SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1998

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NO. 1-11680

LEVIATHAN GAS PIPELINE PARTNERS, L.P.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	76-0396023
(STATE OF ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

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

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

INDICATE BY CHECK MARK WHETHER THE REGISTRANT: (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING TWELVE MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS. YES X NO

LEVIATHAN GAS PIPELINE PARTNERS, L.P.
AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS.

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

	June 30, 1998	December 31, 1997
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 1,142	$ 6,430
Accounts receivable	1,995	1,953
Accounts receivable from affiliates	3,984	6,608
Other current assets	546	653
Total current assets	7,667	15,644
Equity investments	186,147	182,301
Property and equipment:		
Pipelines	77,200	78,244
Platforms and facilities	111,178	97,882
Oil and gas properties, at cost, using successful efforts method	122,837	120,296
	311,215	296,422
Less accumulated depreciation, depletion, amortization and impairment	109,712	95,783
Property and equipment, net	201,503	200,639
Investment in Tatham Offshore, Inc. (Note 2)	7,500	7,500
Other noncurrent assets	3,270	3,758
Total assets	$ 406,087	$ 409,842
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable and accrued liabilities	$ 15,144	$ 12,522
Accounts payable to affiliates	585	1,032
Total current liabilities	15,729	13,554
Deferred federal income taxes	1,240	1,399
Notes payable	270,000	238,000
Other noncurrent liabilities	6,251	13,304
Total liabilities	293,220	266,257
Minority interest	(690)	(381)
Partners' capital	113,557	143,966
Total liabilities and partners' capital	$ 406,087	$ 409,842

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
Revenue:				
Oil and gas sales	$ 6,599	$ 16,359	$ 15,734	$ 34,459
Gathering, transportation and platform services	4,523	4,736	7,782	10,575
Equity in earnings	7,251	7,131	12,571	14,220
	18,373	28,226	36,087	59,254
Costs and expenses:				
Operating expenses	2,708	2,943	5,546	6,046
Depreciation, depletion and amortization	6,978	13,994	14,845	27,938
Impairment, abandonment and other	--	21,222	--	21,222
General and administrative expenses and management fee	2,554	3,377	7,503	5,851
	12,240	41,536	27,894	61,057
Operating income (loss)	6,133	(13,310)	8,193	(1,803)
Interest income and other	73	469	157	1,162
Interest and other financing costs	(4,707)	(3,352)	(8,429)	(6,464)
Minority interest in (income) loss	(16)	158	(3)	68
Income (loss) before income taxes	1,483	(16,035)	(82)	(7,037)
Income tax benefit	(27)	(180)	(168)	(146)
Net income (loss)	$ 1,510	$ (15,855)	$ 86	$ (6,891)
Weighted average number of Units outstanding	24,367	24,367	24,367	24,367
Basic and diluted net income (loss) per Unit	$ 0.05	$ (0.58)	$ 0.00	$ (0.26)

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

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

	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
Cash flows from operating activities:		
Net income (loss)	$ 86	$ (6,891)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of debt issue costs	479	481
Depreciation, depletion and amortization	14,845	27,938
Impairment, abandonment and other	--	21,222
Minority interest in losses	3	(68)
Equity in earnings	(12,571)	(14,220)
Distributions from equity investments	13,298	12,250
Deferred income taxes	(159)	(158)
Other noncash items	186	(3,984)
Changes in operating working capital:		
(Increase) decrease in accounts receivable	(42)	1,862
Decrease in accounts receivable from affiliates	2,624	2,846
Decrease (increase) in other current assets	107	(1,206)
Decrease in accounts payable and accrued liabilities	(5,525)	(8,037)
Decrease in payable to affiliates	(447)	(1,976)
Net cash provided by operating activities	12,884	30,059
Cash flows from investing activities:		
Additions to pipelines, platforms and facilities	(12,283)	(3,420)
Equity investments	(4,543)	(22)
Acquisition and development of oil and gas properties	(2,540)	(11,015)
Other	--	185
Net cash used in investing activities	(19,366)	(14,272)
Cash flows from financing activities:		
Decrease in restricted cash	--	716
Proceeds from notes payable	50,000	--
Repayments of notes payable	(18,000)	(10,000)
Debt issue costs	--	(93)
Distributions to partners	(30,806)	(21,465)
Net cash provided by (used in) financing activities	1,194	(30,842)
Decrease in cash and cash equivalents	(5,288)	(15,055)
Cash and cash equivalents at beginning of year	6,430	16,489
Cash and cash equivalents at end of period	$ 1,142	$ 1,434
Cash paid for interest, net of amounts capitalized	$ 7,844	$ 6,082
Cash paid for income taxes	$ --	$ 2

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

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

	Preference Unitholders	Common Unitholder	General Partner	Total
Partners' capital at December 31, 1997	$ 163,426	$ (15,400)	$ (4,060)	$ 143,966
Net income for the six months ended June 30, 1998 (unaudited)	51	18	17	86
Cash distributions (unaudited)	(18,527)	(6,449)	(5,519)	(30,495)
Partners' capital at June 30, 1998 (unaudited)	$ 144,950	$ (21,831)	$ (9,562)	$ 113,557
Limited partnership Units outstanding at December 31, 1997 and June 30, 1998 (unaudited)	18,075	6,292	-- (a)	24,367

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

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

LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION:

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

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

As of June 30, 1998, the Partnership had 1,016,006 Preference Units and 23,350,888 Common Units outstanding. Preference Units and Common Units totaling 18,075,000 are owned by the public, representing a 72.7% effective limited partner interest in the Partnership. Leviathan, through its ownership of 6,291,894 Common Units, its 1% general partner interest in the Partnership and its approximate 1% nonmanaging interest in certain of the Partnership's subsidiaries, owns a 27.3% effective interest in the Partnership (23.2% effective interest net to DeepTech's interest). See Note 4 for a discussion of the conversion of Preference Units into Common Units.

The accompanying consolidated financial statements have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, the statements reflect all normal recurring adjustments which are, in the opinion of management, necessary for a fair statement of the results of operations for the period covered by such statements. These interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Partnership's Annual Report on Form 10-K for the year ended December 31, 1997.

Effective January 1, 1998, the Partnership adopted Statement of Financial Accounting Standard ("SFAS") No. 131, "Disclosures About Segments of an Enterprise and Related Information". SFAS No. 131 establishes standards for the method public entities report information about operating segments in both interim and annual financial statements issued to shareholders and requires related disclosures about products and services, geographic areas and major customers. The Partnership is currently evaluating the disclosure requirements of this statement as this statement does not apply to interim financial statements in the initial year of its adoption. However, comparative financial information for interim periods in the initial year of application must be reported in financial statements for interim periods in the second year of application.

NOTE 2 - RECENT EVENTS:

Impending Merger

On February 27, 1998, DeepTech entered into an Agreement and Plan of Merger (the "Merger Agreement") with El Paso Natural Gas Company ("El Paso") and El Paso Acquisition Company ("El Paso Acquisition"), a wholly-owned subsidiary of El Paso, pursuant to which DeepTech would merge (the "Merger") with El Paso, or under certain circumstances, with El Paso Acquisition. Subsequently, DeepTech, El Paso and El Paso Acquisition executed Amendment No. 1 to the Merger Agreement (the "Amended Merger Agreement") with El Paso Energy Corporation ("El Paso Corporation") to allow El Paso to reorganize its corporate structure. The holders of a majority of DeepTech's common stock approved the Amended Merger Agreement on July 19, 1998. Pursuant to the Amended Merger Agreement, upon the closing of the Merger, DeepTech will merge with El Paso Corporation, or under certain circumstances, with El Paso Acquisition.

The material terms of the Merger and the transactions contemplated by the Amended Merger Agreement and other agreements as these agreements relate to the Partnership are as follow:

(a) El Paso will acquire the minority interests of Leviathan Holdings and two other subsidiaries of DeepTech primarily held by DeepTech management for an aggregate of $55.0 million. As a result, El Paso will own 100% of Leviathan's general partner interest in the Partnership and an overall 27.3% effective interest in the Partnership.

(b) Pursuant to the Amended Merger Agreement, employees of DeepTech or the Partnership who are terminated upon the closing of the Merger or during the six months thereafter, will receive certain severance payments from DeepTech or El Paso.

(c) Tatham Offshore, Inc. ("Tatham Offshore"), an affiliate of the Partnership, will transfer certain of its assets located in the Gulf to the Partnership in consideration of the redemption by Tatham Offshore of its 7,500 shares of Series B 9% Senior Convertible Preferred Stock (the "Senior Preferred Stock") currently owned by the Partnership (the "Redemption Agreement"). Specifically, under the terms of the Redemption Agreement and subject to the satisfaction of certain conditions at closing, the Partnership has agreed to exchange the Senior Preferred Stock and all related accrued and unpaid dividends due to the Partnership as of the date of the exchange for 100% of Tatham Offshore's right, title and interest in and to Viosca Knoll Blocks 772, 773, 774, 817, 818 and 861 (subject to an existing production payment obligation), West Delta Block 35, Ewing Bank Blocks 871, 914, 915 and 916 and the platform located at Ship Shoal Block 331. At the closing, the Partnership will receive from/pay to Tatham Offshore an amount equal to the net cash generated from/required by such properties from January 1, 1998 through the closing date. In addition, the Partnership has agreed to assume all abandonment and restoration obligations associated with the platform and leases. As of June 30, 1998, the Partnership has incurred $2.5 million of abandonment costs related to the Ewing Bank leases. This transaction is expected to close contemporaneous with DeepTech's merger with El Paso.

(d) In June 1998, Tatham Offshore canceled its reversionary interests in certain oil and gas properties owned by the Partnership.

Both the Merger and the transactions contemplated by the Redemption Agreement are subject to customary regulatory approvals, the satisfaction of certain conditions and the consummation of certain related transactions and are anticipated to be completed in mid August 1998.

Mr. Grant E. Sims and Mr. James H. Lytal, the Chief Executive Officer and the President, respectively, of the Partnership have entered into employment agreements with El Paso effective as of the closing of the Merger. After the Merger, Messrs. Sims and Lytal will continue to serve as the Chief Executive Officer and the President, respectively, of the Partnership for a term of five years commencing on the effective date of the Merger. However, pursuant to the terms of their respective employment agreements, Messrs. Sims and Lytal have the right to terminate upon thirty days notice and El Paso has the right to terminate under certain circumstances.

Recent Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 requires that an entity recognize all derivative investments as either assets or liabilities on the balance sheet and measure those instruments at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. For fair-value hedge transactions in which the Partnership is hedging changes in an asset's, liability's or firm commitment's fair value, changes in the fair value of the derivative instrument will generally be offset in the income statement by changes in the hedged item's fair value. For cash-flow hedge transactions, in which the Partnership is hedging the variability of cash flows related to a variable-rate asset, liability, or a forecasted transaction, changes in the fair value of the derivative instrument will be reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges will be recognized in current-period earnings. This statement is effective for fiscal years beginning after June 15, 1999. The Partnership has not yet determined the impact that the adoption of SFAS No. 133 will have on its earnings or statement of financial position.

NOTE 3 - EQUITY INVESTMENTS:

The Partnership owns interests of 50% in Viosca Knoll Gathering Company ("Viosca Knoll"), 36% in Poseidon Oil Pipeline Company, L.L.C. ("POPCO"), 25.7% in Nautilus Pipeline Company, L.L.C. ("Nautilus"), 25.7% in Manta Ray Offshore Gathering Company, L.L.C. ("Manta Ray Offshore"), 50% in Stingray Pipeline Company ("Stingray"), 40% in High Island Offshore System ("HIOS"), 33 1/3% in U-T Offshore System ("UTOS") and 50% in West Cameron Dehydration Company, L.L.C. ("West Cameron Dehy"). The summarized financial information for these investments, which are accounted for using the equity method, is as follows:

SUMMARIZED HISTORICAL OPERATING RESULTS
(In thousands)

	Six Months Ended June 30, 1998								
	HIOS	Viosca Knoll	Stingray	West Cameron Dehy	POPCO	UTOS	Manta Ray Offshore	Nautilus	Total
Operating revenue	$21,730	$14,746	$11,620	$1,191	$ 19,517	$2,384	$5,234	$ 1,289	
Other income	134	23	434	2	145	57	184	17	
Operating expenses	(8,632)	(1,263)	(7,611)	(84)	(1,960)	(1,260)	(1,533)	(678)	
Depreciation	(2,384)	(1,893)	(3,489)	(7)	(4,392)	(279)	(2,129)	(2,890)	
Other expenses	--	(1,989)	(1,069)	--	(4,396)	--	--	(12)	
Net earnings (loss)	10,848	9,624	(115)	1,102	8,914	902	1,756	(2,274)	
Ownership percentage	40%	50%	50%	50%	36%	33.3%	25.7%	25.7%	
	4,339	4,812	(58)	551	3,209	301	451	(584)	
Adjustments:									
- - Depreciation(a)	379	--	406	--	--	16	(174)	--	
- - Contract amortization(a)	(53)	--	(122)	--	--	--	--	--	
- - Other	(69)	--	(24)	--	(60)	16	--	(765)(c)	
Equity in earnings (loss)	$4,596	$4,812	$ 202	$ 551	$ 3,149	$ 333	$ 277	$ (1,349)	$ 12,571
Distributions(b)	$5,240	$5,800	$1,000	$ 425	$ --	$ 333	$ 500	$ --	$ 13,298

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

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

(c) Primarily relates to a revision of the allowance for funds used during construction ("AFUDC") which represents the estimated costs, during the construction period, of funds used for construction purposes.

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

SUMMARIZED HISTORICAL OPERATING RESULTS
(In thousands)

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

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

(b) Represents additional net earnings specifically allocated to the Partnership related to the assets contributed by the Partnership to Manta Ray Offshore. Pursuant to the terms of the arrangement, the Partnership managed the operations of the assets contributed to Manta Ray Offshore and was permitted to retain approximately 100% of the net earnings from such assets during the construction phase of the expansion to the Manta Ray Offshore system (January 17, 1997 through December 31, 1997). Effective January 1, 1998, Manta Ray Offshore began allocating all net earnings in accordance with ownership percentages.

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

NOTE 4 - PARTNERS' CAPITAL INCLUDING CASH DISTRIBUTIONS:

Cash distributions

During the Preference Period (as defined in the Partnership Agreement), distributions by the Partnership of its Available Cash were effectively made 98% to Unitholders and 2% to Leviathan, subject to the payment of incentive distributions to Leviathan if certain target levels of cash distributions to Unitholders are achieved (the "Incentive Distributions"). As an incentive, the general partner's interest in the portion of quarterly cash distributions in excess of $0.325 per Unit and less than or equal to $0.375 per Unit is increased to 15%. For quarterly cash distributions over $0.375 per Unit but less than or equal to $0.425 per Unit, the general partner receives 25% of such incremental amount and for all quarterly cash distributions in excess of $0.425 per Unit, the general partner receives 50% of the incremental amount. During and after the Preference Period, the Preference Units are entitled to receive from Available Cash (as defined in the Partnership Agreement) a minimum quarterly distribution for each quarter of $0.275 per Preference Unit, plus any arrearage in the payment of the minimum quarterly distribution for prior quarters, before any distribution of Available Cash is made to holders of Common Units for such quarter. After the Preference Period, the Preference Units will not be entitled to receive any more than the minimum quarterly distribution per quarter.

In February 1998, the Partnership paid a cash distribution of $0.50 per Preference and Common Unit for the period from October 1, 1997 through December 31, 1997 and an Incentive Distribution of $2.4 million to Leviathan, as general partner. In May 1998, the Partnership paid a cash distribution of $0.525 per Preference and Common Unit for the period from January 1, 1998 through March 31, 1998 and an Incentive Distribution of $3.0 million to Leviathan. On July 20, 1998, the Partnership declared a cash distribution of $0.525 per Preference and Common Unit for the period from April 1, 1998 through June 30, 1998 which will be paid on August 14, 1998 to Unitholders of record as of July 31, 1998. Leviathan will receive an Incentive Distribution of $3.0 million for the three months ended June 30, 1998.

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

Conversion of Preference Units into Common Units

On May 7, 1998, the Partnership notified the holders of its Preference Units of their right to convert their Preference Units into an equal number of Common Units within a 90 day period. If the Common Units, after the conversion, met the listing standards of the New York Stock Exchange ("NYSE"), then the Preference Period would end.

On August 5, 1998, the conversion period expired and holders of 17,058,994 Preference Units, representing 94.4% of the Preference Units then outstanding, had elected to convert to Common Units. As a result, the Preference Period has ended and the Common Units have become the primary listed security on the NYSE under the symbol "LEV". 1,016,006 Preference Units remain outstanding and now trade as the Partnership's secondary listed security on the NYSE under the symbol "LEV.P".

The remaining Preference Units retain their distribution preferences over the Common Units; that is, Preference Units will be paid up to the minimum quarterly distribution of $0.275 per Unit before any quarterly distributions are made to the Common Units or Leviathan, as general partner. However, Preference Units will not receive any distributions in excess of the minimum quarterly distribution of $0.275 per Unit. Only Common Units and Leviathan, as general partner, will be eligible to receive such excess distributions.

In accordance with the Partnership Agreement, holders of the remaining Preference Units will not have another opportunity to convert their Preference Units into Common Units until May 1999 and again in May 2000. Thereafter, any remaining Preference Units may, under certain circumstances, be subject to redemption.

NOTE 5 - RELATED PARTY TRANSACTIONS:

Management fees. For the six months ended June 30, 1998, Leviathan charged the Partnership $4.6 million pursuant to the Partnership Agreement which provides for reimbursement of expenses Leviathan incurs as general partner of the Partnership, including reimbursement of expenses incurred by DeepTech in providing management services to Leviathan and the Partnership.

Other. Pursuant to the Leviathan non-employee director compensation arrangements, the Partnership is obligated to pay each non-employee director 2 1/2% of the general partner's Incentive Distribution as a profit participation fee. During the six months ended June 30, 1998, the Partnership paid the three non-employee directors of Leviathan a total of $0.4 million as a profit participation fee.

In March 1998, Tatham Offshore eliminated its 7,500 shares of 9% Senior Convertible Preferred Stock issued to the Partnership and replaced this stock with its Senior Preferred Stock (discussed in Note 2). The Partnership, at any time, may convert the shares of Senior Preferred Stock into shares of Tatham Offshore Series A 12% Convertible Exchangeable Preferred Stock ("Series A Preferred Stock") using a conversion ratio equal to (i) the liquidation preference amount plus accumulated and unpaid dividends divided by (ii) $0.9375, the closing price of the Tatham Offshore Series A Preferred Stock on February 27, 1998. In connection with the Redemption Agreement discussed in Note 2, the Senior Preferred Stock and all related unpaid dividends will be redeemed in full.

NOTE 6 - COMMITMENTS AND CONTINGENCIES:

Hedging Activities

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

At June 30, 1998, the Partnership had open sales hedges on approximately 25,000 million British thermal units ("MMbtu") of natural gas per day for the remaining period in 1998 at an average price of $2.375 per MMbtu and open purchase hedges of approximately 25,000 MMbtu of natural gas per day for the remaining period in 1998 at an average price of $2.24 per MMbtu. In addition, the Partnership had entered into commodity swap transactions for calendar 1999 of (i) 5,000 MMbtu per day at a fixed price to be determined at the Partnership's option equal to the January 1999 Natural Gas Futures Contract on NYMEX as quoted at any time during 1998 to and including the last three trading days of the January 1999 contract minus $0.25 per MMbtu and (ii) 5,000 MMbtu per day at a fixed price to be determined at the Partnership's option equal to the January 1999 Natural Gas Futures Contract on NYMEX as quoted at any time during 1998 to and including the last three trading days of the January 1999 contract minus $0.28 per MMbtu.

At June 30, 1998, the Partnership had open sales hedges on approximately 992 barrels of oil per day for the remaining period in 1998 at an average price of $20.43 per barrel and open purchase hedges of approximately 1,000 barrels of oil per day for the remaining period in 1998 at an average price of $17.68 per barrel.

Other

In 1995, the Partnership adopted the Unit Rights Appreciation Plan (the "Plan") to provide the Partnership with the ability of making awards of Unit Rights, as hereinafter defined, to certain officers and employees of the Partnership or its affiliates as an incentive for these individuals to continue in the service of the Partnership or its affiliates. Under the Plan, the Partnership has granted to certain officers and employees of the Partnership or its affiliates the right to purchase, or realize the appreciation of, a Preference Unit or Common Unit (see Note 4) (a "Unit Right"), pursuant to the provisions of the Plan. As of June 30, 1998, a total of 1,200,000 Unit Rights had been granted under the Plan. The exercise prices covered by the Unit Rights granted pursuant to the Plan range from $15.6875 to $21.50, the closing prices of the Preference Units as reported on the New York Stock Exchange on the date the Unit Rights were granted. As of June 30, 1998, the Partnership had accrued $5.2 million related to the appreciation and vesting of the outstanding Unit Rights. However, as a result of the "change of control" occurring upon the closing of the Merger discussed in Note 2, the Unit Rights will fully vest at which time the Partnership will be obligated to pay the holders of the Unit Rights an amount equal to the difference between the grant price of the Units and the closing price of the Units on the date of the Merger, or a date to be otherwise specified. Using the closing price of the Common Units on August 7, 1998 of $26 3/4 per Unit, the Partnership would be obligated to pay the holders of the Unit Rights an aggregate of $8.4 million upon the exercise of the Unit Rights.

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

The following discussion should be read in conjunction with the Partnership's consolidated financial statements and notes thereto included in Item 1. "Consolidated Financial Statements" and is intended to assist in the understanding of the Partnership's financial condition and results of operations for the three and six months ended June 30, 1998. Unless the context otherwise requires, all references herein to the Partnership with respect to the operations and ownership of the Partnership's assets are also references to its subsidiaries.

OVERVIEW

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

The Gas Pipelines, strategically located primarily offshore Louisiana and eastern Texas, gather and transport natural gas for producers, marketers, pipelines and end-users for a fee. The Gas Pipelines include approximately 1,167 miles of pipeline with a throughput capacity of 6.5 billion cubic feet of gas per day. Each of the Gas Pipelines interconnects with one or more long line transmission pipelines that provide access to multiple markets in the eastern half of the United States. The Partnership's interest in the Gas Pipelines consists of: a 100% interest in each of Manta Ray Gathering Company, L.L.C., Green Canyon Pipe Line Company, L.L.C. and Tarpon Transmission Company ("Tarpon"); a 50% partnership interest in each of Stingray and Viosca Knoll; a 40% partnership interest in HIOS; a 33 1/3% partnership interest in UTOS; and an effective 25.7% interest in each of Manta Ray Offshore and Nautilus.

The Partnership owns a 36% interest in POPCO which owns and operates the Poseidon Oil Pipeline ("Poseidon"). Poseidon, a major new sour crude oil pipeline system built in response to an increased demand for additional sour crude oil pipeline capacity in the central Gulf, consists of 297 miles of 16-inch to 24-inch pipeline with a capacity of approximately 400,000 barrels per day and is currently delivering an average of approximately 87,000 barrels of oil per day. POPCO placed a third phase of Poseidon in service in December 1997.

The Partnership operates and owns interests in five strategically located multi-purpose platforms in the Gulf that have processing capabilities which complement the Partnership's pipeline operations and play a key role in the development of oil and gas reserves. The platforms are used to interconnect the offshore pipeline network and to provide an efficient means to perform pipeline maintenance and to operate compression, separation, processing and other facilities. In addition, the multi-purpose platforms serve as landing sites for deeper water production and as sites for the location of gas compression facilities and drilling operations.

The Partnership owns an interest in and is operator of three producing leases in the Gulf. The Viosca Knoll Block 817 wells (75% working interest currently owned by the Partnership) are currently producing a gross aggregate average of approximately 45 million cubic feet ("MMcf") of gas per day. Pursuant to the Redemption Agreement, the Partnership has agreed to acquire the remaining 25% working interest in Viosca Knoll Block 817. The Garden Banks Block 72 wells (50% working interest owned by the Partnership) are currently producing a gross aggregate average of approximately 1,870 barrels of oil and 6.7 MMcf of gas per day. The Garden Banks Block 117 wells (50% working interest owned by the Partnership) are currently producing a gross aggregate average of approximately 1,715 barrels of oil and 3.4 MMcf of gas per day.

The Partnership owns a 50% interest in West Cameron Dehy, which owns certain dehydration facilities located at the northern terminus of the Stingray system, onshore Louisiana.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 1998 COMPARED WITH THREE MONTHS ENDED JUNE 30, 1997

Oil and gas sales totaled $6.6 million for the three months ended June 30, 1998 as compared with $16.4 million for the same period in 1997. The decrease is attributable to normal production declines from the Partnership's oil and gas properties, substantially lower realized oil and gas prices and the lack of acceptable markets downstream of the Viosca Knoll system. The production decline attributable to the capacity constraints of the downstream transporter is anticipated to be alleviated during the second half of 1998. During the three months ended June 30, 1998, the Partnership produced and sold 2,085 MMcf of gas and 138,000 barrels of oil at average prices of $2.11 per thousand cubic feet ("Mcf") and $15.64 per barrel, respectively. During the same period in 1997, the Partnership produced and sold 5,516 MMcf of gas and 206,000 barrels of oil at average prices of $2.18 per Mcf and $20.61 per barrel, respectively.

Revenue from gathering, transportation and platform services totaled $4.5 million for the three months ended June 30, 1998 as compared with $4.7 million for the same period in 1997. The change primarily reflects a decrease of $1.6 million in gathering services revenue primarily related to the cessation of production in May 1997 from the only well connected to the Ewing Bank system offset by an increase of $1.4 million in platform services revenue from the Partnership's East Cameron Block 373 platform which was placed in service in April 1998. Throughput volumes for the Partnership's gathering systems increased approximately 18% during the second quarter of 1998 as compared with the second quarter of 1997 primarily as a result of new producing fields attached to the Tarpon system in June and July 1997.

Revenue from the Partnership's equity interests in Stingray, HIOS, UTOS, Viosca Knoll, POPCO, Manta Ray Offshore, Nautilus and West Cameron Dehy (the "Equity Investees") totaled $7.3 million for the three months ended June 30, 1998 as compared with $7.1 million for the same period in 1997. The increase primarily reflects an increase of $2.4 million from POPCO and Viosca Knoll as a result of increased throughput offset by a decrease of $2.2 million from other Equity Investees comprised of (i) $1.2 million related to Stingray and HIOS as a result of increased maintenance costs and decreased throughput and (ii) $1.0 million related to nonrecurring start-up costs, prior period adjustments and a change in equity ownership of Nautilus and Manta Ray Offshore. Total gas throughput volumes for the Equity Investees increased approximately 23% from the three months ended June 30, 1997 to the three months ended June 30, 1998 primarily as a result of increased throughput on the Viosca Knoll, Nautilus and Manta Ray Offshore systems. Oil volumes from Poseidon totaled 9.0 million barrels and 4.3 million barrels for the three months ended June 30, 1998 and 1997, respectively.

Operating expenses for the three months ended June 30, 1998 totaled $2.7 million as compared to $2.9 million for the same period in 1997. The decrease is primarily attributable to lower operating and transportation costs associated with the Partnership's oil and gas properties during the three months ended June 30, 1998.

Depreciation, depletion and amortization totaled $7.0 million for the three months ended June 30, 1998 as compared with $14.0 million for the same period in 1997. The decrease of $7.0 million reflects decreases of (i) $5.7 million in depreciation and depletion on oil and gas wells and facilities located on the Viosca Knoll Block 817, Garden Banks Block 72 and the Garden Banks Block 117 as a result of decreased production from these leases and (ii) $1.3 million in depreciation on pipelines, platforms and facilities as a result of the Partnership fully depreciating its investment in the Ewing Bank and Ship Shoal systems in June 1997.

Impairment, abandonment and other totaled $21.2 million for the three months ended June 30, 1997 and consisted of a non-recurring charge to reserve the Partnership's investment in certain gathering facilities and other assets associated with Tatham Offshore's Ewing Bank 914 #2 well and Ship Shoal Block 331 property, to accrue the Partnership's abandonment obligations associated with the gathering facilities serving these properties, to reserve the Partnership's noncurrent receivable related to the prepayment of the demand charge obligations under certain agreements related to the Ewing Bank and Ship Shoal leases and to accrue certain abandonment obligations associated with its oil and gas properties. No impairment, abandonment and other charges were recorded during the three months ended June 30, 1998.

General and administrative expenses, including the management fee allocated from Leviathan, totaled $2.6 million for the three months ended June 30, 1998 as compared with $3.4 million for the same period in 1997. The decrease of $0.8 million reflects a decrease of $1.1 million in direct general and administrative expenses of the Partnership primarily related to the reduction in value of vested Unit Rights granted to certain officers and employees in 1995, 1996 and 1997 offset by increases of (i) $0.2 million in incentive payments to Leviathan's three non-employee directors pursuant to compensation arrangements and (ii) $0.1 million in management fees allocated by Leviathan to the Partnership. See Item 1. "Consolidated Financial Statements -- Notes to Consolidated Financial Statements -- Note 6 -- Commitments and Contingencies -- Other" and "-- Note 5 -- Related Party Transactions."

Interest income and other totaled $0.1 million for the three months ended June 30, 1998 as compared with $0.5 million for the three months ended June 30, 1997.

Interest and other financing costs, net of capitalized interest, for the three months ended June 30, 1998 totaled $4.7 million as compared with $3.4 million for the same period in 1997. During the three months ended June 30, 1998 and 1997, the Partnership capitalized $0.1 million and $0.6 million, respectively, of interest costs in connection with construction projects and drilling activities in progress during such periods. During the three months ended June 30, 1998 and 1997, the Partnership had outstanding indebtedness averaging approximately $260.5 million and $218.0 million, respectively.

Net income for the three months ended June 30, 1998 totaled $1.5 million, or $0.05 per Unit, as compared with a net loss of $15.9 million, or $0.58 per Unit, for the three months ended June 30, 1997 as a result of the items discussed above.

SIX MONTHS ENDED JUNE 30, 1998 COMPARED WITH SIX MONTHS ENDED JUNE 30, 1997

Oil and gas sales totaled $15.7 million for the six months ended June 30, 1998 as compared with $34.5 million for the same period in 1997. The decrease is attributable to normal production declines from the Partnership's oil and gas properties, substantially lower realized oil prices and the lack of acceptable markets downstream of the Viosca Knoll system. The production decline attributable to the capacity constraints of the downstream transporter is anticipated to be alleviated during the second half of 1998. During the six months ended June 30, 1998, the Partnership produced and sold 4,874 MMcf of gas and 308,000 barrels of oil at average prices of $2.16 per Mcf and $16.53 per barrel, respectively. During the same period in 1997, the Partnership produced and sold 11,707 MMcf of gas and 409,000 barrels of oil at average prices of $2.16 per Mcf and $21.56 per barrel, respectively.

Revenue from gathering, transportation and platform services totaled $7.8 million for the six months ended June 30, 1998 as compared with $10.6 million for the same period in 1997. The decrease primarily reflects decreases of (i) $2.8 million related to the cessation of production in May 1997 from the only well connected to the Ewing Bank system, (ii) $0.7 million as a result of the contribution of a significant portion of the Manta Ray system to Manta Ray Offshore on January 17, 1997 resulting in revenue from these assets being included in equity in earnings for all of the six months in the period ended June 30, 1998 as compared with a portion of the six months ended June 30, 1997 and (iii) $0.5 million in platform revenue services from the Partnership's Viosca Knoll Block 817 platform as a result of lower oil and gas volumes processed on the platform due to capacity constraints of the downstream transporter which should be alleviated during the second half of 1998, offset by an increase of $1.4 million in platform services revenue from the Partnership's East Cameron Block 373 platform which was placed in service in April 1998. Throughput volumes for the Partnership's gathering systems increased approximately 15% from the first six months of 1998 as compared with the same period in 1997 primarily as a result of new producing fields attached to the Tarpon system in June and July 1997.

Revenue from the Partnership's Equity Investees totaled $12.6 million for the six months ended June 30, 1998 as compared with $14.2 million for the same period in 1997. The decrease of $1.6 million primarily reflects decreases of (i) $2.3 million related to Stingray and HIOS as a result of increased maintenance costs and decreased throughput and (ii) $2.8 million related to nonrecurring start-up costs, prior period adjustments and a change in equity ownership of Nautilus and Manta Ray Offshore offset by an increase of $3.5 million from POPCO and Viosca Knoll as a result of increased throughput. Total gas throughput volumes for the Equity Investees increased approximately 17% from the six months ended June 30, 1997 to the same period in 1998 primarily as a result of increased throughput on the Viosca Knoll, Nautilus and Manta Ray Offshore systems. Oil volumes from Poseidon totaled 15.7 million barrels and 8.0 million barrels for the six months ended June 30, 1998 and 1997, respectively.

Operating expenses for the six months ended June 30, 1998 totaled $5.5 million as compared to $6.0 million for the same period in 1997. The decrease is primarily attributable to lower operating and transportation costs associated with the Partnership's oil and gas properties during the six months ended June 30, 1998.

Depreciation, depletion and amortization totaled $14.8 million for the six months ended June 30, 1998 as compared with $27.9 million for the same period in 1997. The decrease of $13.1 million reflects decreases of (i) $9.9 million in depreciation and depletion on oil and gas wells and facilities located on the Viosca Knoll Block 817, Garden Banks Block 72 and the Garden Banks Block 117 as a result of decreased production from these leases and (ii) $3.2 million in depreciation on pipelines, platforms and facilities as a result of the Partnership fully depreciating its investment in the Ewing Bank and Ship Shoal systems in June 1997.

Impairment, abandonment and other totaled $21.2 million for the six months ended June 30, 1997 and consisted of a non-recurring charge to reserve the Partnership's investment in certain gathering facilities and other assets associated with Tatham Offshore's Ewing Bank 914 #2 well and Ship Shoal Block 331 property, to accrue the Partnership's abandonment obligations associated with the gathering facilities serving these properties, to reserve the Partnership's noncurrent receivable related to the prepayment of the demand charge obligations under certain agreements related to the Ewing Bank and Ship Shoal leases and to accrue certain abandonment obligations associated with its oil and gas properties. No impairment, abandonment and other charges were recorded during the six months ended June 30, 1998.

General and administrative expenses, including the management fee allocated from Leviathan, totaled $7.5 million for the six months ended June 30, 1998 as compared with $5.9 million for the same period in 1997. The increase of $1.6 million reflects increases of (i) $0.8 million in management fees allocated by Leviathan to the Partnership and (ii) $0.8 million in direct general and administrative expenses of the Partnership primarily related to (x) the appreciation and vesting of Unit Rights granted to certain officers and employees in 1995, 1996 and 1997 and (y) incentive payments to Leviathan's three non-employee directors pursuant to compensation arrangements. See Item 1. "Consolidated Financial Statements -- Notes to Consolidated Financial Statements - -- Note 5 -- Related Party Transactions" and "-- Note 6 -- Commitments and Contingencies -- Other."

Interest income and other totaled $0.2 million for the six months ended June 30, 1998 as compared with $1.2 million for the six months ended June 30, 1997.

Interest and other financing costs, net of capitalized interest, for the six months ended June 30, 1998 totaled $8.4 million as compared with $6.5 million for the same period in 1997. During the six months ended June 30, 1998 and 1997, the Partnership capitalized $0.5 million and $1.4 million, respectively, of interest costs in connection with construction projects and drilling activities in progress during such periods. During the six months ended June 30, 1998 and 1997, the Partnership had outstanding indebtedness averaging approximately $254.0 million and $222.0 million, respectively.

Net income for the six months ended June 30, 1998 totaled $0.1 million, or $0.00 per Unit, as compared with a net loss of $6.9 million, or $0.26 per Unit, for the six months ended June 30, 1997 as a result of the items discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Cash. The Partnership intends to satisfy its capital requirements and other working capital needs primarily from cash on hand, cash from operations and borrowings under the Partnership Credit Facility (discussed below). Net cash provided by operating activities for the six months ended June 30, 1998 totaled $10.4 million. At June 30, 1998, the Partnership had cash and cash equivalents of $1.1 million.

Cash from operations is derived from (i) payments for gathering gas through the Partnership's 100% owned pipelines, (ii) platform access and processing fees, (iii) cash distributions from Equity Investees and (iv) the sale of oil and gas attributable to the Partnership's interest in its producing properties. Oil and gas properties are depleting assets and will produce reduced volumes of oil and gas in the future unless additional wells are drilled or recompletions of existing wells are successful. See "-- Overview" for current production rates from these properties.

The Partnership's cash flows from operations will be affected by the ability of each Equity Investee to make distributions. Distributions from such entities are subject to the discretion of their respective management committees. Further, each of Stingray, POPCO and Viosca Knoll is party to a credit agreement under which it has outstanding obligations that may restrict the payments of distributions to its owners. Distributions to the Partnership from Equity Investees during the six months ended June 30, 1998 totaled $13.3 million.

The Partnership Credit Facility is a revolving credit facility providing for up to $300 million of available credit subject to customary terms and conditions, including certain debt incurrence limitations. Proceeds from the Partnership Credit Facility are available to the Partnership for general partnership purposes, including financing of capital expenditures, for working capital, and subject to certain limitations, for paying distributions to the Unitholders. The Partnership Credit Facility can also be utilized to issue letters of credit as may be required from time to time; however, no letters of credit are currently outstanding. The Partnership Credit Facility matures in December 1999; is guaranteed by Leviathan and each of the Partnership's subsidiaries; and is secured by the management agreement with Leviathan, substantially all of the assets of the Partnership and Leviathan's 1% general partner interest in the Partnership and approximate 1% interest in certain subsidiaries of the Partnership. As of June 30, 1998, the Partnership had $270.0 million outstanding under its credit facility bearing interest at an average floating rate of 6.9% per annum. In April 1998, the Partnership Credit Facility was amended to allow for the Merger of DeepTech and El Paso, the acquisition of certain assets from Tatham Offshore pursuant to the Redemption Agreement and certain other transactions. Currently, approximately $9.0 million of additional funds are available under the Partnership Credit Facility.

In March 1998, Stingray amended an existing term loan agreement to provide for additional borrowings of $11.1 million and to extend the maturity date of the loan from December 31, 2000 to March 31, 2003. The amended agreement requires Stingray to make 18 quarterly principal payments of $1.6 million commencing on December 31, 1998. The term loan agreement is principally secured by current and future gas transportation contracts between Stingray and its customers. As of June 30, 1998, Stingray had $28.5 million outstanding under its term loan agreement bearing interest at an average floating rate of 6.5% per annum.

In April 1996, POPCO entered into a revolving credit facility (the "POPCO Credit Facility") with a group of commercial banks to provide up to $150 million for the construction and expansion of Poseidon and for other working capital needs of POPCO. POPCO's ability to borrow money under the facility is subject to certain customary terms and conditions, including borrowing base limitations. The POPCO Credit Facility is secured by a substantial portion of POPCO's assets and matures on April 30, 2001. As of June 30, 1998, POPCO had $118.5 million outstanding under its credit facility bearing interest at an average floating rate of 6.9% per annum. Currently, approximately $31.5 million of additional funds are available under the POPCO Credit Facility.

In December 1996, Viosca Knoll entered into a revolving credit facility (the "Viosca Knoll Credit Facility") with a syndicate of commercial banks to provide up to $100 million for the addition of compression to the Viosca Knoll system and for other working capital needs of Viosca Knoll, including funds for a one-time distribution of $25 million to its partners. Viosca Knoll's ability to borrow money under the facility is subject to certain customary terms and conditions, including borrowing base limitations. The Viosca Knoll Credit Facility is secured by a substantial portion of Viosca Knoll's assets and matures on December 20, 2001. As of June 30, 1998, Viosca Knoll had $64.0 million outstanding under its credit facility bearing interest at an average floating rate of 6.7% per annum. Currently, approximately $28.5 million of additional funds are available under the Viosca Knoll Credit Facility.

Uses of Cash. The Partnership's capital requirements consist primarily of (i) quarterly distributions to holders of Preference Units and Common Units and to Leviathan as general partner, including Incentive Distributions, as applicable, (ii) expenditures for the maintenance of its pipelines and related infrastructure and the acquisition and construction of additional pipelines and related facilities for the gathering, transportation and processing of oil and gas in the Gulf, (iii) expenditures related to its producing oil and gas properties, (iv) expenditures relating to the abandonment of its Ewing Bank flowlines, (v) management fees and other operating expenses, (vi) contributions to Equity Investees as required to fund capital expenditures for new facilities, (vii) debt service on its outstanding indebtedness and (viii) the payment of the accelerated appreciation of Unit Rights discussed in Item 1. "Consolidated Financial Statements -- Notes to Consolidated Financial Statements -- Note 6 -- Commitments and Contingencies -- Other."

For every full quarter since its inception, the Partnership has declared and subsequently paid a cash distribution to holders of Preference Units and Common Units an amount equal to or exceeding the Minimum Quarterly Distribution (as described in the Partnership Agreement) per Unit per quarter. On July 20, 1998, the Partnership declared a cash distribution of $0.525 per Preference and Common Unit for the period from April 1, 1998 through June 30, 1998 which will be paid on August 14, 1998 to Unitholders of record as of July 31, 1998. This quarterly cash distribution payment will total $16.0 million in respect to the Preference Units, Common Units and the general partner interest. See Item 1. "Consolidated Financial Statements -- Notes to Consolidated Financial Statements -- Note 4 -- Partners' Capital -- Cash Distributions" and " -- Conversion of Preference Units into Common Units."

During the Preference Period, distributions by the Partnership of its Available Cash were effectively made 98% to Unitholders and 2% to Leviathan, as general partner, subject to the payment of Incentive Distributions to Leviathan. For the six months ended June 30, 1998, the Partnership paid Leviathan Incentive Distributions totaling $5.3 million and will pay Leviathan an Incentive Distribution of $3.0 million in August 1998. The Partnership believes that it will be able to continue to pay at least the current quarterly cash distributions of $0.275 per Preference Unit and $0.525 per Common Unit for the foreseeable future. At these distribution rates, the quarterly Partnership distributions total $15.6 million in respect to the Preference Units, Common Units and the general partner interests ($62.5 million on an annual basis, including $25.6 million to Leviathan).

In April 1998, the Partnership completed the construction and installation of a new platform and processing facilities at East Cameron Block 373. This platform, which cost approximately $30.0 million, is strategically located to exploit reserves in the East Cameron and Garden Banks area of the Gulf and is the terminus for an extension of the Stingray system. The Partnership funded the cost of the platform and facilities with borrowings under the Partnership Credit Facility.

The Partnership anticipates that its capital expenditures and equity investments for the remaining portion of 1998 will relate to continuing acquisition and construction activities. The Partnership anticipates funding such cash requirements primarily with available cash flow and borrowings under the Partnership Credit Facility.

Any substantial capital expenditures by Stingray, POPCO and Viosca Knoll are anticipated to be funded by borrowings under their respective credit facilities. The Partnership's cash capital expenditures and equity investments for the six months ended June 30, 1998 were $16.9 million. The Partnership may in the future contribute existing assets to new joint ventures as partial consideration for its ownership interest therein.

Interest costs incurred by the Partnership related to the Partnership Credit Facility totaled $8.4 million for the six months ended June 30, 1998. The Partnership capitalized $0.5 million of such interest costs in connection with construction projects in progress during the period.

YEAR 2000

The "Year 2000" issue is the result of computer programs that were written using two digits rather than four to define the year. The Partnership has reviewed its costs related to the "Year 2000" issue and anticipates that these costs will not materially affect its future results of operations or internal operations. Although the Partnership intends to interact only with those third parties that have "Year 2000" compliant computer systems, it is impossible for the Partnership to monitor all such systems. The Partnership has received preliminary information concerning the "Year 2000" compliance status from its partners, customers and vendors which, to date, indicates that costs related to the "Year 2000" issue will not have a material adverse impact on the Partnership's business and operations. However, there can be no assurances that implementations to such systems will be successful and will not have a material adverse impact on the Partnership's operations.

UNCERTAINTY OF FORWARD LOOKING STATEMENTS AND INFORMATION

This quarterly report contains certain forward looking statements and information that are based on management's beliefs as well as assumptions made by and information currently available to management. Such statements are typically punctuated by words or phrases such as "anticipate," "estimate," "project," "should," "may," "management believes," and words or phrases of similar import. Although management believes that such statements and expressions are reasonable and made in good faith, it can give no assurance that such expectations will prove to have been correct. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Among the key factors that may have a direct bearing on the Partnership's results of operations and financial condition are: (i) competitive practices in the industry in which the Partnership competes, (ii) the impact of current and future laws and government regulations affecting the industry in general and the Partnership's operations in particular, (iii) environmental liabilities to which the Partnership may become subject in the future that are not covered by an indemnity or insurance, (iv) the throughput levels achieved by the Gas Pipelines, Poseidon and any future pipelines in which the Partnership owns an interest, (v) the ability to access additional reserves to offset the natural decline in production from existing wells connected to the Gas Pipelines and Poseidon, (vi) changes in gathering, transportation, processing, handling and other rates due to changes in governmental regulation and/or competitive factors, (vii) the impact of oil and natural gas price fluctuations, (viii) the production rates and reserve estimates associated with the Partnership's producing oil and gas properties, (ix) significant changes from expectations of capital expenditures and operating expenses and unanticipated project delays and (x) the ability of the Equity Investees to make distributions to the Partnership. The Partnership disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date hereof.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

None.

SIGNATURES

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

LEVIATHAN GAS PIPELINE
PARTNERS, L.P.
(Registrant)

By: LEVIATHAN GAS PIPELINE
COMPANY, its General Partner

Date: August 13, 1998

By: /s/ KEITH B. FORMAN

Keith B. Forman
Chief Financial Officer
(Principal Accounting Officer)

INDEX TO EXHIBITS

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM (A) LEVIATHAN GAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 1998 INCLUDED IN ITS FORM 10-Q FOR THE PERIOD ENDED JUNE 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH (B) FORM 10-Q

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6-MOS
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JUN-30-1998
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