

SECURITIES AND EXCHANGE COMMISSION

FORM PRE13E3/A

Preliminary information statement of going private transaction by certain issuers [amend]

Filing Date: **1994-03-17**
SEC Accession No. **0000950129-94-000172**

(HTML Version on secdatabase.com)

SUBJECT COMPANY

VALERO NATURAL GAS PARTNERS L P

CIK: **810021** | IRS No.: **742448118** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **PRE13E3/A** | Act: **34** | File No.: **005-42424** | Film No.: **94516390**
SIC: **1311** Crude petroleum & natural gas

Business Address
530 MCCULLOUGH AVE
SAN ANTONIO TX 78215
5122462000

FILED BY

VALERO NATURAL GAS PARTNERS L P

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Rule 13e-3 Transaction Statement
(Pursuant to Section 13(e) of the Securities Exchange Act of 1934)
[Amendment No. 2]

Valero Natural Gas Partners, L.P.
(Name of Issuer)

Valero Natural Gas Partners, L.P., Valero Natural Gas Company
and Valero Energy Corporation
(Name of Person(s) Filing Statement)

Common Units of Limited Partner Interests
(Title of Class of Securities)

918906 20 7
(CUSIP Number of Class of Securities)

Rand C. Schmidt, Esq.
Corporate Secretary
530 McCullough Avenue
San Antonio, Texas 78215
(210) 246-2000

(Name, Address and Telephone Number of Person Authorized to Receive Notices and
Communications on Behalf of Person(s) Filing Statement)

This statement is filed in connection with (check the appropriate box):

a. /X/ The filing of solicitation materials or an
information statement subject to Regulation 14A, Regulation 14C or Rule
13e-3(c) under the Securities Exchange Act of 1934.

b. / / The filing of a registration statement under the
Securities Act of 1933.

c. / / A tender offer.

d. / / None of the above.

Check the following box if the soliciting materials or information statement
referred to in checking box (a) are preliminary copies: /X/

Calculation of Filing Fee

Not applicable. The filing fee was paid with the filing of the original

INTRODUCTION

This Schedule 13E-3 relates to the solicitation of proxies of the holders of the common units of limited partner interests ("Common Units") in Valero Natural Gas Partners, L.P. ("VNGP") by VNGP and Valero Natural Gas Company, the general partner of VNGP and a wholly owned subsidiary of Valero Energy Corporation ("VEC"), in connection with a proposed merger of VNGP with a limited partnership that is wholly owned by subsidiaries of VEC. The Schedule 13E-3 was filed on December 30, 1993. Amendment No. 1 to Schedule 13E-3 was filed January 11, 1994. It amended Item 17 of Schedule 13E-3 and included two exhibits. Portions of those exhibits were omitted from Amendment No. 1 pursuant to an Application for Confidential Treatment filed January 12, 1994. The Application for Confidential Treatment has been withdrawn. This Amendment No. 2 to Schedule 13E-3 is filed to amend Item 17 of the Schedule 13E-3 and includes such exhibits in their entirety. Pursuant to a comment received from the staff of the Commission with respect to the Schedule 13E-3, VEC has been added as a filing person and signatory in this Amendment No. 2.

SCHEDULE 13E-3

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Item 17. Material to Be Filed as Exhibits.

- (a) Not applicable.
- (b-1)+ Opinion of Financial Advisor to the Special Committee dated as of December 20, 1993, appears as Annex B to the Proxy Statement and is incorporated herein by reference.
- (b-2)* Report of Financial Advisor to the Special Committee dated as of December 10, 1993.
- (b-3)* Report of the Financial Advisor to Valero Energy Corporation dated

October 1993.

- (c)+ Agreement of Merger dated December 20, 1993, among Valero Natural Gas Partners, L.P., Valero Merger Partnership, L.P., Valero Natural Gas Company and Valero Energy Corporation appears as Annex A to the Proxy Statement and is incorporated herein by reference.
- (d)+ Exhibit 17(d) hereto--Letter to Unitholders, Notice of Special Meeting, form of Proxy and preliminary Proxy Statement.
- (e) Not applicable.
- (f) Not applicable.

</TABLE>

- - - - -

+Previously filed.

*Filed herewith.

iv

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SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

<TABLE>

<S>

Date: March 17, 1994

<C>

VALERO NATURAL GAS COMPANY

By: /s/ Stan L. McLelland

Name: Stan L. McLelland

Title: Executive Vice President

VALERO NATURAL GAS PARTNERS, L.P.

Date: March 17, 1994

By: VALERO NATURAL GAS COMPANY,
GENERAL PARTNER

By: /s/ Stan L. McLelland

Name: Stan L. McLelland

Title: Executive Vice President

VALERO ENERGY CORPORATION

Date: March 17, 1994

By: /s/ Stan L. McLelland

Name: Stan L. McLelland

Title: Executive Vice President

</TABLE>

CONFIDENTIAL

VALERO NATURAL GAS COMPANY
SPECIAL COMMITTEE OF THE BOARD OF DIRECTORS

December 10, 1993

Dillon, Read & Co. Inc.

Dillon, Read & Co. Inc.

December 10, 1993

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Valero Natural Gas Company

Dillon, Read & Co. Inc.

December 10, 1993

EXECUTIVE SUMMARY

Valero Natural Gas Company

Dillon, Read & Co. Inc.

December 10, 1993

Executive Summary

- The following presentation reviews the factual information as presented to the Special Committee on December 3, 1993 and is followed by Dillon Read's valuation analysis.
- On October 14, 1993, Valero Energy Corporation ("VLO") announced its intent to acquire Valero Natural Gas Partners, LP ("VLP") by merger for \$11.00 per unit. This proposed offer represented a premium of approximately 24% over the undisturbed market closing

price one-month prior to the announcement date of \$8.875.

- On October 14, 1993, VLP units closed at \$11.00 per unit.
- On October 16, 1993, VLO obtained board approval for the transaction and presented its proposal to the Board of Valero Natural Gas Company on October 17.
- On November 9, 1993, Dillon Read met with and was subsequently hired by the Special Committee representing the public unit holders of VLP.
- Following this appointment, Dillon Read began an extensive review and analysis of VLP.

 Valero Natural Gas Company A.1

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 Dillon, Read & Co. Inc. December 10, 1993

 Executive Summary

- On December 2, 1993, Dillon Read had a preliminary meeting with its own fairness committee to review its progress and methodologies to date, which was followed on December 3, 1993 with its presentation to the Special Committee of VLP.
- On December 9, 1993, Dillon Read met again with its fairness committee.
- This presentation is intended to discuss Dillon Read's efforts to date in evaluating VLP, including its methodologies, and the valuation discussion is intended to prepare the Special Committee for its meeting with VLO on December 11, 1993.

 Valero Natural Gas Company A.2

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 Dillon, Read & Co. Inc. December 10, 1993

 Executive Summary

- Fundamental assumptions implicit in our valuation of VLP include the following:
 - The VLP plan dated November 10, 1993 is the basis for our analysis.
 - As represented by VLO, incremental compression expenditures above the VLP plan are not feasible (i.e., system capacity is at maximum throughput).
- Potential litigation liabilities are excluded from the analyses as presented herein.

 Valero Natural Gas Company A.3

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 Dillon, Read & Co. Inc. December 10, 1993

 DILLON READ VALUATION EFFORT

Valero Natural Gas Company

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 Dillon, Read & Co. Inc. December 10, 1993

 Dillon Read Valuation Effort

- The following Dillon Read personnel are involved in the VLP evaluation:

Name	Position
----	-----

James W. Hunt	Managing Director
Mark J. Salisbury	Senior Vice President
Jason D. Sweet	Senior Vice President
Jeffrey W. Miller	Associate
Jeffrey J. Singer	Financial Analyst

- Wachtell, Lipton and Vinson & Elkins are conducting the legal review
- The Dillon Read and Wachtell, Lipton teams have interviewed the following VLO and VLP representatives:

Management

Name	Position
William E. Greehey	Chairman of the Board and Chief Executive Officer
Edward C. Benninger, Jr.	President: Valero Natural Gas and Natural Gas Liquids Companies
Stan L. McLelland	Executive Vice President and General Counsel
Don M. Heep	Vice President - Finance
Rand C. Schmidt	Corporate Secretary
William H. Zesch	Assistant Controller

Valero Natural Gas Company B.1

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Dillon, Read & Co. Inc. December 10, 1993

Dillon Read Valuation Effort (Continued)

- Interview list (continued):
Valero Natural Gas Company
- | Name | Position |
|---------------------|---|
| Terrence E. Ciliske | Senior Vice President
Natural Gas Supply, Marketing and Transportation |
| Peter A. Fasullo | Senior Vice President Planning and Development |
| Mark Stavinoha | Controller - Natural Gas/Natural Gas Liquids Division |
- Dillon Read's efforts focused on industry conditions, VLP's competitive position, and a thorough understanding of the VLP plan and business opportunities
 - Identify operational constraints
 - Identify implicit assumptions within the VLP plan
 - The following documents and material were reviewed
 - Review of publicly available information on VLP including proxies, annual reports, forms 10K and 10Q and other SEC filings, news stories and trading data
 - Review of internally generated VLP operational and financial plans
 - Review of outstanding litigation, including take or pay exposure

Valero Natural Gas Company B.2

Dillon Read Valuation Effort (Continued)

- On December 7, 1993 the Dillon Read team and Wachtell, Lipton held a conference call with Salomon Brothers to discuss its own assumptions implicit in its analysis
- The Salomon Brothers team consisted of the following:

Name ----	Position -----
David J. Prend	Director
C. Scott Baxter	Vice President
Laurie Cowen	Vice President
Roy W. Jageman	Associate
D. Richard Dowdle	Analyst
- The most sign-perceived differences between Dillon Read's and Salomon Brothers' analyses include the following:
 - Calculation of net debt
 - Discounted cash flow analysis methodology
 - Terminal multiples
 - Cash flow perpetuity analysis
 - Adjustments to reported twelve month VLP data
 - Selection of most relevant comparables

Valero Natural Gas Company

B.3

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Dillon, Read & Co. Inc.

December 10, 1993

VALUATION METHODOLOGY

Valero Natural Gas Company

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Dillon, Read & Co. Inc.

December 10, 1993

Valuation Methodology

- Comparison of VLP to selected publicly-traded Gas Gathering, Transportation and Marketing ("GTM") Companies. The industry group includes:
 - American Oil & Gas Corporation
 - Aquila Gas Pipeline Corporation
 - Associated Natural Gas Corporation
 - Tejas Gas Corporation
 - Tejas Power Corporation
 - Trident NGL Holdings, Inc.
 - USX - Delhi Group included by Salomon
 - Western Gas Resources, Inc.
- This industry group was narrowed to the following more comparable group:
 - Aquila Gas Pipeline Corporation included by Salomon
 - Associated Natural Gas Corporation excluded by Salomon
 - Trident NGL Holdings, Inc. included by Salomon

- Western Gas Resources, Inc. excluded by Salomon

- Pre-tax discounted cash flow analysis of VLP
- An analysis of market premiums paid for non-control stockholder positions
- Review of acquisitions within the sector

Valero Natural Gas Company C.1

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Dillon, Read & Co. Inc. December 10, 1993

VALUATION OVERVIEW

Valero Natural Gas Company

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Dillon, Read & Co. Inc. December 10, 1993

Valuation Overview

Pre-Tax Discounted Cash Flow

Base Case

<TABLE>
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Assumed Terminal EDITDA Multiple	Discount Rate				
	10.0%	10.5%	11.0%	11.5%	12.0%
<S>	<C>	<C>	<C>	<C>	<C>
7.5x	\$11.47	\$10.56	\$ 9.68	\$ 8.82	\$ 7.98
8.0x	13.14	12.19	11.27	10.37	9.49
8.5x	14.81	13.82	12.86	11.92	11.01
9.0x	16.48	15.45	14.45	13.47	12.52

</TABLE>
Annual O&M and G&A Savings \$5mm and Downward NGL Price Adjustments

<TABLE>
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Assumed Terminal EBITDA Multiple	Discount Rate				
	10.0%	10.5%	11.0%	11.5%	12.0%
<S>	<C>	<C>	<C>	<C>	<C>
7.5x	\$11.59	\$10.65	\$ 9.74	\$ 8.86	\$ 8.00
8.0x	13.33	12.36	11.41	10.48	9.58
8.5x	15.08	14.06	13.07	12.10	11.16
9.0x	16.83	15.77	14.73	13.73	12.75

</TABLE>

Valero Natural Gas Company D.1

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Dillon, Read & Co. Inc. December 10, 1993

Valuation Overview

Annual O&M and G&A Savings \$10mm and Base Case NGL Price Forecast

<TABLE>
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Assumed Terminal EBITDA Multiple	Discount Rate				
	10.0%	10.5%	11.0%	11.5%	12.0%
<S>	<C>	<C>	<C>	<C>	<C>
7.5x	\$16.34	\$15.34	\$14.37	\$13.42	\$12.50
8.0x	18.16	17.12	16.11	15.12	14.16
8.5x	19.99	18.90	17.84	16.81	15.81
9.0x	21.81	20.68	19.58	18.51	17.46

</TABLE>

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Dillon, Read & Co. Inc.

December 10, 1993

Valuation Overview

Annualized Adjustments to Reported LTM 9/30/93 Financials

<TABLE>

<CAPTION>

	(\$MM)	<C>	<C>
- Favorable prior year adjustments	\$8.5		(non-cash adjustment)
- System gain and sales margin	7.5		(cash adjustment)
- Unrecoverable affiliate gathering & transportation costs	4.4		(cash adjustment)

	\$20.4		
	=====		

</TABLE>

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	EBITDA	CFFO (a)	Net Income (a)
	-----	-----	-----
<S>	<C>	<C>	<C>
As Reported (LTM 9/30/93)	\$115.9	\$46.1	\$12.2
	(7.5)	(7.5)	(7.5)
	(4.4)	(4.4)	(4.4)
	---	---	(8.5)
	---	7.1 (b)	7.1 (b)
	-----	-----	-----
Adjusted (LTM 9/30/93)	\$104.0	\$41.4	(\$1.1)
	=====	=====	=====

</TABLE>

(a) Assumes a 35% tax rate and deferred tax component is zero.

(b) Tax shield of 35% associated with downward adjustments.

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Dillon, Read & Co. Inc.

December 10, 1993

Valuation Overview

Trading Company Analysis

Peer Group (a)

(Tax Rate = 35%)

<TABLE>

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Multiple Parameter	Indicated Value per Unit			
	Actual		Adjusted	
	Mean	Median	Mean	Median
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net Income to Common (b)				
LTM (9/30/93)	\$10.04	\$10.30	NM	NM
1993 (c)	12.98	12.98	\$12.98	\$12.98
1994 (c)	12.45	12.45	12.45	12.45
Cash Flow From Operations (b)				
LTM (9/30/93)	\$16.15	\$16.52	\$14.48	\$14.82
1994E	13.38	13.38	13.38	13.38
LTM Operating Cash Flow (EDITDA) (9/30/93)	\$17.60	\$13.98	\$12.41	\$ 9.16

</TABLE>

(a) Peer group includes AQP, NGA, NGL, and WGR.

(b) Assumes a 35% tax rate and deferred tax component is zero.

(c) Based on IBES estimates.

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Dillon, Read & Co. Inc.

December 10, 1993

 VALUATION OVERVIEW

Trading Company Analysis
 Industry Group(a)
 (Tax Rate = 35%)

<TABLE>
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Multiple Parameter	Indicated Value per Unit			
	Actual		Adjusted	
	Mean	Median	Mean	Median
<S>	<C>	<C>	<C>	<C>
Net Income to Common (b)				
LTM (9/30/93)	\$13.92	\$13.80	NM	NM
1993 (c)	15.98	14.68	\$15.98	\$14.68
1994 (c)	13.45	12.45	13.45	12.45
Cash Flow From Operations (b)				
LTM (9/30/93)	\$17.87	\$20.18	\$16.02	\$18.10
1994E	13.30	14.29	13.30	14.29
LTM Operating Cash Flow (EDITDA) (9/30/93)	\$16.71	\$19.74	\$11.61	\$14.33

</TABLE>

 (a) Industry group includes AOG, AQP, NGA, TEJ, TPC, NGL, DGP and WGR.
 (b) Assumes a 35% tax rate and deferred tax component is zero.
 (c) Based on IBES estimates.

Valero Natural Gas Company D.5

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 Dillon, Read & Co. Inc. December 10, 1993

 VALUATION OVERVIEW

Trading Company Analysis
 Peer Group(a)
 (Tax Rate = 0%)

<TABLE>
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Multiple Parameter	Indicated Value per Unit			
	Actual		Adjusted	
	Mean	Median	Mean	Median
<S>	<C>	<C>	<C>	<C>
Net Income to Common (b)				
LTM (9/30/93)	\$15.45	\$15.84	NM	NM
1993 (c)	19.97	19.97	\$19.97	\$19.97
1994 (c)	19.15	19.15	19.15	19.15
Cash Flow From Operations (b)				
LTM (9/30/93)	\$18.44	\$18.87	\$14.28	\$14.61
1994E	13.19	13.19	13.19	13.19
LTM Operating Cash Flow (EDITDA) (9/30/93)	\$17.60	\$13.98	\$12.41	\$ 9.16

</TABLE>

 (a) Peer group includes AQP, NGA, NGL, and WGR.
 (b) Assumes a 0% tax rate.
 (c) Based on IBES estimates.

Valero Natural Gas Company D.6

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 Dillon, Read & Co. Inc. December 10, 1993

 VALUATION OVERVIEW

Trading Company Analysis
 Industry Group(a)
 (Tax Rate = 0%)

<TABLE>
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Multiple Parameter	Indicated Value per Unit			
	Actual		Adjusted	
	Mean	Median	Mean	Median
<S>	<C>	<C>	<C>	<C>
Net Income to Common (b)				
LTM (9/30/93)	\$21.42	\$21.23	NM	NM
1993 (c)	24.58	22.58	\$24.58	\$22.58
1994 (c)	20.69	19.55	20.69	19.15
Cash Flow From Operations (b)				
LTM (9/30/93)	\$20.41	\$23.05	\$15.80	\$17.85
1994E	13.12	14.08	13.12	14.08
LTM Operating Cash Flow (EDITDA) (9/30/93)	\$16.71	\$19.74	\$11.61	\$14.33

</TABLE>

- (a) Industry group includes AOG, AQP, NGA, TEJ, TPC, NGL, DGP and WGR.
 (b) Assumes a 0% tax rate.
 (c) Based on IBES estimates.

Valero Natural Gas Company D.7

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Dillion, Read & Co. Inc. December 10, 1993

VALUATION OVERVIEW

Comparable Company Acquisitions

- - An analysis of comparable company acquisitions yields a range of EBITDA multiples from 3.5x - 11.2x(a)

	EBITDA Multiple	Implied Value Per Unit
Mean	6.8x	\$8.43
Median	6.9x	\$9.04

Historical Premiums Paid In Non-Control Position Buyouts

- - An analysis of 137 buyouts of non-control positions yields a wide range of premiums paid over market prices. However 72% of the transactions fall within a range of 0 to 70% (b)

	Premium	Implied Value Per Unit
Mean	35.2%	\$12.00
Median	33.0%	\$11.80

- (a) See Appendix 3 for a tabulation of comparable company acquisitions.
 (b) Based on the premium to market one-month prior to the announcement date. The closing price of VLP was \$8 7/8/unit on 9/14/93. Statistical data implicit in the analysis is based on the buyouts of 137 non-control positions since 1/1/86.

Valero Natural Gas Company D.8

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Dillon, Read & Co. Inc. December 10, 1993

PRE-TAX DISCOUNTED CASH FLOW ANALYSIS

Valero Natural Gas Company

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DILLON, READ & CO. INC. 12/09/93 AT 7:57 PM
PRELIMINARY & CONFIDENTIAL BASED ON 11/10/93 FORECAST

VALERO NATURAL GAS PARTNERS, L.P.
DISCOUNTED CASH FLOW ANALYSIS

	1994	1995	1996	1997	1998	1999
DERIVATION OF UNLEVERED CASH FLOWS:						
Cash Flow From Operations (a)	\$ 38.1	\$ 48.3	\$ 55.4	\$ 60.9	\$ 54.1	\$ 51.6
Net Take-or-Pay Recoveries / (Payments)	(8.6)	14.0	11.7	11.7	11.7	7.7
Changes in Working Capital and Other Items	(8.5)	2.5	2.9	2.1	2.3	1.8
Interest Expense	70.3	70.1	68.3	65.1	59.0	59.0
Unlevered Cash From Operating Activities	91.4	135.0	138.4	139.8	127.1	120.2
Less Maintenance Capital Expenditures	(27.0)	(28.0)	(28.0)	(29.0)	(29.0)	(29.0)
Less Growth Capital Expenditures	(29.2)	(3.5)	0.0	0.0	0.0	0.0
Unlevered Free Cash Flow	\$ 35.3	\$103.5	\$110.4	\$110.8	\$ 98.1	\$ 91.2

DISCOUNTED VALUE OF CASH FLOWS (USING MID YEAR DISCOUNTING)

	DISCOUNT RATE				
	10.0%	10.5%	11.0%	11.5%	12.0%
Estimated Value at 12/31/93	\$407.6	\$402.1	\$396.7	\$391.4	\$386.2

DERIVATION OF TERMINAL VALUE:
Discounted Value of Terminal Value

	Multiple Of 1999E EBITDA	Discount Rate				
		10.0%	10.5%	11.0%	11.5%	12.0%
7.5 x		\$477.3	\$465.6	\$454.1	\$443.0	\$432.3
8.0 x		509.1	496.6	484.4	472.6	461.1
8.5 x		541.0	527.6	514.7	502.1	489.9
9.0 x		572.8	558.7	545.0	531.7	518.7

DERIVATION OF ESTIMATED VALUE OF PARTNERS' CAPITAL AT 12/31/93:
Discounted Value of Total Operations

	Assumed Multiple	Discount Rate				
		10.0%	10.5%	11.0%	11.5%	12.0%
7.5 x		\$884.9	\$867.6	\$850.8	\$834.4	\$818.4
8.0 x		916.7	898.7	881.1	863.9	847.3
8.5 x		948.6	929.7	911.3	893.5	876.1
9.0 x		980.4	960.7	941.6	923.0	904.9
Less Estimated Net Debt at 12/31/93		\$666.4	\$666.4	\$666.4	\$666.4	\$666.4

ESTIMATED VALUE OF TOTAL PARTNER'S CAPITAL

	Assumed Multiple	Discount Rate				
		10.0%	10.5%	11.0%	11.5%	12.0%
7.5 x		\$218.5	\$201.3	\$184.4	\$168.0	\$152.1
8.0 x		250.4	232.3	214.7	197.6	180.9
8.5 x		282.2	263.3	245.0	227.1	209.7
9.0 x		314.0	294.4	275.2	256.6	238.5

ESTIMATED VALUE PER PUBLIC UNIT (ASSUMES THAT 51.0% OF TOTAL VALUE ACCRUES TO 9.71 MILLION PUBLIC UNITS)

	Discount Rate				
Assumed Multiple	10.0%	10.5%	11.0%	11.5%	12.0%

<S>	<C>	<C>	<C>	<C>	<C>	<C>
	7.5 x	\$11.47	\$10.56	\$ 9.68	\$ 8.82	\$ 7.98
	8.0 x	13.14	12.19	11.27	10.37	9.49
	8.5 x	14.81	13.82	12.86	11.92	11.01
	9.0 x	16.48	15.45	14.45	13.47	12.52

</TABLE>

(a) Assumes combined annual savings from O&M and G&A expenses of \$0.0 million. Also, assumes base case projections for NGL business.

SAVINGS: \$0.0 mill
NGLs: Base

Calculation of Net Debt at 12/3

<S>	<C>
Total Long-Term Debt	\$506.4
Plus Capital Leases	103.8
Plus Current Maturities	27.9
Plus Current Lease Payments	1.1
Plus Short-Term Notes	47.0
Other Adjustements	18.0
Less Cash & Equivalents	(3.6)
Less Escrow of Debt Principal	(20.9)
Less Escrow of Interest Costs	(13.3)
Net Debt at 12/31/93	\$666.4

</TABLE>

Other Items

<S>	<C>
1999E Operating Cash Flow/EBITDA	\$107.5
Number of Public Units, millions	9.711919
Effective Percentage of Total Capital	51.0%

</TABLE>

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DILLON, READ & CO. INC.
PRELIMINARY & CONFIDENTIAL

12/21/93 AT12:47 PM
BASED ON 11/10/93 FORECAST

VALERO NATURAL GAS PARTNERS, L.P.
PROJECTED BALANCE SHEETS AS OF DECEMBER 31 OF EACH YEAR

<S>	1992	1993	1994	1995	1996
<CAPTION>	<C>	<C>	<C>	<C>	<C>
ASSETS:					
Operating Cash Balance	6.598	3.561	18.166	23.113	26.270
Cash Held in Debt Service Escrow					
Interest Escrow	13.846	13.293	12.673	11.984	11.228
Principal Escrow	19.018	20.892	22.767	24.643	26.518
	32.864	34.185	35.440	36.627	37.746
Current Take-or-Pay Charges	0.000	0.000	14.013	11.737	11.737
Other Current Assets	215.013	177.541	195.486	196.962	197.662
Total Current Assets	254.475	215.287	263.105	268.439	273.415
Net Property, Plant & Equipment	743.107	746.638	764.778	755.125	744.756
Non-Current Take-or-Pay Asset	72.174	67.096	61.685	49.948	38.211
Other Assets	14.616	13.179	7.446	5.242	3.269
Total Assets	1,084.372	1,042.200	1,097.014	1,078.755	1,059.652
LIABILITIES & PARTNERS' CAPITAL:					
Current L-T Debt Maturities	25.357	27.857	30.357	32.857	35.357
Current Capital Lease Maturities	0.762	1.052	1.174	1.692	2.552

Short-Term Notes	0.000	47.000	50.000	50.000	50.000
New Funding Source	0.000	0.000	88.000	91.000	99.000
Other Current Liabilities	261.308	187.630	190.135	189.076	188.411
	-----	-----	-----	-----	-----
Total Current Liabilities	287.427	263.539	359.666	364.625	375.320
Long-Term Debt	534.286	506.429	476.072	443.215	407.858
Capital Lease Obligations	103.968	103.786	103.600	103.029	100.780
Deferred Credits and Other Liabilities	2.672	4.230	6.190	9.034	12.030
Public Common Units	135.942	136.923	127.246	127.870	127.273
Valero Common Units	18.519	25.548	22.954	29.659	35.043
General Partners' Capital	1.558	1.745	1.286	1.322	1.347
	-----	-----	-----	-----	-----
Total Partners' Capital	156.019	164.216	151.486	158.852	163.664
	-----	-----	-----	-----	-----
Total Liabilities & Partners' Capital	1,084.372	1,042.200	1,097.014	1,078.755	1,059.652
	=====	=====	=====	=====	=====
Net Debt / Net Book Capitalization	80.0%	79.8%	82.1%	80.6%	79.4%

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	1997	1998	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
ASSETS:			
Operating Cash Balance	27.686	26.815	21.912
Cash Held in Debt Service Escrow			
Interest Escrow	10.394	10.394	10.394
Principal Escrow	28.394	28.394	28.394
	-----	-----	-----
	38.788	38.788	38.788
Current Take-or-Pay Charges	11.737	11.737	11.737
Other Current Assets	189.862	190.862	191.862
	-----	-----	-----
Total Current Assets	268.073	268.202	264.299
Net Property, Plant & Equipment	734.285	723.134	711.288
Non-Current Take-or-Pay Asset	26.474	14.737	7.000
Other Assets	10.362	8.889	7.416
	-----	-----	-----
Total Assets	1,039.195	1,014.962	990.003
	=====	=====	=====

LIABILITIES & PARTNERS' CAPITAL:

Current L-T Debt Maturities	37.900	37.000	40.500
Current Capital Lease Maturities	3.100	3.500	3.900
Short-Term Notes	50.000	50.000	50.000
New Funding Source	105.000	116.500	130.500
Other Current Liabilities	187.317	187.645	187.419
	-----	-----	-----
Total Current Liabilities	383.317	394.645	412.319
Long-Term Debt	369.958	332.958	292.458
Capital Lease Obligations	97.680	94.180	90.280
Deferred Credits and Other Liabilities	15.186	18.186	21.186
Public Common Units	128.811	126.583	122.736
Valero Common Units	42.756	47.065	49.913
General Partners' Capital	1.487	1.345	1.111
	-----	-----	-----
Total Partners' Capital	173.054	174.993	173.760
	-----	-----	-----
Total Liabilities & Partners' Capital	1,039.195	1,014.962	990.003
	=====	=====	=====
Net Debt / Net Book Capitalization	77.5%	76.5%	75.9%

</TABLE>

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DILLON, READ & CO. INC.
PRELIMINARY & CONFIDENTIAL

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BASED ON 11/10/93 FORECAST

VALERO NATURAL GAS PARTNERS, L.P.
PROJECTED INCOME STATEMENTS

<TABLE>

<CAPTION>

	1993	1994	1995	1996	1997	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING INCOME:							
Total Gross Profits	240.601	243.467	259.594	268.717	274.549	265.446	267.040
Less Operating and General Expenses	102.820	118.831	124.095	127.163	129.957	132.935	135.983
Less O&M Savings	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Less G&A Savings	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Less Allocated Overhead Expenses	17.540	19.238	20.047	20.878	21.740	22.631	23.559
Operating Cash Flow / EBITDA	120.241	105.398	115.452	120.676	122.852	109.880	107.498
Less FMV Amortization	6.757	6.765	6.765	6.523	6.966	6.966	6.966
Less Depreciation and Amortization	29.652	31.246	31.188	31.846	32.505	33.185	33.880
Operating Income / EBIT	83.832	67.387	77.499	82.307	83.381	69.729	66.652

OTHER INCOME:

Minority Interest	(0.906)	(0.742)	(0.843)	(0.888)	(0.903)	(0.767)	(0.736)
Gain / (Loss) on Disposition	0.000	0.000	9.300	0.000	0.000	0.000	0.000
Interest Income	0.784	0.726	1.221	1.362	1.640	1.703	1.681
Other Income / (Expense)	0.432	0.019	0.000	0.000	0.000	0.000	0.000
	0.310	0.003	9.678	0.474	0.737	0.936	0.945

INTEREST EXPENSE:

Interest on Long-Term Debt	(55.599)	(53.187)	(50.501)	(47.544)	(44.286)	(38.030)	(37.584)
Interest on Short-Term Debt	(1.058)	(3.056)	(3.600)	(3.600)	(3.600)	(3.600)	(3.600)
Interest on New Funding Source	0.000	(2.772)	(6.444)	(6.840)	(7.344)	(7.974)	(8.892)
Capital Lease with VEC	(9.925)	(12.803)	(12.814)	(12.478)	(12.562)	(12.261)	(11.861)
Capitalized Interest	1.641	0.588	0.500	0.400	0.400	0.400	0.400
Other Interest Expense	(1.465)	0.887	2.733	1.732	2.289	2.500	2.500
Net Interest Expense	(66.406)	(70.342)	(70.126)	(68.329)	(65.103)	(58.965)	(59.037)
Net Income / (Loss)	17.736	(2.952)	17.051	14.452	19.015	11.700	8.559
Less General Partner's Interest	(0.483)	(0.075)	(0.469)	(0.413)	(0.512)	(0.368)	(0.306)
Net Income to Limited Partners	17.253	(3.027)	16.582	14.038	18.503	11.332	8.253
Allocated to Public Common Units	5.857	(4.801)	5.501	4.279	6.414	2.647	1.030
Allocated to Valero Common Units	11.397	1.774	11.082	9.759	12.089	8.685	7.224
Total Allocated to General Partner	1.388	0.817	1.312	1.302	1.415	1.135	1.042
Net Income Before Minority Interest	18.642	(2.210)	17.894	15.340	19.918	12.467	9.295
% of Total Net Income to Public Units	50.97%	50.97%	50.97%	50.97%	50.97%	50.97%	50.97%
% of Total Net Income to Valero Units	46.06%	46.06%	46.06%	46.06%	46.06%	46.06%	46.06%
% of Total Net Income to General Partner	2.97%	2.97%	2.97%	2.97%	2.97%	2.97%	2.97%
EBIT / Net Interest Expense	1.3 x	1.0 x	1.1 x	1.2 x	1.3 x	1.2 x	1.1 x
EBITDA / Net Interest Expense	1.8 x	1.5 x	1.6 x	1.8 x	1.9 x	1.9 x	1.8 x

</TABLE>

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DILLON, READ & CO. INC.
PRELIMINARY & CONFIDENTIAL

12/09/93 AT 05:44 PM
BASED ON 11/10/93 FORECAST

VALERO NATURAL GAS PARTNERS, L.P.
PROJECTED CASH FLOW STATEMENTS

<TABLE>

<CAPTION>

	1993	1994	1995	1996	1997	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
CASH FLOW FROM OPERATING ACTIVITIES:							
Net Income	17.736	(2.952)	17.051	14.452	19.015	11.700	8.559
Depreciation Expense	36.409	38.011	37.953	38.369	39.471	40.151	40.846
Minority Interest	0.906	0.742	0.843	0.888	0.903	0.767	0.736
Amortization of Deferred Charges	2.510	2.333	1.791	1.736	1.473	1.473	1.473
(Gain) / Loss on Dispositions	0.000	0.000	(9.300)	0.000	0.000	0.000	0.000

Cash Flow From Operations	57.561	38.134	48.338	55.445	60.862	54.091	51.614
(Inc.) / Dec. in Other Current Assets	37.472	(17.945)	(1.476)	(0.700)	7.800	(1.000)	(1.000)
(Inc.) / Dec. in Other Current Liabilities	(73.678)	2.505	(1.059)	(0.665)	(1.094)	0.328	(0.226)
(Inc.) / Dec. in Interest Escrow	0.553	0.620	0.689	0.756	0.834	0.000	0.000
Changes in Current Deferred Gas Charges	0.000	(14.013)	2.276	0.000	0.000	0.000	0.000
Changes in Non-Current Deferred Gas Charges	5.078	5.411	11.737	11.737	11.737	11.737	7.737
Changes in Other Assets	(1.073)	3.400	0.413	0.237	(8.566)	0.000	0.000
Changes in Deferred Credits and Other Liabilities	1.558	1.960	2.844	2.996	3.156	3.000	3.000
Changes in Capital Lease Obligations	0.870	0.988	1.121	0.303	0.000	0.000	0.000
Cash Provided By Operating Activities	28.341	21.060	64.883	70.109	74.729	68.156	61.125

CASH FLOW FROM INVESTING ACTIVITIES:

Maintenance Capital Expenditures	(27.000)	(27.000)	(28.000)	(28.000)	(29.000)	(29.000)	(29.000)
Other Capital Expenditures	(15.431)	(29.151)	(3.500)	0.000	0.000	0.000	0.000
Other, Net	2.491	0.000	12.500	0.000	0.000	0.000	0.000
Cash Provided / (Used) By Investing Activities	(39.940)	(56.151)	(19.000)	(28.000)	(29.000)	(29.000)	(29.000)

Cash Flow From Financing Activities:

Long-Term Debt Reduction	(25.357)	(27.857)	(30.357)	(32.857)	(35.357)	(37.900)	(37.000)
Capital Lease Obligation Reduction	(0.762)	(1.052)	(1.174)	(1.692)	(2.552)	(3.100)	(3.500)
Inc. / (Dec.) in Short-Term Notes	47.000	3.000	0.000	0.000	0.000	0.000	0.000
Inc. / (Dec.) in New Funding Source	0.000	88.000	3.000	8.000	6.000	11.500	14.000
(Inc.) / Dec. in Debt Service Escrow For Principal	(1.874)	(1.875)	(1.876)	(1.875)	(1.876)	0.000	0.000
Distributions to Public Unitholders	(4.876)	(4.876)	(4.876)	(4.876)	(4.876)	(4.876)	(4.876)
Distributions to Valero's Common Units	(4.368)	(4.368)	(4.376)	(4.376)	(4.376)	(4.376)	(4.376)
Distributions to General Partner	(1.201)	(1.276)	(1.276)	(1.276)	(1.276)	(1.276)	(1.276)
Cash Provided / (Used) By Financing	8.562	49.696	(40.935)	(38.952)	(44.313)	(40.028)	(37.028)

Net Increase / (Decrease) in Cash Balance	(3.037)	14.605	4.948	3.157	1.416	(0.872)	(4.903)
Cash Flow From Operations / Gross Interest Expense	0.8 x	0.5 x	0.7 x	0.8 x	0.9 x	0.9 x	0.9 x
Cash From Operating Activities / Gross Interest Expense	0.4 x	0.3 x	0.9 x	1.0 x	1.1 x	1.1 x	1.0 x

</TABLE>

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DILLON, READ & CO. INC.
PRELIMINARY & CONFIDENTIAL

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BASED ON 11/10/93 FORECAST

VALERO NATURAL GAS PARTNERS, L.P.
PROJECTED RESULTS FOR LIQUIDS SEGMENT

	Actual							
	1992	1993	1994	1995	1996	1997	1998	1999
	----	----	----	----	----	----	----	----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BASE CASE OPERATING ASSUMPTIONS								
NGL Production Volumes, mmmgals	0.880	1.062	1.165	1.173	1.173	1.173	1.173	1.173
Gas Cost Forecast (\$ per mmbtu)	1.610	1.98	2.06	2.16	2.20	2.24	2.28	2.32
Assumed Product Mix								

Avg Hou Price C2 Forecast (cents per gallon)	45.0%	21.870	22.250	24.340	25.060	25.420	25.420	25.420
Avg Hou Price C3 Forecast	28.2%	32.340	32.580	34.500	35.500	36.000	36.000	36.000
Avg Hou Price IC4 Forecast	6.6%	41.430	43.060	45.500	44.670	47.430	47.430	47.430
Avg Hou Price NC4 Forecast	8.6%	37.790	38.710	40.500	41.500	42.000	42.000	42.000
Avg Hou Price C5 Plus Forecast	11.6%	42.240	43.820	45.000	45.250	45.500	45.500	45.500

Aggregate NGL Price Per Gallon(a)	31.400	29.846	30.454	32.388	33.054	33.611	33.611	33.611
Less Gas Cost Per Barrel	(20.000)	(19.500)	(21.700)	(23.600)	(24.200)	(24.500)	(24.941)	(25.390)

Processing Margin, Cents Per Gallon	11.400	10.346	8.754	8.788	8.854	9.111	8.670	8.221

Implicit Transportation Charges	(3.114)	(3.481)	(1.900)	(1.941)	(1.818)	(2.029)	(1.914)	(1.927)

Base Case Gross Margin	8.286	6.864	6.854	6.847	7.037	11.140	10.584	10.149

OPERATING INCOME

Processing Gross Profit	\$100.270	\$109.845	\$101.955	\$103.105	\$103.882	\$106.899	\$105.551	\$105.711
Implicit Transportation Charges	(27.389)	(36.964)	(22.132)	(22.775)	(21.325)	(23.802)	(22.454)	(22.614)
Base Case Gross Profit	72.881	72.881	79.823	80.330	82.557	83.097	83.097	83.097
Reduction in Aggregate Margin		0.000	0.000	0.000	0.000	0.000	0.000	0.000
Impact on Gross Profit (b)		0.000	0.000	0.000	0.000	0.000	0.000	0.000
Adjusted Gross Profit		72.881	79.823	80.330	82.557	83.097	83.097	83.097
O&G Expenses at 100.0% of Base		(27.424)	(29.096)	(29.409)	(30.258)	(31.137)	(32.040)	(32.969)
Depreciation Expense		(8.214)	(8.899)	(8.974)	(9.230)	(9.493)	(9.759)	(10.032)
Total Operating Income Before FMV Amort. & Alloc. Exp.		37.243	41.828	41.947	43.069	42.467	41.298	40.096
FMV Depreciation Expense Allocated Expenses at 100.0% of Base		0.191	0.201	0.201	0.443	0.000	0.000	0.000
		(3.731)	(4.063)	(4.231)	(4.405)	(4.584)	(4.772)	(4.968)
Total Operating Income From Liquids Segment		33.703	37.966	37.917	39.107	37.883	36.526	35.128

</TABLE>

(a) Aggregate product margin is based upon the above pricing assumptions and the assumed product mix (at left).

(b) No adjustments have been made to company's projections for the liquids business.

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DILLON, READ & CO. INC.
PRELIMINARY & CONFIDENTIAL

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BASED ON 11/10/93 FORECAST

VALERO NATURAL GAS PARTNERS, L.P.
PROJECTED RESULTS FOR PIPELINE SEGMENT

<TABLE>
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	1993	1994	1995	1996	1997	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
GAS SALES ASSUMPTIONS:							
VTC Sales Volumes at 100.0% of Base	20.550	17.882	16.425	15.738	15.695	3.886	0.000
VTC Sales Margins at 100.0% of Base	1.2962	0.8963	0.6448	0.6691	0.6690	0.6691	0.6690
VTC Gross Profit, \$ millions	\$26.637	\$16.028	\$10.591	\$10.530	\$10.500	\$2.600	\$0.000
SMP Term Volumes at 100.0% of Base	160.375	136.529	148.355	158.854	168.419	180.776	185.222
SMP Term Margins at 100.0% of Base	0.2600	0.2830	0.2864	0.2913	0.2941	0.3087	0.3217
Gross Profit From SMP Term Sales, \$ millions	\$41.698	\$38.638	\$42.492	\$46.281	\$49.533	\$55.804	\$59.577
SMP Spot Volumes at 100.0% of Base	71.873	71.597	64.743	55.693	46.443	45.895	45.335
SMP Spot Margins at 100.0% of Base	0.1050	0.1230	0.1261	0.1263	0.1258	0.1270	0.1302
Gross Profit From SMP Spot Sales, \$ millions	\$7.547	\$8.806	\$8.167	\$7.036	\$5.842	\$5.830	\$5.902
636 Baseload Volumes at 100.0% of Base	6.760	26.645	26.645	26.718	26.645	26.725	26.805
636 Baseload Margins at 100.0% of Base	0.211	0.069	0.069	0.069	0.069	0.069	0.069
636 Baseload Reservation Fees at 100.0% of Base	0.000	0.899	0.899	0.899	0.899	0.899	0.899
Gross Profit From 636 Baseload Sales, \$ millions	\$1.426	\$2.735	\$2.735	\$2.740	\$2.735	\$2.741	\$2.746
636 Swing Volumes at 100.0% of Base	0.000	39.903	43.329	47.774	52.953	58.513	64.657
636 Swing Margins at 100.0% of Base	0.000	0.093	0.092	0.091	0.090	0.089	0.088
636 Swing Reservation Fees (Net of Storage) at 100.0% of Base	0.000	6.408	7.289	8.312	9.583	11.020	12.673
Gross Profit From 636 Swing Sales, \$ millions	\$0.000	\$10.128	\$11.284	\$12.665	\$14.347	\$16.222	\$18.352
Var. Interstate Volumes at 100.0% of Base	96.521	62.963	66.384	70.858	76.011	80.572	85.406
Var. Interstate Margins at 100.0% of Base	0.064	0.080	0.080	0.080	0.080	0.080	0.080
Gross Profit From Var. Interstate Sales,							

\$ millions	6.177	5.037	5.311	5.669	6.081	6.446	6.833
Off System Sales Volumes at 100.0% of Base	49.065	73.000	82.125	91.500	100.375	109.409	119.256
Off System Sales Margins at 100.0% of Base	0.035	0.050	0.050	0.050	0.050	0.050	0.050
Gross Profit From Off System Sales, \$ millions	1.717	3.650	4.106	4.575	5.019	5.470	5.963
Other Sales Revenue Sources:							
Futures Market	4.201	5.000	6.000	6.400	6.800	7.200	7.600
Shrinkage / Adjustments	12.334	3.000	3.000	3.000	3.000	3.000	3.000
Other, Net	2.620	3.018	3.462	3.459	3.627	3.627	3.627
	19.155	11.018	12.462	12.859	13.427	13.827	14.227
Total Gas Sales Volume	405.144	428.517	448.006	467.135	486.541	505.776	526.681
Average Sales Margin, \$ per mcf	0.258	0.224	0.217	0.219	0.221	0.215	0.216
Total Gross Profit From Gas Sales, \$ millions	104.357	96.041	97.148	102.354	107.485	108.940	113.600

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DILLON, READ & CO. INC. 12/09/93 AT 05:44 PM
PRELIMINARY & CONFIDENTIAL BASED ON 11/10/93 FORECAST

VALERO NATURAL GAS PARTNERS, L.P.
PROJECTED RESULTS FOR PIPELINE SEGMENT

<TABLE> <CAPTION>	1993	1994	1995	1996	1997	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
TRANSPORTATION REVENUES:							
Transportation Volumes at 100.0% of Base	482.606	528.430	593.973	595.576	593.707	600.062	606.513
Average Transportation Fees at 100.0% of Base	0.0971	0.0996	0.1131	0.1155	0.1162	0.1161	0.1160
Total Transportation Revenue	\$46.864	\$52.646	\$67.154	\$68.812	\$69.005	\$69.668	\$70.343
MISCELLANEOUS REVENUES:							
VTC	\$2.599	\$2.900	\$2.900	\$2.900	\$2.900	\$0.725	\$0.000
Cost of Service	6.303	0.000	0.000	0.000	0.000	0.000	0.000
SMP Cost of Service Reduction	(3.316)	0.000	0.000	0.000	0.000	0.000	0.000
VTC Transportation VHC	10.861	12.057	12.062	12.094	12.062	3.016	0.000
Other	0.052	0.000	0.000	0.000	0.000	0.000	0.000
	\$16.499	\$14.957	\$14.962	\$14.994	\$14.962	\$3.741	\$0.000
Sales Throughputs							
VTC Sales Volume	20.550	17.882	16.425	15.738	15.695	3.886	0.000
Term SMP Sales Volumes	160.375	136.529	148.355	158.854	168.419	180.776	185.222
Spot SMP Sales Volumes	71.873	71.597	64.743	55.693	46.443	45.895	45.335
636 Baseload Volumes	6.760	26.645	26.645	26.718	26.645	26.725	26.805
636 Swing Volumes	0.000	39.903	43.329	47.774	52.953	58.513	64.657
Var. Interstate Volumes	96.521	62.963	66.384	70.858	76.011	80.572	85.406
Off-System Volumes	49.065	73.000	82.125	91.500	100.375	109.409	119.256
Total Sales Volumes	405.144	428.517	448.006	467.135	486.541	505.776	526.681
Transportation Throughputs							
Paid Transportation	434.919	482.904	552.827	554.338	560.127	566.482	572.933
Free Transportation	47.687	45.526	41.146	41.238	33.580	33.580	33.580
Total Transportation	482.606	528.430	593.973	595.576	593.707	600.062	606.513
Total Volume of Throughput (bcf)	887.750	956.947	1,041.979	1,062.711	1,080.248	1,105.838	1,133.193
Average Volume Per Day (mmcf/d)	2.432	2.622	2.855	2.904	2.960	3.030	3.105
Total Gross Profits From Operations	167.720	163.644	179.264	186.160	191.452	182.349	183.943
O&G Expenses at 100.0% of Base	(75.396)	(89.735)	(94.686)	(96.905)	(98.820)	(100.895)	(103.014)
Depreciation Expense	(21.438)	(22.347)	(22.214)	(22.616)	(23.012)	(23.426)	(23.848)
Total Operating Income Before FMV Amort. & Alloc. Exp.	70.886	51.562	62.364	66.639	69.620	58.028	57.081
FMV Depreciation Expense	(6.948)	(6.966)	(6.966)	(6.966)	(6.966)	(6.966)	(6.966)
Allocated Expenses at 100.0% of Base	(13.809)	(15.175)	(15.816)	(16.473)	(17.156)	(17.859)	(18.592)
Post-Allocation Operating Income From Pipeline Segment	50.129	29.421	39.582	43.200	45.498	33.202	31.523

</TABLE>

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DILLON, READ & CO. INC.
PRELIMINARY & CONFIDENTIAL

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BASED ON 11/10/93 FORECAST

VALERO NATURAL GAS PARTNERS, L.P.
INPUTS FOR BASE FORECAST OPERATING ASSUMPTIONS

<TABLE>
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	1993	1994	1995	1996	1997	1998	1999
	----	----	----	----	----	----	----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
NATURAL GAS SALES:							
VTC Sales Volume	20.550	17.882	16.425	15.738	15.695	3.886	0.000
VTC Sales Margin, cents per mcf	1.2962	0.8963	0.6448	0.6691	0.6690	0.6691	0.6690
VTC Gross Profit, \$ millions	\$26.637	\$16.028	\$10.591	\$10.530	\$10.500	\$2.600	\$0.000
Sales Price for VTC Gas	\$4.850	\$4.920	\$4.450	\$4.250	\$4.290	\$4.190	
Term SMP Sales Volumes							
Current	160.375	136.529	139.230	140.554	140.994	140.994	140.994
New	0.000	0.000	9.125	18.300	27.425	39.783	44.228
Total	160.375	136.529	148.355	158.854	168.419	180.776	185.222
Term SMP Sales Margins							
Current Business	0.260	0.283	0.297	0.313	0.327	0.343	0.361
New Business	0.125	0.125	0.125	0.125	0.125	0.186	0.198
Average	0.260	0.283	0.286	0.291	0.294	0.309	0.322
Spot SMP Sales Volumes							
Current Business	71.873	71.597	73.868	73.993	73.868	73.868	73.868
New Business	0.000	0.000	(9.125)	(18.300)	(27.425)	(27.974)	(28.533)
Total	71.873	71.597	64.743	55.693	46.443	45.895	45.335
Spot SMP Sales Margins							
Current	0.105	0.103	0.103	0.099	0.094	0.089	0.084
Additional Margin Increase	0.000	0.020	0.023	0.027	0.032	0.037	0.044
New	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Average	0.105	0.123	0.126	0.126	0.126	0.127	0.130
636 Baseload Volumes							
636 Baseload Volumes	6.760	26.645	26.645	26.718	26.645	26.725	26.805
636 Baseload Margins	0.211	0.069	0.069	0.069	0.069	0.069	0.069
636 Baseload Revenues							
Sales	\$1.426	\$1.836	\$1.836	\$1.841	\$1.836	\$1.842	\$1.847
Reservation Fees	0.000	0.899	0.899	0.899	0.899	0.899	0.899
Total	1.426	2.735	2.735	2.740	2.735	2.741	2.746
636 Swing Volumes							
636 Swing Volumes	0.000	39.903	43.329	47.774	52.953	58.513	64.657
636 Swing Margins	0.000	0.093	0.092	0.091	0.090	0.089	0.088
636 Swing Revenues							
Sales	\$0.000	\$3.721	\$3.995	\$4.353	\$4.765	\$5.202	\$5.679
Reservation Fees (Net of Storage)	0.000	6.408	7.289	8.312	9.583	11.020	12.673
Total	0.000	10.128	11.284	12.665	14.347	16.222	18.352

</TABLE>

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DILLON, READ & CO. INC.
PRELIMINARY & CONFIDENTIAL

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BASED ON 11/10/93 FORECAST

VALERO NATURAL GAS PARTNERS, L.P.
INPUTS FOR BASE FORECAST OPERATING ASSUMPTIONS

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	1993	1994	1995	1996	1997	1998	1999
	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
NATURAL GAS SALES (CONTINUED):							
Var. Interstate Volumes	96.521	62.963	66.384	70.858	76.011	80.572	85.406
Var. Interstate Margins	0.064	0.080	0.080	0.080	0.080	0.080	0.080
	-----	-----	-----	-----	-----	-----	-----
Var. Interstate Revenues	\$6.177	\$5.037	\$5.311	\$5.669	\$6.081	\$6.446	\$6.833
Off-System Volumes	49.065	73.000	82.125	91.500	100.375	109.409	119.256
Off-System Margins	0.035	0.050	0.050	0.050	0.050	0.050	0.050
	-----	-----	-----	-----	-----	-----	-----
Off-System Revenues	\$1.717	\$3.650	\$4.106	\$4.575	\$5.019	\$5.470	\$5.963
Total Sales Revenues							
Term Sales	\$41.698	\$38.638	\$42.492	\$46.281	\$49.533	\$55.804	\$59.577
Spot Sales	7.547	8.806	8.167	7.036	5.842	5.830	5.902
636 Sales	1.426	12.864	14.019	15.405	17.083	18.963	21.098
Var. Interstate	6.177	5.037	5.311	5.669	6.081	6.446	6.833
Off-System	1.717	3.650	4.106	4.575	5.019	5.470	5.963
Futures Market	4.201	5.000	6.000	6.400	6.800	6.800	6.800
Shrinkage / Adjustments	12.334	3.000	3.000	3.000	3.000	3.000	3.000
Other, Net	2.921	3.008	3.528	3.507	3.528	3.528	3.528
	-----	-----	-----	-----	-----	-----	-----
	\$78.021	\$80.003	\$86.623	\$91.873	\$96.886	\$105.841	\$112.701

TRANSPORTATION FEES:

Transportation Volumes							
Current	447.321	401.779	409.078	417.485	423.678	430.033	436.484
Free Transportation	47.687	45.526	41.146	41.238	33.580	33.580	33.580
Reimbursement	(12.402)	(12.402)	(12.402)	(12.402)	(12.402)	(12.402)	(12.402)
New	0.000	93.526	156.151	149.255	148.851	148.851	148.851
	-----	-----	-----	-----	-----	-----	-----
Total	482.606	528.430	593.973	595.576	593.707	600.062	606.513
Transportation Fees Per Mcf							
Current	0.108	0.101	0.102	0.105	0.105	0.105	0.105
Free Transportation	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reimbursement	0.113	0.113	0.113	0.113	0.113	0.113	0.113
New	0.000	0.143	0.172	0.175	0.175	0.175	0.175
	-----	-----	-----	-----	-----	-----	-----
Average For Net Fees	0.097	0.100	0.113	0.116	0.116	0.116	0.116
Total Transportation Fees	\$46.864	\$52.646	\$67.154	\$68.812	\$69.005	\$69.668	\$70.343
Plus / (Less) Other	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	-----	-----	-----	-----	-----	-----	-----
Net Transportation Fees	46.864	52.646	67.154	68.812	69.005	69.668	70.343

</TABLE>

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DILLON, READ & CO. INC.
PRELIMINARY & CONFIDENTIAL

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BASED ON 11/10/93 FORECAST

VALERO NATURAL GAS PARTNERS, L.P.
INPUTS FOR BASE FORECAST OPERATING ASSUMPTIONS

	1993	1994	1995	1996	1997	1998	1999
	----	----	----	----	----	----	----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
INTEREST EXPENSE:							
Interest Income Rate		2.0%	1.9%	2.3%	2.3%	2.6%	2.6%
Short-Term Lending Rate		4.5%	6.3%	7.2%	7.2%	7.2%	7.2%
New Funding Int. Rate		4.5%	6.3%	7.2%	7.2%	7.2%	7.2%
Effective Interest Rate on FMBs		10.7%	10.7%	10.8%	10.9%	11.0%	11.5%
Long-Term Debt Reduction		(25.357)	(27.857)	(30.357)	(32.857)	(35.357)	(37.900)
Capital Lease Obligation Reduction		(0.762)	(1.052)	(1.174)	(1.692)	(2.552)	(3.100)
Inc. / (Dec.) in Short-Term Notes		47.000	3.000	0.000	0.000	0.000	0.000
Inc. / (Dec.) in New Funding Source		0.000	88.000	3.000	8.000	6.000	11.500
Amount of Short-Term Debt	0.000	47.000	50.000	50.000	50.000	50.000	50.000
Amount From New Funding Source	0.000	0.000	88.000	91.000	99.000	105.000	130.500
	-----	-----	-----	-----	-----	-----	-----
Amount of Non Long-Term Debt	0.000	47.000	138.000	141.000	149.000	155.000	180.500

Amount of Free Cash	6.598	3.561	18.166	23.113	26.270	27.686	26.815	21.912
Amount of Cash	39.462	37.746	53.606	59.740	64.016	66.474	65.603	60.700
Amount of First Mortgage Bonds	534.286	509.286	481.786	451.786	419.286	383.986	346.086	309.086
Interest Income		0.784	0.726	1.221	1.362	1.640	1.703	1.681
Interest on First Mortgage Notes		55.599	53.187	50.501	47.544	44.286	38.030	37.584
Interest on Capital Leases		9.925	12.803	12.814	12.478	12.562	12.261	11.861
Interest on Short-Term Debt		1.058	3.056	3.600	3.600	3.600	3.600	3.600
Interest on New Funding Source		0.000	2.772	6.444	6.840	7.344	7.974	8.892
Capitalized Interest Expense		(1.641)	(0.588)	(0.500)	(0.400)	(0.400)	(0.400)	(0.400)
Other Interest Expense		1.465	(0.887)	(2.733)	(1.732)	(2.289)	(2.500)	(2.500)
		-----	-----	-----	-----	-----	-----	-----
Total Interest Expense		66.406	70.342	70.126	68.329	65.103	58.965	59.037

</TABLE>

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DILLION, READ & CO. INC.
PRELIMINARY & CONFIDENTIAL

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BASED ON 11/10/93 FORECAST

VALERO NATURAL GAS PARTNERS, L.P.
INPUTS FOR BASE FORECAST OPERATING ASSUMPTIONS

<TABLE>

	1993	1994	1995	1996	1997	1998	1999
	----	----	----	----	----	----	----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
CASH FLOW ITEMS (Company Breakout):							
Tale-or Pay Recoveries							
(Dec.) / Inc. in Current Deferred Gas	0.000	(14.013)	2.276	0.000	0.000	0.000	0.000
(Dec.) / Inc. in Non-Current Deferred Gas	5.078	5.411	11.737	11.737	11.737	11.737	7.737
Inc. / (Dec.) in Other Current Liabilities	(2.083)	(1.145)	0.000	0.000	0.000	0.000	0.000
Inc. / (Dec.) in Deferred Credits	(0.916)	(0.952)	0.000	0.000	0.000	0.000	0.000
	-----	-----	-----	-----	-----	-----	-----
Total	2.079	(10.699)	14.013	11.737	11.737	11.737	7.737
(Dec.) / Inc. in Other Assets	2.636	2.912	3.044	3.196	3.356	3.000	3.000
Inc. / (Dec.) in Other Current Liabilities	(8.500)	0.000	0.000	0.000	0.000	0.000	0.000
Increase in Storage							
(Dec.) / Inc. in Other Current Assets	37.472	(17.945)	(1.476)	(0.700)	7.800	(1.000)	(1.000)
(Dec.) / Inc. in Other Assets	(3.709)	0.488	(2.631)	(2.959)	(11.922)	(3.000)	(3.000)
Inc. / (Dec.) in Deferred Credits	0.932	2.707	4.066	4.124	4.916	3.372	3.926
Inc. / (Dec.) in Other Current Liabilities	(63.095)	3.650	(1.059)	(0.665)	(1.094)	0.328	(0.226)
	-----	-----	-----	-----	-----	-----	-----
Total	(28.400)	(11.100)	(1.100)	(0.200)	(0.300)	(0.300)	(0.300)
Other Changes							
Inc. / (Dec.) in Deferred Credits	1.542	0.205	(1.222)	(1.128)	(1.760)	(0.372)	(0.926)
(Dec.) / Inc. in Interest Escrow	0.553	0.620	0.689	0.756	0.834	0.000	0.000
	-----	-----	-----	-----	-----	-----	-----
Total	2.095	0.825	(0.533)	(0.372)	(0.926)	(0.372)	(0.926)
Total Inc. / (Dec.) in Assets							
Current Deferred Gas Costs	0.000	(14.013)	2.276	0.000	0.000	0.000	0.000
Other Current Assets	37.472	(17.945)	(1.476)	(0.700)	7.800	(1.000)	(1.000)
Non-Current Gas Costs	5.078	5.411	11.737	11.737	11.737	11.737	7.737
Interest Escrow	0.553	0.620	0.689	0.756	0.834	0.000	0.000
Other Assets	(1.073)	3.400	0.413	0.237	(8.566)	0.000	0.000
Total Dec. / (Inc.) in Liabilities							
Other Current Liabilities	(73.678)	2.505	(1.059)	(0.665)	(1.094)	0.328	(0.226)
Deferred Credits	1.558	1.960	2.844	2.996	3.156	3.000	3.000
Net Adjustment on CF Statement	(30.090)	(18.062)	15.424	14.361	13.867	14.065	9.511
Other Cash Flow Items							
Amortization of Deferred Charges	2.510	2.333	1.791	1.736	1.473	1.473	1.473
Changes in Capital Lease Obligations	0.870	0.988	1.121	0.303	0.000	0.000	0.000
Total Capital Expenditures	(42.431)	(56.151)	(31.500)	(28.000)	(29.000)	(29.000)	(29.000)
Other Capital Expenditures	(27.000)	(27.000)	(28.000)	(28.000)	(29.000)	(29.000)	(29.000)
Other Net	2.491	0.000	12.500	0.000	0.000	0.000	0.000

</TABLE>

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DILLION, READ & CO. INC.
PRELIMINARY & CONFIDENTIAL

12/09/93 AT 05:44PM
BASED ON 11/10/93 FORECAST

VALERO NATURAL GAS PARTNERS, L.P.
INPUTS FOR BASE FORECAST OPERATING ASSUMPTIONS

<TABLE>
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	1993	1994	1995	1996	1997	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
THROUGHPUT ANALYSIS:							
VTC Sales Volume	20.550	17.882	16.425	15.738	15.695	3.886	0.000
Term SMP Sales Volumes	160.375	136.529	148.355	158.854	168.419	180.776	185.222
Spot SMP Sales Volumes	71.873	71.597	64.743	55.693	46.443	45.895	45.335
636 Baseload Volumes	6.760	26.645	26.645	26.718	26.645	26.725	26.805
636 Swing Volumes	0.000	39.903	43.329	47.774	52.953	58.513	64.657
Var. Interstate Volumes	96.521	62.963	66.384	70.858	76.011	80.572	85.406
Off-System Volumes	49.065	73.000	82.125	91.500	100.375	109.409	119.256
Total Sales Volumes	405.144	428.517	448.006	467.135	486.541	505.776	526.681
Paid Transportation Volumes	434.919	482.904	552.827	554.338	560.127	566.482	572.933
Free Transportation Volumes	47.687	45.526	41.146	41.238	33.580	33.580	33.580
Total Volumes (bcf)	887.750	956.947	1,041.979	1,062.711	1,080.248	1,105.838	1,133.193
Volume Per Day (mmcf/d)	2.432	2.622	2.855	2.904	2.960	3.030	3.105

AMORTIZATION SCHEDULES:

(Inc.) / Dec. in Debt Service Escrow For Principal	(1.874)	(1.875)	(1.876)	(1.875)	(1.876)	0.000	0.000
Distributions to Public Units	(4.876)	(4.876)	(4.876)	(4.876)	(4.876)	(4.876)	(4.876)
Distributions to Valero Units	(4.368)	(4.368)	(4.376)	(4.376)	(4.376)	(4.376)	(4.376)
Distributions to General Partner	(1.201)	(1.276)	(1.276)	(1.276)	(1.276)	(1.276)	(1.276)

OPERATING EXPENSES:

NATURAL GAS SEGMENT EXPENSES:

O&G Expense Excluding OH & FMV Amortization	(75.396)	(89.735)	(94.686)	(96.905)	(98.820)	(100.895)	(103.014)
Depreciation Expense Excluding FMV Amortization	(21.438)	(22.347)	(22.214)	(22.616)	(23.012)	(23.426)	(23.848)
Less FMV Depreciation Expense	(6.948)	(6.966)	(6.966)	(6.966)	(6.966)	(6.966)	(6.966)
Less Allocated Expenses	(13.809)	(15.175)	(15.816)	(16.473)	(17.156)	(17.859)	(18.592)

LIQUIDS SEGMENT EXPENSES:

Operating and General Expenses	(27.424)	(29.096)	(29.409)	(30.258)	(31.137)	(32.040)	(32.969)
Depreciation Expense	(8.214)	(8.899)	(8.974)	(9.230)	(9.493)	(9.759)	(10.032)
Less FMV Depreciation Expense	0.191	0.201	0.201	0.443	0.000	0.000	0.000
Less Allocated Expenses	(3.731)	(4.063)	(4.231)	(4.405)	(4.584)	(4.772)	(4.968)

</TABLE>

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DILLON, READ & CO. INC.
PRELIMINARY & CONFIDENTIAL

12/09/93 AT 05:44 PM
BASED ON 11/10/93 FORECAST

VALERO NATURAL GAS PARTNERS, L.P.
YEAR-TO-YEAR PERCENTAGE CHANGES FOR BASE FORECAST ASSUMPTIONS

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	1993	1994	1995	1996	1997	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
NATURAL GAS SALES:							
VTC Sales Volume	-13.0%	-8.1%	-4.2%	-0.3%	-75.2%	-100.0%	
VTC Sales Margin, cents per mcf	-30.9%	-28.1%	3.8%	-0.0%	0.0%	-0.0%	
VTC Gross Profit, \$ millions	-39.8%	-33.9%	-0.6%	-0.3%	-75.2%	-100.0%	

Term SMP Sales Volumes						
Current	-14.9%	2.0%	1.0%	0.3%	0.0%	0.0%
New	NA	NA	100.5%	49.9%	45.1%	11.2%
Total	-14.9%	8.7%	7.1%	6.0%	7.3%	2.5%
Term SMP Sales Margins						
Current	8.8%	4.9%	5.4%	4.5%	5.0%	5.0%
New	0.0%	0.0%	0.0%	0.0%	48.7%	6.4%
Average	8.8%	1.2%	1.7%	0.9%	5.0%	4.2%
Spot SMP Sales Volumes						
Current	-0.4%	3.2%	0.2%	-0.2%	0.0%	0.0%
New	NA	NA	100.5%	49.9%	2.0%	2.0%
Total	-0.4%	-9.6%	-14.0%	-16.6%	-1.2%	-1.2%
Spot SMP Sales Margins						
Current	-1.9%	0.0%	-3.9%	-5.6%	-5.0%	-5.0%
Additional Margin Increase	NA	15.0%	17.4%	18.5%	17.0%	17.0%
New	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average	17.1%	2.6%	0.1%	-0.4%	1.0%	2.5%
636 Baseload Volumes						
636 Baseload Volumes	294.2%	0.0%	0.3%	-0.3%	0.3%	0.3%
636 Baseload Margins	-67.3%	0.0%	-0.0%	0.0%	0.0%	0.0%
636 Baseload Revenues						
Sales	28.7%	0.0%	0.3%	-0.3%	0.3%	0.3%
Reservation Fees	NA	0.0%	0.0%	0.0%	0.0%	0.0%
Total	91.8%	0.0%	0.2%	-0.2%	0.2%	0.2%
636 Swing Volumes						
636 Swing Volumes	NA	8.6%	10.3%	10.8%	10.5%	10.5%
636 Swing Margins	NA	-1.1%	-1.2%	-1.2%	-1.2%	-1.2%
636 Swing Revenues						
Sales	NA	7.4%	9.0%	9.5%	9.2%	9.2%
Reservation Fees	NA	13.8%	14.0%	15.3%	15.0%	15.0%
Total	NA	11.4%	12.2%	13.3%	13.1%	13.1%

</TABLE>

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DILLON, READ & CO. INC.
PRELIMINARY & CONFIDENTIAL

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VALERO NATURAL GAS PARTNERS, L.P.
YEAR-TO-YEAR PERCENTAGE CHANGES FOR BASE FORECAST ASSUMPTIONS

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	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
NATURAL GAS SALES (CONTINUED):							
Var. Interstate Volumes		-34.8%	5.4%	6.7%	7.3%	6.0%	6.0%
Var. Interstate Margins		25.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Var. Interstate Revenues		-18.5%	5.4%	6.7%	7.3%	6.0%	6.0%
Off-System Volumes		48.8%	12.5%	11.4%	9.7%	9.0%	9.0%
Off-System Margins		42.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Off-System Revenues		112.5%	12.5%	11.4%	9.7%	9.0%	9.0%
TOTAL SALES REVENUES							
Term Sales		-7.3%	10.0%	8.9%	7.0%	12.7%	6.8%
Spot Sales		16.7%	-7.3%	-13.9%	-17.0%	-0.2%	1.2%
636 Sales		801.9%	9.0%	9.9%	10.9%	11.0%	11.3%
Var. Interstate		-18.5%	5.4%	6.7%	7.3%	6.0%	6.0%
Off-System		112.5%	12.5%	11.4%	9.7%	9.0%	9.0%
Futures Market		19.0%	20.0%	6.7%	6.3%	0.0%	0.0%
Shrinkage / Adjustments		-75.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Other, Net		3.0%	17.3%	-0.6%	0.6%	0.0%	0.0%
		2.5%	8.3%	6.1%	5.5%	9.2%	6.5%

TRANSPORTATION FEES:

Transportation Volumes						
Current	-10.2%	1.8%	2.1%	1.5%	1.5%	1.5%
Reimbursement	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
New	NA	67.0%	-4.4%	-0.3%	0.0%	0.0%
Total	9.5%	12.4%	0.3%	-0.3%	1.1%	1.1%
Transportation Fees Per Mcf						
Current	-6.2%	0.8%	3.4%	-0.9%	-0.0%	0.0%

Reimbursement	0.0%	0.0%	0.3%	-0.3%	0.0%	0.0%
New	NA	20.1%	2.0%	0.0%	0.0%	0.0%
Average For Net Fees	2.6%	13.5%	2.2%	0.6%	-0.1%	-0.1%
Total Transportation Fees	12.3%	27.6%	2.5%	0.3%	1.0%	1.0%
Plus / (Less) Other	NA	NA	NA	NA	NA	NA
Net Transportation Fees	12.3%	27.6%	2.5%	0.3%	1.0%	1.0%

</TABLE>

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12/09/93 AT 05:44 PM
BASED ON 11/10/93 FORECAST

VALERO NATURAL GAS PARTNERS, L.P.
YEAR-TO-YEAR PERCENTAGE CHANGES FOR BASE FORECAST ASSUMPTIONS

	1993	1994	1995	1996	1997	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING EXPENSES:							
Nat. Gas O&G Expense Excluding OH & FMV Amortization		19.0%	5.5%	2.3%	2.0%	2.1%	2.1%
Nat. Gas Depreciation Expense Excluding FMV Amortization		4.2%	-0.6%	1.8%	1.8%	1.8%	1.8%
Nat. Gas FMV Depreciation Expense	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nat. Gas Allocated Expenses	9.9%	4.2%	4.2%	4.2%	4.1%	4.1%	4.1%
Liquids Operating and General Expenses		6.1%	1.1%	2.9%	2.9%	2.9%	2.9%
Liquids Depreciation Expense		8.3%	0.8%	2.9%	2.8%	2.8%	2.8%
Liquids FMV Depreciation Expense		5.2%	0.2%	120.0%	-100.0%	NA	NA
Liquids Allocated Expenses		8.9%	4.1%	4.1%	4.1%	4.1%	4.1%

</TABLE>

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12/09/93 AT 07:57 PM
BASED ON 11/16/93 FORECAST

VALERO NATURAL GAS PARTNERS, L.P.
DISCOUNTED CASH FLOW ANALYSIS

	1994	1995	1996	1997	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
DERIVATION OF UNLEVENED CASH FLOWS:						
Cash Flow From Operations (a)	\$23.1	\$ 43.0	\$ 52.0	\$ 59.3	\$54.4	\$56.0
Net Take-or-Pay Recoveries / (Payments)	(8.6)	14.0	11.7	11.7	11.7	7.7
Changes in Working Capital and Other Items	(8.5)	2.5	2.9	2.1	2.3	1.8
Interest Expense	70.3	70.1	68.3	65.1	59.0	59.0
Unlevered Cash From Operating Activities	76.4	129.7	135.0	138.2	127.5	124.5
Less Maintenance Capital Expenditures	(27.0)	(28.0)	(28.0)	(29.0)	(29.0)	(29.0)
Less Growth Capital Expenditures	(29.2)	(3.5)	0.0	0.0	0.0	0.0
Unlevered Free Cash Flow	\$20.3	\$ 98.2	\$107.0	\$109.2	\$98.5	\$95.5

</TABLE>

	DISCOUNT RATE				
	10.0%	10.5%	11.0%	11.5%	12.0%
<S>	<C>	<C>	<C>	<C>	<C>
ESTIMATED VALUE AT 12/31/93	\$387.6	\$382.1	\$376.7	\$371.5	\$366.3

</TABLE>

DERIVATION OF TERMINAL VALUE:

<TABLE>
<CAPTION>

Discounted Value of Terminal Value	Multiple Of 1999E EBITDA	Discount Rate				
		10.0%	10.5%	11.0%	11.5%	12.0%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
	7.5x	\$499.5	\$487.2	\$475.3	\$463.7	\$452.4
	8.0x	532.8	519.7	506.9	494.6	482.5
	8.5x	566.1	552.2	538.6	525.5	512.7
	9.0x	599.4	584.6	570.3	556.4	542.9

</TABLE>

DERIVATION OF ESTIMATED VALUE OF PARTNERS' CAPITAL AT 12/31/93:

<TABLE>
<CAPTION>

Discounted Value of Total Operations	Assumed Multiple	Discount Rate				
		10.0%	10.5%	11.0%	11.5%	12.0%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
	7.5x	\$887.1	\$869.3	\$852.0	\$835.1	\$818.7
	8.0x	920.4	901.8	883.7	866.1	848.9
	8.5x	953.7	934.3	915.4	897.0	879.0
	9.0x	987.0	966.8	947.1	927.9	909.2

Less Estimated Net Debt at 12/31/93

</TABLE>

<TABLE>
<CAPTION>

Estimated Value of Total Partners' Capital	Assumed Multiple	Discount Rate				
		10.0%	10.5%	11.0%	11.5%	12.0%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
	7.5x	\$220.7	\$202.9	\$185.6	\$168.8	\$152.3
	8.0x	254.0	235.4	217.3	199.7	182.5
	8.5x	287.3	267.9	249.0	230.6	212.7
	9.0x	320.6	300.4	280.7	261.5	242.8

</TABLE>

Estimated Value Per Public Unit (Assumes that 51.0% of total value accrues to 9.71 million public units)

<TABLE>
<Caption>

	Assumed Multiple	Discount Rate				
		10.0%	10.5%	11.0%	11.5%	12.0%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
	7.5x	\$11.59	\$10.65	\$9.74	\$8.86	\$8.00
	8.0x	13.33	12.36	11.41	10.48	9.58
	8.5x	15.08	14.06	13.07	12.10	11.16
	9.0x	16.83	15.77	14.73	13.73	12.75

</TABLE>

(a) Assumes combined annual savings from O&M and G&A expenses of \$5.0 million. Also, assumes downward revisions for NGL prices.

SAVINGS: \$5.0 MILLION
NGLs: Down

CALCULATION OF NET DEBT AT 12/31/93

<TABLE>

<S>	<C>
Total Long-term Debt	\$506.4
Plus Capital Leases	103.8
Plus Current Maturities	27.9
Plus Current Lease Payments	1.1
Plus Short-Term Notes	47.0
Other Adjustments	18.0
Less Cash & Equivalents	(3.6)
Less Escrow of Debt Principal	(20.9)
Less Escrow of Interest Costs	(13.3)
Net Debt at 12/31/93	\$666.4

</TABLE>

OTHER ITEMS

<TABLE>

<S>	<C>
1999E Operating Cash Flow / EBITDA	\$112.5
Number of Public Units, millions	9.711919
Effective Percentage of Total Capital	51.0%

</TABLE>

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12/21/93 AT12:47 PM
BASED ON 11/10/93 FORECAST

VALERO NATURAL GAS PARTNERS, L.P.
PROJECTED RESULTS FOR PIPELINE SEGMENT

<TABLE>

<CAPTION>

	1994	1995	1996	1997	1998	1999
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
DERIVATION OF UNLEVELED CASH FLOWS:						
Cash Flow From Operations (a)	\$ 48.1	\$ 58.6	\$ 65.9	\$ 71.6	\$ 65.2	\$ 63.0
Net Take-or-Pay Recoveries / (Payments)	(8.6)	14.0	11.7	11.7	11.7	7.7
Changes in Working Capital and Other Items	(8.5)	2.5	2.9	2.1	2.3	1.8
Interest Expense	70.3	70.1	68.3	65.1	59.0	59.0
	-----	-----	-----	-----	-----	-----
Unlevered Cash From Operation Activities	101.4	145.2	148.9	150.6	138.2	131.5
Less Maintenance Capital Expenditures	(27.0)	(28.0)	(28.0)	(29.0)	(29.0)	(29.0)
Less Growth Capital Expenditures	(29.2)	(3.5)	0.0	0.0	0.0	0.0
	-----	-----	-----	-----	-----	-----
Unlevered Free Cash Flow	\$ 45.3	\$ 113.7	\$ 120.9	\$ 121.6	\$ 109.2	\$ 102.5

</TABLE>

<TABLE>

<CAPTION>

Discounted Value of Cash Flows (Using Mid Year Discounting)	Discount Rate				
	10.0%	10.5%	11.0%	11.5%	12.0%
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Estimated Value at 12/31/93	\$455.9	\$449.8	\$443.8	\$437.9	\$432.1

</TABLE>

DERIVATION OF TERMINAL VALUE:

<TABLE>

<CAPTION>

Discounted Value of Terminal Value	Multiple Of 1999E EBITDA	Discount Rate				
		10.0%	10.5%	11.0%	11.5%	12.0%
		-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
	7.5 x	\$521.7	\$508.9	\$496.4	\$484.3	\$472.5
	8.0 x	556.5	542.8	529.5	516.5	504.0
	8.5 x	591.3	576.7	562.6	548.8	535.5
	9.0 x	626.1	610.6	595.7	581.1	567.0

</TABLE>

DERIVATION OF ESTIMATED VALUE OF PARTNERS' CAPITAL AT 12/31/93:

<TABLE>

<CAPTION>

Discounted Value of Total Operations	Assumed Multiple	Discount Rate				
		10.0%	10.5%	11.0%	11.5%	12.0%
		-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
	7.5 x	\$ 997.6	\$ 958.6	\$ 940.1	\$ 922.1	\$904.6
	8.0 x	1,012.4	992.6	973.2	954.4	936.1
	8.5 x	1,047.2	1,026.5	1,006.3	986.7	967.6
	9.0 x	1,082.0	1,060.4	1,039.4	1,019.0	999.1
Less Estimated Net Debt at 12/31/93		\$ 666.4	\$ 666.4	\$ 666.4	\$ 666.4	\$666.4

</TABLE>

<TABLE>
<CAPTION>

Estimated Value of Total Partners' Capital -----	Asusumed Multiple	Discount Rate				
		10.0%	10.5%	11.0%	11.5%	12.0%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
	7.5 x	\$311.2	\$292.2	\$273.8	\$255.8	\$238.2
	8.0 x	346.0	326.2	306.8	288.0	269.7
	8.5 x	380.8	360.1	339.9	320.3	301.2
	9.0 x	415.6	394.0	373.0	352.6	332.7

</TABLE>

ESTIMATED VALUE PER PUBLIC UNIT (ASSUMES THAT 51.0% OF TOTAL VALUE ACCRUES TO
9.71 MILLION PUBLIC UNITS)

<TABLE>
<CAPTION>

	Asusumed Multiple	Discount Rate				
		10.0%	10.5%	11.0%	11.5%	12.0%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
	7.5 x	\$16.34	\$15.34	\$14.37	\$13.42	\$12.50
	8.0 x	18.16	17.12	16.11	15.12	14.16
	8.5 x	19.99	18.90	17.84	16.81	15.81
	9.0 x	21.81	20.68	19.58	18.51	17.46

</TABLE>

(a) Assumes combined annual savings from O&M and G&A expenses of \$10.0
million. Also, assumes base case projections for NGL business.

SAVINGS: \$10.0 million
NGLs: Base

CALCULATION OF NET DEBT AT 12/31/93

<TABLE>	<C>
<S>	
Total Long Term Debt	\$506.4
Plus Capital Lessees	103.8
Plus Current Maturities	27.9
Plus Current Lease Payments	1.1
Plus Short-Term Notes	47.0
Other Adjustments	18.0
Less Cash & Equivalents	(3.6)
Less Escrow of Debt Principal	(20.9)
Less Escrow of Interest Costs	(13.3)

Net Debt at 12/31/93	\$666.4

</TABLE>

OTHER ITEMS

<TABLE>	<C>
<S>	
1999E Operating cash Flow / EBITDA	\$117.5
Number of Public Units, millions	9.711919
Effective Percentage of Total Capital	51.0%

</TABLE>

VALERO NATURAL GAS PARTNERS, L.P.
 IMPLIED VALUATION RANGES BASED ON PEER GROUP TRADING MULTIPLES

 Implied Valuation of Total Partners' Capital

<TABLE>
 <CAPTION>

Valuation Criteria	Adj. VLP Results(a)	Comparable Company Trading Multiples (b)				Implied Market Capitalization For VLP (c)		Implied Equity Market Value For VLP (c)	
		Mean	Median	High	Low	Mean	Median	Mean	Median
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
LTM Net Income to Common	\$ (1.7)	15.9x	16.4x	19.9x	11.0x	\$627.6	\$627.6	NA	NA
LTM Cash Flow From Operations	41.4	6.7x	6.8x	8.4x	4.6x	903.5	909.9	275.9	282.3
1994E Cash Flow From Operations	39.3	6.5x	6.5x	6.9x	6.1x	882.6	882.6	255.0	255.0
1993E Net Income	13.6	18.2x	18.2x	18.8x	17.5x	874.9	874.9	247.3	247.3
1994E Net Income	16.1	14.7x	14.7x	15.1x	14.4x	864.8	864.8	237.2	237.2
LTM Operating Cash Flow / EBITDA	104.0	8.3x	7.7x	11.3x	6.5x	863.9	802.2	236.4	174.6

</TABLE>

 Implied Value of Public Units Assuming 51.0% of Partners' Value is Represented

 By Public Values

<TABLE>
 <CAPTION>

Valuation Criteria	Total Value of Public Units				Value Per Public Unit			
	Mean	Median	High	Low	Mean	Median	High	Low
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
LTM Net Income to Common	NA	NA	NA	NA	NA	NA	NA	NA
LTM Cash Flow From Operations	140.6	143.9	177.2	97.55	14.48	14.82	18.24	10.04
1994E Cash Flow From Operations	130.0	130.0	138.8	121.2	13.38	13.38	14.29	12.48
1993E Net Income	126.1	126.1	130.7	121.4	12.98	12.98	13.46	12.50
1994E Net Income	120.9	120.9	123.6	118.2	12.45	12.45	12.73	12.17
LTM Operating Cash Flow/EBITDA	120.5	89.0	279.7	24.2	12.41	9.16	28.80	2.49

</TABLE>

-
- (a) Latest twelve months results for Valero Natural Gas Partners, L.P. are for period ended September 30, 1993. Results are tax affected at 0.0% to make comparative analysis relevant. Taxes are assumed to be current (i.e., Deferred = 0) Projected net income figures, also tax affected, represent the median earnings estimates made by Wall Street research analysts (as reported by I.B.E.S. as of 11/18/93). LTM based financials adjusted to reflect non-recurring items.
- (b) Comparable companies used in analysis include Aquila Gas Pipeline, Associated Natural Gas, Trident NGL, and Western Gas Resources. Market Resources. Market values are as of 12/07/93.
- (c) Net debt = \$627.6 million.

Valero Natural Gas Partners, L.P.
 Implied Valuation Ranges Based on Industry Trading Multiples

 Implied Valuation of Total Partners' Capital

<TABLE>
 <CAPTION>

	Implied Market	Implied Equity
--	----------------	----------------

Valuation Criteria	Adj. VLP Results(a)	Comparable Company Trading Multiples(b)				Capitalization For VLP(c)		Market Value For VLP(c)	
		Mean	Median	High	Low	Mean	Median	Mean	Median
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
LTM Net Income to Common	(\$1.1)	21.8x	21.6x	36.7x	10.7x	\$627.6	\$627.6	NA	NA
LTM Cash Flow From Operations	41.4	7.4x	8.3x	9.7x	4.6x	932.9	972.5	305.3	344.9
1994E Cash Flow From Operations	39.3	6.4x	6.9x	8.3x	3.6x	881.1	899.8	253.5	272.2
1993E Net Income	13.6	22.3x	20.5x	32.9x	12.3x	932.0	907.2	304.4	279.6
1994E Net Income	16.1	15.9x	14.7x	21.9x	9.9x	883.8	864.8	256.3	237.2
LTM Operating Cash Flow/EBITDA	104.0	8.2x	8.7x	11.3x	4.5x	848.9	900.6	221.3	273.1

Implied Value of Public Units Assuming 51.0% of Partners' Value is Represented

By Public Units

Valuation Criteria	Total Value of Public Units				Value Per Public Unit			
	Mean	Median	High	Low	Mean	Median	High	Low
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
LTM Net Income to Common	NA	NA	NA	NA	NA	NA	NA	NA
LTM Cash Flow From Operations	155.6	175.8	204.5	97.5	16.02	18.10	21.06	10.04
1994E Cash Flow From Operations	129.2	138.8	167.0	72.5	13.30	14.29	17.19	7.47
1993E Net Income	155.1	142.5	228.6	85.6	15.98	14.68	23.54	8.81
1994E Net Income	130.6	120.9	180.1	80.9	13.45	12.45	18.54	8.33
LTM Operating Cash Flow/EBITDA	112.8	139.2	279.7	(79.3)	11.61	14.33	28.80	(8.16)

(a) Latest twelve months results for Valero Natural Gas Partners, L.P. are for period ended September 30, 1993.

Results are tax affected at 35% to make comparative analysis relevant.

Taxes are assumed to be current (i.e. Deferred = 0).

Projected net income figures, also tax affected, represent the median earnings estimates made by Wall Street research analysts (as reported by I.B.E.S. as of 11/18/93). LTM based financials adjusted to reflect non-recurring items.

(b) Comparable companies used in analysis include American Oil & Gas, Aquila Gas Pipeline, Associated Natural Gas, Tejas Natural Gas, Tejas Power Corp., Trident NGL, USX - Delhi Group, and Western Gas Resources. Market values are as of 12/07/93.

(c) Net debt = \$627.6 million.

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Dillon, Read & Co. Inc.

12/09/93

VALERO NATURAL GAS PARTNERS, L.P.

IMPLIED VALUATION RANGES BASED ON PEER GROUP TRADING MULTIPLES

IMPLIED VALUATION OF TOTAL PARTNERS' CAPITAL

Valuation Criteria	Act. VLP Results(a)	Comparable Company Trading Multiples(b)				Implied Market Capitalization For VLP(c)		Implied Equity Market Value For VLP(c)	
		Mean	Median	High	Low	Mean	Median	Mean	Median
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
LTM Net Income to Common	\$ 12.2	15.7x	16.1x	19.9x	10.7x	\$818.9	\$823.8	\$191.3	\$196.2
LTM Cash Flow From Operations	46.1	6.7x	6.8x	8.4x	4.6x	935.2	942.4	307.6	314.8
1994E Cash Flow From Operations	39.3	6.5x	6.5x	6.9x	6.1x	882.6	882.6	255.0	255.0
1993E Net Income	13.6	18.2x	18.2x	18.8x	17.5x	874.9	874.9	247.3	247.3
1994E Net Income	16.1	14.7x	14.7x	15.1x	14.4x	864.8	864.8	237.2	237.2
LTM Operating Cash Flow/EBITDA	115.9	8.3x	7.7x	11.3x	6.5x	962.8	894.0	335.3	266.4

IMPLIED VALUE OF PUBLIC UNITS ASSUMING 51.0% OF PARTNERS' VALUE IS REPRESENTED

 BY PUBLIC UNITS

<TABLE>
 <CAPTION>

Valuation Criteria	Total Value of Public Units				Value Per Public Unit			
	Mean	Median	High	Low	Mean	Median	High	Low
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
LTM Net Income to Common	\$ 97.5	\$100.0	\$123.8	\$ 66.2	\$10.04	\$10.30	\$12.75	\$ 6.82
LTM Cash Flow From Operations	156.8	160.5	197.6	108.7	16.15	16.52	20.24	11.20
1994E Cash Flow From Operations	130.0	130.0	138.8	121.2	13.38	13.38	14.29	12.48
1993E Net Income	126.1	126.1	130.7	121.4	12.98	12.98	13.46	12.50
1994E Net Income	120.9	120.9	123.6	118.2	12.45	12.45	12.73	12.17
LTM Operating Cash Flow/EBITDA	170.9	135.8	348.4	63.6	17.60	1.98	35.87	6.55

</TABLE>

- (a) Latest twelve months results for Valero Natural Gas Partners, L.P. are for period ended September 30, 1993. Results are tax affected at a 35% current rate, (deferred component not included), to make analysis relevant. Projected net income figures, also tax affected, represent the median earnings estimates made by Wall Street research analysts (as reported by I.B.E.S. as of 11/18/93).
- (b) Comparable companies used in analysis include Aquila Gas Pipeline, Associated Natural Gas, Trident NGL, and Western Gas Resources. Market values as of 12/07/93.
- (c) Net debt = \$627.6 million.

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 Dillon, Read & Co. Inc. 12/09/93

Valero Natural Gas Partners, L.P.
 Implied Valuation Ranges Based on Industry Trading Multiples

 Implied Valuation of Total Partners' Capital

<TABLE>
 <CAPTION>

Valuation Criteria	Adj. VLP Results (a)	Comparable Company Trading Multiples (b)				Implied Market Capitalization For VLP (c)		Implied Equity Market Value For VLP (c)	
		Mean	Median	High	Low	Mean	Median	Mean	Median
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
LTM Net Income to Common	\$ 12.2	21.8x	21.6x	36.7x	10.7x	\$892.8	\$ 890.5	\$265.2	\$262.9
LTM Cash Flow From Operations	46.1	7.4x	8.3x	9.7x	4.6x	968.0	1,012.1	340.4	384.6
1994E Cash Flow From Operations	39.3	6.4x	6.9x	8.3x	3.6x	881.1	899.8	253.5	272.2
1993E Net Income	13.6	22.3x	20.5x	32.9x	12.3x	932.0	907.2	304.4	279.6
1994E Net Income	16.1	15.9x	14.7x	21.9x	9.9x	883.8	864.2	256.3	237.2
LTM Operating Cash Flow/EBITDA	115.9	8.2x	8.7x	11.3x	4.5x	946.0	1,003.7	318.4	376.1

</TABLE>

Implied Value of Public Units Assuming 51.0% of Partners' Value is Represented
 By Public Units

<TABLE>
 <CAPTION>

Valuation Criteria	Total Value of Public Units				Value Per Public Unit			
	Mean	Median	High	Low	Mean	Median	High	Low
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

LTM Net Income to Common	\$135.2	\$134.0	\$227.7	\$ 66.2	\$13.92	\$13.80	\$23.44	\$ 6.82
LTM Cash Flow From Operations	173.5	196.0	228.0	108.7	17.87	20.18	23.48	11.20
1994E Cash Flow From Operations	129.2	138.8	167.0	72.5	13.30	14.29	17.19	7.47
1993E Net Income	155.2	142.5	228.6	85.6	15.98	14.68	23.54	8.81
1994E Net Income	130.6	120.9	180.1	80.9	13.45	12.45	18.54	8.33
LTM Operating Cash Flow/EBITDA	162.3	191.7	348.4	(51.7)	16.71	19.74	35.87	(5.33)

</TABLE>

(a) Latest twelve months results for Valero Natural Gas Partners, L.P. are for period ended September 30, 1993. Results are tax affected at 35% current rate, (deferred component not included), to make comparative analysis relevant. Projected net income figures, also tax affected, represent the median earnings estimates made by Wall Street research analysts (as reported by I.B.E.S. as of 11/18/93).

(b) Comparable companies used in analysis include American Oil & Gas, Aquila Gas Pipeline, Associated Natural Gas, Tejas Natural Gas, Tejas Power Corp., Trident NGL, USX -- Delhi Group, and Western Gas Resources. Market values are as of 12/07/93.

(c) Net debt = \$627.6 million.

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Dillon, Read & Co. Inc. 12/09/93

Valero Natural Gas Partners, L.P.
Implied Valuation Ranges Based on Peer Group Trading Multiples

Implied Valuation of Total Partners' Capital

Valuation Criteria	Adj. VLP Results(a)	Comparable Company Trading Multiples(b)				Implied Market Capitalization For VLP(c)		Implied Equity Market Value For VLP(c)	
		Mean	Median	High	Low	Mean	Median	Mean	Median
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
LTM Net Income to Common	(\$1.7)	15.7x	16.1x	19.9x	10.7x	\$ 627.6	\$ 627.6	NA	NA
LTM Cash Flow From Operations	40.8	6.7x	6.8x	8.4x	4.6x	899.6	905.9	272.0	278.4
1994E Cash Flow From Operations	38.7	6.5x	6.5x	6.9x	6.1x	879.0	879.0	251.4	251.4
1993E Net Income	21.0	18.2x	18.2x	18.8x	17.5x	1,008.1	1,008.1	380.5	380.5
1994E Net Income	24.8	14.7x	14.7x	15.1x	14.4x	992.5	992.5	364.9	364.9
LTM Operating Cash Flow / EBITDA	104.0	8.3x	7.7x	11.3x	6.5x	863.9	802.2	236.4	174.6

</TABLE>

Implied Value of Public Units Assuming 51.0% of Partners' Value is Represented

By Public Units

Valuation Criteria	Total Value of Public Units				Value Per Public Unit			
	Mean	Median	High	Low	Mean	Median	High	Low
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
LTM Net Income to Common	NA	NA	NA	NA	NA	NA	NA	NA
LTM Cash Flow From Operations	137.7	141.9	174.7	96.1	14.28	14.61	17.99	9.90

1994E Cash Flow From Operations	128.1	128.1	136.8	119.5	13.19	13.19	14.08	12.30
1993E Net Income	194.0	194.0	201.1	186.8	19.97	19.97	20.71	19.23
1994E Net Income	186.0	186.0	190.2	181.9	19.15	19.15	19.58	18.73
LTM Operating Cash Flow / EBITDA	120.5	89.0	279.7	24.2	12.41	9.16	28.80	2.49

</TABLE>

-
- (a) Latest twelve months results for Valero Natural Gas Partners, L.P. are for period ended September 30, 1993. LTM and projected figures are not tax affected. LTM based financials adjusted to reflect non-recurring items.
- (b) Comparable companies used in analysis include Aquila Gas Pipeline, Associated Natural Gas, Trident NGL, and Western Gas Resources. Market values are as of 12/07/93.
- (c) Net debt = \$627.6 million.

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Dillon, Read & Co. Inc. 12/09/93

Valero Natural Gas Partners, L.P.
Implied Valuation Ranges Based on Industry Trading Multiples

Implied Valuation of Total Partners' Capital

<TABLE>

<CAPTION>

Valuation Criteria	Adj. VLP Results(a)	Comparable Company Trading Multiples (b)				Implied Market Capitalization For VLP (c)		Implied Equity Market Value For VLP (c)	
		Mean	Median	High	Low	Mean	Median	Mean	Median
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
LTM Net Income to Common	(\$1.7)	21.8x	21.6x	36.7x	10.7x	\$627.6	\$627.6	NA	NA
LTM Cash Flow From Operations	40.8	7.4x	8.3x	9.7x	4.6x	928.6	967.6	301.0	340.0
1994E Cash Flow From Operations	38.7	6.4x	6.9x	8.3x	3.6x	877.5	895.9	249.9	268.3
1993E Net Income	21.0	22.3x	20.5x	32.9x	12.3x	1,095.9	1,057.7	468.3	430.2
1994E Net Income	24.8	15.9x	14.7x	21.9x	9.9x	1,021.8	992.5	394.3	364.9
LTM Operating Cash Flow/EBITDA	104.0	8.2x	8.7x	11.3x	4.5x	848.9	900.6	221.3	273.1

</TABLE>

Implied Value of Public Units Assuming 51.0% of Partners' Value is Represented By Public Units

<TABLE>

<CAPTION>

Valuation Criteria	Total Value of Public Units				Value Per Public Unit			
	Mean	Median	High	Low	Mean	Median	High	Low
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
LTM Net Income to Common	NA	NA	NA	NA	NA	NA	NA	NA
LTM Cash Flow From Operations	153.4	173.3	201.6	96.1	15.80	17.85	20.76	9.90
1994E Cash Flow From Operations	127.4	136.8	164.6	71.5	13.12	14.08	16.95	7.36
1993E Net Income	238.7	219.3	351.7	131.6	24.58	22.58	36.21	13.55
1994E Net Income	201.0	186.0	277.1	124.5	20.69	19.15	28.53	12.81
LTM Operating Cash Flow/EBITDA	112.8	139.2	279.7	(79.3)	11.61	14.33	28.80	(8.16)

</TABLE>

-
- (a) Latest twelve months results for Valero Natural Gas Partners, L.P. are for period ended September 30, 1993. LTM and projected figures are not tax affected. LTM based financials adjusted to reflect non-recurring items.
- (b) Comparable companies used in analysis include American Oil & Gas, Aquila Gas

Pipeline, Associated Natural Gas, Tejas Natural Gas, Tejas Power Corp., Trident NGL, USX, Delhi Group, and Western Gas Resources. Market values are as of 12/07/93.

(c) Net debt = \$627.6 million.

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Dillon, Read & Co. Inc.

12/09/93

Valero Natural Gas Partners, L.P.

Implied Valuation Ranges Based on Peer Group Trading Multiples

Implied Valuation of Total Partners' Capital

<TABLE>

<CAPTION>

Valuation Criteria	Adj. VLP Results(a)	Comparable Company Trading Multiples(b)				Implied Market Capitalization For VLP(c)		Implied Equity Market Value For VLP(c)	
		Mean	Median	High	Low	Mean	Median	Mean	Median
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
LTM Net Income to Common	\$18.7	15.7x	16.1x	19.9x	10.7x	\$ 921.9	929.4	\$294.4	\$301.9
LTM Cash Flow From Operations	52.7	6.7x	6.8x	8.4x	4.6x	978.9	987.1	351.4	359.6
1994E Cash Flow From Operations	38.7	6.5x	6.5x	6.9x	6.1x	879.0	879.0	251.4	251.4
1993E Net Income	21.0	18.2x	18.2x	18.8x	17.5x	1,008.1	1,008.1	380.5	380.5
1994E Net Income	24.8	14.7x	14.7x	15.1x	14.4x	992.5	992.5	364.9	364.9
LTM Operating Cash Flow/EBITDA	115.9	8.3x	7.7x	11.3x	6.5x	962.8	894.0	335.3	266.4

</TABLE>

Implied Value of Public Units Assuming 51.0% of Partners' Value is Represented By Public Units

<TABLE>

<CAPTION>

Valuation Criteria	Total Value of Public Units				Value Per Public Unit			
	Mean	Median	High	Low	Mean	Median	High	Low
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
LTM Net Income to Common	\$150.6	\$153.9	\$190.5	\$101.9	\$15.45	\$15.84	\$19.62	\$10.49
LTM Cash Flow From Operations	179.1	183.3	225.7	124.2	18.44	18.87	23.23	12.79
1994E Cash Flow From Operations	128.1	128.1	136.8	119.5	13.19	13.19	14.08	12.30
1993E Net Income	194.0	194.0	201.1	186.8	19.97	19.97	20.71	19.23
1994E Net Income	186.0	186.0	190.2	181.9	19.15	19.15	19.58	18.73
LTM Operating Cash Flow/EBITDA	170.9	135.8	348.4	63.6	17.60	13.98	35.87	6.55

</TABLE>

(a) Latest twelve months results for Valero Natural Gas Partners, L.P. are for period ended September 30, 1993.

LTM and projected figures are not tax affected

(b) Comparable companies used in analysis include Aquila Gas Pipeline, Associated Natural Gas, Trident NGL, and Western Gas Resources. Market values are as of 12/07/93.

(c) Net debt = \$627.6 million.

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Dillon, Read & Co. Inc.

12/09/93

Valero Natural Gas Partners, L.P.

Implied Valuation Ranges Based on Industry Trading Multiples

Implied Valuation of Total Partners' Capital

<TABLE>

<CAPTION>

Adj. VLP	Comparable Company Trading Multiples(b)	Implied Market Capitalization For VLP(c)	Implied Equity Market Value For VLP(c)
----------	---	--	--

Valuation Criteria	Results (a)	Mean	Median	High	Low	Mean	Median	Mean	Median
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
LTM Net Income to Common	\$ 18.7	21.8x	21.6x	36.7x	10.7x	\$1,035.6	\$1,032.0	\$408.0	\$404.4
LTM Cash Flow From Operations	52.7	7.4x	8.3x	9.7x	4.6x	1,016.4	1,066.8	388.8	439.2
1994E Cash Flow From Operations	38.7	6.4x	6.9x	8.3x	3.6x	877.5	895.9	249.9	268.3
1993E Net Income	21.0	22.3x	20.5x	32.9x	12.3x	1,095.9	1,057.7	468.3	430.2
1994E Net Income	24.8	15.9x	14.7x	21.9x	9.9x	1,021.8	992.5	394.3	364.9
LTM Operating Cash Flow/EBITDA	115.9	8.2x	8.7x	11.3x	4.5x	946.0	1,003.7	318.4	376.1

Implied Value of Public Units Assuming 51.0% of Partners' Value is Represented By Public Units

Valuation Criteria	Total Value of Public Units				Value Per Public Unit			
	Mean	Median	High	Low	Mean	Median	High	Low
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
LTM Net Income to Common	\$208.0	\$206.2	\$350.3	\$101.9	\$21.42	\$21.23	\$36.07	\$10.49
LTM Cash Flow From Operations	198.2	223.9	260.5	124.2	20.41	23.05	26.82	12.79
1994E Cash Flow From Operations	127.4	136.8	164.6	71.5	13.12	14.08	16.95	7.36
1993E Net Income	238.7	219.3	351.7	131.6	24.58	22.58	36.21	13.55
1994E Net Income	201.0	186.0	277.1	124.5	20.69	19.15	28.53	12.81
LTM Operating Cash Flow/EBITDA	162.3	191.7	348.4	(51.7)	16.71	19.74	35.87	(5.33)

(a) Latest twelve months results for Valero Natural Gas Partners, L.P. are for period ended September 30, 1993.

LTM and projected figures are not tax affected.

(b) Comparable companies used in analysis include American Oil & Gas, Aquila Gas Pipeline, Associated Natural Gas, Tejas Natural Gas, Tejas Power Corp., Trident NGL, USX - Delhi Group, and Western Gas Resources. Market values are as of 12/07/93.

(c) Net debt = \$627.6 million.

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DILLON, READ & CO. INC.

12/09/93

SUMMARY VALUATION ANALYSIS OF SELECTED NATURAL GAS GATHERING AND PROCESSING COMPANIES

PAGE 1

	Valero Natural Gas (m)	American Oil & Gas (g)	Aquila Gas Pipeline (l)	Associated Natural Gas (b)	Tejas Gas (i)	Tejas Power (g)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
MARKET DATA:						
Ticker Symbol	VLP	AOG	AQP	NGA	TEJ	TPC
Stock Exchange	NYSE	NYSE	NYSE	NYSE	NYSE	ASE
Latest Annual Financial Results	12/31/92	12/31/92	12/31/92	12/31/92	12/31/92	12/31/92
Latest Quarterly Financial Results	09/30/93	09/30/93	09/30/93	09/30/93	09/30/93	09/30/93
Common Stock Price as of 12/08/93	\$11.000	\$9.750	\$11.250	\$31.000	\$49.750	\$9.875
Common Shares Outstanding	19.1	25.7	29.4	13.3	10.7	14.0
52-Week High Price	\$11.375	\$14.500	\$16.375	\$41.000	\$61.000	\$10.875
52-Week Low Price	7.375	9.500	10.625	25.500	21.500	6.875
Current Price As % of 52-Week High	96.7%	67.2%	68.7%	75.6%	81.6%	90.8%
Total Equity Market Value	\$209.6	\$250.9	\$330.8	\$412.5	\$530.8	\$138.5
Net Market Capitalization (a)	837.2	329.0	443.0	584.0	977.6	145.5

FINANCIAL PERFORMANCE DATA:

LTM Total Operating Revenues	\$1,335.1	\$531.2	\$260.9	\$1,313.3	\$987.5	\$245.2
LTM Operating Cash Flow						

/ EBITDA (b)	104.0	38.9	65.2	65.0	96.0	16.7
LTM Operating Income						
/ EBIT (c)	63.6	22.1	49.6	43.8	66.5	7.6
LTM Net Income to Common (d)	(1.7)	9.3	24.5	19.5	22.8	4.1
LTM Cash Flow From Operations (c)	41.4	29.8	59.5	47.7	58.4	14.3
Earnings Per Share						
Latest Twelve Months	(\$0.06)	\$0.36	\$1.02	\$1.61	\$2.14	\$0.27
1993E EPS (f)	\$0.72	\$0.45	NA	\$1.60	\$1.65	\$0.30
1994E EPS (f)	0.85	0.80	NA	2.00	2.30	0.45
Cash Flow Per Share						
Projection						
1993E CFPS (o)	\$2.68	NA	NA	\$3.70	\$4.25	\$1.15
1994E CFPS (o)	2.06	NA	NA	4.35	6.00	1.35
Indicated Annual Dividend Per Share	\$0.50	\$0.00	\$0.05	\$0.12	\$0.00	\$0.00

BALANCE SHEET DATA:

Cash and Equivalents	\$20.6	\$13.9	\$18.8	\$20.5	\$10.7	\$15.9
Net Property, Plant & Equipment	741.5	274.7	296.4	385.8	586.2	72.2
S-T Debt (Includes Current I Debt)	37.9	21.9	0.0	4.0	0.0	4.8
Long-Term Debt	610.3	74.6	131.0	188.0	369.2	18.0
Total Preferred Stock	0.0	0.0	0.0	0.0	0.5	1.2
Book Value of Common Equity	164.7	189.7	138.3	201.1	245.1	60.4
Net Book Capitalization	792.2	272.3	250.5	372.6	603.8	67.3
Total Debt	648.1	96.5	131.0	192.0	369.2	22.8

</TABLE>

<TABLE>

<CAPTION>

	Trident NGL Holding, Inc. (m)	USX - Delhi Group	Western Gas Resources (k)	Corporate Analysis (p)			
	<C>	<C>	<C>	Mean	Median	High	Low
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

MARKET DATA:

Ticker Symbol	NGL	DGP	WGR				
Stock Exchange	NYSE	NYSE	NYSE				
Latest Annual Financial Results	12/31/92	12/31/92	12/31/92				
Latest Quarterly Financial Results	06/30/93	09/30/93	09/30/93				
Common Stock Price as of 12/08/93	\$10.875	\$16.875	\$30.125				
Common Shares Outstanding	27.7	14.0	25.6				
52-Week High Price	\$13.125	\$24.750	\$45.125				
52-Week Low Price	10.750	15.250	23.500				
Current Price As % of 52-Week High	82.9%	68.2%	66.8%	75.2%	72.2%	90.8%	66.8%
Total Equity Market Value	\$301.7	\$236.3	\$772.3	\$371.7	\$316.2	\$722.3	138.5
Net Market Capitalization (a)	674.7	337.6	1,334.1	603.2	513.5	1,334.1	145.5

FINANCIAL PERFORMANCE DATA:

LTM Total Operating Revenues	\$611.0	\$528.2	\$816.2
LTM Operating Cash Flow			
/ EBITDA (b)	103.9	75.5	118.2
LTM Operating Income			
/ EBIT (c)	71.0	37.1	72.6
LTM Net Income to Common (d)	22.3	10.4	38.8
LTM Cash Flow From Operations (c)	65.2	49.2	93.8
Earnings Per Share			
Latest Twelve Months	\$0.80	\$0.74	\$1.52
1993E EPS (f)	NA	\$1.40	\$1.73
1994E EPS (f)	NA	1.75	2.10
Cash Flow Per Share			
Projection			
1993E CFPS (o)	NA	\$3.88	\$4.00
1994E CFPS (o)	NA	\$4.76	5.00

Indicated Annual Dividend Per Share	\$0.05	\$0.20	\$0.20
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BALANCE SHEET DATA:

Cash and Equivalents	\$11.8	\$2.2	\$9.7
Net Property, Plant & Equipment	0.0	508.9	755.3
S-T Debt (Includes Current I Debt)	10.0	0.6	0.0
Long-Term Debt	374.9	100.4	493.0
Total Preferred Stock	0.0	2.5	0.2
Book Value of Common Equity	229.3	201.7	305.5
Net Book Capitalization	602.4	303.0	789.0
Total Debt	384.9	101.0	493.0

</TABLE>

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DILLON, READ & CO. INC.

10/09/93

SUMMARY VALUATION ANALYSIS OF SELECTED NATURAL GAS GATHERING AND PROCESSING COMPANIES

Page 2

<TABLE>

<CAPTION>

	Valero Natural Gas (m)	American Oil & Gas	Aquila Gas Pipeline (l)	Associated Natural Gas (b)	Tejas Gas (l)	Tejas Power (g)
<S>	<C>	<C>	<C>	<C>	<C>	<C>

VALUATION INFORMATION:

Equity Market Value to:

LTM Net Income to Common	NA x	27.4 x	11.0 x	19.2 x	23.2 x	36.7 x
LTM Cash Flow From Operations	5.1 x	8.4 x	5.6 x	8.6 x	9.1 x	9.7 x
Book Value of Common Equity	1.27 x	1.32 x	2.39 x	2.05 x	2.17 x	2.29 x
1993E Net Income (f)	15.4 x	21.7 x	NA x	19.4 x	30.2 x	32.9 x
1994E Net Income (f)	13.0 x	12.2 x	NA x	15.5 x	21.6 x	21.9 x
1993E Cash Flow Per Share (o)	4.1 x	NA x	NA x	8.4 x	11.7 x	8.6 x
1994E Cash Flow Per Share (o)	5.3 x	NA x	NA x	7.1 x	8.3 x	7.3 x

Net Market Capitalization to:

LTM Operating Revenues	0.6 x	0.6 x	1.7 x	0.4 x	1.0 x	0.6 x
LTM Operating Cash Flow / EBITDA	8.1 x	8.5 x	6.8 x	9.0 x	10.2 x	8.7 x
LTM Operating Income / EBIT	13.2 x	14.9 x	8.9 x	13.3 x	14.7 x	19.1 x

Indicated Dividend Yield

4.5%	0.0%	0.4%	0.4%	0.0%	0.0%
------	------	------	------	------	------

OTHER INFORMATION:

Net Debt / Net Book Capitalization	79.2%	30.3%	44.8%	46.0%	59.4%	10.3%
Net Debt / Net Market Capitalization	75.0%	25.1%	25.3%	29.4%	36.7%	4.8%
Payout Ratio (Using LTM EPS)	NM	0.0%	4.9%	7.4%	0.0%	0.0%
EBITDA / Interest Expense	1.54 x	4.43 x	6.26 x	5.18 x	3.70 x	10.72 x
Cash Flow From Ops. / Net Debt	6.5%	36.1%	53.0%	27.8%	16.3%	206.0%
Cash Flow From Ops. / Interest Exp.	0.61 x	3.40 x	5.71 x	3.80 x	2.25 x	9.16 x
Net Working Capital / Total Sales	-3.2%	2.9%	3.4%	0.7%	-0.2%	0.2%
Capital Expenditures / Total Sales	2.5%	6.9%	18.5%	5.7%	1.8%	6.1%
% G&A/Total Sales	3.0%	3.5%	4.1%	1.1%	2.0%	3.6%
% O&M/Total Sales	5.7%	4.2%	5.3%	2.4%	3.6%	1.8%
% (G&A and O&M)/Total Sales	8.7%	7.7%	9.4%	3.5%	5.6%	5.4%
% G&A/Gross Margin	16.5%	22.5%	12.0%	13.3%	13.0%	27.7%
% O&M/Gross Margin	31.9%	26.9%	15.3%	28.4%	23.6%	14.2%
% (G&A and O&M)/Gross Margin	48.4%	49.4%	27.3%	41.7%	36.6%	41.9%

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Comparative Analysis (p)

	Trident NGL Holding, Inc. (m)	USX - Delhi Group (j)	Western Gas Resources (k)	Mean	Median	High	Low
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
VALUATION INFORMATION:							
Equity Market Value to:							
LTM Net Income to Common	13.5 x	22.7 x	19.9 x	21.7 x	21.3 x	36.7 x	11.0 x
LTM Cash Flow From Operations	4.6 x	4.8 x	8.2 x	7.4 x	8.3 x	9.7 x	4.6 x
Book Value of Common Equity	1.32 x	1.17 x	2.53 x	1.91 x	2.11 x	2.53 x	1.17 x
1993E Net Income (f)	NA x	12.1 x	17.4 x	22.3 x	20.5 x	32.9 x	12.1 x
1994E Net Income (f)	NA x	9.6 x	14.3 x	15.9 x	14.9 x	21.9 x	9.6 x
1993E Cash Flow Per Share (o)	NA x	4.4 x	7.5 x	8.1 x	8.4 x	11.7 x	4.4 x
1994E Cash Flow Per Share (o)	NA x	3.5 x	6.0 x	6.5 x	7.1 x	8.3 x	3.5 x
Net Market Capitalization to:							
LTM Operating Revenues	1.1 x	0.6 x	1.6 x	1.0 x	0.8 x	1.7 x	0.4 x
LTM Operating Cash Flow / EBITDA	6.5 x	4.5 x	11.3 x	8.2 x	8.6 x	11.3 x	4.5 x
LTM Operating Income / EBIT	9.5 x	9.1 x	18.4 x	13.5 x	14.0 x	19.1 x	8.9 x
Indicated Dividend Yield	0.5%	1.2%	0.7%	0.4%	0.4%	1.2%	0.0%

OTHER INFORMATION:

Net Debt / Net Book Capitalization	61.9%	32.6%	61.3%	43.3%	45.4%	61.9%	10.3%
Net Debt / Net Market Capitalization	55.3%	29.3%	36.2%	30.3%	29.3%	55.3%	4.8%
Payout Ratio (Using LTM EPS)	6.2%	26.9%	13.2%	7.3%	5.6%	26.9%	0.0%
EBITDA / Interest Expense	2.65 x	7.33 x	8.39 x	6.08 x	5.72 x	10.72 x	2.65 x
Cash Flow From Ops. / Net Debt	17.5%	49.8%	19.4%	53.2%	32.0%	206.0%	16.3%
Cash Flow From Ops. / Interest Exp.	1.66 x	4.78 x	6.66 x	4.68 x	4.29 x	9.16 x	1.66 x
Net Working Capital / Total Sales	1.7%	-11.9%	-0.4%	-0.5%	0.4%	3.4%	-11.9%
Capital Expenditures / Total Sales	7.9%	6.5%	10.3%	8.0%	6.7%	18.5%	1.8%
% G&A/Total Sales	2.7%	5.6%	3.0%	3.2%	3.3%	5.6%	1.1%
% O&M/Total Sales	NA	NA	7.4%	4.1%	3.9%	7.4%	1.8%
% (G&Aand O&M)/Total Sales	NA	NA	10.4%	7.0%	6.7%	10.4%	3.5%
% G&A/Gross Margin	13.6%	26.4%	12.0%	17.6%	13.4%	27.7%	12.0%
% O&M/Gross Margin	NA	NA	29.3%	23.0%	25.3%	29.3%	14.2%
% (G&Aand O&M)/Gross Margin	NA	NA	41.4%	39.7%	41.6%	49.4%	27.3%

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DILLON, READ & CO. INC.

12/09/93

SUMMARY VALUATION ANALYSIS OF SELECTED NATURAL GAS GATHERING AND PROCESSING COMPANIES

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	VALERO NATURAL GAS (M)	AMERICAN OIL & GAS (G)	AQUILA GAS PIPELINE (L)	ASSOCIATED NATURAL GAS (H)	TEJAS GAS (I)	TEJAS POWER (G)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING INFORMATION : (r)						
Areas of Operations	Texas	West & South Texas	S TX, W TX, OK	TX, OK, CO, LA, KS, AL	S. TX, E. TX, LA, WV, OK	TX & LA Gulf Coast
Miles of Pipeline	7,200	5,935	2,152	5,817	5,200	NA
Number of Gas Plants	10	9	4	12 (+4 fract.)	8 (+2 treat.)	
Average Daily Throughput (Bcf/d)	1.933	0.859	0.313	0.929	3.157	0.560
Average Daily Capacity (Bcf/d)	NA	2.000	0.643	NA	NA	0.750
Daily NGL Production (mgal/d)	2,409.8	NA	33.0 (s)	869.0 (t)	223.0	NA
Daily NGL Sales (mgal/d)	3,943.9	394.0	NA	NA	NA	NA
Breakdown of Throughput						
Sales	40.6%	65.0%	64.0%	NA	35.0%	42.0%
Transmission	59.4%	35.0%	36.0%	NA	65.0%	58.0%
Other	0.0%	0.0%	0.0%	NA	0.0%	0.0%
Revenue Breakdown By %						
Sales	57.0%	84.0%	67.0%	NA	NA	86.0%
Transmission	4.5%	2.0%	0.0%	NA	NA	11.7%
NGL Processing	38.5%	13.0%	33.0%	NA	NA	0.0%

Breakdown of Gross Profits

Sales	36.0%	NA	NA	NA	NA	NA
Transmission	0.0%	NA	NA	NA	NA	NA
NGL Processing	64.0%	NA	NA	32.5% (u)	NA	NA

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	TRIDENT NGL HOLDING, INC.(N)	USX - DELHI GROUP (J)	WESTERN GAS RESOURCES (K)
<S>	<C>	<C>	<C>
OPERATING INFORMATION : (r)			
Areas of Operations	TX, LA, OK, KS		
Miles of Pipeline	8,000	8,379	NA
Number of Gas Plants	32(+3 fract.)	21(11 partial)	
Average Daily Throughput (Bcf/d)	NA	0.856	NA
Average Daily Capacity (Bcf/d)	NA	NA	NA
Daily NGL Production (mgal/d)	2,511.0	NA	NA
Daily NGL Sales (mgal/d)	3,684.0	714.2	NA
Breakdown of Throughput			
Sales	62.0%	63.8%	NA
Transmission	38.0%	33.0%	NA
Other	0.0%	3.2%	NA
Revenue Breakdown By %			
Sales	49.0%	81.4%	55.0%
Transmission	3.0%	3.2%	3.0%
NGL Processing	48.0%	15.4%	42.0%
Breakdown of Gross Profits			
Sales	16.0%	70.2%	NA
Transmission	2.0%	10.8%	NA
NGL Processing	82.0%	19.0%	NA

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	COMPARATIVE ANALYSIS (P)			
	MEAN	MEDIAN	HIGH	LOW
<S>	<C>	<C>	<C>	<C>
OPERATING INFORMATION : (r)				
Areas of Operations				
Miles of Pipeline	5,914	5,876	8,379	2,152
Number of Gas Plants				
Average Daily Throughput (Bcf/d)	1.112	0.858	3.157	0.313
Average Daily Capacity (Bcf/d)	1.131	0.697	2.000	0.643
Daily NGL Production (mgal/d)	909.0	546.0	2,511.0	33.0
Daily NGL Sales (mgal/d)	1,597.4	714.2	3,684.0	394.0
Breakdown of Throughput				
Sales	55.3%	62.9%	65.0%	35.0%
Transmission	44.2%	37.0%	65.0%	33.0%
Other	0.5%	0.0%	3.2%	0.0%
Revenue Breakdown By %				
Sales	70.4%	67.0%	86.0%	49.0%
Transmission	3.8%	3.0%	11.7%	0.0%
NGL Processing	25.2%	15.4%	48.0%	0.0%
Breakdown of Gross Profits				
Sales	43.1%	0.0%	70.2%	16.0%
Transmission	6.4%	0.0%	10.8%	2.0%
NGL Processing	44.5%	32.5%	82.0%	19.0%

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	Valero Natural Gas (m)	American Oil & Gas (g)	Aquila Gas Pipeline (l)	Associated Natural Gas (h)
<S>	<C>	<C>	<C>	<C>
Historical Operating Trends:				
Revenue Growth From Prior Periods				
FY 1991 vs. FY 1990	4.8%	-13.7%	489.2%	59.7%
FY 1992 vs. FY 1991	4.6%	13.2%	189.9%	47.2%
LTM vs. FY 1992	11.5%	23.3%	23.5%	41.4%
LTM vs. FY 1990	22.3%	20.4%	2009.1%	232.6%
EBITDA Growth From Prior Periods				
FY 1991 vs. FY 1990	-3.0%	29.8%	826.0%	41.0%
FY 1992 vs. FY 1991	-10.7%	16.0%	172.2%	32.3%
LTM vs. FY 1992	-16.3%	-16.9%	15.6%	23.9%
LTM vs. FY 1990	-27.5%	25.1%	2814.2%	130.9%
EBIT Growth From Prior Periods				
FY 1991 vs. FY 1990	-5.1%	34.7%	1010.9%	30.8%
FY 1992 vs. FY 1991	-10.0%	7.9%	178.6%	38.9%
LTM vs. FY 1992	-29.2%	-31.9%	18.8%	40.5%
LTM vs. FY 1990	-39.5%	-1.0%	3576.4%	155.4%
Net Income Growth From Prior Periods				
FY 1991 vs. FY 1990	-27.0%	3.1%	180.0%	38.1%
FY 1992 vs. FY 1991	-32.5%	22.5%	55.9%	15.1%
LTM vs. FY 1992	-104.3%	-37.2%	33.9%	67.5%
LTM vs. FY 1990	-102.1%	-20.7%	484.4%	166.3%
CFFO Growth From Prior Periods				
FY 1991 vs. FY 1990	-14.7%	-14.0%	318.6%	37.7%
FY 1992 vs. FY 1991	-20.7%	8.8%	95.6%	24.1%
LTM vs. FY 1992	-34.2%	5.3%	10.1%	23.6%
LTM vs. FY 1990	-55.1%	-1.5%	801.0%	111.1%

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	Tejas Gas (l)	Tejas Power (g)	Trident NGL Holding, Inc. (n)	USX- Delhi Group (l)	Western Gas Resources (k)
<S>	<C>	<C>	<C>	<C>	<C>
Historical Operating Trends:					
Revenue Growth From Prior Periods					
FY 1991 vs. FY 1990	79.8%	23.0%	NA	4.4%	40.1%
FY 1992 vs. FY 1991	15.4%	27.5%	85.9%	8.2%	67.5%
LTM vs. FY 1992	88.3%	33.1%	1.6%	15.4%	36.0%
LTM vs. FY 1990	290.5%	108.7%	NA	30.4%	219.3%
EBITDA Growth From Prior Periods					
FY 1991 vs. FY 1990	45.1%	-25.8%	NA	10.5%	53.5%
FY 1992 vs. FY 1991	0.6%	100.5%	61.6%	4.4%	48.3%
LTM vs. FY 1992	81.6%	5.5%	4.9%	3.7%	23.9%
LTM vs. FY 1990	164.9%	57.1%	NA	19.7%	182.1%
EBIT Growth From Prior Periods					
FY 1991 vs. FY 1990	38.5%	-69.7%	NA	23.5%	42.3%
FY 1992 vs. FY 1991	0.2%	313.6%	47.6%	5.2%	50.4%
LTM vs. FY 1992	95.9%	29.0%	5.7%	13.8%	5.4%
LTM vs. FY 1990	171.9%	61.6%	NA	47.8%	125.7%
Net Income Growth From Prior Periods					
FY 1991 vs. FY 1990	-19.3%	-169.5%	NA	-52.6%	19.2%
FY 1992 vs. FY 1991	39.4%	-505.0%	31.1%	158.3%	90.4%
LTM vs. FY 1992	91.7%	32.4%	9.8%	-44.1%	-2.4%
LTM vs. FY 1990	115.7%	272.8%	NA	-31.6%	121.5%
CFFO Growth From Prior Periods					
FY 1991 vs. FY 1990	35.1%	-30.7%	NA	10.1%	34.3%
FY 1992 vs. FY 1991	2.7%	147.8%	84.8%	3.6%	47.6%
LTM vs. FY 1992	73.2%	7.6%	0.2%	-14.9%	41.7%
LTM vs. FY 1990	140.2%	84.6%	NA	-3.0%	181.0%

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Comparative Analysis (p)				
	Mean	Median	High	Low
<S>	<C>	<C>	<C>	<C>

Historical Operating Trends:

Revenue Growth From Prior Periods				
FY 1991 vs. FY 1990	97.5%	41.4%	489.2%	-13.7%
FY 1992 vs. FY 1991	56.9%	27.5%	189.9%	8.2%
LTM vs. FY 1992	32.8%	23.5%	88.3%	1.6%
LTM vs. FY 1990	415.9%	170.7%	2009.1%	20.4%
EBITDA Growth From Prior Periods				
FY 1991 vs. FY 1990	140.0%	35.4%	826.0%	-25.8%
FY 1992 vs. FY 1991	54.5%	32.3%	172.2%	0.6%
LTM vs. FY 1992	17.8%	5.5%	81.6%	-16.9%
LTM vs. FY 1990	484.9%	94.0%	2814.2%	19.7%
EBIT Growth From Prior Periods				
FY 1991 vs. FY 1990	158.7%	32.8%	1010.9%	-69.7%
FY 1992 vs. FY 1991	80.3%	38.9%	313.6%	0.2%
LTM vs. FY 1992	22.2%	18.8%	95.9%	-31.9%
LTM vs. FY 1990	591.1%	108.5%	3576.4%	-1.0%
Net Income Growth From Prior Periods				
FY 1991 vs. FY 1990	-0.1%	-8.1%	180.0%	-169.5%
FY 1992 vs. FY 1991	-11.5%	31.1%	158.3%	-505.0%
LTM vs. FY 1992	18.9%	32.4%	91.7%	-44.1%
LTM vs. FY 1990	158.3%	141.0%	484.4%	-31.6%
CFFO Growth From Prior Periods				
FY 1991 vs. FY 1990	55.8%	22.6%	318.6%	-30.7%
FY 1992 vs. FY 1991	51.9%	24.1%	147.8%	2.7%
LTM vs. FY 1992	18.3%	7.6%	73.2%	-14.9%
LTM vs. FY 1990	187.6%	97.9%	801.0%	-3.0%

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DILLON, READ & CO. INC.

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SUMMARY VALUATION ANALYSIS OF SELECTED NATURAL GAS GATHERING AND PROCESSING COMPANIES

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FOOTNOTES TO ANALYSIS:

- (a) Defined as equity market value plus long-term and short-term debt, capital leases, minority interests and redeemable preferred stock, less cash & cash equivalents and long-term investments.
- (b) Defined as operating income plus depreciation, depletion and amortization.
- (c) Defined as income from operations before other (non-operating) income, extraordinary items, interest charges, minority interests and income taxes.
- (d) Net income to common shareholders. Excludes extraordinary items.
- (e) Before changes in working capital.
- (f) Median EPS estimates as reported in the Institutional Brokers Estimate System report, as of 11/18/93.
- (g) Balance sheet is not proforma asset sales/purchased subsequent to 9/30/93. Amounts not disclosed in 8K.
- (h) Balance sheet is proforma acquisition of four pipeline systems from Endeveco, Inc. Purchased with \$20.5 MM cash (debt) and 0.264 MM common shares. Transaction closed 11/03/93. Balance sheet is also proforma Dean Pipeline acquisition for \$22.5 MM cash. Transaction closed 11/8/93.
- (i) Proforma the 11/02/93 common stock and 5.25% Convertible Preferred stock Offerings. Also Proforma EGSI Acquisition. Financials LTM 6/30/93. Balance sheet as of date of final prospectus.
- (j) Balance sheet not proforma 10/05/93 acquisition of Tonkawa Gas Processing Company (30 MM/D processing capacity)
- (k) Proforma acquisitions of Mountain Gas Resources (\$164.6 MM) and Black Lake Processing and related reserves (\$134 MM). Both transactions were effective 1/01/93, therefore 9/30/93 10Q was proforma. Form 8K was used for 1992 "stub" period for LTM data.
- (l) Financials based on IPO prospectus dated October 26, 1993. Financials LTM June 30, 1993.
- (m) Valero Natural Gas Partnership L.P. is tax affected at 35% to make comparative analysis relevant. Taxes are assumed to be current (i.e. Deferred = 0). G&A expense based on VLO provided schedule. VLP units outstanding include effective GP units of 0.5658 million units. VLP G&A and O&M analysis adjusts LTM 9/30/93 O&M expenses by \$7.7 MM for non-recurring O&M expenses (\$4.4 MM early retirement, \$2.0 MM unusual bad debt expense & \$1.3 MM incremental product transport expenses)
- (n) Trident Financial data obtained from proforma prospectus dated November 10, 1993. LTM financial data is for the period ended 6/30/93.
- (o) Cash flow per share estimates obtained from Dillon Read, except USX-Delhi which is based on Morgan Stanley report dated 8/16/93. VLP based on Company's plan.

- (p) Comparative analysis does not include Valero Natural Gas Partners in its computations.
- (q) Number of common shares outstanding and book equity account adjusted for conversion of preferred issue into 4.2 MM additional common shares.
- (r) Based on fiscal year 1992 results.
- (s) Gross NGLs produced includes third party processing. Net figures are not available.
- (t) Total NGLs handled. Actual net production and sales information are not available.
- (u) Obtained from NGA investor relations department.

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Dillon, Read & Co. Inc.

12/09/93

Summary Valuation Analysis of Selected Pipeline Master Limited Partnerships

Draft - Subject to Change

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<TABLE>
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	Valero Natural Gas ----- <C>	Buckeye Partners ----- <C>	Enron Liquids ----- <C>	Kaneb Pipe Line(a) ----- <C>	Lakehead Pipe Line ----- <C>	Santa Fe Pipeline ----- <C>	TEPPCO Partners ----- <C>
MARKET DATA:							
Ticker Symbol	VLP	BPL	ENP	KPP	LHP	SFL	TP
Fiscal Year End	12/31/92	12/31/92	12/31/92	12/31/92	12/31/92	12/31/92	12/31/92
Latest Quarter Reported	9/30/93	9/30/93	9/30/93	9/30/93	9/30/93	9/30/93	9/30/93
Preferred Unit Price as of 12/08/93	\$ 11.000	\$ 38.250	\$ 29.625	\$ 27.000	\$ 32.375	\$ 38.500	\$ 27.875
Total Units Outstanding	18.5	12.0	6.5	16.1	21.8	19.1	14.5
Public Units As % of Total Captial	49.9%	98.0%	85.1%	44.2%	80.4%	56.3%	89.6%
GP-Held Units / DPis As % of Total Captial	47.2%	0.0%	12.9%	53.8%	17.6%	41.7%	8.4%
General Partners' Interest in Partnership	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
52-Week High Price	\$ 11.375	\$ 41.625	\$ 32.750	\$ 28.125	\$ 33.250	\$ 40.750	\$ 29.500
52-Week Low Price	\$ 7.375	\$ 28.500	\$ 24.875	\$ 20.750	\$ 23.750	\$ 33.250	\$ 20.500
Current Price As % Of 52-Week High	96.7%	91.9%	90.5%	96.0%	97.4%	94.5%	94.5%
Total Equity Market Value of Partnership(b)	\$ 209.6	\$ 468.4	\$ 171.3	\$ 357.1	\$ 720.3	\$ 752.2	\$ 377.6
Net Market Capitalization(c)	837.2	687.9	270.0	388.2	954.3	1,064.4	697.6
FINANCIAL PERFORMANCE DATA:							
LTM Total Operating Revenues	\$1,335.2	\$ 172.1	\$ 49.3	\$ 62.0	\$ 237.2	\$ 215.4	\$ 176.5
LTM Operating Cash Flow(d)	115.9	72.4	22.8	33.2	108.9	121.2	91.7
LTM Operating Income(e)	84.0	61.4	15.9	27.4	80.2	102.3	68.1
LTM Net Income Before GP Interest(f)	18.8	35.4	8.3	25.1	53.0	41.5	35.6
LTM Cash Flow From Operations(g)	51.3	45.8	17.8	31.1	92.7	82.0	58.7
Earnings Per Share							
Latest Twelve Month EPS	\$ 0.94	\$ 2.90	\$ 1.46	\$ 2.20	\$ 2.37	\$ 4.32	\$ 2.27
1993 Estimate (h)	1.10	3.46	1.55	1.82	2.40	3.45	2.25
1994 Estimate (h)	1.30	3.55	1.78	NA	2.45	3.58	2.30
Indicated Annual Distribution Per Unit							
	\$ 0.50	\$ 2.60	\$ 2.20	\$ 2.20	\$ 2.36	\$ 2.80	\$ 2.28
BALANCE SHEET DATA:							
Cash and Cash Equivalent	20.6	12.4	11.1	5.5	89.7	44.0	44.1
Net Utility Property, Plant and Equipment	741.5	497.6	228.1	132.2	615.0	621.6	545.9
Short-Term Debt (Includes Current L-T Debt)	37.9	16.4	1.5	7.0	3.1	0.0	5.0
Long-Term Debt	610.3	213.0	138.5	28.5	320.0	355.0	356.5
Total Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Book Value of Partners Capital	164.7	232.4	130.8	100.1	367.0	262.8	250.8
Net Book Capitalization(i)	792.2	451.9	229.5	131.1	601.0	574.9	570.7

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Comparable Analysis

	Mean	Median	High	Low
	----	-----	----	---
<S>	<C>	<C>	<C>	<C>
MARKET DATA:				
Ticker Symbol				
Fiscal Year End				
Latest Quarter Reported				
Preferred Unit Price				
as of 12/08/93				
Total Units Outstanding				
Public Units As %				
of Total Captial				
GP-Held Units / DPIs As				
% of Total Captial				
General Partners' Interest				
in Partnership				
52-Week High Price				
52-Week Low Price				
Current Price As %				
Of 52-Week High				
	94.1%	94.5%	97.4%	90.5%
Total Equity Market Value				
of Partnership(b)				
	\$ 474.5	\$ 423.0	\$ 752.2	\$ 171.3
	677.0	692.7	1,064.4	270.0
Net Market Capitalization(c)				

FINANCIAL PERFORMANCE DATA:

LTM Total Operating Revenues
LTM Operating Cash Flow(d)
LTM Operating Income(e)
LTM Net Income Before
 GP Interest(f)
LTM Cash Flow From Operations(g)

Earnings Per Share
 Latest Twelve Month EPS
 1993 Estimate (h)
 1994 Estimate (h)

Indicated Annual Distribution
 Per Unit

BALANCE SHEET DATA:

Cash and Cash Equivalent
Net Utility Property,
 Plant and Equipment
Short-Term Debt (Includes
 Current LT Debt)
Long-Term Debt
Total Preferred Stock
Book Value of Partners Capital
Net Book Capitalization(i)

</TABLE>

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- (a) Kaneb's results are not adjusted for its March, 1993 acquisition of Support Terminal Services, Inc. due to lack of public disclosure regarding financial results.
 - (b) Equity market value of total partnership units (excluding DPIs / DPUs), adjusted for general partner's interest. Assumes price of company-held units equals price of publicly-traded units.
 - (c) Net market capitalization is defined as the equity market value of partners' interests plus total debt, preferred stock and minority interests, less cash & equivalents, discontinued operations and L-T investments.
 - (d) Operating cash flow is defined as earnings before interest, taxes, depreciation and amortization (EBITDA). Excludes extraordinary items.
 - (e) Operating income is defined as earnings from operations before interest and taxes (EBIT). Excludes extraordinary items.
 - (f) Net income before allocation of minority and / or general partner interests. Also, amount is shown before changes in accounting methods and any extraordinary credits or charges.
 - (g) Cash flow from operations is defined as cash flow from operations before changes in working capital (CFFO).
 - (h) Median earnings estimates of Wall Street research analysts as reported in the Institutional Brokers Estimate System report dated 11/18/93.
 - (i) Net book capitalization defined as book value of partners capital plus total debt, preferred stock and minority interests, less cash & equivalents, discontinued operations and L-T investments.

SUMMARY VALUATION ANALYSIS OF SELECTED PIPELINE MASTER LIMITED PARTNERSHIPS

DRAFT - SUBJECT TO CHANGE

PAGE 2

	Valero Natural Gas	Buckeye Partners	Enron Liquids	Kaneb Pipe Line (a)	Lakehead Pipe Line	Santa Fe Pipeline	TEPPCO Partners
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
VALUATION INFORMATION:							
Equity Market Value of Limited Partners' Capital to:							
LTM Net Income to All Partners	10.8 x	12.9 x	20.1 x	7.8 x	10.9 x	10.2 x	10.4 x
LTM Cash Flow Flow from Operations	4.0 x	10.0 x	9.4 x	6.3 x	6.2 x	5.2 x	6.3 x
Book Value of Partner's Capital	1.2 x	2.0 x	1.3 x	2.0 x	1.6 x	1.6 x	1.5 x
1993E Net Income	10.0 x	11.1 x	19.1 x	14.8 x	13.5 x	11.2 x	12.4 x
1994E Net Income	8.5 x	10.8 x	16.6 x	NA x	13.2 x	10.8 x	12.1 x
Net Market Capitalization to:							
LTM Total Operations	0.6 x	4.0 x	5.5 x	6.3 x	4.0 x	4.9 x	4.0 x
LTM Operating Cash Flow / EBITDA	7.2 x	9.5 x	11.8 x	11.7 x	8.8 x	8.8 x	7.6 x
LTM Operating Income / EBIT	10.0 x	11.2 x	17.0 x	14.2 x	11.9 x	10.4 x	10.2 x
Indicated Dividend Yield	4.5%	6.8%	7.4%	8.1%	7.3%	7.3%	8.2%
OTHER INFORMATION:							
Net Debt / Net Book Capitalization (b)	79.2%	48.6%	43.0%	23.6%	38.9%	54.3%	56.1%
Net Debt / Net Market Capitalization (b)	75.0%	31.9%	36.5%	8.0%	24.5%	29.3%	45.9%
Payout Ratio (Using LTM EPS)	53.2%	89.7%	150.8%	100.0%	99.7%	64.9%	100.3%
EBITDA / Interest Expense	1.7 x	2.76 x	2.37 x	10.58 x	3.59 x	3.27 x	2.47 x
Cash Flow From Operations / Net Debt (b)	8.2%	20.9%	18.0%	100.2%	39.6%	26.3%	18.3%
Cash Flow From Operations / Interest Expense	0.8 x	1.75 x	1.85 x	9.89 x	3.06 x	2.21 x	1.58 x
Total Capital Expenditures / Net P.P.& E.	4.6%	2.5%	3.3%	4.8%	5.0%	3.9%	3.6%
Maintenance Capital Exp. / Net P.P.& E.	4.6%	2.5%	1.2%	4.8%	1.9%	1.1%	1.7%
D.D.&A. / Net P.P.&E.	4.3%	2.2%	3.0%	4.4%	4.7%	3.0%	4.3%
Ownership Profile							
Publicly-Held Preferred / Common Units	49.9%	98.0%	85.1%	44.2%	80.4%	56.3%	89.6%
Company-Held Preferred / Common Units	47.2%	0.0%	0.0%	34.5%	17.6%	41.7%	0.0%
Company-Held DPIs/DPUS	0.0%	0.0%	12.9%	19.3%	0.0%	0.0%	8.4%
General Partnership Interests	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Partnership Distribution							
Coverage Ratios							
Free Operating Cash Flow Over: (c)							
Total Distributions (d)	8.6 x	1.9 x	1.4 x	0.7 x	1.9 x	2.1 x	2.4 x
Preferred Distributions Only	8.9 x	1.9 x	1.6 x	1.7 x	2.3 x	3.7 x	2.7 x
Free Cash Flow From Operations Over: (e)							
Total Distributions (d)	1.8 x	1.0 x	1.0 x	0.7 x	1.5 x	1.4 x	1.5 x
Preferred Distributions Only	1.9 x	1.1 x	1.2 x	1.6 x	1.9 x	2.5 x	1.6 x

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	Mean	Comparable Analysis		Low
<S>	<C>	Median	High	<C>
VALUATION INFORMATION:				
Equity Market Value of Limited Partners' Capital to:				
LTM Net Income to All Partners	12.1 x	10.7 x	20.1 x	7.8 x
LTM Cash Flow Flow from Operations	7.2 x	6.3 x	10.0 x	5.2 x
Book Value of Partner's Capital	1.6 x	1.6 x	2.0 x	1.3 x
1993E Net Income	13.7 x	12.9 x	19.1 x	11.1 x
1994E Net Income	12.7 x	12.1 x	16.6 x	10.8 x

Net Market

Capitalization to:

LTM Total Operations	4.8 x	4.0 x	6.3 x	4.0 x
LTM Operating Cash Flow / EBITDA	9.7 x	9.1 x	11.8 x	7.6 x
LTM Operating Income / EBIT	12.5 x	11.5 x	17.0 x	10.2 x
Indicated Dividend Yield	7.5%	7.4%	8.2%	6.8%

OTHER INFORMATION:

Net Debt / Net Book Capitalization (b)	44.1%	45.8%	56.1%	23.6%
Net Debt / Net Market Capitalization (b)	29.4%	30.6%	45.9%	8.0%
Payout Ratio (Using LTM EPS)	100.9%	99.9%	150.8%	64.9%
EBITDA / Interest Expense	4.17 x	3.02 x	10.58 x	2.37 x
Cash Flow From Operations / Net Debt (b)	37.2%	23.6%	100.2%	18.0%
Cash Flow From Operations / Interest Expense	3.39 x	2.03 x	9.89 x	1.58 x
Total Capital Expenditures / Net P.P.& E.	3.9%	3.7%	5.0%	2.5%
Maintenance Capital Exp. / Net P.P.& E.	2.2%	1.8%	4.8%	1.1%
D.D.&A. / Net P.P.&E.	3.6%	3.7%	4.7%	2.2%
Ownership Profile				
Publicly-Held Preferred / Common Units	75.6%	82.8%	98.0%	44.2%
Company-Held Preferred / Common Units	15.6%	8.8%	41.7%	0.0%
Company-Held DPis/DPUs	6.8%	4.2%	19.3%	0.0%
General Partnership Interests	2.0%	2.0%	2.0%	2.0%
Partnership Distribution				
Coverage Ratios				
Free Operating Cash Flow Over: (c)				
Total Distributions (d)	1.7 x	1.9 x	2.4 x	0.7 x
Preferred Distributions Only	2.3 x	2.3 x	3.7 x	1.6 x
Free Cash Flow From Operations Over: (e)				
Total Distribution (d)	1.2 x	1.4 x	1.5 x	0.7 x
Preferred Distributions Only	1.6 x	1.6 x	2.5 x	1.1 x

</TABLE>

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- (a) Kaneb's results are not adjusted for its March, 1993 acquisition of Support Terminal Services, Inc. due to lack of public disclosure regarding financial results.
 - (b) Net debt is defined as total debt, plus redeemable preferred stock and minority interests, less cash & equivalents, long-term investments and discontinued operations
 - (c) Free operating cash flow is defined as operating cash flow (EBITDA) less maintenance capital expenditures.
 - (d) Total distributions include distributions to common / deferred units at same rate as preferred units, inclusive of the general partner's distribution.
 - (e) Free cash flow from operations is defined as cash flow from operations (CFFO) less maintenance capital expenditures.

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DILLON, READ & CO. INC.

DECEMBER 10, 1993

SELECTED COMPARABLE COMPANY ACQUISITIONS

VALERO NATURAL GAS COMPANY

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Dillon, Read & Co. Inc.

12/08/93

Valero Natural Gas Partners, L.P.
Summary of Selected Mergers and Acquisitions in Gas Gathering and Processing Industry

<TABLE>
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Latest Annual Results
(\$mm)

Date	Acquiror / Target	Description of Transaction	Value of Equity	Net Debt	Value of Assets	Revenues	EBITDA
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
10/11/93	Associated Natural Gas Dean Pipeline Co.	Includes 264 miles of liquids pipeline and 54 miles of supply laterals (21,000 b/d).	22.5	0.0	22.5	NA	NA
10/05/93	USX - Delhi Group Pettus Gas	Purchase of 30 mmcf/d cryogenic plant in Bee County, TX.	3.0	0.0	3.0	NA	NA
9/27/93	Western Gas Resources Black Lake Gas Plant (from NERCO)	Purchase of gas plant and 68.9% working interest in Black Lake field.	137.6	0.0	137.6	57.6	NA
9/15/93	Tejas Gas Corporation Exxon Corp.	Substantially all of Exxon's TX and LA intrastate gathering systems and West Clear Lake storage facility.	380.0	0.0	380.0	384.2	47.1
9/15/93	Associated Natural Gas Endeveco	Purchase of pipeline (547 miles total) and Hattiesburg gas storage facility (300,000 mmbtu capacity).	32.5	0.0	32.5	NA	NA
7/29/93	Patrick Petroleum Company American National Petroleum Co.	Purchase of ANP's stock for \$3.40 in cash and \$2.60 in stock	28.0	0.0	28.0	11.7	5.5
6/29/93	Western Gas Resources (a) Mountain Gas Resources	Former gathering assets of Presidio Oil	77.3	13.8	91.1	98.0	11.0
3/17/93	El Paso Natural Gas (b) Mojave Pipeline	Purchased remaining 50% interest in company from Enron Corp.	40.0	70.0	110.0	27.3	NA
12/1/92	Associated Natural Gas GPM Gas Corp.'s Osage System	Includes 15,000 mcf/d gas plant and approx. 900 miles of pipeline connected to 300 wells in OK.	NA	0.0	NA	NA	NA
10/1/92	Associated Natural Gas GPM Gas Corp.'s Glenpool System	Includes 25,000 mcf/d gas plant and approx. 1,000 miles of pipeline connected to 525 wells in OK.	NA	0.0	NA	NA	NA
5/1/92	Associated Natural Gas Finlay Energy, Inc.	Peavine and West Edmond gas plants and associated gathering systems in OK.	15.9	0.0	15.9	NA	NA
4/1/92	Associated Natural Gas Triumph Oklahoma LP	West Guthrie gas plant and associated gathering system located in OK.	NA	0.0	NA	NA	NA
4/1/92	American Oil & Gas Corp. Maple Gas Corp.	Includes 1,056 miles of pipeline and 10 gas plants.	11.0	75.0	86.0	71.7	NA
10/31/91	Associated Natural Gas Spindle Facility (from Apache)	Includes gas plant and associated gathering assets (\$ shown is net of sale of acquired oil and gas properties for \$16.5 mm)	17.7	0.0	17.7	NA	2.3
9/18/91	Western Gas Resources (c) Union Texas Petroleum	12 gas processing plants and 5,260 miles of gas gathering systems in TX, OK & LA.	135.0	7.7	142.7	249.8	26.9
7/26/91	Transok (Central & South-west Corp.) TEX / CON	1,400 miles of pipeline consisting of	250.0	0.0	250.0	NA	NA
3/22/91	Associated Natural Gas Mega Natural Gas Corp.	Purchased company with ops in OK, TX, NM and KS. Owns 1,000 miles of pipe and 166 cf/d of system throughput	43.0	38.0	81.0	NA	10.5
1/91	Western Gas Resources Amoco Production Company	65 mmcf/d edgewood gas plant in E. Texas. Also a 350 ton/d sulfur recovery unit	36.0	0.0	36.0	NA	6.3

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Date	Acquiror / Target	Description of Transaction	Asset Value As Multiple of	
			Revenues	EBITDA
-----	-----	-----	-----	-----

<S>	<C>	<C>	<C>	<C>
10/11/93	Associated Natural Gas Dean Pipeline Co.	Includes 264 miles of liquids pipeline and 54 miles of supply laterals (21,000 b/d).	NA x	NA x
10/05/93	USX - Delhi Group Pettus Gas	Purchase of 30 mmcf/d cryogenic plant in Bee County, TX.	NA x	NA x
9/27/93	Western Gas Resources Black Lake Gas Plant (from NERCO)	Purchase of gas plant and 68.9% working interest in Black Lake field.	2.4 x	NA x
9/15/93	Tejas Gas Corporation Exxon Corp.	Substantially all of Exxon's TX and LA intrastate gathering systems and West Clear Lake storage facility.	1.0 x	8.1 x
9/15/93	Associated Natural Gas Endevco	Purchase of pipeline (547 miles total) and Hattiesburg gas storage facility (300,000 mmbtu capacity).	NA x	NA x
7/29/93	Patrick Petroleum Company American National Petroleum Co.	Purchase of ANP's stock for \$3.40 in cash and \$2.60 in stock	2.4 x	5.1 x
6/29/93	Western Gas Resources (a) Mountain Gas Resources	Former gathering assets of Presidio Oil	0.9 x	8.3 x
3/17/93	El Paso Natural Gas (b) Mojave Pipeline	Purchased remaining 50% interest in company from Enron Corp.	4.0 x	NA x
12/1/92	Associated Natural Gas GPM Gas Corp.'s Osage System	Includes 15,000 mcf/d gas plant and approx. 900 miles of pipeline connected to 300 wells in OK.	NA x	NA x
10/1/92	Associated Natural Gas GPM Gas Corp.'s Glenpool System	Includes 25,000 mcf/d gas plant and approx. 1,000 miles of pipeline connected to 525 wells in OK.	NA x	NA x
5/1/92	Associated Natural Gas Finlay Energy, Inc.	Peavine and West Edmond gas plants and associated gathering systems in OK.	NA x	NA x
4/1/92	Associated Natural Gas Triumph Oklahoma LP	West Guthrie gas plant and associated gathering system located in OK.	NA x	NA x
4/1/92	American Oil & Gas Corp. Maple Gas Corp.	Includes 1,056 miles of pipeline and and 10 gas plants.	1.2 x	NA x
10/31/91	Associated Natural Gas Spindle Facility (from Apache)	Includes gas plant and associated gathering assets (\$ shown is net of sale of acquired oil and gas properties for \$16.5 mm)	NA x	7.7 x
9/18/91	Western Gas Resources (c) Union Texas Petroleum	12 gas processing plants and 5,260 miles of gas gathering systems in TX, OK & LA.	0.6 x	5.3 x
7/26/91	Transok (Central & South- west Corp.) TEX / CON	1,400 miles of pipeline consisting of	NA x	NA x
3/22/91	Associated Natural Gas Mega Natural Gas Corp.	Purchased company with ops in OK, TX, NM and KS. Owns 1,000 miles of pipe and 166 cf/d of system throughput	NA x	7.7 x
1/91	Western Gas Resources Amoco Production Company	65 mmcf/d edgewood gas plant in E. Texas. Also a 350 ton/d sulfur recovery unit	NA x	5.7 x

</TABLE>

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Dillon, Read & Co. Inc.

12/01/93

Valero Natural Gas Partners, L.P.

Summary of Selected Mergers and Acquisitions in Gas Gathering and Processing
Industry

<TABLE>

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Date	Acquiror / Target	Description of Transaction	Value of Equity	Net Debt	Value of Assets
12/4/90	Tejas Gas Corporation Acadian Gas Group	Unit purchases, gathers, transports and markets natural gas along LA & TX gulf coasts through 400 miles of pipe (600 mmcf/d)	175.0	(15.1)	159.9
7/26/90	Western Gas Resources Parker Drilling Company	Gathering assets in LA, AR & TX. Incl. 75% of Giddings system of 475 miles of pipe (65 mmcf/d). Also gas treating bus.	24.6	0.4	25.0
5/24/90	UtiliCorp United Inc. Clajon Holdings LP	Company owns & operates 6 intrastate gas pipeline systems and 2 gas plants in SE TX.	65.0	160.0	225.0
1/24/89	American Oil & Gas Corp. Cabot Corporation	Incl. gathering and transmission ops: 3,500 miles of pipeline in W. TX and TX panhandle.	120.6	(0.1)	120.5
6/16/88	Tejas Gas Corporation (Hamilton Oil) Gulf Energy Dev. Corp. (Penn Cent.)	Gathers & transports gas in TX, OK, CO, WV and LA	140.0	15.0	155.0
8/1/87	Enerfin Partners 1 LP Farmland Industries (Gas Plant Div.)	Includes 5 gas plants and 892 miles of pipeline in West Texas and Wyoming.	62.0	0.0	62.0

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Date	Acquiror / Target	Description of Transaction	Latest Annual Results (\$mm)		Asset Value As Multiple of	
			Revenues	EBITDA	Revenues	EBITDA
12/4/90	Tejas Gas Corporation Acadian Gas Group	Unit purchases, gathers, transports and markets natural gas along LA & TX gulf coasts through 400 miles of pipe (600 mmcf/d)	NA	21.0	NA x	7.6 x
7/26/90	Western Gas Resources Parker Drilling Company	Gathering assets in LA, AR & TX. Incl. 75% of Giddings system of 475 miles of pipe (65 mmcf/d). Also gas treating bus	NA	7.1	NA x	3.5 x
5/24/90	UtiliCorp United Inc. Clajon Holdings LP	Company owns & operates 6 intrastate gas pipeline systems and 2 gas plants in SE TX.	NA	32.6	NA x	6.9 x
1/24/89	American Oil & Gas Corp. Cabot Corporation	Incl. gathering and transmission ops: 3,500 miles of pipeline in W. TX and TX panhandle.	NA	10.8	NA x	11.2 x
6/16/88	Tejas Gas Corporation (Hamilton Oil) Gulf Energy Dev. Corp. (Penn Cent.)	Gathers & transports gas in TX, OK, CO, WV and LA	NA	22.8	NA x	6.8 x
8/1/87	Enerfin Partners 1 LP Farmland Industries (Gas Plant Div.)	Includes 5 gas plants and 892 miles of pipeline in West Texas and Wyoming.	NA	13.8	NA x	4.5 x
			Mean		1.8 x	6.8 x
			High		4.0 x	11.2 x
			Low		0.6 x	3.5 x

</TABLE>

- (a) Operating results for Mountain Gas cover the period 7/16/92 to 6/30/93.
- (b) Annualized change in results for six month period ending 6/30/93.
- (c) Annualized nine months results.

HISTORICAL PREMIUMS OF NON-CONTROL
POSITION BUYOUTS

VALERO NATURAL GAS COMPANY

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SUMMARY OF SELECTED CONTROLLING SHAREHOLDER BUYOUTS
COMPLETED/PENDING SINCE 1986

(Figures in Millions, Except per Share Data)

<TABLE>
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	TOTAL EQUITY VALUE (100%) (\$MM)	VALUE OF TARGET'S HOLDINGS (\$MM)	TOTAL SHARES OUT (MM)	PRIOR TO ANNOUNCEMENT			
				ACQUIROR'S HOLDINGS		TARGET'S HOLDINGS	
				NUMBER SHARES HELD (MM)	PERCENT OWNERSHIP (%)	NUMBER SHARES HELD (MM)	PERCENT OWNERSHIP (%)
<S> SUMMARY STATISTICS	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1986-1993							
Number	147.0	153.0	--	--	146.0	--	130.0
Mean	\$525.0	\$150.4	--	--	70.7	--	26.6
1986							
Number	8.0	9.0	--	--	8.0	--	9.0
Mean	\$73.3	\$20.8	--	--	66.2	--	33.7
1987							
Number	21.0	22.0	--	--	18.0	--	23.0
Mean	\$1,193.5	\$461.2	--	--	73.7	--	27.0
1988							
Number	23.0	24.0	--	--	23.0	--	19.0
Mean	\$293.1	\$461.2	--	--	67.9	--	29.1
1989							
Number	28.0	30.0	--	--	32.0	--	26.0
Mean	\$547.4	\$135.1	--	--	70.1	--	30.5
1990							
Number	25.0	25.0	--	--	23.0	--	23.0
Mean	\$238.8	\$59.0	--	--	72.6	--	28.0
1991							
Number	17.0	17.0	--	--	17.0	--	17.0
Mean	\$915.1	\$240.7	--	--	70.0	--	28.6
1992							
Number	14.0	14.0	--	--	13.0	--	9.0
Mean	\$366.5	\$53.4	--	--	73.6	--	22.5
1993 To Date							
Number	11.0	12.0	--	--	12.0	--	4.0
Mean	\$254.3	\$40.3	--	--	69.8	--	27.7

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ACQUIROR'S OWNERSHIP AFTER TRANSACTION (%)	PREMIUM TO MARKET (%)		
	ONE MONTH BEFORE OFFER	ONE WEEK BEFORE OFFER	ONE DAY BEFORE OFFER
	-----	-----	-----
<S>	<C>	<C>	<C>

SUMMARY STATISTICS					
1986-1993					
	Number	159.0	137.0	137.0	137.0
	Mean	89.4	35.2	33.3	30.2
1986					
	Number	10.0	7.0	7.0	7.0
	Mean	90.0	39.3	45.0	41.2
1987					
	Number	24.0	21.0	21.0	21.0
	Mean	83.0	31.3	30.0	30.8
1988					
	Number	23.0	23.0	23.0	23.0
	Mean	92.5	49.8	42.2	38.1
1989					
	Number	33.0	28.0	28.0	28.0
	Mean	92.0	38.0	33.6	31.8
1990					
	Number	25.0	21.0	21.0	21.0
	Mean	92.1	36.3	38.1	29.7
1991					
	Number	18.0	14.0	14.0	14.0
	Mean	96.9	25.4	27.3	25.0
1992					
	Number	13.0	14.0	14.0	14.0
	Mean	89.1	18.4	16.3	14.9
1993 To Date					
	Number	13.0	9.0	9.0	9.0
	Mean	73.0	35.3	33.3	27.9

</TABLE>

Source: Securities Data Corporation

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SUMMARY OF SELECTED CONTROLLING SHAREHOLDER BUYOUTS COMPLETED/PENDING SINCE 1986
(Figures in Millions, Except per Share Data)

<TABLE>

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Date Announced	Acquiror Name	Target Name	Consideration	Total Equity Value (100%) (\$MM)	Value of Target's Holdings (\$MM)
05/09/86	WR Grace & Co	El Torito Restaurants Inc	\$20.50 cash/sh com	\$228.1	\$62.5
05/19/86	Konica Corp	Fotomat (Konishiroku Photo)	\$1.70 cash/sh com	\$42.5	\$16.7
05/30/86	Equity-DQSB Inc	Delta Queen Steamboat Co	\$4.3 mil/29.5% remaining interest	-	\$4.3
06/03/86	Investor	Bayswater Realty & Capital	\$11/sh com	\$9.9	\$1.6
06/24/86	Bally Manufacturing Corp	Bally's Park Place Inc	-	-	-
07/03/86	Laurentian Capital Corp	Founders Financial Corp	0.3575 sh com/sh com and 14.3 shs com/sh pfd	\$15.5	\$18.2
08/19/86	British Car Auction Group PLC	Sandgate Corp	\$18.75 cash/sh com	\$82.5	\$22.5
10/02/86	Newell Co	William E Wright Co (Newell Co)	\$14.25 cash/sh com, plus an additional \$0.875 cash/sh com paid to shareholders that held shares on 10/24/85	\$31.7	\$13.0
11/05/86	PS Group Inc	Statex Petroleum Inc (PS Group)	\$9.00 cash/sh com and \$18.50 cash/\$2.55 cumulative convertible preferred stock, Series A, \$20.00 par value	\$26.4	\$10.1
11/19/86	General Felt Industries	Knoll International Inc	\$12 cash/sh com, plus options	\$149.6	\$38.0
01/12/87	AEGON NV	Life Investors Inc	\$51.61 cash/sh com for 225,416 shs purchased through tender offer and 154,168 shs purchased through merger (estimated) and \$50.75 cash/sh com for 242,849 shs purchased from Ownership Participation Trust	\$456.5	\$32.9
01/20/87	Collins Foods International	Naugles Inc (Collins Foods)	0.2326 sh com/sh com	\$124.0	\$10.0
01/23/87	Fiat Trattori SpA	Hesston Corp (Fiat Trattori)	\$4 cash/sh com and \$12.50/sh convertible pfd	-	\$9.6
03/03/87	Kebo AB(Investment AB Beijer)	Calmar Inc (Kebo/Beijer Inv AB)	\$32 cash/sh com plus \$1.14 mil cash to cancel outstanding options	\$161.3	\$59.8
03/13/87	E-B Acquisition Co	Elder-Beerman Stores Corp	\$33 cash/sh com	\$108.9	\$33.0

03/26/87	BP America (British Petroleum)	Standard Oil Co (British Petro)	\$71.50 cash plus 0.2 war/sh com plus \$73.50 less exercise price/options plus \$100 cash/sh cumulative pfd stock	\$17,459.6	\$7,857.7
04/28/87	Life Investors Inc	Life Investors Inc	\$51.61 cash/sh com for 225,416 shs purchased through tender offer and \$50.75 cash/sh com for 242,848 shs purchased from Ownership Participation Trust	\$456.5	\$23.9
05/13/87	La Cadena Invts,Craig Corp	Stater Brothers Inc	\$25.50 cash/sh com	\$106.6	\$8.3
06/22/87	Pearson Inc (Pearson PLC)	Camco Inc	\$29 cash/sh com plus \$29 cash minus \$14.12 exercise price/com stock options	\$220.0	\$77.8
06/30/87	Berry Petroleum Company	Norris Oil Co	-	-	-
07/15/87	Hongkong & Shanghai Banking	Marine Midland Banks Inc	\$83 cash/sh com	\$1,577.0	\$752.0
07/28/87	PI Acquisition Corp	Parisian Inc	\$30.65/sh com	\$496.5	\$229.8
07/29/87	Lexicon Corp	SCOPE Inc (Lexicon Corp)	-	-	-

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Date Announced	Acquiror Name	Prior to Announcement					Acquiror's Ownership After Transaction (%)
		Acquiror's Holdings			Target's Holdings		
		Total Shares Out (MM)	Number Shares Held (MM)	Percent Ownership (%)	Number Shares Held (MM)	Percent Ownership (%)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
05/09/86	WR Grace & Co	11.1	8.1	72.6	3.1	27.5	100.0
05/19/86	Konica Corp	25.0	15.2	60.6	9.8	42.0	99.8
05/30/86	Equity-DQSB Inc	-	-	-	-	29.5	100.0
06/03/86	Investor	0.9	0.8	84.0	-	-	84.0
06/24/86	Bally Manufacturing Corp	-	-	-	-	16.0	16.0
07/03/86	Laurentian Capital Corp	5.8	3.0	51.7	2.8	48.5	100.0
08/19/86	British Car Auction Group PLC	4.4	3.2	72.7	1.2	27.0	100.0
10/02/86	Newell Co	2.1	1.2	59.3	0.9	41.0	100.0
11/05/86	PS Group Inc	2.9	2.0	68.4	0.9	31.5	100.0
11/19/86	General Felt Industries	12.5	7.5	60.2	5.0	40.0	100.0
01/12/87	AEGON NV	8.9	7.7	87.3	0.6	7.0	94.3
01/20/87	Collins Foods International	27.2	25.0	91.9	2.2	8.1	100.0
01/23/87	Fiat Trattori SpA	-	-	-	2.0	47.5	55.4
03/03/87	Kebo AB (Investment AB Beijer)	5.0	3.2	63.7	1.8	36.3	100.0
03/13/87	E-B Acquisition Co	3.3	-	-	2.3	30.0	69.7
03/26/87	BP America (British Petroleum)	237.6	130.2	54.8	107.4	45.0	100.0
04/28/87	Life Investors Inc	8.9	-	-	0.7	7.6	7.6
05/13/87	La Cadena Invts,Craig Corp	4.2	3.9	92.2	0.3	7.8	100.0
06/22/87	Pearson Inc (Pearson PLC)	7.6	4.8	63.1	2.8	37.1	99.9
06/30/87	Berry Petroleum Company	-	-	-	-	20.0	20.0
07/15/87	Hongkong & Shanghai Banking	19.0	-	-	9.2	48.0	48.4
07/28/87	PI Acquisition Corp	16.2	8.7	53.7	7.5	46.0	100.0
07/29/87	Lexicon Corp	-	-	-	-	50.0	50.0

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Date Announced	Acquiror Name	Premium to Market (%)		
		One Month Before Offer	One Week Before Offer	One Day Before Offer
<S>	<C>	<C>	<C>	<C>
05/09/86	WR Grace & Co	18.8	19.7	9.3
05/19/86	Konica Corp	36.0	70.0	70.0
05/30/86	Equity-DQSB Inc	-	-	-
06/03/86	Investor	131.6	131.6	131.6
06/24/86	Bally Manufacturing Corp	-	-	-
07/03/86	Laurentian Capital Corp	42.9	42.9	42.9
08/19/86	British Car Auction Group PLC	4.9	2.8	0.7
10/02/86	Newell Co	-	-	-
11/05/86	PS Group Inc	16.1	18.0	4.3
11/19/86	General Felt Industries	24.7	29.7	29.7
01/12/87	AEGON NV	5.3	4.3	3.2
01/20/87	Collins Foods International	-	-	-
01/23/87	Fiat Trattori SpA	14.3	28.0	23.1
03/03/87	Kebo AB (Investment AB Beijer)	54.2	43.8	45.5
03/13/87	E-B Acquisition Co	55.3	51.7	46.7
03/26/87	BP America (British Petroleum)	33.3	14.4	13.3
04/28/87	Life Investors Inc	1.2	0.7	0.7
05/13/87	La Cadena Invts,Craig Corp	45.7	50.0	25.9
06/22/87	Pearson Inc (Pearson PLC)	19.6	26.8	20.8
06/30/87	Berry Petroleum Company	-	-	-
07/15/87	Hongkong & Shanghai Banking	60.0	38.9	38.3

07/28/87 PI Acquisition Corp 71.5 72.7 77.7
 07/29/87 Lexicon Corp - - -
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Source: Securities Data Corporation

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 SUMMARY OF SELECTED CONTROLLING SHAREHOLDER BUYOUTS COMPLETED/PENDING SINCE 1986

(Figures in Millions, Except per Share Data)

Date Announced		Acquiror Name	Target Name	Consideration	Total Equity Value (100%) (\$MM)
<S>	<C>	<C>	<C>	<C>	<C>
08/17/87	Philips Gloeilampenfabrieken	North American Philips Corp	Philips Corp	\$56 cash/sh com and \$56-\$12.97 (low exercise price)/option sh com/sh com	\$1,715.0
09/09/87	Kinder-Care Inc	Sylvan Learning Corp	Sylvan Learning Corp	\$80 cash/sh com	\$82.8
10/09/87	Sugar Acquisition Corp	US Sugar Corp	US Sugar Corp	\$22.50 cash/sh com	\$200.8
10/29/87	SDA Acquisition Corp	Thompson Medical Co Inc	Thompson Medical Co Inc	\$8.25 cash/sh com	\$167.5
11/06/87	Sithe Energies Group	Energy Factors Inc	Energy Factors Inc	\$17 cash/sh com	\$83.3
11/24/87	Dallhold Investments Pty Ltd	St Joe Gold Corp(Fluor Corp)	St Joe Gold Corp(Fluor Corp)	1 Magma Power sh com/1.9 Magma Energy sh com	\$528.7
12/02/87	Magma Power Co	Magma Energy Inc(Magma Power)	Magma Energy Inc(Magma Power)	\$12.00 cash/sh com	\$33.6
12/10/87	Brentwood Associates IV LP	Ideal School Supply Corp	Ideal School Supply Corp	\$42.2 mil cash/4.8 mil units	\$50.4
12/11/87	Freeport-McMoRan Energy	American Royalty Trust	American Royalty Trust	\$27/sh com	\$383.2
12/17/87	AGFA-Gevaert Graphics Inc	Compugraphic(AGFA-Gevaert)	Compugraphic(AGFA-Gevaert)	\$22.75 cash/sh coma	\$232.9
12/21/87	Rogers Communications Inc	Rogers CableSystems of America	Rogers CableSystems of America	\$3.125 cash plus \$5.60 principal amount of 7% subordinated debenture/sh com	\$418.1
01/20/88	Investor	Chariot Group Inc(Chariot)	Chariot Group Inc(Chariot)	\$12.00/sh com	\$20.8
02/16/88	Paul Kalmanovitz Testamentary	Falstaff Brewing Corp	Falstaff Brewing Corp	\$12.50 cash/sh com and \$920 cash/ \$1,000 principal amount of Genmar's 7% senior convertible debentures due 2006	\$56.0
02/17/88	Minstar Inc	Genmar Industries Inc(Minstar)	Genmar Industries Inc(Minstar)	\$47.50 cash/sh com; \$47.50 minus exercise prices ranging from \$17 to \$34.75/option	\$404.1
02/25/88	Cie de Saint-Gobain SA	CertainTeed Corp(Saint-Gobain)	CertainTeed Corp(Saint-Gobain)	\$1.50 cash/sh com	\$909.0
03/03/88	First Texas Savings Assn	Gemcraft(First TX Svgs Assn)	Gemcraft(First TX Svgs Assn)	\$60 cash/sh com	\$7.6
03/16/88	Investor Group	Arthur D Little Inc	Arthur D Little Inc	\$16.50/sh com	\$151.8
03/17/88	Curtis Squire Inc	Regis Corp(Curtis Squire Inc)	Regis Corp(Curtis Squire Inc)	\$19.35/sh com	\$29.7
03/18/88	Dyson-Kissner-Moran Corp	Kearney National Inc	Kearney National Inc	\$28 cash/sh com	\$110.3
03/18/88	Investor Group	Meyers Parking System Inc	Meyers Parking System Inc	\$5.50 com/sh com and 1 option to acquire J&J com/option to acquire ICEE-USA com with the same terms and conditions	\$75.6
03/23/88	J&J Snack Foods Corp	ICEE-USA Corp	ICEE-USA Corp	\$11.75 cash/sh com + \$2.52 mil cash to cancel outstanding options	\$9.2
04/11/88	SH Holdings Inc	Gruen Marketing Corp(Jewelcor)	Gruen Marketing Corp(Jewelcor)	\$20 cash plus \$30 face value of junior subordinated debentures/sh com not already held by Icahn	\$106.4
04/22/88	Investor	Trans World Airlines Inc	Trans World Airlines Inc	\$7 cash plus one-fifth of a share in the new Braniff/sh com \$12.546 mil cash and stock/preferred shares	\$1,525.0
06/10/88	BIA-COR Holdings Inc	Braniff Inc(BIA-COR Holdings)	Braniff Inc(BIA-COR Holdings)	\$28 cash/sh com	\$125.1
06/22/88	Westminster Investment Corp	BF Saul Real Estate Inv Tr	BF Saul Real Estate Inv Tr	108% face amount/12% senior notes, plus 78% face value/15% subordinated discount debentures, plus \$15.625 cash/warrant to purchase common stock	\$164.3
07/01/88	Diversified Services Group Inc	Nutri/System Inc	Nutri/System Inc	1 sh com/sh com	-
07/14/88	Starrett Housing Corp	Levitt Corp	Levitt Corp		\$23.8

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Date Announced		Acquiror Name	Value of Target's Holdings (\$MM)	Total Shares Out (MM)	Acquiror's Holdings (MM)	Percent Ownership (%)	Target's Holdings (MM)	Percent Ownership (%)	Acquiror's Ownership After Transaction (%)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
08/17/87	Philips Gloeilampenfabrieken	Philips Corp	\$758.0	30.6	16.8	54.9	13.8	45.0	100.0
09/09/87	Kinder-Care Inc	Sylvan Learning Corp	\$27.6	7.2	4.8	66.7	2.4	33.3	100.0

10/09/87	Sugar Acquisition Corp	\$8.8	2.5	2.4	95.6	0.1	4.0	100.0
10/29/87	SDA Acquisition Corp	\$56.3	7.5	5.0	67.1	2.5	33.3	100.0
11/06/87	Sithe Energies Group	\$34.7	10.1	5.1	50.6	4.2	45.0	92.2
11/24/87	Dallhold Investments Pty Ltd	\$51.0	31.1	28.0	90.0	3.0	9.7	99.7
12/02/87	Magma Power Co	\$11.1	8.5	5.7	67.1	2.8	33.0	100.0
12/10/87	Brentwood Associates IV LP	\$22.8	4.2	2.3	54.8	-	-	54.8
12/11/87	Freeport-McMoRan Energy	\$42.2	43.6	38.8	89.0	4.8	11.0	100.0
12/17/87	AGFA-Gevaert Graphics Inc	\$37.8	8.6	7.2	83.6	1.4	17.0	100.0
12/21/87	Rogers Communications Inc	\$1.3	18.4	18.3	99.7	0.1	0.3	100.0
01/20/88	Investor	\$5.6	2.4	1.7	72.8	-	-	72.8
02/16/88	Paul Kalmanovitz Testamentary	\$27.6	4.7	2.4	50.7	2.3	34.0	100.0
02/17/88	Minstar Inc	\$98.0	32.3	24.2	74.9	4.8	16.5	89.7
02/25/88	Cie de Saint-Gobain SA	\$391.3	19.1	10.9	56.7	-	-	56.7
03/03/88	First Texas Savings Assn	\$3.7	5.1	2.5	49.1	2.4	48.9	96.2
03/16/88	Investor Group	\$38.5	2.5	1.9	74.6	0.6	25.4	100.0
03/17/88	Curtis Squire Inc	\$0.9	1.8	1.3	69.4	-	-	69.4
03/18/88	Dyson-Kissner-Moran Corp	\$50.3	5.7	3.1	54.4	2.6	46.0	100.0
03/18/88	Investor Group	\$15.1	2.7	2.2	80.0	0.5	20.0	100.0
03/23/88	J&J Snack Foods Corp	\$2.4	1.7	1.1	66.8	0.6	33.2	100.0
04/11/88	SH Holdings Inc	\$24.8	9.1	6.2	68.4	2.9	31.6	100.0
04/22/88	Investor	\$355.0	30.5	23.4	76.7	7.1	23.0	100.0
06/10/88	BIA-COR Holdings Inc	\$45.4	15.6	6.8	43.4	-	-	43.4
06/22/88	Westminister Investment Corp	\$29.2	5.9	4.8	82.2	1.0	17.8	100.0
07/01/88	Diversified Services Group Inc	\$121.0	-	-	-	-	-	-
07/14/88	Starrett Housing Corp	\$4.8	3.4	2.7	80.0	0.7	20.0	100.0

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Premium to Market (%)

Date Announced	Acquiror Name	One Month Before Offer	One Week Before Offer	One Day Before Offer
<S>	<C>	<C>	<C>	<C>
08/17/87	Philips Gloeilampenfabrieken	33.3	30.2	33.3
09/09/87	Kinder-Care Inc	-8.0	-11.5	-9.8
10/09/87	Sugar Acquisition Corp	22.1	22.1	22.1
10/29/87	SDA Acquisition Corp	35.0	60.7	125.0
11/06/87	Sithe Energies Group	-1.5	40.4	50.0
11/24/87	Dallhold Investments Pty Ltd	138.6	54.5	29.5
12/02/87	Magma Power Co	-4.2	1.9	9.0
12/10/87	Brentwood Associates IV LP	33.3	37.1	37.1
12/11/87	Freeport-McMoRan Energy	13.4	19.2	27.9
12/17/87	AGFA-Gevaert Graphics Inc	28.6	42.1	27.8
12/21/87	Rogers Communications Inc	5.8	2.8	0.6
01/20/88	Investor	158.5	118.1	111.5
02/16/88	Paul Kalmanovitz Testamentary	33.3	33.3	33.3
02/17/88	Minstar Inc	51.5	37.0	37.0
02/25/88	Cie de Saint-Gobain SA	87.2	60.3	50.2
03/03/88	First Texas Savings Assn	33.3	50.0	50.0
03/16/88	Investor Group	76.5	81.8	81.8
03/17/88	Curtis Squire Inc	20.0	10.0	11.9
03/18/88	Dyson-Kissner-Moran Corp	56.4	54.8	50.3
03/18/88	Investor Group	64.7	64.7	60.0
03/23/88	J&J Snack Foods Corp	29.4	25.7	29.4
04/11/88	SH Holdings Inc	14.6	14.6	17.5
04/22/88	Investor	86.9	75.4	77.8
06/10/88	BIA-COR Holdings Inc	78.2	52.8	56.5
06/22/88	Westminister Investment Corp	76.4	61.2	27.3
07/01/88	Diversified Services Group Inc			
07/14/88	Starrett Housing Corp	43.6	33.3	27.3

Source: Securities Data Corporation

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SUMMARY OF SELECTED CONTROLLING SHAREHOLDER BUYOUTS COMPLETED/PENDING SINCE 1986

(Figures in Millions, Except per Share Data)

Date Announced	Acquiror Name	Target Name	Consideration	Total Equity Value (100%) (\$MM)
<S>	<C>	<C>	<C>	<C>
07/20/88	Home Owners Fed Svgs,Boston	Knutson Mortgage Corp	\$10.1 cash/sh com	\$141.5
10/05/88	MBS Associates	MBS Textbook Exchange Inc	\$10 cash/sh com	\$52.0
10/13/88	Industrial Equity(Pacific)Ltd	Associated Hosts Inc	\$11/sh com	\$49.5
10/25/88	Chyron Corp	CMX Corp(Chyron Corp)	1 sh com/4.75 shs com	\$10.5
11/15/88	Qintex Resorts BV	Princeville Corp(Quintex AU)	\$15.50 cash/sh com	\$154.3
12/05/88	Zayre Corp	TJX Cos(Zayre Corp)	1.45 shs Zayre com/sh com	\$2,436.0

12/06/88	Investor	Sage Energy Co	\$6.50 cash/sh com	\$71.5
12/14/88	Ingram Industries Inc	Micro D Inc(Ingram Inds)	\$14.75 cash/sh com	\$106.5
01/27/89	United Meridian Corp	Ensource Inc(United Meridian)	\$10.50 cash/sh com plus \$31.67 cash/sh cvt pfd convertible into 3 common shares, plus assumption of liabilities	\$66.3
02/06/89	S & A Acquisition Corp	Seligman & Associates Inc	\$6.50 cash/sh com	\$10.1
02/15/89	ENSERCH Corp	Enserch Exploration Partners	0.5 sh of Enserch com and \$1 cash/sh com of Enserch Exploration Partners	\$1,386.3
02/21/89	Investor Group	Security American Finl Entps	\$9.77 cash/sh com, and assumption of \$880,000 of acquisition-related payments payable by Security American, and \$204,080 to cancel stock options	\$41.8
03/08/89	Commonwealth Mortgage Co Inc	Commonwealth Mortgage Co Inc	\$8/sh com	\$47.2
03/10/89	Collins Foods International	Sizzler Restaurants Intl Inc	1.25 shs com/sh com	\$359.9
03/15/89	Standard Shares Inc	Pittway Corp	3 shs of a new issue Class A stock/sh com	\$153.8
03/21/89	Centel Corp	Centel Cable Television Co	\$45.625 cash/sh com	\$1,144.4
03/31/89	MAXXAM Inc	Horizon Corp(MAXXAM Inc)	\$2.50/sh com	\$18.1
04/18/89	Primerica Corp	American Capital Management	\$11.50 cash or .32 sh com/sh	\$280.5
05/12/89	Spie Group Inc	Comstock Group Inc	\$2.25 cash/sh com	\$21.4
05/19/89	Carlson Hospitality Group Inc	TGI Friday's Inc(Carlson Cos)	\$14.875/sh com, plus \$.238 mil to cancel all options to purchase additional common shares	\$266.5
05/24/89	Tele-Communications Inc	WestMarc Communications Inc	\$32.25 cash/sh com, \$32.25 pfd sh/sh com for 1000 shares and \$6.17 mil/sh issuable upon exercise of options	\$819.0
06/08/89	Wheelabrator Group Inc	Fisher Scientific Grp(Henley)	\$22.25 cash/sh com and \$22.25 cash less exercise price of \$16.13/option to acquire common shares	\$815.0
06/09/89	Primerica Corp	AL Williams Corp(Primerica)	.82 shs com/sh com	\$1,503.0
06/14/89	MacAndrews & Forbes Holdings	Andrews Group Inc	\$7.25 principal amount of Andrews Group 10% subordinated debentures due 1999/sh com	\$66.0
06/15/89	Wheelabrator Group Inc	Wheelabrator Group Inc	0.845 shs of the surviving Wheelabrator Technologies after a one-for-four reverse stock split/sh of the old Wheelabrator	\$1,227.4
06/19/89	Investor Group	Allied Security Inc	\$62 cash/sh com	\$30.2
06/20/89	RLI Corp	American Capacity Group Inc	\$18 cash/sh com and \$18 cash less exercise price of \$14.40/ each of the 30,000 shares	\$36.4

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Date Announced	Acquiror Name	Prior to Announcement						Acquiror's Ownership After Transaction (%)
		Value of Target's Holdings (\$MM)	Total Shares Out (MM)	Acquiror's Holdings Number Shares Held (MM)	Acquiror's Holdings Percent Ownership (%)	Target's Holdings Number Shares Held (MM)	Target's Holdings Percent Ownership (%)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
07/20/88	Home Owners Fed Svgs,Boston	\$25.6	14.0	11.5	81.9	2.5	17.0	100.0
10/05/88	MBS Associates	\$9.6	5.2	4.2	81.6	1.0	18.4	100.0
10/13/88	Industrial Equity(Pacific)Ltd	\$22.0	4.5	2.5	55.6	2.0	44.4	100.0
10/25/88	Chyron Corp	\$2.1	11.8	9.5	80.5	2.3	19.4	100.0
11/15/88	Qintex Resorts BV	\$70.0	10.0	5.2	51.9	4.8	48.1	100.0
12/05/88	Zayre Corp	\$414.0	70.0	58.1	83.0	11.9	17.0	100.0
12/06/88	Investor	\$22.2	11.0	7.6	69.0	3.4	31.0	100.0
12/14/88	Ingram Industries Inc	\$43.9	7.2	4.3	58.8	3.0	41.2	100.0
01/27/89	United Meridian Corp	\$28.0	6.3	3.8	60.2	-	-	60.2
02/06/89	S & A Acquisition Corp	\$1.2	1.6	1.4	88.1	0.2	15.0	100.0
02/15/89	ENSERCH Corp	\$162.3	102.5	89.6	87.4	12.0	11.7	99.1
02/21/89	Investor Group	\$18.3	4.3	2.5	58.7	-	-	58.7
03/08/89	Commonwealth Mortgage Co Inc	\$6.0	5.9	5.2	87.4	-	-	87.4
03/10/89	Collins Foods International	\$122.0	16.3	10.8	66.1	5.5	34.0	100.0
03/15/89	Standard Shares Inc	\$76.8	4.6	2.3	50.1	2.3	49.0	100.0
03/21/89	Centel Corp	\$211.9	25.1	20.4	81.3	4.6	18.3	99.7
03/31/89	MAXXAM Inc	\$6.9	7.2	4.5	61.8	2.8	38.0	100.0
04/18/89	Primerica Corp	\$48.3	24.4	20.2	82.6	4.2	17.4	100.0
05/12/89	Spie Group Inc	\$7.7	9.5	6.1	64.2	3.4	35.8	100.0
05/19/89	Carlson Hospitality Group Inc	\$52.7	17.9	14.4	80.2	3.5	19.8	100.0
05/24/89	Tele-Communications Inc	\$185.4	25.4	18.4	72.6	7.0	26.5	100.0
06/08/89	Wheelabrator Group Inc	\$140.0	36.6	29.4	80.2	7.2	19.0	100.0
06/09/89	Primerica Corp	\$453.9	67.6	47.2	69.8	20.4	29.2	100.0
06/14/89	MacAndrews & Forbes Holdings	\$28.3	9.1	5.2	57.2	3.9	43.0	100.0
06/15/89	Wheelabrator Group Inc	\$490.1	47.6	28.6	60.0	19.1	40.0	100.0
06/19/89	Investor Group	\$14.4	0.5	0.3	52.3	0.2	46.0	100.0
06/20/89	RLI Corp	\$7.1	2.0	1.6	79.5	0.4	20.5	100.0

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		Premium to Market (%)		

Date		One Month	One Week	One Day
Announced	Acquiror Name	Before Offer	Before Offer	Before Offer
-----		-----	-----	-----
<S>	<C>	<C>	<C>	<C>
07/20/88	Home Owners Fed Svgs,Boston	34.7	17.1	13.8
10/05/88	MBS Associates	63.3	56.9	9.6
10/13/88	Industrial Equity(Pacific)Ltd	1.1	2.3	23.9
10/25/88	Chyron Corp	18.7	29.5	18.7
11/15/88	Qintex Resorts BV	3.3	6.0	3.3
12/05/88	Zayre Corp	47.3	43.5	42.0
12/06/88	Investor	4.0	6.1	2.0
12/14/88	Ingram Industries Inc	57.3	37.2	40.5
01/27/89	United Meridian Corp	82.6	78.7	71.4
02/06/89	S & A Acquisition Corp	33.3	33.3	33.3
02/15/89	ENSERCH Corp	40.5	21.6	20.2
02/21/89	Investor Group	34.8	22.1	18.4
03/08/89	Commonwealth Mortgage Co Inc	146.2	82.9	82.9
03/10/89	Collins Foods International	22.4	19.1	24.1
03/15/89	Standard Shares Inc	-66.6	-67.2	-67.0
03/21/89	Centel Corp	1.1	0.8	0.1
03/31/89	MAXXAM Inc	42.9	5.3	11.1
04/18/89	Primerica Corp	7.0	16.5	17.9
05/12/89	Spie Group Inc	28.6	5.9	20.0
05/19/89	Carlson Hospitality Group Inc	14.4	13.3	12.3
05/24/89	Tele-Communications Inc	33.0	22.9	19.4
06/08/89	Wheelabrator Group Inc	12.7	14.1	15.6
06/09/89	Primerica Corp	44.7	40.1	24.4
06/14/89	MacAndrews & Forbes Holdings	28.9	23.4	3.6
06/15/89	Wheelabrator Group Inc	217.2	227.2	227.2
06/19/89	Investor Group	24.0	21.6	21.6
06/20/89	RLI Corp	71.4	71.4	53.2

Source: Securities Data Corporation

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SUMMARY OF SELECTED CONTROLLING SHAREHOLDER BUYOUTS COMPLETED/PENDING SINCE 1986

(Figures in Millions, Except per Share Data)

<TABLE>
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				Total Equity
				Value
Date		Target Name	Consideration	(100%)
Announced	Acquiror Name			(\$MM)
-----		-----	-----	-----
<S>	<C>	<C>	<C>	<C>
			reserved for issuance upon exercise of outstanding warrants	
06/23/89	Investor Group	Connelly Containers Inc	\$20/sh com	\$23.8
07/31/89	Montedison SpA	HIMONT Inc(Montedison SpA)	\$51 cash/sh com and \$51 cash less exercise price/option	\$3,332.7
08/11/89	Merrill Lynch & Co Inc	Fine Homes International LP	\$18 cash/sh pfd limited partnership unit	-
08/18/89	Raycomm Industries Inc	Mainstream Engineering Co Inc	Series B preferred stock plus warrants/com	-
09/21/89	Dow Jones & Co Inc	Telerate Inc(Dow Jones & Co)	\$21 cash/sh com	\$2,017.7
09/22/89	Empire of Carolina Inc	Clabir Corp	0.3 shs com/Ambrit sh com, and 0.01 shs com/Clabir sh com A and sh com B, and 0.2 shs com/Clabir sh pfd	-
10/03/89	Esselte AB	Esselte Business Systems Inc	\$47.64/sh com	\$980.1
10/06/89	Investor Group	M/I Schottenstein Homes Inc	\$7.50 cash/sh com	\$44.4
10/19/89	Canadian Pacific Ltd	Soo Line(Canadian Pacific LTD)	\$21.50 cash/sh com	\$204.1
10/20/89	Lep Group PLC	Profit Systems Inc(LEP Group)	\$11.75 cash/sh com and \$736,000 for options to acquire Profit Systems shares	\$64.5
11/01/89	Heritage Media Corp	POP Radio Corp(Heritage Media)	\$21.10 cash/sh com;	\$75.7
11/27/89	Investor Group	Transtector Systems Inc	10-year high-yield debentures/com	-
11/28/89	Corporate Data Sciences Inc	Consolidated Packaging Corp	1 sh com/sh com	-
12/18/89	Dundee Cement Co,St Lawrence	Ideal Basic Industries Inc		-
12/18/89	Holnam(Holderbank)	Ideal Basic Industries Inc	1 sh com/4 shs com	-
12/22/89	McKesson Corp	PCS Inc(McKesson Corp)	\$20 cash/sh com	\$290.7
01/08/90	Southmark Corp	MGF Oil Corp(Southmark Corp)	\$0.08 cash/sh com	\$28.3
01/24/90	Imetal SA	Copperweld Corp(Imetal SA)	\$17 cash/sh com	\$175.9
02/09/90	Leucadia National Corp	BRAE Corp(Leucadia National)	\$6.25 cash/sh com	\$52.0
02/09/90	WR Grace & Co	Del Taco Restaurants Inc	\$3.25 cash/sh com	\$27.7

02/16/90	Anderson Mavor Investments Ltd	National Mines Service Co	\$8.875/sh com, and approximately \$500,000 to cancel options to purchase 69,840 shares	\$43.8
03/02/90	American Express Co	Shearson Lehman Brothers Hldgs	0.48 shs com/com	\$1,140.5
03/22/90	Phoenix Advanced Technology	Nutri-Products Inc	4.69 shs com Phoenix/sh com	\$6.4
05/08/90	ISS-International Service A/S	ISS International Service Sys	\$12 cash/sh com	\$46.0
05/14/90	Valhi Inc	Sybra Inc (Valhi Inc)	1.6 shs com/sh com	\$135.9
05/17/90	Kansas City Southern Inds Inc	DST Systems Inc	\$15.85 cash/sh com	\$301.8
05/18/90	OCPI International Inc	Ketchum & Co	\$2.425 cash/sh com	\$5.8
05/30/90	Tyco Toys Inc	Nasta International Inc	\$1.25 cash/sh com, sweetened from \$1/sh com	\$6.4
06/29/90	Investor Group	CR-PL	\$1.40/sh com	-
07/06/90	Renault Vehicules Industriels	Mack Trucks Inc	\$6.25 cash/sh com	\$261.8
07/12/90	Paramount Communications	TVX Broadcast Group Inc	\$9.5/sh com	\$292.2
07/19/90	Caesars World Inc	Caesars New Jersey Inc	\$22.25 cash plus interest computed at the Sept 20 26-week Treasury bill rate of 7.45% beginning accrual on Sept 22/sh com for 2,029,227 shs; \$22.25 cash/sh com for	\$367.2

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		Prior to Announcement						
		Acquiror's Holdings		Target's Holdings		Acquiror's		
Date	Acquiror Name	Value of Target's Holdings (\$MM)	Total Shares Out (MM)	Number Shares Held (MM)	Percent Ownership (%)	Number Shares Held (MM)	Percent Ownership (%)	Ownership After Transaction (%)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
06/23/89	Investor Group	\$11.4	1.2	0.6	52.0	0.6	48.0	100.0
07/31/89	Montedison SpA	\$639.0	65.4	52.5	80.4	12.8	19.6	100.0
08/11/89	Merrill Lynch & Co Inc	\$140.0	29.4	21.6	73.5	-	-	73.5
08/18/89	Raycomm Industries Inc	-	1.0	0.8	84.0	-	-	84.0
09/21/89	Dow Jones & Co Inc	\$681.9	96.1	63.6	66.2	32.5	33.8	100.0
09/22/89	Empire of Carolina Inc	-	44.3	28.8	65.0	15.5	40.0	100.0
10/03/89	Esselte AB	\$217.4	20.6	16.0	77.8	4.6	22.0	100.0
10/06/89	Investor Group	\$7.5	5.9	4.9	83.0	-	-	83.0
10/19/89	Canadian Pacific Ltd	\$89.8	9.5	5.3	55.8	4.2	44.2	100.0
10/20/89	Lep Group PLC	\$25.2	5.5	3.2	57.5	-	-	57.5
11/01/89	Heritage Media Corp	\$39.0	3.6	2.1	57.0	1.5	43.0	100.0
11/27/89	Investor Group	-	-	-	-	-	-	-
11/28/89	Corporate Data Sciences Inc	-	-	-	-	-	-	-
12/18/89	Dundee Cement Co, St Lawrence	-	-	-	-	-	33.0	33.0
12/18/89	Holnam (Holderbank)	\$100.6	176.3	118.7	67.3	57.6	32.7	100.0
12/22/89	McKesson Corp	\$40.7	14.5	12.4	85.3	2.0	14.0	99.3
01/08/90	Southmark Corp	\$1.7	353.3	332.5	94.1	20.8	5.9	100.0
01/24/90	Imetal SA	\$78.0	10.4	5.8	55.6	4.6	44.4	100.0
02/09/90	Leucadia National Corp	\$23.0	8.3	4.7	56.0	-	-	56.0
02/09/90	WR Grace & Co	\$5.1	8.5	-	-	1.6	11.0	18.2
02/16/90	Anderson Mavor Investments Ltd	\$21.6	4.9	2.5	50.5	2.4	49.5	100.0
03/02/90	American Express Co	\$360.0	88.4	60.5	68.4	27.9	39.0	100.0
03/22/90	Phoenix Advanced Technology	\$2.0	8.8	6.0	69.0	2.7	31.0	100.0
05/08/90	ISS-International Service A/S	\$15.4	3.8	2.6	66.5	1.3	34.0	100.0
05/14/90	Valhi Inc	\$4.1	5.6	5.4	97.0	0.2	3.0	100.0
05/17/90	Kansas City Southern Inds Inc	\$39.1	19.0	16.6	87.1	2.2	11.5	98.6
05/18/90	OCPI International Inc	\$1.9	2.4	1.6	66.7	0.8	33.3	99.4
05/30/90	Tyco Toys Inc	\$1.7	5.1	3.8	74.2	1.3	25.8	100.0
06/29/90	Investor Group	-	-	-	-	-	-	-
07/06/90	Renault Vehicules Industriels	\$103.7	41.9	25.3	60.4	16.6	40.0	100.0
07/12/90	Paramount Communications	\$61.4	30.8	24.3	79.0	6.5	21.0	100.0
07/19/90	Caesars World Inc	\$48.4	16.3	14.1	86.6	2.2	13.4	100.0

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		Premium to Market (%)		
Date	Acquiror Name	One Month Before Offer	One Week Before Offer	One Day Before Offer
<S>	<C>	<C>	<C>	<C>
06/23/89	Investor Group	6.7	8.8	9.6
07/31/89	Montedison SpA	30.8	26.3	15.6
08/11/89	Merrill Lynch & Co Inc	-	-	-
08/18/89	Raycomm Industries Inc	-	-	-
09/21/89	Dow Jones & Co Inc	29.2	36.6	38.8
09/22/89	Empire of Carolina Inc	-	-	-
10/03/89	Esselte AB	44.9	39.6	27.9
10/06/89	Investor Group	42.9	50.0	46.3

10/19/89	Canadian Pacific Ltd	24.6	14.7	22.9
10/20/89	Lep Group PLC	56.7	74.1	80.8
11/01/89	Heritage Media Corp	-9.2	4.2	12.5
11/27/89	Investor Group	-	-	-
11/28/89	Corporate Data Sciences Inc	-	-	-
12/18/89	Dundee Cement Co,St Lawrence	-	-	-
12/18/89	Holnam(Holderbank)	-	-	-
12/22/89	McKesson Corp	17.6	34.5	27.0
01/08/90	Southmark Corp	-	-	-
01/24/90	Imetal SA	33.3	41.7	47.8
02/09/90	Leucadia National Corp	38.9	38.9	33.3
02/09/90	WR Grace & Co	73.3	73.3	30.0
02/16/90	Anderson Mavor Investments Ltd	9.2	12.7	20.3
03/02/90	American Express Co	7.5	18.6	-0.8
03/22/90	Phoenix Advanced Technology	-46.9	-49.2	-43.0
05/08/90	ISS-International Service A/S	60.0	60.0	54.8
05/14/90	Valhi Inc	-	-	-
05/17/90	Kansas City Southern Inds Inc	51.0	40.9	24.3
05/18/90	OCP International Inc	21.3	29.3	14.1
05/30/90	Tyco Toys Inc	-16.7	11.1	25.0
06/29/90	Investor Group	-	-	-
07/06/90	Renault Vehicules Industriels	22.0	19.0	19.0
07/12/90	Paramount Communications	85.4	90.0	26.7
07/19/90	Caesars World Inc	44.5	49.3	40.0

</TABLE>

Source: Securities Data Corporation

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Summary of Selected Controlling Shareholder Buyouts Completed/Pending Since 1986

(Figures in Millions, Except per Share Data)

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Date	Announced Acquiror Name	Target Name	Consideration	Total Equity Value (100%) (\$MM)
<S>	<C>	<C>	<C>	<C>
07/23/90	Investor Group	Avery Inc	the remaining 146,718 shs \$0.43 cash/sh com, up from an initial offer of \$0.35 cash/sh com	\$ 23.8
07/24/90	Corkin Co	Entwistle Co	\$46.40 cash/sh com	-
07/31/90	Freeport-McMoRan Inc	Freeport-McMoRan Oil and Gas	.3119461 shs com/sh com	\$ 249.9
08/10/90	Diversicare Ltd(Counsel Corp)	Diversicare Corp of America	\$2.40 cash/sh com	\$ 27.4
08/16/90	Academy Mergerco Inc	Academy Insurance Group Inc	\$1.325 cash/sh com	\$ 93.5
10/02/90	Torch Energy Advisors Inc	Energy Assets Intl Corp	\$.5 cash/sh com	\$ 14.0
10/02/90	Phoenix Affiliates Intl Inc	Phoenix American Inc	\$5 cash/sh com	\$ 22.7
10/08/90	Western Gas Resources Inc	Western Gas Processors Ltd	1 sh com/com limited partnership unit. The limited partnership unit consisted of \$1.80 Cumulative Participating Units and non-preference limited partner interests	\$ 269.4
10/23/90	Ogden Corp	ERC Environmental and Energy	\$15.13 cash/sh com	\$ 86.5
11/11/90	US WEST Inc	US WEST NewVector Group Inc	1.14 shs com/sh com Class A	\$ 2,290.5
12/07/90	Oxford Consolidated Inc	Premier Resources Ltd	1 sh com Oxford Consolidated/32 shs com Premier Resources	\$ 1.7
01/03/91	Murphy Oil Corp	Ocean Drilling & Exploration	.55 shs com/sh com	\$ 1,001.9
01/04/91	Moore Business Forms(Moore)	KCR Technology Inc		-
01/25/91	Investor Group	Medical Management of America	\$5.75 cash plus \$2.50 10% secured 2-year promissory paid in eight equal quarterly installments/sh com	\$ 54.5
02/05/91	Stoneridge Resources Inc	Major Group Inc	.04 shs com/sh com; \$.5 mil promissory note/pfd	\$ 2.0
02/06/91	BHP Hldgs(USA) Inc(Broken Hill)	Hamilton Oil Corp	\$40 cash or \$40 Broken Hill American Depository Receipts/sh com	\$ 1,085.9
03/01/91	Air & Water Technologies Corp	Metcalf & Eddy Cos Inc	.875 shs com/sh com	\$ 283.3
05/01/91	Tele-Communications Inc	United Artists Entertainment	1.02 sh com/sh com; plus \$4.75 cash/right; plus pfd/pfd; plus \$17.17 cash/unit	\$ 2,315.7
06/13/91	Staveley Industries PLC	Weigh-Tronix(Staveley Indus)	\$22 cash/sh com	\$ 60.1
06/28/91	BMG Equities Corp	United Capital Corp		-
07/12/91	Helm Resources Inc	Interpak Holdings Inc	\$.25 cash plus \$1.25 principal amount of 12% debentures, due Dec 31, 1996/sh stock	\$ 4.5

07/25/91	Land O' Lakes Inc	Country Lake Foods Inc	\$15.30 cash/sh com; \$15.30 cash per share minus the exercise price/sh com if options for 150,000 shs com are exercised	\$ 70.1
07/26/91	Bristol Holdings Inc	Sports-Tech International Inc	1.2 shs com/sh com	\$ 2.0
07/30/91	Pennzoil Co	Jiffy Lube International Inc	\$6 cash/sh com	\$ 53.2
07/30/91	Norfolk and Western Railway Co	Wabash Railroad Co	\$75 cash/sh pfd; \$649.92 cash/sh com, based on 10.155 times Norfolk Southern's closing stock price of \$64 on Nov 12, the merger's effective date	\$ 388.8

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		Prior to Announcement						
		Value of Target's Holdings		Acquiror's Holdings		Target's Holdings		Acquiror's Ownership
Date Announced	Acquiror Name	(\$MM)	Total Shares Out (MM)	Number Shares Held (MM)	Percent Ownership (%)	Number Shares Held (MM)	Percent Ownership (%)	After Transaction (%)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
07/23/90	Investor Group	\$ 4.0	55.4	46.0	83.0	9.4	17.0	100.0
07/24/90	Corkin Co	-	-	-	-	-	14.0	-
07/31/90	Freeport-McMoRan Inc	\$ 46.2	23.0	18.7	81.5	4.3	18.5	100.0
08/10/90	Diversicare Ltd(Counsel Corp)	\$ 1.3	11.4	10.9	95.4	-	-	95.4
08/16/90	Academy Mergerco Inc	\$ 46.8	70.6	-	-	35.3	50.0	50.0
10/02/90	Torch Energy Advisors Inc	\$ 2.0	28.0	24.0	85.7	-	-	85.7
10/02/90	Phoenix Affiliates Intl Inc	\$ 6.3	4.5	3.3	72.4	1.3	27.6	100.0
10/08/90	Western Gas Resources Inc	\$ 130.3	21.1	10.9	51.6	10.2	48.0	100.0
10/23/90	Ogden Corp	\$ 33.6	5.7	3.5	61.2	2.2	38.8	100.0
11/11/90	US WEST Inc	\$ 437.5	50.9	41.2	80.9	9.7	19.0	100.0
12/07/90	Oxford Consolidated Inc	\$ 0.8	11.1	5.7	51.0	5.4	49.0	100.0
01/03/91	Murphy Oil Corp	\$ 391.8	51.7	31.6	61.1	20.1	39.0	100.0
01/04/91	Moore Business Forms (Moore)	-	-	-	-	-	-	-
01/25/91	Investor Group	\$ 12.9	6.6	5.0	76.3	1.6	23.7	100.0
02/05/91	Stoneridge Resources Inc	\$ 1.5	10.5	5.3	50.7	5.2	49.3	100.0
02/06/91	BHP Hldgs(USA) Inc(Broken Hill)	\$ 524.3	27.2	14.0	51.7	13.1	48.3	100.0
03/01/91	Air & Water Technologies Corp	\$ 51.0	14.7	12.1	82.0	2.7	18.0	100.0
05/01/91	Tele-Communications Inc	\$ 1,189.0	143.0	76.1	53.2	64.0	46.0	97.9
06/13/91	Staveley Industries PLC	\$ 25.3	2.7	1.5	55.8	1.1	40.4	96.2
06/28/91	BMG Equities Corp	-	-	-	-	-	35.0	100.0
07/12/91	Helm Resources Inc	\$ 0.7	3.0	2.5	84.0	0.5	16.0	100.0
07/25/91	Land O' Lakes Inc	\$ 22.6	4.6	3.0	65.5	1.6	34.5	100.0
07/26/91	Bristol Holdings Inc	\$ 0.6	1.1	0.8	67.7	0.4	33.3	100.0
07/30/91	Pennzoil Co	\$ 9.2	8.9	7.2	81.0	1.5	17.6	98.3
07/30/91	Norfolk and Western Railway Co	\$ 8.5	0.6	0.6	99.8	-	1.0	100.0

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<TABLE>
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		Premium to Market (%)		
		One Month	One Week	One Day
Date Announced	Acquiror Name	Before Offer	Before Offer	Before Offer
<S>	<C>	<C>	<C>	<C>
07/23/90	Investor Group	-40.2	-31.2	-23.6
07/24/90	Corkin Co	-	-	-
07/31/90	Freeport-McMoRan Inc	47.5	42.7	36.0
08/10/90	Diversicare Ltd(Counsel Corp)	102.1	125.9	125.9
08/16/90	Academy Mergerco Inc	21.1	24.7	21.1
10/02/90	Torch Energy Advisors Inc	77.8	33.3	33.3
10/02/90	Phoenix Affiliates Intl Inc	42.9	66.7	53.8
10/08/90	Western Gas Resources Inc	-	-	-
10/23/90	Ogden Corp	44.1	44.1	37.5
11/11/90	US WEST Inc	83.8	58.0	47.6
12/07/90	Oxford Consolidated Inc	-	-	-
01/03/91	Murphy Oil Corp	9.2	24.1	14.0
01/04/91	Moore Business Forms (Moore)	-	-	-
01/25/91	Investor Group	65.0	65.0	65.0
02/05/91	Stoneridge Resources Inc	21.6	21.6	10.5
02/06/91	BHP Hldgs(USA) Inc(Broken Hill)	31.1	21.2	18.5
03/01/91	Air & Water Technologies Corp	24.2	16.7	22.2
05/01/91	Tele-Communications Inc	25.7	22.2	19.9
06/13/91	Staveley Industries PLC	44.3	41.9	41.9
06/28/91	BMG Equities Corp	-	-	-
07/12/91	Helm Resources Inc	-	-	-
07/25/91	Land O' Lakes Inc	53.0	45.7	39.1
07/26/91	Bristol Holdings Inc	-40.0	10.8	10.8
07/30/91	Pennzoil Co	20.0	20.0	20.0
07/30/91	Norfolk and Western Railway Co	-	-	-

</TABLE>

SUMMARY OF SELECTED CONTROLLING SHAREHOLDER BUYOUTS COMPLETED/PENDING SINCE 1986

(Figures in Millions, Except per Share Data)

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Date Announced	Acquiror Name	Target Name	Consideration	Total Equity Value (100%) (\$MM)
<S>	<C>	<C>	<C>	<C>
08/02/91	EnviroSource Inc	Envirosafe Services Inc	4.25 shs com/sh com	\$44.9
09/06/91	Penn Traffic Co	P&C Food Markets Inc	\$34 cash or 1.225 shs com; holders may elect to receive stock or cash or some mixture subject to proration; \$18.8 mil cash plus 900,000 shs com/com plus pfd	\$267.1
09/18/91	Arkla Inc	Arkla Exploration Co	.95 sh com/sh com	\$514.5
09/24/91	MCEN Corp	Magic Circle Energy Corp	\$.24 cash/sh com	\$3.6
10/16/91	Time Warner	American Television & Commun	\$82.50 of redeemable reset notes redeemable on Aug 15, 2002/sh com	\$9,405.0
02/06/92	Charter Co(American Financial)	Spelling Entertainment Inc	1 sh com/sh com	\$239.3
02/24/92	Unocal Corp	Unocal Exploration Corp	.54 sh com/sh com	\$2,937.3
03/02/92	WR Grace & Co	Grace Energy Corp	\$19 cash/sh com	\$465.8
03/20/92	BLV Acquisition Corp	Belvedere Corp	\$6.30 cash/sh com	\$37.4
05/07/92	Credit Lyonnais Bank Nederland	Pathe Communications Corp	\$1.50 cash/sh com	\$89.6
06/02/92	Investor	Newport Electronics Inc	\$4 cash/sh com	\$4.6
06/25/92	Katy Holdings	Katy Industries Inc	\$25.75 cash/sh com	\$232.3
07/02/92	Preferred Equities Corp	Vacation Spa Resorts Inc	1 Mego Financial sh com/4 shs com	\$5.7
07/06/92	Simshares Inc(Simetco Inc)	Simetco Inc	\$1.9493 cash/sh pfd Class A	\$0.4
07/24/92	Reliance Group Holdings Inc	Frank B Hall & Co	.625 sh com/sh com, for remaining 13.269 mil shs	\$264.5
08/17/92	Leucadia National Corp	PHLCORP Inc	0.406 sh com/sh com	\$379.3
08/25/92	Union Planters Corp	Bank of East Tennessee	\$13 8%-cumulative convertible pfd Series E/sh com	-
10/09/92	Dundee Bancorp International	Avalon Corp(Corona Corp)	\$3.75 cash/sh com and pfd	\$47.1
11/13/92	Rust International Inc	Brand Cos Inc	Choice of \$18.75 cash or 1 sh com/sh	\$422.2
12/17/92	Investor Group	Ambulatory Medical Care Inc	\$5.5 cash/sh com	\$5.8
01/04/93	Investor Group	United Medical Corp	\$9.50 cash/sh com	\$24.6
02/18/93	Sahara Resorts	Sahara Casino Partners LP	1 new Sahara Gaming sh com/4.6 units plus 1 new Sahara Gaming exchangeable redeemable sh prd/unit	\$53.7
02/19/93	National Mutual Insurance Co	Celina Financial Corp	\$5.80 cash/sh com Class A	\$9.7
04/14/93	Vertex Industries Inc	Computer Transceiver Sys Inc	\$393,240 com plus \$1,206,760 debt reduction/42.9% remaining interest	-
04/26/93	DWG Corp	Southeastern Public Service Co	.8 shs com/sh com	\$297.0
05/24/93	USTrails Inc	Thousand Trails Inc	\$1.55 cash/sh com	\$35.5
05/25/93	Newport Capital Inc	American Medicare Corp		-
06/17/93	Apache Corp	Hadson Energy Resources Corp	Choice of \$15 cash or \$15 com/sh com	\$102.8
06/23/93	Comcast Corp	Comcast Cablevision of Phila	\$90 cash/sh com	\$145.4
07/01/93	Quartex Corp	CMS/DATA Corp(Quartex Corp)	5.6 shs com in the newly structured entity/sh com	-
07/27/93	Investor Group	Forum Group Inc	\$3.62 cash/sh com	\$64.4
07/30/93	State Mutual Life Assurance Co	Allmerica Property & Casualty		-
09/20/93	Valley Fashions Corp	West Point-Pepperell Inc	\$46 cash/1.476 mil shs com	\$1,357.9
10/13/93	Medco Containment Services Inc	Medical Marketing Group Inc	\$27.25 cash/sh com	\$313.7
10/19/93	Trigen Energy Corp	United Thermal Corp	\$4.50/sh com	\$392.7

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Date Announced	Acquiror Name	Value of Target's Holdings (\$MM)	Total Shares Out (MM)	Prior to Announcement		Target's Holdings	Acquiror's Ownership After Transaction (%)	
				Acquiror's Holdings	Percent Ownership			
<S>	<C>	<C>	<C>	Number Shares Held (MM)	Percent Ownership (%)	Number Shares Held (MM)	Percent Ownership (%)	
08/02/91	EnviroSource Inc	\$16.8	3.8	2.4	62.5	1.4	37.4	100.0
09/06/91	Penn Traffic Co	\$43.9	7.9	6.6	83.6	1.3	10.0	100.0
09/18/91	Arkla Inc	\$92.6	33.3	27.3	82.0	6.0	18.0	100.0

09/24/91	MCEN Corp	\$1.7	14.9	7.7	51.9	-	-	51.9
10/16/91	Time Warner	\$1,699.5	114.0	93.4	81.9	20.6	18.0	100.0
02/06/92	Charter Co(American Financial)	\$43.0	33.0	27.2	82.3	5.8	18.0	100.0
02/24/92	Unocal Corp	\$117.5	251.5	241.4	96.0	10.1	4.0	100.0
03/02/92	WR Grace & Co	\$77.3	24.5	20.5	83.4	4.1	16.6	100.0
03/20/92	BLV Acquisition Corp	\$16.9	5.9	3.3	54.8	2.7	44.8	99.5
05/07/92	Credit Lyonnais Bank Nederland	\$4.2	59.8	53.4	89.3	2.8	4.8	94.0
06/02/92	Investor	\$1.3	1.2	0.8	71.5	-	-	71.5
06/25/92	Katy Holdings	\$111.8	9.0	4.7	51.9	-	-	51.9
07/02/92	Preferred Equities Corp	\$1.2	17.4	13.9	80.0	3.5	20.0	100.0
07/06/92	Simshares Inc(Simetco Inc)	\$0.1	0.2	-	-	-	-	-
07/24/92	Reliance Group Holdings Inc	\$39.4	89.1	75.8	85.1	-	-	85.1
08/17/92	Leucadia National Corp	\$139.9	14.7	9.3	63.1	5.4	36.9	100.0
08/25/92	Union Planters Corp	-	-	-	-	-	-	-
10/09/92	Dundee Bancorp International	\$7.8	12.6	10.5	83.5	1.7	13.4	96.8
11/13/92	Rust International Inc	\$185.0	22.5	12.6	55.8	9.9	44.0	100.0
12/17/92	Investor Group	\$2.3	1.1	0.6	60.0	-	-	60.0
01/04/93	Investor Group	\$11.8	2.6	1.4	52.0	1.2	48.0	100.0
02/18/93	Sahara Resorts	\$19.4	19.4	12.4	64.0	-	-	64.0
02/19/93	National Mutual Insurance Co	\$4.4	1.7	-	-	0.6	35.8	35.8
04/14/93	Vertex Industries Inc	\$0.4	-	-	-	-	-	-
04/26/93	DWG Corp	\$86.1	11.6	8.2	71.0	-	-	71.0
05/24/93	USTrails Inc	\$7.1	22.9	18.3	80.0	-	-	80.0
05/25/93	Newport Capital Inc	-	35.7	28.7	80.2	7.1	19.8	100.0
06/17/93	Apache Corp	\$31.9	6.9	4.2	61.8	-	-	61.8
06/23/93	Comcast Corp	\$11.6	1.6	1.5	92.0	-	-	92.0
07/01/93	Quartex Corp	-	6.2	4.1	66.2	-	-	66.2
07/27/93	Investor Group	\$23.0	17.8	11.5	64.3	1.3	7.3	71.6
07/30/93	State Mutual Life Assurance Co	-	20.9	12.0	57.4	-	-	57.4
09/20/93	Valley Fashions Corp	\$64.4	29.5	28.0	95.0	-	-	95.0
10/13/93	Medco Containment Services Inc	\$157.0	12.6	6.8	54.2	-	-	54.2
10/19/93	Trigen Energy Corp	\$66.8	87.3	-	-	-	-	-

</TABLE>

<TABLE>
<CAPTION>

		Premium to Market (%)		

Date	Acquiror Name	One Month	One Week	One Day
Announced		Before Offer	Before Offer	Before Offer
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
08/02/91	EnviroSource Inc	-2.6	11.3	16.9
09/06/91	Penn Traffic Co	-	-	-
09/18/91	Arkla Inc	30.0	28.6	8.3
09/24/91	MCEN Corp	-14.7	-14.7	-4.0
10/16/91	Time Warner	88.6	67.5	66.7
02/06/92	Charter Co(American Financial)	45.0	45.0	52.6
02/24/92	Unocal Corp	22.9	18.3	18.3
03/02/92	WR Grace & Co	7.8	21.6	24.6
03/20/92	BLV Acquisition Corp	40.0	57.5	44.0
05/07/92	Credit Lyonnais Bank Nederland	-	-	-
06/02/92	Investor	-5.9	-5.9	-5.9
06/25/92	Katy Holdings	46.1	51.5	53.7
07/02/92	Preferred Equities Corp	-34.0	-34.0	-34.0
07/06/92	Simshares Inc(Simetco Inc)	41.8	20.0	20.0
07/24/92	Reliance Group Holdings Inc	-18.1	-25.8	-34.0
08/17/92	Leucadia National Corp	28.9	15.2	12.1
08/25/92	Union Planters Corp	36.8	20.9	20.9
10/09/92	Dundee Bancorp International	50.0	42.9	42.9
11/13/92	Rust International Inc	4.9	13.6	4.9
12/17/92	Investor Group	-8.3	-12.0	-12.0
01/04/93	Investor Group	49.0	52.0	49.0
02/18/93	Sahara Resorts	5.1	-8.0	-4.0
02/19/93	National Mutual Insurance Co	36.5	36.5	16.0
04/14/93	Vertex Industries Inc	-	-	-
04/26/93	DWG Corp	-	-	-
05/24/93	USTrails Inc	106.7	65.3	45.9
05/25/93	Newport Capital Inc	-	-	-
06/17/93	Apache Corp	25.0	27.7	26.3
06/23/93	Comcast Corp	9.8	9.8	28.6
07/01/93	Quartex Corp	-	-	-
07/27/93	Investor Group	106.9	141.3	122.8
07/30/93	State Mutual Life Assurance Co	-	-	-
09/20/93	Valley Fashions Corp	-6.1	-7.1	-7.8
10/13/93	Medco Containment Services Inc	-15.3	-18.0	-25.9
10/19/93	Trigen Energy Corp	-	-	-

</TABLE>

Source: Securities Data Corporation

Dillon, Read & Co. Inc.

December 3, 1993

 HISTORICAL PREMIUM ON MINORITY CLOSE-OUTS
 ONE MONTH BEFORE OFFER*

{GRAPH}
 {COPY TO COME}
 Premiums

Mean: 35.2%

Median: 33.0%

Range: -66.6-217.2%

* Includes 137 transactions from 1/1/86-11/22/93

 VALERO NATURAL GAS COMPANY

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Dillon, Read & Co. Inc.

December 3, 1993

 HISTORICAL PREMIUM ON MINORITY CLOSE-OUTS
 ONE WEEK BEFORE OFFER*

[GRAPH]
 [COPY TO COME]
 Premiums

Mean: 33.3%

Median: 28.6%

Range: -672 -227.2%

* Includes 137 transactions from 1/1/86-11/22/93

 VALERO NATURAL GAS COMPANY

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Dillon, Read & Co. Inc.

December 3, 1993

 HISTORICAL PREMIUMS ON MINORITY CLOSE-OUTS
 ONE DAY BEFORE OFFER*

[GRAPH]
 [COPY TO COME]
 Premiums

Mean: 30.2%

Median: 24.4%

Range: -67.0 - 227.2%

* Includes 137 transactions from 1/1/86-11/22/93

 VALERO NATURAL GAS COMPANY

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Dillon, Read & Co. Inc.

December 10, 1993

 WEIGHTED AVERAGE COST OF CAPITAL ANALYSIS

 Dillon, Read & Co. Inc. Page 1 12/09/93

Valero Natural Gas Partners, L.P.
 Weighted Average Cost of Capital Analysis
 (\$ in millions)

<TABLE>

<CAPTION>

Company	Levered Beta (a)	Cost of Equity (b)	Unlevered Beta (a)	Pretax Cost of Debt (c)	Market Value of Equity 12/08/93	Book Value of Debt	Pretax W.A.C.C. (d)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Gas Gathering Companies							
American Oil & Gas	0.80	12.04%	0.58	6.42%	\$250.9	\$ 96.5	10.48%
Associated Natural Gas	1.00	13.50%	0.73	8.72%	\$412.5	\$149.0	12.23%
Tejas Gas Corp.	0.65	10.95%	0.36	6.28%	\$530.8	\$416.5	8.89%
Tejas Power Corp.	0.44	9.41%	0.38	5.82%	\$138.5	\$ 22.8	8.90%
Western Gas Resources	0.78	11.89%	0.48	4.43%	\$772.3	\$493.0	8.98%
Mean	0.73	11.56%	0.51	6.33%	\$421.0	\$235.6	9.90%
Median	0.78	11.89%	0.48	6.28%	412.5	149.0	8.98%
Pipeline MLPs							
Buckeye Partners	0.45	9.49%	0.30	10.92%	\$468.4	\$229.4	9.96%
Kaneb Pipe Line	0.37	8.90%	0.34	11.94%	\$357.1	\$ 35.5	9.18%
Lakehead Pipeline	0.39	9.05%	0.27	9.49%	\$720.3	\$323.1	9.18%
Santa Fe Pacific Pipeline	0.65	10.95%	0.44	10.41%	\$752.2	\$355.0	10.77%
TEPPCO Partners	0.30	8.39%	0.15	10.18%	\$377.6	\$361.5	9.26%
Mean	0.43	9.35%	0.30	10.59%	\$535.1	\$260.9	9.67%
Median	0.39	9.05%	0.30	10.41%	468.4	323.1	9.26%
Valero Natural Gas Partners, LP	0.78	11.89%	0.19	9.75%	\$209.6	\$648.2	10.27%

</TABLE>

Risk Free Rate = 6.20% (Yield on 20-Yr Treasury Bonds as of 11/26/93)

Market Risk Premium = 7.3% (Average over last 70 years)

Long-term expected equity risk premium (common stock returns versus long-term gov't bond returns), from Ibbotson Associates, Inc. (1993 Edition)

- (a) Adjusted Levered Betas obtained from Bloomberg Financial Markets System and cover the period from 5/1/91 to 10/13/93. Valero's Beta assumed to be equal to median Levered Beta of gas gathering companies (0.78). Unlevered Beta = (Levered Beta) x (Equity / Total Market Capitalization). Assumed Debt Beta = 0.
- (b) Cost of Equity = Risk Free Rate + [Predicted Beta] x (Market Risk Premium)
- (c) Average interest cost over the latest stub period. See Page 2 for details. For Valero, figure represents estimated current market rates.
- (d) Pretax W.A.C.C. = (Debt / Total Market Capitalization) x (Pretax Cost of Debt) + (Equity / Total Market Capitalization) x (Cost of Equity)

 Dillon, Read & Co. Inc. Page 1 12/09/93

Valero Natural Gas Partners, L.P.
 Weighted Average Cost of Capital Analysis
 (\$ in millions)

<TABLE>

<CAPTION>

Company	Levered Beta (a)	Cost of Equity (b)	Unlevered Beta (a)	Pretax Cost of Debt (c)	Market Value of Equity 12/08/93	Book Value of Debt	Pretax W.A.C.C. (d)
---------	------------------	--------------------	--------------------	-------------------------	---------------------------------	--------------------	---------------------

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Gas Gathering Companies							
American Oil & Gas	0.80	12.04%	0.58	6.42%	\$250.9	\$ 96.5	10.48%
Associated Natural Gas	1.00	13.50%	0.73	8.72%	\$412.5	\$149.0	12.23%
Tejas Gas Corp.	0.65	10.95%	0.36	6.28%	\$530.8	\$416.5	8.89%
Tejas Power Corp.	0.44	9.41%	0.38	5.82%	\$138.5	\$ 22.8	8.90%
Western Gas Resources	0.78	11.89%	0.48	4.43%	\$772.3	\$493.0	8.98%
Mean	0.73	11.56%	0.51	6.33%	\$421.0	\$235.6	9.90%
Median	0.78	11.89%	0.48	6.28%	412.5	149.0	8.98%
Pipeline MLPs							
Buckeye Partners	0.45	9.49%	0.30	10.92%	\$468.4	\$229.4	9.96%
Kaneb Pipe Line	0.37	8.90%	0.34	11.94%	\$357.1	\$ 35.5	9.18%
Lakehead Pipeline	0.39	9.05%	0.27	9.49%	\$720.3	\$323.1	9.18%
Santa Fe Pacific Pipeline	0.65	10.95%	0.44	10.41%	\$752.2	\$355.0	10.77%
TEPPCO Partners	0.30	8.39%	0.15	10.18%	\$377.6	\$361.5	9.26%
Mean	0.43	9.35%	0.30	10.59%	\$535.1	\$260.9	9.67%
Median	0.39	9.05%	0.30	10.41%	468.4	323.1	9.26%
Valero Natural Gas Patners, LP	1.95	20.42%	0.48	9.75%	\$209.6	\$648.2	12.36%

</TABLE>

Risk Free Rate = 6.20% (Yield on 20-Yr Treasury Bonds as of 11/26/93)
Market Risk Premium = 7.3% (Average over last 70 years)
Long-term expected equity risk premium (common stock returns versus long-term gov't bond returns), from Ibbotson Associates, Inc. (1993 Edition)

- (a) Adjusted Levered Betas obtained from Bloomberg Financial Markets System and cover the period from 5/1/91 to 10/13/93. Valero's Beta assumed to be equal to medium Levered Beta of gas gathering companies (0.78). Unlevered Beta = (Levered Beta) x (Equity / Total Market Capitalization). Assumed Debt Beta = 0.
- (b) Cost of Equity = Risk Free Rate + (Predicted Beta) x (Market Risk Premium)
- (c) Average interest cost over the latest stub period. See Page 2 for details. For Valero, figure represents estimated current market rates.
- (d) Pretax W.A.C.C. = (Debt / Total Market Capitalization) x (Pretax Cost of Debt) + (Equity / Total Market Capitalization) x (Cost of Equity)

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Dillon, Read & Co., Inc. December 10, 1993

G&A AND O&M SAVINGS ANALYSIS

Valero Natural Gas Company

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Dillon, Read & Co. Inc. December 3, 1993

G&A AND O&M SAVINGS ANALYSIS

- * The Dillon Read team analyzed VLP's expenditures as a percentage of revenue relative to its peer group. This analysis was performed to identify any potential synergetic savings which may/should be implicit in the price paid to the public unitholders of VLP.

<TABLE>
<CAPTION>

(% G&A and O&M)/Gross Margin

Broad Stand-Alone

Time Period	VLP	Peer Group (a)		Peer Group (b)	
		Mean	Median	Mean	Median
<S>	<C>	<C>	<C>	<C>	<C>
1990	44.1%	43.9%	44.1%	41.2%	43.6%
1991	43.9%	39.9%	40.9%	41.5%	40.9%
1992	48.8%	39.1%	41.1%	40.8%	41.1%
Three-Year Average (1990-1992)	45.6%	41.0%	41.0%	41.2%	41.0%
LTM (9/30/93)	48.4% (c)	39.7%	41.6%	42.2%	41.7%

</TABLE>

(a) Broad peer group included AOG, AQP, NGA, TEJ, TPC, NGL, DGP and WGR.

(b) Stand-alone peer group includes AOG, NGA, TEJ, TPC, NGL and WGR.

(c) Adjusted for nonrecurring items present in LTM 9/30/93 financials.

Valero Natural Gas Company

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Operational Comparison for Selected Comparable Companies
Selected Natural Gas Gathering, Marketing and Distribution Companies
(Figures in \$ Millions)

<TABLE>
<CAPTION>

	Valero Natural Gas Ptnshp. (a)	American Oil & Gas	Aquila Gas Pipeline	Associated Natural Gas	Tejas Gas (b)	Tejas Power
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1990						
Total Revenues	\$1,091.5	\$441.2	\$12.4	\$394.8	\$252.9	\$117.5
Gross Margin	256.3	59.8	5.2	50.4	52.2	18.7
General & Administrative	42.6	14.5	1.6	6.5	7.9	4.7
Operation & Maintenance	70.4	11.5	1.4	15.8	8.1	3.4
% G & A/Revenues	3.9%	3.3%	13.2%	1.6%	3.1%	4.0%
% O & M/Revenues	6.5%	2.6%	10.9%	4.0%	3.2%	2.9%
% (G&A & O&M) Revenues	10.4%	5.9%	24.1%	5.6%	6.3%	6.9%
% G & A/Gross Margin	16.6%	24.3%	31.3%	12.9%	15.1%	25.0%
% O & M/Gross Margin	27.5%	19.3%	25.9%	31.3%	15.5%	18.2%
% (G&A & O&M) Gross Margin	44.1%	43.6%	57.2%	44.1%	30.6%	43.2%
1991						
Total Revenues	\$1,144.0	\$380.7	\$72.9	\$630.7	\$454.5	\$144.5
Gross Margin	247.7	69.4	28.8	70.0	78.6	16.8
General & Administrative	34.8	15.4	3.1	9.0	12.9	5.3
Operation & Maintenance	73.9	10.7	5.0	21.2	13.2	3.5
% G & A/Revenues	3.0%	4.0%	4.2%	1.4%	2.8%	3.7%
% O & M/Revenues	6.5%	2.8%	6.9%	3.4%	2.9%	2.4%
% (G&A & O&M) Revenues	9.5%	6.8%	11.1%	4.8%	5.7%	6.1%
% G & A/Gross Margin	14.0%	22.2%	10.7%	12.9%	16.4%	31.7%
% O & M/Gross Margin	29.8%	15.4%	17.4%	30.4%	16.7%	21.1%
% (G&A & O&M)/Gross Margin	43.9%	37.6%	28.1%	43.3%	33.1%	52.8%
1992						
Total Revenues	\$1,197.1	\$430.9	\$211.3	\$928.4	\$883.2	\$184.2
Gross Margin	242.5	84.9	78.4	89.5	143.0	29.0
General & Administrative	37.9	16.7	9.4	11.9	18.0	7.8
Operation & Maintenance	80.4	18.2	12.6	25.2	36.8	5.4
% G & A/Revenues	3.2%	3.9%	4.5%	1.3%	2.0%	4.2%
% O & M/Revenues	6.7%	4.2%	5.9%	2.7%	4.2%	2.9%
% (G&A & O&M)/Revenues	9.9%	8.1%	10.4%	4.0%	6.2%	7.2%
% G & A/Gross Margin	15.6%	19.7%	12.0%	13.2%	12.6%	26.9%
% O & M/Gross Margin	33.2%	21.4%	16.0%	28.1%	25.7%	18.6%
% (G&A & O&M)/Gross Margin	48.8%	41.1%	28.1%	41.4%	38.3%	45.5%
Three-Year Average (1990-1992)						
% G & A/Revenues	3.4%	3.7%	7.3%	1.5%	2.7%	4.0%
% O & M/Revenues	6.5%	3.2%	7.9%	3.4%	3.4%	2.8%
% (G&A & O&M)/Revenues	9.9%	7.0%	15.2%	4.8%	6.1%	6.7%

% G & A/Gross Margin	15.4%	22.1%	18.0%	13.0%	14.7%	27.9%
% O & M/Gross Margin	30.2%	18.7%	19.8%	29.9%	19.3%	19.3%
% (G&A & O&M)/Gross Margin	45.6%	40.7%	37.8%	42.9%	34.0%	47.2%

</TABLE>

<TABLE>
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<S>	Excludes VLP						
	Trident NGL Holding, Inc. (d)	USX - Delhi Group	Western Gas Resources (c)	Broad Peer Group		Stand-alone Group (e)	
				Mean	Median	Mean	Median
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1990							
Total Revenues	\$669.9	\$405.2	\$255.7				
Gross Margin	NA	127.9	76.6				
General & Administrative	18.1	31.5	13.5				
Operation & Maintenance	NA	25.2	20.4				
% G & A/Revenues	2.7%	7.8%	5.3%	5.1%	3.6%	3.3%	3.2%
% O & M/Revenues	NA	6.2%	8.0%	5.4%	4.0%	4.1%	3.2%
% (G&A & O&M) Revenues	NA	14.0%	13.3%	10.9%	6.9%	7.6%	6.3%
% G & A/Gross Margin	NA	24.6%	17.6%	21.5%	24.3%	10.0%	17.6%
% O & M/Gross Margin	NA	19.7%	26.7%	22.4%	19.7%	22.2%	19.3%
% (G&A & O&M) Gross Margin	NA	44.3%	44.3%	43.9%	44.1%	41.2%	43.6%
1991							
Total Revenues	\$575.3	\$423.2	\$358.2				
Gross Margin	NA	139.3	114.5				
General & Administrative	16.3	29.3	14.7				
Operation & Maintenance	NA	31.0	32.1				
% G & A/Revenues	2.8%	6.9%	4.1%	3.8%	3.9%	3.2%	3.3%
% O & M/Revenues	NA	7.3%	9.0%	5.0%	3.4%	4.1%	2.9%
% (G&A & O&M) Revenues	NA	14.2%	13.1%	8.8%	6.8%	7.3%	6.1%
% G & A/Gross Margin	NA	21.0%	12.8%	18.3%	16.4%	19.2%	16.4%
% O & M/Gross Margin	NA	22.3%	28.1%	21.6%	21.1%	22.3%	21.1%
% (G&A & O&M)/Gross Margin	NA	43.3%	40.9%	39.9%	40.9%	41.5%	40.9%
1992							
Total Revenues	\$601.6	\$457.8	\$741.8				
Gross Margin	NA	137.9	256.4				
General & Administrative	15.6	28.8	23.9				
Operation & Maintenance	NA	29.1	72.6				
% G & A/Revenues	2.6%	6.3%	3.2%	3.5%	3.6%	2.9%	2.9%
% O & M/Revenues	NA	6.4%	9.8%	5.2%	4.2%	4.8%	4.2%
% (G&A & O&M)/Revenues	NA	12.6%	13.0%	8.8%	8.1%	7.7%	7.2%
% G & A/Gross Margin	NA	20.9%	9.3%	16.4%	13.2%	16.4%	13.2%
% O & M/Gross Margin	NA	21.1%	28.3%	24.8%	21.4%	24.4%	25.7%
% (G&A & O&M)/Gross Margin	NA	42.0%	37.6%	39.1%	41.1%	40.8%	41.1%
Three-Year Average (1990-1992)							
% G & A/Revenues	2.7%	7.0%	4.2%	4.1%	3.9%	3.1%	3.2%
% O & M/Revenues	NA	6.6%	8.9%	5.2%	3.4%	4.3%	3.4%
% (G&A & O&M)/Revenues	NA	13.6%	13.1%	9.5%	7.0%	7.5%	6.7%
% G & A/Gross Margin	NA	22.2%	13.3%	18.7%	18.0%	18.2%	14.7%
% O & M/Gross Margin	NA	21.0%	27.7%	22.2%	22.2%	23.0%	19.3%
% (G&A & O&M)/Gross Margin	NA	43.2%	41.0%	41.0%	41.0%	41.2%	41.0%

</TABLE>

Note: Gross Margin defined as Total Revenues less gas/product purchases
(a) G&A was provided from a schedule prepared by the Company and reflects the percentage (32%) of reported operating expenses which is attributable.
(b) 1992 - Pro forma EGSI acquisition
(c) 1992 - Pro forma for Mountain Gas and Black Lake Acquisitions
(d) 1991 and 1992 - Based on Pro forma financials for the acquisition of the NGL business of OXY USA. Gross Margin as defined is not disclosed (i.e.,

separate line items for O&M and COGS).
(e) Excludes AQP and DGP from broad peer group.

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Operational Comparison for Selected Comparable Companies

Selected Pipeline Master Limited Partnerships

(Figures in \$ Millions)

<TABLE>

<CAPTION>

<S>	Valero	Buckeye	Enron	Kaneb	Lake-	Santa	TEPPCO	Excludes VLP			
	Natural Gas Partnership	Partners	Liquids (b)	Pipe Line	head Pipe Line	Fe Pipe Line		Partners (c)	Mean	Median	High
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1990											
Total Revenues	\$1,091.5	\$159.3	\$47.6	\$37.6	\$205.7	\$192.9	\$140.8				
Gross Margin	256.3	85.0	19.8	25.0	NA	129.6	73.0				
General & Administration	42.6	10.9	7.4	2.9	NA	16.6	NA				
Operation & Maintenance	70.4	74.5	27.8	12.6	NA	63.3	67.8				
% G & A/Revenues	3.9%	6.8%	15.6%	7.8%	NA	8.6%	NA	9.7%	8.2%	15.6%	6.8%
% O & M/Revenues	6.5%	46.8%	58.5%	33.5%	NA	32.8%	48.2%	43.9%	46.8%	58.5%	32.8%
% (G&A & O&M)/Revenues	10.4%	53.6%	74.0%	41.2%	NA	41.4%	48.2%	51.7%	48.2%	74.0%	41.2%
% G & A/Gross Margin	16.6%	12.8%	37.4%	11.7%	NA	12.8%	NA	18.7%	12.8%	37.4%	11.7%
1991											
Total Revenues	\$1,144.0	\$151.8	\$25.6	\$39.4	\$199.3	\$193.4	\$163.3				
Gross Margin	247.7	78.9	16.9	25.1	NA	127.8	82.2				
General & Administration	34.8	10.3	2.8	2.9	NA	18.2	NA				
Operation & Maintenance	73.9	73.0	16.9	14.3	NA	65.7	81.1				
% G & A/Revenues	3.0%	6.8%	11.1%	7.3%	NA	9.4%	NA	8.6%	8.3%	11.1%	6.8%
% O & M/Revenues	6.5%	48.1%	66.1%	36.4%	NA	33.9%	49.7%	46.8%	48.1%	66.1%	33.9%
% (G&A & O&M)/Revenues	9.5%	54.9%	77.2%	43.6%	NA	43.3%	49.7%	53.7%	49.7%	77.2%	43.3%
% G & A/Gross Margin	14.0%	13.1%	16.8%	11.4%	NA	14.2%	NA	13.9%	13.7%	16.8%	11.4%
1992											
Total Revenues	\$1,197.1	\$163.1	\$23.4	\$42.2	\$222.2	\$205.0	\$166.2				
Gross Margin	242.5	84.0	14.4	27.7	NA	136.7	90.9				
General & Administration	37.9	10.0	2.7	2.8	NA	19.4	NA				
Operation & Maintenance	80.4	79.1	9.0	14.5	NA	68.3	75.3				
% G & A/Revenues	3.2%	6.1%	11.7%	6.5%	NA	9.5%	NA	8.4%	8.0%	11.7%	6.1%
% O & M/Revenues	6.7%	48.5%	38.4%	34.4%	NA	33.3%	45.3%	40.0%	38.4%	48.5%	33.3%
% (G&A & O&M)/Revenues	9.9%	54.6%	50.1%	40.9%	NA	42.8%	45.3%	46.7%	45.3%	54.6%	40.9%
% G & A/Gross Margin	15.6%	11.9%	18.9%	9.9%	NA	14.2%	NA	13.7%	13.0%	18.9%	9.9%
Three-Year Average											
(1990-1992)											
% G & A/Revenues	3.4%	6.6%	12.8%	7.2%	NA	9.2%	NA	8.9%	8.2%	12.8%	6.6%
% O & M/Revenues	6.5%	47.8%	54.3%	34.7%	NA	33.4%	47.7%	43.6%	47.7%	54.3%	33.4%
% (G&A & O&M)/Revenues	9.9%	54.4%	67.1%	41.9%	NA	42.5%	47.7%	50.7%	47.7%	67.1%	41.9%
% G & A/Gross Margin	15.4%	12.6%	24.4%	11.0%	NA	13.7%	NA	15.4%	13.2%	24.4%	11.0%

</TABLE>

Note: Gross Margin defined as Total Revenues less O&M Expenses

(a) G&A was provided from a schedule prepared by the Company and reflects the

- percentage (32%) of reported operating expenses which is attributable.
 (b) 1991 and 1992 figures are for 5 months only. 1990 data based on corporate form financials (Partnership is not available).
 (c) 1990 figures for the period beginning March 7, 1990, (Inception date)
 (d) G&A figures are not itemized, only aggregate operating expenses.

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Dillon, Read & Co. Inc. December 3, 1993

COMPARISON OF CURRENT AND HISTORICAL VLP
 PROJECTIONS

 Valero Natural Gas Company

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VALERO NATURAL GAS PARTNERS, L.P.
 BALANCE SHEETS
 STRATEGIC PLAN BASE CASE
 (DOLLARS IN THOUSANDS)
 FORECASTED ON 10 NOV 1993 08:04

<TABLE>
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	1993	1994	1995	1996	1997
<S>	<C>	<C>	<C>	<C>	<C>
ASSETS					
Current Assets:					
Operating cash balance	\$ 3,561	\$ 3,281	\$ 3,486	\$ 3,663	\$ 3,729
Cash held in debt service escrow:					
Interest escrow	13,293	12,673	11,984	11,228	10,394
Principal escrow	20,892	22,767	24,643	26,518	28,394
Total escrow	34,185	35,440	36,627	37,746	38,788
Other current assets	177,541	209,499	208,699	209,399	201,599
Total current assets	215,287	248,220	248,812	250,808	244,116
Property, plant and equipment - net	746,638	764,778	755,125	744,756	734,285
Other assets	80,275	69,131	55,403	41,730	37,123
	\$1,042,200	\$1,082,129	\$1,059,340	\$1,037,294	\$1,015,524
=====					
LIABILITIES AND PARTNERS' CAPITAL					
Current Liabilities:					
Current maturities on long-term debt	\$ 27,857	\$ 30,357	\$ 32,857	\$ 35,357	\$ 37,857
Current maturities on capital leases	1,052	1,175	1,694	2,553	3,134
Short-term notes	47,000	118,500	115,500	119,000	122,000
Other current liabilities	187,630	194,135	193,289	192,661	191,604
Total current liabilities	263,539	344,167	343,340	349,571	354,595
Long-term debt, less current maturities	506,429	476,072	443,215	407,858	370,001
Capital lease obligation	103,786	103,599	103,027	100,780	97,646
Deferred credits and other liabilities	4,230	6,190	9,034	12,030	15,186
Limited Partners' Capital:					
Public common units	137,134	128,000	129,491	129,934	132,598
Valero common units	25,387	22,998	30,119	36,094	44,440
Total limited partners' capital	162,521	150,998	159,609	166,028	177,038
General Partners' Capital	1,695	1,103	1,114	1,028	1,058
	\$1,042,200	\$1,082,129	\$1,059,340	\$1,037,294	\$1,015,524
	=====	=====	=====	=====	=====

</TABLE>

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VALERO NATURAL GAS PARTNERS, L.P.
 STATEMENTS OF CASH FLOW
 STRATEGIC PLAN BASE CASE
 (Dollars in Thousands)
 Forecasted on 10 Nov. 1993 08:04

<TABLE>
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	1993	1994	1995	1996	1997
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Cash flow from operating activities:					
Net income (loss)	\$ 18,641	\$ (1,596)	\$ 19,151	\$ 16,860	\$ 21,568
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation expense	36,408	38,011	37,953	38,369	39,471
Amortization of deferred charges	2,510	2,333	1,791	1,736	1,473
(Gain) or loss on dispositions	--	--	(9,300)	--	--
Operating sources	57,559	38,748	49,595	56,965	62,512
Non-cash working capital (increase) decrease	(35,653)	(24,833)	643	(572)	7,577
Changes in deferred charges and credits	5,563	10,771	14,781	14,933	6,290
Changes in capital lease obligation	870	988	1,121	303	--
Net cash provided by (used in) operating activities	28,339	25,674	66,140	71,629	76,379
Cash flow from investing activities:					
Capital expenditures(1)	(42,431)	(56,151)	(31,500)	(28,000)	(29,000)
Other, net	2,491	--	12,500	--	--
Net cash provided by (used in) investing activities	(39,940)	(56,151)	(19,000)	(28,000)	(29,000)
Cash flow from financing activities:					
Proceeds from previously unexpended debt proceeds	--	--	--	--	--
Long-term debt reduction	(25,357)	(27,857)	(30,357)	(32,857)	(35,357)
Capital lease obligation reduction	(762)	(1,052)	(1,174)	(1,692)	(2,552)
Increase (decrease) in short-term notes	47,000	71,500	(3,000)	3,500	3,000
(Increase) decrease in debt service escrow for principal	(1,874)	(1,875)	(1,876)	(1,875)	(1,876)
Distributions to partners	(10,445)	(10,519)	(10,528)	(10,528)	(10,528)
Net cash provided by (used in) financing activities	8,562	30,197	(49,935)	(43,452)	(47,313)
Increase (decrease) in cash balance	(3,037)	(280)	205	177	66
Cash balance at beginning of period	6,598	3,561	3,281	3,486	3,663
Cash balance at end of period	\$ 3,561	\$ 3,281	\$ 3,486	\$ 3,663	\$ 3,729

</TABLE>

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VALERO NATURAL GAS PARTNERS, L.P.
 STATEMENTS OF INCOME
 STRATEGIC PLAN BASE CASE
 (DOLLARS IN THOUSANDS)
 FORECASTED ON 10 NOV 1993 08:04

<TABLE>
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	1993	1994	1995	1996	1997
<S>	<C>	<C>	<C>	<C>	<C>
Operating income (loss):					
Natural gas pipelines	\$ 70,886	\$ 51,562	\$ 62,364	\$ 66,369	\$ 69,620
Natural gas liquids	37,243	41,828	41,947	43,069	42,467
Allocated expenses	(17,540)	(19,238)	(20,047)	(20,878)	(21,740)
Amortization of FMV write-up	(6,757)	(6,765)	(6,765)	(6,523)	(6,966)
Total	83,832	67,387	77,500	82,307	83,381
Interest and other income (expense):					
Gain or (loss) on disposition	--	--	9,300	--	--
Interest income	784	726	857	884	1,022
Other income (expense)	432	19	--	--	--
	1,216	745	10,157	884	1,022

Interest expense:					
Incurred	(55,244)	(57,542)	(56,227)	(53,990)	(50,749)
Capital lease with V.E.C.	(12,803)	(12,774)	(12,779)	(12,741)	(12,486)
Capitalized	1,641	588	500	400	400
	-----	-----	-----	-----	-----
	(66,406)	(69,728)	(68,506)	(66,331)	(62,835)
	-----	-----	-----	-----	-----
Net income (loss)	\$ 18,641	\$ (1,596)	\$ 19,151	\$ 16,860	\$ 21,568
	=====	=====	=====	=====	=====

</TABLE>

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VALERO NATURAL GAS PARTNERS LP
CALCULATION OF OPERATING INCOME -- PIPELINE SEGMENT
Forecasted on 10 Nov. 1993 08:04
(Base Case, Dollars in Thousands)

<TABLE>

<CAPTION>

	1993	1994	1995	1996	1997
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Gas sales:					
VTC sales volume	20,550	17,882	16,425	15,738	15,695
VTC sales margin	129.62cent	89.63cent	64.48cent	66.91cent	66.90cent
VTC gross profit	\$ 26,637	\$ 16,028	\$ 10,591	\$ 10,530	\$ 10,500
SMP sales volume	331,810	409,175	431,581	451,397	470,846
SMP sales margin	22.94cent	19.55cent	20.06cent	21.34cent	20.60cent
SMP gross profit	\$ 76,108	\$ 80,013	\$ 86,557	\$ 91,824	\$ 96,985
Other sales volume	--	--	--	--	--
Other sales margin	--	--	--	--	--
Other gross profit	--	--	--	--	--
	-----	-----	-----	-----	-----
Total gas sales volume	\$352,360	\$427,057	\$448,006	\$467,135	\$486,541
Total sales margin (cent/MCF)	29.16cent	22.49cent	21.68cent	21.91cent	22.09cent
Total gross profit	\$102,745	\$ 96,041	\$ 97,148	\$102,354	\$107,485
Transportation:					
Total transportation volume	434,919	482,904	552,827	554,338	560,127
Total transportation fee (cent/MCF)	10.78cent	10.90cent	12.15cent	12.41cent	12.32cent
Total transportation revenue	\$ 46,864	\$ 52,646	\$ 67,154	\$ 68,812	\$ 69,005
Brokerage:					
Brokerage sales volumes	51,076	--	--	--	--
Brokerage sales margin (cent/MCF)	3.16cent	--	--	--	--
Brokerage sales profit	\$ 1,612	--	--	--	--
Miscellaneous revenues:					
VTC	\$ 2,599	\$ 2,900	\$ 2,900	\$ 2,900	\$ 2,900
RGV	--	--	--	--	--
Cost of service	6,303	--	--	--	--
SMP cost of service reduction	(3,316)	--	--	--	--
VTC transportation VHC	10,861	12,057	12,062	12,094	12,062
VTC transportation VHC gas systems	--	--	--	--	--
VITCO transportation VHC	--	--	--	--	--
Other	52	--	--	--	--
	-----	-----	-----	-----	-----
Total miscellaneous revenues	\$ 16,499	\$ 14,957	\$ 14,962	\$ 14,994	\$ 14,962
	-----	-----	-----	-----	-----
Total profit	\$167,720	\$163,644	\$179,264	\$186,160	\$191,452
O and G expense excluding OH & FMV amortization	\$ 75,396	\$ 89,735	\$ 94,686	\$ 96,905	\$ 98,820
Depreciation expense excluding FMC amortization	\$ 21,438	\$ 22,347	\$ 22,214	\$ 22,616	\$ 23,012
	-----	-----	-----	-----	-----
Total pipeline segment operating income before FMV amortization & allocation expense	\$ 70,886	\$ 51,562	\$ 62,364	\$ 66,639	\$ 69,620
	=====	=====	=====	=====	=====

</TABLE>

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VALERO NATURAL GAS PARTNERS LP
CALCULATION OF OPERATING INCOME -- PIPELINE SEGMENT
FORECASTED ON 10 NOV 1993 08:04
(BASE CASE; DOLLARS IN THOUSANDS)

<TABLE>

<CAPTION>

	1993	1994	1995	1996	1997
	----	----	----	----	----
<S>	<C>	<C>	<C>	<C>	<C>
Total pipeline segment operating income before FMV amortization and allocation expense	\$ 70,886	\$ 51,562	\$ 62,364	\$ 66,639	\$ 69,620
Less:					
FMV amortization O and G expense	--	--	--	--	--
FMV amortization depreciation expense	(6,948)	(6,966)	(6,966)	(6,966)	(6,966)
Pipeline segment allocation expenses	(13,809)	(15,175)	(15,816)	(16,473)	(17,156)
	-----	-----	-----	-----	-----
Total pipeline segment reported operating income	\$ 50,129	\$ 29,421	\$ 39,582	\$ 43,200	\$ 45,498
	=====	=====	=====	=====	=====

</TABLE>

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VALERO NATURAL GAS PARTNER LP
CALCULATION OF OPERATING INCOME -- LIQUIDS SEGMENT
FORECASTED ON 10 NOV 1993 08:04
(BASE CASE; DOLLARS IN THOUSANDS)

<TABLE>

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	1993	1994	1995	1996	1997
	----	----	----	----	----
<S>	<C>	<C>	<C>	<C>	<C>
Base gross margin	\$72,881	\$79,823	\$79,242	\$78,949	\$78,994
	-----	-----	-----	-----	-----
Gross margin changes:					
Gross change C2	--	--	3,395	5,230	6,147
Gross change C3	--	--	1,354	2,830	3,568
Gross change IC4	--	--	477	866	1,118
Gross change NC4	--	--	371	839	1,073
Gross change C5 plus	--	--	115	273	431
Gross change gas cost	--	--	(4,625)	(6,430)	(8,234)
INC margins new plants	--	--	--	--	--
Change trading profits	--	--	--	--	--
	-----	-----	-----	-----	-----
Gross margin changes	--	--	1,088	3,608	4,103
	-----	-----	-----	-----	-----
Adjusted gross margin	72,881	79,823	80,330	82,557	83,097
	-----	-----	-----	-----	-----
OP and GEN expenses	27,424	29,096	29,409	30,258	31,137
Depreciation expense	8,214	8,899	8,974	9,230	9,493
	-----	-----	-----	-----	-----
Tot NGL operating income before FMV amortization and corporate overhead	\$37,243	\$41,828	\$41,947	\$43,069	42,467
	-----	-----	-----	-----	-----
Less:					
FMV amortization O and G expense	--	--	--	--	--
FMV amortization depreciation expense	\$ 191	\$ 201	\$ 201	\$ 443	--
NGL allocated expenses	\$(3,731)	\$(4,063)	\$(4,231)	\$(4,405)	\$(4,584)
	-----	-----	-----	-----	-----
Reported NGL operating income	\$33,703	\$37,966	\$37,917	\$39,107	37,883
	=====	=====	=====	=====	=====
Base vs. Forecast					
	-----	-----	-----	-----	-----
Avg Hou price C2 base	21.87cent	22.25cent	23.01cent	23.01cent	23.01cent
Avg Hou price C2 frcst	21.87cent	22.25cent	24.34cent	25.06cent	25.42cent
	-----	-----	-----	-----	-----
Avg Hou price C3 base	32.34cent	32.58cent	33.58cent	33.58cent	33.58cent
Avg Hou price C3 frcst	32.34cent	32.58cent	34.50cent	35.50cent	36.00cent
	-----	-----	-----	-----	-----
Avg Hou price IC4 base	41.43cent	43.06cent	44.06cent	44.06cent	44.06cent
Avg Hou price IC4 frcst	41.43cent	43.06cent	45.50cent	46.67cent	47.43cent
	-----	-----	-----	-----	-----
Avg Hou price NC4 base	37.79cent	38.71cent	39.71cent	39.71cent	39.71cent
Avg Hou price NC4 frcst	37.79cent	38.71cent	40.50cent	41.50cent	42.00cent
	-----	-----	-----	-----	-----
Avg Hou price C5 plus base	42.24cent	43.82cent	44.82cent	44.82cent	44.82cent
Avg Hou price C5 plus frcst	42.24cent	43.82cent	45.00cent	45.25cent	45.50cent
	-----	-----	-----	-----	-----
Gas cost base	\$ 1.98	\$ 2.06	\$ 2.06	\$ 2.06	\$ 2.06
Gas cost frcst	\$ 1.98	\$ 2.06	\$ 2.16	\$ 2.20	\$ 2.24
	-----	-----	-----	-----	-----

</TABLE>

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VALERO NATURAL GAS PARTNER LP
LIQUIDS SEGMENT
CALCULATION OF OPERATING INCOME
FORECASTED ON 10 NOV 1993 08:04
(BASE CASE; DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	1993	1994	1995	1996	1997
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
New plant margin gallon	--	--	--	--	--
New plant prod volumes	--	--	--	--	--
Gross production	1,061,761	1,164,642	1,173,249	1,173,249	1,173,249
Gas sales volume	--	--	--	--	--
Gas sales margin	--	--	--	--	--

</TABLE>

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VALERO NATURAL GAS PARTNERS, L.P.
EBITDA RESULTS / PROJECTIONS

<TABLE>
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	Actuals	11/10/93	10/1/92	8/15/91
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
1989	\$106.479			
1990	143.323			
1991	139.065			\$119.623
1992	124.245		\$131.798	114.678
1993		\$120.241	124.39	120.845
1994		105.398	132.656	124.267
1995		115.453	139.041	130.843
1996		120.676	147.664	
1997		122.852		

</TABLE>

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VALERO NATURAL GAS PARTNERS, L.P.
CFFO RESULTS / PROJECTIONS

<TABLE>
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	Actuals	11/10/93	10/1/92	8/15/91
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
1989	\$54.179			
1990	92.999			
1991	79.342			\$57.501
1992	62.910		\$70.453	45.222
1993		\$57.559	59.063	50.451
1994		38.748	67.518	53.510
1995		49.595	76.254	62.389
1996		56.965	88.631	
1997		62.512		

</TABLE>

VALERO NATURAL GAS PARTNERS, L.P.
NET INCOME RESULTS / PROJECTIONS

<TABLE>
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	Actuals	11/10/93	10/1/92	8/15/91
<S>	<C>	<C>	<C>	<C>
1989	\$13.306			
1990	50.714			
1991	37.036			\$15.222
1992	24.986		\$32.302	3.140
1993		\$18.641	20.324	8.757
1994		-1.596	28.337	12.025
1995		19.151	37.374	20.655
1996		16.860	49.322	
1997		21.568		

</TABLE>

VALERO NATURAL GAS PARTNERS, L.P.
LIQUIDS: OP. INCOME RESULTS / PROJECTIONS

<TABLE>
<CAPTION>

	Actuals	11/10/93	10/1/92	8/15/91
<S>	<C>	<C>	<C>	<C>
		(\$ millions)		
1989	\$ 3.818			
1990	54.210			
1991	62.694			\$50.398
1992	57.357		\$68.849	45.398
1993		\$33.703	67.695	45.935
1994		37.966	72.041	45.458
1995		37.917	78.881	51.565
1996		39.107	86.982	
1997		37.883		

</TABLE>

VALERO NATURAL GAS PARTNERS, L.P.
NGL PRODUCTION RESULTS / PROJECTIONS

<TABLE>
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	Actuals	11/10/93	10/1/92	8/15/91
<S>	<C>	<C>	<C>	<C>
		(millions of gallons)		
1989	669.3			

1990	702.3		764.522
1991	773.7		
1992	879.6	891.317	863.773
1993	1,061.8	1,162.135	875.209
1994	1,164.7	1,162.135	875.209
1995	1,173.2	1,162.135	875.209
1996	1,173.3	1,162.135	
1997	1,173.2		

</TABLE>

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VALERO NATURAL GAS PARTNERS, L.P.
ACTUAL/PROJECTED NGL MARKET PRICES

<TABLE>

<CAPTION>

	Actuals	11/10/93	10/1/92	8/15/91
	-----	-----	-----	-----
		(cents/gallon)		
<S>	<C>	<C>	<C>	<C>
1989	22.9			
1990	33			
1991	32.6			27.173
1992	31.4		31.549	28.251
1993		29.846	31.871	28.991
1994		30.454	33.08	30.2
1995		32.388	35.282	32.823
1996		33.054	37.828	
1997		33.611		

</TABLE>

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VALERO NATURAL GAS PARTNERS, L.P.
ACTUAL/PROJECTED NGL GROSS MARGIN

<TABLE>

<CAPTION>

	Actuals	11/10/93	10/1/92	8/15/91
	-----	-----	-----	-----
		(cents/gallon)		
<S>	<C>	<C>	<C>	<C>
1989	7.8			
1990	15			
1991	14.1			11.6
1992	11.4		11.5	10
1993		6.9	9.1	10.2
1994		6.9	9.6	10.3
1995		6.9	10.2	11.2
1996		7	11	
1997		7.1		

</TABLE>

VALERO NATURAL GAS PARTNERS, L.P.
PIPELINE: OP. INCOME RESULTS/PROJECTIONS

<TABLE>
<CAPTION>

	Actuals	11/10/93	10/1/92	8/15/91
	-----	-----	-----	-----
		(\$ millions)		
<S>	<C>	<C>	<C>	<C>
1989	\$64.437			
1990	51.021			
1991	37.14			\$28.838
1992	32.484		\$28.056	29.898
1993		\$50.129	19.963	35.424
1994		29.421	23.164	38.708
1995		39.582	22.68	38.542
1996		43.2	22.656	
1997		45.498		

</TABLE>

VALERO NATURAL GAS PARTNERS, L.P.
TOTAL THROUGHPUT PROJECTIONS*

<TABLE>
<CAPTION>

	Actuals	11/10/93	10/1/92	8/15/91
	-----	-----	-----	-----
		(mmcf/day)		
<S>	<C>	<C>	<C>	<C>
1989	2,141			
1990	2,051			
1991	2,143			2,011
1992	2,190		1,913	2,268
1993		2,297	2,552	2,464
1994		2,493	2,659	2,506
1995		2,742	2,758	2,540
1996		2,791	2,844	
1997		2,868		

</TABLE>

* Intersegment eliminations have not been eliminated.

VALERO NATURAL GAS PARTNERS, L.P.
ACTUAL/PROJECTED TRANSPORTATION FEES

<TABLE>

<CAPTION>

Actuals	11/10/93	10/1/92	8/15/91
(cents/mcf)			
<S>	<C>	<C>	<C>
1989	13.7		
1990	14.8		
1991	13.5		13.13
1992	11.8		11.66 11.25
1993		10.78	10.32 11.82
1994		10.9	10.41 12.77
1995		12.15	10.6 13.73
1996		12.41	10.47
1997		12.32	

</TABLE>

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Dillon, Read & Co. Inc.

December 10, 1993

VLP OPERATING STATISTICS

Valero Natural Gas Company

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VALERO NATURAL GAS PARTNERS, L.P.
OPERATING RESULTS/PROJECTIONS: 1988-1994

<TABLE>
<CAPTION>

	EBITDA	EBIT	Net Income	CFFO
<S>	<C>	<C>	<C>	<C>
1988A	\$108.544	\$ 71.04	\$20.765	\$64.03
1989A	106.479	68.255	13.306	54.179
1990A	143.323	105.231	50.714	92.999
1991A	139.065	99.834	37.036	79.342
1992A	124.245	89.841	24.986	62.91
1993E	126.997	83.832	18.641	57.559
1994E	112.163	67.387	-1.596	38.748

</TABLE>

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VALERO NATURAL GAS PARTNERS, L.P.
LIQUIDS SEGMENT: NGL VOLUMES

<TABLE>
<CAPTION>
Plant Production

<S>	<C>
1988A	17.118
1989A	15.935
1990A	16.722
1991A	18.422
1992A	20.942
1993E	25.28
1994E	27.73

</TABLE>

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VALERO NATURAL GAS PARTNERS, L.P.
LIQUIDS SEGMENT: NGL PRICES

<TABLE>
<CAPTION>

	Avg Sales Price	Avg Gas Cost	Gross Margin
	(prices per gallon)		
<S>	<C>	<C>	<C>
1988A	0.226	0.149	0.077
1989A	0.229	0.151	0.078
1990A	0.33	0.18	0.15
1991A	0.326	0.185	0.141
1992A	0.314	0.2	0.114
1993E	0.298	0.216	0.082
1994E	0.305	0.217	0.098

</TABLE>

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VALERO NATURAL GAS PARTNERS, L.P.
PIPELINE SEGMENT: THROUGHPUT VOLUMES

<TABLE>
<CAPTION>

	VTC Sales	Other Sales	Transportation	Total*
	(mmcf/day)			
<S>	<C>	<C>	<C>	<C>
1988A	109	864	1,138	2111
1989A	107	809	1,225	2141
1990A	101	835	1,115	2051
1991A	103	908	1,132	2143
1992A	78	811	1,301	2190
1993E	56	1,049	1,192	2297
1994E	49	1,121	1,323	2493

</TABLE>

* Intersegment eliminations have not been eliminated.

VALERO NATURAL GAS PARTNERS, L.P.
PIPELINE SEGMENT: NATURAL GAS SALES

<TABLE>
<CAPTION>

	VTC	Other Sales	Average Sales	Average Gas Cost
	(prices per mcf)			
<S>	<C>	<C>	<C>	<C>
1988A	\$4.33	\$1.8	\$2.09	\$1.54
1989A	4.41	1.86	2.16	1.56
1990A	4.43	1.8	2.08	1.57
1991A	4.57	1.62	1.92	1.42
1992A	4.71	1.86	2.11	1.61
1993E	4.85	2.19	2.24	1.98
1994E	4.92	2.25	2.28	2.06

</TABLE>

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Dillon, Read & Co. Inc.

December 10, 1993

STOCK PRICE PERFORMANCE OF PEER GROUP

Valero Natural Gas Company

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VALERO NATURAL GAS PARTNERS, L.P.
STOCK PRICES PERFORMANCE
For the Period: 10/23/92 - 12/08/93

<TABLE>
<CAPTION>

	VLP	S&P 400	Peers*	Industry**	MLPs***
<S>	<C>	<C>	<C>	<C>	<C>
10/23/92	1	1	1	1	1
11/10/92	0.936709	1.023996	1.059192	1.04856	0.969542
11/26/92	0.911392	1.026213	0.931244	0.94548	0.934043
12/14/92	0.860759	1.052426	0.985861	0.984951	0.943515
12/30/92	0.822785	1.073748	0.959993	0.958114	0.923006
01/15/93	0.873418	1.054969	0.942104	0.946829	0.944563
02/02/93	0.873418	1.052491	0.90133	0.91536	0.982783
02/18/93	0.848101	1.072966	0.984862	0.996892	0.993642
03/08/93	0.860759	1.059207	1.078251	1.093568	1.028676
03/24/93	0.873418	1.084703	1.130838	1.148871	1.032327
04/09/93	0.848101	1.080203	1.246076	1.259517	1.03453
04/27/93	0.810127	1.060968	1.217648	1.270559	1.071762
05/13/93	0.860759	1.062141	1.188398	1.27754	1.017296
05/31/93	0.810127	1.08868	1.201912	1.309643	1.00997
06/16/93	0.822785	1.081377	1.283488	1.395191	1.016276
07/02/93	0.835443	1.058751	1.264418	1.428642	1.023958
07/20/93	0.835443	1.063054	1.300116	1.477261	1.038015
08/05/93	0.835443	1.060576	1.26581	1.411721	1.033891
08/23/93	0.911392	1.056599	1.308966	1.500397	1.053279
09/08/93	0.936709	1.091158	1.47332	1.707904	1.075232
09/24/93	0.898734	1.084181	1.414353	1.671953	1.081458
10/12/93	0.936709	1.084116	1.536779	1.760843	1.100873
10/28/93	1.101266	1.108829	1.462285	1.69714	1.142811
11/15/93	1.101266	1.101461	1.175143	1.463409	1.101997
12/01/93	1.101266	1.112415	0.914725	1.242504	1.109423

</TABLE>

* Companies included are AQP, NGA, NGL, and WGR.

** Companies included are AOG, AQP, NGA, TEJ, TPC, NGL, DGP, and WGR.

*** MLPs included are BPL, ENP, KPP, LHP, SFL, and TPP.

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VALERO NATURAL GAS PARTNERS, L.P.
 STOCK PRICE PERFORMANCE
 For the Period: 10/12/90 - 12/08/93

<TABLE>
 <CAPTION>

	VLP	S&P 400	Peers *	Industry **	MLPs ***
	---	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
10/12/90	1	1	1	1	1
11/28/90	0.969466	1.060628	1.033436	0.98739	1.069781
01/14/91	0.877863	1.042937	0.892214	0.851806	1.050462
02/28/91	0.908397	1.237443	0.979673	0.97413	1.184152
04/16/91	0.916031	1.308205	1.146117	1.053174	1.191095
05/31/91	0.664122	1.322695	1.119215	1.056128	1.20906
07/17/91	0.70229	1.293448	1.072506	0.985771	1.181802
09/02/91	0.725191	1.338608	1.249605	1.113483	1.243743
10/17/91	0.732824	1.320384	1.299455	1.162923	1.358097
12/03/91	0.671756	1.277358	1.285463	1.147021	1.283528
01/17/92	0.633588	1.417104	1.296832	1.159647	1.252117
03/04/92	0.59542	1.385901	1.06284	1.024348	1.245208
04/20/92	0.564885	1.386968	1.029366	0.975812	1.263904
06/04/92	0.519084	1.392657	1.268932	1.201403	1.309685
07/21/92	0.48855	1.381456	1.341882	1.247678	1.365571
09/04/92	0.534351	1.396746	1.594871	1.452554	1.397206
10/21/92	0.572519	1.385812	1.699551	1.491976	1.436755
12/07/92	0.519084	1.453285	1.610238	1.438518	1.364123
01/21/93	0.503817	1.432572	1.492016	1.342056	1.402197
03/09/93	0.519084	1.487066	1.888595	1.687994	1.496106
04/23/93	0.496183	1.419415	1.873314	1.726266	1.531586
06/09/93	0.480916	1.465019	2.068359	2.020038	1.472424
07/26/93	0.503817	1.449018	2.077981	2.057571	1.508866
09/09/93	0.564885	1.465464	2.411254	2.467116	1.561498
10/25/93	0.656489	1.509912	1.935552	2.177457	1.641056

</TABLE>

* Companies included are AQP, NGA, NGL, and WGR.

** Companies included are AOG, AQP, NGA, TEJ, TPC, NGL, DGP, and WGR.

*** MLPs included are BPL, ENP, KPP, LHP, SFL, and TPP.

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VALERO NATURAL GAS PARTNERS, L.P.
 STOCK PRICE PERFORMANCE
 For the Period: 9/30/88 - 12/08/93

<TABLE>
 <CAPTION>

	VLP	S&P 400	Peers *	Industry **	MLPs ***
	---	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
09/30/88	1	1	1	1	1
12/16/88	0.890511	1.022561	1.0875	0.970093	0.986552
03/03/89	1.080292	1.079214	0.9625	1.116814	1.101541
05/19/89	1.080292	1.183195	1.3875	1.381779	1.070939
08/04/89	1.080292	1.261406	1.8	1.679114	1.158955
10/20/89	0.970803	1.271633	1.65	1.58475	1.115134
01/05/90	1.021898	1.296902	1.538926	1.701113	1.227915
03/23/90	0.89781	1.25569	1.343305	1.515271	1.100374
06/08/90	0.839416	1.339416	1.51845	1.653577	1.059441
08/24/90	0.963504	1.183195	1.678329	1.84673	1.07633
11/09/90	0.970803	1.177981	1.814385	1.968865	1.02305
01/25/91	0.927007	1.272536	1.455402	1.549658	1.0666
04/12/91	0.868613	1.447508	1.923598	1.928409	1.143876
06/28/91	0.635036	1.41843	1.664228	1.735987	1.174892
09/13/91	0.671533	1.458839	2.06927	2.044154	1.280516
11/29/91	0.635036	1.419533	2.172711	2.142627	1.286218
02/14/92	0.576642	1.575454	2.029547	2.065627	1.229072
05/01/92	0.525547	1.569437	1.925941	1.975822	1.253995
07/17/92	0.467153	1.56673	2.296608	2.332987	1.354395
10/02/92	0.489051	1.542866	2.891619	2.814437	1.42303
12/18/92	0.481752	1.654868	2.728085	2.656323	1.330492
03/05/93	0.49635	1.646947	3.194961	3.133054	1.486856
05/21/93	0.467153	1.656874	3.349397	3.550843	1.4617
08/06/93	0.540146	1.628296	3.567015	3.997985	1.509272
10/22/93	0.627737	1.696681	3.404723	4.139219	1.648601

</TABLE>

* Companies included are AQP, NGA, NGL, and WGR.

** Companies included are AOG, AQP, NGA, TEJ, TPC, NGL, DGP, and WGR.

*** MLPs included are BPL, ENP, KPP, LHP, SFL, and TPP.

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VALERO NATURAL GAS PARTNERS, L.P.
STOCK PRICE PERFORMANCE
For the Period: 3/18/87 - 12/08/93

<TABLE>
<CAPTION>

	VLP	S&P 400	Industry *	MLPs **
	---	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
03/18/87	1	1	1	1
06/25/87	0.978022	1.067797	1.263158	0.945355
10/02/87	1.131868	1.142205	1.438596	1.076503
01/11/88	0.901099	0.852486	0.947368	0.928962
04/19/88	0.862637	0.895511	0.964912	0.961749
07/27/88	0.807692	0.903427	1.122807	0.918033
11/03/88	0.71978	0.958093	1.107738	0.934426
02/10/89	0.774725	1.005029	1.220818	0.98282
05/22/89	0.802198	1.099925	1.687633	0.963032
08/29/89	0.78022	1.195195	1.932749	1.038251
12/06/89	0.675824	1.18821	2.065725	1.042762
03/15/90	0.686813	1.165953	1.881918	1.010886
06/22/90	0.637363	1.242969	1.910756	0.982835
10/01/90	0.708791	1.104209	2.378487	0.983344
01/08/91	0.642857	1.100112	1.950587	0.952459
04/17/91	0.653846	1.380145	2.37566	1.078573
07/25/91	0.532967	1.352952	2.223315	1.077275
11/01/91	0.56044	1.37521	2.562297	1.192186
02/10/92	0.43956	1.467685	2.417933	1.119252
05/19/92	0.379121	1.465543	2.349315	1.154066
08/26/92	0.357143	1.448314	3.000706	1.262025
12/03/92	0.373626	1.503073	3.152851	1.230044
03/12/93	0.368132	1.54228	3.69734	1.349789
06/21/93	0.340659	1.527752	4.485644	1.33075
09/28/93	0.395604	1.546843	5.52025	1.41375

* Companies included are AOG, AQP, NGA, TEJ, TPC, NGL, DGP, and WGR.

** MLPs included are BPL, ENP, KPP, LHP, SFL, and TPP.

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VALERO NATURAL GAS PARTNERS, L.P.
ANALYSIS OF HISTORICAL P/E RATIOS

<TABLE>
<CAPTION>

	VLP	AOG	NGA	TEJ	TPC	WGR
	---	---	---	---	---	---
	(price/LTM earnings per share)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
12/90	5.5		21.6	15.8		
3/91	5.5	21.5	24	21.4		
6/91	4	12.9	20.7	21.7		
9/91	5.7	17.8	29.9	22.1		15.4
12/91	4.9	15.3	37.7	17.1		21.1
3/92	5.5	16.2	30.2	20.8		16.5
6/92	4.6	15	28.6	21.6	30.4	18.2
9/92	4.2	20	31.2	22.1	29.6	23.8
12/92	6.5	17	24.7	19.3	28.2	18.2
3/93	6	19.8	25.6	27.8	26.3	23.6
6/93	5.7	24.3	23	37.4	28.4	23.5
9/93	9.8	33.2	23.7	42.2	32.3	31.8

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Dillon Read & Co. Inc.

December 10, 1993

HISTORICAL PRODUCT PRICE PERFORMANCE

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COMMODITY PRICE MOVEMENTS
 FOR PERIOD: JULY, 1985 - OCTOBER, 1993

<TABLE>
 <CAPTION>

	VLP Slate	West Texas Intermediate Crude	Natural Gas
<S>	<C>	<C>	<C>
Jul-85	1	1	1
Nov-85	1.382694	1	0.845528
Mar-86	0.707553	0.669643	0.792683
Jul-86	0.619724	0.5	0.597561
Nov-86	0.658934	0.508929	0.577236
Mar-87	0.73037	0.625	0.605691
Jul-87	0.732703	0.660714	0.544715
Nov-87	0.707392	0.678571	0.581301
Mar-88	0.704875	0.571429	0.691057
Jul-88	0.666447	0.544643	0.565041
Nov-88	0.742609	0.455357	0.719512
Mar-89	0.695427	0.616071	0.565041
Jul-89	0.6156	0.696429	0.617886
Nov-89	0.61379	0.678571	0.666667
Mar-90	0.680832	0.75	0.577236
Jul-90	0.738747	0.580357	0.54878
Nov-90	1.506909	1.214286	0.784553
Mar-91	0.693992	0.633929	0.512195
Jul-91	0.914767	0.696429	0.434959
Nov-91	1.22383	0.776786	0.682927
Mar-92	0.88218	0.616071	0.47561
Jul-92	1.053504	0.75	0.577236
Nov-92	1.014443	0.705357	0.894309
Mar-93	1.014539	0.714286	0.747967
Jul-93	0.888488	0.642857	0.756098

</TABLE>

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COMMODITY PRICE MOVEMENTS
 FOR PERIOD: JULY, 1985 - OCTOBER, 1993

<TABLE>
 <CAPTION>

	VLP Slate
<S>	<C>
Jul-85	33.8905
Nov-85	45.842
Mar-86	23.024
Jul-86	19.6215
Nov-86	20.963
Mar-87	24.596
Jul-87	25.3285
Nov-87	24.4025
Mar-88	23.593
Jul-88	21.4985
Nov-88	22.711
Mar-89	23.2365
Jul-89	21.096
Nov-89	21.076
Mar-90	23.7855
Jul-90	24.6215
Nov-90	48.696
Mar-91	24.352
Jul-91	30.383
Nov-91	38.879
Mar-92	28.8515
Jul-92	33.93
Nov-92	32.316
Mar-93	32.559
Jul-93	28.7535

</TABLE>

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COMMODITY PRICE MOVEMENTS
 FOR PERIOD: JULY, 1985 - OCTOBER, 1993

<TABLE>
 <CAPTION>

C2	C3	N-C4	I-C4	C5+
----	----	------	------	-----

<S>	<C>	<C>	<C>	<C>	<C>
Jul-85	21.5	34.25	47.25	52.75	59.5
Nov-85	31.25	46.25	67.5	73	69
Mar-86	16.25	25.5	28.75	32.5	33
Jul-86	15.5	20.25	23.25	28.75	25.25
Nov-86	17	19	26.5	29	32
Mar-87	16.25	23.25	38.25	40.75	40.5
Jul-87	15	25	37.5	45.25	44.5
Nov-87	14.25	25.25	38	41.25	41.5
Mar-88	15.5	24.25	33.5	36.75	38
Jul-88	16.75	19.5	25.75	30.75	35.5
Nov-88	21	19.5	24.75	26.75	33
Mar-89	16.25	21	26.75	35.75	44.5
Jul-89	13.25	20	26.5	34.75	41
Nov-89	12.75	21.25	29.75	34.25	38.25
Mar-90	13.5	23.75	31.25	46.75	42.5
Jul-90	16	27.25	31	37.5	38.5
Nov-90	36.75	47.75	63.75	65.25	76.5
Mar-91	13	27	32	40	46
Jul-91	20.5	31.5	40.25	45.75	49
Nov-91	29.75	43	46.5	49.25	52.25
Mar-92	20.75	29	36	44.5	44.25
Jul-92	25.75	33.75	40	52	49.25
Nov-92	25.25	32.75	40	42.5	46.75
Mar-93	24.5	34.25	41	45.25	45.5
Jul-93	20.75	31.5	36.5	39.5	40.75

</TABLE>

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COMMODITY PRICE MOVEMENTS
FOR PERIOD: JULY, 1985 - OCTOBER, 1993

<TABLE>
<CAPTION>

	C2	C3	N-C4	I-C4	C5+
<S>	<C>	<C>	<C>	<C>	<C>
Jul-85	1	1	1	1	1
Nov-85	1.453488	1.350365	1.428571	1.383886	1.159664
Mar-86	0.755814	0.744526	0.608466	0.616114	0.554622
Jul-86	0.72093	0.591241	0.492063	0.545024	0.42437
Nov-86	0.790698	0.554745	0.560847	0.549763	0.537815
Mar-87	0.755814	0.678832	0.809524	0.772512	0.680672
Jul-87	0.697674	0.729927	0.793651	0.85782	0.747899
Nov-87	0.662791	0.737226	0.804233	0.781991	0.697479
Mar-88	0.72093	0.708029	0.708995	0.696682	0.638655
Jul-88	0.77907	0.569343	0.544974	0.582938	0.596639
Nov-88	0.976744	0.569343	0.52381	0.507109	0.554622
Mar-89	0.755814	0.613139	0.566138	0.677725	0.747899
Jul-89	0.616279	0.583942	0.560847	0.658768	0.689076
Nov-89	0.593023	0.620438	0.62963	0.649289	0.642857
Mar-90	0.627907	0.693431	0.661376	0.886256	0.714286
Jul-90	0.744186	0.79562	0.656085	0.7109	0.647059
Nov-90	1.709302	1.394161	1.349206	1.236967	1.285714
Mar-91	0.604651	0.788321	0.677249	0.758294	0.773109
Jul-91	0.953488	0.919708	0.851852	0.867299	0.823529
Nov-91	1.383721	1.255474	0.984127	0.933649	0.878151
Mar-92	0.965116	0.846715	0.761905	0.843602	0.743697
Jul-92	1.197674	0.985401	0.846561	0.985782	0.827731
Nov-92	1.174419	0.956204	0.846561	0.805687	0.785714
Mar-93	1.139535	1	0.867725	0.85782	0.764706
Jul-93	0.965116	0.919708	0.772487	0.748815	0.684874

</TABLE>

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Dillon, Read & Co. Inc.

December 3, 1993

SUMMARY FINANCIAL IMPACT ON VLO

Valero Natural Gas Company

Dillon, Read & Co. Inc.

12/10/93

Valero Natural Gas Partners, L.P.
Merger Effects on Valero Energy (a)

<TABLE>

<CAPTION>

	VEC	VLP	Adjustments	Pro Forma
<S>	<C>	<C>	<C>	<C>
Balance Sheet:				
Cash and Equivalents	39.783	20.571	0.000	60.354
Other Current Assets	295.734	194.605	(51.957)	438.382
Total Current Assets	335.517	215.176	(51.957)	498.736
Net Property, Plant & Equipment	1,258,348	741.472	9.935	2,009.755
Investment in VLP	26.555	0.000	(26.555)	0.000
Investment in Leases	105.439	0.000	(105.439)	0.000
Other Investments	28.438	0.000	0.000	28.438
Other Assets	65.043	79.834	(25.277)	119.600
L-T Assets	1,483.823	821.306	(147.336)	2,157.793
Total Assets	1,819.340	1,036.482	(199.293)	2,656.529
Short-Term Debt	10.000	9.000	0.000	19.000
Current Maturities of L-T Debt	16.452	28.885	0.000	45.337
Current Lease Payments	0.000	0.000	0.000	0.000
Other Current Liabilities	145.247	219.573	(52.910)	311.910
Total Current Liabilities	171.699	257.458	(52.910)	376.247
Deferred Income Taxes	251.074	0.000	0.000	251.074
Other Deferred Credits	39.043	4.105	9.901	53.049
Other Liabilities	290.117	4.105	9.901	304.123
Long-Term Debt	488.406	506.429	(9.669)	985.166
Capital Lease Obligations	0.000	103.832	(103.832)	0.000
Redeemable Preferred Stock	13.800	0.000	0.000	13.800
Non-Redeemable Preferred Stock	0.000	0.000	121.875	121.875
Common Equity	855.318	164.658	(164.658)	855.318
Total L-T Capitalization	1,357.524	774.919	(156.284)	1,976.159
Total Liabilities & Equity	1,819.340	1,036.482	(199.293)	2,656.529
Total Debt (b)	528.658	648.146		1,063.303
Tot. Debt / Tot. L-T Cap. + S-T Debt	38.2%	79.7%		52.1%
EBITDA / Interest Incurred	4.1x	1.8x		3.0x
CFFO / Interest Incurred	3.2x	0.9x		1.9x
CFFO / Total Debt	23.0%	7.0%		14.2%

</TABLE>

(a) Assumes a price per share of \$11.00.

(b) Total Debt includes all debt, capital leases and redeemable preferred stock.

Dillon, Read & Co. Inc.

12/10/93

Valero Natural Gas Partners, L.P.
Merger Effects on Valero Energy (a)

<TABLE>

<CAPTION>

	Nine Months Ended 9/30/93			
	VEC	VLP	Adjustments	Pro Forma
<S>	<C>	<C>	<C>	<C>

Income Statement:

Operating Revenues	940.223	994.636	(213.914)	1,720.945
Equity Investments	20.528	0.000	(20.528)	0.000
	-----	-----	-----	-----
Total Revenues	960.751	994.636	(234.442)	1,720.945
Cost of Goods Sold	712.481	811.603	(156.510)	1,367.574
Operating Expenses	92.649	90.788	(62.228)	121.209
General & Administrative Expenses	0.000	0.000	0.000	0.000
	-----	-----	-----	-----
Operating Cash Flow/EBITDA	155.621	92.245	(15.704)	232.162
Depreciation & Amortization	41.859	27.190	(0.742)	68.307
	-----	-----	-----	-----
Operating Income/EBIT	113.762	65.055	(14.962)	163.855
Other Income	0.000	1.029	0.000	1.029
Extraordinary Gains / (Losses)	7.245	0.000	0.220	7.465
Capital Lease Interest Incurred	0.000	(9.629)	9.629	0.000
Other Interest Incurred(b)	(37.640)	(41.208)	0.369	(78.479)
Interest Capitalized	11.915	1.206	0.000	13.121
	-----	-----	-----	-----
Income Before Taxes	95.282	16.453	(4.744)	106.991
Income Tax Expense (c)	43.700	0.000	4.100	47.800
	-----	-----	-----	-----
Net Income	51.582	16.453	(8.845)	59.190
Preferred Dividends	0.953	0.000	6.094	7.047
	-----	-----	-----	-----
Net Income to Common	50.629	16.453	(14.938)	52.144
Earnings Per Share	\$1.18	\$0.86		\$1.21
Weighted Average # of Shares	43.074	19.052		43.074

Cash Flow Statement:

Net Income	50.629	16.453	(14.938)	52.144
Depreciation and Amortization	41.859	27.190	(0.742)	68.307
Deferred Income Taxes	26.600	0.000	0.000	26.600
Amortization of Deferred Charges	16.735	1.953	0.000	18.688
Net (Gains) / Losses	(7.842)	0.000	(0.220)	(8.062)
Other Items	(6.478)	0.000	0.000	(6.478)
	-----	-----	-----	-----
Cash Flow From Operations/CFFO	121.503	45.596	(15.900)	151.199
Changes in Current Assets & Liabilities	(14.993)	(7.481)	0.000	(22.474)
Changes in Other Assets & Liabilities	(6.273)	7.079	0.000	0.806
	-----	-----	-----	-----
Cash Provided By Operations	100.237	45.194	(15.900)	129.531
CFFO Less Preferred Dividends	120.550	45.596		144.152
Cash Flow Per Share	\$2.80	\$2.39		\$3.35

</TABLE>

- (a) Assumes a price per share of \$11.00.
 (b) Assumes an effective interest rate of 5.1%.
 (c) Assumes a tax rate of 35.0%.

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Dillon, Read & Co. Inc.

12/10/93

Valero Natural Gas Partners, L.P.
 Merger Effects on Valero Energy(a)

<TABLE>

<CAPTION>

	Nine Months Ended 9/30/93			
	VEC	VLP	Adjustments	Pro Forma
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Income Statement:				

Operating Revenues	940.223	994.636	(213.914)	1,720.945
Equity Investments	20.528	0.000	(20.528)	0.000
	-----	-----	-----	-----
Total Revenues	960.751	994.636	(234.442)	1,720.945

Cost of Goods Sold	712.481	811.603	(156.510)	1,367.574
Operating Expenses	92.649	90.788	(62.228)	121.209
General & Administrative Expenses	0.000	0.000	0.000	0.000
Operating Cash Flow/EBITDA	155.621	92.245	(15.704)	232.162
Depreciation & Amortization	41.859	27.190	(0.256)	68.793
Operating Income/EBIT	113.762	65.055	(15.448)	163.369
Other Income	0.000	1.029	0.000	1.029
Extraordinary Gains/(Loss)	7.245	0.000	0.220	7.465
Capital Lease Interest Incurred	0.000	(9.629)	9.629	0.000
Other Interest Incurred(b)	(37.640)	(41.208)	(0.372)	(79.220)
Interest Capitalized	11.915	1.206	0.000	13.121
Income Before Taxes	95.282	16.453	(5.971)	105.764
Income Tax Expense (c)	43.700	0.000	3.671	47.371
Net Income	51.582	16.453	(9.642)	58.393
Preferred Dividends	0.953	0.000	6.094	7.047
Net Income to Common	50.629	16.453	(15.736)	51.346
Earnings Per Share	\$1.18	\$0.86		\$1.19
Weighted Average # of Shares	43.074	19.052		43.074

Cash Flow Statement:

Net Income	50.629	16.453	(15.736)	51.346
Depreciation and Amortization	41.859	27.190	(0.256)	68.793
Deferred Income Taxes	26.600	0.000	0.000	26.600
Amortization of Deferred Charges	16.735	1.953	0.000	18.688
Net (Gain)/Losses	(7.842)	0.000	(0.220)	(8.062)
Other Items	(6.478)	0.000	0.000	(6.478)
Cash Flow From Operation/CFFO	121.503	45.596	(16.212)	150.887
Changes in Current Assets & Liabilities	(14.993)	(7.481)	0.000	(22.474)
Changes in Other Assets & Liabilities	(6.273)	7.079	0.000	0.806
Cash Provided By Operations	100.237	45.194	(16.212)	129.219
CFFO Less Preferred Dividends	120.550	45.596		143.840
Cash Flow Per Share	\$2.80	\$2.39		\$3.34

</TABLE>

- (a) Assumes a price per share of \$13.00.
(b) Assumes an effective interest rate of 5.1%.
(c) Assumes a tax rate of 35.0%.

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Dillon, Read & Co. Inc.

12/10/93

Valero Natural Gas Partners, L.P.
Merger Effects on Valero Energy(a)

<TABLE>

<CAPTION>

	VEC	VLP	Adjustments	Pro Forma
<S>	<C>	<C>	<C>	<C>
Balance Sheet:				
Cash and Equivalents	39.783	20.571	0.000	60.354
Other Current Assets	295.734	194.605	(51.957)	438.382
Total Current Assets	335.517	215.176	(51.957)	498.736
Net Property, Plant & Equipment	1,258.348	741.472	9.935	2,009.775
Investment in VLP	26.555	0.000	(26.555)	0.000
Investment in Leases	105.439	0.000	(105.439)	0.000
Other Investments	28.438	0.000	0.000	28.438
Other Assets	65.043	79.834	(5.853)	139.024
L-T Assets	1,483.823	821.306	(127.912)	2,177.217

Total Assets	1,819.340	1,036.482	(179.869)	2,675.953
Short-Term Debt	10.000	9.000	0.000	19.000
Current Maturities of L-T Debt	16.452	28.885	0.000	45.337
Current Lease Payments	0.000	0.000	0.000	0.000
Other Current Liabilities	145.247	219.573	(52.910)	311.910
Total Current Liabilities	171.699	257.458	(52.910)	376.247
Deferred Income Taxes	251.074	0.000	0.000	251.074
Other Deferred Credits	39.043	4.105	9.901	53.049
Other Liabilities	290.117	4.105	9.901	304.123
Long-Term Debt	488.406	506.429	9.755	1,004,590
Capital Lease Obligations	0.000	103.832	(103.832)	0.000
Redeemable Preferred Stock	13.800	0.000	0.000	13.800
Non-Redeemable Preferred Stock	0.000	0.000	121.875	121.875
Common Equity	855.318	164.658	(164.658)	855.318
Total L-T Capitalization	1,357.524	774.919	(136.860)	1,995.583
Total Liabilities & Equity	1,819.340	1,036.482	(179.869)	2,675.953
Total Debt (b)	528.658	648.146		1,082.727
Tot. Debt/Tot. L-T Cap. + S-T Debt	38.2%	79.7%		52.6%
EBITDA/Interest Incurred	4.1x	1.8x		2.9x
CFFO/Interest Incurred	3.2x	0.9x		1.9x
CFFO/Total Debt	23.0%	7.0%		13.9%

</TABLE>

- - - - -

(a) Assumes a price per share of \$13.00.

(b) Total Debt includes all debt, capital leases and redeemable preferred stock.

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Dillon, Read & Co. Inc.

12/10/93

Valero Natural Gas Partners, L.P.
Merger Effects on Valero Energy (a)

<TABLE>

<CAPTION>

	VEC	VLP	Adjustments	Pro Forma
<S>	<C>	<C>	<C>	<C>
Balance Sheet:				
Cash and Equivalents	39.783	20.571	0.000	60.354
Other Current Assets	295.734	194.605	(51.957)	438.382
Total Current Assets	335.517	215.176	(51.957)	498.736
Net Property, Plant & Equipment	1,258.348	741.472	9.935	2,009.755
Investment in VLP	26.555	0.000	(26.555)	0.000
Investment in Leases	105.439	0.000	(105.439)	0.000
Other Investments	28.438	0.000	0.000	28.438
Other Assets	65.043	79.834	11.143	156.020
L-T Assets	1,483.823	821.306	(110.916)	2,194.213
Total Assets	1,819,340	1,036,482	(162.873)	2,692,949
Short-Term Debt	10.000	9.000	0.000	19.000
Current Maturities of L-T Debt	16.452	28.885	0.000	45.337
Current Lease Payments	0.000	0.000	0.000	0.000
Other Current Liabilities	145.247	219.573	(52.910)	311.910
Total Current Liabilitie	171.699	257.458	(52.910)	376.247
Deferred Income Taxes	251.074	0.000	0.000	251.074
Other Deferred Credits	39.043	4.105	9.901	53.049
Other Liabilities	290.117	4.105	9.901	304.123

Long-Term Debt	488.406	506.429	26.751	1,021.586
Capital Lease Obligations	0.000	103.832	(103.832)	0.000
Redeemable Preferred Stock	13.800	0.000	0.000	13.800
Non-Redeemable Preferred Stock	0.000	0.000	121.875	121.875
Common Equity	855.318	164.658	(164.658)	855.318
	-----	-----	-----	-----
Total L-T Capitalization	1,357.524	774.919	(119.864)	2,012.569
	-----	-----	-----	-----
Total Liabilities & Equity	1,819.340	1,036.482	(162.873)	2,692.579
	=====	=====	=====	=====
Total Debt(b)	528.658	648.146		1,099,723
Tot. Debt/Tot. L-T Cap. + S-T Debt	38.2%	79.7%		52.9%
EBITDA/Interest Incurred	4.1x	1.8x		2.9x
CFFO/Interest Incurred	3.2x	0.9x		1.9x
CFFO/Total Debt	23.0%	7.0%		13.7%

</TABLE>

-
- (a) Assumes a price per share of \$14.75.
- (b) Total Debt includes all debt, capital leases and redeemable preferred stock.

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Dillon, Read & Co. Inc. 12/10/93

Valero Natural Gas Partners, L.P.
Merger Effects on Valero Energy (a)

<TABLE>
<CAPTION>

	Nine Months Ended 9/30/93			
	VEC	VLP	Adjustments	Pro Forma
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Income Statement:				
	-----	-----	-----	-----
Operating Revenues	940.223	994.636	(213.914)	1,720.945
Equity Investments	20.528	0.000	(20.528)	0.000
	-----	-----	-----	-----
Total Revenues	960.751	994.636	(234.442)	1,720.945
	-----	-----	-----	-----
Cost of Goods Sold	712.481	811.603	(156.510)	1,367.574
Operating Expenses	92.649	90.788	(62.228)	121.209
General & Administrative Expenses	0.000	0.000	0.000	0.000
	-----	-----	-----	-----
Operating Cash Flow/EBITDA	155.621	92.245	(15.704)	232.162
	-----	-----	-----	-----
Depreciation & Amortization	41.859	27.190	0.169	69.218
	-----	-----	-----	-----
Operating Income/EBIT	113.762	65.055	(15.873)	162.944
	-----	-----	-----	-----
Other Income	0.000	1.029	0.000	1.029
Extraordinary Gains/(Loss)	7.245	0.000	0.220	7.465
Capital Lease Interest Incurred	0.000	(9.629)	9.629	0.000
Other Interest Incurred(b)	(37.640)	(41.208)	(1.021)	(79.869)
Interest Capitalized	11.915	1.206	0.000	13.121
	-----	-----	-----	-----
Income Before Taxes	95.282	16.453	(7.045)	104.690
	-----	-----	-----	-----
Income Tax Expense (c)	43.700	0.000	3.295	46.995
	-----	-----	-----	-----
Net Income	51.582	16.453	(10.340)	57.695
	-----	-----	-----	-----
Preferred Dividends	0.953	0.000	6.094	7.047
	-----	-----	-----	-----
Net Income to Common	50.629	16.453	(16.433)	50.649
	-----	-----	-----	-----
Earnings Per Share	\$1.18	\$0.86		\$1.18
Weighted Average # of Shares	43.074	19.052		43.074
	-----	-----	-----	-----
Cash Flow Statement:				
	-----	-----	-----	-----
Net Income	50.629	16.453	(16.433)	50.649

Depreciation and Amortization	41.859	27.190	0.169	69.218
Deferred Income Taxes	26.600	0.000	0.000	26.600
Amortization of Deferred Charges	16.735	1.953	0.000	18.688
Net (Gains)/Losses	(7.842)	0.000	(0.220)	(8.062)
Other Items	(6.478)	0.000	0.000	(6.478)
	-----	-----	-----	-----
Cash Flow From Operations/CFFO	121.503	45.596	(16.485)	150.614
Changes in Current Assets & Liabilities	(14.993)	(7.481)	0.000	(22.474)
Changes in Other Assets & Liabilities	(6.273)	7.079	0.000	0.806
	-----	-----	-----	-----
Cash Provided By Operations	100.237	45.194	(16.485)	128.946
CFFO Less Preferred Dividends	120.550	45.596		143.568
Cash Flow Per Share	\$2.80	\$2.39		\$3.33

</TABLE>

-
- (a) Assumes a price per share of \$14.75.
(b) Assumes an effective interest rate of 5.1%.
(c) Assumes a tax rate of 35.0%.

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Dillon, Read & Co. Inc.

12/10/93

Valero Natural Gas Partners, L.P.
Merger Effects on Valero Energy(a)

<TABLE>
<CAPTION>

	VEC	VLP	Adjustments	Pro Forma
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	-----	-----	-----	-----
Cash and Equivalents	39.783	20.571	0.000	60.354
Other Current Assets	295.734	194.605	(51.957)	438.382
	-----	-----	-----	-----
Total Current Assets	335.517	215.176	(51.957)	498.736
Net Property, Plant & Equipment	1,258.348	741.472	9.935	2,009.755
Investment in VLP	26.555	0.000	(26.555)	0.000
Investment in Leases	105.439	0.000	(105.439)	0.000
Other Investments	28.438	0.000	0.000	28.438
Other Assets	65.043	79.834	23.283	168.160
	-----	-----	-----	-----
L-T Assets	1,483.823	821.306	(98.776)	2,206.353
	-----	-----	-----	-----
Total Assets	1,819.340	1,036.482	(150.733)	2,705.089
	=====	=====	=====	=====
Short-Term Debt	10.000	9.000	0.000	19.000
Current Maturities of L-T Debt	16.452	28.885	0.000	45.337
Current Lease Payments	0.000	0.000	0.000	0.000
Other Current Liabilities	145.247	219.573	(52.910)	311.910
	-----	-----	-----	-----
Total Current Liabilities	171.699	257.458	(52.910)	376.247
Deferred Income Taxes	251.074	0.000	0.000	251.074
Other Deferred Credits	39.043	4.105	9.901	53.049
	-----	-----	-----	-----
Other Liabilities	290.117	4.105	9.901	304.123
Long-Term Debt	488.406	506.429	38.891	1,033.726
Capital Lease Obligations	0.000	103.832	(103.832)	0.000
Redeemable Preferred Stock	13.800	0.000	0.000	13.800
Non-Redeemable Preferred Stock	0.000	0.000	121.875	121.875
Common Equity	855.318	164.658	(164.658)	855.318
	-----	-----	-----	-----
Total L-T Capitalization	1,357.524	774.919	(107.724)	2,024.719
	-----	-----	-----	-----
Total Liabilities & Equity	1,819.340	1,036.482	(150.733)	2,705.089
	=====	=====	=====	=====
Total Debt (b)	528.658	648.146		1,111.863
Tot. Debt/Tot. L-T Cap. + S-T Debt.	38.2%	79.7%		53.2%
EBITDA/Interest Incurred	4.1x	1.8x		2.9x
CFFO/Interest Incurred	3.2x	0.9x		1.9x
CFFO/Total Debt	23.0%	7.0%		13.5%

</TABLE>

(a) Assumes a price per share of \$16.00.
 (b) Total Debt includes all debt, capital leases and redeemable preferred stock.

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Dillon, Read & Co. Inc.

12/10/93

Valero Natural Gas Partners, L.P.
 Merger Effects on Valero Energy (a)

<TABLE>
 <CAPTION>

	Nine Months Ended 9/30/93			
	VEC	VLP	Adjustments	Pro Forma
<S>	<C>	<C>	<C>	<C>
Income Statement:				
Operating Revenues	940.223	994.636	(213.914)	1,720.945
Equity Investments	20.528	0.000	(20.528)	0.000
Total Revenues	960.751	994.636	(234.442)	1,720.945
Cost of Goods Sold	712.481	811.603	(156.510)	1,367.574
Operating Expenses	92.649	90.788	(62.228)	121.209
General & Administrative Expenses	0.000	0.000	0.000	0.000
Operating Cash Flow/EBITDA	155.621	92.245	(15.704)	232.162
Depreciation & Amortization	41.859	27.190	0.472	69.521
Operating Income/EBIT	113.762	65.055	(16.176)	162.641
Other Income	0.000	1.029	0.000	1.029
Extraordinary Gains/(Losses)	7.245	0.000	0.220	7.465
Capital Lease Interest Incurred	0.000	(9.629)	9.629	0.000
Other Interest Incurred(b)	(37.640)	(41.208)	(1.485)	(80.333)
Interest Capitalized	11.915	1.206	0.000	13.121
Income Before Taxes	95.282	16.453	(7.812)	103.923
Income Tax Expense (c)	43.700	0.000	3.026	46.726
Net Income	51.582	16.453	(10.838)	57.197
Preferred Dividends	0.953	0.000	6.094	7.047
Net Income to Common	50.629	16.453	(16.932)	50.150
Earnings Per Share	\$1.18	\$0.86		\$1.16
Weighted Average # of Shares	43.074	19.052		43.074
Cash Flow Statement:				
Net Income	50.629	16.453	(16.932)	50.150
Depreciation and Amortization	41.859	27.190	0.472	69.521
Deferred Income Taxes	26.600	0.000	0.000	26.600
Amortization of Deferred Charges	16.735	1.953	0.000	18.688
Net (Gains)/Losses	(7.842)	0.000	(0.220)	(8.062)
Other Items	(6.478)	0.000	0.000	(6.478)
Cash Flow From Operations/CFFO	121.503	45.596	(16.680)	150.419
Changes in Current Assets & Liabilities	(14.993)	(7.481)	0.000	(22.474)
Changes in Other Assets & Liabilities	(6.273)	7.079	0.000	0.806
Cash Provided By Operations	100.237	45.194	(16.680)	128.751
CFFO Less Preferred Dividends	120.550	45.596		143.373
Cash Flow Per Share	\$2.80	\$2.39		\$3.33

</TABLE>

(a) Assumes a price per share of \$16.00.
 (b) Assumes an effective interest rate of 5.1%.

APPENDIX 12

PRESENTATION OF GRAPHIC MATERIAL IN EDGAR FORMAT

1. The graph having the title EBITDA Results/Projections appearing in appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented.
2. The graph having the title CFO Results/Projections appearing in appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented.
3. The graph having the title Net Income Results/Projections appearing in appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented.
4. The graph having the title Liquids: OP Income Results/Projections appearing in appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented.
5. The graph having the title NGL Plant Production Results/Projections appearing in appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented.
6. The graph having the title Actual/Projected NGL Market Prices appearing in appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented.
7. The graph having the title Actual/Project NGL Gross Margins appearing in appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented.
8. The graph having the title Pipeline: OP Income Results/Projections appearing in appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented.
9. The graph having the title Total Throughput Projections appearing in appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented.
10. The graph having the title Actual/Projected Transportation Fees appearing in appendix 7 was omitted. In its stead, a chart providing data points and describing the data has been presented.

11. The graph having the title Operating Results/Projections: 1988-1994 appearing in appendix 8 was omitted. In its stead, a chart providing data points and describing the data has been presented.
12. The graph having the title Liquids Segment: NGL Volumes appearing in appendix 8 was omitted. In its stead, a chart providing data points and describing the data has been presented.
13. The graph having the title Liquids Segment: NGL Prices appearing in appendix 8 was omitted. In its stead, a chart providing data points and describing the data has been presented.
14. The graph having the title Pipeline Segment: Throughput Volumes appearing in appendix 8 was omitted. In its stead, a chart providing data points and describing the data has been presented.
15. The graph having the title Pipeline Segment: Natural Gas Sales appearing in appendix 8 was omitted. In its stead, a chart providing data points and describing the data has been presented.
16. The graph having the title Stock Price Performance for Period: 10/23/93 - 12/08/93 appearing in appendix 9 was omitted. In its stead, a chart providing data points and describing the data has been presented.
17. The graph having the title Stock Price Performance for the Period: 10/12/90 - 12/08/93 appearing in appendix 9 was omitted. In its stead, a chart providing data points and describing the data has been presented.
18. The graph having the title Stock Price Performance for the Period: 9/30/88 - 12/08/93 appearing in appendix 9 was omitted. In

its stead, a chart providing data points and describing the data has been presented.

19. The graph having the title Stock Price Performance for the Period: 3/18/87 - 12/08/93 appearing in appendix 9 was omitted. In its stead, a chart providing data points and describing the data has been presented.
 20. The graph having the title Analysis of Historical P/E Ratios appearing in appendix 9 was omitted. In its stead, a chart providing data points and describing the data has been presented.
 21. The graph having the title Commodity Price Movements for the Period: 7/1985 - 10/1993 appearing in appendix 10 was omitted. In its stead, a chart providing data points and describing the data has been presented.
 22. The graph having the title Commodity Price Movements for the Period: 7/1985 - 10/1993 appearing in appendix 10 was omitted. In its stead, a chart providing data points and describing the data has been presented.
- 123
23. The graph having the title Commodity Price Movements for the Period: 7/1985 - 10/1993 appearing in appendix 10 was omitted. In its stead, a chart providing data points and describing the data has been presented.
 24. The graph having the title Commodity Price Movements for the Period: 7/1985 -10/1993 appearing in appendix 10 was omitted. In its stead, a chart providing data points and describing the data has been presented.
 25. The graph appearing in Appendix 4, and having the following heading was omitted:

HISTORICAL PREMIUMS ON
MINORITY CLOSE-OUTS
ONE MONTH BEFORE OFFER

The omitted material presented in graph form the percentages of premiums paid in 137 selected transactions involving the purchase of minority interests from 1/1/86 through 11/22/93.

<TABLE>
<CAPTION>

PREMIUM %	NO. OF TRANSACTIONS
-----	-----
<S>	<C>
-10 - 0%	17
0 - 10%	17
10 - 20%	12
20 - 30%	20
30 - 40%	18
40 - 50%	19
50 - 60%	10
60 - 70%	3
70 - 80%	7
80 + %	14
TOTAL	137

</TABLE>

26. The graph appearing in Appendix 4, and having the following heading was omitted:

HISTORICAL PREMIUMS ON
MINORITY CLOSE-OUTS
ONE WEEK BEFORE OFFER

The omitted material presented in graph form the percentages of premiums paid in 137 selected transactions involving the purchase of minority interests from 1/1/86 through 11/22/93.

<TABLE>
<CAPTION>

PREMIUM %	NO. OF TRANSACTIONS
-----	-----
<S>	<C>
-10 - 0%	12
0 - 10%	15
10 - 20%	24
20 - 30%	23

</TABLE>

<TABLE>

<S>	<C>
30 - 40%	14
40 - 50%	17
50 - 60%	10
60 - 70%	9
70 - 80%	6
80 + %	7

TOTAL	137

</TABLE>

27. The graph appearing in Appendix 4, and having the following heading was omitted:

HISTORICAL PREMIUMS ON
MINORITY CLOSE-OUTS
ONE DAY BEFORE OFFER

The omitted material presented in graph form the percentages of premiums paid in 137 selected transactions involving the purchase of minority interests from 1/1/86 through 11/22/93.

<TABLE>

<CAPTION>

PREMIUM %	NO. OF TRANSACTIONS
-----	-----
<S>	<C>
-10 - 0%	12
0 - 10%	15
10 - 20%	27
20 - 30%	30
30 - 40%	12
40 - 50%	15
50 - 60%	10
60 - 70%	3
70 - 80%	3
80 + %	10

TOTAL	137

</TABLE>

PROJECT MAINE

OCTOBER 1993
SALOMON BROTHERS INC

SALOMON BROTHERS INC

<TABLE>
<CAPTION>

Outline of Presentation

	TAB

<S>	<C>
INTRODUCTION	A
VALUATION SUMMARY	B
REVIEW OF TRANSACTION STRUCTURE	C
PRO FORMA ANALYSIS	D
APPENDICES	E
DETAILED DCF MODEL	1
Detailed Pro Forma Combination Model	2
Stock Price Performance Graphs	3
Gathering, Transmission and Processing Comparables	4
Refining and Marketing Comparables	5

</TABLE>

SALOMON BROTHERS INC

INTRODUCTION

SALOMON BROTHERS INC

Introduction

Issues associated with the repurchase of the 51% of VLP owned by the public:

- o Valuation of VLP
- o Precedent transactions (MLP buy-ins and minority squeeze outs)
- o Alternative transaction forms (cash tender, cash merger, exchange offer)
- o Convertible Preferred Stock ("Convert") as a means of financing the transaction
- o Transaction mechanics and timing
- o Potential impact of transaction on VLO stock price and credit rating

SALOMON BROTHERS INC

The Salomon Transaction Team

ENERGY CORPORATE FINANCE

Garfield Miller, Managing Director, Head of the Energy Group
 David Prend, Director
 Scott Baxter, Vice President
 Nick Leone, Associate
 Roy Jageman, Associate
 Rick Dowdle, Analyst

MERGERS AND ACQUISITIONS

David Wittig, Managing Director, Co-Head of Mergers and Acquisitions
 Laurie Coben, Vice President

EQUITY CAPITAL MARKETS

Peter Blanton, Vice President
 Kevin Swanson, Vice President

OTHER

Don Dufresne, Equity Research
 Roger Taylor, Fixed Income Research
 Mark Hallock, Private Placements
 Moctar Fall, Investment Grade Debt
 Sean Crowley, High Yield Debt

SALOMON BROTHERS INC

VALUATION SUMMARY

SALOMON BROTHERS INC

Key Issues Regarding Valuation of VLP

- o Current unit price of \$9.375
- o Very high leverage (80% Debt/Book Capitalization) impacts value
 - Debt is effectively non-redeemable
 - Highly leveraged equities tend to be valued at a discount due to financial risk
 - Small variations in value of business are amplified by leverage into large variations in equity value
- o Low historical and projected growth relative to comparable public companies
- o MLP structure/impact on tax treatment

SALOMON BROTHERS INC

Price and Volume Profile of VLP

[GRAPH A]

Valero Natural Gas Partners, LP: Price (left axis)
Valero Natural Gas Partners, LP: Volume (right axis)

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SALOMON BROTHERS INC

Dividend Yield Profile of VLP

VALERO NATURAL GAS PARTNERS, LP
DAILY DATA - 12/30/88 THROUGH 10/1/93

[GRAPH B]

Valero Natural Gas Partners, LP

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SALOMON BROTHERS INC

Publicly Traded MLPs

- o No publicly traded MLPs in the natural gas/processing business.

MLP PUBLIC COMPANIES

<TABLE>
<CAPTION>

PIPELINE MLP'S	UNIT PRICE (a)	YIELD LTM	DEBT/BOOK CAPITALIZATION	FIRM VALUE/LTM EBDIAT (b)	MARKET EQUITY VALUE (MILLIONS)	FIRM VALUE (MILLIONS)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
VALERO NATURAL GAS PARTNERS, L.P.	\$ 9.125	5.5%	79.6%	6.1X	\$174	\$ 784
Buckeye Partners, L.P.	37.375	7.0	50.5	8.5	453	667
Kaneb Pipe Line Partners, L.P.	27.750	7.9	24.6	6.5	201	229
TEPPCO Partners, L.P.	28.125	7.8	58.8	7.9	408	712
Lakehead Pipe Line Partners, L.P.	31.750	7.4	46.6	8.8	692	931
Enron Liquids Pipeline, L.P.	31.000	7.1	45.2	7.8	175	275
Santa Fe Pacific Pipeline Partners, L.P.	39.000	7.2	55.6	8.9	747	1,075

(a) Prices as of October 6, 1993
(b) Financials as of June 1993

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SALOMON BROTHERS INC

Premium Analysis

STARTING POINT FOR VALUATION IS THE CURRENT MARKET PRICE. PRICE @ 10/7/93 = \$9.375

<TABLE>
<CAPTION>

(\$ in millions, except per share)

	VLP LTM DATA	CURRENT MARKET \$9.38	ASSUMED OFFER PRICE PER UNIT					
			\$9.00	\$10.00	\$11.00	\$12.00	\$13.00	\$14.00
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Implied Total Equity Value (\$mm) (a)		178.6	171.5	190.5	209.6	228.6	247.7	266.7
Implied Total Firm Value (\$mm) (a)		807.1	800.0	819.0	838.1	857.1	876.2	895.2
PREMIUM TO MARKET:								
October 7	\$9.38	0.0%	-4.0%	6.7%	17.3%	28.0%	38.7%	49.3%
LTM High	\$9.88	-5.1%	-8.9%	1.3%	11.4%	21.5%	31.6%	41.8%
LTM Low	\$7.75	21.0%	16.1%	29.0%	41.9%	54.8%	65.7%	80.6%
OFFER PRICE TO:								
LTM Earnings per Share (b)	\$0.96	9.8x	9.4x	10.4x	11.4x	12.5x	13.5x	14.6x
1994E Earnings per Share (b)	\$0.19	48.3x	46.4x	51.5x	56.7x	61.9x	67.0x	72.2x
Book Value (6/30/93)	\$8.50	110.3%	105.9%	117.7%	129.4%	141.2%	153.0%	164.7%
LTM Cash Flow per Share (b)	\$2.89	3.2x	3.1x	3.5x	3.8x	4.2x	4.5x	4.8x
TOTAL FIRM VALUE TO:								
LTM EBITDA	\$126.7	6.4x	6.3x	6.5x	6.6x	6.8x	6.9x	7.1x
LTM EBIT	94.2	8.6x	8.5x	8.7x	8.9x	9.1x	9.3x	9.5x

</TABLE>

(a) Assuming net debt and capitalized lease obligations of \$628.501 million and 19.05 million units outstanding.

(b) Assuming a 35% book tax rate and a 15% cash tax rate.

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SALOMON BROTHERS INC

Recent MLP Buy-Ins

ANNOUNCEMENT DATE	ACQUIROR	LIMITED PARTNERSHIP/TARGET	PRE-TRANSACTION OWNERSHIP	PREMIUM PAID (a)
<S>	<C>	<C>	<C>	<C>
2/15/89	ENSERCH Corp.	ENSERCH Exploration Partners, Ltd.	87%	7%
12/20/89	National Intergroup, Inc.	Permian Partners, L.P.	44%	34%
8/15/88	Apache Corp.	Apache Petroleum Co. L.P.	7%	7%
7/31/90	Freeport-McMoRan Inc.	Freeport-McMoRan Oil & Gas Co.	81.5%	44%
11/1/89	Freeport-McMoRan Oil & Gas Co.	Freeport-McMoRan Energy Partners	81.5%	None
6/11/90	Unocal Exploration Corporation	Union Exploration Partners, Limited	95%	None
9/10/93	Santa Fe Energy Resources, Inc.	Santa Fe Energy Partners L.P.	91%	31%
8/12/93	Southland Royalty Co./ Burlington Resources Inc.	Permian Basin Royalty Trust	33%	25%

</TABLE>

ANNOUNCEMENT DATE	TYPE OF CONSIDERATION	TRANSACTION VALUE	% YIELD (PRE/POST)
<S>	<C>	<C>	<C>
(\$ in millions)			

<S> 2/15/89	<C> Common Stock & Cash	<C> \$153.2	<C> 10.8% / 3.7%
12/20/89	Cash	62.8	32% / NM
8/15/88	Common Stock	138.1	--% / 3.5%
7/31/90	Common Stock	251.9	1.3% / 3.6%
11/1/89	Conversion to Corp. Common Stock	207.8	24.1% / 1.0%
6/11/90	Conversion to Corp. Common Stock	216.5	10.9%/2.2%
9/10/93	Cash	28.3	10.7% / NM
8/12/93	Cash	151.4	9.3% / NM
</TABLE>	MEDIAN PREMIUM PAID	28%	

(a) Premium calculated live trading days prior to announcement.

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SALOMON BROTHERS INC

Summary of Minority Squeeze Outs
CASH TRANSACTIONS (a)

<S> ACQUIRORS HOLDINGS AT TIME OF OFFER	ACQUIROR/ TARGET	DATE	% HOLDING	1 MONTH PRIOR TO ANNOUNCEMENT (b)	1 DAY PRIOR TO ANNOUNCEMENT (b)
<S> Below 50%	<C> General Host Corp./Sunbelt Nursery Group Inc.	<C> 7/28/93	<C> 49.5%	<C> 16.0%	<C> 1.3%
	Lelakis Group/Regency Cruises Inc.	6/12/91	37.0	32.7	48.6
	Investor Group/Stanley Interiors Corp.	8/16/88	47.0	46.7	49.2
	MEAN			31.8%	33.0%
50% to 60%	Carroll Family/Katy Industries	9/2/92	51.7	30.6	(4.2)
	Stavelly Industries/Weigh-Tronix	6/13/91	57.0	50.2	51.5
	MEAN			40.4%	NA
60% to 80%	Land O'Lakes/Country Lakes Foods	7/26/91	68.2	64.0	4.1
	Dow Jones/Telerate	9/22/89	67.0	30.2	3.1
	Ogden Corp./ERC Environ & Energy	10/23/90	68.0	22.9	34.8
	MEAN			39.0%	19.5%
80% and up	W.R. Grace/Grace Energy	3/3/92	83.4	56.7	7.5
	Tine Warner/American T.V. & Comm.	10/17/91	82.7	0.3	0.6
	Pennzoil/Jiffy Lube	7/30/91	82.4	17.6	18.9
	Kansas City Southern DST Systems	5/17/90	87.1	51.6	24.1
	Olympia & York/GW Utilities Limited	1/30/90	89.3	75.3	90.2
	Tico Taco Inc./Del Taco Restaurants	2/9/90	81.8	46.5	29.8
	MEAN			41.3%	28.5%

</TABLE>

- (a) Selected transactions.
 (b) S&P 600-adjusted return.

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SALOMON BROTHERS INC

Summary of Minority Squeeze Outs

STOCK-FOR-STOCK TRANSACTIONS (a)

<TABLE>

ACQUIRORS HOLDINGS AT TIME OF OFFER	ACQUIROR/ TARGET	DATE	% HOLDING	% OF COMB. CO. OWNED BY TARGET	1 MONTH PRIOR TO ANNOUNCEMENT (b)	1 DAY PRIOR TO ANNOUNCEMENT (b)
<S> 50% TO 60%	<C> Intermark/Triton	<C> 8/31/90	<C> 51.6%	<C> 46.0%	<C> 19.9%	<C> 2.7%
	Alberta Energy/Chieftain	8/18/88	57.0	10.4	16.3	23.4
	Placer Dome/Kiena Gold	6/22/88	56.7	2.1	23.6	11.7
	PG&E/PGT		50.5	2.1	41.2	39.6
	MEAN			15.2%	25.3%	19.4%
60% TO 80%	Murphy Oil/Ocean Drilling	1/4/91	61.0	19.7	14.2	14.5
	Collins Foods/Sizzler	9/11/90	66.0	23.4	19.6	27.9
	Placer Dome/Sigma Mines	6/22/88	64.7	1.3	27.8	6.2
	Primerica/A L Williams	6/9/89	69.8	14.8	38.3	24.4
	J & J Foods/ICEE	3/23/88	72.0	1.2	23.7	29.4
	EnviroSource Inc./Envirosafe Srvs.	8/2/91	62.5	23.4	(6.1)	35.9
	MEAN			14.0%	19.6%	23.1%

</TABLE>

- (a) Completed Transactions Only.
 (b) S&P 500-adjusted return

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SALOMON BROTHERS INC

Summary of Minority Squeeze Outs

STOCK-FOR-STOCK TRANSACTIONS (CONTINUED) (a)

<TABLE>

ACQUIRORS HOLDINGS AT TIME OF OFFER	ACQUIROR/ TARGET	DATE	% HOLDING	% OF COMB. CO. OWNED BY TARGET	1 MONTH PRIOR TO ANNOUNCEMENT (b)	1 DAY PRIOR TO ANNOUNCEMENT (b)
---	---------------------	------	--------------	--------------------------------------	---	---------------------------------------

<S>	<C>	<C>	<C>	<C>	<C>	<C>
80% AND UP	USWest/USWest NewVector	11/12/90	80.9%	2.7%	78.1%	48.1%
	Freeport/Freeport Oil & Gas	7/31/90	81.5	12.0	49.0	37.4
	Starrett/Levitt	7/14/88	80.0	10.6	41.6	26.9
	Charter/Spelling Entertainment	2/7/92	95.6	2.7	70.4	23.0
	Unocal/Unocal Exploration	2/25/92	99.8	0.1	20.7	14.7
	MEAN			5.6%	52.0%	30.0%
	ALL TRANSACTIONS MEAN			11.5%	31.9%	24.4%

</TABLE>

(a) Completed Transactions Only.

(b) S&P 500-adjusted return

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SALOMON BROTHERS INC

Valuation Methodologies

PUBLIC MARKET MULTIPLES

- Selected public market trading multiples of intrastate gas pipelines and gas processing companies applied to VLP's historical and projected operating results
- VLP's projected operating results are management's projections

COMPARABLE TRANSACTION MULTIPLES

- Acquisition multiples of EBDIAT are selected from recent comparable M&A transactions

DISCOUNTED CASH FLOW ANALYSIS

- Analysis uses unleveraged free cash flow of VLP as projected by VLO management
- Free cash flows and discount rates for VLP assume zero taxes due to partnership structure
- Terminal values are calculated using a perpetual growth methodology

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SALOMON BROTHERS INC

VLP Valuation Summary

VALUATION METHODOLOGY

*(Dollars in millions, except per unit values)

<TABLE>
<CAPTION>

	VLP Data	Reference Multiple Range		Implied Equity Value (a)		
		Low	High	Low	High	
<S>	<C>	<C>	<C>	<C>	<C>	
PUBLICLY TRADED COMPARABLES						
EBDIAT	LTM	\$127	6.5x	7.5x	\$10.33	\$17.00
	1994E	\$112	6.0x	7.0x	\$2.27	\$8.15

Cash Flow (b) LTM		\$55	5.5x	6.5x	\$15.88	\$18.77
Earnings (b) 1993E		\$11	17.0x	21.0x	\$9.82	\$12.13
	1994E	\$4	15.0x	19.0x	\$2.91	\$3.69
M&A TRANSACTIONS						
EBDIAT	LTM	\$127	7.0x	8.0x	\$13.66	\$20.33
	1993E	\$122	7.0x	8.0x	\$12.19	\$18.65
DISCOUNTED CASH FLOW ANALYSIS					\$4.60	\$11.20
</TABLE>						

-
- * Numbers may not be tie directly due to rounding.
- (a) Assumes \$639 Debt, \$18 million in Deferred Management Fees, \$28 million cash and 19.05 million units outstanding.
- (b) Assuming a 35% book tax rate and a 15% cash tax rate.

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SALOMON BROTHERS INC

Comparable Considerations

IN DETERMINING APPROPRIATE PUBLIC MARKET MULTIPLES FOR VLP, SALOMON HAS CONSIDERED THE FOLLOWING FACTORS INFLUENCING THE VALUATION OF OTHER GATHERING, TRANSMISSION AND PROCESSING COMPANIES AND THE POTENTIAL MARKET VALUATION OF VLP.

- o The market would look closely at VLP's historical earnings trend and composition as an indicator of potential future performance.
 - VLP's pipeline operations have been on a consistent downward trend, declining each year from \$71 million in 1988 to \$33 million in 1992.
 - While NGL operating profits (64% of 1992 operating profit) have been stable in the \$55 - \$65 million range for the last three years, in 1988 and 1989 EBIT was \$1 million and \$5 million respectively.
 - o The market will look to the 1988 and 1989 returns as an indication of the potential downside in the event of another substantial industry downturn.
 - o This view will be mitigated by a market view that the industry has made a fundamental/structural shift and future risk is lower than in the past.
- o Furthermore, VLP's growth prospects are perceived to be more limited than the other Gathering, Transmission and Processing companies due to the capital structure.

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SALOMON BROTHERS INC

Comparable Considerations

- o Most of the publicly traded comparables have demonstrated substantial growth historically and as a result are regarded as having additional growth potential.
 - American Oil & Gas, Associated Natural Gas, Tejas Gas, Aquila and Western Gas Resources have all achieved substantial growth through acquisitions.
 - The above companies have increased operating income (1) 20% - 65% annually since 1990 and have generated a corresponding increase in E.P.S.

- Their stock prices have increased 150% since 1991 and are currently trading at high multiples in anticipation of continued growth.
- VLP has no comparable track record.
- o Trident and USX-Delhi have demonstrated substantially lower margin growth.
 - Trident's margin is dominated by gas processing and has dropped 10% in each of the last two years.
 - o Trident has a stable fractionation business which has consistently generated approximately \$25 of gross margin since 1983.
 - o Trident's NGL gross margin of \$83 million (excluding fractionation) is approximately double the 1988-1989 levels.

 (1) Gross margins were used as a proxy for operating income where data was unavailable.

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 SALOMON BROTHERS INC

Comparable Considerations

- o USX-Delhi's operations have been a stable cash flow generator over the last 5 years.
 - The stock, however, is negatively impacted by the overhang of the pending secondary offering and the letter stock structure.
 - The market does not anticipate any growth via acquisitions.

CONCLUSION

- o Trident, Aquila and USX-Delhi are the closest proxies for a public market valuation of VLP. However, Trident and Aquila are only filed offerings, not currently public traded companies.
- o The other Gathering, Transmission and Processing companies are less comparable due to their extremely high growth record and perceived future prospects.
- o Highly leveraged capital structure and lack of historical growth record would place VLP at the lower end of comparable multiple range.

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 SALOMON BROTHERS INC

Publicly Traded Comparable Companies

SELECTED INTRASTATE GAS PIPELINE AND PROCESSING COMPANIES

<TABLE>
 <CAPTION>

	FIRM VALUE/EBDIAT		PRICE/CASH FLOW	PRICE/EARNINGS	
	LTM	1994E	LTM	1993E	1994E
<S>	<C>	<C>	<C>	<C>	<C>
American Oil & Gas	8.6x	6.1x	10.7x	17.4x	12.4x

Associated Natural Gas	9.4	8.1	10.3	24.7	19.6
Tejas Gas	10.4	10.2	10.3	36.4	26.0
USX-Delhi	5.4	4.4	5.4	16.5	13.1
Western Gas Resources	13.0	10.1	14.4	25.1	19.7
High	13.0x	10.2x	14.4x	36.4x	26.0x
Median	9.4	8.1	10.3	24.7	19.6
Low	5.4	4.4	5.4	16.5	12.4

CURRENT FILINGS:

Aquila	8.1x	NA	6.6x	NA	NA
Trident NGL	7.4	NA	6.7	NA	NA

SALOMON REFERENCE RANGE 6.5 - 7.5x 6.0 - 7.0x 5.5 - 6.5x 17.0 - 21.0x 15.0 - 19.0x
</TABLE>

- - - - -

NB: Selected financial results as of June 30, 1993.

- (a) Source of projected EBDIAT: Analyst research reports.
- (b) Cash flow from operations equals net income plus depreciation and amortization, change in deferred taxes, and other non-cash items.
- (c) Source of projected EPS: IBES (6/20/93), median estimate
- (d) Assumes a 35% book tax rate and a 15% cash tax rate.

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SALOMON BROTHERS INC

Relative Market Size of the Natural Gas Industry

The Gathering, Transmission & Processing sector is a relatively small part of the natural gas equity market and is dominated by large insider ownership.

[GRAPH C]

[] Insider ownership in the GTP Industry

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SALOMON BROTHERS INC

Liquidity in the Natural Gas Equity Market

Due to its small size, the GTP sector is much less liquid compared to the pipeline and E&P sectors of the natural gas industry.

TOTAL SHARES TRADED AS A PERCENTAGE OF
MARKET CAPITALIZATION

[GRAPH D]

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SALOMON BROTHERS INC

Publicly-Traded Comparable Companies

<TABLE>

<CAPTION>

COMPANY	COMMENTS
<p><S></p> <p>American Oil and Gas Corporation</p>	<p><C></p> <ul style="list-style-type: none"> o Operations dominated by the pipeline o Acquired Maple gas processing in 1992 o Two year EBIT growth of 21% o Smallest of the comparables (\$378 million firm value)
<p>Associated Natural Gas Corporation</p>	<ul style="list-style-type: none"> o EBIT has grown 31% per year since 1990 o Revenue growth of 52% per year since 1990 o Solid track record of successful acquisitions
<p>Tejas Gas Corporation</p>	<ul style="list-style-type: none"> o Substantial insider holdings o The company has achieved dramatic growth and significantly expanded business via the acquisition of Exxon assets o Gross margin is 94% derived from the pipeline operations

</TABLE>

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SALOMON BROTHERS INC

Publicly-Traded Comparable Companies

<TABLE>

<CAPTION>

COMPANY	COMMENTS
<p><S></p> <p>USX-Delhi Group</p>	<p><C></p> <ul style="list-style-type: none"> o Significant overhang from the letter stock structure and planned secondary offering o Margins have been stable and are primarily driven by pipeline operations o Limited revenue and margin growth since 1990 o Growth via acquisitions is not expected in the near or intermediate term
<p>Western Gas Resources, Inc.</p>	<ul style="list-style-type: none"> o Primarily a pure play gas processing company o Substantial insider holdings o Recent acquisition of Mountain Gas Resources is not yet included in financials, implying multiples of pro forma earnings are lower than currently indicated o Operating earnings growth of 49% annually since 1990 driven by solid acquisition track record

</TABLE>

Recently Filed Comparable Companies

<TABLE>

<CAPTION>

COMPANY	COMMENTS
Aquila Gas Pipeline Corp.	<ul style="list-style-type: none"> Utilicorp has built the company via acquisitions in two years Solid 2 year revenue growth for pipeline and processing
Trident NGL, Inc.	<ul style="list-style-type: none"> Gross margin is 89% derived from gas processing Although gross margin of \$83(1) million is down from 1990 highs, it is approximately double the 1988 - 1989 levels Stable fractionation business (\$25 million gross margin) Historical gas processing margin reached a low of \$41 million versus VLP's NGL operating income of \$4 million in 1989

</TABLE>

Although recently filed IPOs may be used to provide a benchmark, the IPO may be completed above or below the range, or may not be accepted by the market.

(1) Excludes \$25 million of fractionation margin.

Publicly-Traded Comparable Companies

(\$ millions)

<TABLE>

<CAPTION>

	VLP	AQUILA (2)	AMERICAN O&G	ASSOC. NATURAL GAS	TEJAS (1) GAS	TRIDENT (1)	USX- DELHI (1)	WESTERN GAS RESOURCES
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1992 REVENUES								
Pipeline & Other	\$743	\$140	\$375	NA	\$810	\$492	\$387	\$31
Processing	466	71	56	NA	73	386	70	569
Total	\$1,209	\$211	\$431	\$928	\$883	\$878	\$457	\$600
% Processing	39%	34%	13%	NA	8%	44%	15%	95%
2 year CAGR								
Pipeline & Other	(2)%	32%	(7)%	NA	NA	(7)%	4%	28%
Processing	19	16	152	NA	NA	(3)	26	55
Total	5%	23%	(1)%	52%	87%	(5)%	6%	53%
1992 OPERATING INCOME								
Pipeline & Other	\$32	NA	NA	NA	\$134	\$ 13	\$111	NA
Processing	57	NA	NA	NA	9	108	26	NA
Total	\$89	\$42	\$32	\$31	\$143	\$121	\$137	\$69
% Processing	64%	NA	NA	NA	6%	89%	20%	NA

2 year CAGR									
Pipeline & Other Processing	(20%)	NA	NA	NA	75%	(25%)	2%	NA	
	3	NA	NA	NA	4	(7)	12	NA	
	-----	----	----	----	----	----	----	----	
Total	(7)%	NA	21%	35%	65%	(10)%	4%	46%	
	=====	=====	=====	=====	=====	=====	=====	=====	

</TABLE>

- (1) Operating income data based on gross margin because segment operating income is not available.
- (2) Pro Forma 1990 acquisitions; historical operating income data is not comparable.

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SALOMON BROTHERS INC

Publicly-Traded Comparable Companies

SELECTED OPERATING STATISTICS

<TABLE>
<CAPTION>

	VLP	American Oil & Gas (1)	Associated Natural Gas	Tejas Gas	USX-Delhi	Western Gas
<S>	<C>	<C>	<C>	<C>	<C>	<C>
SELECTED NATURAL GAS						
GATHERING DATA						
Miles of Systems Pipeline	7,200	5,634	4,068	2,626 (2)	8,379	9,314
Connected Oil & Gas Wells	NA	NA	4,170	NA	NA	NA
Dedicated Reserves (bcf)	NA	NA	NA	NA	1,650 (3)	1,207
Gathering Systems Throughput (bcf)						
Sales	326	208	NA	255 (7)	200	NA
Transportation	476	92	NA	166	103	NA
	-----	-----	-----	-----	-----	-----
Total Net Throughput	802	300	246 (4)	421	303	214
GAS PROCESSING DATA						
Number of Operating Plants	10	9	14 (6)	7	14	31
Total Number of Plants	10	10	14	8	21	31
NGL Sales (mmbbls)	34,274	4,745	6,422	1,191	5,358	15,738
Processing Capacity (mmcf/day)	1,700	255 (5)	NA	175	1,046 (8)	1,124
Gas Throughput (mmcf/day)	NA	221	419	73	NA	580

</TABLE>

- (1) Includes acquisition of Maple Gas Corp.
- (2) Includes 230 miles of a joint venture.
- (3) Includes 218 bcf from the Marathon Group.
- (4) Includes 92/bcf/yr. in facilities operated by the Company but owned by third parties.
- (5) Includes 55 mmcfpd processed at third-party owned sites.
- (6) Includes four fractionation facilities.
- (7) Includes 75 bcfpd of off-system throughput.
- (8) Source: Oil & Gas Journal, 7/22/91. Includes 17 plants only.

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SALOMON BROTHERS INC

Comparable M&A Transactions

<TABLE> <CAPTION>	ISSUES/ASSUMPTIONS
<S> o Lack of Public Information	<C> Many of the transactions listed are either private companies or are subsidiaries of public companies, so the amount of public information available is limited.
o Multiples vs. DCF	Although we use a multiple of EBDIAT as an approximate measure of value, buyers primarily utilize a DCF approach. Therefore, these multiples reflect the buyers' views of value, potential synergies, tax benefits, etc.
o Leverage Sensitivity	Due to the high degree of leverage, equity value of the VLP units implied by multiples is extremely sensitive.

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SALOMON BROTHERS INC

Comparable M&A Transactions

MANY OF THE PREVIOUS M&A TRANSACTIONS AND THE PRICES PAID FOR COMPANIES IN THE GATHERING, TRANSMISSION AND PROCESSING SECTOR ARE NOT DIRECTLY COMPARABLE TO VLP

<TABLE> <CAPTION>	COMPANY	COMMENTS
<S> LIG		<C> Has been sold three times in the last five years.
Exxon Gas System		Represented strategic value to Tejas due to location. Access to gas reserves and tie-in capability with all interstate pipelines.
Louisiana Resources		Enron needed it for their other gas systems. Not a large acquisition for Enron.
UGPL		Company was on verge of bankruptcy. Koch used a DCF with implied benefits due to step-up in tax basis and significant overhead cuts.

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SALOMON BROTHERS INC

Comparable M&A Transactions

RECENT COMPARABLE M&A TRANSACTIONS

<TABLE> <CAPTION>	DATE ANNOUNCED (CLOSING)	ACQUIRING COMPANY/ ACQUIRED COMPANY	FIRM VALUE (millions)	FIRM VALUE/ LTM EBDIAT
<S>	5/5/93 (6/30/93)	Equitable/ LIG (Arkla)	\$185	8.0x (a)
	5/3/93 (9/15/93)	Tejas/ Exxon Gas Supply	\$380	7.9x
	2/11/93 (3/31/93)	Enron Corp./ Louisiana Resources Co.	\$170	10.6x
	10/30/92	Koch Industries/	\$385	7.7x

Salomon Reference
Range:

7.0x - 8.0x

</TABLE>

(a) Multiple is of revised 1993 estimated EBDIAT.

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SALOMON BROTHERS INC

Discounted Cash Flow Analysis

<TABLE>
<CAPTION>

ISSUES/ASSUMPTIONS

<S>	<C>
o Projections	Management's most recent projections as Base Case with Salomon sensitivity to discount rates, growth rates and changes to operating income which incorporate potential changes in costs, gas sales and transportation prices and volumes.
o Taxes	Utilizes a "flow-through" entity cash flow approach with 0% taxes due to the partnership structure. The discount rate is also adjusted to reflect the absence of a corporate tax shield on interest expense.
o Discount Rate	Calculated using the CAPM with weighted average cost of capital based on comparable companies and VLP's pre-tax cost of debt. Assumes VLP's marginal corporate tax rate is 0% due to the partnership structure.
o Leverage Sensitivity	Due to the high degree of leverage, the equity value of the units implied by the DCF analysis is extremely sensitive to small changes in critical variables.

</TABLE>

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SALOMON BROTHERS INC

Discounted Cash Flow Analysis

<TABLE>
<CAPTION>

HISTORICAL

VIP	1990	1991	1992	1993
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Operating Income (before DD&A)	\$143.5	\$139.1	\$124.3	\$121.7
Interest and Other Income	6.0	4.0	0.6	1.2
	----	----	----	----
EBITDA	149.5	143.1	124.9	122.9
Depreciation and Amortization	38.1	39.3	34.4	38.9
	----	----	----	----
EBIT	111.4	103.8	90.5	84.0
Interest Expense:				
Incurred	51.0	57.5	56.0	55.7
Capital Lease with VLO	10.0	10.0	10.6	12.8
Capitalized	(0.4)	(0.7)	(1.2)	(1.7)
	----	----	----	----
Total Interest Expense	60.6	66.8	65.4	66.8
	----	----	----	----
Pre tax Income	50.8	37.0	25.1	17.2
Taxes (0%) 0% cash taxes	0.0	0.0	0.0	0.0
	----	----	----	----
Net Income	50.8	37.0	25.1	17.2
Depreciation and Amortization	38.1	39.3	34.4	38.9
(Gain) or Loss on Dispositions	0.0	0.0	0.0	0.0
Deferred Taxes (0%)	0.0	0.0	0.0	0.0

After Tax Cash Flow	88.9	76.3	59.5	56.1
Changes in Working Capital(f)	(10.5)	(1.3)	1.7(b)	(0.8) (b) (c)
Changes Deferred Charges/Credits(f)	4.2	3.1	3.5	2.3
Cash Flow from Operations	82.5	78.0	64.7	57.6
After Tax Cost of Interest	60.6	66.8	65.4	66.8
Capital Expenditures	(31.1)	(33.1)	(35.9)	(41.7)
Unlevered Free Cash Flow	\$112.0	\$111.7	\$94.2	\$82.6

</TABLE>

<TABLE>
<CAPTION>

	PROJECTED						
VIP	1994	1995	1996	1997	1998	1999	2000
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Operating Income (before DD&A)	\$112.4	\$118.5	\$123.8	\$125.8	\$113.4	\$108.8	\$116.6
Interest and Other Income	0.7	10.2(a)	0.9	1.0	1.0	1.0	1.0
EBITDA	113.1	128.7	124.7	126.8	114.4	109.8	117.6
Depreciation and Amortization	39.3	39.7	40.1	40.9	40.9	40.9	40.9
EBIT	73.8	88.9	84.6	85.8	73.5	68.9	76.7
Interest Expense:							
Incurred	55.9	55.6	53.2	49.8	49.8	49.8	49.8
Capital Lease with VLO	12.8	12.8	12.7	12.5	12.5	12.5	12.5
Capitalized	(0.5)	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Total Interest Expense	68.2	67.9	65.6	61.9	61.9	61.9	61.9
Pre tax Income	5.7	21.0	19.0	23.9	11.6	6.9	14.7
Taxes (0%) 0% cash taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	5.7	21.0	19.0	23.9	11.6	6.9	14.7
Depreciation and Amortization	39.3	38.7	40.1	40.9	40.9	40.9	40.9
(Gain) or Loss on Dispositions	0.0	(9.3)	0.0	0.0	0.0	0.0	0.0
Deferred Taxes (0%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
After Tax Cash Flow	44.9	51.5	59.1	64.8	52.5	47.9	55.7
Changes in Working Capital(f)	(0.6) (b) (d) (e)	0.6	(0.5)	7.5	11.7	11.7	10.4
Changes Deferred Charges/Credits(f)	0.0(e)	14.5	14.9	6.3	0.0	0.0	0.0
Cash Flow from Operations	44.3	66.6	73.6	78.6	64.2	59.6	66.1
After Tax Cost of Interest	68.2	67.9	65.6	61.9	61.9	61.9	61.9
Capital Expenditures	(52.6)	(19.0) (a)	(28.0)	(29.0)	(29.9)	(30.8)	(31.7)
Unlevered Free Cash Flow	\$ 59.8	\$115.5	\$111.2	\$111.5	\$96.3	\$90.8	\$96.3

</TABLE>

<TABLE>
<CAPTION>

	PROJECTED		
VIP	2001	2002	2003
<S>	<C>	<C>	<C>
Operating Income (before DD&A)	\$120.1	\$123.3	\$126.7
Interest and Other Income	1.0	1.0	1.0
EBITDA	121.1	124.4	127.7
Depreciation and Amortization	40.9	40.9	40.9
EBIT	80.1	83.6	86.8
Interest Expense:			
Incurred	49.8	49.8	49.8
Capital Lease with VLO	12.5	12.5	12.5
Capitalized	(0.4)	(0.4)	(0.4)
Total Interest Expense	61.9	61.9	61.9
Pre tax Income	18.2	21.6	24.8
Taxes (0%) 0% cash taxes	0.0	0.0	0.0
Net Income	18.2	21.6	24.8
Depreciation and Amortization	40.9	40.9	40.9
(Gain) or Loss on Dispositions	0.0	0.0	0.0

Deferred Taxes (0%)	0.0	0.0	0.0
	-----	-----	-----
After Tax Cash Flow	59.1	62.5	65.8
Changes in Working Capital(f)	0.0	0.0	0.0
Changes in Deferred Charges/Credits (f)	0.0	0.0	0.0
Cash Flow from Operations	59.1	62.5	65.8
After Tax Cost of Interest	61.9	61.9	61.9
Capital Expenditures	(32.6)	(33.6)	(34.6)
	-----	-----	-----
Unlevered Free Cash Flow	\$88.4	\$90.8	\$93.1
	=====	=====	=====

</TABLE>

<TABLE>
<CAPTION>

VLP Firm Value (g)					VLP Equity Value per Unit (g)				
<S>	<C>	FCF Perpetuity Growth Rate			<C>	<C>	FCF Perpetuity Growth Rate		
		<C>	<C>	<C>			<C>	<C>	<C>
		2.5%	3.0%	3.5%			2.5%	3.0%	3.5%
	11.00%	\$917	\$941	\$969		11.00%	\$11.39	\$12.66	\$14.09
	11.50%	870	890	913		11.50%	\$8.89	\$9.97	\$11.17
WACC	12.00%	827	844	864	WACC	12.00%	\$6.65	\$7.57	\$8.60
	12.50%	788	803	820		12.50%	\$4.63	\$5.42	\$6.30
	13.00%	753	766	781		13.00%	\$2.79	\$3.48	\$4.24

</TABLE>

(***) Assuming a 0% book tax rate and 0% cash taxes.

(***) Projections after 1998 grow at 3%.

- (a) Includes \$9.3 million book gain from \$12.5 million sale of 50% of their interest in two West Texas processing plants in 1996.
- (b) Adjusted 1992 working capital for \$25 million gain in book accounting for the method of purchase and cost of gas between SMP and Transmission. This offsets \$16.8 million in 1993 and \$8.2 million in 1994.
- (c) Adjusted 1993 working capital for \$28 million of "held checks" from the 30th to the 1st of the month in order to place on comparable basis with 1992 and prior years working capital requirements.
- (d) Normalizes 1994 working capital by adjusting \$5.8 million which represents the last take-or-pay payment expected for the company.
- (e) Adjusted for \$14.2 million in reclassification of Deferred Charges which just offsets in working capital for a net change of \$0.
- (f) Positive changes in working Capital and Deferred Charges from 1995 forward reflect expected take-or-pay recoveries under the Lonestar settlement as of October 5, 1993.
- (g) Assuming net Debt and Capitalized Lease Obligations of \$682.2 million, \$18 million in Deferred Management Fees and 19.05 million units outstanding.

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SALOMON BROTHERS INC

Weighted Average Cost of Capital Analysis

<TABLE>
<CAPTION>

<S>	COMPANY	EQUITY	COST OF	DEBT/CAP	ASSET
		BETA (a)	EQUITY (b)	RATIO	BETA (c)
		<C>	<C>	<C>	<C>
	American Oil & Gas	0.81	11.9%	28.8%	0.64
	Associated Natural Gas	0.68	11.0%	26.3%	0.55
	Tejas Gas	0.76	11.5%	40.6%	0.53
	Western Gas Resources	0.85	12.2%	22.8%	0.71
	USX-Delhi Group	1.06	13.7%	32.7%	0.81
	Median	0.81	11.9%	28.8%	0.64
	Average	0.83	12.1%	30.2%	0.65

ASSUMPTIONS

Risk-Free Rate (30 year TSY): 6.00%
Marginal Tax Rate for Comparables: 35.00%

Marginal Tax Rate for Target: 0.00%
 Equity Risk Premium: 7.30%
 </TABLE>

<TABLE>
 <CAPTION>

USING MEDIAN: TARGET DEBT/CAP RATIO	EQUITY BETA (d)	COST OF EQUITY (b)	WEIGHTED AVERAGE COST OF CAPITAL (e)				
			PRE-TAX COST OF DEBT ASSUMPTION				
			8.0%	8.5%	9.0%	9.5%	10.0%
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
30.0%	0.92	12.7%	11.3%	11.4%	11.6%	11.7%	
40.0%	1.07	13.8%	11.5%	11.7%	11.9%	12.1%	
50.0%	1.28	15.4%	11.7%	11.9%	12.2%	12.4%	
60.0%	1.60	17.7%	11.9%	12.2%	12.5%	12.8%	
70.0%	2.14	21.6%	12.1%	12.4%	12.8%	13.1%	
80.0%	3.21	29.4%	12.3%	12.7%	13.1%	13.5%	

</TABLE>

- (a) Source: Salomon Brothers' estimate using 5 years of weekly data (where available).
- (b) Cost of Equity = Risk-Free Rate + (Equity Beta x Equity Risk Premium) + Political Risk Premium.
- (c) Asset (unlevered) beta = Equity beta / (1 + (debt/equity) x (1 - marginal tax rate))
- (d) Relevered equity beta = Median (Average) asset beta x (1 + (debt/equity) x (1 - marginal tax rate))
- (e) Weighted Average Cost of Capital = [After-tax cost of debt x target debt/cap ratio] + [After-tax cost of equity x (1 - target debt/cap ratio)]

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SALOMON BROTHERS INC

REVIEW OF
 TRANSACTION
 STRUCTURE

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SALOMON BROTHERS INC

Transaction Structure

- o Considerations in evaluating alternative transaction structures:
 - Tax consequences of the transaction to VLO and VLP unitholders
 - Form of the offer (i.e. merger vs. tender offer)
 - Type of security to exchange or issue (i.e. Convert vs. common)
 - Consideration offered (i.e. securities exchanged vs. cash)

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SALOMON BROTHERS INC

Transaction Structure

TAX CONSEQUENCES OF THE TRANSACTIONS

- o A tax-free transaction would have several significant disadvantages:
 - Non-taxable transaction would entail a complex legal structure requiring a vote of VLO shareholders, as well as additional expense and uncertainties.

- VLO would not be able to step-up basis in VLP.

- o We have therefore assumed for purposes of our analysis that a transaction would be taxable to unitholders.

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SALOMON BROTHERS INC

Transaction Structure

FORM OF THE OFFER (MERGER VS. TENDER OFFER)

<TABLE>

<CAPTION>

	EXCHANGE OF SECURITIES	CASH OFFER
<S> MERGER ISSUES	<C> <ul style="list-style-type: none">o Proxy statement/prospectus reviewed by SEC in advanceo Roll up rule disclosure requirementso Proxy statement/prospectus must be mailed to unitholders 60 days before vote (roll up rules)o All units acquired at once	<C> <ul style="list-style-type: none">o Separate proxy statement and prospectus, each reviewed by SEC in advanceo Roll up rule inapplicable; Rule 13e-3 disclosure applieso Proxy statement must be mailed about 30 days before vote to permit time for solicitation. Saves about 30 days compared with merger including exchange of securitieso Price underwritten offer after merger vote; close merger and offering simultaneously. No risk of one closing without the othero All units acquired at once
TENDER ISSUES	<C> <ul style="list-style-type: none">o Offer to exchange/prospectus reviewed by SEC in advanceo Roll up rule disclosure requirementso Offer to exchange/prospectus must be mailed to unitholders 60 days before expiration	<C> <ul style="list-style-type: none">o Tender offer can commence without prior SEC review. Amendment may be required. Offer must be kept open only 20 business days (potentially required to be extended by up to 10 business days following certain amendments)

</TABLE>

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SALOMON BROTHERS INC

Transaction Structure

FORM OF THE OFFER (MERGER VS. TENDER OFFER ISSUES)

<TABLE>

<CAPTION>

	EXCHANGE OF SECURITIES	CASH OFFER
<S> TENDER ISSUES (CONTINUED)	<C> <ul style="list-style-type: none">o Second step merger with information statement/prospectus required to complete 100% acquisition	<C> <ul style="list-style-type: none">o Roll up rule inapplicable; Rule 13e-3 disclosure applieso Prospectus for offering reviewed by SEC in advanceo May save about 4-6 weeks compared with cash merger; about 8-10 weeks compared with exchange of securitieso Complex timing issues with respect to closing financing and tender offer; theoretical risk of closing financing without merger occurringo If tender offer results in 90% ownership, remaining units can be acquired in ten days at same price under partnership agreemento If tender offer does not result in 90% ownership, second step merger (with information statement) required to complete 100% acquisition

</TABLE>

WE HAVE CONCLUDED THAT THE TRANSACTION SHOULD BE COMPLETED VIA MERGER IN EITHER THE EXCHANGE OF SECURITIES OR THE CASH OFFER SCENARIOS.

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SALOMON BROTHERS INC

Transaction Structure

CONSIDERATION OFFERED: EXCHANGE OF SECURITIES OR CASH

- o We have analyzed two primary types of consideration to be offered to VLP unitholders
 - Offer VLO Convert directly to unitholders ("exchange of securities")
 - Offer cash to unitholders with cash raised via a simultaneous underwritten equity offering to new investors ("cash offer")

TYPE OF SECURITY TO EXCHANGE OR ISSUE

- o Pro forma alternative transaction assumes a Convertible Preferred Stock ("Convert") for the following reasons:
 - Some type of equity offering contributes to improve debt ratios
 - Avoids issuing common stock at current market
 - Avoids adding additional debt on top of \$680 million of VLP debt which will be consolidated post-transaction
 - Convert market is currently very attractive (See Appendix C).
- o However, there are some considerations to financing with VLO common:
 - Common may be slightly more beneficial to EPS than Convert, although less beneficial to Cash Flow per share
 - Dividend requirements on Convert are not tax deductible
 - Common would be viewed more positively by rating agencies
 - Common would advisably be sold through an underwritten offering with a roadshow rather than exchanged directly for VLP units
- o VLO may wish to wait until talking to the rating agencies before deciding on whether to issue Convert or common.

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SALOMON BROTHERS INC

Exchange of Securities via Merger

TRANSACTION SUMMARY

[GRAPH E]

- o VLO offers Convertible Preferred ("Convert") in Exchange for VLP units. Some unitholders may sell their units following the announcement of a transaction rather than wait until the exchange offer is complete.
- o Unitholders may sell the Convert if they need liquidity. Market makers and traditional convertible buyers may not bid aggressively for the Convert since retail investors have small holdings and the issue is not actively traded. However, if the price for the

Convert has been driven down in relation to comparable securities, brokers (and hedge funds) may be induced by profit to aggregate small retail positions and sell to convert buyers (largely institutional investors).

- o Convert buyers purchase Convert.
- o Convert trades at fair market value on a fully distributed basis after a period time.

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SALOMON BROTHERS INC

Exchange of Securities via Merger

MECHANICS OF TRANSACTION

- o VLO Board approves an offer of VLO Convert with specified terms to VLP unitholders.
- o VLO then communicates offer in detail to VNGC Board of Directors.
- o VNGC Board of Directors would likely set up a Special Committee of independent directors to consider VLO's offer.
- o Public announcement of offer and Special Committee.
- o Special Committee would hire a financial advisor and legal counsel and would analyze the proposal.
- o Special Committee would then negotiate with VLO.
- o If a transaction is approved by the Special Committee, a Proxy/Prospectus would be filed with the SEC.
- o Following a review by the SEC, the Proxy materials would be mailed to unitholders.
- o Unitholders would then have 60 days to consider the offer before voting, since the offer of securities would be subject to SEC roll-up rules.
- o Unitholders vote and the merger is completed.
- o Unitholders receive Convert.

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SALOMON BROTHERS INC

Merger/Exchange of Securities - Preliminary Timetable

[CHART]

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SALOMON BROTHERS INC

Exchange of Securities via Merger

REDISTRIBUTION OF CONVERT TO NATURAL HOLDERS

- o A 6.5% Convert provides investors with a significant yield pickup over the 5.5% current yield of the VLP units. This may

mitigate holders' tendency to sell the Convert.

- o However, in a taxable transaction, holders will tend to either sell their units prior to the exchange or sell the Convert received.
 - Retail investors are often passive if the transaction requires no action; the need to pay taxes could encourage them to sell their entire Convert holdings.
 - Retail brokers often encourage unitholders to sell the distributed securities in order to generate additional commissions and reposition their portfolios.
 - Certain investors may chose to sell units before year end for 1993 tax purposes.
- o If a large number of unitholders elect to sell either their units or the new Convert, then the Convert will be redistributed over time to natural holders of Converts.
- o The \$100 billion Convert market is efficient in pricing outstanding Converts in the secondary market. Hedge funds and broker/dealers hold around \$30 billion of Converts and ensure efficient pricing.

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SALOMON BROTHERS INC

Exchange of Securities via Merger

REDISTRIBUTION OF CONVERT TO NATURAL HOLDERS (CONTINUED)

- o In other MLP buy-ins where holders were offered securities, many holders either sold their units upon the announcement of the transaction or sold the distributed securities soon after a transaction was consummated. The resulting price pressure in the security can make it more difficult for unitholders who want to sell to obtain full value until the securities trade on a fully distributed basis.
- o Retail investors, making up the vast majority of VLP Unitholders, are not natural owners of Converts. Converts are primarily held by institutions. For example, the \$275 million Ashland Oil Convert is 59% institutional, \$100 million Tosco Convert is 60% institutional and Diamond Shamrock's \$100 million 144A Convert is 100% institutional (held by Qualified Institutional Buyers).
- o Because the VLP Unitholders who receive a Convert in the exchange offer will typically receive small amounts, intermediation by securities firms will be necessary to effect redistribution. However, most institutional firms will only bid for even lots (multiples of 100).
- o To induce securities firms to undertake this intermediation, a sufficient arbitrage must be available to cover transaction costs and provide an adequate profit. As part of the redistribution, hedge funds and securities firms will purchase the Converts and short the VLO stock.
- o As a result, we would expect that a Convert may trade down until the securities are in hands of natural buyers (i.e. fully distributed).

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SALOMON BROTHERS INC

Exchange of Securities via Merger

STRATEGY FOR SETTING THE TERMS ON THE CONVERT IN AN EXCHANGE OF SECURITIES

- o Key decision is which of the Convert terms should be set in conjunction with the offer to the special committee.
- o If terms are fully set in initial proposal, the Special Committee may be forced to reconsider its approval if either interest rates or the VLO stock price change prior to the closing.
- o It may be desirable to stipulate the dividend rate at the time the offer is made and let the conversion price be set just prior to the closing, based on a predetermined formula.
- o No precedent to using Convert under these circumstances.
- o Terms of Convert will vary based on rating agency reactions and VLO's stock price reaction on announcement.
- o THE KEY POINT IS THAT IN THIS CASE, THE TERMS OF THE CONVERT WILL BE SET THROUGH NEGOTIATION WITH THE SPECIAL COMMITTEE, NOT BY THE MARKET.
- o Trading of VLO's underlying common will be significantly affected by arbitrageurs shorting VLO to hedge their positions.

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SALOMON BROTHERS INC

Cash Offer via Merger

TRANSACTION SUMMARY

[GRAPH]

- o VLO makes cash offer via a merger transaction to unitholders.
- o VLO simultaneously offers a new Convert issue to the public market. Proceeds are used to purchase VLP units for cash.
- o Closing of the cash merger and pricing of the underwritten Convert are almost simultaneous.

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SALOMON BROTHERS INC

Cash Offer via Merger

MECHANICS OF TRANSACTION

- o VLO Board approves of cash offer for VLP units subject to financing.
- o VLO communicates offer to VNGC Board of Directors.
- o VNGC Board of Directors would then set up a Special Committee of independent directors to consider VLO's offer. Special Committee would select a financial advisor and legal counsel to evaluate offer.
- o VNGC Board would announce that it had received an offer from VLO to be financed with a new Convert issue and that a Special Committee had been formed to consider the offer.
- o VLO would promptly file registration statement for the Convert with the SEC.
 - registration statement would include Pro Forma financial statements and Use of Proceeds.
- o Special Committee would negotiate with VLO.

- o If a transaction has been approved by the Special Committee, VLO may need to file an amended Registration Statement for the Convert.
- o Following a review by the SEC, proxy statement would be mailed to unitholders.
- o VLP unitholders would vote on the merger after 30 days.
- o VLO would formally market and price the Convert offering immediately after the unitholder vote.
- o Merger and convert issue completed simultaneously; unitholders receive cash.

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Cash Merger - Preliminary Timetable

[CHART]

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SALOMON BROTHERS INC

Roadshows

CASH MERGER WITH UNDERWRITTEN CONVERT OFFERING WILL ALLOW A ROADSHOW PRESENTATION TO INVESTMENT COMMUNITY

- o Traditional equity buyers or buy-side analysts may wish to attend the roadshow
- o Effective marketing of story could benefit VLO

INDICATIVE ROADSHOW SCHEDULE FOR CONVERT PUBLIC OFFERING:

<TABLE>	<S>	<C>
	New York	One-on-ones, Lunch
	Boston	One-on-ones, Lunch
	Los Angeles/San Francisco	One-on-ones, Lunch (LA)
	Chicago/Minneapolis	One-on-ones, Lunch (Chicago)
	*Philadelphia/Baltimore	One-on-ones, Lunch (Philadelphia)
	*Houston/Denver	One-on-ones, Lunch (Denver)
</TABLE>		

EXCHANGE OFFER

No Roadshow - all retail ownership

- No incentive for institutions to attend
- Conference call with equity analysts and investors

- - - - -
* Optional cities.

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SALOMON BROTHERS INC

Convertible Preferred ("Convert") Pricing and Terms

SUMMARY OF INDICATIVE TERMS

- o The pricing of the Convert will vary with VLO's senior debt rating. The Convert will be priced based on the implied subordinated debt rating as well as VLO's common stock price.

<TABLE>

<CAPTION>

Assumed VLO Senior Debt Rating	INVESTMENT GRADE OR SPLIT RATING -----	BELOW INVESTMENT GRADE -----
<S>	<C>	<C>
Maturity:	Perpetual	Perpetual
Offer Price Per Share:	\$50	\$50
Dividend Yield:	6 1/4% + 25 bp	6 1/2% + 25 bp
Conversion Premium	21-25%	21-25%
Conversion Price (a):	\$29.04 - \$30.00	\$29.04 - \$30.00
Call Protection:	NC-3 (NC-4, yield 25 bp lower)	NC-3 (NC-4, yield 25 bp lower)
Call Price:	Par plus dividend declining to par in year 10	Par plus dividend declining to par in year 10
Underwriting Fees:	2 1/4 - 2 3/4%	2 1/2 - 3%

</TABLE>

- o Maximum suggested size for a Convert offering is \$200 million.

(a) Assumes a \$24.00 VLO stock price.

Comparing Exchange of Securities to Cash

<TABLE>

<CAPTION>

MERGER/EXCHANGE OF SECURITIES	CASH MERGER
<S>	<C>
MARKET FACTORS:	
o Little risk of new issue Convert market drying up.	o Attractive new issue Convert market today.
o Equity market conditions affect rate and conversion price, but not ability to complete a transaction.	o VLO will be committed to cash transaction at a specific price without knowing the precise terms of its financing.
o Value of the Convert could move significantly with movements in equity market or price of common prior to completion. This could force the Special Committee to reconsider approval.	
o No controlled marketing for Convert. Arbs will determine trading. This risk may impact Special Committee's negotiations on terms.	
UNITHOLDERS' PREFERENCE FACTORS:	
o Offers unitholders a continuing interest in the business.	o Gives unitholders cash to pay taxes.
o However, retail investors are not generally the natural buyers for Converts.	o Easy for unitholders to tell what value they are getting - "Cash is cash".
o Even if Convert yield is higher than the yield on the VLP units, brokers still have the incentive to induce unitholders to sell to get cash to pay the tax.	o Does not provide a continuing interest in the business if so desired by the unitholder.

</TABLE>

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SALOMON BROTHERS INC

Comparing Exchange of Securities to Cash

<TABLE>

<CAPTION>

MERGER/EXCHANGE OF SECURITIES

<S>

VALUATION EASE

- o In precedent MLP buy-ins where securities were given, significant selling took place. The resulting price pressure makes it more difficult for unitholders to assess the actual value.
- o The more variables in the transaction, the more difficult it is to assess what the value is. The Convert has several variables which could change while the transaction is open.

VLO MANAGEMENT TIME AND COST:

- o No issuance costs or marketing required.
- o Special Committee required to approve terms of securities as well as price paid to unitholders.

OVERALL TIMING - SEC REVIEW/DISCLOSURE/UNITHOLDER REVIEW:

- o Would fall under SEC roll-up rules and would probably take at least 30 days longer to complete.
- o Requires 60-day review period by unitholders.

</TABLE>

<C>

CASH MERGER

- o "Cash is cash".

- o Would allow (or require) roadshow.
- o Underwriting fees.

- o Does not fall under SEC roll-up rules - can be completed more quickly.
- o Does not require 60-day waiting period between mailing of proxy statement and vote.
- o Requires two separate sets of SEC filings - registration statement for public Convert and proxy statement for VLP unitholders.

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SALOMON BROTHERS INC

Comparing Exchange of Securities to Cash

<TABLE>

<CAPTION>

MERGER/EXCHANGE OF SECURITIES

<S>

EASE OF EXECUTION:

- o One stop transaction - no public offering on parallel path.
- o The Convert has several variables which if market conditions change, the special committee and their investment banker could withdraw their fairness opinion prior to the merger.

CREDIT/RATING AGENCY FLEXIBILITY:

- o Exchange offer does not allow for increasing the size of the Convert if necessary for credit reasons or to conform to covenants.

IMPACT ON VLO STOCK PRICE:

- o Greater hedge fund activity (shorting VLO common stock) because the Converts would not be distributed to "buy and hold" institutional fund managers.

</TABLE>

<C>

CASH MERGER

- o No need to convince Special Committee or unitholders of value of securities.
- o Convert is marketed to natural buyers.
- o Need to match the timing of the public offering with completion of the merger.
- o May raise additional proceeds through a larger offering in response to rating agencies or covenants.
- o Roadshow could allow the company to communicate its rationale for the transaction and future strategy.
- o Some hedge fund activity takes place in the secondary market even in a well distributed offering.

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PRO FORMA ANALYSIS

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Price & Volume Profile of VLO

VALERO ENERGY CORPORATION
DAILY DATA - 12/30/88 THROUGH 10/1/93

[GRAPH]

Valero Energy Corporation: Price (left axis)
Valero Energy Corporation: Volume (right axis)

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SALOMON BROTHERS INC

Price Profile of VLO vs. Index of Refiners

VALERO ENERGY CORPORATION
DAILY DATA - 1/1/91 THROUGH 10/1/93

[GRAPH]

Valero Energy Corporation
Index of Refiners (ASH, CNPA, DRM, FI, HOC, SUN, TOS, ULR)

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Pro Forma Analysis

CONSIDERATIONS:

- o We analyze several areas to assess the pro forma impact on VLO including:
 - Equity research coverage
 - Valuation ratios and market pricing issues (E.P.S., cash flow, multiples of EBDIAT)
 - Credit ratios and business issues
 - Sensitivity analysis to key factors

BASE ASSUMPTIONS:

- o Management projections and consolidating journal entries for VLO and VLP

- o Assume purchase price of VLP units is \$11.00
- o Assume dividend rate on Convert of 6.50%

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SALOMON BROTHERS INC

Equity Research Coverage

WE EXPECT RESEARCH ANALYSTS AND WALL STREET WILL CONTINUE TO TRADE AND FOLLOW VLO PRIMARILY AS A REFINER.

- o VLO is currently followed by refining equity research analysts at the major Wall Street firms although it already owns 49% of VLP. VLP is covered by equity research primarily at small and regional firms.
- o The intrastate pipeline and gas processing sector is also not well covered by equity research analysts at major firms.
- o Refining will still contribute to the majority of the cash flow and stock price volatility in VLO.
- o Refining has been "good" to Wall Street and the analysts who have followed VLO will not give up coverage easily or immediately.
- o Interstate gas pipeline equity research analysts at major Wall Street firms have a somewhat negative view of the intrastate and processing component of interstate pipelines that they follow.

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SALOMON BROTHERS INC

Gas Transmission & Processing Research Coverage

THE GTP SECTOR IS VERY THINLY COVERED BY MAJOR WALL STREET EQUITY ANALYSTS

<TABLE>
<CAPTION>

	American O&G <C>	Associated Natural Gas <C>	Tejas Gas <C>	USX-Delhi <C>	Western Gas Resources <C>	Total Per Firm <C>
<S>						
CS First Boston						0
Goldman, Sachs					X	1
Lehman Brothers			X	X		2
Merrill Lynch	X					1
Morgan Stanley	X			X		2
Salomon Brothers				X		1
Smith Barney					X	1
Subtotal	2	0	1	3	2	
DLJ	X	X	X		X	4
Howard Weil	X	X			X	3
Kidder Peabody	X					1
Oppenheimer		X		X	X	3
Prudential					X	1
Raucher Pierce	X	X		X	X	4
Total per Company	6	4	2	5	7	

</TABLE>

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SALOMON BROTHERS INC

Equity Market Reaction

IMPACT ON VLO STOCK PRICE

- o Limited price impact expected upon full dissemination of information regarding the transaction
 - VLO already owns 49% of VLP and also owns 100% of some natural gas assets.
 - Increased leverage will be viewed negatively.
 - o In general, leveraged companies trade at lower multiples.
 - Some benefit from diversified earnings and elimination of uncertainty as to future intent of VLP. Communicating rationale for the buy-in and future strategy to investors is critical.
 - Neutral to accretive on EPS and cash flow per share.
- o Analysts will still view VLO as a refiner.
 - However, demonstrated growth in gas business will influence future trading multiples.
- o Volatility in VLO stock price will probably still be driven by refining.
- o Financial impact on VLO is complex and requires good communication with analysts and investors.

IMPACT ON VLP UNIT PRICE

- o If offer cash, will move almost to the offer price.
- o If offer securities, may move close to the offer price.
 - Depends on how specific the Convert terms are on announcement.

SALOMON BROTHERS INC

Pro Forma Analysis

PRO FORMA FINANCIAL RESULTS (A)

(Dollars in millions, except per share amounts)

<TABLE>

<CAPTION>

	1993 Estimated		Pro Forma	Projected Pro Forma			
	VLO	VLP	1993	1994	1995	1996	1997
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Earnings Per Share	\$1.42	\$0.58	\$1.44	\$1.55	\$2.55	\$2.85	\$2.92
Accretion/ (Dilution)			2%	-10%	-1%	-1%	-3%
Cash Flow Per Share	\$3.63	\$2.80	\$4.65	\$4.94	\$5.84	\$6.31	\$6.39
Accretion/ (Dilution)			28%	20%	19%	21%	27%
VALUATION STATISTICS: (c)							
Firm Value/EBDIAT	7.5x	6.4x	6.9x	6.6x			
Price/Earnings	16.9x	15.7x	16.6x	15.4x			
Price/Cash Flow	6.6x	3.3x	5.2x	4.9x			

CREDIT STATISTICS:

Debt/Total Book Capitalization (b)	39%	80%	53%	53%	50%	45%	40%
EBDIAT/Gross Interest	4.3x	1.8x	3.1x	3.2x	3.8x	4.4x	5.0x
EBDIAT/Gross Interest & Pfd. Div.	4.2x	1.8x	2.8x	3.0x	3.5x	4.0x	4.6x
EBDIAT - Capex/Gross Int. & Pfd. Div.	1.4x	1.1x	1.2x	2.0x	2.4x	2.8x	3.6x
Fixed Charge Ratio (d)	2.9x	1.2x	1.9x	1.9x	2.5x	2.9x	3.2x
Cash Flow/Total Debt (b)	31%	8%	18%	18%	22%	27%	32%

</TABLE>

- - - - -

- (a) Assuming a \$11.00 per unit purchase price and a \$110 million Convert offering.
- (b) Includes guarantees on Javelina and PROESA debt.
- (c) Assumes VLO stocks remains constant at \$24.00.
- (d) Pretax Income + Net interest/Gross interest + Preferred Dividends + Mandatory Preferred Redemption.

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SALOMON BROTHERS INC

Pro Forma Analysis

COMPARISON OF SEGMENT AND COMPANY MULTIPLES

<TABLE>
<CAPTION>

Multiples of:		VLO Status Quo (a)	VLO Pro Forma (b)	R&M Comparables (Median)	GTM Comparables (Median)
<S>	<C>	<C>	<C>	<C>	<C>
EBDIAT:	LTM	7.3x	NA	6.8x	9.4x
	1993E	7.5x	6.9x	NA	9.1x
	1994E	6.7x	6.6x	NA	8.1x
Cash Flow:	LTM	6.5x	NA	6.4x	10.3x
	1993E	6.6x	5.2x	5.8x	10.4x
	1994E	5.9x	4.9x	5.4x	9.4x
EPS:	LTM	13.7x	NA	21.3x	25.2x
	1993E	16.9x	16.6x	15.4x	24.7x
	1994E	14.0x	15.4x	10.2x	19.6x

</TABLE>

- (a) Assumes VLO price of \$24.00 and VLP price of \$9.125.
- (b) Assumes VLO price held constant at \$24.00.

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SALOMON BROTHERS INC

Valero Energy Corporation

[GRAPH]

* Assumes VLO Stock price constant at \$24.00/Share.

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SALOMON BROTHERS INC

Valero Energy Corporation

[GRAPH]

* Assumes VLO Stock price constant at \$24.00/Share.

66

SALOMON BROTHERS INC

Pro Forma Analysis

PRO FORMA SENSITIVITY ANALYSIS TO PRICE PAID PER UNIT
(Dollars in millions, except per share or unit amounts)

<TABLE>
<CAPTION>

AMOUNT PAID FOR UNITS	
Price Paid Per Unit	Total Amount
-----	-----
<S> \$10.00	<C> \$97.5
\$11.00	\$107.3
\$12.00	\$117.0

</TABLE>

<TABLE>
<CAPTION>

VLO PRO FORMA 1993

	Price Paid Per Unit			VLO Status Quo
	-----	-----	-----	-----
	\$10.00	\$11.00	\$12.00	1993
	-----	-----	-----	-----
<S> Earnings Per Share	<C> \$1.47	<C> \$1.44	<C> \$1.42	<C> \$1.42
Cash Flow per Share	\$4.66	\$4.65	\$4.64	\$3.63
EBDIAT/Interest & Pfd.	2.8x	2.8x	2.8x	4.2x

</TABLE>

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SALOMON BROTHERS INC

Pro Forma Analysis

PRO FORMA SENSITIVITY ANALYSIS TO ISSUING COMMON STOCK
(Dollars in million, except per share amounts)

<TABLE>
<CAPTION>

	VLO PRO FORMA 1993 (A)						Status Quo
	Common Stock			Convert			VLO
	-----	-----	-----	-----	-----	-----	-----
	\$110	\$150	\$200	\$110	\$150	\$200	1993
	-----	-----	-----	-----	-----	-----	-----
<S> Earnings Per Share	<C> \$1.45	<C> \$1.43	<C> \$1.40	<C> \$1.44	<C> \$1.41	<C> \$1.38	<C> \$1.42
Cash Flow Per Share	\$4.35	\$4.24	\$4.10	\$4.65	\$4.62	\$4.59	\$3.63
EBDIAT/Interest & Pfd.	3.0x	3.1x	3.2x	2.8x	2.8x	2.8x	4.2x
Debt/Capitalization (b)	53%	51%	49%	53%	51%	49%	39%
Cash Flow/Total Debt (b)	19%	20%	21%	18%	19%	20%	31%

</TABLE>

(a) Assumes an \$11.00 unit purchase price.

(b) Includes guarantees on Javelina and PROESA debt.

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Pro Forma Credit Analysis

SUMMARY

- o The effect of this transaction is to increase VLO's leverage. This will result in some deterioration of VLO's credit.
- o We believe that VLO will encounter a significant risk of being downgraded.
- o Covenants on current outstanding debt (bank revolver and private placement debt) will probably need to be waived or renegotiated.
- o Many holders of the private placement debt also own VLP debt (VLP credit arguably improves with this transaction).

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Pro Forma Credit Analysis

<TABLE>

<CAPTION>

	VLO		VLO PRO FORMA			REFINING COMPARABLES		PROCESSING COMPARABLES
	1993E	1993	1994	1995	1996	BBB (1)	BB (2)	B (3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Debt/Total Capitalization (4)	39%	53%	53%	50%	45%	49-54%	56-73%	57%
Cash Flow/Total Debt (4)	31%	18%	18%	22%	27%	19-23%	10-40%	21%
EBDIAT/Gross Interest	4.3x	3.1x	3.2x	3.8x	4.4x	3.3-3.7x	2.0-6.6x	2.8x
EBDIAT/Gross Interest & Pfd.	4.2x	2.8x	3.0x	3.5x	4.0x	NA	NA	NA
Fixed Charge Ratio (5)	2.9x	1.9x	1.9x	2.5x	2.9x	NA	NA	NA

</TABLE>

- (1) Ashland, Diamond Shamrock, Ultramar.
- (2) Tosco, Clark.
- (3) Trident NGL is the only processing company with rated debt; no transmission companies have rated debt.
- (4) Includes guarantees on PROESA and Javelina debt.
- (5) Prefax income + Net Interest/Gross Interest + Preferred Dividends + Mandatory Preferred Redemption.

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Pro Forma Credit Analysis

[GRAPH]

Debt/Capitalization (left axis)
 EBDIAT/Gross Interest & Preferred Dividends (right axis)
 Status Quo - Debt/Capitalization
 Status Quo - EBDIAT/Gross Interest & Preferred Dividends
 "BB" Capitalization Range

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Pro Forma Credit Analysis

CREDIT ISSUES

- o Sizable increase in the relative amount of leverage.
- o Leverage doesn't decline significantly until 1995 and only gets back to 40% in 1997.
- o Interest Coverage ratios also take three years to recover to current levels.
- o In 1994, VLP is a net user of funds.
- o Issuing Convert adds after-tax dividend cash outflows.
- o MTN holders should not over-react.
- o Private placement holders have covenants which may be violated and not all of them hold NAIC-3 paper.
- o Increasing equity investments outside the country (i.e. PROESA) will be perceived as slightly more risky than domestic investments in physical assets.

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Pro Forma Credit Analysis

RATING AGENCY STRATEGY

- o Outline plan to reduce debt on the balance sheet.
- o Outline credible strategy and plans for future investments.
- o Discuss by business segment the appropriate debt level relative to investment grade comparables.
- o VLO can make strong argument to rating agencies:
 - Benefit of diversification and increased size
 - Gas business is somewhat countercyclical to refining
 - Certain refining comparables have lower credit ratios and higher credit ratings than VLO
 - Buy-in eliminates the uncertainty of VLP funding requirements

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Estimated Transaction Costs

<TABLE>

<S>	<C>
SECURITIES UNDERWRITING FEES	
Preferred Stock	2.25% - 2.75% (1)
INVESTMENT BANKING FEES	
VLO	\$1,200,000
Special Committee	\$1,000,000
LEGAL FEES	

VLO	\$600,000 - \$800,000
Special Committee	\$250,000 - \$350,000
Accounting	\$150,000 - \$250,000
OTHER FEES	
Printing Costs	\$50,000 - \$100,000
Amendment of Long Term Lenders' Agreement	0 - 25 bp
Consolidation of Bank Credit Agreement	0 - 25 bp
Miscellaneous	\$100,000 - \$150,000

</TABLE>

(1) Only in cash offer alternative.

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SALOMON BROTHERS INC

Follow-Up Discussions and Issues

- o Rating Agencies
- o Negotiations with Lenders and Debt Holders
- o Board Meeting
- o Analyst Meetings
- o Response to VLO and VLP Inquiries
- o Internal Communication
- o Drafting of Documents

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SALOMON BROTHERS INC

APPENDICES

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SALOMON BROTHERS INC

DETAILED DCF MODEL

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<TABLE>
<CAPTION>

PROJECT MAINE
(Dollars in Millions)

VLP	1990	HISTORICAL	1991	1992	1993
-----	------	------------	------	------	------

	<C>	<C>	<C>	<C>
<S>				
Operating Income (before DD&A)	\$143.5	\$139.1	\$124.3	\$121.7
Interest and Other Income	6.0	4.0	0.6	1.2
EBITDA	149.5	143.1	124.9	122.9
Depreciation and Amortization	38.1	39.3	34.4	38.9
EBIT	111.4	103.8	90.5	84.0
Interest Expense:				
Incurred	51.0	57.5	56.0	55.7
Capital Lease with VLO	10.0	10.0	10.6	12.8
Capitalized	(0.4)	(0.7)	(1.2)	(1.7)
Total Interest Expense	60.6	66.8	65.4	66.8
Pre tax Income	50.8	37.0	25.1	17.2
Taxes (0%) 0% cash taxes	0.0	0.0	0.0	0.0
Net Income	50.8	37.0	25.1	17.2
Depreciation and Amortization	38.1	39.3	34.4	38.9
(Gain) or Loss on Dispositions	0.0	0.0	0.0	0.0
Deferred Taxes (0%)	0.0	0.0	0.0	0.0
After Tax Cash Flow	88.9	76.3	59.5	56.1
Changes in Working Capital(f)	(10.5)	(1.3)	1.7 (b)	(0.8) (b) (c)
Changes in Deferred Charges/Credits(f)	4.2	3.1	3.5	2.3
Cash Flow from Operations	82.5	78.0	64.7	57.6
After tax Cost of Interest	60.6	66.8	65.4	66.8
Capital Expenditures	(31.1)	(33.1)	(35.9)	(41.7)
Unlevered Free Cash Flow	\$112.0	\$111.7	\$94.2	\$82.8

</TABLE>
<TABLE>
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PROJECT MAINE
(Dollars in Millions)

VLP	1994	1995	PROJECTED 1996	1997	1998
<S>	<C>	<C>	<C>	<C>	<C>
Operating Income (before DD&A)	\$112.4	\$118.5	\$123.8	\$125.8	\$113.4
Interest and Other Income	0.7	10.2 (a)	0.9	1.0	1.0
EBITDA	113.1	128.7	124.7	126.8	114.4
Depreciation and Amortization	39.3	39.7	40.1	40.9	40.9
EBIT	73.8	88.9	84.6	85.8	73.5
Interest Expense:					
Incurred	55.9	55.6	53.2	49.8	49.8
Capital Lease with VLO	12.8	12.8	12.7	12.5	12.5
Capitalized	(0.5)	(0.5)	(0.4)	(0.4)	(0.4)
Total Interest Expense	68.2	67.9	65.6	61.9	61.9
Pre tax Income	5.7	21.0	19.0	23.9	11.6
Taxes (0%) 0% cash taxes	0.0	0.0	0.0	0.0	0.0
Net Income	5.7	21.0	19.0	23.9	11.6
Depreciation and Amortization	39.3	39.7	40.1	40.9	40.9
(Gain) or Loss on Dispositions	0.0	(9.3)	0.0	0.0	0.0
Deferred Taxes (0%)	0.0	0.0	0.0	0.0	0.0
After Tax Cash Flow	44.9	51.5	59.1	64.8	52.5
Changes in Working Capital(f)	(0.6) (b) (d) (e)	0.6	(0.5)	7.5	11.7
Changes in Deferred Charges/Credits(f)	(0.0) (e)	14.5	14.9	6.3	0.0
Cash Flow from Operations	44.3	66.6	73.6	78.6	64.2
After tax Cost of Interest	68.2	67.9	65.6	61.9	61.9
Capital Expenditures	(52.6)	(19.0) (a)	(28.0)	(29.0)	(29.9)
Unlevered Free Cash Flow	\$59.8	\$115.5	\$111.2	\$111.5	\$96.3

</TABLE>
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PROJECT MAINE
(Dollars in Millions)

VLP	1999	2000	PROJECTED 2001	2002	2003
<S>	<C>	<C>	<C>	<C>	<C>

Operating Income (before DD&A)	\$108.8	\$116.6	\$120.1	\$123.4	\$126.7
Interest and Other Income	1.0	1.0	1.0	1.0	1.0
EBITDA	109.8	117.6	121.1	124.4	127.7
Depreciation and Amortization	40.9	40.9	40.9	40.9	40.9
EBIT	68.9	76.7	80.1	83.5	86.8
Interest Expense:					
Incurred	49.8	49.8	49.8	49.8	49.8
Capital Lease with VLO	12.5	12.5	12.5	12.5	12.5
Capitalized	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Total Interest Expense	61.9	61.9	61.9	61.9	61.9
Pre tax Income	6.9	14.7	18.2	21.6	24.8
Taxes (0%) 0% cash taxes	0.0	0.0	0.0	0.0	0.0
Net Income	6.9	14.7	18.2	21.6	24.8
Depreciation and Amortization	40.9	40.9	40.9	40.9	40.9
(Gain) or Loss on Dispositions	0.0	0.0	0.0	0.0	0.0
Deferred Taxes (0%)	0.0	0.0	0.0	0.0	0.0
After Tax Cash Flow	47.9	55.7	59.1	62.5	65.8
Changes in Working Capital(f)	11.7	10.4	0.0	0.0	0.0
Changes in Deferred Charges/Credits(f)	0.0	0.0	0.0	0.0	0.0
Cash Flow from Operations	59.6	66.1	59.1	62.5	65.8
After tax Cost of Interest	61.9	61.9	61.9	61.9	61.9
Capital Expenditures	(30.8)	(31.7)	(32.6)	(33.6)	(34.6)
Unlevered Free Cash Flow	\$90.8	\$96.3	\$88.4	\$90.8	\$93.1

</TABLE>

<TABLE>

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VLP FIRM VALUE (g)					VLP EQUITY VALUE PER UNIT (g)				
<S>	<C>	FCF Perpetuity	Growth Rate	<C>	<C>	<C>	FCF Perpetuity	Growth Rate	<C>
		<C>	<C>	<C>			<C>	<C>	<C>
		2.5%	3.0%	3.5%			2.5%	3.0%	3.5%
	11.00%	\$917	\$941	\$969		11.00%	\$11.39	\$12.66	\$14.09
	11.50%	870	890	913		11.50%	8.89	9.97	11.17
WACC	12.00%	827	844	864	WACC	12.00%	6.65	7.57	8.60
	12.50%	788	803	820		12.50%	4.63	5.42	6.30
	13.00%	753	766	781		13.00%	2.79	3.48	4.24

</TABLE>

(***) Assuming a 0% book tax rate and 0% cash taxes.

(***) Projections after 1998 grow at 3%.

- Includes \$9.3 million book gain from \$12.5 million sale of 50% of their interest in two West Texas processing plants in 1995.
- Adjusted 1992 working capital for \$25 million gain in book accounting for the method of purchase and cost of gas between SMP and Transmission. This offsets \$16.8 million in 1993 and \$8.2 million in 1994.
- Adjusted 1993 working capital for \$28 million of "held checks" from the 30th to the 1st of the month in order to place on comparable basis with 1992 and prior years working capital requirements.
- Normalizes 1994 working capital by adjusting \$5.8 million which represents the last take-or-pay payment expected for the company.
- Adjusted for \$14.2 million in reclassification of Deferred Charges which just offsets in working capital for a net change of \$0.
- Positive changes in working Capital and Deferred Charges from 1995 forward reflect expected take-or-pay recoveries under the Lonestar settlement as of October 5, 1993.
- Assuming net Debt and Capitalized Lease Obligations of \$682.2 million, \$18 million in Deferred Management Fees and 19.05 million units outstanding.

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<TABLE>

<CAPTION>

Assumptions:	
<S>	<C>
SCENARIO (TAX FREE = 0 / TAXABLE = 1):	0.0
NET DEBT AND CAPITALIZED LEASES:	682.2
DEFERRED MANAGEMENT FEE	18.0
UNITS:	19.1
BOOK TAX RATE:	0.00%

DEFERRED TAX RATE:
DISCOUNT RATE:

0.00%
11.00%

OPERATING GROWTH 3.00%
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PROJECT MAINE
HISTORICAL AND PROJECTED FINANCIAL RESULTS
(Dollars in Millions)

NATURAL GAS PIPELINE	HISTORICAL			
	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>
Transmission:				
Volume	37.0	37.5	28.6	20.6
Sales Margin (cents per MCF)	18.0	16.0	15.0	15.0
Gross Profit	\$6.7	\$6.0	\$4.3	\$3.1
Special Marketing Program:				
Volume - On Line	273.2	295.3	296.9	334.3
Volume - Off Line	31.3	36.3	26.5	50.6
Total	304.5	331.6	323.4	384.9
Margin - On Line (cents per MCF)	26.6	22.4	20.7	22.5
Margin - Off Line (cents per MCF)	1.7	1.5	1.3	3.1
Gross Profit	\$73.2	\$66.7	\$61.8	\$76.6
Transportation:				
Volume - Third Party	325.6	330.6	381.6	439.5
Volume - Affiliate	81.4	82.6	94.6	117.2
Total	407.0	413.2	476.2	556.6
Trans Fee-Third Party (cents per MCF)	15.0	12.5	11.8	10.8
Trans Fee-Affiliate (cents per MCF)	11.0	10.0	9.6	9.3
Gross Profit	\$57.8	\$49.6	\$54.1	\$58.4
Other Income (a)	29.7	29.7	29.7	37.3
Total Gross Profit	\$167.4	\$152.0	\$149.9	\$175.4
Operating & General Expense	90.4	86.9	89.2	89.3
Depreciation & Amortization	25.8	28.0	28.1	28.4
Storage Costs	0.0	0.0	0.0	12.0
Pipeline Operating Income	\$51.2	\$37.1	\$32.6	\$45.8

</TABLE>
<TABLE>
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PROJECT MAINE
HISTORICAL AND PROJECTED FINANCIAL RESULTS
(Dollars in Millions)

NATURAL GAS PIPELINE	PROJECTED				
	1994	1995	1996	1997	1998
<S>	<C>	<C>	<C>	<C>	<C>
Transmission:					
Volume	17.9	16.4	15.7	15.7	5.2
Sales Margin (cents per MCF)	15.0	15.0	15.0	15.0	15.0
Gross Profit	\$2.7	\$2.5	\$2.5	\$2.4	\$0.8
Special Marketing Program:					
Volume - On Line	337.6	349.5	359.9	370.5	370.5
Volume - Off Line	73.0	82.1	91.5	100.4	100.4
Total	410.6	431.6	451.4	470.9	470.9

Margin - On Line (cents per MCF)	22.7	23.6	24.2	24.8	25.6
Margin - Off Line (cents per MCF)	5.0	5.0	5.0	5.0	5.0
Gross Profit	\$80.1	\$86.6	\$91.8	\$97.0	\$99.7
Transportation:					
Volume - Third Party	483.2	553.1	554.6	560.4	560.4
Volume - Affiliate	124.4	124.4	124.7	124.4	124.4
Total	607.5	677.5	679.3	684.8	684.8
Trans Fee-Third Party (cents per MCF)	10.0	10.2	10.4	10.4	10.7
Trans Fee-Affiliate (cents per MCF)	9.7	9.7	9.7	9.7	9.7
Gross Profit	\$60.5	\$68.3	\$70.0	\$70.2	\$71.9
Other Income (a)	28.0	23.1	23.0	23.1	9.5
Total Gross Profit	\$171.3	\$180.4	\$187.2	\$192.6	\$181.9
Operating & General Expense	96.5	98.6	101.5	104.0	107.2
Depreciation & Amortization	28.6	29.2	29.6	30.0	30.0
Storage Costs	12.0	12.0	12.0	12.0	12.0
Pipeline Operating Income	\$34.2	\$40.6	\$44.2	\$46.6	\$32.8

</TABLE>
<TABLE>
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PROJECT MAINE
HISTORICAL AND PROJECTED FINANCIAL RESULTS
(Dollars in Millions)

	PROJECTED				
NATURAL GAS PIPELINE	1999	2000	2001	2002	2003
<S>	<C>	<C>	<C>	<C>	<C>
Transmission:					
Volume	0.0	0.0	0.0	0.0	0.0
Sales Margin (cents per MCF)	0.0	0.0	0.0	0.0	0.0
Gross Profit	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Special Marketing Program:					
Volume - On Line	370.5	370.5	370.5	370.5	370.5
Volume - Off Line	100.4	100.4	100.4	100.4	100.4
Total	470.9	470.9	470.9	470.9	470.9
Margin - On Line (cents per MCF)	26.3	27.1	27.9	28.8	29.6
Margin - Off Line (cents per MCF)	5.0	5.0	5.0	5.0	5.0
Gross Profit	\$102.6	\$105.5	\$108.5	\$111.6	\$114.8
Transportation:					
Volume - Third Party	560.4	560.4	560.4	560.4	560.4
Volume - Affiliate	124.4	124.4	124.4	124.4	124.4
Total	684.8	684.8	684.8	684.8	684.8
Trans Fee-Third Party (cents per MCF)	11.0	11.3	11.7	12.0	12.4
Trans Fee-Affiliate (cents per MCF)	9.7	9.7	9.7	9.7	9.7
Gross Profit	\$73.7	\$75.6	\$77.5	\$79.4	\$81.5
Other Income (a)	2.8	2.8	2.8	3.0	3.0
Total Gross Profit	\$179.1	\$183.8	\$188.8	\$194.0	\$199.2
Operating & General Expense	110.4	113.7	117.1	120.6	124.2
Depreciation & Amortization	30.0	30.0	30.0	30.0	30.0
Storage Costs	12.0	7.2	6.8	6.8	6.8
Pipeline Operating Income	\$26.7	\$33.0	\$34.9	\$36.6	\$38.2

</TABLE>

(a) Includes recoveries for storage costs.

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<TABLE>

<CAPTION>

PROJECT MAINE
HISTORICAL AND PROJECTED FINANCIAL RESULTS
(Dollars in Millions)

HISTORICAL

NATURAL GAS LIQUIDS	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>
Production (BBs of gallons)	703.6	773.3	880.0	1,066.8
NGL Market Price (cents per gallon)	31.6	31.5	31.4	30.6
Shrinkage Cost	17.7	18.0	19.9	22.1
Gross Margin per gallon	13.9	13.5	11.5	8.5
Total Gross Margin	97.8	104.4	101.2	90.7
Operating & General Expense	22.6	21.7	28.9	31.1
Depreciation & Amortization	12.3	11.3	6.3	8.4
Production and Marketing	8.7	8.7	8.7	14.1
NGL Operating Income	\$54.2	\$62.7	\$57.3	\$37.0
Combined Operating Income	\$105.4	\$99.8	\$89.9	\$82.8

</TABLE>

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PROJECT MAINE
HISTORICAL AND PROJECTED FINANCIAL RESULTS
(Dollars in Millions)

PROJECTED

NATURAL GAS LIQUIDS	1994	1995	1996	1997	1998
<S>	<C>	<C>	<C>	<C>	<C>
Production (BBs of gallons)	1,164.6	1,173.2	1,173.2	1,173.2	1,173.2
NGL Market Price (cents per gallon)	30.5	32.5	33.3	33.7	34.7
Shrinkage Cost	22.3	24.2	24.8	25.1	25.9
Gross Margin per gallon	8.2	8.3	8.5	8.6	8.9
Total Gross Margin	95.5	97.4	99.7	100.9	103.9
Operating & General Expense	32.2	33.3	34.3	35.4	36.4
Depreciation & Amortization	9.1	9.2	9.7	9.5	9.5
Production and Marketing	15.3	16.7	16.2	17.8	18.3
NGL Operating Income	\$38.9	\$38.2	\$39.5	\$38.2	\$39.7
Combined Operating Income	\$73.1	\$78.8	\$83.7	\$84.8	\$72.5

</TABLE>

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PROJECT MAINE
HISTORICAL AND PROJECTED FINANCIAL RESULTS
(Dollars in Millions)

PROJECTED

NATURAL GAS LIQUIDS	1999	2000	2001	2002	2003
<S>	<C>	<C>	<C>	<C>	<C>
Production (BBs of gallons)	1,173.2	1,173.2	1,173.2	1,173.2	1,173.2
NGL Market Price (cents per gallon)	35.8	36.8	37.9	39.1	40.2
Shrinkage Cost	26.6	27.4	28.3	29.1	30.0
Gross Margin per gallon	9.1	9.4	9.7	10.0	10.3

Total Gross Margin	107.0	110.3	113.6	117.0	120.5
Operating & General Expense	37.5	38.6	39.8	41.0	42.2
Depreciation & Amortization	9.5	9.5	9.5	9.5	9.5
Production and Marketing	18.9	19.5	20.0	20.6	21.3
NGL Operating Income	\$41.2	\$42.7	\$44.2	\$45.9	\$47.5
Combined Operating Income	\$67.9	\$75.7	\$79.1	\$82.5	\$85.8

</TABLE>

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SALOMON BROTHERS INC

DETAILED PRO FORMA

COMBINATION MODEL

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<TABLE>

<CAPTION>

TRANSACTION SUMMARY

PROJECT MAINE

<S>	<C>	<C>	<C>	<C>	<C>
PURCHASE ANALYSIS:		CONVERTIBLE PREFERRED TERMS:		TRANSACTION EXPENSES:	
Preferred Exchanged	\$0.00	Dividend Yield	6.50%	Underwriting Fees	\$2,750
Cash Offered / Share	11.00	Conversion Premium	25.00%	Transaction Exp.	10,000
Total Consideration / Share	\$11.00	Conversion Price	\$30.00	Total Expenses	\$12,750
Premium offered	20.5%	Face Value of Preferred	\$50.00		
Total Units Purchased (Thousands)	9,750				

MARKET PRICES:

VLO Stock Price	\$24.00
VLP Unit Price	\$9.13

SHARES ISSUED (THOUSANDS):

Preferred	2,200
Common	0

GROSS SPREADS:

Preferred	2.5%
Common	4.5%

SOURCES OF FUNDS:

Cash	\$0
Common Stock Issued	0
Convertible Preferred	110,000
Total	\$110,000

USES OF FUNDS:

Purchase of VLP Units	\$107,250
Debt Reduction	0
Underwriting Fees	\$2,750
Total	\$110,000

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>	<C>	<C>
CALCULATION OF PP&E DEFICIT:		CONSIDERATION OFFERED :	PER UNIT	TOTAL	%
Investment in VLP	\$131,872	Cash	\$11.000	\$107,250	100.0%
VLP Purchase Price	107,250	Convertible Preferred Stock	0.000	0	0.0%
Transaction Costs	10,000	Total	\$11.000	\$107,250	100.0%
VLP Partnership Equity	(162,742)				
Leases A/R vs. A/P	74				
VLP Debt to VLO	(104,839)				
Difference (Goodwill)/PP&E deficit	(\$18,385)				

</TABLE>

NOTE: Assumes public offering of convertible preferred; effecting an

exchange offer instead would have an immaterial impact on pro forma earnings and coverage.

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VALUATION AND CREDIT STATISTICS

PROJECT MAINE

<TABLE>

<CAPTION>

	STATUS QUO 1993 ESTIMATE	
	VLO	VLP
<S>	<C>	<C>
INCOME		
E.P.S.: Primary	\$1.42	\$0.93
Accretion / (Dilution)		
Fully Diluted	\$1.42	\$0.58
Accretion / (Dilution)		
Cash Flow per Share	\$3.63	\$2.80
Accretion / (Dilution)		
DEBT/TOTAL BOOK CAPITALIZATION (a)		
Including Guarantees	39%	80%
Excluding Guarantees	38%	80%
FIRM VALUE AS A MULTIPLE OF (a):		
EBDIAT	7.5	6.4
STOCK PRICE AS A MULTIPLE OF (a):		
E.P.S.	16.9	15.7
Cash Flow per Share	6.6	3.3
COVERAGE		
EBDIAT / Gross Interest	4.3	1.8
EBDIAT / Gross Interest & Pfd. Div.	4.2	1.8
EBDIAT - Capex / Gross Interest & Pfd. Div.	1.4	1.1
Fixed Charge Ratio (b)	2.9	1.2
Cash Flow / Total Debt	31%	8%

</TABLE>

<TABLE>

<CAPTION>

	PRO FORMA	PROJECTED PRO FORMA			
	1993	1994	1995	1996	1997
<S>	<C>	<C>	<C>	<C>	<C>
INCOME					
E.P.S.: Primary	\$1.44	\$1.55	\$2.55	\$ 2.85	\$2.92
Accretion / (Dilution)	2%	-10%	-1%	-1%	-3%
Fully Diluted	\$1.44	\$1.55	\$2.50	\$ 2.78	\$2.85
Accretion / (Dilution)	2%	-10%	-3%	-4%	-6%
Cash Flow per Share	\$4.65	\$4.94	\$5.84	\$ 6.31	\$6.39
Accretion / (Dilution)	28%	20%	19%	21%	27%
DEBT/TOTAL BOOK CAPITALIZATION (a)					
Including Guarantees	53%	53%	50%	45%	40%
Excluding Guarantees	52%	52%	48%	42%	36%
FIRM VALUE AS A MULTIPLE OF (a):					
EBDIAT	6.9	6.6	5.9	5.5	5.4
STOCK PRICE AS A MULTIPLE OF (a):					
E.P.S.	16.6	15.4	9.4	8.4	8.2
Cash Flow per Share	5.2	4.9	4.1	3.8	3.8
COVERAGE					
EBDIAT / Gross Interest	3.1	3.2	3.8	4.4	5.0
EBDIAT / Gross Interest & Pfd. Div.	2.8	3.0	3.5	4.0	4.6

EBDIAT - Capex / Gross Interest & Pfd. Div.	1.2	2.0	2.4	2.8	3.6
Fixed Charge Ratio (b)	1.9	1.9	2.5	2.9	3.2
Cash Flow / Total Debt	18%	18%	22%	27%	32%

</TABLE>

-
- (a) Includes or excludes guarantees on PROESA and Javelina debt
(b) Assumes VLO stock price remains constant at \$24.00
(c) Pretax Income + Net Interest / Gross Interest + Preferred Dividends +
Mandatory Preferred Redemption

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SENSITIVITY TO OFFER PRICE PROJECT MAINE
IMPACT ON 1993 PRO FORMA RESULTS

<TABLE>
<CAPTION>

ASSUMED OFFER PRICE	VLO 1993E STATUS QUO
-----	-----
<S>	<C>
INCOME	
E.P.S.: Primary	\$ 1.42
Accretion / (Dilution)	
Fully Diluted	\$ 1.42
Accretion / (Dilution)	
Cash Flow per Share	\$ 3.63
Accretion / (Dilution)	
DEBT/TOTAL BOOK CAPITALIZATION (a)	
Including Guarantees	39%
Excluding Guarantees	38%
FIRM VALUE AS A MULTIPLE OF (a):	
EBDIAT	7.5
STOCK PRICE AS A MULTIPLE OF (a):	
E.P.S.	16.9
Cash Flow per Share	6.6
COVERAGE	
EBDIAT / Gross Interest	4.3
EBDIAT / Gross Interest & Pfd. Div.	4.2
EBDIAT - Capex / Gross Interest & Pfd. Div.	1.4
Fixed Charge Ratio (b)	2.9
Cash Flow / Total Debt	31%

</TABLE>

<TABLE>
<CAPTION>

ASSUMED OFFER PRICE	OFFER PRICE PER UNIT					
	\$10.00	\$11.00	\$12.00	\$13.00	\$ 14.00	\$15.00
-----	-----	-----	-----	-----	-----	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
INCOME						
E.P.S.: Primary	\$ 1.47	\$ 1.44	\$ 1.42	\$1.40	\$ 1.37	\$1.35
Accretion / (Dilution)	3%	2%	0%	-2%	-3%	-5%
Fully Diluted	\$ 1.47	\$ 1.44	\$ 1.42	\$1.40	\$ 1.37	\$1.35
Accretion / (Dilution)	3%	2%	0%	-2%	-3%	-5%
Cash Flow per Share	\$ 4.66	\$ 4.65	\$ 4.64	\$4.63	\$ 4.63	\$4.62
Accretion / (Dilution)	28%	28%	28%	28%	27%	27%
DEBT/TOTAL BOOK CAPITALIZATION (a)						
Including Guarantees	53%	53%	53%	52%	52%	52%
Excluding Guarantees	53%	52%	52%	52%	52%	51%
FIRM VALUE AS A MULTIPLE OF (a):						
EBDIAT	6.9	6.9	6.9	7.0	7.0	7.0

STOCK PRICE AS A MULTIPLE OF (a):						
E.P.S.	16.4	16.6	16.9	17.2	17.5	17.8
Cash Flow per Share	5.2	5.2	5.2	5.2	5.2	5.2

COVERAGE						
EBDIAT / Gross Interest	3.1	3.1	3.1	3.1	3.1	3.1
EBDIAT / Gross Interest & Pfd. Div.	2.8	2.8	2.8	2.8	2.8	2.8
EBDIAT - Capex / Gross Interest & Pfd. Div.	1.2	1.2	1.2	1.2	1.2	1.2
Fixed Charge Ratio (b)	1.9	1.9	1.9	1.9	1.9	1.8
Cash Flow / Total Debt	18%	18%	18%	18%	18%	18%

</TABLE>

-
- (a) Includes or excludes guarantees on PROESA and Javelina debt
(b) Assumes VLO stock price remains constant at \$24.00
(c) Pretax Income + Net Interest / Gross Interest + Preferred Dividends + Mandatory Preferred Redemption

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SENSITIVITY TO CONVERT & COMMON OFFER SIZE PROJECT MAINE
IMPACT ON 1993 PRO FORMA RESULTS

<TABLE>
<CAPTION>

ASSUMED OFFER PRICE	VLO 1993E STATUS QUO	SIZE OF CONVERTIBLE PREFERRED ISSUE		
		\$110,000	\$150,000	\$200,000
<S>	<C>	<C>	<C>	<C>
INCOME				
E.P.S.: Primary	\$ 1.42	\$ 1.44	\$ 1.41	\$ 1.38
Accretion / (Dilution)		2%	0%	-3%
Fully Diluted	\$ 1.42	\$ 1.44	\$ 1.41	\$ 1.38
Accretion / (Dilution)		2%	0%	-3%
Cash Flow per Share	\$ 3.63	\$ 4.65	\$ 4.62	\$ 4.59
Accretion / (Dilution)		28%	27%	26%
DEBT/TOTAL BOOK CAPITALIZATION (a)				
Including Guarantees	39%	53%	51%	49%
Excluding Guarantees	38%	52%	50%	48%
FIRM VALUE AS A MULTIPLE OF (a):				
EBDIAT	7.5	6.9	6.9	6.9
STOCK PRICE AS A MULTIPLE OF (a):				
E.P.S.	16.9	16.6	17.0	17.4
Cash Flow per Share	6.6	5.2	5.2	5.2
COVERAGE				
EBDIAT / Gross Interest	4.3	3.1	3.1	3.2
EBDIAT / Gross Interest & Pfd. Div.	4.2	2.8	2.8	2.8
EBDIAT - Capex / Gross Interest & Pfd. Div.	1.4	1.2	1.2	1.2
Fixed Charge Ratio (b)	2.9	1.9	1.9	1.9
Cash Flow / Total Debt	31%	18%	19%	20%

</TABLE>

<TABLE>
<CAPTION>

ASSUMED OFFER PRICE	SIZE OF COMMON ISSUE		
	\$112,304	\$ 150,000	\$200,000
<S>	<C>	<C>	<C>
INCOME			
E.P.S.: Primary	\$ 1.45	\$ 1.43	\$ 1.40
Accretion / (Dilution)	2%	1%	-1%
Fully Diluted	\$ 1.45	\$ 1.43	\$ 1.40
Accretion / (Dilution)	2%	1%	-1%
Cash Flow per Share	\$ 4.35	\$ 4.24	\$ 4.10
Accretion / (Dilution)	20%	17%	13%

DEBT/TOTAL BOOK CAPITALIZATION (a)			
Including Guarantees	53%	51%	49%
Excluding Guarantees	52%	51%	48%
FIRM VALUE AS A MULTIPLE OF (a):			
EBDIAT	6.9	6.9	6.9
STOCK PRICE AS A MULTIPLE OF (a):			
E.P.S.	16.5	16.8	17.1
Cash Flow per Share	5.5	5.7	5.9
COVERAGE			
EBDIAT / Gross Interest	3.1	3.1	3.2
EBDIAT / Gross Interest & Pfd. Div.	3.0	3.1	3.2
EBDIAT - Capex / Gross Interest & Pfd. Div.	1.3	1.3	1.3
Fixed Charge Ratio (b)	2.0	2.1	2.1
Cash Flow / Total Debt	19%	20%	21%

</TABLE>

-
- (a) Includes or excludes guarantees on PROESA and Javelina debt
(b) Assumes VLO stock price remains constant at \$24.00
(c) Pretax Income + Net Interest / Gross Interest + Preferred Dividends +
Mandatory Preferred Redemption

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INCOME STATEMENT PROJECT MAINE
<TABLE>
<CAPTION>

INCOME STATEMENT	1993 ESTIMATE		ADJUSTMENTS	
	VLO	VLP	CONSOLI- DATING	PURCHASE ACCT.
<S>	<C>	<C>	<C>	<C>
Total Operating Revenues	\$1,269,469	\$1,321,146	(\$ 279,622)	\$ 4,554
Operating Expenses:				
Cost of Sales	971,645	1,081,411	(198,646)	(274)
Operating & General Expenses	97,275	118,075	(80,976)	5,353
EBDIAT (before equity income)	200,549	121,660	0	(525)
Depreciation & Amortization	81,626	38,918	(2,847)	(4,816)
EBIT (before equity income)	118,923	82,742	2,847	4,291
Other Income and (Expense)				
Equity in Earnings of VLP	11,854		(11,854)	
Equity in Earnings of Javelina	(1,257)			
Equity in Earnings of Proesa				
Equity in Earnings of Misc. JVs				
Interest and Other Income	11,924	1,237	(13,178)	294
Gain on Sale of Assets	10,732			
EBIT	152,176	83,979	(22,185)	4,585
Interest Expense:				
Interest Incurred	(49,592)	(68,488)	12,822	231
Interest Capitalized	12,763	1,678		
Net Interest Expense	(36,829)	(66,810)	12,822	231
PRE TAX INCOME	115,347	17,169	(9,363)	4,816
Taxes:				
Cash	21,000		(1,468)	117
Deferred	31,100		4,200	1,629
Total Taxes	52,100	0	2,732	1,746
Net Income	63,247	17,169	(12,095)	3,071
Preferred Dividends	1,262		7,150	
NET INCOME TO COMMON	\$ 61,985	\$ 17,169	(\$ 19,245)	\$ 3,071

</TABLE>

<TABLE>
<CAPTION>

INCOME STATEMENT	PRO FORMA	PROJECTED PRO FORMA			
	1993	1994	1995	1996	1997
<S>	<C>	<C>	<C>	<C>	<C>
Total Operating Revenues	\$2,315,547				
Operating Expenses:					
Cost of Sales	1,854,136				
Operating & General Expenses	139,727				
EBDIAT (before equity income)	321,684	334,589	377,797	399,101	404,003
Depreciation & Amortization	112,881	117,166	119,518	121,752	125,293
EBIT (before equity income)	208,803	217,424	258,280	277,350	278,711
Other Income and (Expense)					
Equity in Earnings of VLP	0	0	0	0	0
Equity in Earnings of Javelina	(1,257)	(329)	(1,051)	(1,091)	(1,118)
Equity in Earnings of Proesa	0	0	0	6,815	8,177
Equity in Earnings of Misc. JVs	0	0	0	0	0
Interest and Other Income	277	2,951	6,676	11,551	5,493
Gain on Sale of Assets	10,732		9,300		
EBIT	218,555	220,046	273,205	294,625	291,263
Interest Expense:					
Interest Incurred	(105,027)	(103,743)	(100,226)	(92,658)	(81,738)
Interest Capitalized	14,441	5,459	11,159	5,982	3,171
Net Interest Expense	(90,586)	(98,284)	(89,067)	(86,677)	(78,567)
PRE TAX INCOME	127,969	121,762	184,138	207,948	212,696
Taxes:					
Cash	19,649	14,963	31,561	43,465	48,687
Deferred	36,929	30,500	33,000	31,900	28,100
Total Taxes	56,478	45,463	64,561	75,365	76,787
Net Income	71,492	76,299	119,577	132,582	135,909
Preferred Dividends	8,412	8,314	8,216	8,119	8,019
NET INCOME TO COMMON	\$ 63,080	\$ 67,985	\$ 111,361	\$ 124,463	\$ 127,890

</TABLE>

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CASH FLOW STATEMENT
<TABLE>
<CAPTION>

PROJECT MAINE

CASH FLOW FROM OPERATIONS	1993 ESTIMATE		ADJUSTMENTS	
	VLO	VLP	CONSOLI-DATING	PURCHASE ACCT.
<S>	<C>	<C>	<C>	<C>
Net Income	63,247	17,169	(12,095)	3,071
Book Depreciation & Amortization	56,572	36,402	(2,847)	2,103
Amortization of Deferred Charges/Other	25,054	2,516		(6,919)
Deferred Taxes	31,100		4,200	1,629
(Gain) or Loss on Disposition	(10,732)			
Equity in Earnings of VLP	(11,854)	0	11,854	0
Equity in Earnings of Javelina	1,257	0	0	0
Equity in Earnings of Proesa	0	0	0	0
Equity in Earnings of Misc. JVs	0	0	0	0
Distributions Received from VLP	5,449		(5,449)	
Distributions Received from Proesa	0	0	0	0
TOTAL (before working capital)	160,093	56,087	(4,337)	(117)
WORKING CAPITAL CHANGES				

Net Working Capital	19,323	(28,821)	0	0
Changes in Current Assets				
Changes in Current Liabilities				
Changes in Deferred Lease Obligation	(939)	871	0	0
Changes in Deferred Charges & Credits	(13,331)	2,318	0	0
	-----	-----	-----	-----
TOTAL	165,146	30,455	(4,337)	(117)
CASH FLOW FROM INVESTING				
Capital Expenditures	(141,826)	(44,177)		
Deferred Turnaround costs	(23,370)			
Distributions in Excess of Earnings	120			
Investments in and Advances to VLP	(116,254)			
Principal Repay on Lease with LP	528			
Investment in Javelina	(720)			
Investment in Coal Seam	(1,241)			
Investment in Proesa	(3,950)			
Investment in Misc. JVs	0			
Other, Net	30,784	2,497		
	-----	-----	-----	-----
TOTAL	(255,929)	(41,680)	0	0

</TABLE>

<TABLE>
<CAPTION>

	PRO FORMA 1993	PROJECTED PRO FORMA			
		1994	1995	1996	1997
	-----	-----	-----	-----	-----
CASH FLOW FROM OPERATIONS					
<S>	<C>	<C>	<C>	<C>	<C>
Net Income	71,492	76,299	119,577	132,582	135,909
	-----	-----	-----	-----	-----
Book Depreciation & Amortization	92,230	97,838	99,682	101,027	107,866
Amortization of Deferred Charges/Other)	20,651	19,328	19,836	20,725	17,427
Deferred Taxes	36,929	30,500	33,000	31,900	28,100
(Gain) or Loss on Disposition	(10,732)		(9,300)		
Equity in Earnings of VLP	0	0	0	0	0
Equity in Earnings of Javelina	1,257	329	1,051	1,091	1,118
Equity in Earnings of Proesa	0	0	0	(6,815)	(8,177)
Equity in Earnings of Misc. JVs	0	0	0	0	0
Distributions Received from VLP	0	0	0	0	0
Distributions Received from Proesa	0	0	0	3,453	5,228
	-----	-----	-----	-----	-----
TOTAL (before working capital)	211,826	224,293	263,846	283,963	287,470
WORKING CAPITAL CHANGES					
Net Working Capital	(9,498)	0	0	0	0
Changes in Current Assets	0	(25,340)	(11,361)	(2,543)	15,065
Changes in Current Liabilities	0	(39,213)	1,019	(369)	2,516
Changes in Deferred Lease Obligation	(68)	0	0	0	0
Changes in Deferred Charges & Credits	(11,013)	12,485	16,809	15,860	7,250
	-----	-----	-----	-----	-----
TOTAL	191,247	172,225	270,313	296,911	312,301
CASH FLOW FROM INVESTING					
Capital Expenditures	(186,003)	(108,250)	(119,207)	(118,780)	(92,222)
Deferred Turnaround costs	(23,370)	(17,341)	(22,755)	(16,524)	(28,716)
Distributions in Excess of Earnings	120				
Investments in and Advances to VLP	(116,254)				
Principal Repay on Lease with LP	528				
Investment in Javelina	(720)	0	0	0	0
Investment in Coal Seam	(1,241)	355	2,030	0	0
Investment in Proesa	(3,950)	(56,577)	(7,352)	3,465	0
Investment in Misc. JVs	0	0	0	0	0
Other, Net	33,281	2,000	12,500	0	0
	-----	-----	-----	-----	-----
TOTAL	(297,609)	(179,813)	(134,784)	(131,839)	(120,938)

</TABLE>

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CASH FLOW STATEMENT (CONT'D)

PROJECT MAINE

<TABLE>
<CAPTION>

	1993 ESTIMATE		ADJUSTMENTS	
	VLO	VLP	CONSOLI-DATING	PURCHASE ACCT.
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Preferred Dividends	(1,270)		(7,150)	
Common stock dividends	(19,821)		0	
Preferred Stock Redemption	(1,150)		107,250	
Common Stock Issuance	3,034	0	0	0

Proceeds from Unexpended Debt		(25,357)		
Bank Line Borrowings/Reductions	5,828	(762)	0	0
Short-Term Note Increase (Decrease)	8,300	46,500	0	0
Principal Payments on Embedded Debt	(15,000)	0	0	0
(Increase) Decrease in Principal Escrow	0	(1,875)	0	0
Distributions from Partners		(10,445)	10,445	
Additional Debt Borrowing / (Amortization)				
TOTAL	(20,079)	8,061	110,545	0
Increase/(Decrease In Cash Balance	(\$110,862)	(\$3,164)	\$106,208	(\$117)
Cash Balance at Beginning of Period	8,174	6,598		
Cash Balance at End of Period	(102,688)	3,434	106,208	(117)

</TABLE>

<TABLE>
<CAPTION>

CASH FLOW FROM FINANCING	PROJECTED PRO FORMA				
	PRO FORMA 1993	1994	1995	1996	1997
<S>	<C>	<C>	<C>	<C>	<C>
Preferred Dividends	(8,420)	(8,322)	(8,224)	(8,127)	(8,027)
Common stock dividends	(19,821)	(23,353)	(26,859)	(30,343)	(33,830)
Preferred Stock Redemption	106,100	(1,150)	(1,150)	(1,150)	(1,150)
Common Stock Issuance	3,034	2,059	792	644	644
Proceeds from Unexpended Debt	(25,357)				
Bank Line Borrowings/Reductions	5,066	47,075	(21,152)	(44,959)	(29,791)
Short-Term Note Increase (Decrease)	54,800	48,500	(16,500)	(11,000)	(27,500)
Principal Payments on Embedded Debt	(15,000)	(55,143)	(60,643)	(67,943)	(70,443)
(Increase) Decrease in Principal Escrow	(1,875)	(1,875)	(1,875)	(1,875)	(1,875)
Distributions from Partners	0				
Additional Debt Borrowing / (Amortization)	0	(203)	82	(319)	(19,390)
TOTAL	98,527	7,588	(135,529)	(165,072)	(191,363)
Increase/(Decrease In Cash Balance	(\$7,934)	\$0	\$0	\$0	\$0
Cash Balance at Beginning of Period		7,000	7,000	7,000	7,000
Cash Balance at End of Period	7,000	7,000	7,000	7,000	7,000

</TABLE>

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BALANCE SHEET

PROJECT MAINE

<TABLE>
<CAPTION>

	ADJUSTMENTS			
	1993 ESTIMATE			
	VLO	VLP	CONSOLI-DATING	PURCHASE ACCT.
<S>	<C>	<C>	<C>	<C>
Current Assets:				
Cash	\$ 7,000	\$ 3,434	(\$ 3,434)	\$ 0
Other Current Assets	287,058	193,904	(48,630)	
Total Current Assets	294,058	197,338	(52,064)	
Property, Plant, & Equipment	1,299,497	748,384	(18,385)	32,866
Investment in and Advances to VLP	131,872		(131,872)	
Investment in Javelina	16,914			
Investment in Coal Seam	7,136			
Investment in Proesa	4,039			
Investment in Misc. JVs	0			
Deferred Charges & Credits (net)	39,907	79,284	0	(32,866)
Total Assets	1,793,423	1,025,006	(202,321)	0
Liabilities & Stockholders' Equity				
Current Maturities of LTD	28,737	27,857		
Short Term Notes	15,000	46,500		
Current Maturities Lease		1,052	(1,052)	
Other Current Liabilities	161,210	176,639	(48,556)	0
Total Current Liabilities	204,947	252,048	(49,608)	0
Long-Term Debt Less Current Maturities	452,883	506,429	6,566	
Capital Lease Obligations		103,787	(103,787)	0
Deferred Income Taxes	253,188	0		
Redeemable Preferred Stock	13,800	0	0	0
Total Liabilities	924,818	862,264	(146,829)	0

Partnership Equity		162,742	(162,742)	0
Convertible Preferred Stock			110,000	
Common Stock	868,602	0	(2,750)	0
	-----	-----	-----	-----
Shareholders' Equity	868,602	162,742	(55,492)	0
Total Liabilities & Stockholders' Equity	\$1,793,420	\$1,025,006	(\$202,321)	\$ 0
	=====	=====	=====	=====

Shares Outstanding 43,741.9 18,500.0
</TABLE>

<TABLE>
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	PROJECTED PRO FORMA				
	PRO FORMA 1993	1994	1995	1996	1997
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Current Assets:					
Cash	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000
Other Current Assets	432,332	459,547	472,783	477,201	464,012
	-----	-----	-----	-----	-----
Total Current Assets	439,332	466,547	479,783	484,201	471,012
Property, Plant, & Equipment	2,062,362	2,070,460	2,086,469	2,103,907	2,087,947
Investment in and Advances to VLP	0	0	0	0	0
Investment in Javelina	16,914	16,585	15,534	14,443	13,325
Investment in Coal Seam	7,136	3,597	0	0	0
Investment in Proesa	4,039	60,616	67,968	67,865	70,814
Investment in Misc. JVs	0	0	0	0	0
Deferred Charges & Credits (net)	86,325	73,557	61,220	42,322	47,477
	-----	-----	-----	-----	-----
Total Assets	2,616,108	2,691,362	2,710,974	2,712,738	2,690,575
	=====	=====	=====	=====	=====
Liabilities & Stockholders' Equity					
Current Maturities of LTD	56,594	62,230	69,679	72,341	75,018
Short Term Notes	61,500	110,000	93,500	82,500	55,000
Current Maturities Lease	0	0	0	0	0
Other Current Liabilities	289,293	250,080	251,099	250,730	253,246
	-----	-----	-----	-----	-----
Total Current Liabilities	407,387	422,310	414,278	405,571	383,264
Long-Term Debt Less Current Maturities	965,878	950,518	859,769	742,150	617,952
Capital Lease Obligations	0	0	0	0	0
Deferred Income Taxes	253,188	280,505	311,937	343,837	371,937
Redeemable Preferred Stock	13,800	12,650	11,500	10,350	9,200
	-----	-----	-----	-----	-----
Total Liabilities	1,640,253	1,665,983	1,597,484	1,501,908	1,382,353
Partnership Equity	0	0	0	0	0
Convertible Preferred Stock	110,000	110,000	110,000	110,000	110,000
Common Stock	865,852	915,377	1,003,489	1,100,829	1,198,222
	-----	-----	-----	-----	-----
Shareholders' Equity	975,852	1,025,377	1,113,489	1,210,829	1,308,222
Total Liabilities & Stockholders' Equity	\$2,616,105	\$2,691,359	\$2,710,973	\$2,712,737	\$2,690,575
	=====	=====	=====	=====	=====
Shares Outstanding	43,741.9	43,741.9	43,741.9	43,741.9	43,741.9

</TABLE>

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SALOMON BROTHERS INC

STOCK PRICE
PERFORMANCE GRAPHS

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SALOMON BROTHERS INC

Price Profile of VLP vs. Index

[graph 78]

Valero Natural Gas Partners, LP
Index of Intrastate Pipeline Companies (AOG,DGP,NGA,TEJ,WGR)

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SALOMON BROTHERS INC

Price (%) Profile

WEEKLY DATA - 1/5/90 THROUGH 10/1/93

[chart 79]

Valero Natural Gas Partners, L.P. Buckeye Partners, L.P.
Kaneb Pipe Line Partners, L.P. TEPPCO Partners, L.P.
Lakehead Pipe Line Partners, L.P. Enron Liquids Pipeline, L.P.
Santa Fe Pacific Pipeline Partners, L.P.

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SALOMON BROTHERS INC

Yield Profile

WEEKLY DATA - 1/5/90/ THROUGH 10/1/93

[chart 80]

<TABLE>

<CAPTION>

Summary Statistics:

<S>	High <C>	Low <C>	Average <C>	Latest <C>
Valero Natural Gas Partners, L.P.	31.25%	5.19%	15.83%	5.41%
Buckeye Partners, L.P.	11.24%	6.93%	9.26%	7.05%
Kaneb Pipe Line Partners, L.P.	15.44%	2.59%	10.68%	8.26%
TEPPCO Partners, L.P.	13.33%	0.80%	9.73%	7.93%
Lakehead Pipe Line Partners, L.P.	11.04%	7.23%	9.13%	7.23%
Enron Liquids Pipeline, L.P.	9.21%	7.39%	8.09%	7.96%
Santa Fe Pacific Pipeline Partners, L.P.	10.95%	7.00%	8.54%	7.34%

</TABLE>

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SALOMON BROTHERS INC

GATHERING,
TRANSMISSION AND
PROCESSING
COMPARABLES

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SALOMON BROTHERS INC

		PRICE 10/6/93	MARKET VALUE	FIRM VALUE (a)	TOTAL DEBT	BOOK VALUE (b)	LTM SALES	CASH	ANNUAL DIVIDEND PER SHARE	AVG. DAILY TRADING VOLUME
		-----	-----	-----	-----	-----	-----	-----	-----	-----
<S>		<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PUBLICLY TRADED COMPANIES										
AOG	American Oil and Gas Corporation (f)	\$12.000	\$308	\$385	\$86	\$188	\$504	\$10	\$0.00	21,694
NGA	Associated Natural Gas Corporation	36.875	481	609	149	164	1,320	20	0.12	28,136
TEJ	Tejas Gas Corporation (g)	59.375	610	1,019	369	234	988	11	0.00	13,316
DGP	USX-Delhi Group (k)	22.875	322	413	89	203	503	0	0.20	
WGR	Western Gas Resources	44.625	1,143	1,361	152	299	716	9	0.20	63,058
FILED TRANSACTIONS										
	Aquila Gas Pipeline	14,000	419	529	129	134	214	19	0.05	
	Trident NGL, Inc. (j)	26,500	486	809	348	267	636	25	0.10	

		EARNINGS PER SHARE (c)			CASH FLOW PER SHARE (d)			EBDIAT (e)		
		LTM	1993E	1994E	LTM	1993E	1994E	LTM	1993E	1994E
<S>		<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PUBLICLY TRADED COMPANIES										
AOG	American Oil and Gas Corporation	\$0.51	\$0.69	\$0.97	\$1.12	\$1.39	\$1.67	\$45	\$52	\$63
NGA	Associated Natural Gas Corporation	1.46	1.49	1.88	3.58	3.55	3.94	65	67	75
TEJS	Tejas Gas Corporation	2.20	1.63	2.28	5.74	4.32	4.97	98	89	100
DGP	USX-Delhi Group	1.35	1.39	1.74	4.27	4.28	4.63	77	85	95
WGR	Western Gas Resources, Inc.	1.55	1.78	2.26	3.10	3.30	3.78	105	116	134
FILED TRANSACTIONS										
	Aquila Gas Pipeline	0.82	NA	NA	2.11	NA	NA	65	NA	NA
	Trident NGL, Inc.	1.39	NA	NA	3.93	NA	NA	109	NA	NA

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GAS TRANSMISSION & PROCESSING COMPANIES - COMPARABLE ANALYSIS

VALUATION INDICATORS

		PRICE/EARNINGS			PRICE/CASH FLOW			FIRM VALUE/EBDIAT		
		LTM	1993E	1994E	LTM	1993E	1994E	LTM	1993E	1994E
<S>		<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PUBLICLY TRADED COMPANIES										
AOG	American Oil and Gas Corporation	23.7x	17.4x	12.4x	10.7x	8.6x	7.2x	8.6x	7.4x	6.1x
NGA	Associated Natural Gas Corporation	25.2	24.7	19.6	10.3	10.4	9.4	9.4	9.1	8.1
TEJS	Tejas Gas Corporation	27.0	36.4	26.0	10.3	13.8	12.0	10.4	11.4	10.2
DGP	USX-Delhi Group	16.9	16.5	13.1	5.4	5.3	4.9	5.4	4.8	4.4
WGR	Western Gas Resources, Inc.	28.8	25.1	19.7	14.4	13.5	11.8	13.0	11.7	10.1
	HIGH:	28.8	36.4	26.0	14.4	13.8	12.0	13.0	11.7	10.2
	AVERAGE:	24.3	24.0	18.2	10.2	10.3	9.1	9.4	8.9	7.8
	MEDIAN:	25.2	24.7	19.6	10.3	10.4	9.4	9.4	9.1	8.1
	LOW:	16.9	16.5	12.4	5.4	5.3	4.9	5.4	4.8	4.4
FILED TRANSACTIONS										
	Aquila Gas Pipeline	17.1	NA	NA	6.6	NA	NA	8.1	NA	NA
	Trident NGL, Inc.	19.1	NA	NA	6.7	NA	NA	7.4	NA	NA

CREDIT STATISTICS

		DEBT/CAP			LTM			PRICE/	
		BOOK CAP	MARKET CAP	YIELD	DIVIDEND COVERAGE	DIVIDEND PAYOUT	EBDIAT/ INTEREST	BOOK VALUE	
<S>		<C>	<C>	<C>	<C>	<C>	<C>	<C>	
PUBLICLY TRADED COMPANIES									

AOG	American Oil and Gas Corporation	32%	22%	0.0%	NM	0%	5.2x	1.6x
NGA	Associated Natural Gas Corporation	44%	24%	0.2%	12.2	8%	5.2	2.9
TEJS	Tejas Gas Corporation	56%	38%	0.0%	NM	0%	3.8	2.6
DGP	USX-Delhi Group	31%	22%	0.9%	6.8	15%	14.2	1.6
WGR	Western Gas Resources, Inc.	29%	12%	0.4%	7.7	13%	11.7	3.8
	HIGH:	56%	38%	0.9%	12.2x	15%	14.2x	3.8x
	AVERAGE:	38%	23%	0.3%	8.9	7%	8.0	2.5
	MEDIAN:	32%	22%	0.2%	7.7	8%	5.2	2.6
	LOW:	29%	12%	0.0%	6.8	0%	3.8	1.6

FILED TRANSACTIONS

Aquila Gas Pipeline	48%	24%	NA	NA	NA	8.3	3.1
Trident NGL, Inc.	57%	42%	0.4%	13.9	7%	2.7	1.8

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PROFITABILITY AND RETURN RATIOS

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	GROSS MARGIN	EBDIAT/REVENUE	EBIT REVENUE	NET INCOME/REVENUE	EBDIAT/TOT ASSETS	NET INCOME/TOT ASSETS	EBDIAT/PP&E	NET INCOME/PP&E	EBDIAT/FIRM VALUE
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PUBLICLY TRADED COMPANIES									
American Oil and Gas Corporation	17%	9%	6%	3%	12%	3%	17%	5%	12%
Associated Natural Gas Corporation	8%	5%	3%	1%	12%	4%	19%	6%	11%
Tejas Gas Corporation	15%	10%	7%	2%	12%	3%	17%	4%	10%
USX-Delhi Group	23%	15%	7%	4%	14%	3%	15%	4%	19%
Western Gas Resources, Inc.	26%	15%	10%	6%	17%	7%	22%	8%	8%
	HIGH:	26%	15%	10%	6%	17%	22%	8%	19%
	AVERAGE:	18%	11%	7%	3%	13%	18%	5%	12%
	MEDIAN:	17%	10%	7%	3%	12%	17%	5%	11%
	LOW:	8%	5%	3%	1%	12%	15%	4%	8%

FILED TRANSACTIONS

Aquila Gas Pipeline	20%	30%	23%	11%	17%	7%	22%	8%	12%
Trident NGL, Inc.	NA	17%	12%	4%	15%	3%	19%	4%	13%

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OPERATING PERFORMANCE

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	MILES OF PIPELINE	THROUGH-PUT	REVENUE/PIPELINE	EBDIAT/PIPELINE	(\$/MMCF/YR)	
<S>	<C>	<C>	<C>	<C>	REVENUE/THROUGHOUT	EBDIAT/THROUGHOUT
PUBLICLY TRADED COMPANIES						
American Oil and Gas Corporation	5,634	877	89,446	7,938	1,574	140
Associated Natural Gas Corporation	4,400	808	299,899	14,730	4,474	220
Tejas Gas Corporation	2,626	1,079	376,085	37,167	2,508	248
USX-Delhi Group	8,557	798	58,806	8,940	1,728	263
Western Gas Resources, Inc.	9,258	580	77,342	11,315	3,382	495
	HIGH:	9,258	1,079	376,085	4,474	495
	AVERAGE:	6,095	828	180,316	16,018	273
	MEDIAN:	5,634	808	89,446	11,315	248
	LOW:	2,626	580	58,806	7,938	140

FILED TRANSACTIONS

Aquila Gas Pipeline	22,235	1,439	9,642	2,932	408	124
Trident NGL, Inc.	8,000	52	79,550	13,575	33,530	5,722

</TABLE>

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SALOMON BROTHERS INC

REFINING AND
MARKETING
COMPARABLES

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SALOMON BROTHERS INC

REFINING & MARKETING COMPANIES
FINANCIAL DATA

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COMPANY	10/6/93 PRICE	EQUITY		TOTAL DEBT	BOOK EQUITY	CASH	FIRM VALUE	BOOK CAP.	MARKET CAP.
		MARKET VALUE	VALUE						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Ashland Oil, Inc.	\$35,125	\$2,106	\$1,633.8	\$1,407.8	\$ 51.0	\$3,989.2	\$3,041.2	\$4,040.2	
Crown Central Petroleum Corp.	13.750	136	61.5	295.3	31.8	166.1	356.7	197.9	
Diamond Shamrock Inc.	24.750	713	528.5	536.9	12.5	1,314.9	1,065.4	1,327.4	
FINA, Inc.	69.750	1,088	968.6	1,115.5	7.2	2,049.0	2,084.0	2,056.2	
Holly Corporation	29.375	242	90.0	36.4	1.4	331.0	126.4	332.4	
Sun Company	29,625	3,156	939.0	1,909.0	100.0	4,377.8	2,848.0	4,094.8	
Tosco Corporation	28.250	827	507.7	404.0	91.4	1,358.2	911.7	1,449.6	
Ultramar Corporation	24.750	944	512.8	529.4	155.6	1,301.8	1,042.2	1,457.2	
Valero Energy Corporation	\$24.000	\$1,034	\$551.9	\$853.6	\$ 7.8	\$1,578.6	1,405.5	\$1,586.4	

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Company	LTM	LTM	LTM	LTM	LTM	LTM	LTM	NET ASSET
	REVENUES	INTEREST	DD&A	EBITDA	EBIT	CASH FLOW	EARNINGS	VALUE
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Ashland Oil, Inc.	\$10,391	\$140.8	\$305.8	\$517.4	\$211.6	\$389.0	\$77.0	\$35.80
Crown Central Petroleum Corp.	1,826	7.7	42.1	37.3	(4.8)	24.6	(16.7)	NA
Diamond Shamrock Inc.	2,647	45.0	59.1	148.1	89.0	98.9	33.5	21.14
FINA, Inc.	3,627	58.1	204.7	298.8	94.1	242.0	37.3	NA
Holly Corporation	619	9.8	11.6	49.4	37.8	33.0	19.8	NA
Sun Company	10,064	92.0	392.0	662.0	270.0	314.1	104.1	33.84
Tosco Corporation	3,914	45.0	115.8	297.2	181.4	199.3	74.4	26.27
Ultramar Corporation	2,556	52.7	35.0	182.2	147.3	105.4	45.3	20.54
Valero Energy Corporation	\$1,285	\$49.8	\$70.6	\$217.6	\$147.1	\$161.1	\$75.3	\$25.02

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SALOMON BROTHERS INC

REFINING & MARKETING COMPANIES
CREDIT STATISTICS

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COMPANY	DEBT RATING		DEBT/		DEBT/			DIVIDEND		
	MOODY'S	S&P	BOOK CAP	MRKT. CAP	BOOK	EBITDA	CASH FLOW	STATED	YIELD	PAYOUT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Ashland Oil, Inc.	Baa1	BBB	54%	40%	116%	3.2x	4.2x	\$1.00	2.8%	77.9%
Crown Central Petroleum Corp.	NA	NA	17%	31%	21%	1.6	2.5	0.00	0.0%	0.0%
Diamond Shamrock Inc.	Baa2	BBB	50%	40%	98%	3.6	5.3	0.52	2.1%	44.7%
FINA, Inc.	NA	NA	46%	47%	87%	3.2	4.0	0.00	0.0%	0.0%
Holly Corporation	NA	NA	71%	27%	247%	1.8	2.7	0.00	0.0%	0.0%
Sun Company	Baa1	A-	33%	23%	49%	1.4	3.0	1.80	6.1%	184.1%
Tosco Corporation	Ba1	BB+	56%	35%	126%	1.7	2.5	0.60	2.1%	23.6%
Ultramar Corporation	Baa3	BBB	49%	35%	97%	2.8	4.9	1.10	4.4%	92.7%
HIGH:			71%	47%	247%	3.6x	5.3x	1.80	6.1%	184.1%
AVERAGE:			47%	35%	105%	2.4	3.6	0.63	2.2%	52.9%
MEDIAN:			49%	35%	98%	2.3	3.5	0.56	2.1%	34.2%
LOW:			17%	23%	21%	1.4	2.5	0.00	0.0%	0.0%
Valero Energy Corporation	Baa3	BBB-	39%	35%	65%	2.5x	3.4x	\$0.44	1.8%	25.2%

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COMPANY	LTM	EBDIAT / INTEREST				LTM	LTM
	EBIT / INTEREST	1989	1990	1991	1992	INTEREST	CASH FLOW / INTEREST
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Ashland Oil, Inc.	1.5x	5.6x	5.0x	4.2x	3.3x	3.7x	2.8x
Crown Central Petroleum Corp.	(0.6)	28.9	29.8	2.9	4.2	4.8	3.2

Diamond Shamrock Inc.	2.0	5.7	5.3	3.6	3.0	3.3	2.2
FINA, Inc.	1.6	4.5	5.2	4.0	4.3	5.1	4.2
Holly Corporation	3.9	10.0	9.1	5.6	2.2	5.1	3.4
Sun Company	2.9	6.2	7.8	5.8	6.7	7.2	3.4
Tosco Corporation	4.0	2.9	7.6	5.9	6.2	6.6	4.4
Ultramar Corporation	2.8	5.2	2.9	3.9	3.7	3.5	2.0
HIGH:	4.0x	28.9x	29.8x	5.9x	6.7x	7.2x	4.4x
AVERAGE:	2.3	8.6	9.1	4.5	4.2	4.9	3.2
MEDIAN:	2.4	5.6	6.5	4.1	3.9	4.9	3.3
LOW:	(0.6)	2.9	2.9	2.9	2.2	3.3	2.0
Valero Energy Corporation	3.0x	3.4x	5.0x	2.8x	2.9x	4.4x	3.2x

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SALOMON BROTHERS INC

REFINING & MARKETING COMPANIES
FINANCIAL DATA

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COMPANY	EARNINGS PER SHARE					
	1990	1991	1992	LTM	1993	1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Ashland Oil, Inc.	\$3.22	\$2.59	\$1.07	\$1.28	\$1.95	\$2.60
Crown Central Petroleum Corp.	2.51	(0.69)	(1.27)	(1.70)	0.75	2.00
Diamond Shamrock Inc.	3.15	1.39	0.92	1.16	1.61	2.12
FINA, Inc.	8.11	2.71	1.55	2.39	NA	NA
Holly Corporation	2.86	1.30	0.39	2.40	2.64	3.30
Sun Company	1.86	(0.25)	0.21	0.98	1.45	1.83
Tosco Corporation	4.78	2.09	1.24	2.54	2.16	2.76
Ultramar Corporation	1.41	2.65	1.90	1.19	2.07	2.72
HIGH:	\$8.11	\$2.71	\$1.90	\$2.54	\$2.64	\$3.30
AVERAGE:	3.49	1.47	0.75	1.28	1.80	2.48
MEDIAN:	3.01	1.74	0.99	1.24	1.95	2.60
LOW:	1.41	(0.69)	(1.27)	(1.70)	0.75	1.83
Valero Energy Corporation	\$2.31	\$2.44	\$2.16	\$1.75	\$2.17	\$2.71

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COMPANY	CASH FLOW PER SHARE					
	1990	1991	1992	LTM	1993	1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Ashland Oil, Inc.	\$7.50	\$7.27	\$6.11	\$6.49	\$7.05	\$7.70
Crown Central Petroleum Corp.	5.98	3.83	2.87	2.50	5.03	6.28
Diamond Shamrock Inc.	5.11	3.60	2.75	3.43	3.66	4.17
FINA, Inc.	20.64	15.76	14.27	15.52	NA	NA
Holly Corporation	4.19	2.75	1.72	4.00	4.04	4.70
Sun Company	6.63	4.07	2.39	2.95	5.13	5.51
Tosco Corporation	6.21	3.54	3.40	6.81	6.12	6.72
Ultramar Corporation	1.95	3.94	3.14	2.76	2.99	3.64
HIGH:	\$20.64	\$15.76	\$14.27	\$15.52	\$7.05	\$7.70
AVERAGE:	7.28	5.60	4.58	5.56	4.86	5.53
MEDIAN:	6.10	3.88	3.00	3.72	5.03	5.51
LOW:	1.95	2.75	1.72	2.50	2.99	3.64
Valero Energy Corporation	\$4.66	\$4.90	\$4.32	\$3.74	\$4.88	\$5.42

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COMPANY	EBITDA					BOOK EQUITY	NET ASSET VALUE
	1989	1990	1991	1992	LTM		
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Ashland Oil, Inc.	\$513	\$603	\$530	\$440	\$517	\$1,407.8	\$35.80
Crown Central Petroleum Corp.	57	81	24	33	37	295.3	NA
Diamond Shamrock Inc.	158	199	135	132	148	536.9	21.14
FINA, Inc.	377	453	321	266	299	1,115.5	NA
Holly Corporation	57	50	31	23	49	36.4	NA
Sun Company	929	964	644	649	662	1,909.0	33.84
Tosco Corporation	133	246	135	149	297	404.0	26.27
Ultramar Corporation	224	173	231	181	182	529.4	20.54

HIGH:	\$929	\$964	\$644	\$649	\$662	\$1,909.0	\$35.80
AVERAGE:	306	346	256	234	274	779.3	27.52
MEDIAN:	191	222	183	165	240	533.2	26.27
LOW:	57	50	24	23	37	36.4	20.54

Valero Energy Corporation	\$84	\$122	\$105	\$136	\$218	\$853.6	\$25.02
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SALOMON BROTHERS INC

REFINING & MARKETING COMPANIES
TRADING MULTIPLES

<TABLE>
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COMPANY	PRICE / EARNINGS					
	1990	1991	1992	LTM	1993	1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Ashland Oil, Inc.	10.9x	13.6x	32.9x	27.4x	18.0x	13.5x
Crown Central Petroleum Corp.	5.5	NM	NM	NM	18.3	6.9
Diamond Shamrock Inc.	7.9	17.8	26.9	21.3	15.4	11.7
FINA, Inc.	8.6	25.7	45.0	29.2	NA	NA
Holly Corporation	10.3	22.6	75.3	12.2	11.1	8.9
Sun Company	15.9	NM	143.1	30.3	20.4	16.2
Tosco Corporation	5.9	13.5	22.8	11.1	13.1	10.2
Ultramar Corporation	17.5	9.3	13.0	20.9	12.0	9.1
HIGH:	17.5x	25.7x	143.1x	30.3x	20.4x	16.2x
AVERAGE:	10.3	17.1	51.3	21.8	15.5	10.9
MEDIAN:	9.4	15.7	32.9	21.3	15.4	10.2
LOW:	5.5	9.3	13.0	11.1	11.1	6.9
Valero Energy Corporation	10.4x	9.8x	11.1x	13.7x	11.1x	8.9x

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COMPANY	PRICE / CASH FLOW					
	1990	1991	1992	LTM	1993	1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Ashland Oil, Inc.	4.7x	4.8x	5.8x	5.4x	5.0x	4.6x
Crown Central Petroleum Corp.	2.3	3.6	4.8	5.5	2.7	2.2
Diamond Shamrock Inc.	4.8	6.9	9.0	7.2	6.8	5.9
FINA, Inc.	3.4	4.4	4.9	4.5	NA	NA
Holly Corporation	7.0	10.7	17.1	7.3	7.3	6.2
Sun Company	4.5	7.3	12.4	10.0	5.8	5.4
Tosco Corporation	4.5	8.0	8.3	4.1	4.6	4.2
Ultramar Corporation	12.7	6.3	7.9	9.0	8.3	6.8
HIGH:	12.7x	10.7x	17.1x	10.0x	8.3x	6.8x
AVERAGE:	5.5	6.5	8.8	6.6	5.8	5.0
MEDIAN:	4.6	6.6	8.1	6.4	5.8	5.4
LOW:	2.3	3.6	4.8	4.1	2.7	2.2
Valero Energy Corporation	5.2x	4.9x	5.6x	6.4x	4.9x	4.4x

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FIRM VALUE/EBITDA	PRICE / NET ASSET
-------------------	-------------------

COMPANY	1989	1990	1991	1992	LTM	BOOK	VALUE
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Ashland Oil, Inc.	7.8x	6.6x	7.5x	9.1x	7.7x	150%	98%
Crown Central Petroleum Corp.	2.9	2.0	7.0	5.1	4.4	46	NA
Diamond Shamrock Inc.	8.3	6.6	9.8	9.9	8.9	133	117
FINA, Inc.	5.4	4.5	6.4	7.7	6.9	98	NA
Holly Corporation	5.8	6.7	10.8	14.6	6.7	665	NA
Sun Company	4.7	4.5	6.8	6.7	6.6	165	88
Tosco Corporation	10.2	5.5	10.1	9.1	4.6	205	108
Ultramar Corporation	5.8	7.5	5.6	7.2	7.1	178	120
HIGH:	10.2x	7.5x	10.8x	14.6x	8.9x	665%	120%
AVERAGE:	6.4	5.5	8.0	8.7	6.6	205	106
MEDIAN:	5.8	6.1	7.2	8.4	6.8	157	108
LOW:	2.9	2.0	5.6	5.1	4.4	46	88
Valero Energy Corporation	18.8x	12.9x	15.0x	11.6x	7.3x	121%	96%

</TABLE>

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Figures as of 06/30/93.

Firm Value: market capitalization+total debt+minority interest+preferred stock (liquidation value)-cash.

Tangible Book Value: shareholders' equity less intangible assets.

Earnings per share for 1992 and 1993 are median First Call estimates.

Cash Flow=Net Income available to common shareholders + Depreciation and Amortization + Amortization of Deferred Turnaround Charges.

EBDIAT: Earnings before depreciation, interest, amortization and taxes.

1993 EBDIAT is calculated as 1993 estimated earnings plus LTM depreciation, interest, amortization and taxes.

ASHLAND OIL, INC.

Excludes cumulative effect of accounting changes, charges for its retirement program, environmental provisions, asset write-downs, Riley-related reserves and other unusual items.

LTM pro forma for Nov. 19, 1992 \$250 mm 8.8% Debenture issue and May 1993 cumulative convertible preferred stock issue.

CROWN CENTRAL PETROLEUM CORPORATION

Excludes cumulative effect of changes in account principles in 1992 and sales of property, plant & equipment in 1990, 1991, 1992 and LTM 1993.

Excludes proceeds from the sale of property, plant & equipment in all stated years.

DIAMOND SHAMROCK

Excludes cumulative effect of accounting changes (\$17 mm after-tax).

FINA, INC.

Excludes for 1992 a \$34.2 mm charge for the cumulative effect of a change in accounting treatment regarding postretirement benefits.

Second quarter earnings exclude other income related to asset sales, proceeds from insurance and \$62 mm cumulative effect of accounting change.

HOLLY CORPORATION

Net income excludes other income related principally to settlements.

SUN COMPANY

Excludes numerous special charges for all years, totaling (after tax) \$809 mm, \$(413) mm and a gain of \$39 mm for 1992, 1991 and 1990, respectively. Excludes gain on divestments of \$61 mm and \$(9) mm for the second quarters of June 1993 and 1992 respectively.

TOSCO CORPORATION

Excludes cumulative effect of changes in accounting and income (loss) from discontinued operations.

LTM is pro forma for the acquisition of the Bayway refinery as if it had occurred on January 1, 1993. Income statement data is pro forma for the year ended December 31, 1992.

ULTRAMAR CORPORATION

Pro forma historical data for the formation of Ultramar in April 1992.

Pro forma information available in annual report (1992) and June 10Q.

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SALOMON BROTHERS INC

APPENDIX A

CASE STUDIES:

CONVERSION AND

LIQUIDATION

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SALOMON BROTHERS INC
E
Recent MLP Buy-Ins

ANNOUNCEMENT DATE	ACQUIROR	LIMITED PARTNERSHIP/TARGET	% OWNED	PREMIUM PAID	TYPE OF CONSIDERATION	TRANSACTION VALUE	% YIELD (PRE/POST)
<S> 2/15/89	<C> ENSERCH Corp.	<C> ENSERCH Exploration Partners, Ltd.	<C> 87%	<C> 7%	<C> Common Stock & Cash	(\$ in millions) <C> \$153.2	<C> 10.8% / 3.7%
12/20/89	National Intergroup, Inc.	Permian Partners, L.P.	44%	34%	Cash	62.8	32% / NM
8/15/88	Apache Corp.	Apache Petroleum Co. L.P.	7%	7%	Common Stock	138.1	-% / 3.5%
7/31/90	Freeport-McMoRan Inc.	Freeport-McMoRan Oil & Gas Co.	82%	44%	Common Stock	251.9	1.3% / 3.6%
11/1/89	Freeport-McMoRan Oil & Gas Co.	Freeport-McMoRan Energy Partners	82%	None	Common Stock	207.8	24.1% / 1.0%
6/11/90	Union Exploration Corporation, Limited	Union Exploration Partners, Limited	95%	None	Common Stock	216.5	10.9% / 2.2%
9/10/93	Santa Fe Energy Resources, Inc.	Santa Fe Energy Partners L.P.	91%	31%	Cash	28.3	10.7% / NM
8/12/93	Southland Royalty Co./ Burlington Resources Inc.	Permian Basin Royalty Trust	33%	25%	Cash	151.4	9.3% / NM

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SALOMON BROTHERS INC
Enserch Corporation

<TABLE> <S> Limited Partnership:	<C> ENSERCH Exploration Partners, Ltd. (EP)
Announcement Date:	February 15, 1989
Pre-Deal Ownership:	87% owned by ENSERCH. 12.9 million units of ENSERCH Exploration Partners, Ltd. were publicly held
IPO Price/Date of L.P.:	\$21 1/2 / April 23, 1985
Pre-Announcement Price:	\$11 1/8
Offer Price & Consideration:	\$11.875; .5 share of ENSERCH Corp. common stock, plus \$1.00 cash
Aggregate Transaction Value:	\$153.2
Premium:	7%
Dividend Yield (Pre/Post):	10.8% / 3.7%
Form of Transaction:	Tender
% Outstanding Votes Required:	Not Conditioned on any number of units being tendered
Consummation Date:	October 16, 1989
Description:	February 15, 1989, it was announced that EP's quarterly dividend rate would be reduced to \$.075 per unit. ENSERCH announced initially that each unit would be converted into a .5 share of stock. Later, offer was sweetened to include an additional \$1.00 of cash

Note: Premium and dividend yield of L.P. is calculated five trading days prior to announcement at a price of \$11.125. Post-dividend yield is calculated five days prior to announcement at a price of \$21.750. Stated annual dividends equal \$1.20 and \$.80 per share for EP and ENS, respectively.

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SALOMON BROTHERS INC
Price & Volume Profile

ENSERCH EXPLORATION PARTNERS, LTD.
DAILY DATA - 12/15/88 THROUGH 10/16/89

[GRAPH]

ENSERCH EXPLORATION PARTNERS, LTD.: PRICE (LEFT AXIS)
ENSERCH EXPLORATION PARTNERS, LTD.: VOLUME (RIGHT AXIS)

- (a) 02/15/89: Announced:
- Dividend reduced from \$.30 to \$.075.
 - Conversion of each unit into .5 shares of ENSERCH common stock, if over 505 convert, will liquidate.
 - Earnings announced.
 - Announced reduction of 1989 capital expenditures by 35%.
- (b) 03/30/89
- Sweetened exchange after by adding \$1.00 cash in addition to the .5 shares of ENSERCH common stock.
 - Will not liquidate regardless of the percent of units exchanged.

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SALOMON BROTHERS INC
Price & Volume Profile

ENSERCH CORPORATION
DAILY DATA - 12/15/88 THROUGH 10/16/90

[GRAPH]

ENSERCH CORPORATION: PRICE (LEFT AXIS)
ENSERCH CORPORATION: VOLUME (RIGHT AXIS)

- (a) 02/15/89: Announced:
- Dividend reduced from \$.30 to \$.075.
 - Conversion of each unit into .5 shares of ENSERCH common stock, if over 505 convert, will liquidate.
 - Earnings announced.
 - Announced reduction of 1989 capital expenditures by 35%.

- (b) 03/30/89: - Sweetened exchange after by adding \$1.00 cash in addition to the .5 shares of ENSERCH common stock.
 - Will not liquidate regardless of the percent of units exchanged.
- (c) 10/16/89: Consummation Date.

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 SALOMON BROTHERS INC

National Intergroup Inc.

<TABLE>	
<S>	<C>
Limited Partnership:	Permlan Partners, L.P. (PPaPr)
Announcement Date:	December 20, 1989
Pre-Deal Ownership:	National Intergroup Inc. (NII) owned about 45% of the outstanding units
IPO Price/Date of L.P.:	\$9 / June 5, 1987
Pre-Announcement Price:	\$3 5/8
Offer Price & Consideration:	\$4.85 in cash
Aggregate Transaction Value:	\$60 million tender offer
Premium:	34%
Dividend Yield (Pre/Post):	32% / NM
Form of Transaction:	Merger, changed to Tender offer
% Outstanding Votes Required:	A Majority of the outstanding public units being tendered
Consummation Date:	November 11, 1990
Description:	Special Committee rejected \$4.00 merger proposal on the basis the price was not fair. Subsequently, a \$3.75 offer was extended to all unitholders. When the offer failed to induce the required number of shares to invoke conversion, the offer was raised to \$4.85 per unit. NII finally offered 5 cents per unit to brokers who persuaded their clients to approve the amendment
</TABLE>	

 Note: Premium and dividend yield of L.P. is calculated five trading days prior to announcement at a price of \$3.60. Stated annual dividend of \$1.15 per share of PPaPr.

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 SALOMON BROTHERS INC

Price & Volume Profile

PERMIAN PARTNERS L.P
 DAILY DATA - 10/20/89 THROUGH 11/9/90

[GRAPH]

PERMIAN PARTNERS L.P.: PRICE (LEFT AXIS)
 PERMIAN PARTNERS L.P.: VOLUME (RIGHT AXIS)

-
- (a) 12/20/89 Announcement. Proposal to acquire units at a price of \$4.00 per unit.
 - (b) 05/18/90 Announcement. \$3.75 Tender offer.
 - (c) 07/09/90 Announcement. Tender offer raised to \$3.85 per unit.

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SALOMON BROTHERS INC

Price & Volume Profile (d)

NATIONAL INTERGROUP, INC
DAILY DATA - 10/20/89 THROUGH 11/11/91

[GRAPH]

NATIONAL INTERGROUP, INC.: PRICE (LEFT AXIS)
NATIONAL INTERGROUP, INC.: VOLUME (RIGHT AXIS)

-
- (a) 12/20/89 Announcement. Proposal to acquire units at a price of \$4.00 per unit.
 - (b) 05/18/90 Announcement. \$3.75 Tender offer.
 - (c) 07/09/90 Announcement. Tender offer raised to \$3.85 per unit.
 - (d) 11/13/90 Consummation Date.

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SALOMON BROTHERS INC

Apache Corporation

<TABLE>
<S> <C>
Limited Partnership: Apache Petroleum Co., L.P. (APC)
Announcement Date: August 15, 1988
Pre-Deal Ownership: 46.7 million units outstanding, 3.5 million, or 7% owned by Apache Corporation
IPO Price/Date of L.P.: 18 3/4 / August 22, 1985
Pre-Announcement Price: \$3
Offer Price & Consideration: \$3.20; Unitholders received either 0.4 of a share of Apache Corp. common stock or one share in Key Petroleum Co. per unit held
Aggregate Transaction Value: \$138.1
Premium: 7%
Dividend Yield (Pre/Post): - / 3.5%
Form of Transaction: Tender
% Outstanding Votes Required: The plan requires the consent of 2/3 of the outstanding unitholders
Consummation Date: October 12, 1988
Description: Unitholders authorized the restructuring of the Partnership as a corporation. Holders of Apache Petroleum Co., L.P. exchanged 0.4 share of Apache Corp. for each unit tendered, or one share in Key Petroleum Co., a new company that will own a proportionate share of the Limited Partnership's oil and gas properties, thereby converting the limited partnership to a traditional corporate structure. Unitholders take legal action alleging that the prospectus misrepresented the offer and understated the value of APC units, settled for \$6.75 million
</TABLE>

Note: Premium and dividend yield of L.P. is calculated five trading days prior to announcement at a price of \$3.00. Post-dividend yield is calculated five days prior to announcement at a price of \$8.00. Stated annual dividend of \$.28 per APA shared.

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SALOMON BROTHERS INC
Price & Volume Profile

APACHE PETROLEUM DEPOSITARY UNITS
DAILY DATA - 6/15/88 THROUGH 10/12/88

[GRAPH]

APACHE PETROLEUM DEPOSITARY UNITS: PRICE (LEFT AXIS)
APACHE PETROLEUM DEPOSITARY UNITS: VOLUME (RIGHT AXIS)

-
- (a) 08/15/88: Announces restructuring and offers a swap of .4 shares of Apache Corp. or 1 share of Key Production Co., new company that will own a proportionate share of the oil and gas properties.
 - (b) 09/15/88: Apache Corp. holders approve exchange of Apache Corp. common stock.
 - (c) 10/03/88: Apache Petroleum holders approve restructuring through tender.

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SALOMON BROTHERS INC
Price & Volume Profile

APACHE CORPORATION
DAILY DATA - 6/15/88 THROUGH 10/12/89

[GRAPH]

APACHE CORPORATION: PRICE (LEFT AXIS)
APACHE CORPORATION: VOLUME (RIGHT AXIS)

-
- (a) 08/15/88: Announces restructuring and offers a swap of .4 shares of Apache Corp. or 1 share of Key Production Co., new company that will own a proportionate share of the oil and gas properties.
 - (b) 09/15/88: Apache Corp. holders approve exchange of Apache Corp. common stock.
 - (c) 10/03/88: Apache Petroleum holders approve restructuring through tender.
 - (d) 10/12/88: Consummation Date.

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SALOMON BROTHERS INC

Freeport-McMoRan Inc.

<TABLE>	<C>
<S>	Freeport-McMoRan Oil and Gas Company (FMOG)
Limited Partnership:	
Announcement Date:	July 31, 1990
Pre-Deal Ownership:	Freeport-McMoRan Inc. (FTX) owned an aggregate of 101.3 million shares, or approximately 81.5% of the outstanding shares. 22.9 million shares of FMOG are publicly held
IPO Price/Date of L.P.:	\$10 1/4 / April 2, 1990
Pre-Announcement Price:	\$7 5/8
Offer Price & Consideration:	\$11.00; Holders of FMOG will receive a fractional share of FTX based on the conversion price
Aggregate Transaction Value:	\$251.9
Premium:	44%; Common stock of FTX
Dividend Yield (Pre/Post):	1.3% / 3.6%
Form of Transaction:	Merger
% Outstanding Votes Required:	Since FTX owned 81.5%, the approval of the merger was assured without the consent of any other FMOG stockholder.
Consummation Date:	November 15, 1990
Description:	Each publicly held share was converted into a fraction of a share of Freeport-McMoRan Inc. The fractional share received is based upon a value of 11.00 for FMOG and valuing FTX at an average of the composite tape closing prices for the last 10 trading days prior to the formal FMOG shareholder approval (but not more than 0.345 nor less than 0.283 of a share of FTX common stock). The consideration for each share of FMOG was increased from \$10.50 to \$11.00.
</TABLE>	

 Note: Premium and dividend yield of L.P. is calculated five trading days prior to announcement at a price of \$7.625. Post-dividend yield is calculated five days prior to announcement at a price of \$34.875. Stated annual dividend of \$.10 and \$1.25 per FMOG and FTX share, respectively.

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SALOMON BROTHERS INC

Price & Volume Profile

FREEPORT-MCMORAN OIL AND GAS COMPANY
 DAILY DATA - 5/31/90 THROUGH 11/15/90

[GRAPH]

FREEPORT-MCMORAN OIL AND GAS COMPANY: PRICE (LEFT AXIS)
 FREEPORT-MCMORAN OIL AND GAS COMPANY: VOLUME (RIGHT AXIS)

 (a) 07/31/90 announcement. \$10.50 conversion of Freeport-McMoRan Oil & Gas Company into shares of Freeport-McMoRan Inc.
 (b) 11/15/90 Consummation Date.

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SALOMON BROTHERS INC

Freeport-McMoRan Oil & Gas Company

<TABLE>

<S>

Limited Partnership:

<C>

Freeport-McMoRan Energy Partners Ltd. (FMP)

Announcement Date:

November 1, 1989

Pre-Deal Ownership:

Freeport-McMoRan Inc. owned 81.5% of the outstanding shares of stock or 101.4 million. 123.1 million units are outstanding

IPO Price/Date of L.P.:

\$22 / April 19, 1985

Pre-Announcement Price:

\$9 1/8

Offer Price & Consideration:

\$9.125. Each partnership unit of Freeport-McMoRan Energy Partners was exchanged for one common share in Freeport-McMoRan Oil & Gas Co., a new publicly traded company

Aggregate Transaction Value:

\$198.0 stock for stock exchange

Premium:

None

Dividend Yield (Pre/Post):

24.1% / 1.0%

Form of Transaction:

Merger

% Outstanding Votes Required:

Subject to the approval of the Majority Interest (FTX)

Consummation Date:

April 2, 1990

Description:

Freeport-McMoRan Energy Partners Ltd. was converted from a master limited partnership to a publicly traded corporation listed on the NYSE. Unitholders received two additional distribution payments of \$0.55 per unit before the trust was converted.

</TABLE>

- - - - -
 Note: Premium and dividend yield of L.P. is calculated five trading days prior to announcement at a price of \$9.125. Post-dividend yield is calculated five days prior to announcement at a price of \$10.250. Stated annual dividend of \$2.20 and \$1.10 per share for FMP and FMOG, respectively.

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SALOMON BROTHERS INC

Price & Volume Profile

FREEPORT-MCMORAN ENERGY PARTNERS LTD.
 DAILY DATA - 9/1/89 THROUGH 4/2/90

[GRAPH]

FREEPORT-MCMORAN ENERGY PARTNERS LTD.: PRICE (LEFT AXIS)
 FREEPORT-MCMORAN ENERGY PARTNERS LTD.: VOLUME (RIGHT AXIS)

- - - - -
 (a) 11/1/89 announcement. Freeport-McMoRan Energy to convert to publicly traded corp.

Price & Volume Profile

FREEPORT-MCMORAN INC.
DAILY DATA - 9/1/89 THROUGH 11/15/91

[GRAPH]

FREEPORT-MCMORAN INC.: PRICE (LEFT AXIS)
FREEPORT-MCMORAN INC.: VOLUME (RIGHT AXIS)

-
- (a) 11/01/89 announcement. Conversion of Freeport-McMoRan Energy Partners to Freeport-McMoRan Oil & Gas Co.
 - (b) 03/30/90 Freeport-McMoRan Energy Partners Consummation Date.
 - (c) 07/31/90 announcement. \$10.50 conversion of Freeport-McMoRan Oil & Gas Company into shares of Freeport-McMoRan Inc.
 - (d) 11/15/90 Freeport-McMoRan Oil & Gas Co. Consummation Date.

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Unocal Exploration Corporation

<TABLE>	
<S>	<C>
Limited Partnership:	Union Exploration Partners, Ltd. (UXP)
Announcement Date:	June 11, 1990
Pre-Deal Ownership:	Unocal held a controlling 95% stake in the L.P.
IPO Price/Date of L.P.:	\$22 / July 26, 1985
Pre-Announcement Price:	\$18 1/8
Offer Price & Consideration:	\$18.20. Each unit holder received one share of the newly formed Unocal Exploration Corp., plus a \$3.00 contingent cash distribution against price drops.
Aggregate Transaction Value:	\$216.5 million. Stock of newly formed Unocal Exploration Corporation.
Premium:	None
Dividend Yield (Pre/Post):	10.9% / 2.2%
Form of Transaction:	Merger
% Outstanding Votes Required:	Union Oil's (a wholly owned subsidiary of Unocal) consent was necessary and sufficient to approve the transaction
Consummation Date:	August 1, 1990
Description:	Union Exploration Partners Ltd. (UXP) converted from a Limited Partnership to a Corporation. Unocal also provided a \$3.00 contingent cash distribution to protect unitholders against price weakness.
</TABLE>	

Note: Premium and dividend yield of L.P. is calculated five trading days prior to announcement at a price of \$18.125. Post-dividend yield is calculated five days prior to announcement at a price of \$18.125. Stated annual dividend of \$1.97 and \$0.40 per share for UXP and UXC, respectively.

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Price & Volume Profile

UNION EXPLORATION PARTNERS LTD.
DAILY DATA - 4/11/90 THROUGH 8/1/90

[GRAPH]

UNION EXPLORATION PARTNERS LTD.: PRICE (LEFT AXIS)
UNION EXPLORATION PARTNERS LTD.: VOLUME (RIGHT AXIS)

(a) 06/11/90 announcement. Union Exploration Partners, Ltd. to change to
Unocal Exploration Corp.

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Price & Volume Profile

UNOCAL EXPLORATION CORPORATION
DAILY DATA - 8/2/90 THROUGH 8/2/91

[GRAPH]

UNOCAL EXPLORATION CORPORATION: PRICE (LEFT AXIS)
UNOCAL EXPLORATION CORPORATION: VOLUME (RIGHT AXIS)

(a) 06/11/90 announcement. Union Partners, Ltd. to change to
Unocal Exploration Corp.

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Santa Fe Energy Resources Inc.

<TABLE>
<S>

<C>

Limited Partnership:	Santa Fe Energy Partners L.P. (SFP)
Announcement Date:	September 10, 1993
Pre-Deal Ownership:	91%-owned affiliate of Santa Fe Energy Resources Inc. 5.75 million units were redeemed
IPO Price/Date of L.P.:	\$20 / January 14, 1986
Pre-Announcement Price:	\$3 3/4
Offer Price & Consideration:	\$4.9225 Cash
Aggregate Transaction Value:	\$28.3 million
Premium:	31.2%
Dividend Yield (Pre/Post):	10.7% / NM
Form of Transaction:	Merger
% Outstanding Votes Required:	Santa Fe Energy Resources Inc. owned a controlling interest
Consummation Date:	September 27, 1993
Description:	5.75 million units of Santa Fe Energy Partners L.P. were redeemed at a price of \$4.9225. Santa Fe Energy Resources also exercised a right to purchase all outstanding depository units and undeposited limited partner units.

Note: Premium and dividend yield of L.P. is calculated five trading days prior to announcement at a price of \$3.75. Stated annual dividend of \$.40 per SFP share.

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SALOMON BROTHERS INC

Price & Volume Profile

SANTA FE ENERGY PARTNERS L.P.
DAILY DATA - 7/9/93 THROUGH 9/27/93

[GRAPH]

SANTA FE ENERGY PARTNERS L.P.: PRICE (LEFT AXIS)
SANTA FE ENERGY PARTNERS L.P.: VOLUME (RIGHT AXIS)

(a) 9/10/93 announcement. Repurchase for a price of \$4.9225.

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SALOMON BROTHERS INC

Price & Volume Profile

SANTA FE ENERGY RESOURCES INC.
DAILY DATA - 7/9/93 THROUGH 10/1/93

[GRAPH]

SANTA FE ENERGY RESOURCES INC.: PRICE (LEFT AXIS)
SANTA FE ENERGY RESOURCES INC.: VOLUME (RIGHT AXIS)

(a) 9/10/93 announcement. Repurchase for a price of \$4.9225.
(b) 9/27/93 Consummation Date.

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SALOMON BROTHERS INC

Southland Royalty Company/burlington Resources Inc.

<TABLE>

<S>	<C>
Limited Partnership:	Permian Basin Royalty Trust (PBT)
Announcement Date:	August 12, 1993
Pre-Deal Ownership:	Southland Royalty Company, a wholly owned subsidiary of Burlington Resources Inc., owned 15,390,576, or 33%, of the 46,608,796 units outstanding.
IPO Price/Date of L.P.:	\$20 5/8 / October 1, 1980
Pre-Announcement Price:	\$3 7/8
Offer Price & Consideration:	\$4.85 cash per unit
Aggregate Transaction Value:	\$151.4 million
Premium:	25%
Dividend Yield (Pre/Post):	9.3% / NM
Form of Transaction:	Tender

% Outstanding Votes Required: No approval is required

Consummation Date: September 24, 1993

Description: Southland Royalty Company offered \$4.85 per Permian Basin Royalty Trust unit. In 1990, the purchaser held discussions with regarding the possible acquisition at a price of \$5.00 per unit, however, these discussion were terminated.

</TABLE>

Note: Premium and dividend is calculated five trading days prior to announcement at a price of \$3.875. Stated annual dividend of \$.36 per PBT share.

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SALOMON BROTHERS INC

Price & Volume Profile

PERMIAN BASIN ROYALTY TRUST
DAILY DATA - 6/11/93 THROUGH 9/24/93

[GRAPH]

PERMIAN BASIN ROYALTY TRUST: PRICE (LEFT AXIS)
PERMIAN BASIN ROYALTY TRUST: VOLUME (RIGHT AXIS)

(a) 08/12/93 announcement. Southland Royalty Company to offer \$4.85 per unit.

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SALOMON BROTHERS INC

Price & Volume Profile

BURLINGTON RESOURCES INC.
DAILY DATA - 6/11/93 THROUGH 10/1/93

[GRAPH]

BURLINGTON RESOURCES INC.: PRICE (LEFT AXIS)
BURLINGTON RESOURCES INC.: VOLUME (RIGHT AXIS)

(a) 08/12/93 announcement. Southland Royalty Company to offer \$4.85 per unit.
(b) 09/24/93 Consummation Date.

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SALOMON BROTHERS INC

APPENDIX B
CONVERTIBLE PREFERRED
STOCK AS
CONSIDERATION

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129
SALOMON BROTHERS INC

<TABLE>
 <S> <C>
 Announcement Date: 05/06/89
 Acquiror: Time Incorporated
 Target: Warner Communications, Inc.
 o Total Amount: \$14,000 million
 o Type of Consideration: Cash - \$7,000 million
 Convertible Preferred - \$6,100 million
 Stock - \$900 million
 Terms of Convertible Preferred:
 o Yield: 8.75%
 o Premium: 471%
 o Principal Amount: \$35 per share
 Description of Transaction: Time Incorporated and Warner Communications, Inc. agree to merge in a tax-free exchange of stock in which Warner shareholders will receive 0.465 of a Time share for each Warner share. Time and Warner have agreed to immediately exchange 12.5% of Time's shares for 9% of Warner's. On 4/14/89, the SEC advises the companies that the merger cannot be accounted for as a pooling of interests because of the immediate share exchange. Time and Warner postpone the closing of the share exchange until February 28, 1990. In June, Paramount Communications Inc. offers to acquire Time, threatening to break up the merger.
 On 6/19/89, Time and Warner restructure their agreement. The new terms call for Time to acquire Warner for \$70 per share, half in cash and half in a package of securities which will consist of 8.75% exchangeable convertible preferred shares with a face value of \$35 per share, 11% pay-in-kind exchangeable convertible shares with a face value of \$26 per share, and a portion of Warner's 12 million shares in Chris-Craft Industries, Inc.'s Warner's largest shareholder, BHC Holdings operations, valued at \$9 per Warner share. Time begins a tender offer for 100 million Warner shares.

</TABLE>

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 SALOMON BROTHERS INC

Time Incorporated/Warner Communications, Inc.

<TABLE>
 <S> <C>
 Description of Transaction: (cont'd) On 12/27/89, Shareholders file suits contending that Warner Executives will receive favorable treatment in the proposed securities package. On 1/11/90, Time Warner Inc. completes the acquisition. Each share of Warner communication now represents 0.7188774 share of Time Warner Preferred Series C depository stock, 0.5421044 share of Time Warner Preferred Series D depository stock, and 0.15166 share of BHC communications Class A common stock. On 12/27/89, Shareholders file suits contending that Warner Executives will receive favorable treatment in the proposed securities package. On 1/11/90, Time Warner Inc. completes the acquisition. Each share of Warner communication now represents 0.7188774 share of Time Warner Preferred Series C depository stock, 0.5421044 share of Time Warner Preferred Series D depository stock, and 0.15166 share of BHC communications Class A common stock.

</TABLE>

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 SALOMON BROTHERS INC

Price & Volume Profile

TIME WARNER PREFERRED SERIES C
 DAILY DATA - 12/11/89 THROUGH 1/11/91

[GRAPH]

TIME WARNER PREFERRED SERIES C: PRICE (LEFT AXIS)
TIME WARNER PREFERRED SERIES C: VOLUME (RIGHT AXIS)

(a) 1/11/90 Consummation Date.

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SALOMON BROTHERS INC
Price & Volume Profile

TIME WARNER INC.
DAILY DATA - 3/6/89 THROUGH 1/11/91

[GRAPH]

TIME WARNER INC.: PRICE (LEFT AXIS)
TIME WARNER INC.: VOLUME (RIGHT AXIS)

(a) 5/06/89 announcement.
(b) 1/11/90 consummation date.

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SALOMON BROTHERS INC

Baker Hughes Incorporated/Teleco Oilfield Services Inc. (Sonat Inc.)

<TABLE>

<S>	<C>
Announcement Date:	01/07/92
Acquiror:	Baker Hughes Incorporated
Target:	Teleco Oilfield Services Inc. (Sonat Inc.)
o Total Amount:	\$400.0
o Type of Consideration:	Cash - \$200 million Convertible Preferred - \$200 million
Terms of Convertible Preferred:	
o Yield:	6%
o Premium:	67%
o Principal Amount:	\$50.00
Description of Transaction:	Baker Hughes Incorporated agrees to acquire Teleco Oilfield Services Inc. from Sonat Inc. for \$200 million in cash, four million shares of convertible preferred stock and a 5% royalty payment for five years on certain technology payments. The convertible preferred stock has a face amount of \$200 million, a dividend rate of 6% per annum and is convertible at \$32.50 per share of Baker Hughes common stock subject to adjustment at closing. The royalty is payable on the revenues of the "triple combo" measurement-while-drilling system recently developed by Teleco. Sonat agreed to sell certain oil and gas properties to Kerr-McGee in May, 1991. Completion dated 4/23/92

</TABLE>

Note: Premium is calculated five trading days prior to announcement at a price of \$19.50.

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SALOMON BROTHERS INC
Price & Volume Profile

BAKER-HUGHES, INC.
DAILY DATA - 11/7/91 THROUGH 4/23/93

[GRAPH]

BAKER-HUGHES, INC.: PRICE (LEFT AXIS)
BAKER-HUGHES, INC.: VOLUME (RIGHT AXIS)

(a) 01/07/92 announcement.
(b) 4/23/92 consummation date.

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SALOMON BROTHERS INC

Cooper Industries, Inc./Cameron Iron Works, Inc.

<TABLE>	
<S>	<C>
Announcement Date:	08/02/89
Acquiror:	Cooper Industries, Inc.
Target:	Cameron Iron Works, Inc.
o Total Amount:	\$779 Million
o Type of Consideration:	Preferred Stock - \$683.8 million Cash - \$15 million Debt Assumed - 65.1 million
Terms of Convertible Exchangeable Preferred:	
o Yield:	8%
o Premium:	14%
o Principal Amount:	\$100
Description of Transaction:	Cooper Industries, Inc. offers to acquire Cameron Iron Works, Inc. in an exchange of stock. Cameron shareholders will receive one share of Cooper convertible exchangeable preferred stock for every five shares of Cameron. The preferred will have an annual dividend of \$8 per share and will be convertible into 2.75 shares of Cooper common. The shares are valued at \$21 - \$24.50 each. Earlier this year, Cameron announced it had hired an investment advisor to help major Cameron holders dispose of a 47.53% stake in the company. Completion dated 11/29/89
</TABLE>	

Note: Premium is calculated five trading days prior to announcement at a price of \$31,875

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SALOMON BROTHERS INC
Price & Volume Profile

[GRAPH]

COOPER INDUSTRIES, INC.: PRICE (LEFT AXIS)
COOPER INDUSTRIES, INC.: VOLUME (RIGHT AXIS)

- (a) 08/02/89 announcement.
(b) 11/29/89 consummation date.

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SALOMON BROTHERS INC

Trian Group L.P./DWG Corporation

<TABLE>

<S>

<C>

Announcement Date: 10/03/92

Acquiror: Trian Group L.P.

Target: DWG Corporation

- o Total Amount: \$143.6 million
- o Type of Consideration: Cash - \$71.8 million
Convertible Preferred - \$71.8 million

Terms of Convertible Exchangeable Preferred:

- o Yield: 8 1/8%
- o Premium: 21%
- o Principal Amount: \$12 per share

Description of Transaction:

Victor Posner, and related entities controlled by him, agree to sell to Trian Group L.P., a New York investment concern, half of their 11,965,733 shares of DWG Corporation for \$12 per share and agrees to exchange the remaining shares for shares of newly created non-voting, convertible preferred stock of DWG for \$12 per share with an aggregate stated value of \$71,794,392 and cumulative annual dividend of 8 1/8%. The interest represents 46.3% of the voting power outstanding of DWG. On April 26, Trian, controlled by Nelson Peltz and Peter May, completes the acquisition. The company also announced plans to change its name to Triarc Cos. Completion dated 05/01/93

</TABLE>

Note: Premium is calculated five trading days prior to announcement at a price of \$14.48.

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SALOMON BROTHERS INC

Price & Volume Profile

DWG CORPORATION
DAILY DATA - 6/3/92 THROUGH 10/1/93

[Graph]

DWG CORPORATION: PRICE (LEFT AXIS)
DWG CORPORATION: VOLUME (RIGHT AXIS)

APPENDIX C
CONVERTIBLE PREFERRED
MARKET CONDITIONS

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Convertible Market Overview

RECENT CONVERTIBLE MARKET CONDITIONS

- o RECORD NEW ISSUES. The lowest interest rate environment in recent history, coupled with record equity market valuations, has resulted in the highest level of new convertible issuance ever observed. 1993's convertible market issuance should surpass 1992's record \$19 billion level.
- o AGGRESSIVE TERMS. Corporate issuers have been afforded extraordinary flexibility in setting coupons, conversion premiums, and call features. Almost every convertible priced this year has had a coupon below 6.5%, with many in the 4.5-5.5% range. Conversion premiums have routinely been set in the 24-26% range, with some even higher.
- o STRONG INVESTOR DEMAND. At least 85% of the convertibles priced during 1993 have been either increased or oversubscribed. Two recent issues that Salomon Brothers managed, Stone Container and Battle Mountain Gold, were oversubscribed four and ten times respectively.
- o RECORD REDEMPTIONS. Because of the record level of convertible redemptions, there has been only a minor net increase in convertible securities outstanding. This trend has left convertible investors with large cash reserves and eager for new investment opportunities.
- o STRONG SECONDARY MARKET. During the first eight months of 1993, Salomon Brothers' Convertible Securities Index has generated total returns of 15.8%, compared with 8.4% for the S&P 500.

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Convertible Market Overview

RECENT CONVERTIBLE MARKET CONDITIONS

- o EXPANDED INVESTOR BASE. The new convertible issue market is attracting new investors, including straight equity funds, income funds, bond funds, and insurance companies. Many of these investors had not previously been meaningful players in the convertible market.
- o EXPANDED ISSUER UNIVERSE. The market has grown increasingly receptive to companies that have not previously tapped the convertible market, including single-B credits and issuers with relatively high dividend yields.
- o PRODUCT INNOVATION. Unprecedented investor demand has given corporations flexibility to issue advantageous new structures, including DECS, Stock Settled Convertible Preferred Stock and ELKS.
- o SHELF REGISTRATION. Issuers, including Time Warner, Masco Tech, Comcast and First Chicago, are increasingly taking advantage of revised S.E.C. shelf filing requirements to minimize the S.E.C. review period and enhance their timing flexibility.

- o RULE 144A. Nearly 25% of 1993's new issue volume has been issued under Rule 144A, in order to avoid the S.E.C. review, shorten the road show process, and increase timing flexibility.

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SALOMON BROTHERS INC

Convertible Market Overview

CONVERTIBLE NEW ISSUE MARKET

1993's convertible market volume is on a pace to surpass the record \$19 billion raised in 1992.

MONTHLY CONVERTIBLE VOLUME

[Graph]

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SALOMON BROTHERS INC

Convertible Market Overview

CONVERTIBLE NEW ISSUE MARKET

Since 1991, convertible preferred stock has become the dominant component of the convertible market.

TOTAL CONVERTIBLE ISSUANCE 1983-1993 YTD

[Graph]

PERCS

ZEROS

CVT PFD

CASH CVTS

NOTE: 1993 FIGURES THROUGH 9/7/93

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SALOMON BROTHERS INC

Convertible Market Overview

AGGRESSIVE NEW ISSUE TERMS

Investors' willingness to accept securities with aggressive terms and novel features demonstrates the vibrancy of the equity-linked market.

1992/1993 CONVERTIBLE TRANSACTIONS

<TABLE>

<CAPTION>

FEATURE

ISSUER

DESCRIPTION

<S>	<C>	<C>
Low Coupons	o Comp. Telefonos de Chile	o 4.5%, up 23.6%
	o Carnival Cruise Lines	o 4.5%, up 22.5%
High Conversion Premiums	o Bindley-Western	o 6.5%, up 30.0%
	o TJX Companies	o 6.0%, up 25.0%
	o Storage Technology	o 7.0%, up 25.3%
Accelerated Execution	o First Chicago	o 5.75%, up 25.1% (1-day marketing period)
New, Innovative Structures	o Cellular Communications	o Non-Puttable 7-Year Zero, 144A
	o Enquirer / Star Group	o Synthetic Zero with Warrants
	o Consolidated Freightways	o Limited Appreciation Preference Stock
	o Horace Mann	o Step-up Coupon Convertible Debenture
	o Battle Mountain Gold	o Stock-Settled Redemption
	o American Express	o DECS
	o Salomon/Digital Equipment	o ELKS
Receptivity to Low-Rated Credits	o Bethlehem Steel	o B3 / B-
	o Wheeling Pittsburgh	o B2 / B
	o Cellular Communications of Puerto Rico	o Caa / CCC+
	o Reading & Bates	o B3 / B

</TABLE>

- o Salomon Brothers has been extremely active in underwriting precedent-setting convertible securities. In fact, Salomon managed each of the seventeen transactions above, eight as lead manager.

Convertible Market Overview

RECORD CONVERTIBLE REDEMPTIONS

The convertible market is enjoying a favorable supply/demand imbalance in 1993, with the dollar value of new issues called nearly equaling total new issuance volume. As a result, there has been only a minor increase in the amount of convertible securities outstanding, despite the record level of new issuance.

SELECTED CONVERTIBLE ISSUES CALLED DURING 1993

<TABLE>

<CAPTION>

CALL DATE	ISSUE	PROCEEDS (\$MM)
-----	-----	-----
<S>	<C>	<C>
01/04/93	Loral Corporation	100
01/04/93	Berkshire Hathaway	478
01/08/93	Hudson Foods	33
01/14/93	Wyle Labs	25
01/29/93	TJX Cos	70
02/05/93	Time Warner	2,250
02/10/93	Bergen Brunswig	188
02/12/93	Washington Mutual	65
02/12/93	Time Warner	1,000
02/25/93	Service Corp.	100
02/25/93	Trinity Industries	85
03/04/93	Sterling Software	93
03/11/93	Disney	1,088
03/15/93	Giddings & Lewis	58
03/15/93	Sonata	237
03/15/93	Pentair	50
03/16/93	Union Carbide	345
03/17/93	Comcast	100
04/01/93	SCI Systems	70
04/05/93	McCaw Cellular	114
04/05/93	McCaw Cellular	286
04/07/93	Weyerhaeuser	193
04/22/93	Weingarten Realty	60
04/22/93	Signal (Allied-Signal)	57
04/29/93	Burlington Resources	80
04/30/93	Plenum Publishing	48
05/04/93	CBS Inc.	400
03/17/93	MCI Communications	536
03/25/93	DSC Communications	72

03/26/93	Aluminum Co. of America	150
05/05/93	Noble Affiliates	100
05/13/93	Sprint	210
05/19/93	Petroleum & Resources	36
05/21/93	Rouse Co	100
06/04/93	Kirby Corp.	50
06/07/93	Kaufman & Broad Home	169
06/08/93	BRE Properties	47
06/10/93	Williams Cos.	150
06/25/93	Texas Instruments (PERCS)	108
06/28/93	Comcast Corp	100
07/02/93	Primerica	137
07/02/93	Anadarko Petroleum	100
07/07/93	Grumman	50
07/15/93	General Dynamics/Federal Express	75
07/15/93	Genetix Institute	58
07/16/93	Allen Group	58
08/02/93	RPM Inc	50
08/09/93	FMC	174
09/10/93	Texas Instruments	108
09/20/93	Sun Microsystems	123

</TABLE>

1993 NEW ISSUANCE	-	1993 REDEMPTIONS
\$14.4 BILLION		\$13.7 BILLION

= NET INCREASE IN CONVERTIBLES OUTSTANDING
\$0.7 BILLION

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SALOMON BROTHERS INC

Convertible Market Overview

SECONDARY MARKET PERFORMANCE

- o Convertible securities have outperformed all other major asset classes during 1993.
- o These returns have generated unprecedented investor demand for convertibles, allowing issuers significant flexibility in structuring their securities.

<TABLE>

<CAPTION>

TOTAL RETURNS OF SELECTED INDEXES

INDEX	TOTAL RETURN YTD
-----	-----
<S>	<C>
SALOMON BROTHERS' CONVERTIBLE SECURITIES INDEX	15.8%
Salomon Brothers' High Yield Index	13.6
Dow Jones Industrials	12.6
NASDAQ Composite	9.7
Salomon Brothers' Bond Index	9.5
S&P 500	8.4

</TABLE>

Note: Figures as of 9/1/93.

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SALOMON BROTHERS INC

Convertible Market Overview

EXPANDING CONVERTIBLE INVESTOR BASE

Equity mutual funds have become important buyers of equity-linked securities,

as a majority of the largest funds have some income orientation and invest in convertibles to satisfy that objective.

<TABLE>
<CAPTION>

LARGEST EQUITY MUTUAL FUNDS			
FUND	ASSETS (\$B)	INVESTMENT ORIENTATION	LOCATION
<S>	<C>	<C>	<C>
Fidelity Magellan	\$25	Growth	Boston
Investment Co. of America (Capital Research)	17	Growth & Income	Los Angeles
Washington Mutual Inv. (Capital Research)	11	Growth & Income	Los Angeles
Vanguard Windsor	10	Growth & Income	Boston
Income Fund of America (Capital Research)	8	Equity Income	Los Angeles
Vanguard Index	7	Growth	Philadelphia
Janus Fund	7	Capital Appreciation	Denver
Fidelity Puritan	7	Equity Income	Boston
Vanguard Windsor II	6	Growth & Income	Philadelphia
Fidelity Growth & Income	6	Growth & Income	Boston
20th Century: Ultra Inv. (Investors Research)	6	Capital Appreciation	Chicago
Fidelity Equity - Income	6	Equity Income	Boston
Dean Witter Dividend Growth	6	Growth & Income	New York
AIM Equity	6	Growth	Houston
American Mutual (Capital Research)	5	Growth & Income	Los Angeles

</TABLE>

Source: Lipper Analytical Services

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SALOMON BROTHERS INC

Convertible Market Overview

EXPANDING CONVERTIBLE INVESTOR BASE

The substantial increase in Growth and Income funds has helped fuel the demand for high-yielding convertible securities.

NET FLOWS INTO GROWTH AND INCOME FUNDS
(DOLLARS IN BILLIONS)

[Graph]

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SALOMON BROTHERS INC

Convertible Market Overview

EXPANDING CONVERTIBLE INVESTOR BASE

The buyers' universe for equity-linked securities is composed of six broad sectors representing over \$100 billion in assets. Figures below indicate the amount under management and the primary product focus of each sector.

[Pie Chart]

GROWTH & INCOME MUTUAL FUNDS: \$30B

- o Convertible Preferreds
- o Cash Pay Convertibles
- o Zero Coupon Convertibles
- o STEPS/ PERCS
- o DECS

WARRANT BUYERS: \$6B

- o Warrants
- o Stripped Warrants on Convertible Debt

HIGH YIELD BUYERS: \$8B

- o "Busted" Convertibles
- o "Distressed" Convertibles
- o Zero Coupon Convertibles

HEDGE FUNDS: \$28B

- o Low Premium Convertibles
- o Low Premium Convertible Preferreds
- o STEPS/ PERCS

EQUITY-LINKED MUTUAL FUNDS: \$10B

- o Cash Pay Convertibles
- o Convertible Preferred
- o Zero Coupon Convertibles
- o STEPS/ PERCS
- o DECS

INCOME ORIENTED EQUITY-LINKED BUYERS: \$20B

- o "Busted" Convertibles
- o STEPS/ PERCS
- o DECS

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SALOMON BROTHERS INC

Convertible Market Overview

CONVERTIBLE MARKET FORWARD CALENDAR

<TABLE>
<CAPTION>

CONVERTIBLE OFFERINGS IN REGISTRATION

ISSUER	PROCEEDS AMOUNT (\$MM)	SECURITY	PRICE TALK	EXPECTED DATE
<S>	<C>	<C>	<C>	<C>
American Express	\$735	DECS	6-6.5%/up 20-22%	September
Boise Cascade	157	DECS	7-7.5%/up 21-25%	September
Chiles Offshore	75	Convertible Preferred	NA	NA
Fremont General	80	Zero Coupon Convertible	NA	September
International Technology	60	Convertible Preferred	NA	NA
Motorola	300	Zero Coupon Convertible	2-2.5%/up 20-22%	NA
Omnicare	50	Cvt Debt	NA	NA
Somatogen	40	Convertible Preferred	8%/up 23-25%	September
Total Pharmaceutical	50	Convertible Debt	NA	NA

Note: Includes deals > \$20mm; excludes 144A offerings.

APPENDIX 6 (PRESENTATION OF GRAPHIC MATERIAL IN EDGAR FORMAT)

1. The graph appearing behind Tab B ("Valuation Summary") entitled "Price & Volume Profile of VLP--Valero Natural Gas Partners, LP--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the publicly traded partnership units of Valero Natural Gas Partners, LP ("VLP") from 12/30/88 to 10/01/93. The graph presents fluctuations in the market price per share of the VLP units after the occurrence of significant events affecting the VLP units. The graph illustrates that the market price per VLP unit decreased from approximately \$15 to below \$12 after the announcement in April 1991 that VLP might cut the amount of its distributions to unitholders in 1992 (trading volume was extraordinarily high immediately following the announcement). The graph illustrates that the market price per VLP unit continued to decrease through 03/18/92 when Valero Energy Corp. announced the proposed purchase of \$83 million of South Texas assets, with the price ultimately reaching a low of approximately \$8 per unit in July 1992 when VLP cut the amount of its distribution from \$0.635 to \$0.125 per unit. The graph further illustrates that the market price per VLP unit increased to approximately \$9 1/4 at 10/01/93 (one year after VLP announced improved earnings results in October 1992). The graph also illustrates that the daily trading volume for the VLP units generally averaged approximately 30,000 units during the period presented by the graph. The graph shows that trading volumes were generally 8 to 10 times such average immediately following the aforementioned announcements.

2. The graph appearing behind Tab B ("Valuation Summary") entitled "Dividend Yield Profile of VLP--Valero Natural Gas Partners, LP--Daily Data" is omitted. The omitted graph presents the dividend yield percentage for the units of partnership interests of Valero Natural Gas Partners, L.P. ("VLP") from 12/30/88 through 10/01/93. The graph illustrates that the dividend yield percentage increased from approximately 16% to approximately 21% after VLP made an announcement in April 1991 warning that VLP may cut distribution in 1992. The graph further illustrates that the dividend yield percentage decreased from approximately 30% to approximately 7% after VLP in July 1992 cut its distribution from \$0.625 to \$0.125 per unit.

3. The bar graph appearing behind Tab B "Valuation Summary" having the heading "Relative Market Size of the Natural Gas Industry" is omitted. The following chart describes the information presented in the omitted graph:

The Gathering, Transmission and Processing sector is a relatively small part of the natural gas equity market and is dominated by large insider ownership.

<TABLE>
<CAPTION>

Sector -----	Market Capitalization (\$ in millions) -----
<S>	<C>
GTP*	\$ 2,951
Distribution	\$12,399
E & P	\$24,216
Pipelines	\$34,852

</TABLE>

*Insider ownership in the GTP industry is approximately 1/3 of GTP's total market capitalization.

4. The bar graph appearing behind Tab B "Valuation Summary" having the heading "Liquidity in the Natural Gas Equity Market" is omitted. The following chart describes the information presented in the omitted graph:

Due to this small size, the GTP sector is much less liquid compared to the pipeline and E & P sector of the natural gas industry.

<TABLE>
<CAPTION>

Total Share Traded as a Percentage of Market Capitalization (0 - 100%)	
<S>	<C>
Distribution	25.4%
GTP	35.6%
Pipelines	51.4%
E & P	73.2%

</TABLE>

5. The flow chart appearing behind Tab C - "Review of Transaction

Structure" having the heading "Exchange of Securities via Merger" is omitted. The four paragraphs appearing immediately beneath the omitted flow chart adequately describe the information presented in the flow chart. The four descriptive paragraphs were not omitted from the foregoing document.

6. The chart appearing behind Tab C "Review of Transaction Structure" having the heading "Merger/Exchange of Securities - Preliminary Timetable" is omitted. The following chart describes the information presented in the omitted graph.

SALOMON/MANAGEMENT/BOARD ACTIONS	WEEK OF
Salomon/Management/Structure Meeting	October 4
Rating Agency Presentations	October 11, 18
VLO Board Meeting/Recommend Buy-In	October 25
Send Proposal Letter and Announce Proposal	November 29
Salomon Fairness Opinion	

SPECIAL COMMITTEE ACTIONS	
Special Committee Formed	October 25, November 1
Special Committee Reviews Recommendation	November 1, 8, 15, 22
Special Committee's Investment Banker Fairness Opinion	November 29
Special Committee Approves Merger and Makes Recommendation to VLP Unitholders	November 29

SEC/PROXY/PROSPECTUS PROCESS	
Draft Proxy/Prospectus	November 1, 8, 15, 22, 29
File Proxy Statement/Prospectus at SEC	November 29
SEC Review of Proxy/Prospectus	November 29, December 6, 13, 20, 27
SEC Comments/Amendments	January 3, 10
SEC Declares Effective/Mail to Unitholders	January 17
File 8-K with Earnings Announcement	February 14
Mail Convert to Unitholders	March 21

UNITHOLDERS/VOTE MERGER PROCESS	
Mail Proxy/Prospectus/Notice to Vote	January 17
Unitholders Review Proposal	January 17, 24, 31, February 7, 14, 21, 28, March 7, 14
Unitholders Vote	March 14
File Merger Certificate	March 14
Closing of Merger	March 14

7. The flow chart appearing behind Tab C "Review of Transaction Structure" having the heading "Cash Offer via Merger" is omitted. The three paragraphs appearing immediately beneath the omitted flow chart adequately describe the information presented in the flow chart. The three descriptive paragraphs were not omitted from the foregoing document.

8. The chart appearing behind Tab C "Review of Transaction Structure" having the heading "Cash Merger - Preliminary Timetable" is omitted. The following chart describes the information presented in the omitted graph.

SALOMON/MANAGEMENT/BOARD ACTIONS	WEEK OF
Salomon/Management/Structure Meeting	October 4
Rating Agency Presentations	October 11, 18
VLO Board Meeting/Recommend Buy-In	October 25
Send Proposal Letter and Announce Proposal	October 25
Salomon Fairness Opinion	November 29

<TABLE>

<CAPTION>
SPECIAL COMMITTEE ACTIONS

<S>	<C>
Special Committee Formed	October 25, November 1
Special Committee Reviews Proposal	November 1, 8, 15, 22
Special Committee's Investment Banker Fairness Opinion	November 29
Special Committee Approves Merger and Makes Recommendation	November 29

</TABLE>

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<TABLE>
<CAPTION>
SEC/PROXY/PROSPECTUS/MARKETING PROCESS

<S>	<C>
Drafting Convert Prospectus	October 11, 18, 25, November 1
File Convert Prospectus with SEC/SEC Review	November 8, 15, 22, 29
	December 6
SEC Comments/Amendments	December 6, 13
SEC Declares Effective	January 31
Road Show for Convert	February 7
Price Convert	February 14
Drafting Proxy Statement	November 1, 8, 15, 22
File Proxy/SEC Review	November 2, December 6, 13, 20, 27
SEC Comments/Amendments	December 27, January 3

</TABLE>

<TABLE>
<CAPTION>
UNITHOLDERS/VOTE/MERGER PROCESS

<S>	<C>
Mail Proxy to Unitholders	January 10
Unitholders Review Proposal	January 10, 17, 24, 31, February 7
Unitholders Vote	February 7
File Merger Certificate	February 7
Closing of Merger and Convert	February 14

</TABLE>

9. The graph appearing behind Tab D ("Pro Forma Analysis") entitled "Price & Volume Profile of VLO--Valero Energy Corporation-- Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of Valero Energy Corporation ("VLO") from 12/30/88 to 10/01/93. The graph illustrates that the market price per share of the VLO stock was below \$10 at 01/03/89, the lowest price reached during the period presented by the graph. The highest price of the VLO stock shown on the graph was approximately \$33 per share in the first quarter of 1992. The graph further illustrates that the market price per share of the VLO stock was approximately \$24.50 at 10/01/93. The graph also illustrates that the daily trading volume for the VLO stock generally averaged approximately 200,000 shares during the latter half of the period presented by the graph, while trading volumes were more sporadic prior thereto.

10. The graph appearing behind Tab D ("Pro Forma Analysis") entitled "Price Profile of VLO vs. Index of Refiners--Valero Energy Corporation--Daily Data" is omitted. The omitted graph illustrates how the market price per share of the common stock of Valero Energy Corporation ("VLO") has exceeded the market price of an index comprised of a peer group of refining companies during the period from 01/01/91 to 10/01/93. The graph illustrates that the per share price of VLO common stock has experienced an approximate 60% increase as of 10/01/93 from the base period measuring point of 1/1/91, while the index of peer group refiners has declined approximately 5% during the same period.

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11. The graph appearing behind Tab D ("Pro Forma Analysis") entitled "Valero Energy Corporation--Price/Earnings Per Share" is omitted. The omitted graph presents a comparison of the ratio of price to earnings per share of the common stock of Valero Energy Corporation ("VLO") as compared to comparable Refining & Marketing ("R&M") companies and comparable Gas Transmission & Processing ("GT&P") companies. The graph illustrates that the expected price/earnings per share of VLO in 1993 will be 16.9x for "status quo" and 16.6x for "pro forma," which represent an expected performance between the high and mean marks for comparable R&M companies and an expected performance near the low mark for comparable GT&P companies. The graph illustrates that the expected price/earnings per share of VLO in 1994 will be 16.9x for "status quo" and 16.6x for "pro forma," which represent an expected performance near the high mark for comparable R&M companies and an expected performance between the mean and low marks for comparable GT&P companies.

12. The graph appearing behind Tab D ("Pro Forma Analysis") entitled "Valero Energy Corporation--Price/Cash Flow" is omitted. The omitted graph presents a comparison of the ratio of price to cash flow for the common stock of VLO as compared to comparable R&M companies and comparable GT&P companies. The graph

illustrates that the expected price/cash flow for VLO in 1993 will be 6.6x for "status quo" and 5.2x for "pro forma," which represents an expected performance for "VLO status quo" between the high and mean marks for comparable R&M companies and an expected performance between the mean and low marks for comparable GT&P companies, and which further represents an expected performance for "VLO pro forma" near the mean mark for comparable R&M companies and an expected performance near the low mark for comparable GT&P companies. The graph illustrates that the expected price/cash flow for VLO in 1994 will be 5.9x for "status quo" and 4.9x for "pro forma," which represents an expected performance for "VLO status quo" between the high and mean marks for comparable R&M companies and an expected performance between the mean and low marks for comparable GT&P companies, and which further represents an expected performance for "VLO pro forma" near the mean mark for comparable R&M companies and an expected performance near the low mark for comparable GT&P companies. The graph assumes a constant price of VLO stock at \$24.00 per share.

13. The graph appearing behind Tab D ("Pro Forma Analysis") entitled "Pro Forma Credit Analysis" is omitted. The omitted graph illustrates that the EBDIAT/Gross Interest & Prfd. Div. of VLO is expected to increase from 2.8x in 1993 to 4.6x in 1997. The omitted graph also illustrates that the Debt/Capitalization of VLO is expected to decrease from 53% in 1993 to 40% in 1997.

14. The graph appearing in Appendix 3 ("Stock Price Performance Graphs") entitled "Price Profile of VLP vs. Index" is omitted. The omitted graph illustrates how the market price per unit of Valero Natural Gas Partners, L.P. ("VLP") has historically been below the market price of an index comprised of a peer group of intrastate pipeline companies during the period from 01/01/91 to 10/01/93. The graph illustrates that the price for the index of peer group intrastate pipeline companies has experienced an approximate 150% increase as of 10/01/93 from the base period measuring point of 1/1/91, while the price for VLP has declined approximately 40% during the same period.

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15. The graph appearing in Appendix 3 ("Stock Price Performance Graphs") entitled "Price (%) Profile" is omitted. The omitted graph illustrates how the market price per unit of Valero Natural Gas Partners, L.P. ("VLP") has historically been below the market price of each of the companies represented in the index appearing in the immediately preceding graph during the period from 01/05/90 to 10/01/93. The graph illustrates that the price for VLP at 10/01/93 is approximately 70 percentage points below the next lowest company included in the index of peer group companies. The following are included in the peer group:

Kaneb Pipe Line Partners, L.P.
Lakehead Pipe Line Partners, L.P.
Santa Fe Pacific Pipeline Partners, L.P.
Buckeye Partners, L.P.
TEPPCO Partners, L.P.
Enron Liquids Pipeline, L.P.

16. The graph appearing in Appendix 3 ("Stock Price Performance Graphs") entitled "Yield Profile--Weekly Data--1/5/90 Through 10/1/93" is omitted. The omitted graph presents a comparison of the yield on Valero Natural Gas Partners, L.P. units to the yield for each of the peer group companies listed in the immediately preceding graph. The summary statistics presented immediately below the graph which appear in the foregoing document fairly and accurately describe the information presented by the omitted graph.

17. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--ENSERCH Exploration Partners, Ltd.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the publicly traded partnership units of ENSERCH Exploration Partners, Ltd. from 12/15/88 to 10/16/89. The graph illustrates that the market price per unit of ENSERCH Exploration Partners, Ltd. dropped from \$11 1/8 to \$9 5/8 after the announcement of the proposed purchase of the publicly traded partnership units, with a substantial increase in the trading volume immediately after the announcement. The graph further illustrates that the market price per unit increased from below \$9 to \$10 1/4 after ENSERCH sweetened the offered consideration per unit to include an additional \$1.00 of cash.

18. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--ENSERCH Corporation--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the publicly traded common stock of ENSERCH Corporation from 12/15/88 to 10/16/90. The graph illustrates a drop in the market price of the ENSERCH common stock after the announcement of the proposed purchase of the publicly traded partnership units of ENSERCH Exploration Partners, Ltd. The graph further illustrates an increase in the price of the common stock from approximately \$19 3/8 to \$22 5/8 as well as a substantial increase in trading volume after ENSERCH Corporation sweetened the offered consideration per partnership unit to include an additional \$1.00 of cash. The graph also presents an increase in the market price of the ENSERCH Corporation common stock after consummation of the transaction from approximately \$22 5/8

on the date the transaction was consummated (10/16/89) to approximately \$25 1/4 on 10/16/90.

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19. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Permian Partners, L.P.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the publicly traded partnership units of Permian Partners, L.P. ("Permian") from 10/20/89 to 11/09/90. The graph illustrates that the market price per unit of Permian dropped from \$3 5/8 to approximately \$3 1/4 after the announcement of the proposed purchase of Permian units, with a substantial increase in the trading volume immediately after the announcement. The graph further illustrates that the market price per unit increased from \$2 5/8 to \$3 5/8 after the announcement that the form of the proposed transaction was changed from a merger to a tender offer, with a substantial increase in trading volume immediately after such announcement.

20. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--National Intergroup, Inc.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the publicly traded common stock of National Intergroup, Inc. ("NII") from 10/20/89 to 11/11/91. The graph illustrates that the market price per share of the common stock of NII increased from approximately \$14 3/4 to a high of \$18 1/4 within the month following the announcement by NII of the proposed acquisition of Permian units, with a substantial increase in the trading volume immediately after the announcement. The graph further illustrates that the market price per share reached a low of approximately \$11 1/4 immediately prior to consummation of the transaction. The graph illustrates that the market price per share of common stock of NII ultimately reached a high of approximately \$17 7/8 within the year following consummation of the transaction.

21. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Apache Petroleum Depository Units--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the depository units of Apache Petroleum Co., L.P. ("Apache Petroleum") from 06/15/88 to 10/12/88. The graph illustrates that the market price per unit of Apache Petroleum dropped from \$3 to approximately \$2.65 after the announcement of the proposed reorganization of the partnership into a corporation. The graph further illustrates that the market price per unit ultimately declined to approximately \$2.40 on the date the transaction was consummated, with heavy trading volume prior thereto.

22. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Apache Petroleum Depository Units--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of Apache Corporation ("Apache Corp.") from 06/15/88 to 10/12/89. The graph illustrates that the market price per unit of Apache declined from approximately \$8 to a low of \$6 1/4 during a period of unitholder litigation regarding the fairness of the proposed consideration. The graph further illustrates that the market price per share of Apache Corp. common stock enjoyed an increase from approximately \$6 3/4 on the date the transaction was consummated (10/12/89) to approximately \$15 7/8 within the year thereafter. The graph further illustrates that trading volume in the common stock was heavy within the year following consummation of the transaction.

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23. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Freeport- McMoRan Oil and Gas Company--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the stock of Freeport-McMoRan Oil and Gas Company ("McMoRan O&G") from 5/31/90 to 11/15/90. The graph illustrates that the market price per share of the stock of McMoRan O&G increased from \$7 5/8 to \$10 after the date of the announcement of conversion of the McMoRan O&G stock into shares of Freeport-McMoRan, Inc.

24. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Freeport- McMoRan Energy Partners Ltd.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the units of partnership interest of McMoRan Energy Partners Ltd. ("McMoRan Partners") from 09/01/89 to 04/02/90. The graph illustrates that the market price per unit of McMoRan Partners increased only slightly from \$9 1/8 to approximately \$9 1/2 after the announcement that McMoRan Partners would be reorganized into a corporation, although trading volume increased steadily after the announcement.

25. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile-- Freeport- McMoRan Inc.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of Freeport-McMoRan Inc. ("F-Mc Inc.") from 09/01/89 to 11/15/91, the period encompassing the restructuring of the organization as follows: (i) conversion of Freeport McMoRan Energy Partners into Freeport-McMoRan Oil & Gas Co. ("Step No.1"), and (ii) conversion of Freeport-McMoRan Oil & Gas Company into shares of F-Mc Inc.

("Step No.2"). The graph illustrates that the market price per share of F-Mc Inc. increased steadily from approximately \$15 on the date of the announcement of Step No.1 to \$17 on the date of consummation of Step No.1, with sporadic but heavier than usual trading volume during such period. The graph further illustrates that the market price per share of F-Mc Inc. decreased from approximately \$18 on the date of announcement of Step No.2 to approximately \$16 3/4 on the date of consummation of Step No.2. The graph further illustrates that the market price per share of F-Mc Inc. stock experienced a steady increase following consummation of Step No.2 to approximately \$21 1/2 as of 11/15/91, with increased trading volume during the same period.

26. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Union Exploration Partners Ltd.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the units of partnership interest of Union Exploration Partners Ltd. ("UXP") from 04/11/90 to 08/01/90. The graph illustrates that the market price per unit of UXP decreased from \$18 1/8 to \$16 following the announcement that UXP would be converted into a corporation. Trading volume was unusually high in the 10 days immediately following the announcement.

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27. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Unocal Exploration Corporation--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of Unocal Exploration Corporation ("Unocal") from 08/02/90 to 08/02/91. The graph illustrates that the market price per unit of Unocal experienced a decline from \$16 on the date of consummation of the conversion of UXP into a corporation to approximately \$10 3/4 one year later, with relatively stable trading volume during such period.

28. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Santa Fe Energy Partners L.P.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the units of Santa Fe Energy Partners L.P. ("Santa Fe Partners") from 07/09/93 to 09/27/93. The graph illustrates that the market price per unit of Santa Fe Partners increased from \$3 3/4 on the date of the announcement that the Santa Fe Partners units would be redeemed, to \$4.9, the stated redemption price, with extraordinarily high trading volume immediately following the announcement.

29. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Santa Fe Energy Resources Inc.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of Santa Fe Energy Resources Inc. ("Santa Fe Inc.") from 07/09/93 to 10/01/93. The graph illustrates that the market price per share of Santa Fe Inc. increased from \$9.90 to \$10.50 during the 7 days following the date of the announcement of the redemption of units of Santa Fe Partners. The graph further illustrates that the price per share of Santa Fe Inc. decreased to \$10.00 on the date of consummation of the transaction. Trading volume was heavy during the 17 day period from the date of the announcement to the date of consummation of the transaction. The graph illustrates that the price per share of Santa Fe Inc. increased to \$10.40 within the week following consummation of the transaction.

30. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Permian Basin Royalty Trust--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the units of Permian Basin Royalty Trust ("Permian Trust") from 06/11/93 to 09/24/93. The graph illustrates that the price per unit of Permian Trust increased from \$3.875 to \$4.85 after the announcement of the intent of Southland Royalty Company ("Southland") intent to purchase the Permian Trust units at \$4.85 per unit, with extraordinarily high trading volume following the announcement.

31. The graph appearing in Appendix A ("Case Studies: Conversion and Liquidation") entitled "Price & Volume Profile--Burlington Resources Inc.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of Burlington Resources Inc. ("Burlington"), the parent company of Southland, from 06/11/93 to 10/01/93. The graph illustrates that the market price per share of Burlington increased from approximately \$51 to \$53.75 within the 13 days following the announcement of the purchase of Permian Trust units by Southland. The graph further illustrates that the price per share of Burlington fell to approximately \$48.50 on the date of consummation of the transaction, but experienced an increase to approximately \$52.00 within the following week. The graph illustrates that trading volume was relatively stable throughout these periods.

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32. The graph appearing in Appendix B ("Convertible Preferred Stock as Consideration") entitled "Price & Volume Profile--Time Warner Preferred Series C--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the preferred stock Series C of

Time Warner, Inc. ("Time Warner") from 12/11/89 to 01/11/91. The graph illustrates that within the year following consummation of the merger, the market price per share of Time Warner Series C preferred stock suffered a decline from \$44 on 1/11/90 to \$36 on 1/11/91. The graph further illustrates that trading volume was volatile in the months immediately following consummation of the transaction. Trading volume became more steady averaging approximately 200,000 shares per day in the months immediately preceding the one year anniversary of consummation of the transaction.

33. The graph appearing in Appendix B ("Convertible Preferred Stock as Consideration") entitled "Price & Volume Profile--Time Warner, Inc.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of Time Warner, Inc. ("Time Warner") from 03/06/89 to 01/11/91. The graph illustrates that the market price per share of the Time Warner common stock experienced an increase from approximately \$29 to \$45 within the 45 days following the announcement of the transaction. Thereafter, the graph illustrates that the market price per share of Time Warner common stock followed a steady decline through consummation of the transaction and the year following reaching a price of approximately \$22 per share on 1/11/91. The graph illustrates that trading volume was stable within the year following consummation of the transaction.

34. The graph appearing in Appendix B ("Convertible Preferred Stock as Consideration") entitled "Price & Volume Profile--Baker- Hughes, Inc.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of Baker-Hughes, Inc. ("Baker-Hughes") from 11/07/91 to 04/23/93. The graph illustrates that the market price per share of the Baker-Hughes common stock experienced a decline from approximately \$21 on the date of the announcement of the transaction to approximately \$16 1/2 within the 3 months thereafter. The graph illustrates that the market price per share of the Baker-Hughes stock enjoyed an increase from \$21 on the date of consummation of the transaction (4/23/92) to \$26 on 4/23/93.

35. The graph appearing in Appendix B ("Convertible Preferred Stock as Consideration") entitled "Price & Volume Profile--Cooper Industries, Inc.--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of Cooper Industries, Inc. ("Cooper") from 06/02/89 to 11/29/90. The graph illustrates that the market price per share of the Cooper stock experienced an increase from approximately \$35 on the date of the announcement of the transaction to approximately \$37 within the week thereafter. The graph illustrates that the market price per share of the Cooper stock increased from approximately \$40 on the date of consummation of the transaction (11/29/89) to approximately \$46 within 8 months thereafter (accompanied by an increased trading volume). The graph further illustrates that the market price of the Cooper stock had stabilized to approximately \$40 on the one-year anniversary of the consummation of the transaction (with trading volume remaining relatively stable).

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36. The graph appearing in Appendix B ("Convertible Preferred Stock as Consideration") entitled "Price & Volume Profile--DWG Corporation--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of DWG Corporation ("DWG") from 06/03/92 to 10/01/93. The graph illustrates that the market price per share of the DWG stock steadily increased from approximately \$9 on the date of the announcement of the transaction to approximately \$19 on the date of consummation of the transaction (a period of nine months), with sporadic trading volumes during such period. The graph illustrates that the market price per share of the DWG stock increased to approximately \$31 on 10/01/93 (five months after consummation of the transaction).

37. The graph appearing in Appendix B ("Convertible Preferred Stock as Consideration") entitled "Price & Volume Profile--IDB Communications Group--Daily Data" is omitted. The omitted graph presents publicly available information regarding the price and volume of the common stock of IDB Communications Group, Inc. ("IDB") from 01/09/92 to 04/06/93. The graph illustrates that the market price per share of the IDB stock increased from approximately \$16.50 on the date of the announcement of the transaction to approximately \$17.50 on the date of consummation of the transaction (a period of four weeks), with high trading volume immediately following the announcement of the transaction. The graph illustrates that the market price per share of the DWG stock increased to approximately \$28 on 04/06/93 (one year after consummation of the transaction), with relatively stable trading volume during such period.

38. The graph appearing in Appendix C ("Convertible Preferred Market Conditions") entitled "Convertible Market Overview--Monthly Convertible Volume" is omitted. The omitted graph presents the monthly dollar amounts from January 1992 to September 1993 of new issues of convertible securities. The graph illustrates that the 1993 convertible market volume is outpacing the record 1992 volume.

39. The graph appearing in Appendix C ("Convertible Preferred Market

Conditions") entitled "Convertible Market Overview--Total Convertible Issuance 1983-1993 YTD" is omitted. The omitted graph presents the total dollar amounts of convertible issues for each year from 1983 to 1993 (YTD). The following chart presents the information shown in the omitted graph.

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<TABLE>
<CAPTION>

Year	Convertible Issues (dollars in millions)
-----	-----
<S> <C>	<C>
1983	\$9,365
1984	5,007
1985	9,816
1986	14,805
1987	13,346
1988	3,810
1989	7,066
1990	7,956
1991	20,485
1992	18,346
1993	14,968*

*

as of 09/07/93

</TABLE>

40. The graph appearing in Appendix C ("Convertible Preferred Market Conditions") entitled "Convertible Market Overview--Net Flows Into Growth and Income Funds" is omitted. The omitted graph illustrates the substantial increase in Growth and Income funds which has fueled the demand for high-yielding convertible securities. The following chart presents the information shown in the omitted graph.

<TABLE>
<CAPTION>

Year	Net Flows into Growth and Income funds (dollars in billions)
-----	-----
<S>	<C>
1990	\$4.3
1991	11.0
1992	24.0
1993E	36.9

</TABLE>

41. The pie chart appearing in Appendix C ("Convertible Preferred Market Conditions") entitled "Convertible Market Overview--Net Flows Into Growth and Income Funds" is omitted. The chart illustrates the buyers' universe of equity-linked securities representing over \$100 billion in assets. The following chart presents the information shown in the omitted graph.

<TABLE>
<CAPTION>

Growth & Income Mutual Funds: \$30B

<S>

<C>

-Convertible Preferreds
-Cash Pay Convertibles
-Zero Coupon Convertibles
-STEPS/PERCS
-DECS

</TABLE>

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<TABLE>
<CAPTION>

Hedge Funds: \$28B

<S>

<C>

-Low Premium Convertibles
-Low Premium Convertible Preferreds
-STEPS/PERCS

</TABLE>

<TABLE>
<CAPTION>

Warrant Buyers: \$6B

<S>

<C>

-Warrants
-Stripped Warrants on Convertible Debt

</TABLE>

<TABLE>
<CAPTION>

Equity-Linked Mutual Funds: \$10B

<S>

<C>
-Cash Pay Convertibles
-Convertible Preferred
-Zero Coupon Convertibles
-STEPS/PERCS
-DECS

</TABLE>

<TABLE>
<CAPTION>

High Yield Buyers: \$8B

<S>

<C>
-"Busted" Convertibles
-"Distressed" Convertibles
-Zero Coupon Convertibles

</TABLE>

<TABLE>
<CAPTION>

Income Oriented Equity-Linked Buyers: \$20B

<S>

<C>
-"Busted" Convertibles
-STEPS/PERCS
-DECS

</TABLE>