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EL PASO CORP/DE
Form DEFA14A
May 19, 2003

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

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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EL PASO CORPORATION
Operating Statistics
First Quarter 2003

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EL PASO CORPORATION

CONSOLIDATED STATEMENTS OF INCOME
(In Millions, Except per Share Amounts)
(UNAUDITED)

| | First Q |
|---|--------------------------|
| | ----- 2003 ----- |
| Operating revenues | \$ 4,01 |
| Operating expenses | |
| Cost of products and services | 2,50 |
| Operation and maintenance | 61 |
| Restructuring costs | 7 |
| (Gain) loss on long-lived assets | 31 |
| Ceiling test charges | |
| Depreciation, depletion and amortization | 36 |
| Taxes, other than income taxes | 8 |
| | ----- 3,95 ----- |
| Operating income | 6 |
| Equity earnings and other income (expense) | (18) |
| Earnings (losses) before interest expense, income taxes and other charges | (12) |
| Interest and debt expense | 34 |
| Return on preferred interests of consolidated subsidiaries | 3 |
| Income (loss) before income taxes | (50) |
| Income taxes | (13) |
| Income (loss) from continuing operations before cumulative effect of accounting changes | (37) |
| Discontinued operations, net of income taxes | |
| Cumulative effect of accounting changes, net of income taxes | (2) |
| Net income (loss) | \$ (39) |
| Diluted earnings (losses) per common share | \$ (0.6) |
| Diluted average common shares outstanding (000's) | ===== 595,05 ===== |

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EL PASO CORPORATION

CONSOLIDATED ANALYSIS OF NON-RECURRING ITEMS
(In Millions, Except per Share Amounts)
(UNAUDITED)

| | First Qua Mar |
|--|------------------------|
| | ----- 2003 ----- |
| Reported net income (loss) | \$ (394) |
| Non-recurring items affecting EBIT | |
| Restructuring costs | 75 |
| Impairment of long-lived assets | 368 |
| Impairment of equity investments | 207 |
| Impairments of cost basis investments | 86 |
| Net gain on sale of long-lived assets | (49) |
| Net loss on sale of equity investments | 11 |
| Ceiling test charges | - |
| | ----- |
| Total non-recurring items affecting EBIT | 698 |
| | ----- |
| Income tax- tax effect of above non-recurring items | (183) |
| Discontinued coal operations, net of income taxes | (3) |
| Cumulative effect of accounting changes, net of income taxes: | |
| Adoption of SFAS No. 143- retirement obligations | 22 |
| Adoption of SFAS No. 141- elimination of negative goodwill | - |
| | ----- |
| Pro forma net income | \$ 140 |
| | ===== |
| Diluted earnings (losses) per common share: | |
| Pro forma diluted earnings per common share | \$ 0.24 |
| Restructuring costs | (0.09) |
| Impairment of long-lived assets | (0.46) |
| Impairment of equity investments | (0.26) |
| Impairments of cost basis investments | (0.11) |
| Net gain on sale of long-lived assets | 0.06 |
| Net loss on sale of equity investments | (0.01) |
| Ceiling test charges | - |
| Discontinued coal operations | 0.01 |
| Cumulative effect of accounting changes: | |
| Adoption of SFAS No. 143- retirement obligations | (0.04) |
| Adoption of SFAS No. 141- elimination of negative goodwill | - |
| | ----- |
| Reported diluted earnings (losses) per common share | \$ (0.66) |
| | ===== |
| Adjusted pro forma diluted average common shares outstanding (000's) | 595,059 |
| | ===== |
| Reported diluted average common shares outstanding (000's) | 595,059 |
| | ===== |

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EL PASO CORPORATION

SEGMENT INFORMATION

(UNAUDITED)

| (In Millions) | 2003 | | |
|--|----------|----------|--------|
| | First | First | Second |
| Operating revenues | | | |
| Pipelines | \$ 754 | \$ 703 | \$ 6 |
| Production | 595 | 550 | 5 |
| Merchant Energy | 2,164 | 2,021 | 1,3 |
| Field Services | 558 | 540 | 5 |
| All other and eliminations | (53) | (49) | (|
| Consolidated total | \$ 4,018 | \$ 3,765 | \$ 2,9 |
| Depreciation, depletion and amortization | | | |
| Pipelines | \$ 95 | \$ 91 | \$ |
| Production | 205 | 207 | 1 |
| Merchant Energy | 29 | 34 | |
| Field Services | 10 | 19 | |
| All other and eliminations | 22 | 14 | |
| Consolidated total | \$ 361 | \$ 365 | \$ 3 |
| Operating income (loss) | | | |
| Pipelines | \$ 384 | \$ 357 | \$ 2 |
| Production | 235 | 175 | |
| Merchant Energy | (514) | 455 | (|
| Field Services | - | 38 | |
| All other and eliminations | (44) | (13) | (|
| Operating income (loss) as reported | \$ 61 | \$ 1,012 | \$ 2 |
| Earnings (losses) before interest expense and income taxes as reported | | | |
| Pipelines | \$ 429 | \$ 399 | \$ 3 |
| Production | 244 | 176 | |
| Merchant Energy | (756) | 93 | |
| Field Services | 27 | 51 | |
| All other and eliminations | (68) | (6) | (|
| Consolidated total | (124) | 713 | 3 |
| Non-recurring charges | 698 | 375 | 3 |
| Pro forma earnings (losses) before interest and taxes | \$ 574 | \$ 1,088 | \$ 6 |

EL PASO CORPORATION

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CONSOLIDATED NET INCOME
(UNAUDITED)

| (In Millions, Except per Share Amounts) | 2003 | | |
|---|-----------|----------|-----------|
| | First | First | Second |
| Operating revenues | \$ 4,018 | \$ 3,765 | \$ 2,997 |
| Operating expenses | 3,957 | 2,753 | 2,763 |
| Operating income (loss) | 61 | 1,012 | 234 |
| Equity earnings and other income (expense) | (185) | (299) | 132 |
| Earnings (losses) before interest expense, income taxes and other charges | (124) | 713 | 366 |
| Interest and debt expense | 345 | 307 | 314 |
| Return on preferred interests of consolidated subsidiaries | 39 | 40 | 43 |
| Income (loss) before income taxes | (508) | 366 | 9 |
| Income taxes | (133) | 118 | 1 |
| Income (loss) from continuing operations before cumulative effect of accounting changes | (375) | 248 | 8 |
| Discontinued operations, net of income taxes | 3 | (19) | (67) |
| Cumulative effect of accounting changes, net of income taxes | (22) | 154 | 14 |
| Consolidated net income (loss) | \$ (394) | \$ 383 | \$ (45) |
| Pro forma diluted earnings (losses) per common share (a) | \$ 0.24 | \$ 0.93 | \$ 0.44 |
| Reported diluted earnings (losses) per common share | \$ (0.66) | \$ 0.72 | \$ (0.08) |
| Adjusted pro forma diluted average common shares outstanding (000's) | 595,059 | 546,472 | 539,975 |
| Reported diluted average common shares outstanding (000's) | 595,059 | 538,015 | 532,163 |

(a) 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, after-tax gain on sale of Field Services' Dragon Trail processing plant of \$7 million, discontinued operations of \$(67) million, net of income taxes, cumulative effect of an accounting change of \$14 million from the adoption of Derivatives Issue C-16 of \$14 million, net of income taxes, and after-tax currency loss on Euro bond offering of \$(31) million.

Third quarter 2002 pro forma net income and pro forma diluted earnings per

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share exclude discontinued operations of \$(36) million, net of income taxes, and after-tax loss on sale of asset disposals of \$(22) million. Fourth quarter 2002 pro forma net income and pro forma diluted earnings per share exclude an after-tax Western Energy Settlement of \$(644) million, after-tax ceiling test charge of \$(1) million, after-tax restructuring costs of \$(13) million, discontinued operations of \$(2) million, net of income taxes, cumulative effect of accounting charges for adoption of EITF Issue No. 02-3 of \$(222) million, net of income taxes, after-tax long-lived asset impairment of \$(393) million, after-tax equity investment impairment of \$(209) million, after-tax net loss on sales of equity investment of \$(14) million, and after-tax net gain on sales of long-lived assets of \$169 million.

For an explanation of the first quarter 2003 and 2002 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) | 2003 | | 2002 |
|--|--------------|--------------|--------------|
| | First | First | Second |
| Operating revenues | | | |
| Pipelines | \$ 754 | \$ 703 | \$ 629 |
| Production | 595 | 550 | 560 |
| Merchant Energy | 2,164 | 2,021 | 1,356 |
| Field Services | 558 | 540 | 501 |
| All other and eliminations | (53) | (49) | (49) |
| Total | 4,018 | 3,765 | 2,997 |
| Operating expenses | | | |
| Cost of products and services | 2,508 | 1,623 | 1,482 |
| Operation and maintenance | 612 | 662 | 584 |
| Restructuring costs | 75 | - | 63 |
| (Gain) loss on long-lived assets | 318 | (15) | (15) |
| Western Energy Settlement | - | - | - |
| Ceiling test charges | - | 33 | 234 |
| Depreciation, depletion and amortization | 361 | 365 | 352 |
| Taxes, other than income taxes | 83 | 85 | 63 |
| Total | 3,957 | 2,753 | 2,763 |

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| | | | |
|---|----------|--------|--------|
| Consolidated operating income (loss) | 61 | 1,012 | 234 |
| Equity earnings and other income (expense) | (185) | (299) | 132 |
| Earnings (losses) before interest expense, income taxes and other charges | \$ (124) | \$ 713 | \$ 366 |

PIPELINE GROUP

EARNINGS BEFORE INTEREST EXPENSE AND INCOME TAXES

(Excludes Intra-segment Transactions)

| (In Millions) | 2003 | | 2002 |
|--|--------|--------|--------|
| | First | First | Second |
| Revenues | \$ 754 | \$ 703 | \$ 629 |
| Operating expenses | | | |
| Operation and maintenance | 238 | 227 | 223 |
| Restructuring costs | - | - | 1 |
| (Gain) loss on long-lived assets | - | (12) | (2) |
| Western Energy Settlement | - | - | - |
| Depreciation, depletion and amortization | 95 | 91 | 95 |
| Taxes, other than income taxes | 37 | 40 | 35 |
| Total | 370 | 346 | 352 |
| Operating income (loss) as reported | 384 | 357 | 277 |
| Equity earnings and other income (expense) | 45 | 42 | 46 |
| Earnings (losses) before interest expense and income taxes as reported | \$ 429 | \$ 399 | \$ 323 |
| Earnings (losses) before interest expense and income taxes as reported | \$ 429 | \$ 399 | \$ 323 |
| Non-recurring charges: | | | |
| Operation and Maintenance | - | - | 1 |

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| | | | |
|----------------------------------|---|---|---|
| Western Energy Settlement | - | - | - |
| Equity earnings and other income | - | - | - |

| | | | |
|--|--------|--------|--------|
| Pro forma earnings before interest expense and income taxes | \$ 429 | \$ 399 | \$ 324 |
|--|--------|--------|--------|

PIPELINE GROUP

THROUGHPUT
(Excludes Intra-segment Volumes)

(BBTU/D)

| | 2003 | | 2002 |
|----------------------------|--------|--------|--------|
| | First | First | Second |
| Tennessee Gas Pipeline | 5,991 | 4,789 | 4,235 |
| American Natural Resources | 5,461 | 5,044 | 3,744 |
| Southern Natural Gas | 2,451 | 2,371 | 1,992 |
| El Paso Natural Gas | 4,069 | 4,203 | 4,046 |
| Colorado Interstate Gas | 2,933 | 2,851 | 2,576 |
| | | | |
| Total | 20,905 | 19,258 | 16,593 |

Equity Investments (Ownership Percentage)

| | | | |
|-------------------|-------|-------|-------|
| Citrus (50%) | 917 | 887 | 1,048 |
| Portland (30%) | 57 | 51 | 31 |
| Australia (33%) | 293 | 286 | 309 |
| Great Lakes (50%) | 1,437 | 1,245 | 1,099 |

| | | | |
|-------|-------|-------|-------|
| Total | 2,704 | 2,469 | 2,487 |
|-------|-------|-------|-------|

| | | | |
|------------------|--------|--------|--------|
| Total throughput | 23,609 | 21,727 | 19,080 |
|------------------|--------|--------|--------|

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PRODUCTION

EARNINGS BEFORE INTEREST EXPENSE AND INCOME TAXES

(Excludes Intrasegment Transactions)

| (In Millions) | 2003 | | 2002 |
|---|--------|--------|--------|
| | First | First | Second |
| Operating revenues | | | |
| Natural gas | \$ 490 | \$ 480 | \$ 441 |
| Oil, condensate and liquids | 106 | 82 | 115 |
| Other | (1) | (12) | 4 |
| Total operating revenues | 595 | 550 | 560 |
| Transportation and net product costs | (31) | (22) | (33) |
| Total operating margin | 564 | 528 | 527 |
| Operating expenses | | | |
| Operation and maintenance | 87 | 97 | 92 |
| Restructuring costs | 3 | - | - |
| (Gain) loss on long-lived assets | 9 | (2) | - |
| Ceiling test charges | - | 33 | 234 |
| Depreciation, depletion and amortization | 205 | 207 | 193 |
| Taxes, other than income taxes | 25 | 18 | 3 |
| Total | 329 | 353 | 522 |
| Operating income | 235 | 175 | 5 |
| Equity Earnings and Other income | 9 | 1 | 2 |
| Earnings before interest expense and income taxes as reported | \$ 244 | \$ 176 | \$ 7 |
| Earnings before interest expense and income taxes as reported | \$ 244 | \$ 176 | \$ 7 |
| Non-recurring charges: | | | |
| Operation and Maintenance | 12 | - | - |

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| | | | |
|--|--------|--------|--------|
| Ceiling test charges | - | 33 | 234 |
| ----- | | | |
| Pro forma earnings before interest expense and income taxes | \$ 256 | \$ 209 | \$ 241 |
| ----- | | | |

PRODUCTION

SALES VOLUMES AND REALIZED PRICES

| | 2003 | | 2002 |
|--|---------|---------|---------|
| | First | First | Second |
| ----- | | | |
| Natural Gas Sales Volumes (MMcf) | | | |
| Onshore | 51,279 | 82,122 | 69,866 |
| Offshore | 35,884 | 40,024 | 38,239 |
| Coal Seam | 10,713 | 7,261 | 8,223 |
| International | 3,867 | 3,859 | 3,692 |
| ----- | | | |
| Total Natural Gas Sales Volumes | 101,743 | 133,266 | 120,020 |
| ----- | | | |
| Oil, Condensate and Liquids Sales Volumes (MBbls) | | | |
| Onshore | 1,524 | 2,132 | 1,778 |
| Offshore | 2,068 | 2,586 | 2,913 |
| International | 132 | 270 | 275 |
| ----- | | | |
| Total Oil, Condensate and Liquids Sales Volumes | 3,724 | 4,988 | 4,966 |
| ----- | | | |
| Equivalent Sales Volumes (MMcf) | | | |
| Onshore | 60,420 | 94,913 | 80,534 |
| Offshore | 48,291 | 55,538 | 55,719 |
| Coal Seam | 10,715 | 7,261 | 8,223 |
| International | 4,660 | 5,481 | 5,340 |
| ----- | | | |
| Total Equivalent Sales Volumes | 124,086 | 163,193 | 149,816 |
| ----- | | | |
| Weighted Average Realized Prices | | | |
| Natural gas (\$/Mcf) | \$ 4.60 | \$ 3.46 | \$ 3.45 |
| Natural gas (\$/Mcf) before hedging | \$ 6.46 | \$ 2.18 | \$ 2.40 |

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| | | | |
|--|----------|----------|----------|
| Oil, condensate and liquids (\$/Bbl) | \$ 27.33 | \$ 15.68 | \$ 22.14 |
| Oil, condensate and liquids (\$/Bbl) before hedging | \$ 28.12 | \$ 15.02 | \$ 21.99 |

MERCHANT ENERGY GROUP

EARNINGS BEFORE INTEREST EXPENSE AND INCOME TAXES

(EXCLUDES INTRASEGMENT TRANSACTIONS)

| (In Millions) | 2003 | | 2002 |
|---|----------|--------|--------|
| | First | First | Second |
| Gross margin and other revenue | \$ 200 | \$ 819 | \$ 307 |
| Operating expenses | | | |
| Operation and maintenance | 314 | 319 | 277 |
| Restructuring costs | 59 | - | 11 |
| (Gain) loss on long-lived assets | 300 | - | (3) |
| Western Energy Settlement | - | - | - |
| Depreciation, depletion and amortization | 29 | 34 | 31 |
| Taxes, other than income taxes | 12 | 11 | 16 |
| Total | 714 | 364 | 332 |
| Operating income (loss) as reported | (514) | 455 | (25) |
| Equity earnings and other income (expense) | (242) | (362) | 85 |
| Earnings (losses) before interest expense and income taxes as reported | \$ (756) | \$ 93 | \$ 60 |
| Earnings (losses) before interest expense and income taxes as reported | \$ (756) | \$ 93 | \$ 60 |
| Non-recurring charges: | | | |
| Operation and maintenance | 359 | - | 11 |
| Western Energy Settlement | - | - | - |
| Equity earnings and other income (expense) | 304 | 342 | - |

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| | | | |
|--|---------|--------|-------|
| Pro forma earnings (losses) before interest expense and income taxes | \$ (93) | \$ 435 | \$ 71 |
|--|---------|--------|-------|

MERCHANT ENERGY GROUP

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

| (In Millions) | 2003 | | 2002 |
|---------------------------------------|----------------|---------------|--------------|
| | First | First | Second |
| Power | | | |
| Electron management fee | \$ - | \$ 46 | \$ 46 |
| Other Domestic | 8 | 264 | 69 |
| International | 51 | 14 | 114 |
| Total | 59 | 324 | 229 |
| Petroleum | | | |
| Refineries | 82 | 105 | (16) |
| Chemicals, Terminals, Marine, & Other | (4) | 1 | - |
| Petroleum & LNG Trading | (4) | 4 | 19 |
| Total | 74 | 110 | 3 |
| Trading | | | |
| Gas and Power | (151) | 68 | (108) |
| Total | (151) | 68 | (108) |
| Power | (13) | (21) | (16) |
| Petroleum | (27) | (23) | (13) |
| Trading | (35) | (23) | (24) |
| General and Administrative | (75) | (67) | (53) |
| Total | \$ (93) | \$ 435 | \$ 71 |

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MERCHANT ENERGY GROUP

OPERATING DATA

(Excludes Intra-segment Transactions)

| | 2003 | | 2002 |
|---|----------|----------|----------|
| | First | First | Second |
| PRICE RISK MANAGEMENT STATISTICS | | | |
| Forward Trading Book (In Millions) | \$ (146) | \$ 995 | \$ 1,000 |
| Forward Non-trading Book (In Millions) | 967 | 984 | |
| Total Forward Book (In Millions) | \$ 821 | \$ 1,979 | \$ 2,000 |
| Average VAR (In Millions)* | \$ 22 | \$ 18 | \$ |
| Physical Gas Delivery (BBtu/d) | 5,536 | 13,221 | 13,000 |
| Physical Power Sales (MMWh) | 85,330 | 104,659 | 107,000 |
| Financial Settlements (BBtue/d)** | 121,330 | 222,745 | 201,000 |
| ASSET STATISTICS | | | |
| Power Assets Capacity (Net Megawatts) | | | |
| Domestic | 1,825 | 2,228 | 2,000 |
| Electron | 3,452 | 3,931 | 3,000 |
| Total Domestic | 5,277 | 6,159 | 6,000 |
| International | 4,773 | 4,389 | 4,000 |
| Total | 10,050 | 10,548 | 10,000 |
| Power Generation Volumes (MMWh) | 1,096 | 1,663 | 1,000 |
| Petroleum Assets | | | |
| Aruba refinery-MBbl/d | 169 | 220 | |
| Aruba refinery-Margin/Bbl | \$ 5.971 | \$ 3.324 | \$ 1.000 |
| Eagle Point refinery-MBbl/d | 144 | 92 | |
| Eagle Point refinery-Margin/Bbl | \$ 7.118 | \$ 4.351 | \$ 2.000 |

ANALYSIS OF PRICE RISK MANAGEMENT ACTIVITIES
AND FORWARD BOOK

Total Portfolio Value at Risk:

One Day VAR-95% Confidence Level at March 31, 2003

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One Day VAR-99% Confidence Level at March 31, 2003
 Average VAR-95% Confidence Level during 2003
 High VAR-95% Confidence Level during 2003
 Low VAR-95% Confidence Level during 2003

| | Forward Trading Book | Accrual Based Portfolio |
|---|-------------------------|----------------------------|
| March | | |
| Risk Management Assets and Liabilities | | |
| Mark to Market Value and Cash Liquidation | | (In |
| 2003 | \$ (19) | \$ |
| 2004 | \$ (53) | \$ |
| 2005 | \$ 1 | \$ |
| 2006 | \$ 6 | \$ |
| 2007 | \$ (16) | \$ |
| Remainder | \$ (65) | \$ |
| Total | \$ (146) | \$ (|

FIELD SERVICES

EARNINGS BEFORE INTEREST EXPENSE AND INCOME TAXES

(Excludes Intersegment Transactions)

| (In Millions) | 2003 | | 200 |
|--|-------|-------|--------|
| | First | First | Second |
| Gross margin | | | |
| Gathering and transportation | \$ 12 | \$ 82 | \$ 41 |
| Processing | 31 | 39 | 39 |
| NGL business | 4 | 4 | 4 |
| Total | 47 | 125 | 84 |
| Operating expenses | | | |
| Operation and maintenance | 31 | 61 | 37 |
| Restructuring costs | - | - | 1 |
| (Gain) loss on long-lived assets | 1 | - | (10) |
| Depreciation, depletion and amortization | 10 | 19 | 15 |
| Taxes, other than income taxes | 5 | 7 | 5 |

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| | | | |
|---|-------|-------|-------|
| Total | 47 | 87 | 48 |
| ----- | | | |
| Operating income as reported | - | 38 | 36 |
| Equity earnings and other income (expense) | 27 | 13 | 18 |
| ----- | | | |
| Earnings (losses) before interest expense and income taxes as reported | \$ 27 | \$ 51 | \$ 54 |
| ----- | | | |
| Earnings (losses) before interest expense and income taxes as reported | \$ 27 | \$ 51 | \$ 54 |
| Non-recurring charges: | | | |
| Operation and maintenance | 1 | - | (9) |
| Equity earnings and other income | - | - | - |
| ----- | | | |
| Pro forma earnings before interest expense and income taxes | \$ 28 | \$ 51 | \$ 45 |
| ----- | | | |
| Equity earnings from El Paso Energy Partners, L.P. (a) | \$ 29 | \$ 15 | \$ 18 |
| ----- | | | |
| Cash Distributions from El Paso Energy Partners, L.P. | | | |
| Common unit ownership | \$ 8 | \$ 6 | \$ 8 |
| Series C unit ownership | 7 | - | - |
| General partner ownership | 15 | 9 | 11 |
| ----- | | | |
| Total | \$ 30 | \$ 15 | \$ 19 |
| ----- | | | |

FIELD SERVICES SEGMENT

VOLUMES AND RATES

2003

2003

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| | First | First | Second |
|--|--------------|--------------|--------------|
| Gathering and transportation volumes (BBtu/d) | 531 | 641 | 638 |
| Gathering and transportation volumes from sold assets (1) | 46 | 5,191 | 1,627 |
| Total gathering and transportation volumes (BBtu/d) | 577 | 5,832 | 2,265 |
| Weighted average gathering and transportation rates (\$/MMBtu) | \$ 0.22 | \$ 0.16 | \$ 0.20 |
| Processing volumes (Inlet BBtu/d) | 3,302 | 3,302 | 3,260 |
| Processing volumes from sold assets (2) | 5 | 815 | 696 |
| Total processing volumes (Inlet BBtu/d) | 3,307 | 4,117 | 3,956 |
| Weighted average processing margins (\$/MMBtu) | \$ 0.11 | \$ 0.10 | \$ 0.11 |
| Total NGL production (Bbl/d) | 97,117 | 162,052 | 181,718 |
| | 2003 | | 200 |
| | First | First | Second |
| El Paso Energy Partners, L.P. | | | |
| Natural gas pipelines and plants (BBtu/d) | 7,710 | 2,430 | 6,254 |
| Oil and NGL logistics (Bbls/d) | 256,842 | 231,740 | 240,184 |

EL PASO CORPORATION
SCHEDULE OF NON-RECURRING ITEMS
(UNAUDITED)

| | First Quarter Ended Mar | | |
|---------------|-------------------------|-----------|-----|
| | 2003 | | |
| (In Millions) | Pre-tax | After-tax | Pre |

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Restructuring costs

| | | | |
|--|-------|-------|----|
| Employee severance, retention and transition costs | \$ 31 | \$ 23 | \$ |
| LNG charter cancellation and restructuring costs | 44 | 32 | |

| | | | |
|---------------------------|----|----|--|
| Total restructuring costs | 75 | 55 | |
|---------------------------|----|----|--|

Asset impairments and net (gain)/loss on sales

| | | | |
|--------------------------------------|------|------|--|
| Long-lived assets impairment | 368 | 271 | |
| Equity investments impairment | 207 | 153 | |
| Cost basis investments impairment | 86 | 64 | |
| Long-lived assets net gain on sales | (49) | (36) | |
| Equity investments net loss on sales | 11 | 8 | |

| | | | |
|----------------------|-----|-----|--|
| Total loss on assets | 623 | 460 | |
|----------------------|-----|-----|--|

| | | | |
|----------------------|---|---|--|
| Ceiling test charges | - | - | |
|----------------------|---|---|--|

| | | | |
|------------------------------|-----|-----|--|
| Total charges impacting EBIT | 698 | 515 | |
|------------------------------|-----|-----|--|

| | | | |
|--|---|-----|--|
| Discontinued operations, net of income taxes | - | (3) | |
|--|---|-----|--|

| | | | |
|---|---|----|--|
| Cumulative effect of accounting changes, net of income taxes | - | 22 | |
|---|---|----|--|

| | | | |
|---------------------------|--------|--------|----|
| Total non-recurring items | \$ 698 | \$ 534 | \$ |
|---------------------------|--------|--------|----|

First Quarter 2003

| Total EBIT by segment | Pro forma EBIT | Non-Rec Charges | Rep E |
|-----------------------|-------------------|--------------------|----------|
| Pipelines | \$ 429 | \$ - | \$ 4 |
| Production | 256 | 12 | 2 |
| Merchant Energy | (93) | 663 | (7) |
| Field Services | 28 | 1 | |
| Corporate and Other | (46) | 22 | (|
| Total | \$ 574 | \$ 698 | \$ (1 |

First Quarter 2002

| Total EBIT by segment | Pro forma EBIT | Non-Rec Charges | Rep E |
|-----------------------|-------------------|--------------------|----------|
| Pipelines | \$ 399 | \$ - | \$ 3 |
| Production | 209 | 33 | 1 |
| Merchant Energy | 435 | 342 | |

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| | | | |
|---------------------|----------|--------|------|
| Field Services | 51 | - | |
| Corporate and Other | (6) | - | |
| <hr/> | | | |
| Total | \$ 1,088 | \$ 375 | \$ 7 |
| <hr/> | | | |