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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
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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
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Total throughput	23,609	21,727	19,080
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PRODUCTION

EARNINGS BEFORE INTEREST EXPENSE AND INCOME TAXES

(Excludes Intrasegment Transactions)

	2003		2002
(In Millions)	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

Risk Management Assets and Liabilities Mark to Market Value and Cash Liquidation	March 31, 2003	
	Forward Trading Book	Accrual Based Portfolio
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		2002
	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/>			