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

FORM 8-K
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report : October 25, 2001
(Date of earliest event reported): October 18, 2001

El Paso Energy Partners, L.P.
(Exact Name of Registrant as Specified in Charter)

Delaware	1-11680	76-0396023
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1001 Louisiana Street
Houston, Texas
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (713) 420-2600

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On October 18, 2001, we acquired (a) title to and other interests in the Chaco cryogenic natural gas processing plant in northern New Mexico's San Juan Basin and (b) the remaining 50% indirect interest that we did not already own in Deepwater Holdings, L.L.C., through which the High Island Offshore System and East Breaks natural gas gathering system became indirectly wholly-owned assets.

ITEM 5. OTHER EVENTS

On October 22, we announced, among other things, our cash flow and earnings for the third quarter of 2001. A copy of our press release is attached to this Current Report as Exhibit 99.1 and incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial statements of business acquired.

Required audited financial statements will be filed by amendment.

(b) Pro forma financial information.

Required pro forma information will be filed by amendment.

(c) Exhibits.

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

2.1	Purchase and Sale Agreement dated as of September 27, 2001 by and between American Natural Offshore Company, Texas Offshore Pipeline System, Inc., Unitex Offshore Transmission Company, and ANR Western Gulf Holdings, L.L.C., as Sellers, and El Paso Energy Partners Deepwater, L.L.C., as Buyer.
2.2	Assignment, Acceptance and Amendment dated October 4, 2001 by and between Delos Offshore Company, L.L.C., a Delaware limited liability company, The Chase Manhattan Bank, KBC Bank N.V., The Sumitomo Bank, Limited, Royal Bank of Canada, The Bank of New York, Societe Generale, Southwest Agency, Societe Generale Financial Corporation, The Industrial Bank of Japan, Limited New York Branch, El Paso New Chaco Company, L.L.C., El

Paso Natural Gas Company, El Paso Corporation, The Chase Manhattan Bank, in its capacity as Agent, and the State Street Bank and Trust Company, not in its individual capacity but solely as trustee for the Chaco Liquids Plant Trust.

2.3 Tolling Agreement dated as of October 1, 2001 between El Paso Field Services, L.P., and Delos Offshore Company, L.L.C.

99.1 Press release dated October 22, 2001.

EXHIBIT NUMBER	DESCRIPTION
2.1	Purchase and Sale Agreement dated as of September 27, 2001 by and between American Natural Offshore Company, Texas Offshore Pipeline System, Inc., Unitex Offshore Transmission Company, and ANR Western Gulf Holdings, L.L.C. as Sellers and El Paso Energy Partners Deepwater, L.L.C., as Buyer.
2.2	Assignment, Acceptance and Amendment dated October 4, 2001 by and between Delos Offshore Company, L.L.C., a Delaware limited liability company (the "Assignee"), The Chase Manhattan Bank, KBC Bank N.V., The Sumitomo Bank, Limited, Royal Bank of Canada, The Bank of New York, Societe Generale, Southwest Agency, Societe Generale Financial Corporation, The Industrial Bank of Japan, Limited New York Branch, El Paso New Chaco Company, L.L.C., El Paso Natural Gas Company, El Paso Corporation, The Chase Manhattan Bank, in its capacity as Agent, and the State Street Bank and Trust Company, not in its individual capacity but solely as trustee for the Chaco Liquids Plant Trust.
2.3	Tolling Agreement dated as of October 1, 2001 between El Paso Field Services, L.P., and Delos Offshore Company, L.L.C..
99.1	Press Release dated October 22, 2001.

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 hereunto duly authorized.

EL PASO ENERGY PARTNERS, L.P.,
(Registrant)

by El Paso Energy Partners Company,
its General Partner

By: /s/ ROBERT G. PHILLIPS

Robert G. Phillips
Chief Executive Officer

Date: October 25, 2001

EXHIBIT INDEX

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2.2	Assignment, Acceptance and Amendment dated October 4, 2001 by and between Delos Offshore Company, L.L.C., a Delaware limited liability company, The Chase Manhattan Bank, KBC Bank N.V., The Sumitomo Bank, Limited, Royal Bank of Canada, The Bank of New York, Societe Generale, Southwest Agency, Societe Generale Financial Corporation, The Industrial Bank of Japan, Limited New

York Branch, El Paso New Chaco Company, L.L.C., El Paso Natural Gas Company, El Paso Corporation, The Chase Manhattan Bank, in its capacity as Agent, and the State Street Bank and Trust Company, not in its individual capacity but solely as trustee for the Chaco Liquids Plant Trust. 2.3 Tolling Agreement dated as of October 1, 2001 between El Paso Field Services, L.P., and Delos Offshore Company, L.L.C.. 99.1 Press Release dated October 22, 2001.

PURCHASE AND SALE AGREEMENT

By and Between

AMERICAN NATURAL OFFSHORE COMPANY,
TEXAS OFFSHORE PIPELINE SYSTEM, INC.,
UNITEX OFFSHORE TRANSMISSION COMPANY, and
ANR WESTERN GULF HOLDINGS, L.L.C.
(Sellers)

and

EL PASO ENERGY PARTNERS DEEPWATER, L.L.C.
(Buyer)

Covering the Acquisition of

A 50% MEMBERSHIP INTEREST
(Deepwater Interest)

IN

DEEPWATER HOLDINGS, L.L.C.
(Deepwater)

Relating to the Acquisition of an Interest in

DEEPWATER HOLDINGS, L.L.C.
WESTERN GULF HOLDINGS, L.L.C.
EAST BREAKS GATHERING COMPANY, L.L.C. and
HIGH ISLAND OFFSHORE SYSTEM, L.L.C.
(Acquired Companies)

September 27, 2001

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EXHIBITS AND SCHEDULES

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") dated as of September 27, 2001 is by and among American Natural Offshore Company, a Delaware corporation ("American Offshore"), Texas Offshore Pipeline System, Inc., a Delaware corporation ("TOPSI"), Unitex Offshore Transmission Company, a Delaware corporation ("Unitex"), ANR Western Gulf Holdings, L.L.C., a Delaware limited liability company ("ANR LLC" and together with American Offshore, TOPSI and Unitex, the "Sellers"), and El Paso Energy Partners Deepwater, L.L.C., a Delaware limited liability company (the "Buyer"). The Sellers and the Buyer are sometimes referred to collectively herein as the "Parties" and individually as a "Party."

RECITALS

WHEREAS, El Paso Energy Partners, L.P., a Delaware limited partnership (the "Partnership"), and ANR Pipeline Company, a Delaware corporation ("ANR"), each beneficially owns 50% of the issued and outstanding equity interest in Deepwater Holdings, L.L.C., a Delaware limited liability company ("Deepwater"), which beneficially owns 100% of the equity interest in Western Gulf Holdings, L.L.C., a Delaware limited liability company ("Western Gulf"), East Breaks Gathering Company, L.L.C., a Delaware limited liability company ("East Breaks"), and High Island Offshore System, L.L.C., a Delaware limited liability company ("HIOS");

WHEREAS, the Partnership desires to acquire, and ANR desires to dispose of, ANR's beneficial 50% interest in Deepwater and each of its subsidiaries (such subsidiaries collectively with Deepwater, the "Acquired Companies"), such subsidiaries being East Breaks, HIOS and Western Gulf;

WHEREAS, the Partnership owns its beneficial 50% interest in the Acquired Companies through the Buyer, which is a wholly-owned subsidiary of the Partnership and a record holder of 50% of the equity interest of Deepwater;

WHEREAS, ANR owns its beneficial 50% interest in the Acquired Companies through the Sellers, each of which is a wholly-owned (direct or indirect) subsidiary of ANR and a record holder of the equity interest in Deepwater indicated below:

American Offshore.....14.819%

ANR LLC.....17.645%

TOPSI.....14.819%

Unitex.....02.7170%

WHEREAS, this Agreement contemplates a transaction in which the Buyer shall purchase, and the Sellers shall sell, all of the equity interest in Deepwater that is not owned of record by the Buyer, which shall result in the Buyer owning (of record) all of the equity interest in Deepwater and owning (beneficially) all of the equity interest

in the other Acquired Companies, in return for the consideration specified herein.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows:

1. Definitions.

"Acquired Companies" has the meaning set forth in the Recitals.

"Acquired Company Contracts" has the meaning set forth in Section 4(g).

"Adverse Consequences" means all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, dues, penalties, fines, costs, amounts paid in settlement, liabilities, obligations, Taxes, liens, losses, expenses, and fees, including court costs and attorneys' fees and expenses, but excluding punitive (except as provided in Section 8), exemplary, special or consequential damages.

"Affiliate" has the meaning set forth in Rule 12b-2 of the regulations promulgated under the Securities Exchange Act; provided, however, that (i) with respect to the Buyer, the term "Affiliate" shall exclude each member of the El Paso Group, (ii) with respect to the Seller, the term "Affiliate" shall exclude each member of the Partnership Group, and (iii) the Acquired Companies shall be deemed to be Affiliates (x) prior to the Closing, of none of the Parties and (y) on and after the Closing, of the Buyer.

"Agreement" has the meaning set forth in the preface.

"ANR" has the meaning set forth in the Recitals.

"ANR Sponsor Agreement" means the sponsor agreement and performance guaranty in the form of Exhibit B.

"Assignment" means the assignment of the Deepwater Interest in the form of Exhibit A.

"Audited Financial Statements" has the meaning set forth in Section 4(k).

"Best Efforts" means the efforts, time, and costs that a prudent Person desirous of achieving a result would use, expend, or incur in similar circumstances to ensure that such result is achieved as expeditiously as possible; provided, however, that no such use, expenditure, or incurrence shall be required if it would have a material adverse effect on such Person.

"Buyer" has the meaning set forth in the preface.

"Buyer Indemnitees" means, collectively, the Buyer and its Affiliates and its and their officers (or Persons performing similar functions), directors (or Persons performing similar functions), employees, agents and representatives to the extent acting in such capacity.

"Closing" has the meaning set forth in Section 2(c).

"Closing Date" has the meaning set forth in Section 2(c).

"Closing Statement" has the meaning set forth in Section 2(e)(i).

"Code" means the Internal Revenue Code of 1986, as amended, or any successor Law.

"Commitment" means (a) options, warrants, convertible securities, exchangeable securities, subscription rights, conversion rights, exchange rights or other contracts that could require a Person to issue any of its Equity Interests or to sell any Equity Interests it owns in another Person; (b) any other securities convertible into, exchangeable or exercisable for, or representing the right to subscribe for any Equity Interest of a Person or owned by a Person; (c) statutory pre-emptive rights or pre-emptive rights granted under a Person's Organizational Documents; and (d) stock appreciation rights, phantom stock, profit participation, or other similar rights with respect to a Person.

"Deepwater" has the meaning set forth in the Recitals.

"Deepwater Interest" means a 50.0% (record and beneficial) Equity Interest in Deepwater.

"Deepwater Loan Documents" means (i) the Amended and Restated Credit Agreement dated as of September 30, 1999 by and among Deepwater and The Chase Manhattan Bank, individually and as Administrative Agent, First Union National Bank, individually and as Syndication Agent, Credit Lyonnais, individually and as Documentation Agent, and each of the other lenders party thereto; (ii) the Amended and Restated Guarantee and Collateral Agreement dated as of September 30, 1999, made by Deepwater, Western Gulf, East Breaks, and West Cameron Dehydration Company, L.L.C. in favor of The Chase Manhattan Bank, as Administrative Agent for the lenders party to the credit agreement described in (i); (iii) the Amended and Restated Sponsor Agreement made by the Partnership in favor of The Chase Manhattan Bank; (iv) the Amended and Restated Sponsor Agreement made by ANR Pipeline Company in favor of The Chase Manhattan Bank; and (v) any other documents and instruments executed in connection with those described in (i) - (iv), as each document in (i) - (v) are amended, restated, supplemented or otherwise modified from time to time.

"East Breaks" has the meaning set forth in the Recitals.

"El Paso" means El Paso Corporation, a Delaware corporation.

"El Paso Group" means, other than members of the Partnership Group, El Paso and each of its Subsidiaries and other Affiliates.

"Encumbrance" means any mortgage, pledge, lien, encumbrance, charge, security interest or defect in title.

"Environmental Law" or "Environmental Laws" has the meaning set forth in Section 4(i).

"Equity Interest" means (a) with respect to a corporation, any and all shares of capital stock and any Commitments with respect thereto, (b) with respect to a partnership, limited liability company, trust or similar Person, any and all units, interests or other partnership/limited liability company interests, and any Commitments with respect thereto, and (c) any other direct equity ownership or participation in a Person.

"Exchange Agreement" has the meaning set forth in Section 9(p).

"Financial Statements" has the meaning set forth in Section 4(k).

"FTC" has the meaning set forth in Section 3(a)(ii).

"GAAP" means generally accepted accounting principles in the United States.

"General Partner" means El Paso Energy Partners Company, a Delaware corporation and the general partner of the Partnership.

"Governmental Authority" means the United States or any agency thereof and any state, county, city or other political subdivision, agency, court or instrumentality.

"Hazardous Substances" means all materials, substances, chemicals, gas and wastes which are regulated under any Environmental Law or which may form the basis for liability under any Environmental Law.

"HIOS" has the meaning set forth in the Recitals.

"Indebtedness" means, to the extent not classified as a current liability on the Purchase Price Adjustment Date, on a consolidated basis, all Obligations of the applicable Person to other Persons for (a) borrowed money, (b) any capital lease Obligation, (c) any Obligation (whether fixed or contingent) to reimburse any bank or other Person in respect of amounts paid or payable under a standby letter of credit, (d) any guarantee with respect to indebtedness (of the kind otherwise described in this definition) of any Person, and (e) any liability, indebtedness or other Obligation of any Acquired Company.

"Indemnified Party" has the meaning set forth in Section 8(d).

"Indemnifying Party" has the meaning set forth in Section 8(d).

"Interim Financial Statements" has the meaning set forth in Section 4(k).

"Knowledge": an individual will be deemed to have "Knowledge" of a particular fact or other matter if such individual is consciously aware of such fact or other matter at the time of determination. A Person other than an individual will be deemed to have "Knowledge" of a

particular fact or other matter if (i) any individual who is serving as a director, executive officer, partner, member, executor, or trustee of such Person (or in any similar capacity) or (ii) any employee (or natural person serving in a similar capacity) who is charged with the ultimate responsibility for a particular area of the Acquired Companies' operations (e.g., the manager of the environmental section with respect to knowledge of environmental matters), at the time of determination had, Knowledge of such fact or other matter.

"Laws" means any statute, code, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any applicable Governmental Authority.

"Legal Right" means the legal authority and right (without risk of liability, criminal, civil or otherwise), such that the contemplated conduct would not, to the extent arising from, related to or in any way connected with any Acquired Company, including any Organizational Documents thereof or contracts, agreements or arrangements related thereto, constitute a violation, termination or breach of, or require any payment or termination under, any contract or agreement, applicable Law, fiduciary, quasi-fiduciary or similar duty or any other obligation of or by any Acquired Company.

"Material Adverse Effect" means any change or effect relating to the Deepwater Interest, or the businesses, operations (financial or otherwise) and properties of the Acquired Companies taken as a whole, that, individually or in the aggregate with other changes or effects, materially adversely effects the value of the Deepwater Interest, provided that in determining whether a Material Adverse Effect has occurred, changes or effects relating to (i) the natural gas pipeline industry generally (including, but not limited to, the price of natural gas and the costs associated with the drilling and/or production of natural gas), (ii) United States or global economic conditions or financial markets in general, or (iii) the transactions contemplated by this Agreement, shall not be considered.

"Obligations" means duties, liabilities and obligations, whether vested, absolute or contingent, known or unknown, asserted or unasserted, accrued or unaccrued, liquidated or unliquidated, due or to become due, and whether contractual, statutory or otherwise.

"Ordinary Course of Business" means the ordinary course of business consistent with the applicable Person's past custom and practice (including with respect to quantity and frequency).

"Organizational Documents" means the articles of incorporation, certificate of incorporation, charter, bylaws, articles or certificate of formation, regulations, operating agreement, certificate of limited partnership, partnership agreement, and all other similar documents, instruments or certificates executed, adopted, or filed in connection with the creation, formation, or organization of a Person, including any amendments thereto.

"Partnership" has the meaning set forth in the Recitals.

"Partnership Group" means (i) the General Partner, (ii) the Partnership, (iii) each Affiliate of the Partnership in which the Partnership owns (directly or indirectly) an Equity Interest and (iv) each natural person that is an Affiliate of the Partnership or the General Partner solely

because of such person's position as an officer, director or other representative of any Person described in (i) - (iii) above, but only to the extent that such natural person is an officer, director or representative of such Person.

"Partnership Sponsor Agreement" means the sponsor agreement and performance guaranty in the form of Exhibit C.

"Party" and "Parties" have the meanings set forth in the preface.

"Permitted Encumbrances" means any of the following: (i) any liens for Taxes and assessments not yet delinquent or, if delinquent, that are being contested in good faith in the Ordinary Course of Business, provided that adequate reserve accounts have been established in accordance with GAAP; (ii) mechanic's, materialmen's, and similar liens; (iii) any liens or other Encumbrances created pursuant to operating, farmout, construction, operation and maintenance, space lease or similar agreements or the Organizational Documents of any of the Acquired Companies; and (iv) easements, rights-of-way, restrictions and other similar encumbrances incurred in the Ordinary Course of Business which, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the property subject thereto as it is currently being used or materially interfere with the ordinary conduct of the business.

"Person" means an individual or entity, including, without limitation, any partnership, corporation, association, joint stock company, trust, joint venture, limited liability company, unincorporated organization, or Governmental Authority (or any department, agency or political subdivision thereof).

"Post-Closing Tax Period" means any Tax period beginning after the Closing Date.

"Post-Closing Tax Return" means any Tax Return that is required to be filed for any of the Acquired Companies with respect to a Post-Closing Tax Period.

"Pre-Closing Tax Period" means any Tax periods or portions thereof ending on or before the Closing Date.

"Pre-Closing Tax Return" means any Tax Return that is required to be filed for any Acquired Companies with respect to a Pre-Closing Tax Period.

"Prime Rate" means the Prime Rate reported in the Wall Street Journal at the time such rate must be determined under the terms of this Agreement.

"Proposed Closing Statement" has the meaning set forth in Section 2(e)(i).

"Purchase Price" means $85,000,000 plus (i) the amount, if any, by which the total of the Purchase Price Increases exceeds the total of the Purchase Price Decreases, or minus (ii) the amount, if any, by which the total of the Purchase Price Decreases exceeds the total of the Purchase Price Increases.

"Purchase Price Adjustment Date" means immediately after the close of business on August 31, 2001.

"Purchase Price Decreases" means the following: (i) 50% of the amount, if any, of negative consolidated working capital of the Acquired Companies as of the Purchase Price Adjustment Date, as determined and calculated in accordance with GAAP; (ii) 50% of the amount, if any, of all of the consolidated Indebtedness of the Acquired Companies as of the Purchase Price Adjustment Date; (iii) 100% of the amount, if any, of all dividends and/or distributions made by Deepwater to the Sellers between the Purchase Price Adjustment Date and the Closing Date; and (iv) 50% of the amount, if negative, of the UTOS Disposition Adjustment.

"Purchase Price Increases" means (i) 50% of the amount, if any, of positive consolidated working capital of the Acquired Companies as of the Purchase Price Adjustment Date, as determined and calculated in accordance with GAAP, and (ii) 50% of the amount, if positive, of the UTOS Disposition Adjustment.

"Records" has the meaning set forth in Section 6(d).

"Securities Act" means the Securities Act of 1933, as amended.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Sellers" has the meaning set forth in the preface.

"Seller Indemnitees" means, collectively, the Sellers and their Affiliates and each of their respective officers (or Persons performing similar functions), directors (or Persons performing similar functions), employees, agents, and representatives.

"Straddle Period" means a Tax period or year commencing before and ending after the Closing Date.

"Straddle Return" means a Tax Return for a Straddle Period.

"Subject Assets" means the assets and other interests reflected in the books and records of the Acquired Companies, including the record Equity Interests in Deepwater's Subsidiaries, the natural gas gathering system and related facilities commonly known as the East Breaks Gathering System and the natural gas transmission system and related facilities commonly known as the High Island Offshore System. Exhibit D contains a summary description of the principal tangible assets included in the Subject Assets.

"Subject Insurance Policies" means those material policies of insurance, the current policies of which are listed on Schedule 1(a), which the Seller or any of its Affiliates maintain covering any Acquired Company with respect to its assets and operations.

"Subsidiary" means, with respect to any relevant Person, any other Person that is controlled (directly or indirectly) and more than 50%-owned (directly or indirectly) by the

relevant Person. For purposes of this definition, the term "control" means the ability to direct the management or policies of such Person by ownership of voting interest, contract or otherwise.

"Tax" or "Taxes" means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code ss.59A), custom duties, capital stock, franchise, profits, withholding, social security (or similar excises), unemployment, disability, ad valorem, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

"Tax Records" means all Tax Returns and Tax-related work papers relating to any Acquired Company.

"Tax Return" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Third Party Claim" has the meaning set forth in Section 8(d).

"UTOS Disposition Adjustment" means, to the extent not reflected in the net consolidated working capital of the Acquired Companies on the Purchase Price Adjustment Date, the net consolidated effect to the Acquired Companies of (i) any post-closing purchase price adjustments for the disposition of U-T Offshore System, L.L.C. pursuant to the Purchase and Sale Agreement dated December 22, 2000 between Deepwater and Mid Louisiana Gas Transmission Company and (ii) any other accounting adjustments related thereto.

"Western Gulf" has the meaning set forth in the Recitals.

2. Purchase and Sale.

(a) Sale of Deepwater Interest. Subject to the terms and conditions of this Agreement, the Sellers agree to sell to the Buyer (or its designee), and the Buyer agrees to purchase from the Sellers, the Deepwater Interest, free and clear of any Encumbrances.

(b) Purchase Price. In consideration for the sale of the Deepwater Interest, the Buyer agrees to pay the Purchase Price to the Sellers by wire transfer of immediately available funds. All payment(s) with respect to the Purchase Price due hereunder from the Buyer will be paid by the Buyer to TOPSI, for the benefit of all of the Sellers, and the Sellers shall be responsible for allocating and distributing such payment(s) among themselves. As provided below, the Buyer shall pay the estimated Purchase Price on the Closing Date, subject to adjustment.

(c) The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of the Sellers, commencing at 10:00 a.m., local time, on the third business day following the satisfaction or waiver of all conditions to the obligations of the Parties to consummate the transactions contemplated hereby (other than

conditions with respect to actions each Party shall take at the Closing itself) or such other date as the Parties may mutually determine (the "Closing Date").

(d) Deliveries at the Closing. At the Closing, (i) the Sellers shall deliver to the Buyer the various certificates, instruments, and documents referred to in Sections 7(a) and 9(o), (ii) the Buyer shall deliver to the Sellers the various certificates, instruments, and documents referred to in Section 7(b), (iii) the Sellers shall execute and deliver to the Buyer the Assignment, one or more certificate(s) representing the Deepwater Interest, and evidence that (x) Deepwater owns Western Gulf and (y) Western Gulf owns East Breaks and HIOS, (iv) the Buyer shall execute and deliver to the Sellers the Assignment, (v) the Sellers shall cause ANR to execute and deliver to the Buyer the ANR Sponsor Agreement; (vi) the Buyer shall cause the Partnership to execute and deliver to the Sellers the Partnership Sponsor Agreement; and (vii) the Buyer shall deliver to the Sellers (as described above) the estimated Purchase Price as set forth on the Proposed Closing Statement.

(e) Proposed Closing Statement and Post-Closing Adjustment.

(i) At least three business days prior to the Closing Date, the Sellers shall cause to be prepared and delivered to the Buyer a statement (the "Proposed Closing Statement"), as prepared and determined in accordance with GAAP to the extent applicable, setting forth Sellers' good faith estimate, including reasonable detail, of the Purchase Price. As soon as practicable, but in any event no later than 60 days following the Closing Date, Sellers shall cause to be prepared and delivered to the Buyer a statement, including reasonable detail, of the actual Purchase Price (such statement, as it may be adjusted pursuant to Section 2(e)(ii), the "Closing Statement").

(ii) Upon receipt of the Closing Statement, the Buyer and the Buyer's independent accountants shall be permitted during the succeeding 30-day period to examine the work papers used or generated in connection with the preparation of the Closing Statement and such other documents as the Buyer may reasonably request in connection with its review of the Closing Statement. Within 30 days of receipt of the Closing Statement, the Buyer shall deliver to the Sellers a written statement describing in reasonable detail its objections (if any) to any amounts or items set forth on the Closing Statement. If the Buyer does not raise objections within such period, then, except with respect to any UTOS Disposition Adjustment, the Closing Statement shall become final and binding upon all Parties at the end of such period. If the Buyer raises objections, the Parties shall negotiate in good faith to resolve any such objections. If the Parties are unable to resolve any disputed item within 60 days after the Buyer's receipt of the Closing Statement, any such disputed item shall be submitted to a nationally recognized independent accounting firm mutually agreeable to the Parties who shall be instructed to resolve such disputed item within 30 days. The resolution of disputes by the accounting firm so selected shall be set forth in writing and shall be conclusive, binding and non-appealable upon the Parties and the Closing Statement shall become final and binding upon the date of such resolution. The

fees and expenses of such accounting firm shall be paid one-half by the Buyer and one-half by Sellers. Notwithstanding the finalization or resolution of the Closing Statement, if the UTOS Disposition Adjustment changes after such finalization or resolution, the Parties shall adjust the Purchase Price for, and make appropriate payment in connection with, any such changes to the UTOS Disposition Adjustment as soon as practicable thereafter.

(iii) If the Purchase Price as set forth on the Closing Statement exceeds the estimated Purchase Price as set forth on the Proposed Closing Statement, the Buyer shall pay TOPSI, for the benefit of the Sellers, the amount of such excess (such amount which the Sellers shall share and allocate among themselves). If the estimated Purchase Price as set forth on the Proposed Closing Statement exceeds the Purchase Price as set forth on the Closing Statement, the Sellers shall pay to the Buyer (or its designee) the amount of such excess. After giving effect to the foregoing adjustments, any amount to be paid by the Buyer to the Sellers, or to be paid by the Sellers to the Buyer, as the case may be, shall be paid in the manner and with interest as provided in Section 2(e)(iv) at a mutually convenient time and place within five business days after the later of acceptance of the Closing Statement or the resolution of the Buyer's objections thereto pursuant to Section 2(e)(ii).

(iv) Any payments pursuant to this Section 2(e) shall be made by causing such payments to be credited in immediately available funds to such account or accounts of the Buyer or the Sellers, as the case may be, as may be designated by the buyer or the Sellers, as the case may be. If payment is being made after the fifth business day referred to in Section 2(e)(iii), the amount of the payment to be made pursuant to this Section 2(e) shall bear interest from and including such fifth business day to, but excluding, the date of payment at a rate per annum equal to the Prime Rate plus 2%. Such interest shall be payable at the same time as the payment to which it relates and shall be calculated on the basis of a year of 365 days and the actual number of days for which due.

(v) The Buyer shall cooperate in the preparation of the Closing Statement, including providing customary certifications to the Sellers, and, if requested, to the Sellers' independent accountants or the accounting firm selected by mutual agreement of the Parties pursuant to Section 2(e)(ii).

(vi) Except as set forth in Section 2(e)(ii), each Party shall bear its own expenses incurred in connection with the preparation and review of the Closing Statement.

3. Representations and Warranties Concerning the Transaction.

(a) Representations and Warranties of Sellers. Each Seller hereby represents and warrants to the Buyer with as to itself as follows:

(i) Organization and Good Standing. Each Seller is an entity duly organized, validly existing, and in good standing under the Laws of the state of Delaware. Each Seller is in good standing under the Laws of the state of Texas and each other jurisdiction which requires such qualification.

(ii) Authorization of Transaction. Each Seller has full power and authority (including full company power and authority) to execute and deliver this Agreement and to perform their obligations hereunder. This Agreement constitutes the valid and legally binding obligation of each Seller, enforceable against such Seller in accordance with its terms and conditions, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally, and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Except as set forth on Schedule 3(a)(ii), the Sellers need not give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Authority or any other Person in order to consummate the transactions contemplated by this Agreement, except for the prior approval of the Federal Trade Commission ("FTC"), if applicable.

(iii) Noncontravention. Except for prior approval of the FTC (if applicable) and filings specified in Schedule 3(a)(ii) or as set forth in Schedule 3(a)(iii), neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, shall (A) violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Authority to which any Seller is subject or any provision of its Organizational Documents or (B) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any Person the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which any Seller is a party or by which it is bound or to which any of its assets are subject, except for such violations, defaults, breaches, or other occurrences that do not, individually or in the aggregate, have a material adverse effect on the ability of the Sellers to consummate the transactions contemplated by this Agreement.

(iv) Brokers' Fees. The Sellers have no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Buyer could become liable or obligated.

(b) Representations and Warranties of the Buyer. The Buyer hereby represents and warrants to the Sellers as to itself as follows:

(i) Organization of the Buyer. The Buyer is a limited liability company duly organized, validly existing, and in good standing under the Laws of the state of Delaware. The Buyer is in good standing under the Laws of the state of Texas and each other jurisdiction which requires such qualification.

(ii) Authorization of Transaction. The Buyer has full power and authority (including full company power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms and conditions, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally, and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Except as set forth on Schedule 3(b)(ii), the Buyer need not give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Authority or any other Person in order to consummate the transactions contemplated by this Agreement, except for the prior approval of the FTC, if applicable.

(iii) Noncontravention. Except for the prior approval of the FTC (if applicable) and filings specified in Schedule 3(b)(ii) or as set forth in Schedule 3(b)(iii), neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, shall (A) violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Authority to which the Buyer is subject or any provision of its Organizational Documents or (B) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any Person the right to accelerate, terminate, modify, or cancel, or require any notice, approval or consent under any agreement, contract, lease, license, instrument, or other arrangement to which the Buyer is a party or by which it is bound or to which any of its assets is subject, except for such violations, defaults, breaches, or other occurrences that do not, individually or in the aggregate, have a material adverse effect on the ability of the Buyer to consummate the transactions contemplated by this Agreement.

(iv) Brokers' Fees. The Buyer has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Seller could become liable or obligated.

(v) Investment. The Buyer is not acquiring the Deepwater Interest (or the Equity Interest in any Acquired Company) with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act. The Buyer is familiar with investments of the nature of the Deepwater Interest, understands that this investment involves substantial risks, has adequately investigated Deepwater, the Deepwater Interest and the Acquired Companies, and has substantial knowledge and experience in financial and business matters such that it is capable of evaluating, and has evaluated, the merits and risks inherent in purchasing the Deepwater Interest, and is able to bear the economic risks of such investment. The Buyer has had the opportunity to visit with the Sellers and the Acquired Companies and meet with their representative officers and other

representatives to discuss the business, assets, liabilities, financial condition, and operations of the Acquired Companies, has received all materials, documents and other information that Buyer deems necessary or advisable to evaluate the Deepwater Interest and the Acquired Companies, and has made its own independent examination, investigation, analysis and evaluation of the Acquired Companies, including its own estimate of the value of the Deepwater Interest. The Buyer has undertaken such due diligence (including a review of the assets, properties, liabilities, books, records and contracts of the Acquired Companies) as the Buyer deems adequate.

4. Representations and Warranties Concerning the Acquired Companies. Each Seller hereby represents and warrants to the Buyer as to itself as follows:

(a) Organization, Qualification, and Company Power. (x) Each Acquired Company is a limited liability company duly organized, validly existing, and in good standing under the Laws of the state of Delaware; (y) is in good standing under the Laws of the state of Texas and each other jurisdiction which requires qualification, except where the lack of such qualification would not have a Material Adverse Effect; and (z) has full power and authority to carry on the businesses in which it is engaged and to own and use the properties owned and used by it.

(b) Noncontravention. Except for the need to obtain prior approval of the FTC or as set forth in Schedule 4(b), neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, shall (i) violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Authority to which any Acquired Company (or any of the Subject Assets) is subject or any provision of any Acquired Company's Organizational Documents or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or trigger any rights to payment or other compensation, or result in the imposition of any Encumbrance on any of the Subject Assets, under any agreement, contract, lease, license, instrument, or other arrangement to which any Acquired Company (or any of the Subject Assets) is subject, except where the violation, conflict, breach, default, acceleration, termination, modification, cancellation, failure to give notice, right to payment or other compensation, or Encumbrance would not have a Material Adverse Effect, or would not materially adversely affect the ability of any Seller to consummate the transactions contemplated by this Agreement.

(c) Title to and Condition of Assets.

(i) The Acquired Companies have good, marketable and indefeasible title to all of the Subject Assets, free and clear of all Encumbrances, except for (a) Permitted Encumbrances and (b) Encumbrances disclosed in Schedule 4(c)(i). The Subject Assets are all of the assets and interests of the Acquired Companies, the operations of which are reflected in the Financial Statements.

(ii) To the Sellers' Knowledge, except as disclosed in Schedule 4(c)(ii), the Subject Assets are in good operating condition and repair (normal wear and tear excepted), are free from defects (patent and latent), are suitable for the purposes for which they are currently used and are not in need of maintenance or repairs except for ordinary routine maintenance and repairs.

(iii) Capitalization of Deepwater. The Sellers own (beneficially and of record) 100% of the Deepwater Interest, which interests are denominated below:

In Deepwater:
American Offshore 14.819% Equity Interest
TOPSI 14.819% Equity Interest
Unitex 2.717% Equity Interest
ANR LLC 17.645% Equity Interest -

Total 50.000% Equity Interest
======

The Deepwater Interest constitutes 50% of the issued and outstanding Equity Interest of Deepwater and has been duly authorized, and is validly issued and fully paid and non-assessable. Except to the extent created under the Securities Act, state securities Laws, limited liability company Laws and general corporation Laws of Deepwater's jurisdiction of formation, and as created by Deepwater's Organizational Documents, (x) the Deepwater Interest is held as set forth above, free and clear of any Encumbrances and (y) there are no Commitments with respect to any Equity Interest of Deepwater. No Seller is party to any voting trusts, proxies, or other agreements or understandings with respect to voting any Equity Interest of Deepwater.

(iv) Acquired Company Capitalization. Deepwater does not own an Equity Interest in any Person other than Western Gulf, East Breaks and HIOS. Deepwater owns 100% of the Equity Interests of Western Gulf. Western Gulf does not own an Equity Interest in any Person other than East Breaks and HIOS. Western Gulf owns 100% of the Equity Interests of East Breaks and HIOS. Neither East Breaks nor HIOS owns an Equity Interest in any Person. There are no Commitments with respect to an Equity Interest in any Acquired Company.

(d) Material Change. Except as set forth in Schedule 4(d), since December 31, 2000:

(i) there has not been any Material Adverse Effect;

(ii) the Subject Assets have been operated and maintained in the Ordinary Course of Business;

(iii) to the Sellers' Knowledge, there has not been any material damage, destruction or loss to any material portion of the Subject Assets, whether or not covered by insurance;

(iv) there has been no purchase, sale or lease of any material asset included in the Subject Assets;

(v) there has been no actual, pending, or to the Sellers' Knowledge, threatened change affecting any of the Subject Assets with any customers, licensors, suppliers, distributors or sales representatives of any Acquired Company, except for changes that do not have a Material Adverse Effect;

(vi) there has been no (x) amendment or modification in any material respect to any contract or agreement material to any Acquired Company, or (y) termination of any contract or agreement material to any Acquired Company before the expiration of the term thereof other than to the extent any such material contract or agreement terminated pursuant to its terms in the Ordinary Course of Business;

(vii) there is no contract, commitment or agreement to do any of the foregoing, except as expressly permitted hereby.

(e) Legal Compliance. The Acquired Companies have complied with all applicable Laws of all Governmental Authorities, except where the failure to comply would not have a Material Adverse Effect. The Sellers make no representations or warranties in this Section 4(e) with respect to Taxes or Environmental Laws, for which the sole representations and warranties of the Sellers are set forth in Sections 4(i) and 4(f), respectively.

(f) Tax Matters. Except as set forth in Schedule 4(f) or as would not have a Material Adverse Effect, the Sellers, their Affiliates and the Acquired Companies have filed all Tax Returns with respect to the Acquired Companies that they were required to file and such Tax Returns are accurate in all material respects. All Taxes shown as due by any Acquired Company on any such Tax Returns have been paid.

(g) Contracts and Commitments. (i) Schedule 4(g) contains a list of all the contracts, agreements, rights of way, licenses, permits, and other documents and instruments of the Acquired Companies (the "Acquired Company Contracts"), and each such Acquired Company Contract is in full force and effect, except where the failure to be in full force and effect would not have a Material Adverse Effect; (ii) the Acquired Company Contracts constitute all of the contracts, agreements, rights of way, licenses, permits, and other documents and instruments necessary for the operation and business of the Acquired Companies consistent with prior operation; (iii) the Acquired Companies have performed all material obligations required to be performed by them to date under the Acquired Company Contracts, and are not in default under any material obligation of any such contract, except when such default would not have a Material Adverse Effect; and (iv) to the Sellers' Knowledge, no other party to any Acquired Company Contract is in default thereunder.

(h) Litigation. Schedule 4(h) sets forth each instance in which any Acquired Company or any of the Subject Assets (i) is subject to any outstanding injunction, judgment, order, decree, ruling, or charge or (ii) is the subject of any action, suit, proceeding, hearing, or investigation of, in, or before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction, or is the subject of any pending or, to the Sellers' Knowledge, threatened claim, demand, or notice of violation or liability from any Person, except where any of the foregoing would not have a Material Adverse Effect.

(i) Environmental Matters. Except as set forth in Schedule 4(i):

(i) The Acquired Companies have been in compliance with all applicable federal, state, and local Laws (including common law, ordinances, judgements, injunctions, directives, environmental permits and other governmental authorizations) relating to the environment, human health, safety, natural resources or any Hazardous Substance (as each may be amended, supplemented or supplanted from time to time), including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. section 9601, et seq. ("CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended, 42 U.S.C. section 6901, et seq., the Clean Air Act, as amended, 42 U.S.C. section 7401, et seq., the Federal Water Pollution Control Act, as amended, 33 U.S.C. section 1251, et seq., and the Oil Pollution Act of 1990, 33 U.S.C. section 2701, et seq. (collectively, the "Environmental Laws" and individually an "Environmental Law"), except for such instances of noncompliance that individually or in the aggregate do not have a Material Adverse Effect.

(ii) The Acquired Companies have obtained all permits, licenses, franchises, authorities, consents, registrations, orders, certificates, waivers, exceptions, variances and approvals, and have made all filings, paid all fees, and maintained all material information, documentation, and records, as necessary under applicable Environmental Laws for operating the Subject Assets and their business as they are presently conducted, and all such permits, licenses, franchises, authorities, consents, approvals, and filings remain in full force and effect, except for such matters that individually or in the aggregate do not have a Material Adverse Effect. To the Sellers' Knowledge, Schedule 4(i)(ii) sets forth a complete list of all permits, licenses, franchises, authorities, consents, and approvals, as necessary under applicable Environmental Laws for operating the Subject Assets and the Acquired Companies' businesses as they are presently conducted, each of which is held in the name of the appropriate Acquired Company as indicated on such schedule.

(iii) Except as would not have a Material Adverse Effect, (x) there are no pending or threatened claims, demands, actions, administrative proceedings or lawsuits against any Acquired Company, and none of the Sellers, their Affiliates or the Acquired Companies has received notice of any of the foregoing and (y) no Acquired Company, and none of the Subject Assets, is subject to any outstanding injunction, judgment, order, decree or ruling under any Environmental Laws.

(iv) None of the Sellers, their Affiliates or the Acquired Companies have received any written notice that any Acquired Company is or may be a potentially responsible party under CERCLA or any analogous state law in connection with any site actually or allegedly containing or used for the treatment, storage or disposal of Hazardous Substances.

(v) All Hazardous Substances or solid wastes generated, transported, handled, stored, treated or disposed by, in connection with or as a result of the operation or possession of the Acquired Companies or the conduct of the Acquired Companies, have been transported only by carriers maintaining valid authorizations under applicable Environmental Laws and treated, stored, disposed of or otherwise handled only at facilities maintaining valid authorizations under applicable Environmental Laws and such carriers and facilities have been and are operating in compliance with such authorizations and are not the subject of any existing, pending or threatened action, investigation or inquiry by any Governmental Authority or other Person in connection with any of the Environmental Laws.

The Sellers make no representation or warranty regarding any compliance or failure to comply with, or any actual or contingent liability under, any Environmental Law, except as expressly set forth in this Section 4(i). For purposes of this Section 4(i), each reference to the Acquired Companies shall be deemed to include the Sellers.

(j) Preferential Purchase Rights. Except as set forth on Schedule 4(j), there are no preferential purchase rights, options or other rights held by any Person not a party to this Agreement to purchase or acquire any or all of the Deepwater Interest, any or all of the Equity Interest in any Acquired Company other than Deepwater, or any of the Subject Assets, that would be triggered or otherwise affected as a result of the transactions contemplated by this Agreement.

(k) Financial Statements.

(i) Schedule 4(k) sets forth (A) audited consolidated financial statements for Deepwater as of, and for the twelve month period ended, December 31, 2000; (B) audited consolidated financial statements for Western Gulf as of, and for the twelve month period ended, December 31, 2000; (C) audited financial statements for HIOS as of, and for the twelve month period ended, December 31, 2000; and (D) audited financial statements for East Breaks as of, and for the twelve month period ended, December 31, 2000 (the statements referred to in clauses (A) - (D) are the "Audited Financial Statements"); and (E) an unaudited consolidated balance sheet and income statement for Deepwater as of, and for the six month period ended, June 30, 2001 (such statements are the "Interim Financial Statements", and the Interim Financial Statements together with the Audited Financial Statements are the "Financial Statements").

(ii) (A) The Financial Statements were prepared in accordance with GAAP (except as expressly set forth therein, except (with respect to the Interim Financial Statements) for the absence of footnotes (other than to the extent footnotes are included in Schedule 4(k)), and (with respect to the Interim Financial Statements) except for normal year-end adjustments) and fairly present, in all material respects, the financial position and income, cash flows and owner's equity for the consolidated Acquired Companies as of the dates and for the periods indicated, except with respect to any UTOS Disposition Adjustment; (B) the Financial Statements do not omit to state any liability required to be stated therein in accordance with GAAP (except as expressly set forth therein, except (with respect to the Interim Financial Statements) for the absence of footnotes (other than to the extent footnotes are included in Schedule 4(k)), and except (with respect to the Interim Financial Statements) for normal year-end adjustments), and except for any negative UTOS Disposition Adjustment; (C) except for any negative UTOS Disposition Adjustment, none of the Acquired Companies has, or has had, any lease obligations or contingent liabilities which, if the Interim Financial Statements had contained footnotes, would have been required by GAAP to have been disclosed or reflected in such footnotes; and (D) except for any negative UTOS Disposition Adjustment, none of the Acquired Companies has any Obligations other than those reflected in the Financial Statements.

(l) Employee Matters. No Acquired Company has any employees.

(m) Prohibited Events. None of the matters described in Section 5(c) have occurred since the Purchase Price Adjustment Date.

(n) Disclaimer of Representations and Warranties Concerning Personal Property, Equipment, and Fixtures. The Buyer acknowledges that (a) it has had and pursuant to this Agreement shall have before Closing access to the Acquired Companies and the officers and employees of the Sellers and (b) in making the decision to enter into this Agreement and consummate the transactions contemplated hereby, the Buyer has relied solely on the basis of its own independent investigation and upon the express representations, warranties, covenants, and agreements set forth in this Agreement. Accordingly, the Buyer acknowledges that, except as expressly set forth in this Agreement, the Sellers have not made, and SELLERS MAKE NO AND DISCLAIM ANY REPRESENTATIONS OR WARRANTIES, WHETHER EXPRESS OR IMPLIED, AND WHETHER BY COMMON LAW, STATUTE, OR OTHERWISE, REGARDING (i) THE QUALITY, CONDITION, OR OPERABILITY OF ANY PERSONAL PROPERTY, EQUIPMENT, OR FIXTURES, (ii) THEIR MERCHANTABILITY, (iii) THEIR FITNESS FOR ANY PARTICULAR PURPOSE, (iv) THEIR CONFORMITY TO MODELS, SAMPLES OF MATERIALS OR MANUFACTURER DESIGN, OR (v) AS TO WHETHER ANY SUBJECT ASSETS ARE YEAR 2000 COMPLIANT, AND ALL PERSONAL PROPERTY AND EQUIPMENT IS DELIVERED "AS IS, WHERE IS" IN THE CONDITION IN WHICH THE SAME EXISTS.

5. Pre-Closing Covenants. The Parties agree as follows with respect to the period between the date of this Agreement and the Closing:

(a) General. Each Party shall use its Best Efforts to take all action and to do all things necessary, proper, or advisable in order to consummate and make effective the transactions contemplated by this Agreement.

(b) Notices and Consents. Each of the Parties shall give any notices to, make any filings with, and use its Best Efforts to obtain any authorizations, consents, and approvals of Governmental Authorities and third parties it is required to obtain in connection with the matters referred to in Sections 3(a)(ii), 3(a)(iii), 3(b)(ii), and 3(b)(iii), including the corresponding Schedules, so as to permit the Closing to occur not later than 5:00 p.m. (Houston time) on December 31, 2001. Without limiting the generality of the foregoing, the Parties agree to work in good faith with the FTC in order to consummate the transactions contemplated hereby as soon as reasonably practicable, but in no event later than 5:00 p.m. (Houston time) on December 31, 2001; provided, that, notwithstanding anything to the contrary contained herein, this sentence shall not obligate the Buyer to divest or hold separate any assets or enter into any agreement not contemplated by this Agreement or modify this Agreement.

(c) Operation of Business. The Sellers shall not, without the consent of the Buyer (which consent shall not be unreasonably withheld or delayed), except as expressly contemplated by this Agreement or as contemplated by Schedule 5(c), cause or (to the extent the Sellers have the Legal Right) permit any Acquired Company to engage in any practice, take any action, or enter into any transaction outside the Ordinary Course of Business. Without limiting the generality of the foregoing, the Sellers shall not, without the consent of the Buyer (which consent

shall not be unreasonably withheld or delayed), except as expressly contemplated by this Agreement or as contemplated by Schedule 5(c), and shall not cause or (to the extent the Sellers have the Legal Right) permit any Acquired Company to, do any of the following:

(i) issue, sell, pledge, dispose of, grant, encumber, or authorize the issuance, sale, pledge, disposition, or grant of any Equity Interest of any Acquired Company, or any Commitments with respect to any Equity Interest of any Acquired Company;

(ii) cause or allow any part of the Deepwater Interest or any asset of an Acquired Company to become subject to an Encumbrance, except for Permitted Encumbrances and other Encumbrances identified in Section 4(d);

(iii) amend in any material respect any contract or agreement material to any Acquired Company (including any Acquired Company's Organizational Documents) or terminate any such material contract or agreement before the expiration of the term thereof other than to the extent any such material contract or agreement terminates or is terminable pursuant to its terms in the Ordinary Course of Business;

(iv) except as required by Law, make, change or revoke any Tax election relevant to any Acquired Entity;

(v) (A) acquire (including, without limitation, by merger, consolidation or acquisition of stock or assets) any corporation, partnership, or other business organization or any division thereof or any material amount of assets except for acquisitions of assets in the Ordinary Course of Business; (B) incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee, endorse, or otherwise as an accommodation become responsible for, the obligations of any Person, or make any loans or advances except for intercompany borrowing in the Ordinary Course of Business; (C) sell, lease or otherwise dispose of any property or assets, other than sales of goods or services in the Ordinary Course of Business; or (D) enter into or amend a contract, agreement, commitment, or arrangement with respect to any matter set forth in this Section 5(c)(v); provided that notwithstanding any provision of this Agreement, if the Buyer expressly consents in writing (x) each Acquired Company shall be entitled to dividend and/or distribute to its Equity Interest holders, at any time, and from time to time, such cash generated by such company's business to which such Equity Interest holder would otherwise be entitled (other than cash arising from borrowings by such company or sales of assets by such company outside of the Ordinary Course of Business) and (y) each Acquired Company may make or incur capital expenditures in accordance with the terms of its Organizational Documents;

(vi) change any Acquired Company's accounting practices in any material respect with the exception of any changes in accounting methodologies

that have already been agreed upon by such company's Equity Interest holders, consistent with such company's Organizational Documents; or

(vii) initiate or settle any litigation, complaint, rate filing or administration proceeding.

(d) Intercompany Transactions. All outstanding receivables, payables and other intercompany transactions and arrangements between Sellers or any of their Affiliates, on the one hand, and any Acquired Company, on the other hand, shall remain in full force and effect through and after the Closing.

(e) Deepwater Loan Obligations. Prior to or at the Closing, the Buyer shall cause the obligations under the Deepwater Loan Documents to be paid in full.

(f) Full Access. The Sellers shall permit, and shall cause their Affiliates to permit, representatives of the Buyer to have full access at all reasonable times, and in a manner so as not to interfere with the normal business operations of the Sellers, to all premises, properties, personnel, books, records (including Tax records), contracts, and documents of or pertaining to the Acquired Companies and the Deepwater Interest.

6. Post-Closing Covenants. The Parties agree as follows:

(a) General. In case at any time after the Closing any further action is necessary to carry out the purposes of this Agreement, each of the Parties shall take such further action (including the execution and delivery of such further instruments and documents) as the other Party reasonably may request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor under Section 8).

(b) Litigation Support. In the event and for so long as any Party actively is contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or before the Closing Date involving any Acquired Company, any portion of the Subject Assets or any portion of the Deepwater Interest, the other Party shall cooperate with the contesting or defending Party and its counsel in the defense or contest, make available its personnel, and provide such testimony and access to its books and records (other than books and records which are subject to privilege or to confidentiality restrictions) as shall be necessary in connection with the defense or contest, all at the sole cost and expense of the contesting or defending Party (unless the contesting or defending Party is entitled to indemnification therefor under Section 8).

(c) Surety Bonds; Guarantees. The Buyer agrees to be substituted as the surety or guarantor of any surety bonds or guarantees issued by any of the Sellers or any of their Affiliates in connection with the Acquired Companies, including, but not limited to, the surety bonds and guarantees listed on Schedule 6(c). The Buyer and the Sellers shall cooperate to effect all such substitutions and the Buyer shall indemnify and hold the Sellers harmless from and against any

Adverse Consequences arising from the failure of the Buyer to be so substituted. The Buyer shall use commercially reasonable efforts to obtain a release of the Sellers from any surety or guaranty obligations with respect to the Acquired Companies.

(d) Delivery and Retention of Records. On or promptly after the Closing Date, the Sellers shall deliver or cause to be delivered to the Buyer, copies of Tax Records which are relevant to Post-Closing Tax Periods and all other files, books, records, information and data relating to the Acquired Companies (other than Tax Records) that are in the possession or control of the Sellers (the "Records"). The Buyer agrees to (i) hold the Records and not to destroy or dispose of any thereof for a period of ten years from the Closing Date or such longer time as may be required by Law, provided that, if it desires to destroy or dispose of such Records during such period, it shall first offer in writing at least 60 days before such destruction or disposition to surrender them to the Sellers and if the Sellers do not accept such offer within 20 days after receipt of such offer, the Buyer may take such action and (ii) following the Closing Date to afford the Sellers, their accountants, and counsel, during normal business hours, upon reasonable request, at any time, full access to the Records and to the Buyer's employees to the extent that such access may be requested for any legitimate purpose at no cost to the Sellers (other than for reasonable out-of-pocket expenses); provided that such access shall not be construed to require the disclosure of Records that would cause the waiver of any attorney-client, work product, or like privilege; provided, further that in the event of any litigation nothing herein shall limit any Party's rights of discovery under applicable Law.

7. Conditions to Obligation to Close.

(a) Conditions to Obligation of the Buyer. The obligation of the Buyer to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties of the Sellers contained in Section 3(a) and Section 4 must be true and correct in all material respects (without giving effect to any supplement to the Schedules, any qualification as to materiality, Material Adverse Effect, Knowledge, awareness or concepts of similar import, or any qualification or limitation as to monetary amount or value) as of the date of this Agreement and at Closing (except for those which refer to a specific date, which must be true and correct as of such date), without giving effect to any supplements to the Schedules;

(ii) The Sellers must have performed and complied in all material respects with each of their covenants hereunder through the Closing (without giving effect to any supplement to the Schedules, any qualification as to materiality, Material Adverse Effect, Knowledge, awareness or concepts of similar import, or any qualification or limitation as to monetary amount or value);

(iii) there must not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement or any suit or action pending by a Governmental

Authority to enjoin the consummation of any of the transactions, contemplated by this Agreement;

(iv) The Sellers must have obtained all Governmental Authority and third party consents specified in Sections 3(a)(ii), 3(a)(iii), and 4(b), including the corresponding Schedules;

(v) The Sellers must have delivered to the Buyer a certificate to the effect that each of the conditions specified in subsections 7(a)(i)-(iv) is satisfied in all respects;

(vi) the FTC must have approved the transactions contemplated hereunder;

(vii) The Closing Date shall be no earlier than October 1, 2001;

(viii) The Board of Directors of the General Partner shall have received a fairness opinion acceptable to such Board (in its sole discretion) from Fleet Securities, Inc. or any other financial advisor acceptable to such Board (in its sole discretion) with respect to the transactions contemplated herein;

(ix) The transactions contemplated herein shall have been approved by at least a majority of the Board of Directors of the General Partner and at least a majority of the independent members of the Board of Directors of the General Partner; and

(x) The obligations under the Deepwater Loan Documents shall have been paid in full.

The Buyer may waive any condition specified in this Section 7(a) if it executes a writing so stating at or before the Closing.

(b) Conditions to Obligation of the Sellers. The obligation of the Sellers to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties of the Buyer contained in Section 3(b) must be true and correct in all material respects (without giving effect to any supplement to the Schedules, any qualification as to materiality, Material Adverse Effect, Knowledge, awareness or concepts of similar import, or any qualification or limitation as to monetary amount or value) as of the date of this Agreement and at Closing (except for those which refer to a specific date, which must be true and correct as of such date), without giving effect to any supplements to the Schedules;

(ii) the Buyer must have performed and complied in all material respects with each of its covenants hereunder through the Closing (without giving

effect to any supplement to the Schedules, any qualification as to materiality, Material Adverse Effect, Knowledge, awareness or concepts of similar import, or any qualification or limitation as to monetary amount or value);

(iii) there must not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement or any suit or action pending by a Governmental Authority to enjoin the consummation of any of the transactions, contemplated by this Agreement;

(iv) the Buyer must have delivered to the Sellers a certificate to the effect that each of the conditions specified in subsections 7(b)(i)-(ii) is satisfied in all respects;

(v) the FTC must have approved the transactions contemplated hereunder; and

(vi) The obligations under the Deepwater Loan Documents shall have been paid in full.

The Sellers may waive any condition specified in this Section 7(b) if it executes a writing so stating at or before the Closing.

8. Remedies for Breaches of this Agreement.

(a) Survival of Representations and Warranties. (i) All of the representations and warranties of the Sellers contained in Section 3(a) and Section 4 (other than Sections 4(c)(i), 4(c)(iii) and 4(f)) shall survive the Closing hereunder for a period of 3 years after the Closing Date; (ii) the representations and warranties of the Sellers contained in Sections 4(c)(i) and 4(c)(iii) shall survive the Closing forever; and (iii) the representations and warranties of the Sellers contained in Section 4(f) shall survive the Closing with respect to any given claim that would constitute a breach of such representation or warranty until the expiration of the statute of limitations applicable to the underlying Tax matter giving rise to that claim. The representations and warranties of the Buyer contained in Section 3(b) shall survive the Closing for a period of 3 years after the Closing Date. The covenants and obligations contained in Sections 2 and 6 and all other covenants and obligations contained in this Agreement shall survive the Closing forever.

(b) Indemnification Provisions for Benefit of the Buyer.

(i) In the event: (x) the Sellers breach any of their representations or warranties (without giving effect to any supplement to the Schedules, any qualification as to materiality, Material Adverse Effect, Knowledge, awareness or concepts of similar import, or any qualification or limitation as to monetary amount or value) contained herein (other than a representation or warranty contained in Section 4(c)(iii)); (y) there is an applicable survival period pursuant to Section 8(a); and (z) the Buyer makes a written claim for indemnification against the Sellers pursuant to Section 11(g) within such survival period, then the

Sellers agree to indemnify the Buyer Indemnitees from and against any Adverse Consequences to the extent they are caused proximately by the breach and suffered by such the Buyer Indemnitees; provided, that the Sellers shall not have any obligation to indemnify the Buyer Indemnitees from and against any such Adverse Consequences (A) until the Buyer Indemnitees, in the aggregate, have suffered Adverse Consequences by reason of all such breaches in excess of an aggregate deductible amount equal to 1% of the Purchase Price (after which point the Sellers shall be obligated only to indemnify the Buyer Indemnitees from and against further such Adverse Consequences) or thereafter (B) to the extent the Adverse Consequences the Buyer Indemnitees, in the aggregate, have suffered by reason of all such breaches exceeds an aggregate ceiling amount equal to 50% of the Purchase Price (after which point the Seller shall have no obligation to indemnify the Buyer Indemnitees from and against further such Adverse Consequences).

(ii) In the event: (x) the Sellers breach any of their covenants or obligations in Sections 2 or 6 or any other covenants or obligations in this Agreement or any representation or warranty contained in Section 4(c)(iii) (in each case above without giving effect to any supplement to the Schedules, any qualification as to materiality, Material Adverse Effect, Knowledge, awareness or concepts of similar import, or any qualification or limitation as to monetary amount or value); (y) there is an applicable survival period pursuant to Section 8(a); and (z) the Buyer makes a written claim for indemnification against the Sellers pursuant to Section 11(g) within such survival period, then the Sellers agree to indemnify the Buyer Indemnitees from and against the entirety of any Adverse Consequences caused proximately by such breach and suffered by the Buyer Indemnitees.

(iii) The Sellers shall indemnify and hold harmless the Buyer Indemnitees against any and all Adverse Consequences resulting by reason of (a) joint and several liability with the Sellers arising by reason of having been required to be aggregated with the Sellers under Section 414(o) of the Code, or having been under "common control" with the Sellers, within the meaning of Section 4001(a)(14) of ERISA.

(iv) In the event: (x) there is an applicable survival period pursuant to Section 8(a) and (y) the Buyer makes a written claim for indemnification against the Sellers pursuant to Section 11(g) within such survival period, then the Sellers agree to indemnify the Buyer Indemnitees from and against the entirety of any Adverse Consequences caused proximately by, and suffered by the Buyer Indemnitees with respect to, any environmental condition, claim or loss with respect to the Acquired Companies arising as a result of events occurring on or prior to the Closing Date, including without limitation, the matters disclosed in Schedule 4(i).

(v) To the extent any Buyer Indemnitee becomes liable to, and is ordered to and does pay to any third party, punitive, exemplary, special or consequential damages proximately caused by a breach by any Seller of any representation, warranty or covenant contained in this Agreement, then such punitive, exemplary, special or consequential damages shall be deemed actual damages to such Buyer Indemnitee and included within the definition of Adverse Consequences for purposes of this Section 8.

(vi) Except for the rights of indemnification provided in this Section 8, the Buyer hereby waives any claim or cause of action pursuant to common or statutory law or otherwise against the Sellers arising from any breach by the Sellers of any of their representations, warranties or covenants under this Agreement or the transactions contemplated hereby.

(c) Indemnification Provisions for Benefit of the Sellers.

(i) In the event: (x) the Buyer breaches any of its representations, warranties or covenants contained herein (without giving effect to any supplement to the Schedules, any qualification as to materiality, Material Adverse Effect, Knowledge, awareness or concepts of similar import, or any qualification or limitation as to monetary amount or value); (y) there is an applicable survival period pursuant to Section 8(a); and (z) the Sellers make a written claim for indemnification against the Buyer pursuant to Section 11(g) within such survival period, then the Buyer agrees to indemnify the Seller Indemnitees from and against the entirety of any Adverse Consequences arising after the Closing Date caused proximately by the breach and suffered by such Seller Indemnitees.

(ii) Except for those liabilities for which the Sellers have agreed to indemnify the Buyer Indemnitees pursuant to Section 8(b), the Buyer agrees to indemnify the Seller Indemnitees from and against the entirety of any Adverse Consequences relating to the ownership and operation of Deepwater arising after the Closing Date.

(iii) To the extent any Seller Indemnitee becomes liable to, and is ordered to and does pay to any third party, punitive, exemplary, special or consequential damages proximately caused by a breach by the Buyer of any representation, warranty or covenant contained in this Agreement, then such punitive, exemplary, special or consequential damages shall be deemed actual damages to such Seller Indemnitee and included within the definition of Adverse Consequences for purposes of this Section 8.

(iv) Except for the rights of indemnification provided in this Section 8, the Sellers hereby waive any claim or cause of action pursuant to common or statutory law or otherwise against the Buyer arising from any breach by the Buyer of any of its representations, warranties or covenants under this Agreement or the transactions contemplated hereby.

(d) Matters Involving Third Parties.

(i) If any third party shall notify any Party (the "Indemnified Party") with respect to any matter (a "Third Party Claim") that may give rise to a claim for indemnification against any other Party (the "Indemnifying Party") under this Section 8, then the Indemnified Party shall promptly (and in any event within five business days after receiving notice of the Third Party Claim) notify the Indemnifying Party thereof in writing.

(ii) The Indemnifying Party shall have the right to assume and thereafter conduct the defense of the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party; provided, however, that the Indemnifying Party shall not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party (not to be withheld unreasonably) unless the judgment or proposed settlement involves only the payment of money damages and does not impose an injunction or other equitable relief upon the Indemnified Party.

(iii) Unless and until the Indemnifying Party assumes the defense of the Third Party Claim as provided in subsection 8(d)(ii), the Indemnified Party may defend against the Third Party Claim in any manner it reasonably may deem appropriate.

(iv) In no event shall the Indemnified Party consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party which consent shall not be withheld unreasonably.

(e) Determination of Amount of Adverse Consequences. The Adverse Consequences giving rise to any indemnification obligation hereunder shall be limited to the actual loss suffered by the Indemnified Party (i.e. reduced by any insurance proceeds or other payment or recoupment received, realized or retained by the Indemnified Party as a result of the events giving rise to the claim for indemnification net of any expenses related to the receipt of such proceeds, payment or recoupment, including retrospective premium adjustments, if any), but not any reduction in Taxes of the Indemnified Party (or the affiliated group of which it is a member) occasioned by such loss or damage. The amount of the actual loss and the amount of the indemnity payment shall be computed by taking into account the timing of the loss or payment, as applicable, using a Prime Rate plus 2% interest or discount rate, as appropriate. Upon the request of the Indemnifying Party, the Indemnified Party shall provide the Indemnifying Party with information sufficient to allow the Indemnifying Party to calculate the amount of the indemnity payment in accordance with this Section 8(e). An Indemnified Party shall take all reasonable steps to mitigate damages in respect of any claim for which it is seeking indemnification and shall use reasonable efforts to avoid any costs or expenses associated with such claim and, if such costs and expenses cannot be avoided, to minimize the amount thereof.

(f) Tax Treatment of Indemnity Payments. All indemnification payments made under this Agreement, including any payment made under Section 9 hereof, shall be treated as purchase price adjustments for Tax purposes.

(g) Joint and Several Liability. With respect to any and all indemnification payments for which the Sellers are liable under this Agreement, the liability of the Sellers shall be joint and several. The indemnification obligations of the Sellers are absolute, present and continuing obligations and are in no way conditional or contingent upon any other action, occurrence or circumstance whatsoever. It shall not be necessary for the Buyer, in order to enforce such indemnification obligations of any Seller, first to institute suit or exhaust its remedies against any other Seller or any other Person with respect to the indemnity obligations.

9. Tax Matters.

(a) Post-Closing Tax Returns. The Buyer shall prepare or cause to be prepared and file or cause to be filed any Post-Closing Tax Returns with respect to the Acquired Companies. The Buyer shall pay (or cause to be paid) any Taxes due with respect to such Tax Returns.

(b) Pre-Closing Tax Returns. The Sellers shall prepare or cause to be prepared and file or cause to be filed all Pre-Closing Tax Returns with respect to the Acquired Companies. The Sellers shall pay or cause to be paid any Taxes due with respect to such Tax Returns.

(c) Straddle Periods. The Buyer shall be responsible for Taxes of the Acquired Companies related to the portion of any Straddle Period occurring after the Closing Date. The Sellers shall be responsible for Taxes of the Acquired Companies relating to the portion of any Straddle Period occurring before and the Closing Date. With respect to any Straddle Period, to the extent permitted by applicable Law, the Sellers or the Buyer shall elect to treat the Closing Date as the last day of the Tax period. If applicable Law shall not permit the Closing Date to be the last day of a period, then (i) real or personal property Taxes of the Acquired Companies shall be allocated based on the number of days in the partial period before and after the Closing Date, (ii) in the case of all other Taxes based on or in respect of income, the Tax computed on the basis of the taxable income or loss attributable to the Acquired Companies for each partial period as determined from their books and records, and (iii) in the case of all other Taxes, on the basis of the actual activities or attributes of the Acquired Companies for each partial period as determined from their books and records.

(d) Straddle Returns. The Buyer shall prepare any Straddle Returns. The Buyer shall deliver, at least 45 days prior to the due date for filing such Straddle Return (including any extension) to the Sellers a statement setting forth the amount of Tax that the Sellers owe, including the allocation of taxable income and Taxes under Section 9(c), and copies of such Straddle Return. The Sellers shall have the right to review such Straddle Returns and the allocation of taxable income and liability for Taxes and to suggest to the Buyer any reasonable changes to such Straddle Returns no later than 15 days prior to the date for the filing of such Straddle Returns. The Sellers and the Buyer agree to consult and to attempt to resolve in good faith any issue arising as a result of the review of such Straddle Returns and allocation of taxable

income and liability for Taxes and mutually to consent to the filing as promptly as possible of such Straddle Returns. Not later than 5 days before the due date for the payment of Taxes with respect to such Straddle Returns, the Sellers shall pay or cause to be paid to the Buyer an amount equal to the Taxes as agreed to by the Buyer and the Sellers as being owed by the Sellers. If the Buyer and the Sellers cannot agree on the amount of Taxes owed by the Sellers with respect to a Straddle Return, the Sellers shall pay or cause to be paid to the Buyer the amount of Taxes reasonably determined by the Sellers to be owed by the Sellers. Within 10 days after such payment, the Sellers and the Buyer shall refer the matter to an independent "Big-Five" accounting firm agreed to by the Buyer and the Sellers to arbitrate the dispute. The Sellers and the Buyer shall equally share the fees and expenses of such accounting firm and its determination as to the amount owing by the Sellers with respect to a Straddle Return shall be binding on the Sellers and the Buyer. Within five days after the determination by such accounting firm, if necessary, the appropriate Party shall pay the other Party any amount which is determined by such accounting firm to be owed. The Sellers shall be entitled to reduce their obligation to pay Taxes with respect to a Straddle Return by the amount of any estimated Taxes paid with respect to such Taxes on or before the Closing Date.

(e) Claims for Refund. The Buyer shall not, and shall cause the Acquired Companies and any of their Affiliates not to, file any claim for refund of taxes with respect to the Acquired Companies for whole or partial taxable periods on or before the Closing Date.

(f) Indemnification. The Buyer agrees to indemnify the Sellers against all Taxes of or with respect to the Acquired Companies for any Post-Closing Tax Period and the portion of any Straddle Period occurring after the Closing Date. The Sellers agree to indemnify the Buyer against all Taxes of or with respect to the Acquired Companies for any Pre-Closing Tax Period and the portion of any Straddle Period occurring on or before the Closing Date.

(g) Cooperation on Tax Matters.

(i) The Buyer and the Sellers shall cooperate fully, as and to the extent reasonably requested by the other Party, in connection with the filing of Tax Returns pursuant to this Section and any audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder.

(ii) The Buyer and the Sellers further agree, upon request, to use their Best Efforts to obtain any certificate or other document from any Governmental Authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereby).

(iii) The Buyer and the Sellers agree, upon request, to provide the other Parties with all information that such other Parties may be required to report pursuant to Section 6043 of the Code and all Treasury Department Regulations promulgated thereunder.

(h) Certain Taxes. The Sellers shall file all necessary Tax Returns and other documentation with respect to all transfer, documentary, sales, use, stamp, registration and other Taxes and fees, and, if required by applicable Law, the Buyer shall, and shall cause its Affiliates to, join in the execution of any such Tax Returns and other documentation. Notwithstanding anything set forth in this Agreement to the contrary, the Buyer shall pay to the Sellers, on or before the date such payments are due from the Sellers, any transfer, documentary, sales, use, stamp, registration and other Taxes and fees incurred in connection with this Agreement and the transactions contemplated hereby.

(i) Confidentiality. Any information shared in connection with Taxes shall be kept confidential, except as may otherwise be necessary in connection with the filing of Tax Returns or reports, refund claims, tax audits, tax claims and tax litigation, or as required by Law.

(j) Audits. The Sellers and the Buyer shall provide prompt written notice to the other Parties of any pending or threatened tax audit, assessment or proceeding that it becomes aware of related to the Acquired Companies for whole or partial periods for which it is indemnified by any other Party hereunder. Such notice shall contain factual information (to the extent known) describing the asserted tax liability in reasonable detail and shall be accompanied by copies of any notice or other document received from or with any tax authority in respect of any such matters. If an indemnified party has knowledge of an asserted tax liability with respect to a matter for which it is to be indemnified hereunder and such party fails to give the indemnifying party prompt notice of such asserted tax liability, then (I) if the indemnifying party is precluded by the failure to give prompt notice from contesting the asserted tax liability in any forum, the indemnifying party shall have no obligation to indemnify the indemnified party for any Taxes arising out of such asserted tax liability, and (II) if the indemnifying party is not so precluded from contesting, but such failure to give prompt notice results in a detriment to the indemnifying party, then any amount which the indemnifying party is otherwise required to pay the indemnified party pursuant to this Section 9(j) shall be reduced by the amount of such detriment, provided, the indemnified party shall nevertheless be entitled to full indemnification hereunder to the extent, and only to the extent, that such party can establish that the indemnifying party was not prejudiced by such failure. This Section 9(j) shall control the procedure for Tax indemnification matters to the extent it is inconsistent with any other provision of this Agreement.

(k) Control of Proceedings. The party responsible for the Tax under this Agreement shall control audits and disputes related to such Taxes (including action taken to pay, compromise or settle such Taxes). The Sellers and the Buyer shall jointly control, in good faith with each other, audits and disputes relating to Straddle Periods. Reasonable out-of-pocket expenses with respect to such contests shall be borne by the Sellers and the Buyer in proportion to their responsibility for such Taxes as set forth in this Agreement. Except as otherwise provided by this Agreement, the noncontrolling party shall be afforded a reasonable opportunity to participate in such proceedings at its own expense.

(l) Powers of Attorney. The Buyer, the Acquired Companies, and their respective Affiliates shall provide the Sellers and their Affiliates with such powers of attorney or other authorizing documentation as are reasonably necessary to empower them to execute and file

returns they are responsible for hereunder, file refund and equivalent claims for Taxes they are responsible for, and contest, settle, and resolve any audits and disputes that they have control over under Section 9(k) hereof (including any refund claims which turn into audits or disputes).

(m) Remittance of Refunds. If the Buyer or any Affiliate of the Buyer receives a refund of any Taxes that the Sellers are responsible for hereunder, or if the Sellers or any Affiliate of the Sellers receive a refund of any Taxes that the Buyer is responsible for hereunder, the party receiving such refund shall, within 30 days after receipt of such refund, remit it to the party who has responsibility for such Taxes hereunder. For the purpose of this Section 9(m), the term "refund" shall include a reduction in Tax and the use of an overpayment as a credit or other tax offset, and receipt of a refund shall occur upon the filing of a return or an adjustment thereto using such reduction, overpayment or offset or upon the receipt of cash.

(n) Purchase Price Allocation. The Sellers and the Buyer agree that the actual Purchase Price allocable to the Subject Assets shall be allocated to the Subject Assets for all purposes (including Tax and financial accounting purposes) as jointly agreed between the Buyer and the Sellers within ninety (90) days after the Closing Date. The Buyer, the Sellers and their applicable Affiliates shall file all Tax Returns (including amended Tax Returns and claims for refund) and information reports in a manner consistent with such allocation.

(o) Closing Tax Certificate. At the Closing, the Sellers shall deliver to the Buyer a certificate signed under penalties of perjury (i) stating that none of them are a foreign corporation, foreign partnership, foreign trust or foreign estate, (ii) providing their U.S. Employer Identification Numbers, and (iii) providing their addresses, all pursuant to Section 1445 of the Code.

(p) Like Kind Exchanges. The Buyer shall cooperate fully, as and to the extent reasonably requested by the Sellers, in connection with enabling the transactions contemplated herein to qualify in whole or in part as a "like kind" exchange pursuant to Section 1031 of the Code. The Sellers agree to indemnify the Buyer against any and all costs and expenses the Buyer shall incur with respect to cooperating with the Sellers in enabling the transactions contemplated herein to qualify in whole or in part as a "like-kind exchange" pursuant to Section 1031 of the Code.

The Sellers may assign their rights under this Agreement to a qualified intermediary to facilitate a like-kind exchange. The agreement between the Sellers and qualified intermediary ("Exchange Agreement") shall be as agreed between such parties.

10. Termination.

(a) Termination of Agreement. The Parties may terminate this Agreement, as provided below:

(i) the Buyer and the Sellers may terminate this Agreement by mutual written consent at any time before the Closing;

(ii) the Buyer may terminate this Agreement by giving written notice to the Sellers at any time before Closing (A) in the event the Sellers have breached any representation, warranty or covenant contained in this Agreement in any material respect, the Buyer has notified the Sellers of the breach, the breach has continued without cure for a period of 10 days after the notice of breach and such breach would result in a failure to satisfy a condition to the Buyer's obligation to consummate the transactions contemplated hereby; (B) if the Closing shall not have occurred on or before December 31, 2001 (unless the failure results primarily from the Buyer itself breaching any representation, warranty or covenant contained in this Agreement); or (C) if the transactions contemplated hereby do not receive all required approvals of the FTC;

(iii) the Sellers may terminate this Agreement by giving written notice to the Buyer at any time before the Closing (A) in the event the Buyer has breached any representation, warranty or covenant contained in this Agreement in any material respect, the Sellers have notified the Buyer of the breach, the breach has continued without cure for a period of 10 days after the notice of breach and such breach would result in a failure to satisfy a condition to the Sellers' obligation to consummate the transactions contemplated hereby; (B) if the Closing shall not have occurred on or before December 31, 2001 (unless the failure results primarily from the Sellers themselves breaching any representation, warranty or covenant contained in this Agreement); or (C) if the transactions contemplated hereby do not receive all required approvals of the FTC; and

(iv) the Buyer or the Sellers may terminate this Agreement if any court of competent jurisdiction or any governmental, administrative or regulatory authority, agency or body shall have issued an order, decree or ruling or shall have taken any other action permanently enjoining, restraining or otherwise prohibiting the transactions contemplated hereby and such order, decree, ruling or other action shall have become final and nonappealable.

(b) Effect of Termination. Except for the obligations under Section 8, Section 10 and Section 11, if any Party terminates this Agreement pursuant to Section 10(a), all rights and obligations of the Parties hereunder shall terminate without any liability of any Party to any other Party (except for any liability of any Party then in breach).

11. Miscellaneous.

(a) Press Releases and Public Announcements. No Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement before the Closing without notifying the other Party thereof, either in writing or by email or telephone call to the appropriate representative within the other Party. If the transactions contemplated hereunder are not consummated, each Party shall return all confidential information concerning the Deepwater Interest, the Acquired Companies, the Subject Assets and the other Party as such other Party may reasonably request. Further, if the transactions are consummated, the Sellers

agree to keep confidential and not disclose any confidential information related to the Deepwater Interest, the Acquired Companies and the Subject Assets.

(b) Insurance. The Buyer acknowledges and agrees that, following the Closing, any Subject Insurance Policies shall be terminated or modified to exclude coverage of all or any portion of the Acquired Companies by the Sellers or any of its Affiliates, and, as a result, the Buyer shall be obligated at or before Closing to obtain at its sole cost and expense replacement insurance, including insurance required by any third party to be maintained by the Acquired Companies. The Buyer further acknowledges and agrees that the Buyer may need to provide to certain Governmental Authorities and third parties evidence of such replacement or substitute insurance coverage for the continued operations of the businesses of the Acquired Companies. If any claims are made or losses occur prior to the Closing Date that relate solely to the business activities of the Acquired Companies and such claims, or the claims associated with such losses, properly may be made against the policies retained by the Sellers or their Affiliates after the Closing, then the Sellers shall use their Best Efforts so that the Buyer can file, notice, and otherwise continue to pursue these claims pursuant to the terms of such policies; provided, however, nothing in this Agreement shall require the Sellers to maintain or to refrain from asserting claims against or exhausting any retained policies.

(c) No Third Party Beneficiaries. Except for the indemnification provisions, this Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

(d) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. The Parties may assign either this Agreement or any of their respective rights, interests or obligations hereunder to an Affiliate without the prior approval of the other Party; provided, however, that no such assignment shall relieve any Party from any of its respective obligations or liabilities under this Agreement.

(e) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

(f) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(g) Notices. All notices, requests, demands, claims, and other communications hereunder shall be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given 2 business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to Sellers: Texas Offshore Pipeline System, Inc.,
Attn: President
El Paso Building
1001 Louisiana
Houston, Texas 77002

If to the Buyer: El Paso Energy Partners, L.P.
Attn: President
4 Greenway Plaza
Houston, Texas 77046
(713) 420-2131

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the addresses set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

(h) Governing Law. This Agreement shall be governed by and construed in accordance with the domestic Laws of the State of Texas without giving effect to any choice or conflict of law provision or rule (whether of the State of Texas or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Texas.

(i) Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the Buyer and the Sellers. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

(j) Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(k) Transaction Expenses. Each of the Buyer and the Sellers shall bear their own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby.

(l) Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter

gender, shall include all other genders; the singular shall include the plural, and vice versa. All references herein to Exhibits, Schedules, Articles, Sections or subdivisions thereof shall refer to the corresponding Exhibits, Schedules, Article, Section or subdivision thereof of this Agreement unless specific reference is made to such exhibits, articles, sections or subdivisions of another document or instrument. The terms "herein," "hereby," "hereunder," "hereof," "hereinafter," and other equivalent words refer to this Agreement in its entirety and not solely to the particular portion of the Agreement in which such word is used.

(m) Incorporation of Exhibits and Schedules. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

(n) Entire Agreement. THIS AGREEMENT (INCLUDING THE DOCUMENTS REFERRED TO HEREIN) CONSTITUTES THE ENTIRE AGREEMENT AMONG THE PARTIES AND SUPERSEDES ANY PRIOR UNDERSTANDINGS, AGREEMENTS, OR REPRESENTATIONS BY OR AMONG THE PARTIES, WRITTEN OR ORAL, TO THE EXTENT THEY HAVE RELATED IN ANY WAY TO THE SUBJECT MATTER HEREOF.

(o) Nature of Obligations. Notwithstanding anything to the contrary in this Agreement, the covenants and obligations of, and the representations and warranties made by or attributable to, any Seller pursuant to this Agreement shall be deemed to be made by and attributable to each Seller and all of the Sellers, jointly and severally, and the Buyer shall have the right to pursue remedies against any one or more Sellers without any obligation to give notice to or pursue all Sellers or to give notice to or pursue any individual Seller before pursuing any other Seller.

(p) Member Consent. Notwithstanding anything to the contrary contained herein or in the Organizational Documents of Deepwater, each Party, in its capacities as a member in Deepwater and a member of the management committee of Deepwater, (i) hereby consents to the disposition by the Sellers of their Equity Interests in Deepwater contemplated by this Agreement and (ii) agrees that this Agreement is acceptable in form and substance to cause the disposition of such Equity Interests.

*****

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

EL PASO ENERGY PARTNERS DEEPWATER, L.L.C.

By: /s/ D. MARK LELAND

Name: D. Mark Leland

Title: Senior Vice President

AMERICAN NATURAL OFFSHORE COMPANY

By: /s/ E.R. WEST

Name: E.R. West

Title: Vice President

TEXAS OFFSHORE PIPELINE SYSTEM, INC.

By: /s/ E.R. WEST

Name: E.R. West

Title: Vice President

UNITEX OFFSHORE TRANSMISSION COMPANY

By: /s/ E.R. WEST

Name: E.R. West

Title: Vice President

ANR WESTERN GULF HOLDINGS, L.L.C.

By: /s/ E.R. WEST

Name: E.R. West

Title: Vice President

ASSIGNMENT, ACCEPTANCE AND AMENDMENT

Dated October 4, 2001

Reference is made to (i) that certain Participation and Credit Agreement, as amended and restated on December 22, 2000, (as the same may be amended or otherwise modified from time to time, the "Participation Agreement"), among El Paso New Chaco Company, L.L.C., a Delaware limited liability company (the "Company"), El Paso Corporation, a Delaware corporation ("El Paso"), El Paso Natural Gas Company, a Delaware corporation ("EPNG" and together with El Paso, the "Guarantors"), State Street Bank and Trust Company, not in its individual capacity but solely as trustee for the Chaco Liquids Plant Trust (the "Trustee"), the note holders parties thereto (the "Note Holders"), the certificate holder party thereto (the "Certificate Holder" and together with the Note Holders, the "Participants"), and The Chase Manhattan Bank (in its individual capacity, "Chase"), as agent for the Participants (in such capacity, the "Agent"); (ii) that certain Declaration of Trust dated as of February 9, 1995 (as the same may be amended or otherwise modified from time to time, the "Declaration of Trust"), by the Trustee; and (iii) that certain Lease Agreement dated as of February 9, 1995 (as the same may be amended or otherwise modified from time to time, the "Lease Agreement"), by and between the Trustee and the Company. Capitalized terms not defined herein shall have the meanings specified respectively in the Participation Agreement, the Declaration of Trust and the Lease Agreement.

Pursuant to this Assignment, Acceptance and Amendment (this "Agreement"), Delos Offshore Company, L.L.C., a Delaware limited liability company (the "Assignee"), Chase, KBC Bank N.V. ("KBC"), The Sumitomo Bank, Limited ("Sumitomo Bank"), Royal Bank of Canada ("RBOC"), The Bank of New York ("BONY"), Societe Generale, Southwest Agency ("SGSA"), Societe Generale Financial Corporation ("SGFC" and together with Chase, KBC, Sumitomo Bank, RBOC, BONY and SGSA, the "Assignors" and individually, an "Assignor"), The Industrial Bank of Japan, Limited New York Branch ("IBOJ"), the Company, the Guarantors, the Agent and the Trustee (collectively, the "Parties") agree as follows:

1. Each Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from each Assignor, that interest in and to all of such Assignor's rights and obligations under the Participation Agreement as of the date hereof which represents the Percentage Share specified on the Schedule 1 for such Assignor of all of its outstanding rights and obligations under the Participation Agreement, including, without limitation, such interest in such Assignor's Commitment and the Loans or Certificate Advances, as specified on the Schedule 1 for such Assignor, owing to such Assignor, and the Note or Certificate, as specified on the Schedule 1 for such Assignor, held by such Assignor. After giving effect to each such sale and assignment and to the Specific Prepayment (as hereinafter defined) to IBOJ contemplated to be made on the date hereof, the Assignee will be the sole Note Holder and the sole Certificate Holder.

2. Each Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Participation

Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Participation Agreement or any other instrument or document furnished pursuant thereto; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Guarantors or the Company, or the performance or observance by the Guarantors or the Company of any of its obligations under the Participation Agreement or any other instrument or document furnished pursuant thereto; and (iv) attaches the Note or Certificate referred to in Paragraph 1 above and requests that the Agent exchange such Note or Certificate for a new Note or Certificate, as applicable, payable to the order of the Assignee, in an amount equal to the Commitment assumed by the Assignee pursuant hereto or new Note or Certificate, as applicable, payable to the order of the Assignee, in an amount equal to the Commitment assumed by the Assignee pursuant hereto and such Assignor in an amount equal to the Commitment retained by such Assignor under the Participation Agreement, respectively, as specified on Schedule 1 hereto.

3. The Assignee (i) confirms that it has received a copy of the Participation Agreement, together with copies of the financial statements referred to in Section 7.01(e) thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Agreement; (ii) agrees that it will, independently and without reliance upon the Agent or any Assignor and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Participation Agreement; (iii) confirms that it is an Eligible Assignee, as such term has been amended herein; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Participation Agreement as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Participation Agreement are required to be performed by it as a Participant; and (vi) specifies as its address for notices the address set forth beneath its name on the signature pages hereof.

4. Following the execution of this Agreement by the Parties, it will be delivered to the Agent for acceptance and recording by the Agent. The effective date of this Agreement shall be the date of acceptance thereof by the Agent, unless otherwise specified on Schedule 1 hereto (the "Effective Date").

5. Upon such acceptance and recording by the Agent, as of the Effective Date, (i) the Assignee shall be a party to the Participation Agreement and, to the extent provided in this Agreement, have the rights and obligations of a Participant and a Note Holder and a Certificate Holder thereunder, and (ii) each Assignor shall, to the extent provided in this Agreement, relinquish its rights and be released from its obligations under the Participation Agreement; provided, however, that each Assignee shall continue to be entitled to the benefits of Sections 12.03 of the Participation Agreement and, to the extent applicable, to Section 12.20 of the Participation Agreement.

6. Upon such acceptance and recording by the Agent, from and after the Effective Date, the Agent shall make all payments under the Participation Agreement and the Notes and Certificate in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and/or yield, as applicable, and commitment fees with respect thereto) to the

Assignee. Each Assignor and the Assignee shall make all appropriate adjustments in payments under the Participation Agreement and the Notes and Certificate for periods prior to the Effective Date directly between themselves.

7. The Parties have agreed and now desire to amend, restate, supersede and replace the original text of Section 3.02 of the Participation Agreement (the "Original Section 3.02"). The Original Section 3.02 currently reads as follows:

> Section 3.02 Prepayments. On or after the Phase One Completion Date, the Company may upon (a) in the case of the Eurodollar Loans or Eurodollar Advances, at least (2) Business Days' notice and (b) in the case of Base Rate Loans or Base Rate Advances, telephonic notice not later than 12:00 noon (New York City time) on the date of prepayment, to the Agent which specifies the proposed date and aggregate principal amount of the prepayment and the Type of Loans or Certificate Advances to be prepaid, and if such notice is given the Company, as agent for the Trustee, shall prepay the outstanding principal amounts of the Loans comprising the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the amount prepaid or the outstanding principal amounts of the Certificate Advances in whole or in part, together with accrued yield to the date of such prepayment on the amount prepaid; provided, however, that (i) each partial prepayment of Loans shall be in an aggregate principal amount not less than $3,000,000 or an integral multiple of $500,000 in excess thereof, and (ii) in the event of any such prepayment of any Eurodollar Loan or Eurodollar Advance on any day other than the last day of the Eurodollar Period for such Eurodollar Loan or Eurodollar Advance, the Company, as agent for the Trustee, shall be obligated to reimburse the Note Holders and/or Certificate Holders (as applicable) in respect thereof pursuant to, and to the extent required by, Section 5.07; provided, further, however, that the Company will use its best efforts to give notice to the Agent of the proposed prepayment of Base Rate Loans or Base Rate Advances on the Business Day prior to the date of such proposed prepayment Any prepayment pursuant to this Section 3.02 shall be allocated among the Loans and Certificate Advances to achieve or maintain consistency with the ratio set forth in Section 2.02(c); or if, after giving effect to such prepayment, it is not possible to achieve or maintain such ratio, the such prepayment will be allocated among the Loans and Certificate Advances in the manner which most closely approximates such ratio. In no event shall any prepayment be allowed which results in the Certificate Advances being less than 3% of the aggregate amount of all Loans and Certificate Advances then outstanding.

The Original Section 3.02 shall be amended, restated, superseded and replaced with the following amended text of Section 3.02 of the Participation Agreement, effective upon consummation of all of the assignments described in paragraph 1 above:

Section 3.02 Prepayments. On or after the Phase One Completion Date, the Company, at its own election, may either (a) prepay to any one Note Holder the outstanding principal amount of the Loan or Loans advanced by such Note Holder together with accrued interest to the date of such prepayment (a "Specific Prepayment"); or (b) prepay, without specification to any one Note Holder, the outstanding principal amounts of the Loans comprising the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the amount prepaid or the outstanding principal amounts of the Certificate Advances in whole or in part, together with accrued yield to the date of such prepayment on the amount prepaid (a "General Prepayment"); provided, however, that (i) each General Prepayment that is a partial prepayment of Loans shall be in an aggregate principal amount not less than $3,000,000 or an integral multiple of $500,000 in excess thereof, and (ii) in the event of any such General Prepayment that is a prepayment of any Eurodollar Loan or Eurodollar Advance on any day other than the last day of the Eurodollar Period for such Eurodollar Loan or Eurodollar Advance, the Company, as agent for the Trustee, shall be obligated to reimburse the Note Holders and/or Certificate Holders (as applicable) in respect thereof pursuant to, and to the extent required by, Section 5.07; provided, further, however, that the Company will use its best efforts to give notice to the Agent of the proposed General Prepayment of Base Rate Loans or Base Rate Advances on the Business Day prior to the date of such proposed General Prepayment. Any General Prepayment pursuant to this Section 3.02 shall be allocated among the Loans and Certificate Advances to achieve or maintain consistency with the ratio set forth in Section 2.02(c); or if, after giving effect to such General Prepayment, it is not possible to achieve or maintain such ratio, then such General Prepayment will be allocated among the Loans and Certificate Advances in the manner which most closely approximates such ratio. Prior to any prepayment (whether General or Specific), the Company shall give (i) in the case of Eurodollar Loans or Eurodollar Advances, at least two (2) Business Days' notice and (ii) in the case of Base Rate Loans or Base Rate Advances, telephonic notice not later than 12:00 noon (New York City time) on the date of prepayment, to the Agent which specifies, in the case of a Specific Prepayment, the name of the Note Holder to be prepaid, the proposed date and aggregate principal amount of the prepayment and the Type of Loans or Certificate Advances to be prepaid, and in the case of a General Prepayment, the proposed date and aggregate principal amount of the prepayment and the Type of Loans or Certificate Advances to be prepaid.

8. The Parties have agreed and now desire to amend, restate, supersede and replace the original text of Sections 4.02(b) and (c) of the Participation Agreement (the "Original Sections 4.02(b) and (c)"). The Original Sections 4.02(b) and (c) currently reads as follows:

(b) each payment of Loans by or for the account of the Trustee shall be made for the account of the Note Holders pro rata in accordance with the respective unpaid amount of the Notes held by the Note Holders; (c) each payment of interest on Loans by or for the account of the Trustee shall be made for the account of the Note Holders pro rata in accordance with the amounts of interest due and payable to the respective Note Holders;

The Original Sections 4.02(b) and (c) shall be amended, restated, superseded and replaced with the following amended text of Sections 4.02(b) and (c), effective upon consummation of all of the assignments described in paragraph 1 above:

(b) except with respect to a Specific Prepayment, each payment of Loans by or for the account of the Trustee shall be made for the account of the Note Holders pro rata in accordance with the respective unpaid amount of the Notes held by the Note Holders; (c) except with respect to a Specific Prepayment, each payment of interest on Loans by or for the account of the Trustee shall be made for the account of the Note Holders pro rata in accordance with the amounts of interest due and payable to the respective Note Holders.

9. The Parties have agreed and now desire to amend, restate, supersede and replace the original text of Section 11.08 of the Participation Agreement (the "Original Section 11.08"). The Original Section 11.08 currently reads as follows:

Section 11.08 Resignation or Removal of Agent. The Agent may resign at any time by giving written notice thereof to the Participants, the Trustee and the Company and may be removed at any time with or without cause by the Majority Participants. Upon any such resignation or removal, the Majority Participants shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Majority Participants and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Majority Participant's removal of the retiring Agent, then such retiring Agent may, on behalf of the Participants, appoint a successor Agent, which shall be a Note Holder and a commercial bank organized, or authorized to conduct a banking business, under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at lease $500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, each successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement and the other Operative Documents. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article XI shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

The Original Section 11.08 shall be amended, restated, superseded and replaced with the following amended text of Section 11.08 of the Participation Agreement, effective upon consummation of all of the assignments described in paragraph 1 above:

> Section 11.08 Resignation or Removal of Agent. The Agent may resign at any time by giving written notice thereof to the Participants, the Trustee and the Company and may be removed at any time with or without cause by the Majority Participants. Upon any such resignation or removal, the Majority Participants shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Majority Participants and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Majority Participant's removal of the retiring Agent, then such retiring Agent may, on behalf of the Participants, appoint a successor Agent, which may be any Person. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, each successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement and the other Operative Documents. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article XI shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

10. The Parties have agreed and now desire to amend, restate, supersede and replace the original text of the first clause of the first sentence of Section 12.06(b) of the Participation Agreement (the "Original Section 12.06(b)"). The Original Section 12.06(b) currently reads as follows:

> (b) Each Participant may assign to one or more banks or other financial institutions all or a portion of its rights and obligations under this Agreement (including all or a portion of its Loan Commitment or Certificate, the Loans or Certificate Advances owing to it and the Note or Certificate held by it);

The Original Section 12.06(b) shall be amended, restated, superseded and replaced with the following amended text of the first clause of the first sentence of Section 12.06(b) of the Participation Agreement, effective upon consummation of all of the assignments described in paragraph 1 above:

> (b) Each Participant may assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Loan Commitment or Certificate, the Loans or Certificate Advances owing to it and the Note or Certificate held by it).

11. The Parties have agreed and now desire to amend, restate, supersede and replace the original text of Section 12.06(i) of the Participation Agreement (the "Original Section 12.06(i)"). The Original Section 12.06(i) currently reads as follows:

> (i) Notwithstanding any other provision of this Agreement or any Operative Document, neither the Company nor any of its Affiliates (i) may acquire any of the Notes unless the Company or such Affiliate acquires all of the Notes in a single transaction and thereby become bound by the provisions of Section 11.02 and 12.01 or (ii) may acquire any of the Certificates unless the Company or such Affiliate acquires all of the Certificates in a single transaction and has previously acquired all the Notes in a single transaction.

The Original Section 12.06(i) shall be amended, restated, superseded and replaced with the following amended text of Section 12.06(i), effective upon consummation of all of the assignments described in paragraph 1 above:

> (i) Notwithstanding any other provision of this Agreement or any other Operative Document, neither the Company nor any of its Affiliates (i) may acquire any of the Notes unless the Company or such Affiliate acquires all of the Notes in a single transaction (such a single transaction may include the substantially contemporaneous prepayment in full of all Notes not otherwise acquired by the Company or such Affiliate) and thereby become bound by the provisions of Sections 11.02 and 12.01 or (ii) may acquire any of the Certificates unless the Company or such Affiliate acquires all of the Certificates in a single transaction and has previously acquired all of the Notes in a single transaction.

12. The Parties have agreed and now desire to amend, restate, supersede and replace the original text of the definition of "Eligible Assignee" in Schedule 1.02 of the Participation Agreement (the "Original Definition"). The Original Definition currently reads as follows:

> "Eligible Assignee" shall mean, with respect to any particular assignment under Section 12.06 of the Participation Agreement, any bank or other financial institution approved in writing by the Parent expressly with respect to such assignment and, except as to such assignment by Chase so long as Chase is the Agent hereunder, the Agent as an Eligible Assignee for purposes of the Participation Agreement, provided that (a) neither the Agent's nor the Parent's approval shall be unreasonably withheld and (b) neither the Agent's nor the Parent's approval shall be required if the assignee is another Participant or an Affiliate of the assigning Participant.

The Original Definition shall be amended, restated, superseded and replaced with the following amended definition of "Eligible Assignee" in Schedule 1.02 of the Participation Agreement, effective upon consummation of all of the assignments described in paragraph 1 above:

> "Eligible Assignee" shall mean, with respect to any particular assignment under Section 12.06 of the Participation Agreement, any Person approved in writing by the Parent expressly with respect to such assignment and, except as to such assignment by Chase so long as Chase is the Agent hereunder, the Agent as an Eligible Assignee for purposes of the Participation Agreement, provided that (a) neither the Agent's nor the Parent's approval shall be unreasonably withheld and (b) neither the Agent's nor the Parent's approval shall be required if the assignee is another Participant or an Affiliate of the assigning Participant.

13. The Parties have agreed and now desire to further amend and modify Schedule 1.02 of the Participation Agreement, effective upon consummation of all of the assignments described in paragraph 1 above, by adding the following two definitions, each to be added in its respective alphabetical sequence:

> "General Prepayment" shall have the meaning assigned to such term in Section 3.02(b) of the Participation and Credit Agreement.
>
> "Specific Prepayment" shall have the meaning assigned such term in Section 3.02(a) of the Participation and Credit Agreement.

14. The Parties have agreed and now desire to amend, restate, supersede and replace the original text of the final sentence of Section 4.02(a) of the Declaration of Trust (the "Original Section 4.02(a)"). The Original Section 4.02(a) currently reads as follows:

> Any banking institution or trust company becoming a successor Trustee hereunder shall be deemed the "Trustee" for all purposes hereof, and each reference herein to the Trustee shall thereafter be deemed a reference to such banking institution or trust company.

The Original Section 4.02(a) shall be amended, restated, superseded and replaced with the following amended final sentence of Section 4.02(a) of the Declaration of Trust, effective upon consummation of all of the assignments described in paragraph 1 above:

> Any Person becoming a successor Trustee hereunder shall be deemed the "Trustee" for all purposes hereof, and each reference herein to the Trustee shall thereafter be deemed a reference to such Person.

15. The Parties have agreed and now desire to amend, restate, supersede and replace the original text of Section 4.02(c) of the Declaration of Trust (the "Original Section 4.02(c)"). The Original Section 4.02(c) currently reads as follows:

(c) Any successor to the Trustee, however constituted, shall be a bank or trust company organized and existing under the laws of the United States of America or any state thereof and having capital funds as of the date of appointment of such successor (as shown by its most recent financial statement distributed to its shareholders) aggregating at least $100,000,000, if there shall be such a bank or trust company willing and legally qualified to accept and perform the trusts hereunder and the duties mentioned herein upon reasonable or customary terms.

The Original Section 4.02(c) shall be amended, restated, superseded and replaced with the following amended text of Section 4.02(c) of the Declaration of Trust, effective upon consummation of all of the assignments described in paragraph 1 above:

(c) Any successor to the Trustee, however constituted, shall be any Person, if there shall be such a Person willing to accept and perform the trusts hereunder and the duties mentioned herein upon reasonable or customary terms.

16. The Parties have agreed and now desire to amend, restate, supersede and replace the original text of Section 12(b) of the Lease Agreement (the "Original Section 12(b)"). The Original Section 12(b) currently reads:

(b) The Lessor will not directly or indirectly sell, transfer or otherwise dispose of, or create, or permit to be created or to remain, and will discharge, any Lien of any nature whatsoever on, in or with respect to its interest in the Facility arising by or through it or its actions, except Permitted Liens;

The Original Section 12(b) shall be amended, restated, superseded and replaced, effective upon consummation of all of the assignments described in paragraph 1 above, by deleting the Original Section 12(b) in its entirety and replacing it with "Intentionally Deleted."

17. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

18. Except as expressly amended, modified and supplemented hereby, the provisions of the Participation Agreement and the other Operative Documents are and shall remain in full force and effect.

19. This Agreement may be executed by one or more of the Parties on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

****

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ASSIGNORS: THE CHASE MANHATTAN BANK

By: /s/ STEVEN WOOD

Name: Steven Wood

Title: Vice President

Funding Office for Base Rate Loans and Eurodollar Loans:

270 Park Avenue, 8th Floor
New York, New York 10017

Address for Notices:

140 East 45th Street, 29th Floor
New York, New York 10017
Telecopier No.: (212) 622-0002
Telephone No.: (212) 622-8433
Attention: Maggie Swales

Copy To:

270 Park Avenue, 21st Floor
New York, New York 10017
Telecopier No.: (212) 270-4647
Telephone No.: (212) 383-0361
Attention: Steve Wood

KBC BANK N.V.

By: /s/ ROBERT SRAUFFER

Name: Robert Srauffer

Title: First Vice President

By: /s/ ERIC RASKIN

Name: Eric Raskin

Title: Vice President

Funding Office for Base Rate
Loans and Eurodollar Loans:

125 W. 55th Street, 10th Floor
New York, New York 10019

Address for Notices:

125 W. 55th Street, 10th Floor
New York, New York 10019
Telecopier No.: (212) 956-5581
Telephone No.: (212) 541-0657
Attention: Lynda Resuma

Copy To:

Mr. Kyle Cruel, Associate
KBC BANK N.V.
Atlanta Representative Office
1349 West Peachtree Street
Suite 1750
Atlanta, GA 30309
Telecopier No.: (404) 876-2556
Telecopier No.: (404) 876-3212

SUMITOMO MITSUI BANKING CORPORATION

By: /s/ C. MICHAEL GARRIDO

Name: C. Michael Garrido

Title: Senior Vice President

Funding Office for Base Rate
Loans and Eurodollar Loans:

277 Park Avenue, 6th Floor
New York, New York 10172

Address for Notices:

277 Park Avenue, 6th Floor
New York, New York 10172
Telecopier No.: (212) 224-4537
Telephone No.: (212) 224-4090
Attention: Kevin Saulnier

THE BANK OF NEW YORK

By: /s/ PETER W. KELLER

Name: Peter W. Keller

Title: Vice President

Funding Office for Base Rate
Loans and Eurodollar Loans:

One Wall Street
New York, New York 10288

Address for Notices:

One Wall Street
New York, New York 10288
Telecopier No.: (212) 635-7923
Telephone No.: (212) 635-7921
Attention: Nina Russo-Valdes

ROYAL BANK OF CANADA

By: /s/ TOM J. OBERAIGNER

Name: Tom J. Oberaigner

Title: Senior Manager

Funding Office for Base Rate
Loans and Eurodollar Loans:

One Liberty Plaza, 4th Floor
365 Broadway
New York, NY 10006

Address for Notices:

One Liberty Plaza, 4th Floor
365 Broadway
New York, NY 10006
Telecopier No.: (416) 955-6720
Telephone No.: (416) 955-6714
Attention: Claro Albay

Copy To:

2800 Post Oak Blvd.
Houston, TX 77002
Telecopier No.: (713) 403-5624
Telephone No.: (713) 403-5678
Attention: Tom Oberaigner

SOCIETE GENERALE, SOUTHWEST AGENCY

By: /s/ J. DOUGLAS MCMURREY, JR.

Name: J. Douglas McMurrey, Jr.

Title: Managing Director

Funding Office for Base Rate
Loans and Eurodollar Loans:

Trammel Crow Center
2001 Ross Avenue
Dallas, Texas 75201

Address for Notices:

Trammel Crow Center
2001 Ross Avenue
Dallas, Texas 75201
Telecopier No.: (214) 979-2764
Telephone No.: (214) 754-0171
Attention: Ralph Saheb

Copy To:

Societe Generale, Southwest Agency
1111 Bagby
Suite 2020
Houston, Texas 77002
Attention: Elizabeth W. Hunter
Telephone No. (713) 759-6330
Telecopier No.: (713) 650-0824

SOCIETE GENERALE FINANCIAL CORPORATION

By: /s/ POWELL ROBINSON III

Name: Powell Robinson III

Title: First Vice President

Funding Office for Base Rate
Loans and Eurodollar Loans:

1221 Avenue of the Americas
New York, New York 10020

Address for Notices:

1221 Avenue of the Americas
New York, New York 10020
Telecopier No.: (212) 278-6446
Telephone No.: (212) 278-7310
Attention: Paul Sottnik

ASSIGNEE: DELOS OFFSHORE COMPANY, L.L.C.

By: /s/ KEITH B. FORMAN

Name: Keith B. Forman

Title: Vice President and CFO

[Assignment, Acceptance and Amendment Signature Page]

IBOJ: THE INDUSTRIAL BANK OF JAPAN, LIMITED
NEW YORK BRANCH

By: /s/ HIRO-FUMI SUGANO

Name: Hiro-Fumi Sugano

Title: Senior Vice President, Houston Office

Funding Office for Base Rate
Loans and Eurodollar Loans:

1251 Avenue of the Americas
New York, New York 10020

Address for Notices:

Mr. Andrew Encarnacion
1251 Avenue of the Americas
New York, New York 10020
Telecopier No.: (212) 282-4065
Telephone No.: (212) 282-4480

[Assignment, Acceptance and Amendment Signature Page]

TRUSTEE: STATE STREET BANK AND TRUST COMPANY,
not in its individual capacity but solely as
Trustee

By: /s/ JULIE A. BALEMA

Name: Julie A. Balema

Title: Assistant Vice President

AGENT: THE CHASE MANHATTAN BANK, as Agent

By: /s/ STEVEN WOOD

Name: Steven Wood

Title: Vice President

[Assignment, Acceptance and Amendment Signature Page]

EPNG: EL PASO NATURAL GAS COMPANY

By: /s/ JOHN HOPPER

Name: John Hopper

Title: Vice President

EL PASO: EL PASO CORPORATION

By: /s/ JOHN HOPPER

Name: John Hopper

Title: Vice President

THE COMPANY: EL PASO NEW CHACO COMPANY, L.L.C.

By: /s/ D. MARK LELAND

Name: D. Mark Leland

Title: Senior Vice President

Principal Place of Business:

El Paso Corporation Building
1001 Louisiana Street
Houston, Texas 77002

Chief Executive Offices:

El Paso Corporation Building
1001 Louisiana Street
Houston, Texas 77002

Schedule 1
to
Assignment, Acceptance and Amendment
Dated October 4, 2001

ASSIGNOR: THE CHASE MANHATTAN BANK

Section 1.

Percentage Share 16.108247%

Section 2.

Aggregate Outstanding Principal
Amount of Loans owing to the Assignee: $12,069,129.52

Note payable to the order of the Assignee

Dated: _____, 2001
Principal amount: $12,069.129.52

Section 3.

Effective Date: October 4, 2001

THE CHASE MANHATTAN BANK

By: ----------
Title:

DELOS OFFSHORE COMPANY, L.L.C.

By: ----------
Title:
Address for notices:
Four Greenway Plaza
Houston, Texas 77046

TOLLING AGREEMENT

BETWEEN

EL PASO FIELD SERVICES, L.P.

AND

DELOS OFFSHORE COMPANY, L.L.C.

dated as of

OCTOBER 1, 2001

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TOLLING AGREEMENT

This Tolling Agreement dated as of October 1, 2001, is by and between EL PASO FIELD SERVICES, L.P., a Delaware limited partnership, whose principal address is Four Greenway Plaza, Houston, Texas 77046 ("EPFS"), and DELOS OFFSHORE COMPANY, L.L.C., a Delaware limited liability corporation, whose principal address is Four Greenway Plaza, Houston, Texas 77046 ("DELOS"). EPFS and Delos are sometimes hereinafter referred to as the "PARTIES" and individually as a "PARTY".

INTRODUCTION

1. EPFS currently owns the Gathering System (herein defined) and certain related facilities, which are located in the San Juan Basin area of New Mexico and deliver natural gas to the Chaco Plant (herein defined);

2. Pursuant to a Participation and Credit Agreement (herein defined) entered into in 1995 among some unrelated parties and a business trust, El Paso New Chaco Company, L.L.C., a subsidiary of EPFS ("NEW CHACO"), currently leases and operates the Chaco Plant and has the right to purchase the Chaco Plant in 2002;

3. EPFS, individually and through its subsidiaries, provides natural gas gathering services (via the Gathering System) and processing services (via the Chaco Plant and the Conoco/Blanco Plant) to producers and other shippers under natural gas gathering agreements, processing agreements and similar arrangements;

4. EPFS and Delos desire for Delos to obtain certain rights to the Chaco Plant and certain benefits of EPFS' existing and future processing rights with respect to natural gas gathered by the Gathering System, subject to certain limitations; and

5. Accordingly, (i) Delos has acquired, or will acquire, the unrelated parties' interest in the business trust and, accordingly, is or will be the owner and lessor of the Chaco Plant , (ii) Delos and EPFS have entered into this agreement, (a) dedicating all of the natural gas received into the Gathering System to the Chaco Plant for processing pursuant to the Gas Processing Agreements (herein defined), except for certain amounts of natural gas that have previously been dedicated to the Conoco/Blanco Plant and certain amounts of natural gas that will be used for fuel use, farm taps, and lift gas pursuant to the Gas Processing Agreements, and certain gas temporarily offloaded due to capacity constraints on the Gathering System pursuant to the Gas Processing Agreements in effect as of the Effective Date, (b) committing 100% of the capacity of the Chaco Plant to process the natural gas received into the Gathering System under a fee-based arrangement, subject to certain limitations, and (c) under certain situations, granting Delos the exclusive right to utilize 100% of the Chaco Plant upon the termination of the Lease (herein defined), and (iii) Delos, New Chaco and EPFS have entered into an agreement, pursuant to which Delos shall operate the Chaco Plant for New Chaco until the termination of the Lease and receive a fee for natural gas processed at the Chaco Plant.

ARTICLE 1
DEFINITIONS

1.1 Specific Terms. As used throughout this agreement, including the exhibits hereto, the following capitalized terms shall have the meanings ascribed below.

"ACH" has the meaning assigned that term in Article 10.

"AFFILIATE" means, with respect to any relevant Person, any other Person that directly or indirectly Controls, is Controlled by, or is under common Control with, such relevant Person in question; provided, however, that no member of the EPFS Group shall be deemed to be an Affiliate of any member of the Delos Group and vice-versa.

"AGREEMENT" means this Tolling Agreement (including any exhibits, annexes, schedules or other attachments), as amended, restated or otherwise modified from time to time.

"ANCILLARY AGREEMENT" means that certain letter agreement dated as of even date herewith among Delos, EPFS and New Chaco relating to the operation and maintenance of the Chaco Plant and the payment by EPFS to Delos of certain fees, as amended, restated or otherwise modified from time to time.

"ANCILLARY AGREEMENT TERMINATION DATE" means the date upon which the Ancillary Agreement is terminated in accordance with its terms.

"ARBITRATION NOTICE" has the meaning assigned that term in Section 21.3(a).

"ARBITRATORS" has the meaning assigned that term in Section 21.3(a).

"BTU" means one British Thermal Unit and is defined as the amount of heat required to raise the temperature of one (1) pound of water from fifty-nine (59) degrees Fahrenheit to sixty (60) degrees Fahrenheit at a constant pressure of fourteen and seventy-three hundredths pounds per square inch absolute (14.73 psia). Total Btu's shall be determined by multiplying the total volume of Gas in standard cubic feet times the Gross Heating Value of Gas expressed in Btu's per standard cubic foot of Gas adjusted on a dry basis.

"CHACO PLANT" means that certain Chaco cryogenic liquids extraction plant constructed on the Site and located approximately 18 miles south of the town of Bloomfield in San Juan County, New Mexico, such plant having the operational capacity to process 600 MMcf per day of Gas, together with all machinery, recompressors, fixtures, pumps, appliances, pipes, valves, fittings, liquid lines, and Gas lines from the Point of Delivery to the Point of Redelivery, accessories, equipment, parts, devices, and any other facilities and appurtenances necessary or appropriate for the operation of the Chaco Plant, and all plans, specifications, warranties and related rights and operating, maintenance and repair manuals related thereto and all replacements of any of the above, and as more specifically described on Exhibit A hereof.

"CHACO PLANT THERMAL REDUCTION" has the meaning assigned that term in Section 8.2.

"CHANGE OF CONTROL" means, with respect to any relevant Person, any transaction, event or other occurrence that results in the Ultimate Parent of that relevant Person immediately prior to such transaction, event or other occurrence not being the Ultimate Parent of such relevant Person immediately following such transaction, event or other occurrence; provided, however, that the acquisition of all or substantially all of the assets of, or the acquisition of all or substantially all of the capital stock of, or a merger, consolidation, share exchange or similar transaction with substantially the same effect, that results in a change of beneficial owners of the Ultimate Parent of any relevant Person shall not constitute a Change of Control of such relevant Person, even if the Ultimate Parent of such relevant Person also changes as a result of such transaction, event or other occurrence. For example, today (i) El Paso Corporation's sale of EPFS (whether by the disposition of the assets or stock of EPFS, regardless of the transaction structure) would constitute a Change of Control with respect to EPFS, but (ii) El Paso Corporation's merger with, or sale of substantially all of its assets to, another Person would not constitute a Change of Control with respect to EPFS.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time.

"COMMITTED GAS" means the total quantity of natural Gas received into the Gathering System pursuant to any Gas Processing Agreement, except for (i) the Conoco Base Load Amount, which has previously been dedicated to the Conoco/Blanco Plant under the terms of the Conoco Base Load Agreements, (ii) certain amounts of natural gas that will be used for fuel use, farm taps, and lift gas pursuant to the terms of the Gas Processing Agreements, and (iii) certain amounts of natural gas that will be temporarily offloaded due to capacity constraints on the Gathering System pursuant to the terms of the Gas Processing Agreements in effect as of the Effective Date.

"CONOCO BASE LOAD AMOUNT" means 500 MMcf per day of natural Gas or such amount as is dedicated to the Conoco/Blanco Plant pursuant to the Conoco Base Load Agreements as in effect on the Effective Date, or such lesser amount as is dedicated to the Chaco Plant under the terms of any amendment to the Conoco Base Load Agreements entered into subsequent to the Effective Date.

"CONOCO BASE LOAD AGREEMENTS" means that certain Master Separation Agreement dated January 15, 1992, as in effect on the Effective Date, by and among Burlington Resources Inc., El Paso Natural Gas Company and Meridian Inc., and that certain Gas Plant Straddle Agreement dated May 9, 1984, as amended, as in effect on the Effective Date, by and among El Paso Natural Gas Company, Tenneco Oil Company and Conoco, Inc.

"CONTROL" (including its derivatives and similar terms) means directly or indirectly, (i) owning fifty percent (50%) or more of the Voting Stock of any relevant Person and (ii) having the power to direct or cause the direction of the management and policies of any such relevant Person.

"DAY" means a period of twenty-four (24) consecutive hours, beginning at 7:00 a.m. Mountain Clock Time, or at such other hour as the Parties mutually agree.

"DEKATHERM" ("DTH") means with respect to one (1) dth, a quantity of gas containing one million (1,000,000) Btus.

"DELOS" has the meaning assigned that term in the preamble.

"DELOS GROUP" means (i) if Delos is owned by the Partnership, the Partnership and its Subsidiaries and (ii) if Delos is not owned by the Partnership, Delos and its Affiliates.

"DISPUTE" has the meaning assigned that term in Section 21.1.

"DOWNSTREAM PARTIES" means any transporter or other receiving facility downstream of the Point of Redelivery.

"DOWNSTREAM TRANSPORTATION" means receipt by Downstream Parties of the Residue Gas and Product downstream of the Point of Redelivery.

"EFFECTIVE DATE" means the date first written above in the preamble.

"EPFS" has the meaning assigned that term in the preamble.

"EPFS GROUP" means (i) if Delos is owned by the Partnership, EPFS and its Affiliates other than members of the Delos Group and (ii) if Delos is not owned by the Partnership, EPFS and its Affiliates.

"EVENT OF DEFAULT" or "DEFAULT" means the occurrence of any of the following events, circumstances or conditions: (i) failure by either Party to materially perform or comply with any material agreement, covenant, obligation or other provision contained in this Agreement when either (A) such failure has not been cured within the greater of a reasonable period of time or thirty (30) Days; in each case, following receipt of written notice thereof by the Party not in Default (other than a Default which occurs because such Party is rightfully withholding performance in response to the other Party's failure to perform), or (B) an effort to remedy such failure has not been commenced within such period following such written notice and continued to be diligently prosecuted, with such measures reasonably expected to cure any such Default; (ii) the entry of either Party into voluntary or involuntary bankruptcy, receivership or similar protective proceedings; (iii) the material inaccuracy or breach of any representation or warranty contained herein when such failure either has not been cured within the greater of a reasonable period of time or thirty (30) Days following receipt of written notice thereof by the other Party; or (iv) failure to pay an amount owed pursuant to this Agreement which is greater than $100,000 within ninety (90) Days after the applicable due date and thirty (30) Days following receipt of written notice of such overdue amount by the other Party which specifically states such other Party's intent to terminate this Agreement pursuant to Section 18.2(a), other than amounts disputed in good faith pursuant to the provisions of Section 10.2.

"FEE" has the meaning assigned that term in Section 8.1.

"FORCE MAJEURE" has the meaning assigned that term in Section 14.2.

"GAS" or "GAS" shall mean any mixture of hydrocarbons, or of hydrocarbons and noncombustible gases, in a gaseous state.

"GAS PROCESSING AGREEMENTS" shall mean all of those certain gas dedication, gas purchase, gas gathering, gas transport, gas processing and similar related service agreements or purchase agreements, if applicable, attributable to the Gas received into the Gathering System, entered into prior to or subsequent to the Effective Date by EPFS and/or its Subsidiaries, whereby EPFS and/or its Subsidiaries has acquired or reserved the right and/or the obligation to provide products extraction of natural gas liquids in processing plants; a list of Gas Processing Agreements currently in effect is attached hereto as Exhibit B.

"GATHERING SYSTEM" means the existing sweet gas gathering system, dehydrators, compressors, and appurtenances thereto located in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, together with any loops, extensions, and other field facilities, and any additions or reconfigurations thereto, plus any future additions or reconfigurations thereto, which system today is commonly known as EPFS' San Juan Gathering System and is more particularly described in Exhibit D.

"GROSS HEATING VALUE" shall mean the gross number of Btu's produced by combustion in air of one (1) cubic foot of anhydrous gas at a temperature of sixty (60) degrees Fahrenheit and a constant pressure of fourteen and seventy-three hundredths per square inch absolute (14.73 psia), the air being at the same temperature and pressure as the gas, after the products of combustion are cooled to the initial temperature of the gas and air, and after condensation of the water formed by combustion.

"LAWS" means any Laws, rules, regulations, decrees and orders of the United States of America and all other governmental bodies, agencies and other authorities having jurisdiction over or affecting the provisions contained in or the transactions contemplated by this Agreement, the Gathering System, the Chaco Plant or its operations, or the Parties or their operations, whether such Laws now exist or are hereafter amended or enacted.

"LEASE" means that certain Lease Agreement dated February 9, 1995 by and between State Street Bank and Trust Company, Trustee for the Chaco Liquids Plant Trust, as lessor, and New Chaco, as lessee, as the same may be amended or modified from time to time.

"LOSS" or "LOSSES" means any actions, claims, settlements, judgments, demands, suits, sanctions, liens, losses, liabilities, damages, fines, penalties, interest, costs and expenses of every kind and character (including, without limitation, reasonable fees and expenses of attorneys, technical experts and expert witnesses reasonably incident to the same and expenses attributable to the investigation or defense of any actions or claims), including, but not limited to, those related to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Resource Conservation and Recovery Act of 1976, as amended, the Toxic Substances Control Act, and other federal and state equivalents; provided however, that as between the Parties, the term Loss shall not include damages which one Party has waived or released its right to seek from the other Party; provided further, that, as between the Parties, the term Loss shall not include damages which one Party is prohibited from seeking from the other Party because of the limitations set forth in Article 16.

"Mcf" means one thousand (1,000) cubic feet of gas.

"MMcf" means one million (1,000,000) cubic feet of gas.

"MONTH" means a period of time beginning on the first Day of a calendar month and ending at the beginning of the first Day of the next succeeding calendar month.

"NEW CHACO" has the meaning assigned that term in the preamble.

"NEW GAS SUPPLY" means any quantities of Gas that (a) are from a new producer, lease, or field and not previously delivered into the Gathering System, (b) would be dedicated to the Chaco Plant pursuant to the terms and conditions of this Agreement and would constitute Committed Gas, (c) would be delivered into the Gathering System, and (d) the quantities of which would cause the Operational Capacity of the Chaco Plant to be exceeded.

"OPERATIONAL CAPACITY" shall mean the nominal design capacity of 600 MMcf per day for the Chaco Plant, or the maximum safe operating capacity of the Chaco Plant, whichever is less.

"OPERATIVE DOCUMENTS" shall have the same meaning as given such term in that certain Participation and Credit Agreement dated February 9, 1995, as amended and restated on December 30, 1998, and as further amended and restated on December 22, 2000, among New Chaco, El Paso Corporation, El Paso Natural Gas Company, State Street Bank and Trust Company, as Trustee, each of the Note Holders signatory thereto, each of the Certificate Holders signatory thereto, and The Chase Manhattan Bank, as Agent for the Note Holders and Certificate Holders.

"PARTNERSHIP" means El Paso Energy Partners, L.P., a Delaware limited partnership.

"PARTY" has the meaning assigned that term in the preamble.

"PERMITTED TRANSFER" means a Transfer (i) granting a security interest, lien, mortgage or other obligation in a bona fide securitization transaction, or (ii) to or with an Affiliate who remains an Affiliate after such Transfer.

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

"PLANT ADDITION" means any pipeline, processing plant or other natural gas liquids handling facility that (i) after the Effective Date is, in whole or in part, constructed, purchased, leased or otherwise acquired or is operated or controlled by Delos or its Affiliates and (ii) is located on the Site or any contiguous property and is attached or adjacent to the existing Chaco Plant.

"PLANT EXPANSION" means, other than a Plant Addition, any physical enhancement or series of physical enhancements to the Chaco Plant that would increase the capacity of the Chaco Plant, including, without limitation, enhancements to pumping or compression facilities.

"POINT(s) OF DELIVERY" means the existing Point of Measurement at the inlet of the Chaco Plant at which the Committed Gas is Tendered for service hereunder. The Point(s) of Delivery are more fully described in Exhibit C, which Exhibit may be amended from time to time to include additional Points of Delivery, as necessary.

"POINTS OF MEASUREMENT" means the location of measurement equipment utilized to determine the quantities of the Committed Gas Tendered at each Point of Delivery for services hereunder or Product or Residue Gas Tendered at each Point of Redelivery hereunder. A Point of Measurement shall be identified in Exhibit C for each Point of Delivery and Point of Redelivery. Measurement shall be performed at each Point of Measurement pursuant to the provisions of Article 9.

"POINT(s) OF REDELIVERY" means the existing Point of Measurement at the tailgate of the Chaco Plant. The Points of Redelivery are more fully described in Exhibit C, which Exhibit may be amended from time to time to include additional Points of Redelivery, as necessary.

"PRODUCT" means all of the raw mix natural gas liquid stream and condensate that is recovered from or otherwise attributable to natural gas and natural gas liquids handled by the Chaco Plant.

"REASONABLE BEST EFFORTS" means diligently, in good faith, expending the efforts, time, and costs that a reasonable Person desirous of achieving a result would use, expend, or incur in similar circumstances to ensure that such result is achieved as expeditiously as possible.

"RESIDUE GAS" means that gaseous portion of the Gas on a dth basis, remaining after the extraction and removal therefrom of Product, condensate, the satisfaction of Chaco Plant fuel requirements, the dehydration of Gas for removal of water, the taking into account of all Chaco Plant losses or uses, and Gas lost and unaccounted for.

"RULES" has the meaning assigned that term in Section 21.3(b).

"SITE" means the real property in San Juan County, New Mexico, as more fully described on Exhibit A hereof.

"STATED RATE" means the Prime Rate reported in the Wall Street Journal (or, in its absence, a similar publication) for the Day such rate must be determined under the terms of this Agreement plus 2%.

"STORAGE FACILITIES" has the meaning assigned that term in Article 11.

"SUBSIDIARY" means, with respect to any relevant Person, any other Person that is Controlled (directly or indirectly) and more than fifty percent (50%) owned (directly or indirectly) by the relevant Person.

"TENDER" means (i) the act of delivering Committed Gas to the Point of Delivery and (ii) the act of delivering Residue Gas and Product to the Point of Redelivery; in each case, where the Party delivering such Gas, Residue Gas or Product is capable of delivering the specified quantities and has offered to deliver such quantities to or for the account of the other Party.

"TRANSFER" means (i) with respect to any property or asset of a relevant Person, a direct or indirect, voluntary or involuntary sale, assignment, transfer, conveyance, exchange, bequest, devise, gift, lien, encumbrance or other alienation (in each case, with or without consideration) of any rights, interests or obligations with respect to such property or assets, or (ii) with respect to a relevant Person, a Change of Control relating to such Person.

"TREASURY REGULATIONS" means the Income Tax Regulations promulgated under the Code, as they may be amended from time to time.

"VOTING STOCK" means (i) with respect to a corporation, capital stock issued by such corporation, (ii) with respect to a partnership (whether general or limited), any general partner interest in such partnership and (iii) with respect to any other entity, the equivalent interests in such entity, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or Persons with management authority performing similar functions) of such entity.

"ULTIMATE PARENT" means, with respect to any relevant Person, another Person (if any) who is the ultimate beneficial owner of more than 50% of the Voting Stock of such Person.

1.2 Other Terms. Other capitalized terms used in this Agreement and not defined in Section 1.1 shall have the meanings ascribed to them throughout this Agreement.

1.3 Construction. Whenever the context requires: the gender of all words used in this Agreement includes the masculine, feminine, and neuter; a reference to any Person includes its permitted successors and assigns; the words "hereof," "herein," "hereto," "hereunder," and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provisions of this Agreement; articles and other titles or headings are for convenience only and neither limit nor amplify the provisions of the Agreement itself, and all references herein to articles, sections or subdivisions thereof shall refer to the corresponding article, section or subdivision thereof of this Agreement unless specific reference is made to such articles, sections or subdivisions of another document or instrument; any reference to "includes" or "including" shall mean "includes without limitation" or "including, but not limited to," respectively; and any references in the singular shall include references in the plural and vice-versa.

ARTICLE 2
DEDICATION, COMMITMENT, TENDER OF COMMITTED GAS AND USE OF CHACO PLANT

2.1 Dedication, Commitment, Tender of Committed Gas and Use of Chaco Plant. In consideration of the payment by Delos to EPFS on the Effective Date of $121,500,000, and subject to the terms and conditions of this Agreement, during the term of this Agreement:

(a) Notwithstanding any provision to the contrary in any Gas Processing Agreement that would permit EPFS to have Committed Gas processed at processing plants other than the Chaco Plant, EPFS irrevocably dedicates and commits (and agrees to cause to be irrevocably dedicated, committed and delivered) 100% of the Committed

Gas exclusively to the Chaco Plant for processing, subject to the release and by-pass provisions set forth in Sections 4.4 through 4.6; and

(b) Delos hereby agrees to utilize 100% of the processing capacity of the Chaco Plant to process the Committed Gas; provided, however, that in the event that the Committed Gas Tendered to the Chaco Plant is less than the Operational Capacity, Delos shall have the right to use such available capacity to process Gas other than Committed Gas up to the then available Operational Capacity.

2.2 Tender of the Committed Gas. If, as and when Committed Gas is delivered to the Gathering System, EPFS shall Tender (or cause to be Tendered) all of the Committed Gas to the Chaco Plant at the Point of Delivery.

2.3 Processing Quantity. Subject to the terms of this Agreement, for each Day during the term of this Agreement, EPFS shall Tender to the Chaco Plant, and Delos shall process all of the Committed Gas handled by the Gathering System during such Day up to the available Operational Capacity of the Chaco Plant for such Day.

2.4 No Minimum Volume. EPFS shall not be obligated to deliver any guaranteed or minimum volume to the Chaco Plant other than 100% of the Committed Gas that is handled by the Gathering System. Availability of the Committed Gas for delivery to the Chaco Plant is subject to fluctuations, either temporary or extended, in natural Gas production actually delivered to the Gathering System by producers, transporters and other Persons and due to the characteristics of that production. The level of liquid recovery, including but not limited to ethane rejection, shall be determined by EPFS.

2.5 Covenants of EPFS. EPFS covenants that during the term of this Agreement:

(a) EPFS agrees that the Committed Gas shall be delivered at the Point of Delivery without the prior extraction or removal therefrom of any Product, except for those which may be recovered by the utilization of conventional mechanical separators or inlet separators, but specifically excluding any low temperature separation equipment and absorption or adsorption facilities, and any other method of recovering Product from the Committed Gas prior to its delivery to the Points of Delivery;

(b) EPFS shall construct, operate and maintain, at no cost or expense to Delos, all facilities on the Gathering System necessary to deliver the Committed Gas to Delos at the Point of Delivery;

(c) EPFS shall (i) perform and observe all terms and provisions of each Gas Processing Agreement, (ii) maintain such Gas Processing Agreements in full force and effect in accordance with their terms, and (iii) enforce such Gas Processing Agreements in accordance with their respective terms;

(d) EPFS agrees to notify Delos in writing of each new Gas Processing Agreement, including a summary of the amount of Committed Gas related thereto and any other material terms related to the Gas to be processed thereunder.

(e) EPFS agrees to use Reasonable Best Efforts to acquire processing rights to natural Gas or to enter into agreements to process natural Gas on behalf of others, to utilize the processing capacity at the Chaco Plant;

(f) Without the prior written consent of Delos, which consent may be withheld in its sole discretion, EPFS and/or its Subsidiaries shall not consummate a Transfer, other than a Permitted Transfer, of any or all of their rights, title or interests in the Chaco Plant, the Site, the Committed Gas, the Gathering System, or any of the Gas Processing Agreements. Provided further, that it is agreed that any Permitted Transfer or Transfer shall contain express provisions stating that (A) such Transfer or Permitted Transfer is made subject to the terms and conditions of this Agreement, and (B) the transferee (other than a mortgagee or other bona fide lien holder) agrees to become a party to, and bound by, this Agreement;

(g) Prior to the Effective Date of this Agreement, neither EPFS nor any of its Subsidiaries has Transferred any of its rights or interests in the Chaco Plant, the Site, the Committed Gas, the Gathering System, or any of the Gas Processing Agreements to any Person, other than pursuant to the terms of the Participation and Credit Agreement dated February 9, 1995, as amended and restated on December 30, 1998, and as further amended and restated on December 22, 2000 among El Paso New Chaco Company, L.L.C. and the various other signatory parties thereto and the agreements related thereto; and

(h) All of the material portions of the Chaco Plant are located within the boundaries of the Site.

2.6 Covenants of Delos. Delos covenants that during the term of this Agreement:

(a) Delos or its designee shall operate and maintain, at no cost or expense to EPFS, the Chaco Plant and related facilities necessary to accept the Tender of Committed Gas at the Point of Delivery, and to Tender Product and Residue Gas at the Points of Redelivery;

(b) Without the prior written consent of EPFS, which consent may be withheld in its sole discretion, Delos or the Partnership shall not consummate a Transfer, other than a Permitted Transfer, of any or all of its rights, title or interests in the Chaco Plant. Provided further, that it is agreed that any Permitted Transfer or Transfer shall contain express provisions stating that (A) such Transfer or Permitted Transfer is made subject to the terms and conditions of this Agreement, and (B) the transferee (other than a mortgagee or other bona fide lien holder) agrees to become a party to, and bound by, this Agreement; and

(c) Notwithstanding the terms of Section 2.1(b) relating to Delos' ability to process Gas at the Chaco Plant other than Committed Gas, Delos shall process Committed Gas prior to processing any other Gas.

2.7 Utilization Rights. Provided that either New Chaco or one of its Affiliates has elected to purchase the Chaco Plant pursuant to the terms of the Lease, or Delos does not own the Chaco

Plant for any other reason, effective immediately upon the Ancillary Agreement Termination Date and continuing through the term of this Agreement, EPFS, on behalf of itself and its Affiliates, shall grant and guarantee to Delos the exclusive right to utilize 100% of the Chaco Plant, regardless of who owns legal and/or beneficial title to the Chaco Plant.

ARTICLE 3
POINT OF DELIVERY

3.1 Delivery of Committed Gas. Deliveries of the Committed Gas from EPFS to Delos under this Agreement shall be at the Points of Delivery or such other points as may be mutually agreed upon.

3.2 Rate and Pressure. EPFS shall, as nearly as possible, deliver the Committed Gas at a uniform daily rate and at a pressure sufficient to enter the pipelines at the Chaco Plant within the minimum and maximum operating pressures set forth on Exhibit C. If EPFS desires to deliver the Committed Gas at the Point of Delivery on any Day in excess of the maximum operating pressure or other specifications set forth on Exhibit C, then Delos shall receive such Committed Gas deliveries if operationally feasible without jeopardizing the physical or economic integrity of the Chaco Plant, or the health, safety or welfare of any individual. Delos will not be obligated to receive such Committed Gas deliveries if, in Delos' sole discretion, it determines that it is not operationally feasible.

3.3 Gas Measurement. The volumes of Committed Gas delivered to the Chaco Plant shall be determined by measurement by Delos as set forth in Article 9.

ARTICLE 4
TOLLING TERMS AND CONDITIONS

4.1 Tolling Services and Redelivery of Product and Residue Gas. Subject to the terms and conditions of this Agreement, (i) Delos shall accept delivery of each Dekatherm of Committed Gas Tendered by EPFS at the Point of Delivery up to the then available Operational Capacity of the Chaco Plant and redeliver Residue Gas and Product to the applicable Point of Redelivery as provided for in Article 6 for the account of EPFS or its designee, (ii) EPFS shall be responsible for all allocation and priority of the Committed Gas, the resulting Product recovered, and Chaco Plant Thermal Reduction; and (iii) Delos agrees to use 100% of the capacity of the Chaco Plant to process Committed Gas exclusively during the term of this Agreement, except as expressly set forth in Section 2.1(b). EPFS recognizes that the Chaco Plant capacity may change from time to time as the result of operations or alterations made to the Chaco Plant.

4.2 Audit. EPFS shall have the right, at its own expense, to (i) audit all measurements made by Delos, including any sample analysis, applicable to deliveries hereunder to the Point of Delivery and Points of Redelivery for twenty-four (24) Months after the end the Month in which each such delivery occurs, (ii) perform its own sampling, and (iii) install check measurement to be used as backup to Delos' meter. EPFS shall not audit Delos' measurement records more often than once every six (6) Months. Any measurements not contested with specificity in writing

within twenty-four (24) Months after the end of the Month in which such measurement occurs shall conclusively be deemed to be accurate.

4.3 Facilities. Delos shall not be obligated to (i) construct, purchase, lease or otherwise acquire additional facilities, (ii) enhance or expand existing facilities, or (iii) upgrade existing facilities, including without limitation, any Plant Addition or Plant Expansion, in order to perform its obligations under this Agreement.

4.4 Additions and Expansions. Notwithstanding anything to the contrary contained in this Agreement, if at any time during the term of this Agreement (i) there is Committed Gas available for processing which would exceed the Operational Capacity for all or part of the Chaco Plant, the Parties shall meet to discuss the capital costs required to construct a Plant Addition or Plant Expansion, as applicable, to handle the additional Committed Gas and the Fee associated with such additional Committed Gas and (ii) Delos or its Affiliates desires to construct, purchase, lease or otherwise acquire a Plant Addition or Plant Expansion, all of the capacity of such new facilities may be dedicated to the Committed Gas from the Gathering System, but the Fees associated with the capacity of such new facilities shall be discussed and negotiated by the Parties; provided further, that in all discussions between the Parties under subsections (i)-(ii) above, the Parties shall exert reasonable efforts in good faith to accommodate each other's requirements and to reach reasonable and equitable arrangements between the Parties. In the event that the Parties do not agree to construct a Plant Addition or Plant Expansion for the additional Committed Gas, Delos shall temporarily release such additional Committed Gas from dedication hereunder and EPFS shall have the right to process such additional Committed Gas at other processing plants to the extent that, and only so long as, the Committed Gas available for processing exceeds the then available Operational Capacity. In the event that the Parties do not agree to construct a Plant Addition or Plant Expansion to accommodate additional Committed Gas, and such additional Committed Gas includes New Gas Supply, Delos shall permanently release from dedication hereunder only that New Gas Supply that is a part of the additional Committed Gas, and EPFS shall have the right to have such New Gas Supply processed at other processing plants; provided, that the Parties agree that each separate New Gas Supply shall be subject to the discussion and negotiation obligations of this Section 4.4 prior to such New Gas Supply being permanently released.

4.5 Release of Capacity. Notwithstanding Section 4.1 or any other provision of this Agreement, to the extent all of the Chaco Plant or all of the Gathering System is permanently shut down or abandoned, the dedication of all Committed Gas and the dedication of capacity rights at the Chaco Plant shall be permanently released from the terms of this Agreement with no further obligation hereunder with respect to such capacity and this Agreement shall be terminated.

4.6 Permitted By-Pass of the Chaco Plant. Notwithstanding Article 2 or any other provision of this Agreement, EPFS reserves the right to temporarily by-pass the Chaco Plant or have portions of Committed Gas processed at other processing plants, to the extent that, and only so long as, the Chaco Plant is not operational, or the Chaco Plant has reached Operational Capacity and is unable to accept all or portions of the Committed Gas Tendered by EPFS to the Chaco Plant.

ARTICLE 5
QUALITY

5.1 Committed Gas. The Committed Gas delivered to Delos at the Point of Delivery for processing hereunder shall meet the quality specifications set forth in Exhibit C General Terms and Conditions of EPFS' Gas Gathering and Production Area Services Agreement. Delos shall have the option to accept the Committed Gas if the above referenced quality specifications are not met; provided however, that such acceptance shall not operate as a waiver of such quality specifications and Delos may decline to accept such Committed Gas, which at any time does not meet such specifications.

5.2 Residue Gas and Product. Residue Gas and Product shall meet the quality specifications established by any pipelines interconnecting with the Chaco Plant and/or any Downstream Party's facilities, so long as meeting such quality specifications is operationally and commercially feasible to the Chaco Plant. If the Residue Gas or Product does not meet such specifications for reasons other than failure of the Committed Gas tendered by EPFS to the Chaco Plant to meet the quality specifications prescribed in Section 5.1, EPFS may refuse to accept delivery of such Residue Gas or Product and shall notify Delos immediately upon becoming aware of such failure, and Delos shall use Reasonable Best Efforts to immediately correct or cause to be corrected at its sole cost and expense such failure so as to meet such specifications.

ARTICLE 6
POINTS OF REDELIVERY

6.1 Delivery of Residue Gas and Product. Delos shall deliver 100% of the Residue Gas and Product to EPFS or its designees at the Points of Redelivery as set forth in Exhibit C. There shall be no imbalances between the Parties.

ARTICLE 7
TITLE AND RISK OF LOSS

7.1 Title. Title to the Committed Gas, Residue Gas and Product shall not be vested in Delos, but shall remain vested in the owner thereof at all times.

7.2 Risk of Loss. Subject to the terms of this Agreement, (i) prior to EPFS Tendering Committed Gas to Delos at the Point of Delivery and after Delos Tenders the Residue Gas and Product at the Point of Redelivery, EPFS shall be responsible for any loss or damage to the Committed Gas, Residue Gas, or Product and (ii) after EPFS Tenders the Committed Gas to Delos at the Point of Delivery and prior to Delos Tendering the Residue Gas and Product at the Point of Redelivery, Delos shall be responsible for any loss or damage to the Residue Gas and Product, except to the extent such loss or damage results from (x) the failure of the Committed Gas Tendered by EPFS to Delos at the Point of Delivery to meet the quality specifications set

forth in Article 5, or (y) loss, shrinkage, evaporation, and/or pipeline or Chaco Plant gains or losses due to operations and/or fuel consumption from the Point of Delivery to the Points of Redelivery, which loss or damage referred to in (x) and (y) shall be the responsibility of EPFS.

ARTICLE 8
COMPENSATION TO DELOS

8.1 Fees. As full consideration for the processing services provided hereunder, beginning on the Ancillary Agreement Termination Date and continuing through the term of this Agreement, EPFS shall pay to Delos a fee (the "FEE") equal to $.1344 for each Dekatherm of Committed Gas Tendered by EPFS to Delos at the Point of Delivery.

8.2 Chaco Plant Thermal Reduction. At all times during the term of this Agreement, EPFS shall be responsible, at its sole cost and expense, for the shrinkage, fuel, and flare associated with the Chaco Plant, including the processing of the Committed Gas ("CHACO PLANT THERMAL REDUCTION").

8.3 Other Costs. Except for those fees and costs that have been expressly assumed by EPFS under the terms of this Agreement and/or the Ancillary Agreement, Delos shall be responsible for, and has the obligation to pay, all costs related to the business, operation and maintenance of the Chaco Plant.

ARTICLE 9
MEASUREMENT

9.1 Measurement Standards. The base unit of measurement for purposes of computing volume of the Product received and delivered under this Agreement shall be the Gallon. The unit of measurement for the purposes of receipt and delivery of Committed Gas or Residue Gas shall be the Dekatherm. The number of dth's received shall be determined by multiplying the number of Mcf's of such Gas received by the total Gross Heating Value of such Gas in Btu's per cubic foot, and multiplying the product by 0.001.

9.2 Measuring Stations. Delos or its designee shall provide, maintain, and operate a measuring station at each Point of Measurement as set forth on Exhibit C. Each station shall be equipped with an orifice meter, pressure and density recording instruments, and said meter station shall constitute the custody transfer metering station with regards to receipt and delivery hereunder. For Product, measurement shall be conducted in accordance with Chapter 14 of the API Manual of Petroleum Measurement and in accordance with standards set out in agreements between EPFS and Downstream Parties. With respect to Committed Gas and Residue Gas, measurement shall be conducted in accordance with the provisions of EPFS' Gas Gathering and Production Area Services Agreement, San Juan Basin Production Area.

ARTICLE 10
BILLING AND PAYMENT

10.1 Statement. Within ten (10) business Days after the end of each Month, Delos shall prepare and submit to EPFS (i) a statement setting forth the total dth quantity of Committed Gas received by Delos at the Point of Delivery, and (ii) an invoice and supporting documents for the Fees for the products extraction services provided. If actual quantities are not available, Delos may use a reasonable, good faith estimated quantity based on confirmed nominations. As soon as the actual quantity becomes available, the estimate shall be adjusted and the adjustment shall be reflected in subsequent Months' invoices.

10.2 Payment. EPFS shall remit payment electronically in immediately available funds to the payee bank listed below (or such other payee as Delos may from time to time designate) within ten (10) business Days of receipt of the invoice and supporting documents by automated clearing house ("ACH"). EPFS must tender to Delos a timely payment even if the statement included an estimated receipt or delivery volume. Any payment shall not prejudice the right of EPFS to an adjustment of any bill with interest at the Stated Rate from the date of payment to the date of such refund to which it has taken written exception. If EPFS fails to pay any amounts in whole or in part when due, in addition to any other rights or remedies available to Delos, interest at the Stated Rate shall accrue on such unpaid amounts from the due date until full payment is received by Delos. Should EPFS in good faith question the accuracy of any portion of an invoice, EPFS may withhold payment of the amount in question and shall promptly notify Delos of such disputed amount. Upon the ultimate determination that the disputed portion of the statement is in fact due, EPFS shall pay the remaining amount owed, if any, plus the interest accrued thereon at the Stated Rate. EPFS shall, however, make timely payment of that portion of the invoice amount that is not in question.

Delos' invoice and supporting documents shall be mailed to:

El Paso Field Services, L.P.
Four Greenway Plaza
Houston, Texas 77046
Attention: Manager, Volume Accounting

Payments shall be made to:

Mellon Bank NA
Pittsburgh, PA
ABA: 043000261
Account: 000-0609
For further credit to: El Paso Energy Partners, L.P.

10.3 Examination of Books and Records. Either Party shall have the right, at its own expense, upon reasonable notice and at reasonable times, to examine the books and records of the other Party to the extent reasonably necessary to verify the accuracy of any statement, charge, payment or computation made under this Agreement. This examination right shall not be available with respect to proprietary information not directly relevant to transactions under this

Agreement. All invoices and billings shall be conclusively presumed final and accurate unless objected to in writing, with adequate explanation and/or documentation, within twenty-four (24) Months after the end of the Month in which the delivery occurs.

ARTICLE 11
STORAGE

Delos shall allow EPFS to use the surge storage facilities (the "STORAGE FACILITIES") that are a part of the Chaco Plant for the storage of the Product; provided, however, that EPFS shall at no time cause such storage of the Product to exceed the capacity of the Storage Facilities, or in a manner which interferes with or prevents the operation of the Chaco Plant. If the use of the Storage Facilities by EPFS does interfere with or prevent the operation of the Chaco Plant, EPFS shall immediately remove all or part of the Product from the Storage Facilities so that the Chaco Plant can operate at normal capacity. If EPFS fails to remove such Product within such time, EPFS shall release, indemnify and hold harmless Delos for any and all Losses resulting from such failure.

ARTICLE 12
WARRANTIES APPLICABLE TO COMMITTED GAS, RESIDUE GAS AND PRODUCT

12.1 EPFS' Warranty. EPFS represents and warrants that (i) the Committed Gas shall meet the quality specifications set forth in Article 5 hereof, (ii) it has good and marketable title to, or the right and authority to deliver to Delos, and the legal right to commit and deliver the Committed Gas to Delos, and (iii) the Committed Gas shall be free from all royalties (other than government royalties payable in kind), liens, encumbrances, security interests, all applicable federal, state and local taxes or fees.

12.2 Delos' Warranty. Delos represents and warrants that (i) the Residue Gas and Product shall meet the respective quality specifications set forth in Article 5 and (ii) the Residue Gas and Product shall be free and clear of all liens, encumbrances or other claims created by or under Delos.

12.3 General. EXCEPT AS SET FORTH IN SECTIONS 12.1 AND 12.2, THERE ARE NO OTHER WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE COMMITTED GAS, RESIDUE GAS OR PRODUCT, AND THE PARTIES EXPRESSLY DISCLAIM ANY OTHER WARRANTIES INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, EVEN IF SUCH PURPOSE IS KNOWN.

ARTICLE 13
ROYALTIES AND TAXES

13.1 Royalties. Delos shall not be responsible for the payment of any royalties and similar payments due or to become due on the Committed Gas, Residue Gas or Product, and

EPFS shall indemnify, defend and hold Delos harmless from and against any and all claims and demands asserted against Delos for the payment of any royalties or similar payments.

13.2 Taxes. Any tax applicable to the production, ownership or transfer of the Committed Gas, Residue Gas or Product or the services provided by Delos hereunder, including, without limitation, any tax applicable to stored volumes of Product and applicable occupation, production, severance, processing, sales, use, excise or property taxes and all taxes of similar nature or equivalent in effect which are now or hereafter imposed by any authority on the Committed Gas, Residue Gas or Product, shall be borne and paid by EPFS or its shippers; provided, however, that if such tax is by Law imposed on Delos, such tax shall be paid by Delos and reimbursed by EPFS upon receipt of invoice for same. EPFS or its shippers shall be responsible for making all required reports to regulatory bodies or other agencies relating to or in connection with such taxes. EPFS shall also be responsible for any tax, fee or other charge levied against EPFS or Delos pursuant to any federal, state or local act or regulation for the purpose of creating a fund for the prevention, containment, clean-up and/or removal of spills and/or the reimbursement of any Person sustaining Losses therefrom.

ARTICLE 14
FORCE MAJEURE

14.1 Force Majeure Events. No failure or omission by either Party to carry out or observe any of the terms or conditions of this Agreement, including, without limitation, either Party's delay or failure to perform as a result of such Party's failure to manufacture, process, store, deliver, receive, transport, use, or consume Committed Gas, Residue Gas or Product due to occurrences reasonably beyond the control of either Party which prevents or interferes with the performance of this Agreement, whether or not of the same class or kind, including, without limitation, those set forth below, shall, except in relation to obligations to make payments under this Agreement, give rise to any claim against the Party in question or be deemed a breach of the Agreement:

(a) Hostilities, wars (declared or undeclared), embargoes, blockades, industrial disturbances, civil unrest, arrests and restraints of rulers and peoples, riots or disorders, insurrections, acts of public enemy, terrorism, or sabotage.

(b) Fires, explosions, lightning, epidemics, storms, landslides, earthquakes, floods, washouts and other acts of nature or catastrophes.

(c) Strikes, lockouts, or other labor difficulties (whether or not involving employees of EPFS or Delos).

(d) Disruption, breakdown or accidents to gathering, storage, transportation or processing facilities, including pipelines, compressors and pump stations, equipment or materials.

(e) Closing or restrictions on the use of pipelines.

(f) Freezing of lines of pipes.

(g) Hydrate obstruction or blockages of any kind of lines of pipe or equipment.

(h) Any substantial reduction in availability of feedstock and or other materials necessary to make Product.

(i) Scheduled maintenance performed after at least twenty-four (24) hours notice.

(j) Inability of either Party to obtain necessary machinery, materials, permits, or to obtain easements or rights-of-way.

(k) Operating conditions on either Party's facilities or any Downstream Transportation facilities.

(l) Repairs, improvements, replacement or alterations to plants, equipment, lines of pipe or related facilities.

(m) The act of any court or governmental authority prohibiting a Party from discharging its obligations under this Agreement, or conduct which would violate any applicable Law.

14.2 Notice of Force Majeure. Upon the occurrence of any of the force majeure (the "FORCE MAJEURE") events described in Section 14.1, the Party claiming Force Majeure shall notify the other Party promptly in writing of such event and, to the extent possible, inform the other Party of the expected duration of the Force Majeure event and the quantities of Committed Gas, Residue Gas or Product to be affected by the suspension or curtailment of performance under this Agreement.

14.3 No Extension. No curtailment or suspension of deliveries or acceptance of deliveries pursuant to this Article 14 shall operate to extend the term of this Agreement.

14.4 Effect of Force Majeure. Notwithstanding any other provisions of this Agreement (including Section 14.1), (i) nothing contained in this Agreement shall relieve EPFS of the obligation to pay in full the Fees due for Committed Gas actually delivered hereunder, and (ii) neither Party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (a) scheduled maintenance without twenty-four (24) hours prior notice; (b) the Party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (c) economic hardship.

14.5 Resolution. A Party claiming Force Majeure shall use commercially reasonable efforts to remove the cause, condition, event or circumstance of such Force Majeure, shall give written notice to the other Party of the termination of such Force Majeure and shall resume performance of any suspended obligation promptly after termination of such Force Majeure. The Parties understand and agree that the settlement of strikes, lockouts or other labor disputes shall be entirely within the discretion of the Party experiencing such event, and that the requirements of this Section 14.5 that the Parties must use commercially reasonable efforts to remove the cause of any Force Majeure event shall not require the settlement of such strikes, lockouts or

other labor disputes by acceding to the demands of the opposing parties when such action is inadvisable in the sole discretion of the Party having such difficulty.

ARTICLE 15
INDEMNITY

15.1 Indemnification by Delos. To the fullest extent permissible by Law, Delos agrees to indemnify, defend with counsel of Delos' choice, and hold harmless EPFS and its Affiliates, and its and their employees, officers, directors, agents and representatives from and against any and all Losses (subject to the provisions of Section 15.3) arising from or out of (i) any breach or violation of any of Delos' representations, warranties, covenants or agreements contained in this Agreement, (ii) any violation of any federal, state, or local regulations by Delos or its Affiliates or its or their employees, agents or representatives in connection with the performance of this Agreement or (iii) any Loss resulting from or attributable to the failure of any Product or Residue Gas to meet the quality specifications set forth in Article 5; provided, however, that if such Loss is related in any way to (x) the failure of the Committed Gas Tendered by EPFS to Delos at the Point of Delivery to meet the quality specifications set forth in Article 5, or (y) loss, shrinkage, evaporation, and/or pipeline or Chaco Plant gains or losses due to operations and/or fuel consumption from the Point of Delivery to the Points of Redelivery, then Delos' indemnification obligations set forth in (iii) above shall not apply.

15.2 Indemnification by EPFS. To the fullest extent permissible by Law, EPFS agrees to indemnify, defend with counsel of EPFS' choice, and hold harmless Delos and its Affiliates, and its and their employees, officers, directors, agents and representatives from and against any and all Losses (subject to the provisions of Section 15.3) arising from or out of (i) any breach or violation of any of EPFS' representations, warranties, covenants or agreements contained in this Agreement, (ii) any violation of any federal, state, or local regulations by EPFS or its Affiliates or its or their employees, agents or representatives in connection with the performance of this Agreement, (iii) any Loss resulting from or attributable to the failure of any Committed Gas Tendered by EPFS to meet the quality specifications set forth in Article 5, (iv) loss, shrinkage, evaporation, and/or pipeline or Chaco Plant gains or losses due to operations and/or fuel consumption from the Point of Delivery to the Point of Redelivery, or (v) the claims and disputes described in Exhibit E.

15.3 General Indemnification. EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, IT IS THE INTENT OF THE PARTIES THAT ALL RELEASE AND INDEMNITY OBLIGATIONS HEREUNDER AND THE LIABILITY ASSUMED UNDER IT BE WITHOUT MONETARY LIMIT AND WITHOUT REGARD TO THE CAUSE(S) THEREOF, INCLUDING, WITHOUT LIMITATION, THE NEGLIGENCE OF ANY INDEMNIFIED PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE; PROVIDED, HOWEVER, THAT EXCEPT FOR BREACH OF CONTRACT CLAIMS, NEITHER PARTY SHALL BE LIABLE IN RESPECT OF ANY CLAIM TO THE EXTENT SAME RESULTED FROM THE GROSS NEGLIGENCE, WILLFUL MISCONDUCT OR BAD FAITH OF THE INDEMNIFIED PARTY.

ARTICLE 16
LIMITATION OF LIABILITY

16.1 Time Limitation. No Party shall be liable on any claim under or arising out of or for breach of this Agreement unless such action is brought no later than two (2) years from the date the cause of action arose or was discovered, whichever is later.

16.2 Actual Direct Damages. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT EXCEPT TO THE EXTENT SET FORTH IN the immediately following sentence, A PARTY'S DAMAGES RESULTING FROM A BREACH OR VIOLATION OF ANY REPRESENTATION, WARRANTY, COVENANT, AGREEMENT OR CONDITION CONTAINED IN THIS AGREEMENT OR ANY ACT OR OMISSION ARISING FROM OR RELATED TO THIS AGREEMENT SHALL BE LIMITED TO ACTUAL DIRECT DAMAGES, AND SHALL NOT INCLUDE ANY OTHER DAMAGES, INCLUDING, WITHOUT LIMITATION, INDIRECT, SPECIAL, CONSEQUENTIAL, INCIDENTAL, EXEMPLARY OR PUNITIVE DAMAGES AND EACH PARTY EXPRESSLY RELEASES THE OTHER FROM ALL SUCH CLAIMS FOR DAMAGES OTHER THAN ACTUAL DIRECT DAMAGES. NOTWITHSTANDING THE IMMEDIATELY PRECEDING SENTENCE, A PARTY MAY RECOVER FROM THE OTHER PARTY ALL COSTS, EXPENSES OR DAMAGES (INCLUDING, WITHOUT LIMITATION, INDIRECT, SPECIAL, CONSEQUENTIAL, INCIDENTAL, EXEMPLARY, PUNITIVE AND OTHER DAMAGES) (I) PAID OR OWED TO ANY THIRD PARTY IN SETTLEMENT OR SATISFACTION OF CLAIMS OF THE TYPE DESCRIBED IN THIS SECTION FOR WHICH SUCH PARTY HAS A RIGHT TO RECOVER FROM THE OTHER PARTY OR (II) TO THE EXTENT SAME RESULTED FROM THE GROSS NEGLIGENCE, WILLFUL MISCONDUCT OR BAD FAITH OF THE OTHER PARTY.

ARTICLE 17
NOTICES

17.1 Delivery of Notices. All notices required or permitted by the terms of this Agreement shall be deemed sufficient if given by personal delivery, telegram, telex, or facsimile, or by prepaid, certified mail and addressed to each Party as follows or as hereafter designated in writing to the other Parties:

To EPFS: EL PASO FIELD SERVICES, L.P.
4 Greenway Plaza
Houston, Texas 77046
Attention: Manager, Contract Administration
Telephone No: (832) 676-5746
Facsimile: (832) 676-1790

To Delos: DELOS OFFSHORE COMPANY, L.L.C.
4 Greenway Plaza
Houston, Texas 77046
Attention: Don D'Armond, Contract Administration
Telephone No: (832) 676-5824
Facsimile: (832) 676-1515

17.2 Method of Redelivery. All notices required hereunder may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

17.3 Notice Date. Notice shall be deemed to have been given when received on a business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions shall apply. Notices sent by facsimile shall be deemed to have been received upon the sending Party's receipt of its facsimile machine's confirmation of successful transmission, if the Day on which such facsimile is received is not a business Day or is after five p.m. on a business Day, then such facsimile shall be deemed to have been received on the next following business Day. Notice by overnight mail or courier shall be deemed to have been received on the next business Day after it was sent or such earlier time as is confirmed by the receiving Party. Notice via first class mail shall be considered delivered two (2) business Days after mailing.

ARTICLE 18
TERM AND TERMINATION

18.1 Term. This Agreement shall be in effect for an initial term of twenty (20) years commencing on the Effective Date and year to year thereafter unless terminated by either Party pursuant to Section 18.2.

18.2 Termination. This Agreement may be terminated or canceled as follows, and in no other manner:

(a) By either Party upon and during the continuance of any Default or Event of Default if the terminating Party is not itself in Default (other than a Default that occurs because such Party is rightfully withholding performance in response to the other Party's Default);

(b) By the applicable Party pursuant to any provision of this Agreement expressly providing termination rights;

(c) By either Party at the end of the initial term or any extension thereof with at least one hundred eighty (180) Days written notice prior to the end of such initial term or extension thereof;

(d) By both of the Parties at any time upon mutual written agreement;

(e) By EPFS, in the event that the Chaco Plant is permanently shutdown or abandoned; and

(f) By Delos, in the event the entire Gathering System is permanently shutdown or abandoned.

18.3 Rights and Obligations Upon Termination. Termination or cancellation of this Agreement shall not relieve the Parties from any obligation accruing or accrued to the date of such termination or deprive a Party not in default of any right or remedy otherwise available to such Party. Upon termination of this Agreement, the Parties shall retain all other rights and remedies available at Law or in equity.

ARTICLE 19
REPRESENTATIONS AND WARRANTIES

19.1 EPFS Warranties. EPFS represents and warrants to Delos that on and as of the date hereof:

(a) It is duly formed and validly existing and in good standing under the Laws of its state of jurisdiction or formation, is in good standing under the Laws of the states of New Mexico and Texas and has full power and authority to carry on the business in which it is engaged and to enter into this Agreement and perform its obligations hereunder;

(b) The execution and delivery of this Agreement by it have been duly authorized and approved by all requisite partnership action;

(c) The execution and delivery of this Agreement does not, and consummation of the transactions contemplated herein shall not, violate any of the provisions of its organizational documents, any agreements (including without limitation, the Gas Processing Agreements) pursuant to which it or its property is bound or, to its knowledge, any applicable Laws;

(d) This Agreement is valid, binding and enforceable against it in accordance with its terms subject to bankruptcy, moratorium, insolvency and other Laws generally affecting creditors' rights and general principles of equity (whether applied in a proceeding in a court of law or equity);

(e) With respect to the Gas Processing Agreements, (i) each is in full force and effect; (ii) except for those certain claims and disputes described on Exhibit E hereof, to EPFS' knowledge, EPFS has performed all material obligations therein required to be

performed by it, and is not in default under any material obligation of any such agreement; and (iii) to EPFS' knowledge, no other party to any Gas Processing Agreement is in default of any material obligation thereunder;

(f) Neither EPFS, nor any part of the Chaco Plant, the Gathering System and/or the Site, (i) is subject to any outstanding injunction, judgment, order, decree, ruling or change or (ii) is the subject of any action, suit, proceeding, hearing or investigation of, in, or before any court or quasi-judicial or administrative agency of any federal, state, local or foreign jurisdiction, or is the subject of any pending or, to EPFS' knowledge, threatened claim, demand, or notice of violation or liability from any Person, that would prohibit or restrict EPFS in the performance of its obligations and covenants hereunder; and

(g) The Gathering System and the Chaco Plant have been operated and maintained in good operating condition and repair (normal wear and tear excepted) and in compliance with all applicable Laws, are free from defects, and are suitable for the purposes for which they are currently used, and are not in need of maintenance or repairs except for ordinary routine maintenance and repairs.

19.2 Delos Warranties. Delos represents and warrants to EPFS that on and as of the date hereof:

(a) It is duly formed and validly existing and in good standing under the Laws of its state of jurisdiction or formation is in good standing under the Laws of the states of New Mexico and Texas and has full power and authority to carry on the business in which it is engaged and to enter into this Agreement and perform its obligations hereunder;

(b) The execution and delivery of this Agreement by it have been duly authorized and approved by all requisite limited liability company action;

(c) The execution and delivery of this Agreement do not, and consummation of the transactions contemplated herein shall not, violate any of the provisions of its organizational documents, any agreements pursuant to which it or its property is bound or, to its knowledge, any applicable Laws; and

(d) This Agreement is valid, binding and enforceable against it in accordance with its terms subject to bankruptcy, moratorium, insolvency and other Laws generally affecting creditors' rights and general principles of equity (whether applied in a proceeding in a court of law or equity).

ARTICLE 20
CONFIDENTIALITY

20.1 Confidential Information. During the term of this Agreement, each Party shall maintain the confidentiality of the terms and conditions of this Agreement and all information and data exchanged by the Parties pursuant to or in connection with this Agreement and shall not

disclose such information to any third party, except with respect to disclosure (i) pursuant to the sale or other disposition (directly or indirectly) of facilities which are the subject matter of this Agreement, (ii) pursuant to the permitted sale, disposition or other transfer (direct or indirect) of a Party's rights and interest in and to this Agreement, (iii) in conjunction with a merger, consolidation, exchange or other form of reorganization involving a Party, (iv) to lenders, accountants, attorneys, consultants and other representatives of the disclosing Party with a need to know of such information or (v) as may be required in the opinion of such Party's counsel, to comply with orders of any court or governmental agency, or comply with any Laws, rules and regulations of applicable governmental agencies, including without limitation, federal and state securities Laws and authorities; provided, however, that the disclosing Party shall be liable for any disclosure by the receiving person to the extent such disclosure would not be permitted by this Section 20.1 if made by the disclosing Party. Any disclosure of such terms and conditions other than pursuant to (i) - (v) above may be made only with the consent of the other Party. The obligations of confidentiality hereunder shall not apply to any such information which is or becomes due to no fault of the respective Party, generally known to the public, or which was previously known to the respective Party or is received by the respective Party from a third party who the Party reasonably believes is legally free to the disclose such information.

20.2 Confidentiality Waiver. Either Party may request a waiver of this Article 20, which waiver shall not be unreasonably withheld or delayed, subject to the Party requesting such a waiver obtaining a written obligation of confidentiality from the third party to whom the information is to be released.

ARTICLE 21
DISPUTE RESOLUTION PROCEDURE

21.1 Submission to the Parties. In the event a Dispute arises between the Parties regarding the interpretation and enforcement of this Agreement ("DISPUTE"), prior to subjecting the Dispute to resolution by mediation or arbitration as provided below, the Parties shall promptly enter into discussions and exert reasonable efforts in good faith to reach a reasonable and equitable resolution of the Dispute. If such Dispute is not resolved within thirty (30) days of commencing such discussions, then the matter shall be promptly referred to the President of each of the Parties to this Agreement for resolution, who shall negotiate in good faith to reach a reasonable and equitable resolution of the issue. If such negotiations between the Presidents of each Party are unable to resolve the Dispute within thirty (30) days of referral to them or such further time as the Parties may mutually agree, then the Parties shall attempt to resolve the Dispute by mediation in accordance with the provisions of Section 21.2 below. If the Dispute is not resolved by mediation within thirty (30) days after the mediator is appointed, or within such longer period as mutually agreed to by the Parties in accordance with Section 21.2 below, or the Parties do not reach prior mutual agreement, then the Dispute shall be exclusively and finally resolved by arbitration in accordance with Sections 21.3 and 21.3(b) below.

21.2 Submission to Mediator.

(a) At any time following thirty (30) days after referral of the Dispute to the Presidents of the Parties or such longer period as mutually agreed to by the Parties in

accordance with Section 21.1, either Party may request the appointment of a mediator, following which request the Parties shall forthwith use reasonable efforts to appoint a mediator mutually acceptable to the Parties. If the Parties do not agree on the appointment of a mediator within ten (10) days of such request, then either Party may request the Senior Active District Judge for the Houston Division of the U.S. District Court for the Southern District of Texas, to appoint a mediator who, when so appointed, shall be deemed acceptable to the Parties and to have been appointed by them.

(b) Following the appointment of a mediator, the Parties shall submit their Dispute in writing to the mediator. The Parties shall meet with the mediator at such reasonable times as the mediator may require and shall, throughout the involvement of the mediator, negotiate in good faith to resolve their Dispute. All proceedings involving a mediator are agreed to be without prejudice, and the cost of the mediator shall be shared equally by the Parties. If the Dispute is not resolved within thirty (30) days after the mediator is appointed, or within such longer period as mutually agreed to by the Parties, the mediator shall terminate the mediated negotiations by giving notice to the Parties; provided that, the mediator may, at any time during the mediation period, declare an impasse and terminate the mediation. The mediator shall keep confidential all information learned in private caucus with any Party unless specifically authorized by such Party to make disclosure of the information to the other Party. The Parties agree that the entire mediation process shall be kept confidential, and any actions, statements, promises, offers, views and options taken, made or expressed shall be treated as compromise and settlement negotiations and shall not be discoverable or admissible in any proceeding for any purpose. The mediator shall be disqualified as a witness, consultant, expert or counsel for any Party with respect to the Dispute and any related matters.

21.3 Submission to Arbitration.

(a) If the Parties fail to resolve a Dispute by negotiations or mediations, either Party may submit such Dispute to binding arbitration by notifying the other Party (an "ARBITRATION NOTICE"). Arbitration pursuant to this Article shall be the exclusive method of resolving Disputes other than through mutual agreement of the Parties. If a Party refuses to honor its obligations to arbitrate, the other Party may seek to compel arbitration in either federal or state court.

(b) Any arbitration conducted under this Article shall be heard by one or more Arbitrators (the "Arbitrators") selected in accordance with this Section 21.3(b). If both of the Parties can agree, the Parties shall jointly appoint a single Arbitrator. In the event that the Parties cannot agree on a single Arbitrator within thirty (30) days after the Arbitration Notice, then Delos shall appoint one Arbitrator and EPFS shall appoint one Arbitrator within sixty (60) days after the Arbitration Notice, and the two (2) Arbitrators shall in turn select a third Arbitrator within ninety (90) days after the Arbitration Notice; provided, that if either of such Parties fails to so appoint its Arbitrator within sixty (60) days after the Arbitration Notice, or if the two Party-appointed Arbitrators fail to appoint a third Arbitrator within ninety (90) days after the Arbitration Notice, the missing Arbitrator or Arbitrators will be appointed from the Large, Complex Case Panel of the

American Arbitration Association in the manner set forth in, and pursuant to, the Commercial Arbitration Rules of the American Arbitration Association (the "RULES").

(c) The Arbitrators shall expeditiously hear and decide all matters concerning the Dispute. Any arbitration hearing shall be held in Houston, Texas. The arbitration shall be conducted in accordance with the then current Rules to the extent that such Rules do not conflict with the terms of this Agreement.

(d) The enforcement of this Agreement to arbitrate, the validity, construction, and interpretation of this Agreement to arbitrate, and all procedural aspects of the proceeding pursuant to this Agreement to arbitrate, including, without limitation, the issues subject to arbitration, the scope of the arbitrable issues, allegations of "fraud in the inducement" to enter into this entire Agreement or to enter into this Agreement to arbitrate, allegations of waiver, delay or defenses to arbitrability, and the rules for governing the conduct of the arbitration, shall be governed by and construed pursuant to this Section 21.3(d), the Rules, and to the extent not in conflict with the preceding, the Federal Arbitration Act. In deciding the substance of the Parties' Disputes, the Arbitrators shall apply the substantive Laws of the State of Texas (excluding Texas choice-of-law principles that might call for the application of some other state's Law).

(e) Except as expressly provided to the contrary in this Agreement, the Arbitrators shall have the power to gather such materials, information, testimony and evidence requested by the Arbitrators, except to the extent any information so requested is subject to a third-party confidentiality restriction or to an attorney-client or other privilege that would be recognized in a proceeding in the State Courts of Texas. If they deem it necessary, the Arbitrators may propose to the Parties that one or more other experts be retained to assist them in resolving the Dispute. The retention of such other experts shall require the mutual consent of the Parties, which shall not be unreasonably withheld. Each Party, the Arbitrators and any proposed expert shall disclose any relationship to the other Party (or the Arbitrators) and such proposed expert; and any Party may disapprove of such proposed expert on the basis of such relationship. The final hearing shall be conducted within one hundred twenty (120) days of the selection of the third Arbitrator. The final hearing shall not exceed thirty (30) business days, with each Party to be granted one-half (1/2) of the allocated time to present its case to the Arbitrators. All proceedings conducted hereunder and the decision of the Arbitrators shall be kept confidential by the Parties, except as may be required by applicable Law, court proceedings, or the rules of any stock exchange on which shares of such Party or any of its direct or indirect parent companies are listed. The decision (which shall be rendered in writing) of the majority of Arbitrators shall be final and binding on the Parties and may be enforced in any court of competent jurisdiction. Only damages allowed pursuant to this Agreement may be awarded. Each Party shall be responsible for the fees and expenses of its respective counsel, consultants and witnesses. The Parties waive their right to any form of appeal or other similar recourse to a court of law; provided, however, notwithstanding anything herein to the contrary either Party may contest the Arbitrator's decision and seek to have the award vacated, modified or corrected in a court of competent jurisdiction based on the grounds that: (i) the decision is not in conformity with the Federal Arbitration Act (9 USC Sections 10-11) or (ii) the

decision was based on an erroneous conclusion of Law. Pending the decision or award, the operations or activities under this Agreement which have given rise to the arbitration need not be discontinued.

ARTICLE 22
MISCELLANEOUS

22.1 Waiver. No waiver, either express, or by course of dealing or course of performance, of any of the terms and conditions contained in this Agreement, or waiver of any breach of any of the terms and conditions contained in this Agreement, shall be construed as a subsequent waiver of any of the terms and conditions of this Agreement or as a waiver of any subsequent breach of the same or any other term or condition of this Agreement.

22.2 Assignment. Subject to the provisions of this Section 22.2, this Agreement shall be binding upon the permitted successors and assigns of the Parties hereto. Neither Party shall Transfer its rights or obligations under this Agreement in whole or in part, except with respect to a Permitted Transfer, without the prior written consent of the other Party, which consent may be withheld within the sole discretion of the other Party; provided, however, either Party may make a Permitted Transfer without the written consent of the other Party. No such assignment to any Person shall relieve the transferor of any of its obligations or liabilities, whether accrued, or unaccrued, under this Agreement. Unless otherwise agreed to in writing by all of the other Parties, and except for Permitted Transfers to a mortgagee or other bona fide lien holder, (i) both the transferor and the transferee shall be jointly and severally responsible and primarily liable for the full and timely performance of all covenants, agreements and other obligations and the timely payment and discharge of all liabilities, costs and other expenses arising (directly or indirectly) pursuant to this Agreement and (ii) such Permitted Transfer shall contain express provisions stating that (A) such Transfer is made subject to the terms and conditions of this Agreement, and (B) the transferee agrees to become a party to, and bound by, this Agreement. Any transfer or assignment in violation of this Section 22.2 shall be null and void.

22.3 Governing Law and Venue. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO ANY CONFLICT OF LAW PRINCIPLES THAT MIGHT PERMIT OR REQUIRE THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION. THE PARTIES HERETO AGREE THAT VENUE AND JURISDICTION SHALL LIE IN HOUSTON, HARRIS COUNTY, TEXAS.

22.4 Construction and Interpretation. Each Party participated extensively in the drafting and review of this Agreement and any rule of construction to the effect that an ambiguity be construed against the drafting Party shall not apply.

22.5 Counterpart Execution. This Agreement may be executed in one or more counterparts or by ratification, and all such counterparts and ratifications so executed shall be deemed to comprise one fully executed Agreement and each counterpart shall be deemed an original.

22.6 Entire Agreement; Modification. This Agreement together with the Ancillary Agreement constitute the entire understanding of the Parties relative to the subject matter of this Agreement and of the Ancillary Agreement, and this Agreement and the Ancillary Agreement supersede (i) all prior oral or written proposals or agreements, (ii) all contemporaneous oral proposals or agreements and (iii) all previous negotiations and all other communications or understandings, in each case between the Parties with respect to the subject matter hereof. No amendment, substitution, deletion, or modification of this Agreement shall be of any force or effect unless made in writing and signed by authorized representatives of the Parties hereto, nor shall this Agreement be modified by the acknowledgement or acceptance of a purchase order, invoice or other forms containing additional or different terms, whether or not signed by a Party hereto.

22.7 No Third Party Beneficiaries. This Agreement is for the sole and exclusive benefit of the Parties hereto and the indemnitees described in Article 15. Except as expressly provided herein to the contrary, nothing herein is intended to benefit any other Person not a Party hereto, and no such Person shall have any legal or equitable right, remedy or claim under this Agreement.

22.8 Exhibits and Schedules. All exhibits, schedules and the like contained herein or attached hereto are integrally related to this Agreement and are hereby made a part of this Agreement for all purposes. To the extent of any ambiguity, inconsistency or conflict between the body of this Agreement and any of the exhibits, schedules and the like attached hereto, the terms of the body of this Agreement shall prevail.

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

22.10 Severability. Any term or provision of this Agreement that is held invalid or unenforceable in any jurisdiction shall be ineffective as to such jurisdiction, to the extent of such invalidity or unenforceability, without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any terms and provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is finally determined to be so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable. A bankruptcy or similar trustee must accept or, to the extent permitted by Law, reject this Agreement in its entirety.

22.11 Cumulative Rights, Obligations and Remedies. Except as expressly provided herein, the rights, obligations and remedies created by this Agreement are cumulative and in addition to any other rights, obligations or remedies otherwise available at Law or in equity.

22.12 Compliance With Laws. This Agreement and the performance of the obligations contemplated herein are and shall be subject to all valid applicable Laws. The Parties are

entitled to act in accordance with each such Law. The Parties shall cooperate with respect to compliance with all governmental authorizations or any reasonable exchange or provision of information needed for filing or reporting requirements.

22.13 Federal Income Tax Consideration. The Parties hereby agree (i) that for federal and state income tax purposes, the Participation and Credit Agreement is a financing lease and EPFS, as sole member of New Chaco, is treated as owner of the Chaco Plant thereunder; (ii) that for federal and state income tax purposes, Delos is or will be treated as having acquired the unrelated parties' interest as Note Holder and Certificate Holder as defined in the Operative Documents; (iii) that this Agreement constitutes a lease from EPFS to Delos for U.S. federal and state income tax purposes; (iv) that this transaction is intended to be a Code section 467 rental agreement providing for prepaid rent and adequate stated interest, within the meaning of Treasury Regulation section 1.467-4(b)(2); (v) that the payment from Delos to EPFS on the Effective Date constitutes "prepaid rent," within the meaning of Treasury Regulation section 1.467-1(c)(3)(ii); (vi) to treat such amount as a Code "section 467 loan" for purposes of section 1.467-4, providing for interest payments from EPFS to Delos as shown on Exhibit F; and (vii) to file all U.S. federal, state and local tax returns consistent with this Section 22.13. Exhibit F reflects the amounts required to be included (and deducted) by each of the Parties under such Treasury Regulations with respect to rent and interest allocations. Delos and EPFS agree that Delos shall, with respect to each Month, become liable for the amount shown on Exhibit F with respect to its use of the Chaco Plant during each such Month.

22.14 Survival. The representations, warranties, and indemnities given by the Parties shall survive this Agreement without regard to any action taken pursuant to this Agreement, including, without limitation, the execution of any documents affecting an interest in real property or any investigation made by the Party asserting the breach hereof.

22.15 Conflicts. It is the intent of the Parties that this Agreement will more fully describe the duties and obligations with regard to the processing of Committed Gas at the Chaco Plant. Therefore, in the event of conflict between any of the provisions of this Agreement and any of the Operative Documents, the terms and conditions of this Agreement shall control.

22.16 Required Consents. The Parties agree that the obligations of the Parties under this Agreement, including any payments hereunder, shall not be effective until, and shall be conditioned upon, consent being obtained from the lenders under the Partnership's revolving credit agreement; provided further, that the Parties agree that Delos may terminate or cancel this Agreement if such lenders' consent is not obtained on or before December 31, 2001, unless otherwise agreed by the Parties.

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[Signature Page of Tolling Agreement]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their authorized representatives as of the day and year first above written.

EL PASO FIELD SERVICES, L.P.

By: /s/ E.R. WEST

Name: E.R. West

Title: Vice President

DELOS OFFSHORE COMPANY, L.L.C.

By: /s/ D. MARK LELAND

Name: D. Mark Leland

Title: Senior Vice President

[Signature Page of Tolling Agreement]

[EL PASO ENERGY PARTNERS, L.P. LETTERHEAD]

FOR IMMEDIATE RELEASE

EL PASO ENERGY PARTNERS REPORTS RECORD CASH FLOW, UP 63 PERCENT

HOUSTON, TEXAS, OCTOBER 22, 2001--El Paso Energy Partners, L.P. (NYSE:EPN) today reported record cash flow, as measured by adjusted earnings before interest, depreciation, and taxes (adjusted EBITDA), of $39.7 million for the third quarter of 2001, up 63 percent from $24.4 million in the third quarter of 2000. The improvement was driven by the first contribution from the Prince Platform, which began generating revenues in September, as well as significant contributions from EPN Texas' natural gas liquids (NGL) transportation and fractionation assets and Crystal Gas Storage, which were acquired from El Paso Corporation (NYSE:EPG) in March 2001 and September 2000, respectively.

EPN's third quarter 2001 net income before non-recurring items was $13.4 million compared with $4.8 million reported for the 2000 third quarter. Earnings after income allocated to the General Partner and Series B Preference unitholders were $0.09 per unit, excluding non-recurring items, versus a loss of $0.02 per unit in the third quarter of 2000. The 2001 results include a non-recurring charge of $1.4 million to write off historical receivables of Deepwater Holdings' HIOS system. Earnings per unit for the 2000 quarter included only one month of allocation to the Series B Preference Units and were based on fewer common units outstanding. Reported net income and earnings per unit, which include the non-recurring item, were $12.0 million and $0.05, respectively.

On October 18, 2001, EPN announced that it had acquired the Chaco cryogenic natural gas processing facility located in the San Juan Basin of northern New Mexico and the additional 50-percent interest in Deepwater Holdings, which owns natural gas pipelines in the western Gulf of Mexico, for $284 million. These assets are expected to generate EBITDA of at least $40 million in 2002.

"We are pleased to report another quarter of record cash flow, reflecting the solid performance of each of our businesses," said Robert G. Phillips, chief executive officer of El Paso Energy Partners. "Through the third quarter and including our recent acquisitions,

- more -

we have completed capital expenditures of $520 million, exceeding our targeted 2001 investment goal for EPN. As a result of these successes we have increased cash flow, net income and distributions to unitholders pursuant to our growth strategy."

"We have also recently announced agreements that will bring additional Deepwater Trend production into our existing pipeline assets in the Gulf of Mexico," Phillips continued. "Deepwater development activities are creating numerous opportunities for EPN to provide the platform and oil and gas transportation services in which we specialize. These organic growth projects, in combination with our aggressive acquisition strategy, further solidify EPN's diversified asset base and position the partnership to continue its strong cash flow and earnings growth."

On October 15, 2001, El Paso Energy Partners declared a cash distribution of $0.6125 per common unit for the period from July 1, 2001 through September 30, 2001. The distribution is payable November 15, 2001 to unitholders of record at the close of business on October 31, 2001. This represents an annualized distribution of $2.45 per year and an increase of more than 11 percent over the third quarter 2000 distribution of $0.55 per unit.

SEGMENT RESULTS

Natural Gas Gathering and Transportation adjusted EBITDA was $14.2 million for the third quarter of 2001, up 17 percent from $12.1 million in the 2000 quarter, reflecting a 6-percent increase in volumes and higher distributions from Deepwater Holdings. Volumes on EPN's Intrastate-Alabama system were comparable to those of the third quarter of 2000. Lower Viosca Knoll volumes reflect normal seasonal production declines and downtime associated with tropical storm activity. EPN recently announced agreements that will connect the Matterhorn, Camden Hills, Aconcagua, and Medusa Deepwater Trend discoveries to its Viosca Knoll gathering system.

Liquid Transportation and Handling adjusted EBITDA was $13.3 million, more than double the $6.5 million reported in 2000. The increase reflects EPN Texas' NGL operations, which were acquired by the partnership in the first quarter of 2001. Segment

volumes increased 24 percent to 235,000 barrels per day (Bbl/d), due to higher NGL asset volumes, offset by lower oil transportation volumes.

Platform Services adjusted EBITDA was $7.9 million in the 2001 third quarter, up 22 percent from $6.5 million in the 2000 period. Platform natural gas volumes increased 38 percent to 181 thousand dekatherms per day (Mdth/d), compared with 131 Mdth/d in the third quarter of 2000. Platform oil volumes increased 8 percent to 5,055 Bbl/d. Third quarter 2001 results include the first month of revenue for EPN's Prince Tension Leg Platform. Production from the first of the five wells dedicated to Prince began on September 26. The well is currently producing approximately 7,000 Bbl/d and 7 Mdth/d. Work to complete the remaining four wells is underway.

Storage Services adjusted EBITDA was $3.5 million for the third quarter of 2001 compared with $0.9 million in 2000, reflecting a full quarter of operations in 2001. EPN entered the natural gas storage services business through the acquisition of the Crystal assets in September 2000. During the quarter, work continued on the expansion of Petal Caverns #6 and #7 and the Petal storage interconnect to Tennessee Gas Pipeline.

Oil and Natural Gas Production adjusted EBITDA was $0.8 million compared with $3.4 million in the 2000 quarter. The decrease was attributable to lower oil and natural gas production volumes.

CONFERENCE CALL

EPN has scheduled a conference call to discuss third quarter results on Monday, October 22, 2001, at 9:30 a.m. Eastern Time, 8:30 a.m. Central Time. To participate, please dial 973-321-1020 ten minutes prior to the call or listen to a replay through October 29 by dialing 973-341-3080 (code 2890578). A live Web cast and audio replay of the call will be available online at www.elpasopartners.com. Operating statistics are also available on the Web site.

El Paso Energy Partners, L.P. is a publicly owned master limited partnership. The partnership owns and operates a diversified set of midstream assets, including five offshore natural gas and oil pipelines and six production handling platforms located in the Gulf of Mexico. In addition, the partnership owns and operates a strategically located salt dome

storage facility with 7.2 billion cubic feet of current storage capacity in Mississippi, a 450-mile coal bed methane gathering system in Alabama, more than 600 miles of natural gas liquids gathering and transportation pipelines and three fractionation plants located in south Texas, and a 700-thousand dekatherm per day cryogenic gas processing facility in the San Juan Basin of New Mexico. Visit El Paso Energy Partners on the Web at www.elpasopartners.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This release includes forward-looking statements and projections, made in reliance on the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The partnership has made every reasonable effort to ensure that the information and assumptions on which these statements and projections are based are current, reasonable, and complete. However, a variety of factors could cause actual results to differ materially from the projections, anticipated results or other expectations expressed in this release. While the partnership makes these statements and projections in good faith, neither the partnership nor its management can guarantee that the anticipated future results will be achieved. Reference should be made to the partnership's (and its affiliates') Securities and Exchange Commission filings for additional important factors that may affect actual results.

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CONTACTS:

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EL PASO ENERGY PARTNERS, L.P.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)
(Unaudited)

QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
2001	2000	2001	2000
Operating Revenue	$ 43,126	$ 29,642	$ 142,615	$ 75,404
Operating Expense				
Cost of Gas and Other Products	11,124	8,981	44,888	14,933
Operation and maintenance	5,855	3,675	21,364	7,208
Depreciation, depletion, and amortization	8,040	6,954	24,414	20,418
Asset Impairment	--	3,921	--	--
	25,019	19,610	94,587	42,559
Operating Income	18,107	10,032	48,028	32,845
Earnings from unconsolidated affiliates	3,003	6,215	2,659	16,287
Net gain (loss) on sales of assets	511	150	(10,740)	150
Other income	565	143	26,922	1,310
	4,079	6,508	18,841	17,747

Income before interest, income, taxes and other charges	22,186	16,540	
	66,869	50,592	
Interest and debt expense	10,149	11,774	
	29,915	35,524	
Minority interest --	(14)	100	121
Income tax benefit --	(82)	--	(221)
	10,149	11,678	
	30,015	35,424	
Reported net income	$ 12,037	$ 4,862	
	$ 36,854	$ 15,168	
Adjusted net income (a)	$ 13,401	$ 4,862	
	$ 42,968	$ 15,168	
Net Income allocated to General Partner	5,814	4,114	16,413
	10,968		
Net Income allocated to Series B unitholders	4,538	1,417	
	13,324	1,417	
Net Income allocated to Limited Partners	1,685	(669)	
	7,117	2,783	
	12,037	4,862	
	36,854	15,168	
Weighted average number of units outstanding	34,245	31,229	
	33,438	28,429	

Reported basic and diluted net income per unit	$ 0.05	$ (0.02)	$ 0.21	$ 0.10
Adjusted basic and diluted net income per unit (a)	$ 0.09	$ (0.02)	$ 0.38	$ 0.10

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
ADJUSTED EBITDA	2001	2000	2001	2000
EBIT	$ 22,186	$ 16,540	$ 66,869	$ 50,592
Less: Earnings from Unconsolidated Affiliates	3,003	6,215	2,659	16,287
Plus: Depreciation, Depletion and Amortization	8,040	6,954	24,414	20,418
Cash Distributions from Unconsolidated Affiliates	10,680	7,732	27,862	23,216
Net impact of one time items (b)	--	(10,232)	--	--
Other	1,798	(600)	5,590	(1,214)
Adjusted EBITDA	$ 39,701	$ 24,411	$ 111,844	$ 76,725

(a) Third quarter 2001 excludes $(1.4) million, or $(0.04) per unit, which relates to a charge for historical receivables on Deepwater Holdings' HIOS system. Year to date 2001 excludes $(6.1) million, or $(0.18) per unit, consisting of $(26.2) million, or $(0.78) per unit in losses on sales of assets related to El Paso Corporation's merger with Coastal, an asset impairment of $(3.9) million, or $(0.12) per unit, and a charge for historical receivables on Deepwater Holdings' HIOS system of $(1.4) million, or $(0.04) per unit, offset by $25.4 million, or $0.76 per unit, related to the make whole payment from El Paso Corporation.

(b) Year to date consists of $(11.3) million in losses on the sales of assets related to El Paso Corporation's merger with Coastal, an asset impairment of $(3.9) million, offset by $25.4 million related to the make whole payment from El Paso Corporation.