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

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2002

OR

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

For the Transition Period from to

Commission File No. 1-11680

El Paso Energy Partners, L.P.

(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**76-0396023** (I.R.S. Employer Identification No.)
El Paso Building **1001 Louisiana Street** **Houston, Texas** (Address of Principal Executive Offices)	**77002** (Zip Code)

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

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

The registrant had 44,030,314 common units outstanding as of August 9, 2002.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

EL PASO ENERGY PARTNERS, L.P.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per unit amounts)
(Unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Operating revenues	$120,489	$44,987	$182,033	$ 99,489
Operating expenses				
Cost of natural gas	27,343	11,193	39,501	34,164
Operation and maintenance	29,253	9,266	43,693	14,782
Depreciation, depletion and amortization	18,116	8,072	30,665	16,374
Asset impairment charge	—	—	—	3,921
	74,712	28,531	113,859	69,241
Operating income	45,777	16,456	68,174	30,248
Other income (loss)				
Earnings (loss) from unconsolidated affiliates	4,012	4,368	7,373	(344)
Net gain (loss) on sale of assets	—	(870)	315	(11,251)
Other income	435	376	861	26,357
	4,447	3,874	8,549	14,762
Income before interest and other charges	50,224	20,330	76,723	45,010
Interest and debt expense	21,534	8,700	33,292	19,623
Minority interest	5	59	5	100
	21,539	8,759	33,297	19,723
Income from continuing operations	28,685	11,571	43,426	25,287
Income (loss) from discontinued operations	60	273	4,445	(470)
Net income	$ 28,745	$11,844	$ 47,871	$ 24,817
Income (loss) allocation				
Series B unitholders	$ 3,630	$ 4,464	$ 7,182	$ 8,786
General partner				
Continuing operations	$ 10,799	$ 5,902	$ 19,490	$ 10,604
Discontinued operations	—	2	44	(5)
	$ 10,799	$ 5,904	$ 19,534	$ 10,599
Limited partners				
Continuing operations	$ 14,256	$ 1,205	$ 16,754	$ 5,897
Discontinued operations	60	271	4,401	(465)
	$ 14,316	$ 1,476	$ 21,155	$ 5,432
Basic and diluted earnings per unit				
Income from continuing operations	$ 0.33	$ 0.03	$ 0.40	$ 0.18
Income (loss) from discontinued operations	—	0.01	0.11	(0.02)
Net income	$ 0.33	$ 0.04	$ 0.51	$ 0.16
Weighted average number of units outstanding	42,842	34,070	41,297	33,270

See accompanying notes.

EL PASO ENERGY PARTNERS, L.P.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except unit amounts)
(Unaudited)

	June 30, 2002	December 31, 2001
ASSETS		
Current assets		
Cash and cash equivalents	$ 18,815	$ 13,084
Accounts receivable, net	103,608	56,025
Other current assets	4,910	557
Total current assets	127,333	69,666
Property, plant, and equipment, net	1,750,684	917,867
Assets held for sale, net	—	185,560
Investment in processing agreement	116,944	119,981
Investment in unconsolidated affiliates	46,518	34,442
Other noncurrent assets	34,527	29,754
Total assets	$2,076,006	$1,357,270
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities		
Accounts payable	$ 35,968	$ 24,905
Accrued interest	11,679	6,401
Current maturities of limited recourse financing	—	19,000
Other current liabilities	29,858	4,159
Total current liabilities	77,505	54,465
Revolving credit facilities	521,000	300,000
Long-term debt	659,557	425,000
Limited recourse financing, less current maturities	160,000	76,000
Other noncurrent liabilities	24,939	1,079
Total liabilities	1,443,001	856,544
Commitments and contingencies		
Minority interest	906	—
Partners' capital		
Limited partners		
Series B preference units; 125,392 units issued and outstanding	150,078	142,896
Common units; 44,030,314 and 39,738,974 units issued and outstanding	476,734	354,019
Accumulated other comprehensive loss allocated to limited partners' interests	(100)	(1,259)
General partner	5,388	5,083
Accumulated other comprehensive loss allocated to general partner's interests	(1)	(13)
Total partners' capital	632,099	500,726
Total liabilities and partners' capital	$2,076,006	$1,357,270

See accompanying notes.

EL PASO ENERGY PARTNERS, L.P.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2002	2001
Cash flows from operating activities		
Net income	$ 47,871	$ 24,817
Less income (loss) from discontinued operations	4,445	(470)
Income from continuing operations	43,426	25,287
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization	30,665	16,374
Asset impairment charge	—	3,921
Distributed earnings of unconsolidated affiliates		
(Earnings) loss from unconsolidated affiliates	(7,373)	344
Distributions from unconsolidated affiliates	9,180	17,182
Net (gain) loss on sales of assets	(315)	11,251
Other noncash items	1,495	1,867
Working capital changes, net of non-cash transactions	(20,514)	(18,942)
Net cash provided by continuing operations	56,564	57,284
Net cash provided by (used in) discontinued operations	5,037	(45)
Net cash provided by operating activities	61,601	57,239
Cash flows from investing activities		
Additions to property, plant and equipment	(91,318)	(151,761)
Proceeds from sales of assets	5,460	108,233
Additions to investments in unconsolidated affiliates	(14,144)	(1,487)
Cash paid for acquisitions, net of cash acquired	(730,166)	(8,000)
Other	—	(330)
Net cash used in investing activities of continuing operations	(830,168)	(53,345)
Net cash provided by (used in) investing activities of discontinued operations	186,477	(51,020)
Net cash used in investing activities	(643,691)	(104,365)
Cash flows from financing activities		
Net proceeds from revolving credit facility	223,884	187,620
Revolving credit repayments	(10,000)	(446,000)
Net proceeds from EPN Holding revolving credit facility	7,000	—
Net proceeds from EPN Holding term loan	530,529	—
EPN Holding term loan repayment	(375,000)	—
Net proceeds from issuance of long-term debt	229,757	240,879
Argo term loan repayment	(95,000)	—
Net proceeds from issuance of common units	149,309	74,187
Distributions to partners	(73,214)	(48,122)
Contribution from General Partner	560	705
Net cash provided by financing activities of continuing operations	587,825	9,269
Net cash provided by (used in) financing activities of discontinued operations	(4)	49,961
Net cash provided by financing activities	587,821	59,230
Increase in cash and cash equivalents	5,731	12,104
Cash and cash equivalents		
Beginning of period	13,084	20,281
End of period	$ 18,815	$ 32,385

See accompanying notes.

EL PASO ENERGY PARTNERS, L.P.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

Comprehensive Income

	Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Net income	$28,745	$11,844	$47,871	$24,817
Other comprehensive income (loss)	(230)	1,123	1,171	1,123
Total comprehensive income	$28,515	$12,967	$49,042	$25,940

Accumulated Other Comprehensive Loss

	June 30, 2002	December 31, 2001
Beginning balance	$(1,272)	$ —
Unrealized mark-to-market losses arising during period	(513)	(1,682)
Reclassification adjustments for changes in initial value of derivative instruments to settlement date	1,684	410
Ending balance	$ (101)	$(1,272)

See accompanying notes.

EL PASO ENERGY PARTNERS, L.P.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

We prepared this Quarterly Report on Form 10-Q under the rules and regulations of the United States Securities and Exchange Commission (SEC). Because this is an interim period filing presented using a condensed format, it does not include all of the disclosures required by generally accepted accounting principles. You should read it along with our current report on Form 8-K/A dated July 19, 2002, which includes a summary of our significant accounting policies and other disclosures. The financial statements as of June 30, 2002, and for the quarters and six months ended June 30, 2002 and 2001, are unaudited. We derived the balance sheet as of December 31, 2001, from the audited balance sheet filed in our current report on Form 8-K/A dated July 19, 2002. In our opinion, we have made all adjustments, all of which are of a normal, recurring nature, to fairly present our interim period results. Due to the seasonal nature of our businesses, information for interim periods may not indicate the results of operations for the entire year. In addition, prior period information presented in these financial statements includes reclassifications which were made to conform to the current period presentation. These reclassifications have no effect on our previously reported net income or partners' capital. Additionally, we have reflected the results of operations from our Prince assets disposition as discontinued operations for all periods presented. See Note 3 for a further discussion of the Prince assets disposition.

Our accounting policies are consistent with those discussed in our Form 8-K/A dated July 19, 2002, except as discussed below.

Revenues and Cost of Natural Gas

Prior to our acquisition of the EPN Holding assets, our cost of natural gas consisted primarily of gas purchased at El Paso Intrastate Alabama for resale. As a result of our acquisition of the EPN Holding assets, we are now incurring additional cost of natural gas related to system imbalances and for the purchase of natural gas as part of our producer services activities. As a convenience for our producers, we may purchase natural gas from them at the wellhead at an index price less an amount that compensates us for our gathering services. We then sell this gas into the open market at the same index price. We reflect these sales in our revenues and the related purchases as cost of natural gas.

Goodwill and Other Intangible Assets

On January 1, 2002, we adopted Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*. Our adoption of this standard did not have a material effect on our financial statements.

Asset Impairments

On January 1, 2002, we adopted SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 changed the accounting requirements related to when an asset qualifies as held for sale or as a discontinued operation and the way in which we evaluate impairments of assets. We applied SFAS No. 144 in accounting for our Prince assets, which were sold in April 2002. See Note 3, Prince Assets Disposition, for further information.

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

/d	= per day	Mcf	= thousand cubic feet
Bbl	= barrel	MDth	= thousand dekatherms
MBbls	= thousand barrels	MMcf	= million cubic feet
Bcf	= billion cubic feet	MMBbls	= million barrels

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

2. ACQUISITIONS

Proposed San Juan Assets Acquisition

In July 2002, we entered into a letter of intent with El Paso Corporation, the indirect parent of our general partner, to acquire for $782 million El Paso Corporation's natural gas gathering system located in the San Juan Basin of New Mexico; natural gas liquids (NGL) transportation and fractionation assets located in Texas; and an oil and natural gas gathering system located in the deeper water regions of the Gulf of Mexico, referred to collectively as the San Juan assets. The purchase price is subject to adjustments primarily for working capital and capital expenditures.

The parties' obligations under the letter of intent are subject to the satisfaction of specified conditions, including negotiating and executing definitive agreements, obtaining Hart-Scott-Rodino and other third-party approvals and consents, obtaining satisfactory results from ongoing due diligence and obtaining acceptable financing satisfactory to us. We expect to finance our acquisition of the San Juan assets through long-term debt and equity financing.

EPN Holding Assets

In April 2002, EPN Holding Company, L.P., our wholly-owned subsidiary, acquired from El Paso Corporation midstream assets located in Texas and New Mexico. The acquired assets, which we refer to as the EPN Holding assets, include:

- Texas pipeline assets, including the EPGT Texas intrastate pipeline system;
- the Waha gathering and treating system located in the Permian Basin region of Texas and New Mexico;
- the Carlsbad gathering system located in the Permian Basin region of New Mexico;
- an approximate 42.3 percent non-operating interest in the Indian Basin processing and treating facility located in southeastern New Mexico; and
- a leased interest in the Wilson natural gas storage facility located in Wharton County, Texas.

The $750 million purchase price was adjusted for the assumption of $15 million of working capital related to natural gas imbalances. The net consideration of $735 million for the EPN Holding assets was comprised of the following:

- $420 million of cash;
- $119 million of assumed short-term indebtedness payable to El Paso Corporation, which has been repaid;
- $6 million in common units; and
- $190 million in assets, comprised of our Prince tension leg platform (TLP) and our nine percent Prince overriding royalty interest.

To finance substantially all of the cash consideration related to this acquisition, EPN Holding entered into a limited recourse credit agreement with a syndicate of commercial banks. See Note 6 for a further discussion of the EPN Holding credit agreement.

We accounted for this acquisition as a purchase. Accordingly, an allocation of the purchase price has been assigned to the assets and liabilities acquired based upon their estimated fair value as of the acquisition date. The excess purchase price of approximately $11 million has been allocated to the EPGT Texas intrastate pipeline system. Such allocation is based on our internal evaluation of the assets. An independent appraisal of the fair value of the assets acquired is expected to be completed by the end of 2002.

The following selected unaudited pro forma information represents our consolidated results of operations on a pro forma basis as if we acquired the EPN Holding assets on January 1, 2001:

	Quarter Ended June 30,	Six Months Ended June 30,	
	2001	2002	2001
	(In thousands, except per unit amounts)		
Operating revenues	$134,507	$254,269	$294,569
Operating income	$ 40,490	$ 96,870	$ 55,437
Net income allocated to limited partners	$ 9,743	$ 35,807	$ 10,095
Basic and diluted net income per unit	$ 0.29	$ 0.86	$ 0.30

The selected pro forma information for the quarter ended June 30, 2002 is not provided as the proforma results of operations are not materially different from the actual results of operations for the period. The selected pro forma information does not necessarily represent what our results of operations actually would have been if these transactions and events had in fact occurred when assumed and are not necessarily representative of our results of operations for any future period.

Hattiesburg Propane Storage

In January 2002, we acquired a 3.3 million barrel propane storage business and leaching operation located in Hattiesburg, Mississippi from Suburban Propane Partners, L.P. As part of the transaction, we entered into a long-term propane storage agreement with Suburban Propane Partners for a portion of the acquired propane storage capacity. We intend to convert a portion of these assets to natural gas storage and will integrate them with our adjacent Petal natural gas storage facility.

3. PRINCE ASSETS DISPOSITION

In connection with our April 2002 acquisition of the EPN Holding assets from El Paso Corporation, we sold our Prince TLP and our nine percent overriding royalty interest in the Prince Field to subsidiaries of El Paso Corporation. The results of operations for these assets have been accounted for as discontinued operations and have been excluded from continuing operations for all periods in our statements of income. Accordingly, the segment results in Note 9 reflect neither the results of operations for the Prince assets nor the related net assets held for sale. The Prince TLP was previously included in the Platform services segment and the related royalty interest was included in Other. Included in income from discontinued operations for the six months ended June 30, 2002, was operating revenues of $6.7 million attributable to those disposed assets. We did not recognize any operating revenue related to the Prince assets during the quarter and six months ended June 30, 2001, as these assets were placed into service in September 2001.

The assets and liabilities related to the Prince assets disposition consist of the following:

	December 31, 2001
	(In thousands)
Property, plant and equipment	$189,432
Accumulated depreciation	(3,872)
Assets held for sale, net	185,560
Unamortized debt issue costs	1,091
Argo term loan	(95,000)
Accrued interest on Argo term loan	(703)
Net assets related to the Prince assets disposition	$ 90,948

In April 2002, we sold the Prince assets for $190 million and recognized a loss on the sale of less than $0.1 million which was recorded in the second quarter of 2002. In conjunction with this transaction, we repaid the related outstanding $95 million principal balance under our Argo term loan.

4. PARTNERS' CAPITAL

Cash distributions

The following table reflects our per unit cash distributions to our common unitholders and the total incentive distributions paid to our general partner during the six months ended June 30, 2002:

Month paid	Common Unit	General Partner
		(In millions)
February	$0.625	$ 8.6
May	$0.650	$10.6

In July 2002, we declared a cash distribution of $0.65 per common unit for the quarter ended June 30, 2002, which we will pay on August 15, 2002, to holders of record as of July 31, 2002. In addition, we will pay our general partner $10.6 million in incentive distributions. At the current distribution rates, our general partner receives approximately 28 percent of our total cash distributions for its role as our general partner.

Public offering of common units

In April 2002, we issued 4,083,938 common units, which included 1,083,938 common units purchased by our general partner pursuant to its anti-dilution right under our partnership agreement at the public offering price of $37.86 per unit. We used the net cash proceeds of approximately $149 million to reduce indebtedness under EPN Holding's term loan. Also in April 2002, we issued approximately 159,000 common units at the then-current market price of $37.74 per unit to a subsidiary of El Paso Corporation as partial consideration for our acquisition of the EPN Holding assets. In addition, our general partner contributed approximately $0.6 million in cash to us in order to maintain its one percent capital account balance.

Other

In the second quarter of 2002, under the 1998 Unit Option Plan for Non-Employee Directors, we issued 5,429 restricted units with a grant price of $32.22 per unit. We have reflected the issuance of the restricted units as deferred compensation and as an increase in common units. This deferred compensation was approximately $175 thousand and was allocated 1% to our general partner and 99% to our limited partners and will be amortized over the vesting period of the restricted units, which we have estimated to be one year. The unamortized amount of our deferred compensation as of June 30, 2002, was approximately $1.8 million.

5. PROPERTY, PLANT AND EQUIPMENT

Our property, plant and equipment consisted of the following:

	June 30, 2002	December 31, 2001
	(In thousands)	
Property, plant and equipment, at cost		
Pipelines	$1,466,309	$ 856,335
Platforms and facilities	125,904	125,546
Processing plant	263,090	138,090
Oil and natural gas properties	125,793	125,665
Storage facilities	155,710	156,800
Construction work-in-progress	234,494	99,667
	2,371,300	1,502,103
Less accumulated depreciation, depletion, and amortization	620,616	584,236
Property, plant and equipment, net	$1,750,684	$ 917,867

6. DEBT AND OTHER CREDIT FACILITIES

Shelf registration

In February 2002, our shelf registration statement, as filed with the Securities and Exchange Commission, covering up to $1 billion of securities representing limited partnership interests, became effective.

Limited recourse financing

EPN Holding credit agreement — In connection with the acquisition of the EPN Holding assets from El Paso Corporation in April 2002, EPN Holding entered into a $560 million limited recourse credit agreement with a group of commercial banks. The credit agreement provides for a term loan of $535 million to finance the acquisition of the EPN Holding assets, and a revolving credit facility of up to $25 million to finance EPN Holding's working capital. EPN Holding's right to borrow money from time to time under the revolving credit facility is dependent on its continued compliance with the conditions and covenants provided in the credit agreement, including its compliance with various financial ratios. Subject to specified exceptions, EPN Holding is required to repay the term loan with any net proceeds received from specified types of events or transactions, including purchase price adjustment settlements, insurance claim settlements and our issuance of equity securities and specified debt securities. This credit agreement limits EPN Holding's ability to pay distributions to us. EPN Holding's obligations under the credit agreement are guaranteed by substantially all of its subsidiaries and EPN Holding Company I, L.P. and EPN GP Holding, L.L.C., our two subsidiaries that own the equity interests in EPN Holding. At the time of its acquisition, EPN Holding borrowed $535 million ($531 million, net of issuance costs) under this term loan and had $25 million available under the revolving credit facility. EPN Holding pays an annual commitment fee of 0.50% on the average daily amount available under both the revolving credit facility and the term loan. Both loans mature in April 2005. We used net proceeds of approximately $149 million from our April 2002 common unit offering, $0.6 million contributed by our general partner to maintain its one percent capital account balance and $225 million of the proceeds from our May 2002 offering of 8.5% senior subordinated notes to reduce indebtedness under the term loan. As of June 30, 2002, the outstanding balance under the term loan was $160 million bearing interest at a rate of 4.49% and the balance outstanding under the revolving credit facility was $7 million bearing interest at a rate of 4.34%.

Argo term loan — This loan with a balance of $95 million, including current maturities, at December 31, 2001, was repaid in full in April 2002 in connection with the EPN Holding asset acquisition.

Senior Subordinated Notes

In May 2002, we issued $230 million in aggregate principal amount of 8.5% Senior Subordinated Notes due June 2011. The Senior Subordinated Notes were issued for $234.6 million (proceeds of approximately $230 million, net of issuance costs). We used proceeds of $225 million to reduce indebtedness under our EPN Holding term loan and the remainder for general partnership purposes. In August 2002, we filed a registration statement for an offer to exchange these notes for debt securities with identical terms.

Revolving credit facility

As of June 30, 2002, we had $514 million outstanding with an average interest rate of 3.54% under our $600 million revolving credit facility with the full unused amount available.

Other credit facility

Poseidon Oil Pipeline Company, L.L.C., an unconsolidated affiliate, is party to a $185 million credit agreement under which it has outstanding obligations that may restrict its ability to pay distributions to its owners.

In January 2002, Poseidon entered into a two-year interest rate swap agreement to fix the interest rate at 4.99% through January 2004 on $75 million of the $150 million outstanding on its credit facility. As of June 30, 2002, the remaining $75 million was at an average floating interest rate of 3.56%.

7. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

In 1997, we, along with several subsidiaries of El Paso Corporation, were named defendants in actions brought by Jack Grynberg on behalf of the U.S. Government under the False Claims Act. Generally, these complaints allege an industry-wide conspiracy to under report the heating value as well as the volumes of the natural gas produced from federal and Native American lands, which deprived the U.S. Government of royalties. These matters have been consolidated for pretrial purposes (In re: Natural Gas Royalties *Qui Tam* Litigation, U.S. District Court for the District of Wyoming, filed June 1997). In May 2001, the court denied the defendants' motions to dismiss.

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

Our Argo L.L.C. subsidiary received a claim from its contractor related to our recently completed Prince TLP. The contractor received a request for additional payments from its subcontractor as a result of variation orders and is seeking to pass these costs along to Argo. After negotiations, the contractor and the subcontractor agreed upon a settlement in July 2002. This settlement will not have a material adverse effect on our financial position, results of operations or cash flow.

Under the terms of our agreement to acquire the EPN Holding assets, subsidiaries of El Paso Corporation have agreed to indemnify us against all obligations related to existing legal matters at the acquisition date, including the legal matters involving Leapartners, L.P., City of Edinburg and Houston Pipe Line Company LP discussed below.

During 2000, Leapartners, L.P. filed a suit against an affiliate of El Paso Corporation and others in the District Court of Loving County, Texas, alleging a breach of contract to gather and process gas in areas of western Texas related to an asset now owned by EPN Holding. In May 2001, the court ruled in favor of Leapartners and entered a judgment against El Paso Field Services of approximately $10 million. El Paso Field Services has filed an appeal with the Eighth Court of Appeals in El Paso, Texas.

Also, EPGT Texas Pipeline L.P., now owned by EPN Holding, is involved in litigation with the City of Edinburg concerning the City's claim that EPGT Texas was required to pay pipeline franchise fees under a contract the City had with Rio Grande Valley Gas Company, which was previously owned by EPGT Texas and is now owned by Southern Union Gas Company. An adverse judgment against Southern Union and EPGT Texas was rendered in December 1998 and upheld for breach of contract, holding both EPGT Texas and Southern Union jointly and severally liable to the City for approximately $4.7 million. The judgment relies on the single business enterprise doctrine to impose contractual obligations on EPGT Texas and Southern Union's entities that were not parties to the contract with the City. EPGT Texas has appealed this case to the Texas Supreme Court seeking reversal of the judgment rendered against EPGT Texas. The City seeks a remand to the trial court of its claim of tortious interference against EPGT Texas. The briefing before the Texas Supreme Court is complete.

In December 2000, a 30-inch natural gas pipeline jointly owned now by EPN Holding and Houston Pipe Line Company LP ruptured in Mont Belvieu, Texas, near Baytown, resulting in substantial property damage and minor physical injury. EPN Holding is the operator of the pipeline. Lawsuits have been filed in state district court in Chambers County, Texas. An additional landowner has intervened in the Chambers County suits, as well as the homeowners' insurers. The suits seek recovery for physical pain and suffering, mental anguish, physical impairment, medical expenses, and property damage. Houston Pipe Line Company has been added as an additional defendant. In accordance with the terms of the operating agreement, EPN Holding has agreed to assume the defense of and to indemnify Houston Pipe Line Company in the litigated cases. Discovery is proceeding and trial is set for November 2002. As discussed above, any obligation to Houston Pipe Line Company incurred by EPN Holding is indemnified by subsidiaries of El Paso Corporation.

In addition to the above matters, we and our subsidiaries and affiliates are named defendants in numerous lawsuits and governmental proceedings that arise in the ordinary course of our business.

For each of our outstanding legal matters, we evaluate the merits of the case, our exposure to the matter, possible legal or settlement strategies and the likelihood of an unfavorable outcome. If we determine that an unfavorable outcome is probable and can be estimated, we establish the necessary accruals. As of June 30, 2002, we had no reserves for our outstanding legal matters.

While the outcome of our outstanding legal matters cannot be predicted with certainty, based on the information known to date, we do not expect the ultimate resolution of these matters will have a material adverse effect on our financial position, results of operations or cash flows. As new information becomes available or relevant developments occur, we will establish accruals as appropriate. The impact of these changes may have a material effect on our results of operations.

Environmental

We are subject to extensive federal, state, and local laws and regulations governing environmental quality and pollution control. These laws and regulations require us to remove or remedy the effect on the environment of the disposal or release of specified substances at current and former operating sites. As of June 30, 2002, we had a reserve of approximately $24 million for remediation costs expected to be incurred over time associated with mercury meters. We assumed this liability in connection with our April 2002 acquisition of the EPN Holding assets.

While the outcome of our outstanding environmental matters cannot be predicted with certainty, based on the information known to date and our existing accruals, we do not expect the ultimate resolution of these matters to have a material adverse effect on our financial position, results of operations or cash flows. It is possible that new information or future developments could require us to reassess our potential exposure related to environmental matters. It is also possible that other developments, such as increasingly strict environmental laws and regulations and claims for damages to property, employees, other persons and the environment resulting from our current or past operations, could result in substantial costs and liabilities in the future. As new information becomes available, or relevant developments occur, we will review our accruals and make any appropriate adjustments. The impact of these changes may have a material effect on our results of operations.

Regulatory Matters

In September 2001, the Federal Energy Regulatory Commission (FERC) issued a Notice of Proposed Rulemaking (NOPR) that proposes to apply the standards of conduct governing the relationship between interstate pipelines and marketing affiliates to all energy affiliates. Since our High Island Offshore System (HIOS) and Petal Gas Storage facility are interstate facilities as defined by the Natural Gas Act, the proposed regulations, if adopted by FERC, would dictate how HIOS and Petal conduct business and interact with all of our energy affiliates and El Paso Corporation's energy affiliates. A public hearing was held on May 21, 2002 at which interested parties were given an opportunity to comment further on the NOPR. We cannot predict the outcome of the NOPR, but adoption of the regulations in substantially the form proposed would, at a minimum, place administrative and operational burdens on us. Further, more fundamental changes could be required such as a complete organizational separation or sale of HIOS and Petal.

In July 2002, the FERC issued a Notice of Inquiry (NOI) that seeks comments regarding its policy, established in 1996, of permitting pipelines to enter into negotiated rate transactions. The FERC is now undertaking a review of whether negotiated rates should be capped, whether or not a pipeline's "recourse rate" (its cost of service based rate) continues to serve as a viable alternative and safeguard against the exercise of alleged pipeline market power, as well as other issues related to its negotiated rate program. Comments are due on September 25, 2002, with reply comments due on October 25, 2002. We cannot predict the outcome of this NOI.

In August 2002, the FERC issued a NOPR requiring that all arrangements concerning the cash management or money pool arrangements between a FERC regulated subsidiary and a non FERC regulated parent must be in writing, and set forth: the duties and responsibilities of cash management participants and administrators; the methods of calculating interest and for allocating interest income and expenses; and the restrictions on deposits or borrowings by money pool members. The NOPR also requires certain specified documentation for all deposits into, borrowings from, interest income from, and interest expenses related to, these arrangements. Finally, the NOPR proposes that as a condition of participating in a cash management or money pool arrangement, the FERC regulated entity must maintain a minimum proprietary capital balance of 30 percent, and the FERC regulated entity and its parent must maintain investment grade credit ratings. Comments on the NOPR are due on August 22, 2002. We cannot predict the outcome of this NOPR.

Also in August 2002, FERC's Chief Accountant issued, to be effective immediately, an Accounting Release providing guidance on how jurisdictional entities should account for money pool arrangements and the types of documentation that should be maintained for these arrangements. The Accounting Release sets forth the documentation requirements set forth in the NOPR for money pool arrangements, but does not address the requirements in the NOPR that as a condition for participating in money pool arrangements the FERC regulated entity must maintain a minimum proprietary capital balance of 30 percent and that the entity and its parent must have investment grade credit ratings. Requests for rehearing are due on September 3, 2002.

In December 1999, EPGT Texas filed a petition with the FERC for approval of its rates for interstate transportation service. In June 2002, the FERC issued an order that required revisions to EPGT Texas' proposed rates. It also ordered refunds to customers for the difference, if any, between the originally proposed levels and the revised rates ordered by the FERC. The changes ordered by the FERC involve reductions to rate of return, depreciation rates and revisions to the proposed rate design, including a requirement to separately state rates for gathering service. We believe the amount of any rate refund would be minimal since, as provided for in our tariff, we were not charging our customers at the maximum rate. In July 2002, EPGT Texas requested rehearing on certain issues raised by the FERC's order, including the ordered changes to rate design and depreciation rates, and the requirement to separately state a gathering rate. This request has been granted and is scheduled to be concluded by October 15, 2002.

While the outcome of our rates and regulatory matters cannot be predicted with certainty, based on the information known to date, we do not expect the ultimate resolution of these matters will have a material adverse effect on our financial position, results of operations or cash flows. As new information becomes available or relevant developments occur, we will review our accruals and make any appropriate adjustments. The impact of these changes may have a material effect on our results of operations.

Other Matters

As a result of current circumstances surrounding the energy sector, the creditworthiness of several industry participants has been called into question. We have taken actions to mitigate our exposure in this area; however, should several industry participants file for Chapter 11 bankruptcy protection, it could have a material adverse effect on our financial position, results of operations or cash flows.

8. ACCOUNTING FOR HEDGING ACTIVITIES

A majority of our commodity purchases and sales, which relate to sales of oil and natural gas associated with our production operations, purchases and sales of natural gas associated with our El Paso Intrastate Alabama (EPIA) pipeline and sales of liquids associated with our interest in the Indian Basin processing plant, are at spot market or forward market prices. We use futures, forward contracts, and swaps to limit our exposure to fluctuations in the commodity markets and allow for a fixed cash flow stream from these activities.

At June 30, 2002, in connection with our EPIA operations, we have fixed price contracts with specific customers for the sale of predetermined volumes of natural gas for delivery over established periods of time. We entered into cash flow hedges in 2001 to offset the risk of increasing natural gas prices. As of June 30, 2002, the fair value of these cash flow hedges is approximately $9 thousand. For the six months ended June 30, 2002, the majority of these cash flow hedges expired and we reclassified a loss of $1.5 million from accumulated other comprehensive income to earnings. No ineffectiveness exists in our hedging relationship because all purchase and sale prices are based on the same index and volumes as the hedge transaction. We estimate the entire amount will be reclassified from accumulated other comprehensive income to earnings over the next twelve months.

Starting in April 2002, in connection with our EPN Holding acquisition, we have swaps in place for our interest in the Indian Basin processing plant to hedge the price received for the sale of natural gas liquids. As of June 30, 2002, the fair value of these cash flow hedges was a $0.2 million asset resulting in an unrealized gain of $0.2 million. We do not expect any ineffectiveness in our hedging relationship since all sale prices are based on the same index as the hedge transaction. We estimate the entire amount will be reclassified from accumulated other comprehensive income to earnings over the next three months.

In January 2002, Poseidon entered into a two-year interest rate swap agreement to fix the interest rate on $75 million of its $150 million variable rate revolving credit facility at 4.99% over the life of the swap. As of June 30, 2002, the fair value of its interest rate swap was a liability of $0.7 million resulting in accumulated other comprehensive loss of $0.7 million. We included our 36 percent share of this liability of $0.3 million as a reduction of our investment in Poseidon and as loss in accumulated other comprehensive income which we estimate will be reclassified to earnings proportionately over the next 18 months. Additionally, we have recognized in income our 36 percent share of Poseidon's realized loss of $0.6 million for the six months ended June 30, 2002, or $0.2 million, through our earnings from unconsolidated affiliates.

Our counterparties for EPIA and Indian Basin hedging activities are El Paso Merchant Energy and El Paso Field Services, affiliates of our general partner. We do not require collateral and do not anticipate non-performance by our counterparties. The counterparty for Poseidon hedging activity is Credit Lyonnais. Poseidon does not require collateral and does not anticipate non-performance by the counterparty.

9. SEGMENT INFORMATION

In light of our expectation of acquiring additional natural gas pipeline and processing assets, effective January 1, 2002, we revised and renamed our business segments to reflect the change in composition of our operations as discussed below. We have segregated our business activities into four distinct operating segments:

- Natural gas pipelines and plants;
- Oil and NGL logistics;
- Natural gas storage; and
- Platform services.

In October 2001, we acquired the Chaco processing plant and reflected the operations of this asset in our Oil and NGL logistics segment. With the change in our segments, we moved the Chaco processing plant to our Natural gas pipelines and plants segment. As a result of our sale of the Prince TLP and our nine percent overriding royalty interest in the Prince Field in April 2002, the results of operations from these assets are reflected as discontinued operations in our statements of income for all periods presented. Accordingly, the segment results reflect neither the results of operations for the Prince assets nor the related assets held for sale. Beginning in 2002, operations from our oil and natural gas production are reflected in Other.

We have restated the prior periods, to the extent practicable, in order to conform to our current business segment presentation. The restated results of operations for the quarter and six months ended June 30, 2001, are not necessarily indicative of the results which would have been achieved had the revised business structure been in effect during the period.

Each of our segments are business units that offer different services and products. They are managed separately, as each requires different technology and marketing strategies. We measure segment performance using performance cash flows, or an asset's ability to generate cash flow. Performance cash flows are used as a supplemental financial measurement in the evaluation of our businesses and should not be considered as an alternative to net income as an indicator of our operating performance or as an alternative to cash flows from operating activities as a measure of liquidity. Performance cash flows may not be a comparable measurement among different companies. Following are results as of and for the periods ended June 30:

Quarter Ended June 30, 2002

	Natural Gas Pipelines & Plants	Oil and NGL Logistics	Natural Gas Storage	Platform Services	Other[(1)]	Total
	(In thousands)					
Revenue from external customers	$ 95,195	$ 9,750	$ 5,467	$ 5,165	$ 4,912	$ 120,489
Intersegment revenue	58	—	—	3,114	(3,172)	—
Depreciation, depletion and amortization	12,247	1,663	1,401	1,011	1,794	18,116
Operating income (loss)	34,857	5,725	690	6,423	(1,918)	45,777
Earnings from unconsolidated affiliates	—	4,012	—	—	—	4,012
EBIT	34,872	9,738	690	6,423	(1,499)	50,224
Performance cash flows	47,119	12,069	2,091	7,493	2,212	70,984
Assets	1,402,890	189,574	299,556	107,012	76,974	2,076,006

Quarter Ended June 30, 2001

	Natural Gas Pipelines & Plants	Oil and NGL Logistics	Natural Gas Storage	Platform Services	Other[(1)]	Total
	(In thousands)					
Revenue from external customers	$ 19,938	$ 8,464	$ 5,490	$ 4,036	$ 7,059	$ 44,987
Intersegment revenue	97	—	22	3,162	(3,281)	—
Depreciation, depletion and amortization	2,033	1,465	1,401	966	2,207	8,072
Operating income (loss)	5,416	5,316	2,367	5,521	(2,164)	16,456
Earnings (loss) from unconsolidated affiliates	(989)	5,357	—	—	—	4,368
EBIT	3,911	10,673	2,367	5,521	(2,142)	20,330
Performance cash flows	11,403	13,441	3,768	6,343	1,961	36,916
Assets	241,906	200,761	185,591	108,975	66,587	803,820

(1) Represents predominately our oil and natural gas production operations as well as intersegment eliminations.

Six Months Ended June 30, 2002

	Natural Gas Pipelines & Plants	Oil and NGL Logistics	Natural Gas Storage	Platform Services	Other[1]	Total
	(In thousands)					
Revenue from external customers	$ 135,555	$ 18,576	$ 9,855	$ 9,627	$ 8,420	$ 182,033
Intersegment revenue	117	—	—	6,223	(6,340)	—
Depreciation, depletion and amortization	18,752	3,131	2,802	2,103	3,877	30,665
Operating income (loss)	48,212	10,472	1,998	12,516	(5,024)	68,174
Earnings from unconsolidated affiliates	—	7,373	—	—	—	7,373
EBIT	48,545	17,846	1,998	12,516	(4,182)	76,723
Performance cash flows	67,297	22,784	4,800	20,315	4,306	119,502
Assets	1,402,890	189,574	299,556	107,012	76,974	2,076,006

Six Months Ended June 30, 2001

	Natural Gas Pipelines & Plants	Oil and NGL Logistics	Natural Gas Storage	Platform Services	Other[1]	Total
	(In thousands)					
Revenue from external customers	$ 50,897	$ 12,736	$ 10,448	$ 7,894	$ 17,514	$ 99,489
Intersegment revenue	213	—	22	6,337	(6,572)	—
Depreciation, depletion and amortization	4,400	2,181	2,802	2,093	4,898	16,374
Asset impairment charge	3,921	—	—	—	—	3,921
Operating income (loss)	7,383	7,943	4,880	10,294	(252)	30,248
Earnings (loss) from unconsolidated affiliates	(9,794)	9,450	—	—	—	(344)
EBIT	12,117	17,393	4,900	10,276	324	45,010
Performance cash flows	22,911	20,456	7,702	12,060	9,014	72,143
Assets	241,906	200,761	185,591	108,975	66,587	803,820

(1) Represents predominately our oil and natural gas production operations as well as intersegment eliminations.

Performance cash flows are determined by taking EBIT, and adding or subtracting as appropriate, cash distributions from unconsolidated affiliates; depreciation, depletion and amortization; earnings from unconsolidated affiliates and other items. The schedules below reconcile EBIT to performance cash flows.

Performance Cash Flows by Segment

	Natural Gas Pipelines & Plants	Oil and NGL Logistics	Natural Gas Storage	Platform Services	Other	Total
	(In thousands)					
Quarter Ended June 30, 2002						
EBIT	$34,872	$ 9,738	$ 690	$ 6,423	$(1,499)	$ 50,224
Plus: Depreciation, depletion and amortization	12,247	1,663	1,401	1,011	1,794	18,116
Cash distributions from unconsolidated affiliates	—	4,680	—	—	—	4,680
Net cash payment received from El Paso Corporation	—	—	—	—	1,917	1,917
Discontinued operations of Prince facilities	—	—	—	59	—	59
Less: Earnings from unconsolidated affiliates	—	4,012	—	—	—	4,012
Performance cash flows	$47,119	$12,069	$2,091	$ 7,493	$ 2,212	$ 70,984

	Natural Gas Pipelines & Plants	Oil and NGL Logistics	Natural Gas Storage	Platform Services	Other	Total
			(In thousands)			
Quarter Ended June 30, 2001						
EBIT	$ 3,911	$10,673	$2,367	$ 5,521	$(2,142)	$ 20,330
Plus: Depreciation, depletion and amortization	2,033	1,465	1,401	966	2,207	8,072
Cash distributions from unconsolidated affiliates	3,600	6,660	—	—	—	10,260
Net cash payment received from El Paso Corporation	—	—	—	—	1,896	1,896
Discontinued operations of Prince facilities	—	—	—	(144)	—	(144)
Loss on sale of Gulf of Mexico assets	870	—	—	—	—	870
Less: Earnings (loss) from unconsolidated affiliates	(989)	5,357	—	—	—	4,368
Performance cash flows	$11,403	$13,441	$3,768	$ 6,343	$ 1,961	$ 36,916
Six Months Ended June 30, 2002						
EBIT	$48,545	$17,846	$1,998	$12,516	$(4,182)	$ 76,723
Plus: Depreciation, depletion and amortization	18,752	3,131	2,802	2,103	3,877	30,665
Cash distributions from unconsolidated affiliates	—	9,180	—	—	—	9,180
Net cash payment received from El Paso Corporation	—	—	—	—	3,799	3,799
Discontinued operations of Prince facilities	—	—	—	5,696	812	6,508
Less: Earnings from unconsolidated affiliates	—	7,373	—	—	—	7,373
Performance cash flows	$67,297	$22,784	$4,800	$20,315	$ 4,306	$119,502
Six Months Ended June 30, 2001						
EBIT	$12,117	$17,393	$4,900	$10,276	$ 324	$ 45,010
Plus: Depreciation, depletion and amortization	4,400	2,181	2,802	2,093	4,898	16,374
Asset impairment charge	3,921	—	—	—	—	3,921
Cash distributions from unconsolidated affiliates	6,850	10,332	—	—	—	17,182
Net cash payment received from El Paso Corporation	—	—	—	—	3,792	3,792
Discontinued operations of Prince facilities	—	—	—	(327)	—	(327)
Loss on sale of Gulf of Mexico assets	7,793	—	—	3,458	—	11,251
Less: Earnings (loss) from unconsolidated affiliates	(9,794)	9,450	—	—	—	(344)
Non-cash earnings related to future payments from El Paso Corporation	21,964	—	—	3,440	—	25,404
Performance cash flows	$22,911	$20,456	$7,702	$12,060	$ 9,014	$ 72,143

10. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

We hold investments in various affiliates which we account for using the equity method of accounting. In October 2001, we acquired the remaining 50 percent of Deepwater Holdings L.L.C. that we did not already own. Following this transaction, Deepwater Holdings has been consolidated in our financial statements from the acquisition date. Summarized financial information for these investments is as follows:

Six Months Ended June 30, 2002
(In thousands)

	Poseidon
Ownership interest	36%
Operating results data:	
Operating revenues	$29,825
Other income	929
Operating expenses	(2,670)
Depreciation	(4,137)
Other expenses	(3,468)
Net income	$20,479
Our share:	
Allocated income from Poseidon	$ 7,372
Adjustments[1]	1
Earnings from unconsolidated affiliates	$ 7,373
Allocated distributions	$ 9,180

Six Months Ended June 30, 2001
(In thousands)

	Deepwater Holdings	Poseidon	Divested Investments[2]	Total
Ownership interest	50%	36%	—	
Operating results data:				
Operating revenues	$ 28,040	$36,982	$1,982	
Other income (loss)	—	250	(85)	
Operating expenses	(8,640)	(2,065)	(590)	
Depreciation	(5,632)	(5,675)	(953)	
Other expenses (income)	(4,779)	(3,735)	222	
Loss on sale	(21,044)	—	—	
Net income (loss)	$(12,055)	$25,757	$ 576	
Our share:				
Allocated income (loss)	$(10,008)	$ 9,273	$ 148	
Adjustments[1]	75	177	(9)	
Earnings (loss) from unconsolidated affiliates	$ (9,933)	$ 9,450	$ 139	$ (344)
Allocated distributions	$ 6,850	$10,332	$ —	$17,182

[1] We recorded adjustments primarily for differences from estimated year end earnings reported in our Annual Report on Form 10-K and actual earnings reported in the audited annual reports of our unconsolidated affiliates. For the six months ended June 30, 2001, we recorded an additional adjustment relating to the sale of Stingray Pipeline Company, U-T Offshore System (UTOS) and West Cameron. The loss on these sales was not allocated proportionately with Deepwater Holdings' ownership percentages because the capital contributed by us was a larger amount of capital at the formation and therefore we were allocated a larger portion of the loss. Our total share of the loss relating to these sales was approximately $14 million.

[2] Divested Investments includes Manta Ray Offshore Gathering Company, L.L.C. and Nautilus Pipeline Company L.L.C. In January 2001, we sold our 25.67% interest in Manta Ray Offshore and our 25.67% interest in Nautilus.

In June 2002, we formed Deepwater Gateway, L.L.C., a 50/50 joint venture with Cal Dive International Inc., to construct and install the Marco Polo platform. The total cost of the project is estimated to be $206 million or approximately $103 million for our share. As of June 30, 2002, we have contributed $12 million to Deepwater Gateway.

11. RELATED PARTY TRANSACTIONS

Our transactions with related parties and affiliates are as follows:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	(In thousands)			
Revenues received from related parties				
Natural gas pipelines and plants	$47,610	$ 3,939	$60,464	$ 7,782
Oil and NGL logistics	6,992	6,745	13,225	9,051
Natural gas storage	68	1,435	67	2,313
Platform services	—	1	—	35
Other	2,673	1,520	4,946	2,821
	$57,343	$13,640	$78,702	$22,002
Expenses paid to related parties				
Cost of natural gas	$ 6,133	$ 7,610	$14,534	$22,996
Operating expenses	14,680	8,301	23,616	15,251
	$20,813	$15,911	$38,150	$38,247
Reimbursements received from related parties				
Operating expenses	$ 525	$ 1,309	$ 1,050	$ 6,218

There have been no changes to our related party relationships, except as described below, from those described in Note 9 of our audited financial statements filed in our current report on Form 8-K/A dated July 19, 2002.

At June 30, 2002, and December 31, 2001, our accounts receivable due from related parties was $75.4 million and $22.9 million. At June 30, 2002 and December 31, 2001, our accounts payable due to related parties was $21.8 million and $9.9 million.

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

	June 30, 2002	December 31, 2001
	(In thousands)	
Accounts receivable, net	$ 8,064	$ 7,745
Other noncurrent assets	6,245	10,362
	$14,309	$18,107

Revenues received from related parties

EPN Holding Assets. In connection with our EPN Holding transaction, we acquired gathering, transportation and processing contracts with affiliates of our general partner. For the quarter and six months ended June 30, 2002, we received $24.2 million from El Paso Merchant Energy North America Company, $9.4 million from El Paso Field Services and $1.4 million from El Paso Production Company.

Expenses paid to related parties

Cost of natural gas. In connection with our EPN Holding transaction, we acquired contracts with affiliates of our general partner. For the quarter and six months ended June 30, 2002, we had natural gas imbalance settlement expenses of $1.2 million from El Paso Natural Gas Company, $0.2 million from Tennessee Gas Pipeline Company and $0.2 million from El Paso Merchant Energy North America Company.

Operating expenses. In connection with our EPN Holding transaction, we acquired operating agreements with El Paso Field Services. For the quarter and six months ended June 30, 2002, we had operating expenses of $5.1 million.

Under a general and administrative services agreement between subsidiaries of El Paso Corporation and us, a fee of approximately $0.8 million per month is charged to our general partner, and accordingly, to us, which is intended to approximate the amount of resources allocated by El Paso Corporation and its affiliates in providing various operational, financial, accounting and administrative services on behalf of our general partner and us. In April 2002, in connection with our acquisition of EPN Holding assets, our general and administrative services agreement was extended to December 31, 2005, and the fee increased to approximately $1.6 million per month. We believe this fee approximates the actual costs incurred.

The following table provides summary data categorized by our related parties:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	(In thousands)			
Revenues received from related parties				
El Paso Corporation				
El Paso Merchant Energy North America Company	$30,212	$ 5,228	$36,165	$10,078
El Paso Production Company	2,472	1,106	3,564	1,947
Tennessee Gas Pipeline Company	—	560	—	614
El Paso Field Services	24,659	6,745	38,973	9,051
Southern Natural Gas Company	—	—	—	277
Unconsolidated Subsidiaries				
Manta Ray Offshore[1]	—	1	—	35
	$57,343	$13,640	$78,702	$22,002
Cost of natural gas purchased from related parties				
El Paso Corporation				
El Paso Merchant Energy North America Company	$ 3,548	$ 5,730	$10,758	$18,802
El Paso Production Company	1,137	1,847	2,251	4,087
Tennessee Gas Pipeline Company	249	—	249	—
Southern Natural Gas Company	40	33	117	107
El Paso Natural Gas Company	1,159	—	1,159	—
	$ 6,133	$ 7,610	$14,534	$22,996
Operating expenses paid to related parties				
El Paso Corporation				
El Paso Field Services	$14,545	$ 8,164	$23,371	$14,979
Unconsolidated Subsidiaries				
Poseidon Oil Pipeline Company	135	137	245	272
	$14,680	$ 8,301	$23,616	$15,251
Reimbursements received from related parties				
Unconsolidated Subsidiaries				
Poseidon Oil Pipeline Company	$ 525	$ —	$ 1,050	$ —
Deepwater Holdings[2]	—	1,302	—	6,203
Manta Ray Offshore[1]	—	7	—	15
	$ 525	$ 1,309	$ 1,050	$ 6,218

(1) We sold our interest in Manta Ray Offshore in January 2001 in connection with El Paso Corporation's merger with The Coastal Corporation.

(2) In January 2001, Deepwater Holdings sold its Stingray and West Cameron subsidiaries. In April 2001, Deepwater Holdings sold its UTOS subsidiary. In October 2001, we acquired the remaining 50 percent of Deepwater Holdings, and as a result of this transaction, Deepwater Holdings is consolidated in our financial statements from the acquisition date and our agreement with Deepwater Holdings terminated.

12. GUARANTOR FINANCIAL INFORMATION

On May 1, 2001, we purchased our general partner's 1.01 percent non-managing interest owned in twelve of our subsidiaries for $8 million. As a result of this acquisition, all of our subsidiaries, but not our equity investees, are wholly owned by us. As of June 30, 2002, our revolving credit facility is guaranteed by each of our subsidiaries (excluding our EPN Holding subsidiaries) and is collateralized by our management agreement, substantially all of our assets, and our general partner's one percent general partner interest. In addition, all of our senior subordinated notes are guaranteed by all of our subsidiaries except EPN Holding's subsidiaries. The EPN Holding credit agreement is guaranteed by all of EPN Holding's subsidiaries and by EPN Holding I, L.P. and EPN GP Holding L.L.C., our unrestricted subsidiaries that own the equity interests in EPN Holding, and is collateralized by substantially all of the assets of EPN Holding and the guarantors. We are providing the following condensed consolidating financial information of us (as the Issuer) and our subsidiaries as if our current organizational structure were in place for all periods presented. The consolidating eliminations column on our balance sheets eliminate our investment in consolidated subsidiaries, intercompany payables and receivables and other transactions between subsidiaries.

Non-guarantor subsidiaries as of and for the quarter ended June 30, 2002, consisted of our EPN Holding subsidiaries, which own the EPN Holding assets and the equity interests in EPN Holding. Non-guarantor subsidiaries for all other periods consisted of Argo and Argo I which owned the Prince TLP. As a result of our disposal of the Prince TLP and our related overriding royalty interest to El Paso Corporation in April 2002, the results of operations and net book value of these assets are reflected as discontinued operations in our statements of income and assets held for sale in our balance sheets and Argo and Argo I became guarantor subsidiaries.

Condensed Consolidating Statement of Income
For the Quarter Ended June 30, 2002

	Issuer	Non-guarantor Subsidiaries	Guarantor Subsidiaries	Consolidated Total
		(In thousands)		
Operating revenues	$ —	$ 61,456	$ 59,033	$120,489
Operating expenses				
Cost of natural gas	—	18,940	8,403	27,343
Operation and maintenance	797	13,046	15,410	29,253
Depreciation, depletion and amortization	38	5,414	12,664	18,116
	835	37,400	36,477	74,712
Operating income (loss)	(835)	24,056	22,556	45,777
Other income (loss)				
Earnings from unconsolidated affiliates	—	—	4,012	4,012
Other income (loss)	426	(6)	15	435
	426	(6)	4,027	4,447
Income (loss) before interest and other charges	(409)	24,050	26,583	50,224
Interest and debt expense	11,945	(12,432)	(21,047)	(21,534)
Minority interest	—	(5)	—	(5)
Income from continuing operations	11,536	11,613	5,536	28,685
Income from discontinued operations	—	—	60	60
Net income	$11,536	$ 11,613	$ 5,596	$ 28,745

Condensed Consolidating Statements of Income
For the Quarter Ended June 30, 2001

	Issuer	Non-guarantor Subsidiaries	Guarantor Subsidiaries	Consolidated Total
		(In thousands)		
Operating revenues	$ —	$ —	$ 44,987	$44,987
Operating expenses				
Cost of natural gas	—	—	11,193	11,193
Operation and maintenance	—	—	9,266	9,266
Depreciation, depletion and amortization	24	—	8,048	8,072
	24	—	28,507	28,531
Operating income (loss)	(24)	—	16,480	16,456
Other income (loss)				
Earnings from unconsolidated affiliates	—	—	4,368	4,368
Net gain (loss) on sales of assets	(1,265)	—	395	(870)
Other income	369	—	7	376
	(896)	—	4,770	3,874
Income (loss) before interest and other charges	(920)	—	21,250	20,330
Interest and debt expense	1,565	—	(10,265)	(8,700)
Minority interest	—	—	(59)	(59)
Income from continuing operations	645	—	10,926	11,571
Income from discontinued operations	—	273	—	273
Net income	$ 645	$273	$ 10,926	$11,844

Condensed Consolidating Statements of Income
For the Six Months Ended June 30, 2002

	Issuer	Non-guarantor Subsidiaries	Guarantor Subsidiaries	Consolidated Total
		(In thousands)		
Operating revenues	$ —	$ 61,456	$120,577	$182,033
Operating expenses				
Cost of natural gas	—	18,940	20,561	39,501
Operation and maintenance	4,069	13,046	26,578	43,693
Depreciation, depletion and amortization	199	5,414	25,052	30,665
	4,268	37,400	72,191	113,859
Operating income (loss)	(4,268)	24,056	48,386	68,174
Other income (loss)				
Earnings from unconsolidated affiliates	—	—	7,373	7,373
Net gain on sales of assets	—	—	315	315
Other income (loss)	862	(6)	5	861
	862	(6)	7,693	8,549
Income (loss) before interest and other charges	(3,406)	24,050	56,079	76,723
Interest and debt expense	22,384	(12,432)	(43,244)	(33,292)
Minority interest	—	(5)	—	(5)
Income from continuing operations	18,978	11,613	12,835	43,426
Income from discontinued operations	—	4,004	441	4,445
Net income	$18,978	$ 15,617	$ 13,276	$ 47,871

Condensed Consolidating Statements of Income
For the Six Months Ended June 30, 2001

	Issuer	Non-guarantor Subsidiaries	Guarantor Subsidiaries	Consolidated Total
		(In thousands)		
Operating revenues	$ —	$ —	$ 99,489	$ 99,489
Operating expenses				
Cost of natural gas	—	—	34,164	34,164
Operation and maintenance	1,792	—	12,990	14,782
Depreciation, depletion and amortization	278	—	16,096	16,374
Asset impairment charge	—	—	3,921	3,921
	2,070	—	67,171	69,241
Operating income (loss)	(2,070)	—	32,318	30,248
Other income (loss)				
Loss from unconsolidated affiliates	—	—	(344)	(344)
Net loss on sales of assets	(10,941)	—	(310)	(11,251)
Other income	26,322	—	35	26,357
	15,381	—	(619)	14,762
Income before interest and other charges	13,311	—	31,699	45,010
Interest and debt expense	5,130	—	(24,753)	(19,623)
Minority interest	—	—	(100)	(100)
Income from continuing operations	18,441	—	6,846	25,287
Loss from discontinued operations	—	(470)	—	(470)
Net income (loss)	$ 18,441	$(470)	$ 6,846	$ 24,817

Condensed Consolidating Balance Sheets
June 30, 2002

	Issuer	Non-guarantor Subsidiaries	Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
			(In thousands)		
Current assets					
Cash and cash equivalents	$ 9,228	$ 9,038	$ 549	$ —	$ 18,815
Accounts receivable, net					
Trade	—	25,938	2,316	—	28,254
Affiliate	1,351,535	24,848	20,625	(1,321,654)	75,354
Other current assets	6,875	(239)	(1,726)	—	4,910
Total current assets	1,367,638	59,585	21,764	(1,321,654)	127,333
Property, plant and equipment, net	3,872	771,212	975,600	—	1,750,684
Investment in processing agreement	—	—	116,944	—	116,944
Investment in unconsolidated affiliates	—	—	46,518	—	46,518
Investment in consolidated affiliates	283,107	—	211,781	(494,888)	—
Other noncurrent assets	196,013	4,222	4,291	(169,999)	34,527
Total assets	$1,850,630	$835,019	$1,376,898	$(1,986,541)	$2,076,006
Current liabilities					
Accounts payable					
Trade	$ 1,492	$ 4,907	$ 7,822	$ —	$ 14,221
Affiliate	25,275	407,491	910,635	(1,321,654)	21,747
Accrued interest	8,402	3,277	—	—	11,679
Other current liabilities	9,806	16,575	3,477	—	29,858
Total current liabilities	44,975	432,250	921,934	(1,321,654)	77,505
Revolving credit facility	514,000	7,000	—	—	521,000
Long-term debt	659,557	—	—	—	659,557
Limited recourse financing, less current maturities	—	160,000	—	—	160,000
Other noncurrent liabilities	(1)	23,793	171,146	(169,999)	24,939
Minority interest	—	195	711	—	906
Partners' capital	632,099	211,781	283,107	(494,888)	632,099
Total liabilities and partners' capital	$1,850,630	$835,019	$1,376,898	$(1,986,541)	$2,076,006

Condensed Consolidating Balance Sheet
December 31, 2001

	Issuer	Non-guarantor Subsidiaries	Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
			(In thousands)		
Current assets					
Cash and cash equivalents	$ 7,406	$ 2,571	$ 3,107	$ —	$ 13,084
Accounts receivable, net					
Trade	—	191	32,971	—	33,162
Affiliate	970,933	2,130	2,150	(952,350)	22,863
Other current assets	2,375	264	(2,082)	—	557
Total current assets	980,714	5,156	36,146	(952,350)	69,666
Property, plant and equipment, net	2,371	—	915,496	—	917,867
Assets held for sale, net	—	152,734	32,826	—	185,560
Investment in processing agreement	—	—	119,981	—	119,981
Investment in unconsolidated affiliates	—	—	34,442	—	34,442
Investment in consolidated affiliates	51,960	—	45,849	(97,809)	—
Other noncurrent assets	196,777	1,089	1,887	(169,999)	29,754
Total assets	$1,231,822	$158,979	$1,186,627	$(1,220,158)	$1,357,270
Current liabilities					
Accounts payable					
Trade	$ 587	$ 3,859	$ 10,541	$ —	$ 14,987
Affiliate	—	13,568	948,700	(952,350)	9,918
Accrued interest	5,698	703	—	—	6,401
Current maturities of limited recourse term loan	—	19,000	—	—	19,000
Other current liabilities	(189)	—	4,348	—	4,159
Total current liabilities	6,096	37,130	963,589	(952,350)	54,465
Revolving credit facility	300,000	—	—	—	300,000
Long-term debt	425,000	—	—	—	425,000
Limited recourse term loan, less current maturities	—	76,000	—	—	76,000
Other noncurrent liabilities	—	—	171,078	(169,999)	1,079
Partners' capital	500,726	45,849	51,960	(97,809)	500,726
Total liabilities and partners' capital	$1,231,822	$158,979	$1,186,627	$(1,220,158)	$1,357,270

Condensed Consolidating Statements of Cash Flow
For the Six Months ended June 30, 2002

	Issuer	Non-guarantor Subsidiaries	Guarantor Subsidiaries	Consolidated Total
	(In thousands)			
Cash flows from operating activities				
Net income	$ 18,978	$ 15,617	$ 13,276	$ 47,871
Less income from discontinued operations	—	4,004	441	4,445
Income from continuing operations	18,978	11,613	12,835	43,426
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation, depletion and amortization	199	5,414	25,052	30,665
Net gain on sales of assets	—	—	(315)	(315)
Distributed earnings of unconsolidated affiliates				
Earnings from unconsolidated affiliates	—	—	(7,373)	(7,373)
Distributions from unconsolidated affiliates	—	—	9,180	9,180
Other noncash items	2,229	(2,376)	1,642	1,495
Working capital changes, net of non-cash transactions	(23,334)	(19,523)	22,343	(20,514)
Net cash provided by (used in) continuing operations	(1,928)	(4,872)	63,364	56,564
Net cash provided by discontinued operations	—	4,631	406	5,037
Net cash provided by (used in) operating activities	(1,928)	(241)	63,770	61,601
Cash flows from investing activities				
Additions to property, plant and equipment	(1,700)	(2,090)	(87,528)	(91,318)
Proceeds from sale of assets	—	—	5,460	5,460
Additions to investments in unconsolidated affiliates	—	—	(14,144)	(14,144)
Cash paid for acquisitions, net of cash acquired	—	(730,166)	—	(730,166)
Net cash used in investing activities of continuing operations	(1,700)	(732,256)	(96,212)	(830,168)
Net cash provided by (used in) investing activities of discontinued operations	—	(3,523)	190,000	186,477
Net cash provided by (used in) investing activities	(1,700)	(735,779)	93,788	(643,691)
Cash flows from financing activities				
Net proceeds from revolving credit facility	223,884	—	—	223,884
Revolving credit repayments	(10,000)	—	—	(10,000)
Net proceeds from EPN Holding revolving credit facility	—	7,000	—	7,000
Net proceeds from EPN Holding term loan	—	530,529	—	530,529
EPN Holding term loan repayment	—	(375,000)	—	(375,000)
Net proceeds from issuance of long-term debt	229,757	—	—	229,757
Argo term loan repayment	—	—	(95,000)	(95,000)
Net proceeds from issuance of common units	149,309	—	—	149,309
Advances with affiliates	(514,846)	590,212	(75,366)	—
Distributions to partners	(73,214)	—	—	(73,214)
Contribution from General Partner	560	—	—	560
Net cash provided by (used in) financing activities of continuing operations	5,450	752,741	(170,366)	587,825
Net cash used in financing activities of discontinued operations	—	(3)	(1)	(4)
Net cash provided by (used in) financing activities	5,450	752,738	(170,367)	587,821
Increase (decrease) in cash and cash equivalents	$ 1,822	$ 16,718	$ (12,809)	5,731
Cash and cash equivalents				
Beginning of period				13,084
End of period				$ 18,815

Condensed Consolidating Statements of Cash Flow
For the Six Months ended June 30, 2001

	Issuer	Non-guarantor Subsidiaries	Guarantor Subsidiaries	Consolidated Total
	(In thousands)			
Cash flows from operating activities				
Net income (loss)	$ 18,441	$ (470)	$ 6,846	$ 24,817
Less loss from discontinued operations	—	(470)	—	(470)
Income from continuing operations	18,441	—	6,846	25,287
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation, depletion and amortization	278	—	16,096	16,374
Asset impairment charge	—	—	3,921	3,921
Net loss on sale of assets	10,941	—	310	11,251
Distributed earnings of unconsolidated affiliates				
Loss from unconsolidated affiliates	—	—	344	344
Distributions from unconsolidated affiliates	—	—	17,182	17,182
Other noncash items	1,867	—	—	1,867
Working capital changes, net of non-cash transactions	(18,796)	67	(213)	(18,942)
Net cash provided by continuing operations	12,731	67	44,486	57,284
Net cash used in discontinued operations	—	(45)	—	(45)
Net cash provided by operating activities	12,731	22	44,486	57,239
Cash flows from investing activities				
Additions to property, plant and equipment	—	—	(151,761)	(151,761)
Proceeds from sale of assets	89,162	—	19,071	108,233
Additions to investments in unconsolidated affiliates	—	—	(1,487)	(1,487)
Cash paid for acquisition, net of cash acquired	—	—	(8,000)	(8,000)
Other	—	—	(330)	(330)
Net cash provided by (used in) investing activities of continuing operations	89,162	—	(142,507)	(53,345)
Net cash used in investing activities of discontinued operations	—	(51,020)	—	(51,020)
Net cash provided by (used in) investing activities	89,162	(51,020)	(142,507)	(104,365)
Cash flows from financing activities				
Net proceeds from revolving credit facility	187,620	—	—	187,620
Revolving credit repayments	(446,000)	—	—	(446,000)
Net proceeds from issuance of long-term debt	240,879	—	—	240,879
Net proceeds from issuance of common units	74,187	—	—	74,187
Advances with affiliates	(100,550)	2,529	98,021	—
Distributions to partners	(48,122)	—	—	(48,122)
Contribution from General Partner	705	—	—	705
Net cash provided by (used in) financing activities of continuing operations	(91,281)	2,529	98,021	9,269
Net cash provided by financing activities of discontinued operations	—	49,961	—	49,961
Net cash provided by (used in) financing activities	(91,281)	52,490	98,021	59,230
Increase in cash and cash equivalents	$ 10,612	$ 1,492	$ —	12,104
Cash and cash equivalents				
Beginning of period				20,281
End of period				$ 32,385

13. New Accounting Pronouncements Not Yet Adopted

Accounting for Asset Retirement Obligations

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

Reporting Gains and Losses from the Early Extinguishment of Debt

In April 2002, the FASB issued SFAS No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections.* This statement addresses how to report gains or losses resulting from the early extinguishment of debt. Previously, any gains or losses were reported as an extraordinary item. Upon adoption of SFAS No. 145, an entity will be required to evaluate whether the debt extinguishment is truly extraordinary in nature, in accordance with Accounting Principles Board Opinion No. 30. If the entity routinely extinguishes debt early, the gain or loss should be included in income from continuing operations. This statement is effective for our 2003 year-end reporting.

Accounting for Costs Associated with Exit or Disposal Activities

In July 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities.* This statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by this guidance include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. The provisions of this Statement are effective for fiscal years beginning after December 31, 2002. The provisions of this Statement will impact any exit or disposal activities that we initiate after January 1, 2003.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information contained in Item 2 updates, and you should read it in conjunction with, information disclosed in Part II, Items 7, 7A and 8, in our Annual Report on Form 10-K for the year ended December 31, 2001, in addition to the interim financial statements and notes presented in Item 1 of this Quarterly Report on Form 10-Q.

Recent Developments

Acquisitions

San Juan Assets

In July 2002, we entered into a letter of intent with El Paso Corporation, the indirect parent of our general partner, to acquire for $782 million El Paso Corporation's natural gas gathering system located in the San Juan Basin of New Mexico; NGL transportation and fractionation assets located in Texas; and an oil and natural gas gathering system located in the deeper water regions of the Gulf of Mexico, referred to collectively as the San Juan assets. The purchase price is subject to adjustments primarily for working capital and capital expenditures. The following is a description of the San Juan assets:

- The assets located in the San Juan Basin include:
  - approximately 5,300 miles of natural gas gathering pipelines, known as the San Juan gathering system, with capacity of over 1.1 Bcf/d connected to approximately 9,500 wells producing natural gas from the San Juan Basin located in northwest New Mexico and southwest Colorado;
  - approximately 250,000 horsepower of compression;
  - the 58 MMcf/d Rattlesnake CO_2 treating facility;
  - a 50% interest in Coyote Gas Treating L.L.C., the owner of a 250 MMcf/d CO_2 treating facility; and
  - the remaining interests in the Chaco cryogenic natural gas processing plant we do not already own and the price risk management positions related to this facility's operations.
- The offshore pipeline assets include:
  - The Typhoon gas pipeline, a 35-mile, 20-inch natural gas pipeline originating on the Chevron/BHP "Typhoon" platform in the Green Canyon area of the Gulf of Mexico extending to the ANR Patterson System in Eugene Block 371; and
  - The Typhoon oil pipeline, a 16-mile, 12-inch oil pipeline originating on the Chevron/BHP "Typhoon" platform and extending to a platform in Green Canyon Block 19 with onshore access through various oil pipelines.
- The Texas NGL assets include:
  - a 230-mile, 8-inch pipeline with capacity of approximately 35 MBbls/d extending from Corpus Christi to Pasadena;
  - a 162-mile, 4-inch to 6-inch propane pipeline extending from Corpus Christi to McAllen and Hidalgo truck terminal facilities;
  - the Markham butane shuttle, a 138-mile, 8-inch pipeline with capacity of approximately 20 MBbls/d running between Corpus Christi and a leased storage facility at Markham with capacity of approximately 3.8 MMBbls;
  - a 49-mile, 6-inch pipeline with capacity of approximately 15 MBbls/d extending from Almeda to Texas City and the Texas City terminal; and
  - the Almeda fractionator, a 24 MBbls/d fractionator consisting of two trains and related leased storage facilities of approximately 9.8 MMBbls.

The parties' obligations under the letter of intent are subject to the satisfaction of specified conditions, including negotiating and executing definitive agreements, obtaining Hart-Scott-Rodino and other third-party approvals and consents, obtaining satisfactory results from ongoing due diligence and obtaining acceptable financing satisfactory to us. We expect to finance our acquisition of the San Juan assets through long-term debt and equity financing.

As discussed in our Form 10-K, we have instituted specific procedures for evaluating and valuing transactions with El Paso Corporation and its subsidiaries. This acquisition of the San Juan assets was approved by our Board of Directors. Our Board approved the transaction only after the receipt of a fairness opinion and after its Special Conflicts Committee's approval.

EPN Holding Assets

In April 2002, EPN Holding acquired from El Paso Corporation midstream assets located in Texas and New Mexico. The acquired assets include:

- Texas pipeline assets, including the EPGT Texas intrastate pipeline system;
- the Waha gathering and treating system located in the Permian Basin region of Texas and New Mexico;
- the Carlsbad gathering system located in the Permian Basin region of New Mexico;
- an approximate 42.3 percent non-operating interest in the Indian Basin processing and treating facility located in southeastern New Mexico; and
- a leased interest in the Wilson natural gas storage facility located in Wharton County, Texas.

The $750 million sales price was adjusted for the assumption of $15 million of working capital related to natural gas imbalances. The net consideration of $735 million for the EPN Holding assets was comprised of the following:

- $420 million of cash;
- $119 million of assumed short-term indebtedness payable to El Paso Corporation, which has been repaid;
- $6 million in common units; and
- $190 million in assets, comprised of our Prince TLP and our nine percent Prince overriding royalty interest.

To refinance substantially all of the cash consideration related to this acquisition, EPN Holding entered into a limited recourse credit agreement with a syndicate of commercial banks. EPN Holding's obligations under the credit agreement are guaranteed by substantially all of its subsidiaries and EPN Holding Company I, L.P. and EPN GP Holding, L.L.C., our two subsidiaries that own the equity interests in EPN Holding. Those obligations are collateralized by the equity interest in, and substantially all of the assets of, EPN Holding and its subsidiaries. In addition, the credit agreement limits EPN Holding's ability to pay distributions to us.

Hattiesburg Storage Facility

In January 2002, we acquired a 3.3 million barrel propane storage business and leaching operation located in Hattiesburg, Mississippi from Suburban Propane Partners, L.P. As part of the transaction, we entered into a long-term propane storage agreement with Suburban Propane Partners for a portion of the acquired propane storage capacity. We intend to convert a portion of these assets to natural gas storage and will integrate them with our adjacent Petal natural gas storage facility.

Projects Under Development

Petal Expansion

In the second quarter of 2002, we completed a 5.4 Bcf expansion of our Petal natural gas storage facility, as well as an approximate 60-mile pipeline addition that interconnects with the storage facility and offers direct interconnects with the Southern Natural Gas, Transco, and Destin pipeline systems. Total cost for the expansion and pipeline addition was approximately $157 million. We commenced storage services in July 2002 under a 20-year fixed-fee contract to the Southern Company, one of the largest producers of electricity in the United States.

Deepwater Gateway

In June 2002, we formed Deepwater Gateway, L.L.C., a 50/50 joint venture with Cal Dive International Inc., to construct and install the Marco Polo platform. The total cost of the project is estimated to be $206 million or approximately $103 million for our share. As of June 30, 2002, we have contributed $12 million to Deepwater Gateway.

Falcon Nest

In April 2002, we entered into an agreement with Pioneer Natural Resources Company and Mariner Energy, Inc. under which we will build and operate the Falcon Nest Platform, a fixed-leg platform and processing facility which will process natural gas from Pioneer's and Mariner's Falcon Field discoveries located in the Gulf of Mexico. We expect this platform to have processing capacity of at least 300 MMcf/d and to place this platform in service in the first quarter of 2003. We estimate a cost of approximately $53 million to construct and place the Falcon Nest Platform into service.

Cameron Highway

In February 2002, we announced that we will build and operate the Cameron Highway Oil Pipeline System, a 380-mile oil pipeline in the Gulf of Mexico. Cameron Highway will deliver up to 500 MBbl/d of oil from the southern Green Canyon and western Gulf of Mexico areas to Port Arthur and Texas City, Texas. The new pipeline is expected to be in service by the third quarter of 2004. We have entered into agreements with operating subsidiaries of BP p.l.c., BHP Billiton, and Unocal under which each of them has dedicated production from the Holstein, Mad Dog, and Atlantis discoveries in the Deepwater Trend in the Gulf of Mexico to Cameron Highway. The total estimated cost of the project is $450 million. We plan to seek a partner or partners for up to 50 percent of the interest in the pipeline.

Transportation and Storage Contracts

New Texas Natural Gas

In June 2002, we entered into three new natural gas transportation contracts totaling 246 Bcf per year of firm transportation capacity on our EPGT Texas intrastate pipeline, as well as a new long-term natural gas storage contract on our leased Wilson Storage facility.

Other Matters

As a result of current circumstances surrounding the energy sector, the creditworthiness of several industry participants has been called into question. We have taken actions to mitigate our exposure in this area; however, should several industry participants file for Chapter 11 bankruptcy protection, it could have a material adverse effect on our financial position, results of operations or cash flows.

Segment Results

In light of our expectation of acquiring additional natural gas pipeline and processing assets, effective January 1, 2002, we revised and renamed our business segments to reflect the change in composition of our operations. In October 2001, we acquired the Chaco plant and reflected the operations of this asset in our Oil and NGL logistics segment. With the change in our segments, we moved the Chaco processing plant to our Natural gas pipelines and plants segment. As a result of our sale of the Prince TLP and our nine percent overriding interest in the Prince Field in April 2002, the results of operations from these assets are reflected as discontinued operations in our statements of income for all periods presented and are not reflected in our segment results below. Beginning in 2002, operations from our oil and natural gas production are reflected in Other.

To the extent possible, results of operations have been reclassified to conform to the current business segment presentation, although these results may not be indicative of the results which would have been achieved had the revised business segment structure been in effect during those periods. Operating revenues and expenses by segment include intersegment revenues and expenses which are eliminated in consolidation. The following table presents EBIT by segment and in total for each of the quarter and six months ended June 30:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	(In thousands)			
Earnings Before Interest Expense and Income Taxes				
Natural gas pipelines and plants	$34,872	$ 3,911	$48,545	$12,117
Oil and NGL logistics	9,738	10,673	17,846	17,393
Natural gas storage	690	2,367	1,998	4,900
Platform services	6,423	5,521	12,516	10,276
Segment EBIT	51,723	22,472	80,905	44,686
Other, net	(1,499)	(2,142)	(4,182)	324
Consolidated EBIT	$50,224	$20,330	$76,723	$45,010

EBIT variances are discussed in the segment results below.

Natural Gas Pipelines and Plants

	Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	(In thousands, except for volumes)			
Natural gas pipelines and plants revenue	$ 95,253	$ 20,035	$135,672	$ 51,110
Cost of natural gas	(27,343)	(11,193)	(39,501)	(34,164)
Natural gas pipelines and plants margin	67,910	8,842	96,171	16,946
Operating expenses	(33,053)	(3,072)	(47,958)	(9,206)
Other income	15	(1,859)	332	4,377
EBIT	$ 34,872	$ 3,911	$ 48,545	$ 12,117
Volumes (MDth/d)				
Texas Intrastate	3,629	—	1,824	—
El Paso Intrastate Alabama	178	169	187	170
East Breaks	183	308	199	274
HIOS	724	1,130	778	1,054
Viosca Knoll Gathering	591	619	562	591
Other gathering systems	359	9	199	5
Processing plants	787	—	703	—
Total volumes	6,451	2,235	4,452	2,094

Second Quarter Ended June 30, 2002 Compared With Second Quarter Ended June 30, 2001

In connection with our April 2002 EPN Holding asset acquisition, we added assets to this segment with contracts whereby we may purchase natural gas from producers at the wellhead for an index price less an amount that compensates us for gathering services. We then sell the natural gas into the open market at the same index prices. Accordingly, our operating revenues and costs of natural gas are impacted by changes in energy commodity prices, while our margin is unaffected. For these reasons, we believe that gross margin (revenue less cost of natural gas) provides a more accurate and meaningful basis for analyzing operating results for the Natural gas pipelines and plants segment.

Natural gas pipelines and plants margin for the quarter ended June 30, 2002, was $59.1 million higher than in the same period in 2001 primarily due to our April 2002 purchase of the EPN Holding assets from subsidiaries of El Paso Corporation, our purchase of the Chaco plant in October 2001, and our consolidation of Deepwater Holdings in October 2001. Excluding the contribution from these newly acquired assets, margins increased by $0.3 million.

Operating expenses for the quarter ended June 30, 2002, were $30.0 million higher than the same period in 2001 primarily due to our April 2002 purchase of the EPN Holding assets, our purchase of the Chaco plant in October 2001, and our consolidation of Deepwater Holdings. Excluding the operating costs of the newly acquired assets, operating expenses increased by $0.8 million.

Other income for the quarter ended June 30, 2002, was $1.9 million higher than the same period in 2001 primarily due to a 2001 loss at Deepwater Holdings on its sale of UTOS in April 2001. After our acquisition of the remaining interest in Deepwater Holdings in October 2001, Deepwater Holdings became a consolidated subsidiary.

Six Months Ended June 30, 2002 Compared With Six Months Ended June 30, 2001

Natural gas pipeline and plants margin for the six months ended June 30, 2002, was $79.2 million higher than the same period in 2001 primarily due to our April 2002 purchase of the EPN Holding assets from subsidiaries of El Paso Corporation, our purchase of the Chaco plant in October 2001, and our consolidation of Deepwater Holdings in October 2001. Excluding the contribution from these newly acquired assets, margins increased by $0.2 million.

Operating expenses for the six months ended June 30, 2002 were $38.8 million higher than the same period in 2001 primarily due to our April 2002 purchase of the EPN Holding assets, our purchase of the Chaco plant in October 2001, and our consolidation of Deepwater Holdings. Excluding the operating costs of the newly acquired assets, operating expenses increased by $1.1 million.

Other income for the six months ended June 30, 2002, was $4.0 million lower than the same period in 2001 primarily due to our recognition in 2001 of $22.0 million in additional consideration from El Paso Corporation associated with the sale of our Gulf of Mexico pipeline assets in 2001, partially offset by net losses of $7.8 million due to the sale of our interests in the Tarpon and Green Canyon pipeline assets in January 2001. Further contributing to our decrease in other income were lower earnings from unconsolidated affiliates of $9.8 million, which relates to Deepwater Holdings' sale of Stingray, UTOS and the West Cameron dehydration facility and the sale of our interest in Nautilus and Manta Ray Offshore during the first six months of 2001.

Oil and NGL Logistics

	Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	(In thousands, except for volumes)			
Oil and NGL logistics revenue	$ 9,750	$ 8,464	$ 18,576	$ 12,736
Operating expenses	(4,024)	(3,148)	(8,103)	(4,793)
Other income	4,012	5,357	7,373	9,450
EBIT	$ 9,738	$ 10,673	$ 17,846	$ 17,393
Volume (Bbl/d)				
EPN Texas	76,067	74,916	73,466	49,607
Allegheny Oil Pipeline	17,096	11,605	17,658	13,678
Unconsolidated affiliate				
Poseidon Oil Pipeline	147,021	162,304	144,861	161,903
Total volumes	240,184	248,825	235,985	225,188

Second Quarter Ended June 30, 2002 Compared With Second Quarter Ended June 30, 2001

For the quarter ended June 30, 2002, revenues were $1.3 million higher than the same period in 2001 primarily due to our acquisitions of the Hattiesburg propane storage facility in January 2002 and the Anse La Butte NGL storage facility in December 2001. Also contributing to this increase were higher volumes on EPN Texas and Allegheny.

Operating expenses for the quarter ended June 30, 2002, were $0.9 million higher than the same period in 2001 primarily due to our acquisition of the Hattiesburg propane storage facility in January 2002 and the Anse La Butte NGL storage facility in December 2001.

Other income for the quarter ended June 30, 2002, was $1.3 million lower than the same period in 2001 primarily due to a decrease in earnings from unconsolidated affiliates attributable to lower volumes received by Poseidon.

Six Months Ended June 30, 2002 Compared With Six Months Ended June 30, 2001

For the six months ended June 30, 2002, revenues were $5.9 million higher than the same period in 2001 primarily due to our acquisitions of the EPN Texas transportation and fractionation assets in February 2001, the Hattiesburg propane storage facility in January 2002, and the Anse La Butte NGL storage facility in December 2001. Additionally, higher volumes on Allegheny also contributed to the increase in revenues.

Operating expenses for the six months ended June 30, 2002, were $3.3 million higher than the same period in 2001 primarily due to our acquisitions of the EPN Texas transportation and fractionation assets in February 2001, the Hattiesburg propane storage facility in January 2002, and the Anse La Butte NGL storage facility in December 2001.

Other income for the six months ended June 30, 2002, was $2.1 million lower than the same period in 2001 primarily due to a decrease in earnings from unconsolidated affiliates attributable to lower volumes received by Poseidon.

Natural Gas Storage

	Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	(In thousands)			
Natural gas storage revenue	$ 5,467	$ 5,512	$ 9,855	$10,470
Operating expenses	(4,777)	(3,145)	(7,857)	(5,570)
EBIT	$ 690	$ 2,367	$ 1,998	$ 4,900

Second Quarter Ended June 30, 2002 Compared With Second Quarter Ended June 30, 2001

For the quarter ended June 30, 2002, revenues were $0.1 million lower than the same period in 2001 primarily due to lower commodity revenue and lower interruptible storage services at our Petal and Hattiesburg facilities during 2002. This decrease was partially offset by an increase in revenues attributable to our acquisition of the Wilson storage facility lease in April 2002.

Expansion of the Petal storage facility was completed during the second quarter, and we commenced services to the Southern Company in July 2002. We estimate that Petal's new services to Southern Company will add $6.7 million of revenues during the remainder of 2002.

Operating expenses for the quarter were $1.6 million higher than the same period in 2001 primarily due to the acquisition of the Wilson storage facility lease in April 2002.

Six Months Ended June 30, 2002 Compared With Six Months Ended June 30, 2001

For the six months ended June 30, 2002, revenues were $0.6 million lower than the same period in 2001 primarily due to lower commodity revenue and interruptible storage services at our Petal and Hattiesburg facilities during 2002. This decrease was partially offset by an increase in revenues attributable to our acquisition of the Wilson storage facility lease in April 2002.

Operating expenses for the quarter were $2.3 million higher than the same period in 2001 primarily due to the acquisition of the Wilson storage facility lease in April 2002 and a favorable resolution of an imbalance settlement in 2001.

Platform Services

	Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	(In thousands, except for volumes)			
Platform services revenue	$ 8,279	$ 7,198	$15,850	$14,231
Operating expenses	(1,856)	(1,677)	(3,334)	(3,937)
Other loss	—	—	—	(18)
EBIT	$ 6,423	$ 5,521	$12,516	$10,276
Natural gas platform volumes (Mdth/d)				
East Cameron 373 platform	134	180	142	176
Garden Banks 72 platform	22	9	14	11
Viosca Knoll 817 platform	9	14	9	12
Total natural gas platform volumes	165	203	165	199
Oil platform volumes (Bbl/d)				
East Cameron 373 platform	1,989	2,109	1,859	2,120
Garden Banks 72 platform	1,295	1,543	1,179	1,639
Viosca Knoll 817 platform	2,072	2,144	2,073	2,092
Total oil platform volumes	5,356	5,796	5,111	5,851

Second Quarter Ended June 30, 2002 Compared With Second Quarter Ended June 30, 2001

For the quarter ended June 30, 2002, revenues were $1.1 million higher than in the same period in 2001 primarily due to retroactive billings for fixed monthly platform access fees and a retroactive gas dehydration fee on East Cameron 373. Operating expenses for the same periods were $0.2 million higher due to higher direct costs.

Six Months Ended June 30, 2002 Compared With Six Months Ended June 30, 2001

For the six months ended June 30, 2002, revenues were $1.6 million higher than the same period in 2001 primarily due to retroactive billings for fixed monthly platform access fees and a retroactive gas dehydration fee on East Cameron 373. Operating expenses for the same periods were $0.6 million lower due to lower direct costs.

Other loss for the six months ended June 30, 2001 reflects approximately $3.0 million of losses recognized on the sales of our Gulf of Mexico platform assets in January 2001, offset by the additional consideration from El Paso Corporation related to the sale of these assets.

Other, Net

Second Quarter Ended June 30, 2002 compared with Second Quarter Ended June 30, 2001

Earnings before interest expense and taxes related to non-segment activity for the quarter ended June 30, 2002, were $0.6 million lower than the same period in 2001. The decrease was primarily due to lower natural gas prices as well as lower volumes attributable to a decrease in natural gas production as a result of normal decline of existing reserves, partially offset by lower depletion.

Six Months Ended June 30, 2002 Compared With Six Months Ended June 30, 2001

Earnings before interest expense and taxes related to non-segment activity for the six months ended June 30, 2002, were $4.5 million lower than the same period in 2001. The decrease was primarily due to lower natural gas and oil prices as well as lower volumes attributable to a decrease in natural gas production as a result of normal decline of existing reserves. The decrease was partially offset by lower operating expenses and depletion.

Interest and Debt Expense

Interest and debt expense, net of capitalized interest, for the quarter and six months ended June 30, 2002, was approximately $12.8 million and $13.7 million higher than the same periods in 2001. This increase primarily relates to the $535 million term loan entered into to purchase the EPN Holding assets in April 2002 and the $230 million of 8.5% senior subordinated notes issued in May 2002. Capitalized interest for the quarter and six months ended June 30, 2002 was $2.0 million and $3.6 million.

Liquidity and Capital Resources

Cash From Operating Activities

Net cash provided by operating activities was $61.6 million for the six months ended June 30, 2002, compared to $57.2 million for the same period in 2001. The increase was attributable to operating cash flows from our acquisitions of the Chaco plant in October 2001, the remaining 50 percent interest in Deepwater Holdings that we did not already own in October 2001, and the EPN Holding assets in April 2002. This increase was partially offset by lower cash distributions in 2002 from our unconsolidated affiliate Poseidon.

Cash From Investing Activities

Net cash used in investing activities was approximately $643.7 million for the six months ended June 30, 2002. Our investing activities include our April 2002 purchase of the EPN Holding assets and capital expenditures related to the expansion of our Petal natural gas storage facility. These expenditures were partially offset by proceeds of $5.5 million from the sale of our Buffalo Treating Facility to El Paso Production Company and the sale of our Prince TLP and nine percent Prince overriding royalty interest to subsidiaries of El Paso Corporation (reflected as net cash provided by investing activities of discontinued operations in our statement of cash flows).

Cash From Financing Activities

Net cash provided by financing activities was approximately $587.8 million for the six months ended June 30, 2002. During 2002, our cash provided by financing activities included the issuances of long-term debt and common units, as well as borrowings under our EPN Holding term loan. Cash used in our financing activities included repayments on our EPN Holding and Argo term loans and other financing obligations, as well as distributions to our partners.

Liquidity

The following table presents the timing and amounts of our contractual cash obligations as of June 30, 2002, that we believe could affect our liquidity (in millions):

Contractual Cash Obligations	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years	Total
Revolving credit facilities	$ —	$521	$ —	$ —	$ 521
EPN Holding term loan	—	160	—	—	160
10⅜% senior subordinated notes issued May 1999	—	—	—	175	175
8½% senior subordinated notes issued May 2001	—	—	—	250	250
8½% senior subordinated notes issued May 2002				235	235
Total Contractual Cash Obligations	—	681	—	660	1,341

For a discussion of our financing arrangements, see Part I, Financial Information, Note 6.

Commitments and Contingencies

See Item 1, Financial Information, Note 7, which is incorporated herein by reference.

New Accounting Pronouncements Not Yet Adopted

See Item I, Financial Information, Note 13, which is incorporated herein by reference.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

Important factors that could cause actual results to differ materially from estimates or projections contained in forward-looking statements are described in our Annual Report on Form 10-K for the year ended December 31, 2001, and other filings with the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

This information updates, and you should read it in conjunction with, our quantitative and qualitative disclosures about market risks reported in our Annual Report on Form 10-K for the year ended December 31, 2001, in addition to information presented in Items 1 and 2 of this Quarterly Report on Form 10-Q and our Current Reports on Form 8-K and 8-K/A.

During 2001 and 2002, we entered into cash flow hedges in connection with our EPIA operations. As of June 30, 2002, the fair value of these cash flow hedges is approximately $9 thousand. During the six months ended June 30, 2002, the majority of our cash flow hedges expired and we reclassified $1.5 million from accumulated other comprehensive income to earnings.

Starting in April 2002, in connection with our EPN Holdings acquisition, we have swaps in place for our interest in the Indian Basin processing plant. As of June 30, 2002, the fair value of these cash flow hedges was a $0.2 million asset resulting in an unrealized gain of $0.2 million.

During 2002, Poseidon entered into a two-year interest rate swap agreement. As of June 30, 2002, the fair value of its interest rate swap was a liability of $0.7 million resulting in an unrealized loss of $0.7 million. We include our 36 percent share of this liability of $0.3 million as a reduction of our investment in Poseidon and as an unrealized loss in other comprehensive income. Additionally, we have recognized in income our 36 percent share of Poseidon's realized loss of $0.6 million for the six months ended June 30, 2002, or $0.2 million, through our earnings from unconsolidated affiliates.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 2. Changes in Securities and Use of Proceeds

In connection with the EPN Holding assets acquisition, on April 8, 2002, we issued 159,000 common units at the then current market value of $37.74 per unit, to a subsidiary of El Paso Corporation pursuant to a contribution agreement dated April 1, 2002. The consideration for the issuance was the contribution to us of certain of the EPN Holding assets. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act as a transaction not involving a public offering.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Each exhibit identified below is filed as part of this document. Exhibits not incorporated by reference to a prior filing are designated by a "*"; all exhibits not so designated are incorporated herein by reference to a prior filing as indicated. Exhibits designated with a "+" represent a management contract or compensatory plan or arrangement.

Exhibit Number		Description
4.F	—	A/B Exchange Registration Rights Agreement dated as of May 17, 2002, by and among El Paso Energy Partners, L.P., El Paso Energy Partners Finance Corporation, the subsidiary guarantors party thereto, Credit Suisse First Boston Corporation, Goldman, Sachs & Co., J.P. Morgan Securities Inc., Banc One Capital Markets, Inc., Fleet Securities, Inc., Fortis Investment Services L.L.C., The Royal Bank of Scotland plc, BNP Paribas Securities Corp. and First Union Securities, Inc. (Exhibit 4.3 to our registration statement on Form S-4 filed August 12, 2002, File No. 333-97967)
*99.A	—	Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*99.B	—	Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Undertaking

We hereby undertake, pursuant to Regulation S-K Items 601(b), paragraph (4)(iii), to furnish to the U.S. Securities and Exchange Commission, upon request, all constituent instruments defining the rights of holders of our long-term debt not filed herewith for the reason that the total amount of securities authorized under any such instruments does not exceed 10 percent of our total consolidated assets.

(b) Reports on Form 8-K

We filed a current report on Form 8-K dated April 15, 2002, announcing the completion of the acquisition of certain Texas and New Mexico midstream assets from El Paso Corporation.

We filed a current report on Form 8-K dated April 22, 2002, providing audited financial statements of the Texas and New Mexico midstream assets acquired from El Paso Corporation.

We filed a current report on Form 8-K dated April 24, 2002, providing the consents from experts incorporated by reference in our Registration Statement on Form S-3 (File No. 333-85987).

We filed a current report on Form 8-K dated April 29, 2002, providing the Underwriting Agreement entered into in connection with our public offering of 3 million common units.

We filed a current report on Form 8-K dated June 5, 2002, providing unaudited Deepwater Holdings, L.L.C., condensed consolidated financial statements at September 30, 2001 and for the nine months ended September 30, 2001 and 2000.

We filed a current report on Form 8-K dated July 15, 2002, to conform our historical financial information as of December 31, 2001 and 2000, and for the years ended December 31, 2001, 2000 and 1999 to the presentation in our Form 10-Q for the quarterly period ended March 31, 2002, which reflected new names for our segments, movement of the Chaco processing plant from Oil and NGL logistics to Natural gas pipelines and plants segment, and discontinued operations treatment for assets held for sale.

We filed a current report on Form 8-K/A dated July 19, 2002, to include the signature page inadvertently omitted from our Form 8-K dated July 15, 2002.

We filed a current report on Form 8-K dated July 31, 2002, providing unaudited financial statements of the Texas and New Mexico midstream assets acquired from El Paso Corporation at March 31, 2002 and for the three month periods ended March 31, 2002 and 2001.

We filed a current report on Form 8-K dated August 12, 2002, providing audited combined financial statements of El Paso Field Services San Juan Gathering and Processing Businesses, Typhoon Gas Pipeline, Typhoon Oil Pipeline, and Coastal Liquids Partners NGL Business as of December 31, 2001 and 2000, and for the years ended December 31, 2001, 2000 and 1999. Also included are the unaudited combined financial statements for these businesses as of March 31, 2002, and for the three months ended March 31, 2002 and 2001.

We also furnished to the SEC under Item 9, Regulation FD, Current Reports on Form 8-K. Item 9 Current Reports on Form 8-K are not considered to be "filed for purposes of Section 18 of the Securities and Exchange Act of 1934 and are not subject to the liabilities of that section, but are filed to provide full disclosure under Regulation FD." We filed a current report on Form 8-K dated July 24, 2002, which was provided for informational purposes.

SIGNATURES

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

EL PASO ENERGY PARTNERS, L.P.

By: EL PASO ENERGY PARTNERS COMPANY,
its General Partner

Date: August 13, 2002

By: /s/ KEITH B. FORMAN

Keith B. Forman
Vice President and Chief Financial Officer

Date: August 13, 2002

By: /s/ D. MARK LELAND

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