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EL PASO CORP/DE  
Form DEFA14A  
April 03, 2003

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

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934 (AMENDMENT NO. )

Filed by the Registrant  [X]  
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EL PASO CORPORATION

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(Name of Registrant as Specified in its Charter)

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EL PASO CORPORATION  
OPERATING STATISTICS  
FOURTH QUARTER 2002

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EL PASO CORPORATION  
CONSOLIDATED STATEMENTS OF INCOME  
(In Millions, Except per Share Amounts)

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(UNAUDITED)

|   | Fourth Quarter Ended<br>December 31, |          | Twelve Months Ended<br>December 31, |           |
|---|--------------------------------------|----------|-------------------------------------|-----------|
|   | 2002                                 | 2001     | 2002                                | 2001      |
| Operating revenues  | \$ 2,796                             | \$ 2,759 | \$ 12,194                           | \$ 13,649 |
| Operating expenses  |                                      |          |                                     |           |
| Cost of products and services   | 1,944                                | 1,084    | 6,447                               | 6,353     |
| Operation and maintenance   | 728                                  | 679      | 2,606                               | 2,876     |
| Restructuring and merger-related costs  | 18                                   | (7)      | 81                                  | 1,520     |
| (Gain) loss on long-lived assets  | 311                                  | 19       | 282                                 | 183       |
| Western Energy Settlement   | 899                                  | -        | 899                                 | -         |
| Ceiling test charges  | 2                                    | -        | 269                                 | 135       |
| Depreciation, depletion and amortization  | 348                                  | 345      | 1,405                               | 1,327     |
| Taxes, other than income taxes  | 65                                   | 43       | 277                                 | 334       |
|   | 4,315                                | 2,163    | 12,266                              | 12,728    |
| Operating income (loss)   | (1,519)                              | 596      | (72)                                | 921       |
| Equity earnings and other income (expense)  | (163)                                | 301      | (153)                               | 708       |
| Earnings before interest expense, income taxes and other charges  | (1,682)                              | 897      | (225)                               | 1,629     |
| Interest and debt expense   | 392                                  | 290      | 1,400                               | 1,156     |
| Returns on preferred interests of consolidated subsidiaries   | 38                                   | 48       | 159                                 | 217       |
| Income (loss) before income taxes   | (2,112)                              | 559      | (1,784)                             | 256       |
| Income taxes  | (600)                                | 180      | (495)                               | 184       |
| Income (loss) from continuing operations before extraordinary items and cumulative effect of accounting changes | (1,512)                              | 379      | (1,289)                             | 72        |
| Discontinued operations, net of income taxes  | (2)                                  | (4)      | (124)                               | (5)       |
| Extraordinary items, net of income taxes  | -                                    | -        | -                                   | 26        |
| Cumulative effect of accounting changes, net of income taxes  | (222)                                | -        | (54)                                | -         |
| Net income (loss)   | \$ (1,736)                           | \$ 375   | \$ (1,467)                          | \$ 93     |
| Diluted earnings (loss) per common share  | \$ (2.92)                            | \$ 0.72  | \$ (2.62)                           | \$ 0.18   |
| Diluted average common shares outstanding   |                                      |          |                                     |           |

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|         |         |         |         |         |
|---------|---------|---------|---------|---------|
| (000's) | 593,894 | 529,154 | 559,521 | 515,591 |
|         | =====   | =====   | =====   | =====   |

EL PASO CORPORATION

CONSOLIDATED ANALYSIS OF NON-RECURRING ITEMS

(In Millions, Except per Share Amounts)

(UNAUDITED)

|   | Fourth Quarter Ended<br>December 31, |         | Twelve Months Ended<br>December 31, |          |
|---|--------------------------------------|---------|-------------------------------------|----------|
|   | 2002                                 | 2001    | 2002                                | 2001     |
| Reported net income (loss)  | \$ (1,736)                           | \$ 375  | \$ (1,467)                          | \$ 93    |
| Non-recurring items affecting EBIT  |                                      |         |                                     |          |
| Restructuring and merger-related costs  | 18                                   | (7)     | 81                                  | 1,520    |
| Impairment of long-lived assets   | 549                                  | 16      | 549                                 | 178      |
| Impairment of equity investments  | 291                                  | 34      | 578                                 | 77       |
| Impairments of cost basis investments   | -                                    | 6       | 56                                  | 66       |
| Net gain on sale of long-lived assets   | (237)                                | -       | (246)                               | -        |
| Net loss on sale of equity investments  | 20                                   | -       | 51                                  | -        |
| Changes in accounting estimates (a)   | -                                    | -       | -                                   | 316      |
| Western Energy Settlement   | 899                                  | -       | 899                                 | -        |
| Ceiling test charges  | 2                                    | -       | 269                                 | 135      |
| Total non-recurring items affecting EBIT                                      | 1,542                                | 49      | 2,237                               | 2,292    |
| Currency loss on Euro bond offering-<br>reported as interest and debt expense | -                                    | -       | 45                                  | -        |
| Income taxes- tax effect of above<br>non-recurring items                      | (437)                                | (16)    | (632)                               | (635)    |
| Discontinued coal operations, net of income<br>taxes                          | 2                                    | 4       | 124                                 | 5        |
| Extraordinary items, net of income<br>taxes-FTC ordered asset sales           | -                                    | -       | -                                   | (26)     |
| Cumulative effect of accounting changes,<br>net of income taxes               |                                      |         |                                     |          |
| Adoption of EITF No. 02-3   | 222                                  | -       | 222                                 | -        |
| Adoption of Derivatives Issue C-16  | -                                    | -       | (14)                                | -        |
| Adoption of SFAS No. 141- elimination<br>of negative goodwill                 | -                                    | -       | (154)                               | -        |
| Pro forma net income (loss)   | \$ (407)                             | \$ 412  | \$ 361                              | \$ 1,729 |
| Diluted earnings (loss) per common share:                                     |                                      |         |                                     |          |
| Pro forma diluted earnings per common<br>share                                | \$ (0.69)                            | \$ 0.79 | \$ 0.64                             | \$ 3.31  |

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|  |           |         |           |         |
|--|-----------|---------|-----------|---------|
| Restructuring and merger-related costs                                   | (0.02)    | 0.01    | (0.10)    | (2.14)  |
| Impairment of long-lived assets  | (0.66)    | (0.02)  | (0.71)    | (0.23)  |
| Impairment of equity investments   | (0.35)    | (0.04)  | (0.74)    | (0.10)  |
| Impairments of cost basis investments                                    | -         | (0.01)  | (0.07)    | (0.08)  |
| Net gain on sale of long-lived assets                                    | 0.28      | -       | 0.32      | -       |
| Net loss on sale of equity investments                                   | (0.03)    | -       | (0.07)    | -       |
| Changes in accounting estimates (a)                                      | -         | -       | -         | (0.40)  |
| Western Energy Settlement  | (1.08)    | -       | (1.16)    | -       |
| Ceiling test charges   | -         | -       | (0.35)    | (0.17)  |
| Currency loss on Euro bond offering                                      | -         | -       | (0.06)    | -       |
| Discontinued coal operations   | -         | (0.01)  | (0.22)    | (0.01)  |
| Extraordinary items-FTC ordered asset sales                              | -         | -       | -         | 0.05    |
| Cumulative effect of accounting changes                                  |           |         |           |         |
| Adoption of EITF No. 02-3  | (0.37)    | -       | (0.40)    | -       |
| Adoption of Derivatives Issue C-16                                       | -         | -       | 0.03      | -       |
| Adoption of SFAS No. 141- elimination of negative goodwill               | -         | -       | 0.27      | -       |
| Adjustment for antidilution (b)  | -         | -       | -         | (0.05)  |
|  | -----     | -----   | -----     | -----   |
| Reported diluted earnings (loss) per common share                        | \$ (2.92) | \$ 0.72 | \$ (2.62) | \$ 0.18 |
|  | =====     | =====   | =====     | =====   |
| Reported diluted average common shares outstanding (000's)               | 593,894   | 529,154 | 559,521   | 515,591 |
|  | =====     | =====   | =====     | =====   |
| Adjusted pro forma diluted average common shares outstanding (000's) (b) | 593,894   | 529,154 | 560,466   | 530,494 |
|  | =====     | =====   | =====     | =====   |

EL PASO CORPORATION  
SEGMENT INFORMATION  
(UNAUDITED)

| (In Millions)                            | 2002   |        |        |        | 2001   |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|
|  | First  | Second | Third  | Fourth | First  | Second | Third  |
| Operating revenues                       |        |        |        |        |        |        |        |
| Pipelines                                | \$ 703 | \$ 629 | \$ 609 | \$ 664 | \$ 792 | \$ 652 | \$ 609 |
| Production                               | 550    | 560    | 499    | 517    | 571    | 588    | 609    |
| Merchant Energy                          | 2,011  | 1,346  | 1,071  | 1,162  | 1,905  | 1,689  | 1,416  |
| Field Services                           | 540    | 501    | 551    | 437    | 757    | 737    | 559    |
| All other and eliminations               | (49)   | (49)   | (74)   | 16     | (58)   | 91     | (27)   |
|  | -----  | -----  | -----  | -----  | -----  | -----  | -----  |
| Consolidated total                       | 3,755  | 2,987  | 2,656  | 2,796  | 3,967  | 3,757  | 3,166  |
|  | -----  | -----  | -----  | -----  | -----  | -----  | -----  |
| Depreciation, depletion and amortization |        |        |        |        |        |        |        |

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|  |         |        |        |          |         |        |        |
|--|---------|--------|--------|----------|---------|--------|--------|
| Pipelines  | \$ 91   | \$ 95  | 94     | \$ 94    | 96      | \$ 95  | 95     |
| Production   | 207     | 193    | 181    | 192      | 160     | 165    | 177    |
| Merchant Energy  | 34      | 31     | 34     | 30       | 24      | 28     | 26     |
| Field Services   | 19      | 15     | 11     | 11       | 28      | 26     | 29     |
| All other and eliminations   | 14      | 18     | 20     | 21       | 11      | 11     | 11     |
| Consolidated total   | 365     | 352    | 340    | 348      | 319     | 325    | 338    |
| Operating income (loss)  |         |        |        |          |         |        |        |
| Pipelines  | \$ 357  | \$ 277 | \$ 259 | \$ (103) | \$ 294  | \$ 31  | \$ 240 |
| Production   | 175     | 5      | 179    | 170      | 188     | 286    | 168    |
| Merchant Energy  | 455     | (25)   | (241)  | (1,525)  | 168     | 59     | 147    |
| Field Services   | 38      | 36     | 20     | 177      | 20      | 39     | 31     |
| All other and eliminations   | (13)    | (59)   | (16)   | (238)    | (887)   | (350)  | (109)  |
| Operating income (loss) as reported                                  | 1,012   | 234    | 201    | (1,519)  | (217)   | 65     | 477    |
| Earnings (loss) before interest expense and income taxes as reported |         |        |        |          |         |        |        |
| Pipelines  | \$ 399  | \$ 323 | \$ 302 | \$ (206) | \$ 333  | \$ 69  | \$ 274 |
| Production   | 176     | 7      | 179    | 172      | 185     | 289    | 169    |
| Merchant Energy  | 93      | 60     | (171)  | (1,620)  | 257     | 137    | 253    |
| Field Services   | 51      | 54     | (11)   | 193      | 36      | 55     | 43     |
| All other and eliminations   | (6)     | (33)   | 34     | (221)    | (880)   | (397)  | (91)   |
| Consolidated total   | 713     | 411    | 333    | (1,682)  | (69)    | 153    | 648    |
| Non-recurring charges  | 375     | 287    | 33     | 1,542    | 1,159   | 804    | 280    |
| Pro forma earnings (loss) before interest and taxes                  | \$1,088 | \$ 698 | \$ 366 | \$ (140) | \$1,090 | \$ 957 | \$ 928 |

EL PASO CORPORATION

CONSOLIDATED NET INCOME  
(UNAUDITED)

| (In Millions,<br>Except per Share Amounts) | 2002    |         |         |         | 2001    |         |         |
|--|---------|---------|---------|---------|---------|---------|---------|
|  | First   | Second  | Third   | Fourth  | First   | Second  | Third   |
| Operating revenues                         | \$3,755 | \$2,987 | \$2,656 | \$2,796 | \$3,967 | \$3,757 | \$3,166 |
| Operating expenses                         | 2,743   | 2,753   | 2,455   | 4,315   | 4,184   | 3,692   | 2,689   |
| Operating income (loss)                    | 1,012   | 234     | 201     | (1,519) | (217)   | 65      | 477     |
| Equity earnings and other income           | (299)   | 177     | 132     | (163)   | 148     | 88      | 171     |

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|   |         |          |          |           |          |          |         |
|---|---------|----------|----------|-----------|----------|----------|---------|
| Earnings (loss) before interest expense, income taxes and other charges | 713     | 411      | 333      | (1,682)   | (69)     | 153      | 648     |
| Interest and debt expense   | 307     | 359      | 342      | 392       | 295      | 291      | 280     |
| Returns on preferred interests of consolidated subsidiaries             | 40      | 43       | 38       | 38        | 62       | 56       | 51      |
| Income (loss) before income taxes and other charges                     | 366     | 9        | (47)     | (2,112)   | (426)    | (194)    | 317     |
| Income taxes  | 118     | 1        | (14)     | (600)     | (35)     | (63)     | 102     |
| Income (loss) from continuing operations                                | 248     | 8        | (33)     | (1,512)   | (391)    | (131)    | 215     |
| Discontinued operations, net of income taxes                            | (19)    | (67)     | (36)     | (2)       | 1        | (3)      | 1       |
| Extraordinary items, net of income taxes                                | -       | -        | -        | -         | (10)     | 41       | (5)     |
| Cumulative effect of accounting changes, net of income taxes            | 154     | 14       | -        | (222)     | -        | -        | -       |
| Consolidated net income (loss)  | \$ 383  | \$ (45)  | \$ (69)  | \$(1,736) | \$ (400) | \$ (93)  | \$ 211  |
| Pro forma diluted earnings per common share (a)                         | \$ 0.93 | \$ 0.44  | \$(0.02) | \$ (0.69) | \$ 0.96  | \$ 0.79  | \$ 0.78 |
| Reported diluted earnings (loss) per common share                       | \$ 0.72 | \$(0.08) | \$(0.12) | \$ (2.92) | \$(0.80) | \$(0.18) | \$ 0.41 |
| Adjusted pro forma diluted average common shares outstanding (000's)    | 546,472 | 539,975  | 586,079  | 593,894   | 524,963  | 531,556  | 528,099 |
| Reported diluted average common shares outstanding (000's)              | 538,015 | 532,163  | 586,079  | 593,894   | 502,401  | 505,083  | 519,642 |

(a) First quarter 2002 pro forma net income and pro forma diluted earnings per share exclude after-tax impairments of investments in Argentina of \$(232) million, an after-tax ceiling test charge of \$(23) million, discontinued operations net of taxes of \$(19) million and an after-tax cumulative effect of an accounting change of \$154 million from the adoption of SFAS No. 141. First quarter 2001 pro forma net income and pro forma diluted earnings per share exclude after-tax merger related costs of \$(889) million, discontinued operations net of taxes of \$1 million and an after-tax net extraordinary loss related to FTC-ordered asset sales of \$(10) million.

Second quarter 2002 pro forma net income and pro forma diluted earnings per share exclude an after-tax ceiling test charge of \$(159) million, after-tax restructuring costs of \$(43) million, an after-tax gain on sale of Field Services' Dragon Trail plant of \$7 million, discontinued operations net of tax of \$(67) million, an after-tax cumulative effect of an accounting change of \$14 million from the adoption of Derivatives Issue C-16 and after-tax currency loss on Euro bond offering reported as interest expense of \$(31) million. Second quarter 2001 pro forma net income and pro forma diluted earnings per share exclude after-tax merger-related costs of \$(545) million, discontinued operations net of taxes of \$(3) million and the after-tax impact of extraordinary items related to FTC-ordered asset sales of \$41 million.

Third quarter 2002 pro forma net income and pro forma diluted earnings per share exclude discontinued operation net of tax of \$(36) million and after-tax loss on sale of asset disposals of \$(22) million. Third quarter

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2001 pro forma net income and pro forma diluted earnings per share exclude after-tax merger-related costs of \$(98) million, an after-tax ceiling test charge of \$(91) million, discontinued operations net of taxes of \$1 million and the after-tax impact of extraordinary items related to FTC-ordered asset sales of \$(5) million.

For an explanation of the fourth quarter 2002 and 2001 excluded charges refer to the Consolidated Analysis of Non-recurring Items on page 3.

### EL PASO CORPORATION

#### CONSOLIDATED EARNINGS BEFORE INTEREST EXPENSE AND INCOME TAXES

(UNAUDITED)

| (In Millions)   | 2002   |        |        |           | 2001    |        |        |
|---|--------|--------|--------|-----------|---------|--------|--------|
|   | First  | Second | Third  | Fourth    | First   | Second | Third  |
| Operating revenues  |        |        |        |           |         |        |        |
| Pipelines   | \$ 703 | \$ 629 | \$ 609 | \$ 664    | \$ 792  | \$ 652 | \$ 609 |
| Production  | 550    | 560    | 499    | 517       | 571     | 588    | 609    |
| Merchant Energy   | 2,011  | 1,346  | 1,071  | 1,162     | 1,905   | 1,689  | 1,416  |
| Field Services  | 540    | 501    | 551    | 437       | 757     | 737    | 559    |
| All other and eliminations  | (49)   | (49)   | (74)   | 16        | (58)    | 91     | (27)   |
| Total   | 3,755  | 2,987  | 2,656  | 2,796     | 3,967   | 3,757  | 3,166  |
| Operating expenses  |        |        |        |           |         |        |        |
| Cost of products and services   | 1,613  | 1,472  | 1,418  | 1,944     | 1,923   | 1,965  | 1,381  |
| Operation and maintenance   | 662    | 584    | 632    | 728       | 658     | 815    | 724    |
| Restructuring and merger-related costs                                  | -      | 63     | -      | 18        | 1,011   | 489    | 27     |
| (Gain) loss on long-lived assets  | (15)   | (15)   | 1      | 311       | 153     | 4      | 7      |
| Western energy settlement   | -      | -      | -      | 899       | -       | -      | -      |
| Ceiling test charges  | 33     | 234    | -      | 2         | -       | -      | 135    |
| Depreciation, depletion and amortization                                | 365    | 352    | 340    | 348       | 319     | 325    | 338    |
| Taxes, other than income taxes  | 85     | 63     | 64     | 65        | 120     | 94     | 77     |
| Total   | 2,743  | 2,753  | 2,455  | 4,315     | 4,184   | 3,692  | 2,689  |
| Consolidated operating income (loss)                                    | 1,012  | 234    | 201    | (1,519)   | (217)   | 65     | 477    |
| Equity earnings and other income  | (299)  | 177    | 132    | (163)     | 148     | 88     | 171    |
| Earnings (loss) before interest expense, income taxes and other charges | \$ 713 | \$ 411 | \$ 333 | \$(1,682) | \$ (69) | \$ 153 | \$ 648 |



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PIPELINE GROUP

EARNINGS BEFORE INTEREST EXPENSE AND INCOME TAXES  
(EXCLUDES INTRASEGMENT TRANSACTIONS)

| (In Millions)   | 2002   |        |        |          | 2001   |        |        |
|---|--------|--------|--------|----------|--------|--------|--------|
|   | First  | Second | Third  | Fourth   | First  | Second | Third  |
| Revenues  | \$ 703 | \$ 629 | \$ 609 | \$ 664   | \$ 792 | \$ 652 | \$ 609 |
| Operating expenses  |        |        |        |          |        |        |        |
| Operation and maintenance                                     | 227    | 223    | 226    | 240      | 273    | 265    | 243    |
| Restructuring and merger-related costs                        | -      | 1      | -      | -        | 88     | 207    | (4)    |
| (Gain) loss on long-lived assets                              | (12)   | (2)    | 2      | (1)      | 1      | 19     | 2      |
| Western Energy Settlement                                     | -      | -      | -      | 412      | -      | -      | -      |
| Depreciation, depletion and amortization                      | 91     | 95     | 94     | 94       | 96     | 95     | 95     |
| Taxes, other than income taxes                                | 40     | 35     | 28     | 22       | 40     | 35     | 33     |
| Total   | 346    | 352    | 350    | 767      | 498    | 621    | 369    |
| Operating income (loss) as reported                           | 357    | 277    | 259    | (103)    | 294    | 31     | 240    |
| Equity earnings and other income (expense)                    | 42     | 46     | 43     | (103)    | 39     | 38     | 34     |
| Earnings before interest expense and income taxes as reported | \$ 399 | \$ 323 | \$ 302 | \$ (206) | \$ 333 | \$ 69  | \$ 274 |
| Earnings before interest expense and income taxes as reported | \$ 399 | \$ 323 | \$ 302 | \$ (206) | \$ 333 | \$ 69  | \$ 274 |
| Non-recurring charges:  |        |        |        |          |        |        |        |
| Operations and Maintenance                                    | -      | 1      | -      | -        | 89     | 246    | (4)    |
| Western Energy Settlement                                     | -      | -      | -      | 412      | -      | -      | -      |
| Equity earnings and other income                              | -      | -      | -      | 149      | -      | -      | 3      |
| Pro forma earnings before interest expense and income taxes   | \$ 399 | \$ 324 | \$ 302 | \$ 355   | \$ 422 | \$ 315 | \$ 273 |

PIPELINE GROUP

THROUGHPUT

(EXCLUDES INTRASEGMENT VOLUMES)

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(BBtu/d)

|   | 2002          |               |               |               | 2001          |               |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | First         | Second        | Third         | Fourth        | First         | Second        | Third         |
| Tennessee Gas Pipeline                    | 4,789         | 4,235         | 4,472         | 4,889         | 5,045         | 4,092         | 4,162         |
| American Natural Resources                | 3,779         | 3,604         | 3,746         | 3,634         | 3,938         | 3,776         | 3,655         |
| Southern Natural Gas                      | 2,283         | 1,780         | 1,823         | 2,195         | 2,231         | 1,657         | 1,692         |
| El Paso Natural Gas                       | 4,203         | 4,046         | 4,069         | 3,943         | 4,826         | 4,552         | 4,550         |
| Colorado Interstate Gas                   | 2,789         | 2,429         | 2,460         | 2,896         | 2,431         | 2,284         | 2,136         |
| <b>Total</b>                              | <b>17,843</b> | <b>16,094</b> | <b>16,570</b> | <b>17,557</b> | <b>18,471</b> | <b>16,361</b> | <b>16,195</b> |
| Equity Investments (Ownership Percentage) |               |               |               |               |               |               |               |
| Citrus (50%)                              | 887           | 1,048         | 1,151         | 919           | 619           | 782           | 954           |
| Portland (30%)                            | 51            | 31            | 43            | 46            | 26            | 19            | 34            |
| Australia (33%)                           | 286           | 309           | 320           | 304           | 293           | 296           | 347           |
| Great Lakes (50%)                         | 1,245         | 1,099         | 1,221         | 1,192         | 1,146         | 1,095         | 1,143         |
| Alliance (2%)                             | 224           | 208           | 199           | 136           | 202           | 222           | 210           |
| <b>Total</b>                              | <b>2,693</b>  | <b>2,695</b>  | <b>2,934</b>  | <b>2,597</b>  | <b>2,286</b>  | <b>2,414</b>  | <b>2,688</b>  |
| <b>Total throughput</b>                   | <b>20,536</b> | <b>18,789</b> | <b>19,504</b> | <b>20,154</b> | <b>20,757</b> | <b>18,775</b> | <b>18,883</b> |

PRODUCTION

EARNINGS BEFORE INTEREST EXPENSE AND INCOME TAXES

(EXCLUDES INTRASEGMENT TRANSACTIONS)

| (In Millions)                   | 2002       |            |            |            | 2001       |            |            |
|---------------------------------|------------|------------|------------|------------|------------|------------|------------|
|                                 | First      | Second     | Third      | Fourth     | First      | Second     | Third      |
| Operating revenues              |            |            |            |            |            |            |            |
| Natural gas                     | \$ 480     | \$ 441     | \$ 403     | \$ 434     | \$ 480     | \$ 501     | \$ 523     |
| Oil, condensate and liquids     | 82         | 115        | 92         | 84         | 86         | 80         | 80         |
| Other                           | (12)       | 4          | 4          | (1)        | 5          | 7          | 6          |
| <b>Total operating revenues</b> | <b>550</b> | <b>560</b> | <b>499</b> | <b>517</b> | <b>571</b> | <b>588</b> | <b>609</b> |

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|   |        |        |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|--------|--------|
| Transportation and net product costs                          | (22)   | (33)   | (29)   | (29)   | (37)   | (19)   | (19)   |
| Total operating margin  | 528    | 527    | 470    | 488    | 534    | 569    | 590    |
| Operating expenses  |        |        |        |        |        |        |        |
| Operation and maintenance                                     | 97     | 92     | 97     | 100    | 75     | 83     | 86     |
| Restructuring and merger-related costs                        | -      | -      | -      | -      | 47     | -      | -      |
| (Gain) loss on long-lived assets                              | (2)    | -      | -      | 5      | 16     | -      | -      |
| Ceiling test charges  | 33     | 234    | -      | 2      | -      | -      | 135    |
| Depreciation, depletion and amortization                      | 207    | 193    | 181    | 192    | 160    | 165    | 177    |
| Taxes, other than income taxes                                | 18     | 3      | 13     | 19     | 48     | 35     | 24     |
| Total   | 353    | 522    | 291    | 318    | 346    | 283    | 422    |
| Operating income  | 175    | 5      | 179    | 170    | 188    | 286    | 168    |
| Equity Earnings and Other income (expense)                    | 1      | 2      | -      | 2      | (3)    | 3      | 1      |
| Earnings before interest expense and income taxes as reported | \$ 176 | \$ 7   | \$ 179 | \$ 172 | \$ 185 | \$ 289 | \$169  |
| Earnings before interest expense and income taxes as reported | \$ 176 | \$ 7   | \$ 179 | \$ 172 | \$ 185 | \$ 289 | \$ 169 |
| Non-recurring charges:  |        |        |        |        |        |        |        |
| Operations and Maintenance                                    | -      | -      | -      | 4      | 63     | 7      | 3      |
| Ceiling test charges  | 33     | 234    | -      | 2      | -      | -      | 135    |
| Pro forma earnings before interest expense and income taxes   | \$ 209 | \$ 241 | \$ 179 | \$ 178 | \$ 248 | \$ 296 | \$ 307 |

PRODUCTION

SALES VOLUMES AND REALIZED PRICES

|                                  | 2002   |        |        |        | 2001   |        |        |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|
|                                  | First  | Second | Third  | Fourth | First  | Second | Third  |
| Natural Gas Sales Volumes (MMcf) |        |        |        |        |        |        |        |
| Onshore                          | 82,122 | 69,866 | 68,612 | 62,619 | 72,764 | 77,493 | 84,098 |
| Offshore                         | 40,024 | 38,239 | 36,991 | 35,818 | 54,033 | 52,231 | 51,362 |

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|   |          |          |          |          |          |          |         |
|---|----------|----------|----------|----------|----------|----------|---------|
| Coal Seam   | 7,261    | 8,223    | 9,957    | 10,350   | 5,530    | 6,878    | 7,785   |
| International                                       | 3,859    | 3,692    | 4,532    | 4,759    | 1,617    | 2,675    | 3,121   |
| <hr/>   |          |          |          |          |          |          |         |
| Total Natural Gas Sales Volumes                     | 133,266  | 120,020  | 120,092  | 113,546  | 133,944  | 139,277  | 146,366 |
| <hr/>   |          |          |          |          |          |          |         |
| Oil, Condensate and Liquids Sales Volumes (MBbls)   |          |          |          |          |          |          |         |
| Onshore   | 2,132    | 1,778    | 1,416    | 1,261    | 1,575    | 1,901    | 1,507   |
| Offshore  | 2,586    | 2,913    | 2,323    | 2,053    | 1,545    | 1,429    | 1,858   |
| International                                       | 270      | 275      | 247      | 260      | 14       | 23       | 197     |
| <hr/>   |          |          |          |          |          |          |         |
| Total Oil, Condensate and Liquids Sales Volumes     | 4,988    | 4,966    | 3,986    | 3,574    | 3,134    | 3,353    | 3,562   |
| <hr/>   |          |          |          |          |          |          |         |
| Equivalent Sales Volumes (MMcf)                     |          |          |          |          |          |          |         |
| Onshore   | 94,913   | 80,534   | 77,109   | 70,184   | 82,213   | 88,900   | 93,140  |
| Offshore  | 55,538   | 55,719   | 50,931   | 48,134   | 63,300   | 60,805   | 62,510  |
| Coal Seam   | 7,261    | 8,223    | 9,957    | 10,350   | 5,530    | 6,878    | 7,785   |
| International                                       | 5,481    | 5,340    | 6,011    | 6,324    | 1,699    | 2,812    | 4,307   |
| <hr/>   |          |          |          |          |          |          |         |
| Total Equivalent Sales Volumes                      | 163,193  | 149,816  | 144,008  | 134,992  | 152,742  | 159,395  | 167,742 |
| <hr/>   |          |          |          |          |          |          |         |
| Weighted Average Realized Prices                    |          |          |          |          |          |          |         |
| Natural Gas (\$/Mcf)                                | \$ 3.46  | \$ 3.45  | \$ 3.21  | \$ 3.61  | \$ 3.48  | \$ 3.49  | \$ 3.46 |
| Natural Gas (\$/Mcf) before Hedging                 | \$ 2.18  | \$ 2.40  | \$ 2.93  | 3.79     | \$ 7.14  | \$ 4.37  | \$ 2.85 |
| Oil, Condensate and Liquids (\$/bbl)                | \$ 15.68 | \$ 22.14 | \$ 22.19 | \$ 22.39 | \$ 27.42 | \$ 22.98 | \$21.62 |
| Oil, Condensate and Liquids (\$/bbl) before Hedging | \$ 15.02 | \$ 21.99 | \$ 22.93 | \$ 23.14 | \$ 28.64 | \$ 24.02 | \$22.46 |
| <hr/>   |          |          |          |          |          |          |         |

MERCHANT ENERGY GROUP

EARNINGS BEFORE INTEREST EXPENSE AND INCOME TAXES

(EXCLUDES INTRASEGMENT TRANSACTIONS)

| (In Millions)                  | 2002  |        |       |         | 2001  |        |       |
|--------------------------------|-------|--------|-------|---------|-------|--------|-------|
|                                | First | Second | Third | Fourth  | First | Second | Third |
| Gross margin and other revenue | \$819 | \$307  | \$101 | \$(312) | \$638 | \$460  | \$478 |
| Operating expenses             |       |        |       |         |       |        |       |
| Operation and maintenance      | 319   | 277    | 295   | 359     | 301   | 347    | 298   |

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|   |       |      |         |           |       |       |       |
|---|-------|------|---------|-----------|-------|-------|-------|
| Restructuring and merger-related costs                        | -     | 11   | 1       | 17        | 4     | 25    | (1)   |
| (Gain) loss on long-lived assets                              | -     | (3)  | (2)     | 306       | 132   | (9)   | -     |
| Western Energy Settlement                                     | -     | -    | -       | 487       | -     | -     | -     |
| Depreciation, depletion and amortization                      | 34    | 31   | 34      | 30        | 24    | 28    | 26    |
| Taxes other than income taxes                                 | 11    | 16   | 14      | 14        | 9     | 10    | 8     |
|   | ----- | ---  | -----   | -----     | ----- | ----- | ----- |
| Total   | 364   | 332  | 342     | 1,213     | 470   | 401   | 331   |
|   | ----- | ---  | -----   | -----     | ----- | ----- | ----- |
| Operating income (loss) as reported                           | 455   | (25) | (241)   | (1,525)   | 168   | 59    | 147   |
| Equity earnings and other income (expense)                    | (362) | 85   | 70      | (95)      | 89    | 78    | 106   |
|   | ----- | ---  | -----   | -----     | ----- | ----- | ----- |
| Earnings before interest expense and income taxes as reported | \$ 93 | \$60 | \$(171) | \$(1,620) | \$257 | \$137 | \$253 |
|   | ----- | ---  | -----   | -----     | ----- | ----- | ----- |
| Earnings before interest expense and income tax as reported   | \$ 93 | \$60 | \$(171) | \$(1,620) | \$257 | \$137 | \$253 |
| Non-recurring charges:  |       |      |         |           |       |       |       |
| Operation and maintenance                                     | -     | 11   | 1       | 326       | 134   | 91    | 61    |
| Western Energy Settlement                                     | -     | -    | -       | 487       | -     | -     | -     |
| Equity earnings and other income (expense)                    | 342   | -    | (16)    | 159       | -     | 39    | -     |
|   | ----- | ---  | -----   | -----     | ----- | ----- | ----- |
| Pro forma earnings before interest expense and income taxes   | \$435 | \$71 | \$(186) | \$(648)   | \$391 | \$267 | \$314 |
|   | ----- | ---  | -----   | -----     | ----- | ----- | ----- |

MERCHANT ENERGY GROUP

ANALYSIS OF PRO FORMA EARNINGS BEFORE INTEREST EXPENSE AND INCOME TAXES BY DIVISION

| (In Millions)           | 2002  |        |       |        | 2001  |        |       |
|-------------------------|-------|--------|-------|--------|-------|--------|-------|
|                         | First | Second | Third | Fourth | First | Second | Third |
|                         | ----- | -----  | ----- | -----  | ----- | -----  | ----- |
| Power                   |       |        |       |        |       |        |       |
| Electron management fee | \$ 46 | \$ 46  | \$ 47 | \$ 46  | \$ 37 | \$ 37  | \$ 37 |
| Other Domestic          | 354   | 69     | 19    | 4      | 55    | 47     | 32    |
| International           | 14    | 114    | 49    | 47     | 36    | 52     | 65    |
|                         | ----- | -----  | ----- | -----  | ----- | -----  | ----- |
| Total                   | 414   | 229    | 115   | 97     | 128   | 136    | 134   |
|                         | ----- | -----  | ----- | -----  | ----- | -----  | ----- |

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|  |       |       |          |          |       |       |       |
|--|-------|-------|----------|----------|-------|-------|-------|
| Petroleum                                |       |       |          |          |       |       |       |
| Refineries                               | 15    | (16)  | (84)     | 10       | 45    | -     | 32    |
| Chemicals, Terminals, Marine, &<br>Other | 1     | -     | (1)      | (11)     | 12    | 18    | 9     |
| Petroleum & LNG Trading                  | 4     | 19    | 17       | 42       | 48    | 48    | 26    |
|  | ----  | ----  | ----     | ----     | ----  | ----  | ----  |
| Total                                    | 20    | 3     | (68)     | 41       | 105   | 66    | 67    |
|  | ----  | ----  | ----     | ----     | ----  | ----  | ----  |
| Trading                                  |       |       |          |          |       |       |       |
| Gas and Power                            | 68    | (108) | (170)    | (713)    | 194   | 112   | 160   |
|  | ----  | ----  | ----     | ----     | ----  | ----  | ----  |
| Total                                    | 68    | (108) | (170)    | (713)    | 194   | 112   | 160   |
|  | ----  | ----  | ----     | ----     | ----  | ----  | ----  |
| Admin. G&A                               | (67)  | (53)  | (63)     | (73)     | (36)  | (47)  | (47)  |
|  | ----  | ----  | ----     | ----     | ----  | ----  | ----  |
| Total                                    | \$435 | \$ 71 | \$ (186) | \$ (648) | \$391 | \$267 | \$314 |
|  | ----  | ----  | ----     | ----     | ----  | ----  | ----  |

MERCHANT ENERGY GROUP

OPERATING DATA

(EXCLUDES INTRASEGMENT TRANSACTIONS)

|   | 2002     |          |          |         | 2001     |          |          |
|---|----------|----------|----------|---------|----------|----------|----------|
|   | First    | Second   | Third    | Fourth  | First    | Second   | Third    |
|   | -----    | -----    | -----    | -----   | -----    | -----    | -----    |
| PRICE RISK MANAGEMENT STATISTICS          |          |          |          |         |          |          |          |
| Forward Trading Book (In Millions)        | \$ 995   | \$ 1,078 | \$ 968   | \$ (59) | \$ 1,151 | \$ 1,158 | 1,026    |
| Forward Non-trading Book (In<br>Millions) | 984      | 979      | 963      | 968     | -        | -        | -        |
|   | -----    | -----    | -----    | -----   | -----    | -----    | -----    |
| Total Forward Book (In<br>Millions)       | \$ 1,979 | \$ 2,057 | \$ 1,931 | \$ 909  | \$ 1,151 | \$ 1,158 | \$ 1,026 |
|   |          |          |          |         |          |          |          |
| Average VAR (In Millions) *               | \$ 18    | \$ 13    | \$ 16    | \$ 16   | \$ 35    | \$ 25    | \$ 24    |
| Physical Gas Delivery (BBtu/d)            | 13,221   | 13,639   | 12,425   | 8,232   | 13,847   | 9,187    | 7,318    |
| Physical Power Sales (MMwh)               | 104,659  | 107,698  | 141,022  | 116,098 | 35,488   | 44,537   | 60,551   |
| Financial Settlements (BBtue/d)**         | 222,745  | 201,637  | 207,683  | 195,215 | 247,596  | 186,860  | 231,942  |
|   | -----    | -----    | -----    | -----   | -----    | -----    | -----    |
| ASSET STATISTICS                          |          |          |          |         |          |          |          |
| Power Assets Capacity (Net Megawatts)     |          |          |          |         |          |          |          |
| Domestic                                  | 2,228    | 2,228    | 2,183    | 2,192   | 3,517    | 3,117    | 3,117    |
| Electron                                  | 3,931    | 3,931    | 3,465    | 3,457   | 4,202    | 4,722    | 3,714    |
|   | -----    | -----    | -----    | -----   | -----    | -----    | -----    |
| Total Domestic                            | 6,159    | 6,159    | 5,648    | 5,649   | 7,719    | 7,839    | 6,831    |
| International                             | 4,389    | 4,535    | 5,302    | 4,836   | 3,806    | 3,685    | 3,685    |

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| Total                           | 10,548  | 10,694   | 10,950   | 10,485   | 11,525   | 11,524   | 10,516   |
|---------------------------------|---------|----------|----------|----------|----------|----------|----------|
| Power Generation Volumes (MMwh) | 1,663   | 1,409    | 1,631    | 1,206    | 819      | 897      | 1,020    |
| Petroleum Assets                |         |          |          |          |          |          |          |
| Aruba refinery-MBbl/d           | 220     | 124      | 118      | 124      | 247      | 142      | 171      |
| Aruba refinery-Margin/Bbl       | \$3.324 | \$ 1.619 | \$ 1.659 | \$ 3.103 | \$ 4.345 | \$ 5.482 | \$ 3.657 |
| Eagle Point refinery-MBbl/d     | 92      | 124      | 143      | 146      | 122      | 128      | 114      |
| Eagle Point refinery-Margin/Bbl | \$4.351 | \$ 2.942 | \$ 3.261 | \$ 4.174 | \$ 4.027 | \$ 3.624 | \$ 2.480 |

ANALYSIS OF PRICE RISK MANAGEMENT ACTIVITIES AND FORWARD BOOK

Total Portfolio Value at Risk:

|   | (In Millions) |
|---|---------------|
| One Day VAR-95% Confidence Level at December 31, 2002 | \$ 11         |
| One Day VAR-99% Confidence Level at December 31, 2002 | \$ 16         |
| Average VAR-95% Confidence Level during 2002          | \$ 16         |
| High VAR-95% Confidence Level during 2002             | \$ 22         |
| Low VAR-95% Confidence Level during 2002              | \$ 9          |

| Risk Management Assets and Liabilities    | December 02 (In Millions) |        |
|---|---------------------------|--------|
|   | Trade Book                | Book   |
| Mark to Market Value and Cash Liquidation |                           |        |
| 2003                                      | \$ 26                     | \$ 93  |
| 2004                                      | \$ (21)                   | \$ 91  |
| 2005                                      | \$ 18                     | \$ 89  |
| 2006                                      | \$ 3                      | \$ 86  |
| 2007                                      | \$ (12)                   | \$ 84  |
| Remainder                                 | \$ (73)                   | \$ 525 |

\* 2001 average VAR was calculated using the variance-covariance methodology, and 2002 was calculated using the historical simulation methodology.

\*\* Financial settlements for the second through fourth quarters of 2002 and year-to-date 2002 exclude financial settlements associated with futures.

FIELD SERVICES  
EARNINGS BEFORE INTEREST EXPENSE AND INCOME TAXES  
(EXCLUDES INTERSEGMENT TRANSACTIONS)

| (In Millions)                | 2002  |        |       |        | 2001  |        |       |
|------------------------------|-------|--------|-------|--------|-------|--------|-------|
|                              | First | Second | Third | Fourth | First | Second | Third |
| Gross margin                 |       |        |       |        |       |        |       |
| Gathering and transportation | \$ 82 | \$ 41  | \$ 39 | \$ 29  | \$ 76 | \$ 74  | \$ 82 |

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|   |       |       |         |        |       |       |       |
|---|-------|-------|---------|--------|-------|-------|-------|
| Processing  | 39    | 39    | 39      | 30     | 61    | 65    | 61    |
| NGL business  | 4     | 4     | 2       | 1      | 13    | 6     | 2     |
|   | ----- | ----- | -----   | -----  | ----- | ----- | ----- |
| Total   | 125   | 84    | 80      | 60     | 150   | 145   | 145   |
|   | ----- | ----- | -----   | -----  | ----- | ----- | ----- |
| Operating expenses  |       |       |         |        |       |       |       |
| Operation and maintenance                                     | 61    | 37    | 44      | 38     | 66    | 64    | 71    |
| Restructuring and merger-related costs                        | -     | 1     | -       | -      | 29    | 9     | 8     |
| (Gain) loss on long-lived assets                              | -     | (10)  | 1       | (170)  | -     | -     | -     |
| Depreciation, depletion and amortization                      | 19    | 15    | 11      | 11     | 28    | 26    | 29    |
| Taxes; other than income taxes                                | 7     | 5     | 4       | 4      | 7     | 7     | 6     |
|   | ----- | ----- | -----   | -----  | ----- | ----- | ----- |
| Total   | 87    | 48    | 60      | (117)  | 130   | 106   | 114   |
|   | ----- | ----- | -----   | -----  | ----- | ----- | ----- |
| Operating income (loss) as reported                           | 38    | 36    | 20      | 177    | 20    | 39    | 31    |
| Equity earnings and other income (expense)                    | 13    | 18    | (31)    | 16     | 16    | 16    | 12    |
|   | ----- | ----- | -----   | -----  | ----- | ----- | ----- |
| Earnings before interest expense and income taxes as reported | \$ 51 | \$ 54 | \$ (11) | \$ 193 | \$ 36 | \$ 55 | \$ 43 |
|   | ----- | ----- | -----   | -----  | ----- | ----- | ----- |
| Earnings before interest expense and income taxes as reported | \$ 51 | \$ 54 | \$ (11) | \$ 193 | \$ 36 | \$ 55 | \$ 43 |
|   | ----- | ----- | -----   | -----  | ----- | ----- | ----- |
| Non-recurring charges:  |       |       |         |        |       |       |       |
| Operation and maintenance                                     | -     | (9)   | 1       | (169)  | 29    | 10    | 17    |
| Equity earnings and other income                              | -     | -     | 47      | 3      | -     | -     | -     |
|   | ----- | ----- | -----   | -----  | ----- | ----- | ----- |
| Pro forma earnings before interest expense and income taxes   | \$ 51 | \$ 45 | \$ 37   | \$ 27  | \$ 65 | \$ 65 | \$ 60 |
|   | ----- | ----- | -----   | -----  | ----- | ----- | ----- |
| Equity earnings from El Paso Energy Partners, L.P. (a)        | \$ 15 | \$ 18 | \$ 17   | \$ 19  | \$ 16 | \$ 10 | \$ 10 |
|   | ----- | ----- | -----   | -----  | ----- | ----- | ----- |
| Cash Distributions from El Paso Energy Partners, L.P.         |       |       |         |        |       |       |       |
| Common unit ownership   | 6     | 8     | 8       | 8      | 5     | 5     | 5     |
| General partner ownership                                     | 9     | 11    | 11      | 12     | 5     | 6     | 6     |
|   | ----- | ----- | -----   | -----  | ----- | ----- | ----- |
| Total   | \$ 15 | \$ 19 | \$ 19   | \$ 20  | 10    | \$ 11 | \$ 11 |

FIELD SERVICES SEGMENT

VOLUMES AND RATES

| 2002  |        |       |        | 2001  |        |       |
|-------|--------|-------|--------|-------|--------|-------|
| First | Second | Third | Fourth | First | Second | Third |
| ----- | -----  | ----- | -----  | ----- | -----  | ----- |

Gathering and transportation volumes



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|  |         |         |         |         |         |         |        |
|--|---------|---------|---------|---------|---------|---------|--------|
| (BBtu/d)   | 2,153   | 2,265   | 2,209   | 1,839   | 2,442   | 2,363   | 2,22   |
| Gathering and transportation volumes from sold assets(1)       | 3,679   | -       | -       | -       | 3,666   | 3,631   | 3,94   |
| Total gathering and transportation volumes (Btu/d)             | 5,832   | 2,265   | 2,209   | 1,839   | 6,108   | 5,994   | 6,17   |
| Weighted average gathering and transportation rates (\$/MMBtu) | \$ 0.16 | \$ 0.20 | \$ 0.19 | \$ 0.17 | \$ 0.14 | \$ 0.14 | \$ 0.1 |
| Processing volumes (Inlet BBtu/d) (2)                          | 3,937   | 3,928   | 3,883   | 3,729   | 3,710   | 4,160   | 4,36   |
| Processing volumes from sold assets (1)                        | 180     | 28      | -       | -       | 182     | 180     | 18     |
| Total processing volumes (Inlet BBtu/d)                        | 4,117   | 3,956   | 3,883   | 3,729   | 3,892   | 4,340   | 4,55   |
| Weighted average processing margins (\$/MMBtu)                 | \$ 0.10 | \$ 0.11 | \$ 0.11 | \$ 0.09 | \$ 0.17 | \$ 0.16 | \$ 0.1 |
| Total NGL production (Bbl/d)                                   | 162,052 | 181,718 | 153,630 | 134,851 | 143,784 | 172,212 | 184,06 |

|   | 2002    |         |         |         | 2001    |         |        |
|---|---------|---------|---------|---------|---------|---------|--------|
|   | First   | Second  | Third   | Fourth  | First   | Second  | Third  |
| El Paso Energy Partners, L.P                  |         |         |         |         |         |         |        |
| Natural gas pipelines and plants (BBtu/d) (2) | 2,430   | 6,254   | 5,971   | 6,501   | 1,950   | 2,235   | 1,89   |
| Oil and NGL logistics (Bbls/d)                | 231,740 | 240,184 | 219,449 | 209,613 | 201,288 | 248,825 | 234,60 |

EL PASO CORPORATION

SCHEDULE OF NON-RECURRING ITEMS

(UNAUDITED)

| (In Millions)                          | Fourth Quarter Ended December 31, |           |         |           |         |           |
|--|-----------------------------------|-----------|---------|-----------|---------|-----------|
|  | 2002                              |           | 2001    |           |         |           |
|  | Pre-tax                           | After-tax | Pre-tax | After-tax | Pre-tax | After-tax |
| Restructuring and merger-related costs |                                   |           |         |           |         |           |

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|  |         |         |       |       |         |
|--|---------|---------|-------|-------|---------|
| Employee severance, retention and transition costs           | \$ 18   | \$ 13   | \$ 9  | \$ 6  | \$ 41   |
| Transactions costs and fees                                  | -       | -       | -     | -     | 40      |
| Business and operational integration                         |         |         | (32)  | (22)  | -       |
| Other  | -       | -       | 16    | 11    | -       |
| Total Restructuring and merger-related costs                 | 18      | 13      | (7)   | (5)   | 81      |
| Asset impairments and net (gain)/loss on sales               |         |         |       |       |         |
| Long-lived assets impairment                                 | 549     | 393     | 16    | 11    | 549     |
| Equity investments impairment                                | 291     | 209     | 34    | 23    | 578     |
| Cost basis investments impairment                            | -       | -       | 6     | 4     | 56      |
| Long-lived assets net gain on sales                          | (237)   | (169)   | -     | -     | (246)   |
| Equity investments net loss on sales                         | 20      | 14      | -     | -     | 51      |
| Total (gain)/loss on assets                                  | 623     | 447     | 56    | 38    | 988     |
| Changes in accounting estimates                              |         |         |       |       |         |
| Western Energy Settlement                                    | 899     | 644     | -     | -     | 899     |
| Ceiling test charges   | 2       | 1       | -     | -     | 269     |
| Total charges impacting EBIT                                 | 1,542   | 1,105   | 49    | 33    | 2,237   |
| Currency Loss  | -       | -       | -     | -     | 45      |
| Discontinued operations, net of income taxes                 | -       | 2       | -     | 4     | -       |
| Extraordinary items, net of income taxes                     | -       | -       | -     | -     | -       |
| Cumulative effect of accounting changes, net of income taxes | -       | 222     | -     | -     | -       |
| Total non-recurring items                                    | \$1,542 | \$1,329 | \$ 49 | \$ 37 | \$2,282 |

|                       | Fourth Quarter 2002 |                 |               | Twelve M       |
|-----------------------|---------------------|-----------------|---------------|----------------|
|                       | Pro forma EBIT      | Non-Rec Charges | Reported EBIT | Pro forma EBIT |
| Total EBIT by segment |                     |                 |               |                |
| Pipelines             | \$ 355              | \$ 561          | \$ (206)      | \$1,380        |
| Production            | 178                 | 6               | 172           | 807            |
| Merchant Energy       | (648)               | 972             | (1,620)       | (328)          |
| Field Services        | 27                  | (166)           | 193           | 160            |
| Corporate and Other   | (52)                | 169             | (221)         | (7)            |
| Total                 | \$ (140)            | \$1,542         | \$ (1,682)    | \$2,012        |

|                       | Fourth Quarter 2001 |                 |               | Twelve M       |
|-----------------------|---------------------|-----------------|---------------|----------------|
|                       | Pro forma EBIT      | Non-Rec Charges | Reported EBIT | Pro forma EBIT |
| Total EBIT by segment |                     |                 |               |                |
| Pipelines             | \$ 362              | \$ -            | \$ 362        | 1,372          |
| Production            | 277                 | -               | 277           | 1,128          |

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|                     |        |       |        |         |
|---------------------|--------|-------|--------|---------|
| Merchant Energy     | 307    | 50    | 257    | 1,279   |
| Field Services      | 61     | -     | 61     | 251     |
| Corporate and Other | (61)   | (1)   | (60)   | (109)   |
|                     | -----  | ----- | -----  | -----   |
| Total               | \$ 946 | 49    | \$ 897 | \$3,921 |
|                     | -----  | ----- | -----  | -----   |