

Edgar Filing: EL PASO CORP/DE - Form DEFA14A

EL PASO CORP/DE
Form DEFA14A
May 14, 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]
Filed by a Party other than the Registrant []

Check the appropriate box:

- [] Preliminary Proxy Statement
 [] Confidential, for Use of the Commission Only (as permitted by
Rule14a-6(e)(2))
 [] Definitive Proxy Statement
 [X] Definitive Additional Materials
 [] Soliciting Material Pursuant to Rule 14a-12

EL PASO CORPORATION

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required
 [] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed
pursuant to Exchange Act Rule 0-11 (set forth the amount on which
the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

[] Fee paid previously with preliminary materials:

[] Check box if any part of the fee is offset as provided by
Exchange Act Rule 0-11(a)(2) and identify the filing for which
the offsetting fee was paid previously. Identify the previous

Edgar Filing: EL PASO CORP/DE - Form DEFA14A

filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Q1 2003 EARNINGS CONFERENCE CALL SLIDE PRESENTATION

EL PASO

FIRST QUARTER 2003
EARNINGS REVIEW

MAY 13, 2003

CAUTIONARY STATEMENT REGARDING
FORWARD-LOOKING STATEMENTS

This presentation includes forward-looking statements and projections, made in reliance on the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The company has made every reasonable effort to ensure that the information and assumptions on which these statements and projections are based are current, reasonable, and complete. However, a variety of factors could cause actual results to differ materially from the projections, anticipated results or other expectations expressed in this presentation, including, without limitation, the successful implementation of the 2003 business plan; the successful implementation of the settlement related to the western energy crisis; actions by credit rating agencies; our ability to attract and retain qualified members of the Board of Directors and senior management; our ability to divest of certain non-core assets; material and adverse impacts from our proxy contest with Selim Zilkha/Oscar Wyatt; changes in commodity prices for oil, natural gas, and power; general economic and weather conditions in geographic regions or markets served by El Paso Corporation and its affiliates, or where operations of the company and its affiliates are located; the uncertainties associated with governmental regulation; competition; and other factors described in the company's (and its affiliates') Securities and Exchange Commission filings. While the company makes these statements and projections in good faith, neither the company nor its management can guarantee that anticipated future results will be achieved. Reference must be made to those filings for additional important factors that may affect actual results. The company assumes no obligation to publicly update or revise any forward-looking statements made herein or any other forward-looking statements made by the Company, whether as a result of new

Edgar Filing: EL PASO CORP/DE - Form DEFA14A

information, future events, or otherwise.

2

ADDITIONAL IMPORTANT INFORMATION

In this presentation we include certain financial information that is calculated and presented on the basis of methodologies other than in accordance with generally accepted accounting principles (GAAP). A presentation of the most directly comparable financial measure calculated and presented in accordance with GAAP, and a reconciliation of the differences between each non-GAAP financial measure used in this presentation with the most directly comparable financial measure calculated and presented in accordance with GAAP, is provided on our website, www.elpaso.com. This information may be accessed in the For Investors section by clicking on the "First Quarter 2003 Operating Statistics" or by clicking the "First Quarter 2003 Earnings Review" presentation in the Presentations section of the For Investors section.

On May 12, 2003, El Paso Corporation began the process of mailing its definitive proxy statement, together with a WHITE proxy card. Shareholders are strongly advised to read El Paso's proxy statement as it contains important information.

Shareholders may obtain an additional copy of El Paso's definitive proxy statement and any other documents filed by El Paso with the Securities and Exchange Commission for free at the Internet Web site maintained by the Securities and Exchange Commission at www.sec.gov. Copies of the definitive proxy statement are available for free at El Paso's Internet Web site at www.elpaso.com or by writing to El Paso Corporation, Investor Relations, P.O. Box 2511, Houston, TX 77252. In addition, copies of El Paso's proxy materials may be requested by contacting El Paso's proxy solicitor, MacKenzie Partners, Inc. at (800) 322-2885 Toll-Free or by email at proxy@mackenziepartners.com.

Information regarding the names, affiliation and interests of individuals who may be deemed participants in the solicitation of proxies of El Paso's shareholders is contained in El Paso's definitive proxy statement.

3

RECONCILIATION OF EBIT TO GAAP OPERATING INCOME

FIRST QUARTER 2003

| PIPELINE GROUP | PIPELINE PRODUCTION | FIELD SERVICES | MERCHANT ENERGY | CORPORATE AND OTHER | CONSOLIDATED TOTAL |
|-------------------|------------------------|-------------------|--------------------|------------------------|-----------------------|
|-------------------|------------------------|-------------------|--------------------|------------------------|-----------------------|

GAAP operating

Edgar Filing: EL PASO CORP/DE - Form DEFA14A

| | | | | | | |
|----------------------------|--------|--------|-------|----------|---------|--------|
| income | \$ 384 | \$ 235 | \$ - | \$ (514) | \$ (44) | \$ 61 |
| Equity and other income | 45 | 9 | 27 | (242) | (24) | (185) |
| Reported EBIT | 429 | 244 | 27 | (756) | (68) | (124) |
| Non-recurring items | - | 12 | 1 | 663 | 22 | 698 |
| PRO FORMA EBIT | \$ 429 | \$ 256 | \$ 28 | \$ (93) | \$ (46) | \$ 574 |

4

RECONCILIATION OF EBIT TO
GAAP OPERATING INCOME

FIRST QUARTER 2002

| | PIPELINE GROUP | PRODUCTION | FIELD SERVICES | MERCHANT ENERGY | CORPORATE AND OTHER | CONSOLIDATED TOTAL |
|----------------------------|-------------------|------------|-------------------|--------------------|------------------------|-----------------------|
| GAAP operating income | \$ 357 | \$ 175 | \$ 38 | \$ 455 | \$ (13) | \$1,012 |
| Equity and other income | 42 | 1 | 13 | (362) | 7 | (299) |
| Reported EBIT | 399 | 176 | 51 | 93 | (6) | 713 |
| Non-recurring items | - | 33 | - | 342 | - | 375 |
| PRO FORMA EBIT | \$ 399 | \$ 209 | \$ 51 | \$ 435 | \$ (6) | \$1,088 |

5

RECONCILIATION OF EBIT TO
GAAP OPERATING INCOME

FOURTH QUARTER 2002

| PIPELINE | FIELD | MERCHANT | CORPORATE | CONSOLIDATED |
|----------|-------|----------|-----------|--------------|
|----------|-------|----------|-----------|--------------|

Edgar Filing: EL PASO CORP/DE - Form DEFA14A

| | GROUP | PRODUCTION | SERVICES | ENERGY | AND OTHER | TOTAL |
|-------------------------|----------|------------|----------|------------|-----------|------------|
| GAAP operating income | \$ (103) | \$ 170 | \$ 177 | \$ (1,525) | \$ (238) | \$ (1,519) |
| Equity and other income | (103) | 2 | 16 | (95) | (33) | (213) |
| Reported EBIT | (206) | 172 | 193 | (1,620) | (271) | (1,732) |
| Non-recurring items | 561 | 6 | (166) | 972 | 169 | 1,542 |
| PRO FORMA EBIT | \$ 355 | \$ 178 | \$ 27 | \$ (648) | \$ (102) | \$ (190) |

6

1ST QUARTER SUMMARY

\$ MILLIONS, EXCEPT EPS

| | QUARTER ENDED | | |
|--------------------------------------|-------------------|----------------------|-------------------|
| | MARCH 31, 2003 | DECEMBER 31, 2002 | MARCH 31, 2002 |
| Reported diluted earnings per share | \$ (.66) | \$ (2.92) | \$.72 |
| Non-recurring items | .90 | 2.23 | .21 |
| Pro forma diluted earnings per share | \$.24 | \$ (.69) | \$.93 |
| Funds from operations | \$ 585 | \$ 446 | \$ 739 |
| Working capital and other | \$ (674) | \$ (1,169) | \$ (653) |
| Cash provided (used) from operations | \$ (89) | \$ (723) | \$ 86 |

7

CORE BUSINESS
POSTED STRONG RESULTS

\$ MILLIONS

| | QUARTER ENDED | | |
|----------------|-------------------|----------------------|-------------------|
| | MARCH 31, 2003 | DECEMBER 31, 2002 | MARCH 31, 2002 |
| Pipelines | \$ 429 | \$ 355 | \$ 399 |
| Production | 256 | 178 | 209 |
| Field Services | 28 | 27 | 51 |
| PRO FORMA EBIT | \$ 713 | \$ 560 | \$ 659 |

8

PROGRESS AND
NEW INITIATIVES

PROGRESS AGAINST 2003 OPERATIONAL
AND FINANCIAL PLAN

- o \$2.3 billion (67%) of \$3.4 billion asset sales program announced or completed
- o Significant improvement in liquidity
- o Simplification of balance sheet
- o Proposed Western energy settlement
- o Extension of \$3 billion bank facility
- o \$1.9 billion of financings
- o Sale of European natural gas trading book

10

NEXT STEPS

- o The Board of Directors has formed a long-range planning committee to ensure that El Paso maximizes all opportunities inherent in its core businesses

Edgar Filing: EL PASO CORP/DE - Form DEFA14A

- o Undertaking top-to-bottom analysis to achieve substantial further cost reductions and design most cost-efficient structure possible for our businesses
- o Targeting at least \$250 MM of additional pre-tax cost savings and business efficiencies beyond \$150 MM previously announced by the end of 2004
 - Expected from corporate expense reductions and budgeted cost savings and revenue enhancements at business unit level

11

LONG RANGE PLANNING PROCESS

- o Initial review of appropriate leverage capability of core assets
 - Self-sustaining leverage to allow for maintenance and growth capital
 - Investment grade ratio comparison
- o Evaluating options to achieve additional debt reduction
- o Process will streamline and optimize core businesses
 - Reduce costs
 - Minimize capital
 - Generate free cash flow

WE WILL PROVIDE DETAILED UPDATE TO THE INVESTMENT
COMMUNITY UPON COMPLETION OF THIS PROCESS

12

BUSINESS UNIT RESULTS

PIPELINE GROUP

\$ MILLIONS

| | QUARTER ENDED MARCH 31, | |
|---------------|----------------------------|--------|
| | 2003 | 2002 |
| Reported EBIT | \$ 429 | \$ 399 |

Edgar Filing: EL PASO CORP/DE - Form DEFA14A

Total throughput (BBtu/d) 23,609 21,727

- o Expansions and 9% increase in throughput led to stronger results
- o TGP, SNG, ANR, and FGT established peak-day throughput records during the quarter
- o Continuing improvement in capacity values
 - Return to normal or slightly colder-than-normal winter weather
 - Record low storage inventories at the end of 1st quarter
 - Recognition by LDCs and state utility commissions of increased value of long-term capacity

14

EL PASO PRODUCTION

\$ MILLIONS

| | QUARTER ENDED MARCH 31, | |
|--------------------------------|----------------------------|----------|
| | 2003 | 2002 |
| Reported EBIT | \$ 244 | \$ 176 |
| Non-recurring items | 12 | 33 |
| Pro forma EBIT | \$ 256 | \$ 209 |
| Production (Bcfe) | 124 | 163 |
| Natural gas price (\$/Mcf) | \$ 4.60 | \$ 3.46 |
| Oil and liquids price (\$/Bbl) | \$ 27.33 | \$ 15.68 |

- o Strong natural gas and oil prices fueled 2003 results
- o Lower production volumes due to asset sales
- o Approximately 375 MMcfe/d expected to come on during remainder of 2003

15

FIELD SERVICES

\$ MILLIONS

| | QUARTER ENDED MARCH 31, | |
|--|----------------------------|------|
| | 2003 | 2002 |

Edgar Filing: EL PASO CORP/DE - Form DEFA14A

| | | |
|--------------------------|-------|-------|
| Reported EBIT | \$ 27 | \$ 51 |
| Non-recurring items | 1 | - |
| Pro forma EBIT | \$ 28 | \$ 51 |
| Equity earnings from EPN | \$ 29 | \$ 15 |

- o EBIT decline reflects significant asset sales in 2002
- o Equity earnings and cash distributions from EPN both doubled from last year

16

MERCHANT ENERGY GROUP RESULTS

\$ MILLIONS

| | QUARTER ENDED MARCH 31, | |
|---------------------|----------------------------|--------|
| | 2003 | 2002 |
| Reported EBIT | \$ (756) | \$ 93 |
| Non-recurring items | 663 | 342 |
| Pro forma EBIT | \$ (93) | \$ 435 |
| Power | 46 | 303 |
| Petroleum and LNG | 47 | 87 |
| Trading | (186) | 45 |
| Total pro forma | \$ (93) | \$ 435 |

- o Power assets performed as planned
- o Petroleum refining margins strong
- o 1Q 2003 Trading results impacted by cost to exit business and 1Q liquidity
- o 1Q 2002 results benefited from power contract restructurings

17

KEY COMPONENTS OF
1Q 2003 TRADING LOSS

- o Costs to sell or early terminate positions to conserve working capital and liquidate portfolio (estimated \$34 MM)

Edgar Filing: EL PASO CORP/DE - Form DEFA14A

- o Losses on gas transportation and storage positions and related hedges not offset through physical shipments (estimated \$66 MM)
- o Net change in forward mark-to-market value of gas and power positions still accounted for as derivatives (estimated \$33 MM)
- o G&A/depreciation expense (\$35 MM, including \$10 MM Europe)

18

CONTINUED PROGRESS ON LIQUIDATION OF TRADING BUSINESS IN 1Q 2003

- o Reduced active deal count from roughly 40,000 positions to 27,000 in quarter (33% reduction)
- o On track for positions to fall below 12,000 by year-end 2003
- o Reduced transportation capacity portfolio from 4.4 Bcf/d to 2.2 Bcf/d (50% reduction)
- o Reduced storage portfolio from 125 Bcf to 55 Bcf (56% reduction)
- o Sold European natural gas trading book

19

FINANCIAL REVIEW

QUARTERLY EARNINGS SUMMARY

\$ MILLIONS

| | QUARTER ENDED | | |
|---------------------|-------------------|----------------------|-------------------|
| | MARCH 31, 2003 | DECEMBER 31, 2002 | MARCH 31, 2002 |
| Operating income | \$ 61 | \$ (1,519) | \$1,012 |
| Reported EBIT | (124) | (1,732) | 713 |
| Non-recurring items | 698 | 1,542 | 375 |
| Pro forma EBIT: | | | |
| Pipelines | 429 | 355 | 399 |

Edgar Filing: EL PASO CORP/DE - Form DEFA14A

| | | | |
|---------------------------------|--------|----------|--------|
| Production | 256 | 178 | 209 |
| Field Services | 28 | 27 | 51 |
| Merchant | (93) | (648) | 435 |
| Corporate and other | (46) | (102) | (6) |
| ----- | | | |
| Total pro forma EBIT | 574 | (190) | 1,088 |
| ===== | | | |
| Interest and debt expense | 345 | 342 | 307 |
| Preferred and minority interest | 39 | 38 | 40 |
| Income taxes | 50 | (163) | 239 |
| ----- | | | |
| Pro forma net income | \$ 140 | \$ (407) | \$ 502 |

21

1ST QUARTER SUMMARY OF
NON-RECURRING ITEMS

| | | |
|----------------------------|----------------|-------------|
| | | \$ MILLIONS |
| | | ----- |
| | PRE-TAX IMPACT | |
| | | ----- |
| Asset impairments | | |
| Eagle Point | \$252 | |
| Electron | 207 | |
| Other | 202 | |
| | | ----- |
| Total impairments | \$661 | |
| (Gain)/loss on asset sales | (38) | |
| LNG ship charters | 44 | |
| Workforce reduction | 31 | |
| | | ----- |
| TOTAL | \$698 | |
| | | ===== |

22

1ST QUARTER CONSOLIDATED RESULTS
OPERATING CASH FLOW

| | | |
|------------------------------------|----------|-------------|
| | | \$ MILLIONS |
| | | ----- |
| | 2003 | 2002 |
| | | ----- |
| Net income (loss) | \$ (394) | \$ 383 |
| Non-cash adjustments to net income | 979 | 356 |
| | | ----- |
| Subtotal | 585 | 739 |
| Working capital changes and other | (674) | (653) |

Edgar Filing: EL PASO CORP/DE - Form DEFA14A

| | | |
|-------------------------------------|--------|--------|
| Cash flow from operating activities | (89) | 86 |
| Cash flow from investing activities | (477) | (346) |
| Cash flow from financing activities | 757 | 380 |
| CHANGE IN CASH | \$ 191 | \$ 120 |

23

1ST QUARTER WORKING CAPITAL USE

| \$ MILLIONS | | | |
|---|------------------------|---------------|------------------------|
| CATEGORY | TARGET | PROJECTED USE | APPROXIMATE ACTUAL USE |
| Trade book and Production hedges (gas price exposure) | \$40 for \$.10/Mcf (1) | \$216 | \$350 |
| Stress demand | \$2,200 (2) | 400 | 275 |
| Normal 1st quarter | - | 50 | 50 |
| TOTAL | | \$666 | \$675 |

(1) Movement of approximately \$.54/Mcf for 12-month strip during the period

(2) \$1.8 billion of working capital and other uses through December 31, 2002

24

WORKING CAPITAL OUTLOOK FOR
APRIL-DECEMBER 2003

EXPECT WORKING CAPITAL RECOVERY OF
\$1.2 BILLION FOR REMAINDER OF 2003

- o \$500 MM from letters of credit backed by \$3 billion facility
- o \$225 MM roll off of production hedges
- o \$300 MM impact of higher prices on production or production hedges
- o \$(60) MM settlements from trading book

Edgar Filing: EL PASO CORP/DE - Form DEFA14A

- o \$200 MM related to petroleum asset sales

25

LIQUIDITY UPDATE

| | \$ BILLIONS | | |
|--|----------------------|-------------------|-------------------|
| | DECEMBER 31, 2002 | MARCH 31, 2003 | APRIL 30, 2003 |
| BALANCE SHEET CASH | \$1.6 | \$1.8 | N/A |
| Available cash | \$1.1 | \$1.5 | \$1.9 |
| Availability under \$3 billion bank facility | 1.5 | 1.5 | 1.0 |
| Available under \$1 billion bank facility | .5 | - | .1 |
| NET AVAILABLE LIQUIDITY | \$3.1 | \$3.0 | \$3.0 |

Note: \$3 billion bank facility matures in June 2005 and \$1 billion bank facility matures in August 2003

26

REDUCTION OF NET OBLIGATIONS SENIOR TO COMMON OF APPROXIMATELY \$350 MM

| | \$ BILLIONS | |
|---|-------------------|----------------------|
| | MARCH 31, 2003 | DECEMBER 31, 2002 |
| Cash | \$ 1.8 | \$ 1.6 |
| Financing obligations and notes payable | 20.7 | 18.6 |
| Minority and preferred interests | 2.2 | 3.4 |
| Common equity | 8.0 | 8.4 |
| TOTAL BOOK CAPITALIZATION | \$30.9 | \$30.4 |
| Guarantees per bank agreement | \$ 1.8 | \$ 2.9 |

Edgar Filing: EL PASO CORP/DE - Form DEFA14A

Debt to total capitalization ratio(1) 67% 63%

(1) Per bank agreement, debt includes guarantees and equity is adjusted for some non-cash charges. In this calculation \$.5 billion was added back to book equity, and debt was reduced by \$.9 billion for non-recourse project finance debt

27

PRO FORMA BALANCE SHEET

| ----- | | | | |
|--|---|--|------------------------------------|-----------|
| \$ BILLIONS | | | | |
| | FINANCING OBLIGATIONS AND NOTES PAYABLE | MINORITY AND PREFERRED INTERESTS (1) | GUARANTEES PER BANK FACILITY | PRO FORMA |
| ----- | | | | |
| Balance at March 31, 2003 | \$ 20.7 | \$ 2.2 | \$ 1.80 | \$ 24.7 |
| ELECTRON AND GEMSTONE: | | | | |
| Gemstone notes due 2004 | 1.0 | - | (1.0) | - |
| Gemstone project debt | 0.1 | - | - | 0.1 |
| Electron project and restructuring debt | 1.6 | - | - | 1.6 |
| Intercompany eliminations | (0.4) | (0.4) | - | (0.8) |
| Linden sale | (0.6) | - | - | (0.6) |
| BANK FINANCING ACTIVITIES: | | | | |
| Clydesdale refinancing | 0.8 | (0.8) | - | - |
| Operating leases | 0.6 | - | (0.6) | - |
| Coastal Securities Company, Ltd. | 0.1 | (0.1) | - | - |
| ----- | | | | |
| PRO FORMA BALANCE AT MARCH 31, 2003 | \$ 23.9 | \$ 0.9 | \$ 0.2 | \$ 25.0 |

28

DEBT REDUCTION PLAN

| ----- | |
|--|---------|
| \$ BILLIONS | |
| Pro forma obligations senior to common at March 31, 2003 | \$ 25.0 |

Edgar Filing: EL PASO CORP/DE - Form DEFA14A

| | |
|--|---------|
| Less: | |
| Cash in excess of \$500 MM | (1.0) |
| Remaining 2003 asset sales | (1.9) |
| Other asset sales identified for debt reduction | (2.5) |
| Return of trading and hedge margin | (1.3) |
| Conversion of equity security units (mandatory August 2005) | (.6) |
| | ----- |
| Target obligations senior to common | \$ 17.7 |
| Less non-recourse obligations: | |
| Utility Contract Funding | (.8) |
| Mohawk River Funding | (.1) |
| Cedar Brakes I and II | (.7) |
| Other project debt | (.3) |
| | ----- |
| Target recourse obligations senior to common | \$ 15.8 |
| | ===== |

29

2003 EPS OUTLOOK

- o Expect 2003 pro forma EPS in-line with current First Call consensus of \$.87

- o Changes from original assumptions used in setting \$1.00 per share pro forma earnings expectation:
 - Pipelines slightly above top end of expected range
 - Production at or above top end of expected range
 - o Production rate currently below target
 - o Prices at \$5.50 MMBtu for remainder of 2003
 - Midstream at low end of expected range
 - Trading losses of SG&A for remainder of 2003 (approximately \$100 MM)
 - Petroleum/LNG positive margins through 2nd quarter
 - Power at mid-point of previous expected range

- o Potential changes from original assumptions used in setting breakeven reported earnings expectation:
 - Decision to divest Aruba and Telecom and the charges associated with cost reduction activities will result in additional losses in 2003
 - Aruba book value of approximately \$1.3 billion; Telecom book value of approximately \$365 MM

30

SUMMARY

- o El Paso's core businesses performing very well
- o Continued solid execution of operational and financial plan
- o Aggressively pursuing \$400 MM cost reduction target
- o Asset sales and working capital recovery will yield significant debt reduction
- o Long range planning committee will deliver final part of restructuring process
 - Deliver solid earnings power of core business
 - Reduce debt to appropriate level
 - Generate free cash flow while investing prudently in core businesses
- o We WILL deliver shareholder value

31

APPENDIX

1ST QUARTER 2002 SUMMARY OF
NON-RECURRING ITEMS AFFECTING EBIT

\$ MILLIONS

| | PRE-TAX IMPACT |
|------------------------------|----------------|
| Asset impairments | |
| Argentina equity investments | \$342 |
| Total impairments | \$342 |
| Ceiling test charges | 33 |
| TOTAL | \$375 |

33

Edgar Filing: EL PASO CORP/DE - Form DEFA14A

4TH QUARTER 2002 SUMMARY OF
NON-RECURRING ITEMS AFFECTING EBIT

\$ MILLIONS

| | PRE-TAX IMPACT |
|----------------------------------|----------------|
| Asset impairments | |
| Dark fiber inventory | \$ 168 |
| Turbine inventory | 162 |
| Australian pipelines | 153 |
| MTBE plant | 91 |
| CE Generation Power Investment | 74 |
| North Louisiana gathering system | 66 |
| Other impairments and losses | 146 |
| | ----- |
| Total impairments | \$ 860 |
| Western Energy settlement | \$ 899 |
| | ----- |
| (Gain)/loss on asset sales | (217) |
| TOTAL | \$1,542 |

34

[LOGO - EL PASO]

FIRST QUARTER 2003
EARNINGS REVIEW

MAY 13, 2003