyon areas of the Deepwater Trend of the Gulf of Mexico.

The Prince TLP platform has a capacity of 50 MBbls/d of oil and 80 MMcf/d of natural gas, as well as the capacity to accommodate a 1,200-horsepower completion rig. The deck is equipped for the future addition of numerous sub-sea well tie-backs. We expect the first production from the Prince TLP in the third quarter of 2001.

EPN TEXAS

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

GULF OF MEXICO ASSETS

In accordance with an FTC order related to El Paso Corporation's merger with The Coastal Corporation, we, along with Deepwater Holdings, agreed to sell several of our offshore Gulf of Mexico assets to third parties in January 2001. Total consideration received for these assets was approximately $162 million consisting of approximately $108 million for the assets we sold and approximately $54 million for the assets Deepwater Holdings sold. The offshore assets sold include interests in Stingray, UTOS, Nautilus, Manta Ray Offshore, Nemo, Tarpon and the Green Canyon pipeline assets, as well as interests in two offshore platforms and one dehydration facility. We recognized net losses from the asset sales of approximately $11 million, and Deepwater Holdings recognized losses of approximately $21 million. Our share of Deepwater Holdings' losses was approximately $14 million, which has been reflected in earnings (loss) from unconsolidated affiliates in the accompanying statements of operations.

As additional consideration for the above transactions, El Paso Corporation will make payments to us totaling $29 million. These payments, which began in the first quarter of 2001, will be made in quarterly installments of $2.25 million for the next three years and $2 million in the first quarter of 2004. From this additional consideration, we realized income of approximately $25 million in the first quarter of 2001, which has been reflected in other income in the accompanying statements of operations.

SEGMENT RESULTS

As a result of our acquisition of EPN Texas in February 2001, we began providing NGL transportation and fractionation services and have shown these activities as a separate segment called Liquid Transportation and Fractionation. This segment also includes the liquid transportation services of the Allegheny and Poseidon oil pipelines which were previously reflected in the Gathering and Transportation segment. In addition, with the July 2001 installation of the Prince TLP, we have begun to manage our platform operations separately from our gathering and transportation operations. Accordingly, we have shown these activities as a separate segment called Platforms. We have restated the prior periods, to the extent practicable, in order to conform to the current business segment presentation. The restated results of operations for the quarter and six months ended June 30, 2000, are not necessarily indicative of the results which would have been achieved had the revised business structure been in effect during the period.

Each of our segments are business units that offer different services and products. They are managed separately, as each requires different technology and marketing strategies. The following table presents EBIT by segment and in total for each of the quarter and six months ended June 30:

	QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
	(IN THOUSANDS)			
EARNINGS BEFORE INTEREST EXPENSE AND INCOME TAXES				
Gathering and transportation	$ 3,909	$ 8,297	$14,377	$19,430
Liquid transportation and fractionation	10,673	6,924	17,721	8,991
Platforms	5,363	7,983	9,459	12,665
Natural gas storage	2,367	--	4,901	--
Oil and natural gas production	782	(1,363)	4,568	(2,682)
Segment EBIT	23,094	21,841	51,026	38,404
Non-segment activity, net	(2,908)	(1,115)	(6,343)	(4,352)
Consolidated EBIT	$20,186	$20,726	$44,683	$34,052

EBIT variances are discussed in the segment results below.

GATHERING AND TRANSPORTATION

The Gathering and Transportation segment primarily includes the El Paso Intrastate - Alabama (EPIA) system, the Viosca Knoll Pipeline, and our interests in Deepwater Holdings. The pipeline systems serve the coal bed methane producing regions of Alabama as well as production activities in the Gulf of Mexico, including offshore regions of Texas, Louisiana, and Mississippi.

	QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
	(IN THOUSANDS)			
Gathering and transportation revenues	$ 6,276	$ 8,660	$ 12,746	$16,266
Natural gas sales	13,759	6,746	38,364	7,912
Total operating revenues	20,035	15,406	51,110	24,178
Purchased natural gas costs	(11,193)	(4,641)	(34,164)	(5,585)
Operating expenses	(3,119)	(4,494)	(7,478)	(3,870)
Other income (loss)	(1,814)	2,026	4,909	4,707
EBIT	$ 3,909	$ 8,297	$ 14,377	$19,430

Second Quarter Ended June 30, 2001 Compared With Second Quarter Ended June 30, 2000

Gathering and transportation revenues for the quarter ended June 30, 2001, were $2.4 million lower than the same period in 2000, primarily due to lower volumes on the Viosca Knoll pipeline during the second quarter of 2001 and the sale of Tarpon and the Green Canyon pipeline assets in January 2001. Natural gas sales revenues and purchased natural gas costs for the quarter ended June 30, 2001, were $7.0 million and $6.6 million higher, respectively, than the same periods in 2000 due to increased volumes and rates on the EPIA system.

Operating expenses for the quarter ended June 30, 2001, were $1.4 million lower than the same period in 2000, primarily due to lower operating expenses on our Viosca Knoll pipeline and the sale of some of our pipelines in January 2001. Also contributing to lower expenses were cost recoveries under our operating agreement with Deepwater Holdings relative to actual costs incurred compared to the same period in 2000.

Other loss for the quarter ended June 30, 2001, was $3.8 million higher than the same period in 2000, primarily due to lower earnings from Deepwater Holdings as a result of the sale of Stingray, UTOS, and the West Cameron dehydration facility, partially offset by slightly higher volumes on Deepwater Holdings' HIOS and East Breaks systems. The East Breaks system went into service in June 2000.

Six Months Ended June 30, 2001 Compared With Six Months Ended June 30, 2000

Gathering and transportation revenues for the six months ended June 30, 2001, were $3.5 million lower than the same period in 2000, primarily due to the sale of Tarpon and the Green Canyon pipeline assets in January 2001 and lower volumes on our Viosca Knoll pipeline. Natural gas sales revenues and purchased natural gas costs for the six months ended June 30, 2001, were $30.5 million and $28.6 million higher, respectively, than the six months ended June 30, 2000, due to the purchase of EPIA in March 2000 as well as increased volumes and rates on EPIA in 2001.

Operating expenses for the six months ended June 30, 2001, were $3.6 million higher than the same period in 2000, primarily due to the impairment of the Manta Ray pipeline in January 2001, partially offset by lower operating expenses resulting from the sales of assets in January 2001.

Other income for the six months ended June 30, 2001, was $0.2 million higher than the same period in 2000, primarily due to the $22 million of additional consideration from El Paso Corporation related to the sales of our Gulf of Mexico assets. This increase was partially offset by lower earnings from unconsolidated affiliates of $14.5 million, primarily due to our share of the losses recognized by Deepwater Holdings' sale of Stingray, UTOS and the West Cameron dehydration facility during the first six months of 2001. In addition, we incurred net losses on sales of assets of $7.8 million due to the sales of our interests in Nautilus, Manta Ray Offshore, Nemo, Tarpon and the Green Canyon pipeline assets in January 2001.

LIQUID TRANSPORTATION AND FRACTIONATION

The Liquid Transportation and Fractionation segment includes the NGL gathering and transportation pipelines and fractionation plants of EPN Texas, as well as the Poseidon and Allegheny oil pipelines. The crude oil pipeline systems serve production activities in the Gulf of Mexico.

	QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
	(IN THOUSANDS)			
Liquid transportation and fractionation revenues	$ 8,464	$ 2,081	$12,735	$ 3,613
Operating expenses	(3,148)	(361)	(4,464)	(996)
Other income	5,357	5,204	9,450	6,374
EBIT	$10,673	$ 6,924	$17,721	$ 8,991

Second Quarter Ended June 30, 2001 Compared With Second Quarter Ended June 30, 2000

Revenues for the quarter ended June 30, 2001, were $6.4 million higher and operating expenses were $2.8 million higher than the same period in 2000, primarily due to the purchase of EPN Texas in February 2001.

Other income for the quarter ended June 30, 2001, was $0.2 million higher than the same period in 2000, primarily due to an increase in earnings from unconsolidated affiliates related to lower average interest rates on Poseidon's revolving credit facility in 2001, partially offset by the receipt of business interruption insurance proceeds in June 2000 relating to the Poseidon pipeline rupture in January 2000.

Six Months Ended June 30, 2001 Compared With Six Months Ended June 30, 2000

Revenues for the six months ended June 30, 2001, were $9.1 million higher and operating expenses were $3.5 million higher than the same period in 2000, primarily due to the purchase of EPN Texas in February 2001.

Other income for the six months ended June 30, 2001, was $3.1 million higher than the same period in 2000, primarily due to an increase in earnings from unconsolidated affiliates related to lower average interest rates on Poseidon's revolving credit facility in 2001 and lower earnings in 2000 resulting from Poseidon's pipeline rupture in January 2000. Partially offsetting this increase was the receipt of business interruption insurance proceeds in June 2000 related to the Poseidon pipeline rupture in January 2000.

PLATFORMS

The Platform segment consists of the East Cameron 373, Viosca Knoll 817, Prince TLP, Garden Banks 72, and Ship Shoal 331 and 332 platforms. These offshore platforms are used to interconnect our offshore pipeline grid, assist in performing pipeline maintenance, and conduct drilling operations during the initial development phase of a natural gas and oil property.

	QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
	(IN THOUSANDS)			
Platform services revenue	$ 7,198	$ 6,767	$14,231	$12,786
Operating expenses	(1,821)	1,216	(4,740)	(121)
Other loss	(14)	--	(32)	--
EBIT	$ 5,363	$ 7,983	$ 9,459	$12,665

Second Quarter Ended June 30, 2001 Compared With Second Quarter Ended June 30, 2000

Platform services revenue for the quarter ended June 30, 2001, were $0.4 million higher than the same period in 2000, primarily due to increased volumes on East Cameron 373, partially offset by lower volumes on Garden Banks 72.

Operating expenses for the quarter ended June 30, 2001, were $3.0 million higher than the same period in 2000, primarily due to the favorable resolution of litigation in June 2000 and higher overhead expenses related to the Prince TLP in 2001.

Six Months Ended June 30, 2001 Compared With Six Months Ended June 30, 2000

Platform services revenue for the six months ended June 30, 2001, were $1.4 million higher than the same period in 2000, primarily due to increased volumes on East Cameron 373, partially offset by lower volumes on Garden Banks 72.

Operating expenses for the six months ended June 30, 2001, were $4.6 million higher than the same period in 2000, primarily due to increased depreciation and the favorable resolution of litigation in June 2000.

Other loss for the six months ended June 30, 2001, included approximately $3.4 million associated with the additional consideration from El Paso Corporation related to the sales of our Gulf of Mexico platform assets, partially offset by losses recognized on the sale of these assets of approximately $3.5 million.

NATURAL GAS STORAGE

The Natural Gas Storage segment includes the Petal and Hattiesburg storage facilities. These facilities serve the Northeastern and Southeastern natural gas markets.

	QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
	(IN THOUSANDS)			
Natural gas storage revenue	$ 5,512	$ --	$10,493	$ --
Operating expenses	(3,145)	--	(5,592)	--
EBIT	$ 2,367	$ --	$ 4,901	$ --

In August 2000, we acquired the Crystal natural gas storage businesses. For the quarter and six months ended June 30, 2001, the revenues from these businesses consisted primarily of fixed reservation fees for natural gas storage capacity. Natural gas storage capacity revenues are recognized and due during the month in which capacity is reserved by the customer, regardless of the amount of capacity actually used. Operating expenses consist of management and operating fees and depreciation on the storage facilities.

OIL AND NATURAL GAS PRODUCTION

The Oil and Natural Gas Production segment primarily includes the Garden Banks 72 and Viosca Knoll 817 Blocks. Production from these properties is gathered, transported, and processed through our pipeline systems and platform facilities.

	QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
	(IN THOUSANDS, EXCEPT VOLUMES)			
Natural gas	$ 5,000	$ 4,313	$ 13,339	$ 8,905
Oil, condensate, and liquids	2,059	1,699	4,175	2,899
Total operating revenues	7,059	6,012	17,514	11,804
Operating expenses	(6,277)	(7,375)	(12,946)	(14,486)
EBIT	$ 782	$(1,363)	$ 4,568	$ (2,682)
Volumes				
Natural gas sales (MMcf)	1,052	1,959	2,189	3,846
Oil, condensate, and liquid sales (MBbls)	81	75	161	134
Weighted average realized prices				
Natural gas ($/Mcf)	$ 4.74	$ 2.13	$ 6.09	$ 2.25
Oil, condensate, and liquids ($/Bbl)	$ 25.45	$ 23.57	$ 25.92	$ 22.32

Second Quarter Ended June 30, 2001 Compared With Second Quarter Ended June 30, 2000

Oil and natural gas operating revenues for the quarter ended June 30, 2001, were $1.0 million higher compared to the same period in 2000. The increase in natural gas revenues was due to higher realized natural gas prices, partially offset by a decrease in volume produced due to normal depletion of existing reserves. The increase in revenue for oil production was a result of higher realized oil prices, as well as an increase in volumes produced.

Operating expenses for the quarter ended June 30, 2001, were approximately $1.1 million lower than in the same period in 2000, primarily as a result of lower depletion from oil and natural gas production.

Six Months Ended June 30, 2001 Compared With Six Months Ended June 30, 2000

Oil and natural gas operating revenues for the six months ended June 30, 2001, were $5.7 million higher than the same period in 2000. The increase was a result of higher realized oil and natural gas prices. Also contributing to the increase was higher oil production due to the temporary shut in of Garden Banks Blocks 72 and 117 in 2000 as a result of the Poseidon pipeline rupture. Partially offsetting the increase in revenues was a decrease in natural gas production due to normal depletion of existing reserves.

Operating expenses for the six months ended June 30, 2001, were $1.5 million lower than in the same period in 2000, primarily as a result of lower depletion from oil and natural gas production.

NON-SEGMENT ACTIVITY

Earnings before interest expense and income taxes for the quarter and six months ended June 30, 2001, was $1.8 million and $2.0 million lower, respectively, than the same period in 2000 primarily due to higher general and administrative expenses attributable to an increase in our activities.

INTEREST AND DEBT EXPENSE

Second Quarter Ended June 30, 2001 Compared With Second Quarter Ended June 30, 2000

Interest and debt expense, net of capitalized interest, for the quarter ended June 30, 2001, was approximately $4.1 million lower than 2000, due to a decrease in the average revolving credit facility balance and lower average interest rates in 2001, partially offset by additional borrowings in 2001 on our project finance loan and the issuance of 8.5% Senior Subordinated Notes in May 2001.

Six Months Ended June 30, 2001 Compared With Six Months Ended June 30, 2000

Interest and debt expense, net of capitalized interest, for the six months ended June 30, 2001, was approximately $4.0 million lower than 2000, due to a decrease in the average revolving credit facility balance and lower average interest rates in 2001, partially offset by the issuance of 8.5% Senior Subordinated Notes in May 2001.

LIQUIDITY AND CAPITAL RESOURCES

CASH FROM OPERATING ACTIVITIES

Net cash provided by operating activities was $57.2 million for the six months ended June 30, 2001, compared to $29.3 million for the same period in 2000. The increase was primarily due to higher earnings, higher cash distributions in excess of earnings from unconsolidated affiliates, lower interest payments, and other working capital changes.

CASH FROM INVESTING ACTIVITIES

Net cash used in investing activities was $104.4 million for the six months ended June 30, 2001. Our investing activities were primarily related to the purchase of EPN Texas, expenditures related to our expansion of the Petal natural gas storage facility, the Prince TLP and the acquisition of our General Partner's 1% non-managing ownership interest in us, partially offset by proceeds from the sale of some of our Gulf of Mexico assets in 2001.

CASH FROM FINANCING ACTIVITIES

Net cash provided by financing activities was $59.2 million for the six months ended June 30, 2001. During 2001, we received net proceeds of approximately $238 million from borrowings under our revolving credit facility and from our project finance loan. We also issued 2,250,000 common units in a public offering and 278,500 common units related to options exercised for net proceeds of approximately $74 million. In May 2001, we issued $250 million of 8.5% Senior Subordinated Notes for net proceeds of $241 million. These increases were partially offset by distributions to our partners of approximately $47 million and payments on our revolving credit facility of $446 million.

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

LIQUIDITY

For a discussion of our financing arrangements and transactions, see Part I, Financial Information, Note 5, which is incorporated herein by reference.

COMMITMENTS AND CONTINGENCIES

See Part I, Financial Information, Note 7, which is incorporated herein by reference.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

- earnings per unit;

- capital and other expenditures;

- cash distributions;

- financing plans;

- capital structure;

- cash flow;

- pending legal proceedings and claims, including environmental matters;

- future economic performance;

- operating income;

- cost savings;

- management's plans; and

- goals and objectives for future operations.

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

- the increasing competition within our industry;

- the timing and extent of changes in commodity prices for natural gas and oil;

- the uncertainties associated with customer contract expirations on our pipeline systems; and

- the conditions of equity and other capital markets.

These risk factors are more fully described in our other filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2000.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information updates, and you should read it in conjunction with, our quantitative and qualitative disclosures about market risks reported in our Annual Report on Form 10-K for the year ended December 31, 2000, in addition to the information presented in items 1 and 2 of this Quarterly Report on Form 10-Q.

During the quarter ended June 30, 2001, we entered into cash flow hedges. As of June 30, 2001, the fair value of cash flow hedges included in accumulated other comprehensive income was an unrealized gain of $1.1 million. We estimate the entire amount will be reclassified from accumulated other comprehensive income to earnings over the next 12 months. Most of our cash flow hedges expire in the first quarter 2002. For the quarter and six months ended June 30, 2001, there was no ineffectiveness in our cash flow hedges.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Part I, Financial Information, Note 7, which is incorporated herein by reference.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Each exhibit identified below is filed as part of this report. Exhibits not incorporated by reference to a prior filing are designated by an asterisk. Exhibits designated with a "+" constitute a management contract or compensatory plan or arrangement required to be filed as an exhibit to this report pursuant to Item 601 of Regulation S-K.

EXHIBIT NUMBER	DESCRIPTION
+10.1*	-- 1998 Common Unit Plan for Non-Employee Directors Amended and Restated Effective as of April 18, 2001.

(b) Report on Form 8-K

We filed a Current Report on Form 8-K, dated May 7, 2001, providing unaudited pro forma financial statements for our acquisitions of El Paso Intrastate-Alabama, the Crystal natural gas storage businesses and the natural gas liquids transportation and fractionation assets, in addition to the sale of several Gulf of Mexico assets, and our issuance of 2,250,000 common units.

We filed a Current Report on Form 8-K/A dated May 14, 2001, providing unaudited pro forma financial statements for our purchase of the natural gas liquids transportation and fractionation assets.

We filed a Current Report on Form 8-K, dated May 24, 2001, announcing the issuance of $250 million 8.50% Senior Subordinated Notes.

SIGNATURES

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

EL PASO ENERGY PARTNERS, L.P.

By: EL PASO ENERGY PARTNERS COMPANY,
its General Partner

Date: August 14, 2001 By: /s/ KEITH B. FORMAN

Keith B. Forman
Vice President and Chief Financial Officer

Date: August 14, 2001 By: /s/ D. MARK LELAND

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

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
+10.1*	-- 1998 Common Unit Plan for Non-Employee Directors Amended and Restated Effective as of April 18, 2001.

EXHIBIT 10.1

EL PASO ENERGY PARTNERS
1998 COMMON UNIT PLAN FOR
NON-EMPLOYEE DIRECTORS

AMENDED AND RESTATED EFFECTIVE AS OF APRIL 18, 2001

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EL PASO ENERGY PARTNERS
1998 COMMON UNIT PLAN
FOR NON-EMPLOYEE DIRECTORS
AMENDED AND RESTATED EFFECTIVE AS OF APRIL 18, 2001

SECTION 1 PURPOSE

The purpose of the El Paso Energy Partners 1998 Common Unit Plan for Non-Employee Directors, Amended and Restated effective as of April 18, 2001 (the "Plan"), is to attract and retain the services of experienced and knowledgeable non-employee Directors of El Paso Energy Partners Company (the "Company"), the general partner of El Paso Energy Partners, L.P. (the "Partnership"), and to provide an incentive for such Directors to increase their proprietary interests in the Partnership's long-term success and progress.

SECTION 2 UNITS SUBJECT TO THE PLAN

2.1 Subject to Section 2.2, the maximum number of common units of the Partnership (the "Common Units"), for which unit options and restricted units may be granted under the Plan is one hundred thousand (100,000) (the "Units"). The Units shall be Common Units held in the Company's or the Partnership's, as appropriate, treasury or issued out of the authorized but unissued units of the Partnership, or partly out of each, as shall be determined by the Plan Administrator (defined in Section 3 below).

2.2 In the event of a recapitalization, unit split, unit dividend, exchange of shares or units, merger, reorganization, change in corporate structure or units of the Partnership or similar event, the Plan Administrator, may make appropriate adjustments in the number of units authorized for the Plan and, with respect to outstanding unit options and restricted units, the Plan Administrator may make appropriate adjustments in the number of Units and the unit option price, as applicable. In the event of any adjustment in the number of Units covered by any unit option or restricted unit, any fractional units resulting from such adjustment shall be disregarded and each such unit option or restricted unit shall cover only the number of full Units resulting from such adjustment.

SECTION 3 ADMINISTRATION OF THE PLAN

Unless otherwise determined by the Board of Directors of the Company (the "Board") and subject to Section 10, the Plan shall be administered by a management committee (the "Plan Administrator") consisting of the Chairman of the Board of the Company and such other senior officers of the Company or its subsidiaries or affiliates as the Chairman of the Board shall designate. The Plan Administrator shall interpret the Plan, shall prescribe, amend and rescind rules relating to it from time to time as it deems proper and in the best interests of the Company and the Partnership, and shall take any other action necessary for the administration of the Plan.

SECTION 4 PARTICIPATION IN THE PLAN

Each member of the Board elected or appointed who is not otherwise an employee of the Company, the Partnership or any subsidiary or affiliate thereof (a "Participant") shall receive unit option and restricted unit grants as provided in the Plan.

SECTION 5 UNIT OPTION GRANTS AND TERMS

Each unit option granted to a Participant under the Plan and the issuance of Units thereunder shall be subject to the following terms:

5.1 UNIT OPTION GRANTS

A Participant shall automatically receive (a) a grant of unit options to purchase two thousand five hundred (2,500) Units when the Participant is initially elected or appointed as a Director of the Company and (b) a grant of unit options to purchase two thousand (2,000) Units on each date the Participant is reelected as a Director of the Company at the Annual Meeting of Stockholders of the Company (the "Annual Meeting"), beginning with the Annual Meeting in 2001.

Each unit option granted under the Plan shall be evidenced by a written instrument delivered by or on behalf of the Plan Administrator containing terms, provisions and conditions not inconsistent with the Plan.

5.2 VESTING OF UNIT OPTIONS

Each unit option granted to a Participant under the Plan shall be fully vested and immediately exercisable upon grant.

5.3 UNIT OPTION PRICE

The unit option price for a unit option granted under the Plan shall be the Fair Market Value of the Units covered by the unit option at the time the unit option is granted. For purposes of the Plan, "Fair Market Value" shall be the mean between the highest and lowest quoted selling prices at which the Common Units were sold on such date as reported in the NYSE Composite Transactions by the Wall Street Journal, or any other comparable service as the Plan Administrator may determine is reliable, on such date or, if no Common Units were traded on such date, on the next preceding date on which Common Units were so traded.

5.4 TIME AND MANNER OF EXERCISE OF A UNIT OPTION

Each unit option may be exercised in whole or in part at any time and from time to time; provided, however, that no fewer than one hundred (100) Units (or the remaining Units then purchasable under the unit option, if less than one hundred (100) Units) may be purchased upon exercise of any unit option hereunder and that only whole Units will be issued pursuant to the exercise of any unit option.

The purchase price of units purchased under unit options shall be paid in full to the Company upon the exercise of the unit option by delivery of consideration equal to the product of the unit option price and the number of units purchased (the "Purchase Price"). Such consideration may be paid (i) in cash or by check; (ii) in Common Units already owned by the Participant for a sufficient time (generally six (6) months) to not result in an accounting charge to the Company, or any combination of cash and Common Units, with the Fair Market Value of such Common Units valued as of the day prior to delivery; or (iii) by delivery of a properly executed exercise notice, together with irrevocable instructions to a broker designated by the Plan Administrator in a form satisfactory to the Plan Administrator to promptly deliver to the Company the amount of sale or loan proceeds to pay the Purchase Price. The Plan Administrator can specify that unit options granted or to be granted shall permit additional techniques to pay the Purchase Price. A Participant shall have none of the rights of a unitholder until the Common Units are issued to the Participant.

5.5 TERM OF UNIT OPTIONS

Each unit option shall expire ten (10) years from the date of the granting thereof, but shall be subject to earlier termination as follows:

(a) In the event that a Participant ceases to be a Director of the Company for any reason other than the death of the Participant, the unit options granted to such Participant shall expire unless exercised by him or her within thirty-six (36) months after the date such Participant ceases to be a Director of the Company.

(b) In the event of the death of a Participant, whether during the Participant's service as a Director or during the thirty-six (36) month period referred to in Section 5.5(a), the unit options granted to such Participant shall be exercisable, and such unit options shall expire unless exercised within twelve (12) months after the date of the Participant's death, by the legal representatives or the estate of such Participant, by any person or persons whom the Participant shall have designated in writing on forms prescribed by and filed with the Company or, if no such designation has been made, by the person or persons to whom the Participant's rights have passed by will or the laws of descent and distribution.

5.6 TRANSFERABILITY

During a Participant's lifetime, a unit option may be exercised only by the Participant. Unit options granted under the Plan and the rights and privileges conferred thereby shall not be subject to execution, attachment or similar process and may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or the applicable laws of descent and distribution except that, to the extent permitted by applicable law, including Section 16, and the rules and regulations promulgated thereunder by the Securities and Exchange Commission, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Plan Administrator may permit a recipient of a unit option to designate in writing during the Participant's lifetime a beneficiary to receive and exercise unit options in the event of the Participant's death (as provided in Section 5.5(b)). In the event of any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of any unit option under the Plan or of any right or privilege conferred thereby, contrary to the provisions of the Plan, or the sale or levy or any attachment or similar process upon the rights and privileges conferred thereby, such unit option shall be forfeited to the Company or the Partnership, as appropriate.

5.7 DEFERRAL ELECTION

A Participant may elect irrevocably at any time (at a time and in a manner determined by the Plan Administrator) prior to exercising a unit option granted under the Plan that issuance of Units upon exercise of such unit option shall be deferred until a pre-specified date in the future or until a Participant ceases to serve as a Director of the Company, as elected by the Participant. After the exercise of any such unit option and prior to the issuance of any deferred units, the number of Units issuable to the Participant shall be credited to a memorandum deferred account and any dividends or other distributions paid on the Common Units shall be deemed reinvested in additional Common Units until all credited Units shall become issuable pursuant to the Participant's election.

SECTION 6 RESTRICTED UNIT GRANTS AND TERMS

Each restricted unit granted to a Participant under the Plan and the issuance of Common Units thereunder shall be subject to the following terms:

6.1 RESTRICTED UNIT GRANTS

A Participant shall automatically receive a grant of restricted units equal to the Participant's annual retainer (including a chairman's retainer, if applicable) divided by the Fair Market Value, as defined in Section 5.3, of the Common Units on the grant date on each date the Participant is reelected as a Director of the Company at the Annual Meeting, beginning with the Annual Meeting in 2001, with such number of restricted units rounded down to the nearest whole unit. Each grant shall be evidenced by a written instrument delivered by or on behalf of the Company containing provisions not inconsistent with the Plan. The Participant receiving a grant of restricted units shall be recorded as a unitholder of the Company. Each Participant who receives a grant of restricted units shall have all the rights of a unitholder with respect to such Units (except as provided in the restrictions on transferability), including, but not limited to, the right to distributions on such Units; provided, however, that no Participant awarded restricted units shall have any rights as a unitholder with respect to any Units subject to the Participant's restricted unit grant prior to the date of issuance to the Participant of a certificate or certificates for such Units.

6.2 TRANSFERABILITY

During the Participant's service as a Director of the Company, the restricted units may not be sold, assigned, transferred, pledge, hypothecated or otherwise encumbered or disposed of by the recipient (the "Restriction Period"), except in the event of death or permanent disability, the transfer to the Company or the Partnership as provided under the Plan or the Plan Administrator's waiver or modification of such restrictions in the agreement evidencing the grant of restricted units, or by resolution of the Plan Administrator adopted at any time. In the event of any attempt by the Participant to sell, exchange, transfer, pledge or otherwise dispose of restricted units in violation of the terms of the Plan, such units shall be forfeited to the Company or the Partnership, as appropriate.

6.3 TERM OF RESTRICTED UNITS

Upon the Participant's termination as a Director of the Company for any reason, the restrictions on the Participant's restricted units shall end and the Participant (or the participant's legal representative, beneficiary or heir) shall be entitled to receive, upon payment to the Company of the par value of the Common Units, if required, in a manner determined by the Plan Administrator, one (1) Common Unit for each restricted unit granted pursuant to Section 6.1.

A Participant entitled to receive restricted units under the Plan shall be issued a certificate or shall have a book-entry account established for such units. Such certificate or account shall be registered in the name of the Participant, and shall bear an appropriate legend reciting the terms, conditions and restrictions, if any, applicable to such units and shall be subject to appropriate stop-transfer orders. The Plan Administrator may require, under such terms and conditions as it deems appropriate or desirable, that the certificates (if issued) for restricted units delivered under the Plan may be held in custody by a bank or other institution, or that the Company or the Partnership may itself hold such units in custody until the Restriction Period expires or until restrictions thereon otherwise lapse, and may require, as a condition of any issuance of restricted units that the Participant shall have delivered a units power endorsed in blank relating to the restricted units.

SECTION 7 GENERAL PROVISIONS

7.1 Neither the Plan, nor the granting of a unit option or restricted unit, nor any other action taken pursuant to the Plan shall constitute or be evidence of any agreement or understanding, express or implied, that a Participant has a right to continue as a Director for any period of time or at any particular rate of compensation.

7.2 The Company shall not be required to issue any certificate or certificates for Units upon the exercise of a unit option or with respect to restricted units granted under the Plan, or record as a holder of record of Units the name of the individual exercising a unit option or receiving a grant of restricted units under the Plan, (a) without obtaining to the complete satisfaction of the Plan Administrator the approval of all regulatory bodies deemed necessary by the Plan Administrator, and (b) without complying, to the Plan Administrator's complete satisfaction, with all rules and regulations under federal, state or local law deemed applicable by the Plan Administrator.

7.3 All costs and expenses of the adoption and administration of the Plan shall be borne by the Company or the Partnership, as appropriate.

7.4 The Plan shall be construed and governed in accordance with the laws of the State of Texas.

7.5 Appropriate provision shall be made for all taxes required to be withheld in connection with the exercise or other taxable event with respect to unit options or restricted units under the applicable laws or regulations of any governmental authority, whether federal, state or local and whether domestic or foreign.

A participant is solely responsible for obtaining, or failing to obtain, qualified tax advice prior to the Participant's (i) entering into any transaction under or with respect to the Plan, (ii) designating or choosing the times of distributions under the Plan, or (iii) disposing of any Common Units issued under the Plan.

SECTION 8 EFFECTIVE DATE AND DURATION OF THE PLAN

The Plan shall be effective as of April 14, 1998, and amended and restated effective as of April 18, 2001. The Plan shall continue in effect until it is terminated by action of the Board or the Company's stockholder, but such termination shall not affect the then-outstanding terms of any unit options or restricted units, or the Company's obligation to issue Units under any then-exercised unit options as to which a deferral election has been made under Section 5.7 or pursuant to restricted units in which the Restriction Period has ended.

SECTION 9 COMPLIANCE WITH SECTION 16

The Company's intention is that, so long as any of the Partnership's equity securities are registered pursuant to Section 12(b) or 12(g) of the Exchange Act, with respect to awards granted to or held by Section 16 Insiders, the Plan shall comply in all respects with Rule 16b-3 or any successor rule or rule of similar application under Section 16 of the Exchange Act or rules or regulations thereunder, and, if any Plan provision is later found not to be in compliance with such exemption under Section 16, that provision shall be deemed modified as necessary to meet the requirements of such applicable exemption. For purposes of the Plan, "Section 16 Insider" means any person who receives unit options or restricted units hereunder and who is subject to the requirements of Section 16 of the Exchange Act, and the rules and regulations promulgated thereunder.

SECTION 10 AMENDMENT, TERMINATION OR DISCONTINUANCE OF THE PLAN

10.1 Subject to the Board and Section 10.2, the Plan Administrator may from time to time make such amendments to the Plan as it may deem proper and in the best interest of the Company and the Partnership, including, but not limited to, any amendment necessary to ensure that the Company and Partnership may obtain any regulatory approval referred to in Section 7.2; provided, however, that unless the Plan Administrator determines that such change does not materially impair the value of the unit options or restricted units, no change in any unit option or restricted unit theretofore granted may be made which would impair the right of the Participant to acquire Units or retain Units that the Participant may have acquired as a result of the Plan without the consent of the Participant.

10.2 The Board may at any time suspend the operation of or terminate the Plan with respect to any Units which are not at that time subject to any outstanding unit options or restricted units.

IN WITNESS WHEREOF, the Company has caused the Plan to be amended and restated on behalf of the Partnership, effective as of April 18, 2001.

EL PASO ENERGY PARTNERS, L.P.
By: El Paso Energy Partners Company,
The General Partner

By /s/ H. BRENT AUSTIN

Title: Executive Vice President

ATTEST:

BY /s/ DAVID SIDDALL

Title: Corporate Secretary