

EL PASO CORP/DE
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
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 Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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3) Filing Party:

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Dear El Paso Stockholder:

We cordially invite you to attend our 2005 Annual Meeting of Stockholders. The Annual Meeting will be held on May 26, 2005 beginning at 9:00 a.m. (local/ Central time) at the Four Seasons Hotel Houston, 1300 Lamar Street, Houston, Texas 77010.

At this year's Annual Meeting, you will be asked to vote on the election of directors, the approval of the El Paso Corporation 2005 Compensation Plan for Non-Employee Directors, the approval of the El Paso Corporation 2005 Omnibus Incentive Compensation Plan and the ratification of PricewaterhouseCoopers LLP's appointment as our independent auditors.

With regard to the election of directors, you should know that your company is well-governed. By any of the multitude of contemporary measures of good corporate governance, we are a leader. Eleven of our 12 nominee directors are independent. We have a separate Chairman and CEO. We do not have a staggered board, so each of our directors stands for election every year, and we do not have a poison pill plan. But as important as any of this, we have an active and engaged Board with the right mix of leadership, industry, finance, academic and legal experience to help guide this company.

We are asking for your approval of the El Paso Corporation 2005 Compensation Plan for Non-Employee Directors. With regard to our non-employee director compensation program, you should know that we ensure our directors' compensation levels align with current market trends and reflect sound corporate governance practices. Our directors do not receive fees for attending regularly scheduled Board or committee meetings; they do not receive special committee meeting fees and they do not have retirement benefits. Our directors are paid annual retainers in a combination of cash and deferred shares of company stock, and they do not receive any of their deferred compensation until they cease to be a director of the company.

We are also asking for your approval of the El Paso Corporation 2005 Omnibus Incentive Compensation Plan. If you approve the Board's proposal to adopt this plan, it will replace all existing stockholder approved and non-stockholder approved equity plans, and we will cancel all remaining shares available for grant under the former plans and will not make any further grants from these plans. Our goal is that we have an equity plan from which all shares available for grant to our executives and employees will be approved by our stockholders.

I urge you to vote for your Board's nominees, the two new plans and the ratification of PricewaterhouseCoopers LLP. Your vote is important. I hope you will be able to attend the meeting, but if you cannot, please vote your proxy as soon as you can.

Sincerely,

Douglas L. Foshee
President and Chief Executive Officer

Houston, Texas
April 7, 2005

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EL PASO CORPORATION
1001 Louisiana Street
Houston, Texas 77002
NOTICE OF 2005 ANNUAL MEETING OF STOCKHOLDERS
May 26, 2005

On May 26, 2005, El Paso Corporation will hold its 2005 Annual Meeting of Stockholders at the Four Seasons Hotel Houston, Houston, Texas 77010. The Annual Meeting will begin at 9:00 a.m. (local/ Central time).

Only El Paso stockholders who owned shares of our common stock at the close of business on March 28, 2005, are entitled to notice of, and can vote at, this Annual Meeting or any adjournments or postponements that may take place. At the Annual Meeting, you will be asked to take action and consider proposals to:

1. Elect 12 directors, each to hold office for a term of one year;
2. Approve the El Paso Corporation 2005 Compensation Plan for Non-Employee Directors;
3. Approve the El Paso Corporation 2005 Omnibus Incentive Compensation Plan; and
4. Ratify the appointment of PricewaterhouseCoopers LLP as independent certified public accountants to audit El Paso's financial statements for the fiscal year ending December 31, 2005.

These proposals are described in the attached proxy statement. We will also attend to any other business properly presented at the Annual Meeting. The Board of Directors is not aware of any other matters to be presented at the Annual Meeting.

By the Order of the Board of Directors

David L. Siddall
Corporate Secretary

Houston, Texas
April 7, 2005

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If you plan to attend the Annual Meeting in person and are a stockholder of record, bring with you a form of government-issued personal identification to the Annual Meeting. If you own stock through a bank, broker or other nominee, you will need proof of ownership as of the record date to attend the Annual Meeting. If you are an authorized proxy holder, you must present the proper documentation. Please see pages 3 and 4 for more information on what documents you will need for admission to the Annual Meeting. Registration will begin at 8:00 a.m. (local/ Central time), and seating will be on a first come first served basis. No cameras, recording equipment or other electronic devices will be allowed in the meeting room. If you do not provide photo identification or comply with the other procedures outlined above upon request, you may not be admitted to the Annual Meeting.

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**EL PASO CORPORATION
1001 Louisiana Street
Houston, Texas 77002
PROXY STATEMENT**

2005 ANNUAL MEETING OF STOCKHOLDERS May 26, 2005

Our Board of Directors is furnishing you with this proxy statement to solicit proxies on its behalf to be voted at the 2005 Annual Meeting of Stockholders of El Paso Corporation. The Annual Meeting will be held at the Four Seasons Hotel Houston, Houston, Texas 77010, on Thursday, May 26, 2005 at 9:00 a.m. (local/ Central time). The proxies also may be voted at any adjournments or postponements of the Annual Meeting.

This proxy statement, the notice of Annual Meeting and the enclosed proxy card are being mailed to stockholders beginning on or about April 7, 2005. All properly executed written proxies that are delivered pursuant to this solicitation will be voted at the Annual Meeting. Each person who is an El Paso stockholder of record at the close of business on March 28, 2005, the record date, is entitled to vote at the Annual Meeting, or at adjournments or postponements of the Annual Meeting.

GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

1. Who can vote?

Stockholders holding shares of El Paso's common stock, par value \$3.00 per share, as of the close of business on the record date, March 28, 2005, represented by a properly executed proxy are entitled to vote at the Annual Meeting, or any adjournments or postponements of the Annual Meeting. You have one vote for each share of common stock held as of the record date, which may be voted on each proposal presented at the Annual Meeting.

2. What is the record date and what does it mean?

The record date for the Annual Meeting is March 28, 2005. The record date was established by the Board of Directors as required by our By-laws and Delaware law. Owners of record of El Paso's common stock at the close of business on the record date are entitled to:

A. receive notice of the Annual Meeting; and

B. vote at the Annual Meeting, and any adjournments or postponements of the Annual Meeting.

3. How many shares of El Paso common stock were outstanding on the record date?

There were 644,570,086 shares of common stock outstanding and entitled to vote at the Annual Meeting at the close of business on the record date. Common stock is the only class of stock entitled to vote.

4. How do I vote?

You can vote in person at the Annual Meeting or by proxy. For shares that you hold directly as a registered shareholder, you have three ways to vote by proxy:

A. Connect to the Internet at <http://www.eproxyvote.com/ep>;

B. Call 1-877-PRX-VOTE (1-877-779-8683); or

C. Complete the proxy card and mail it back to us.

Complete instructions for voting your shares can be found on your proxy card.

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If you change your mind on any issue, you may revoke your proxy at any time before the close of voting at the Annual Meeting. There are four ways to revoke your proxy:

- A. Connect to the Internet at <http://www.eproxyvote.com/ep>;
- B. Call 1-877-PRX-VOTE (1-877-779-8683);
- C. Write our Corporate Secretary, David L. Siddall, El Paso Corporation, P.O. Box 2511, Houston, Texas 77252-5211; or
- D. Give notice of revocation to the Inspector of Election at the Annual Meeting.

5. How do I vote if my shares are held in street name?

If your shares of common stock are held in the name of your broker, a bank, or other nominee, only your broker, bank or other nominee may execute a proxy and vote your shares. However, your broker, bank, or other nominee may not vote your shares in respect of our proposals to approve the El Paso Corporation 2005 Compensation Plan for Non-Employee Directors and the El Paso Corporation 2005 Omnibus Incentive Compensation Plan unless they receive specific voting instructions from you. Please sign, date and promptly return the instruction card you received from your broker, bank or other nominee, in accordance with the instructions on the card. You may vote by the Internet or telephone if your bank or broker makes those methods available, in which case you can follow the instructions on the card. If you wish to vote your street name shares directly, you will need to obtain a document known as a legal proxy from your broker, bank or other nominee. Please contact your bank, broker or other nominee if you wish to do so.

6. What happens if I do not specify a choice for a proposal when returning a proxy?

You should specify your choice for each proposal on the proxy card. If no instructions are given, proxy cards that are signed and returned will be voted FOR the election of all El Paso director nominees, FOR the approval of the El Paso Corporation 2005 Compensation Plan for Non-Employee Directors, FOR the approval of the El Paso Corporation 2005 Omnibus Incentive Compensation Plan and FOR the proposal to ratify the appointment of PricewaterhouseCoopers LLP.

7. What happens if other matters come up at the Annual Meeting?

The matters described in the notice of Annual Meeting are the only matters we know of which will be voted on at the Annual Meeting. If other matters are properly presented at the Annual Meeting, the proxy holders, Douglas L. Foshee, El Paso's President and Chief Executive Officer, and Robert W. Baker, El Paso's Executive Vice President and General Counsel, will vote your shares at their discretion.

8. Who will count the votes?

A representative of EquiServe Trust Company, N.A., an independent tabulator appointed by the Board of Directors, will count the votes and act as the inspector of election. The inspector of election shall have the authority to receive, inspect, electronically tally and determine the validity of the proxies received.

9. What is a quorum ?

A quorum is a majority of the outstanding shares of common stock and is required to hold the Annual Meeting. A quorum is determined by counting shares of common stock present in person at the Annual Meeting or represented by proxy. If you submit a properly executed proxy, you will be considered part of the quorum even if you abstain from voting.

10. Who can attend the Annual Meeting?

Admission to the Annual Meeting is limited to stockholders of El Paso, persons holding validly executed proxies from stockholders who held El Paso common stock on March 28, 2005, and invited guests of El Paso.

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If you are a stockholder of El Paso, you must bring certain documents with you in order to be admitted to the Annual Meeting. The purpose of this requirement is to help us verify that you are actually a stockholder of El Paso. Please read the following rules carefully because they specify the documents that you must bring with you to the Annual Meeting in order to be admitted. The items that you must bring with you differ depending upon whether you are a record holder or hold your stock in street name .

Proof of ownership of El Paso stock must be shown at the door. Failure to provide adequate proof that you were a stockholder on the record date may prevent you from being admitted to the Annual Meeting.

If you were a record holder of El Paso common stock on March 28, 2005, then you must bring a valid government-issued personal identification (such as a driver's license or passport).

If a broker, bank or other nominee was the record holder of your shares of El Paso common stock on March 28, 2005, then you must bring:

Valid government-issued personal identification (such as a driver's license or passport), and

Proof that you owned shares of El Paso common stock on March 28, 2005.

Examples of proof of ownership include the following: (1) a letter from your bank or broker stating that you owned El Paso common stock on March 28, 2005; (2) a brokerage account statement indicating that you owned El Paso common stock on March 28, 2005; or (3) the voting instruction card provided by your broker indicating that you owned El Paso common stock on March 28, 2005.

If you are a proxy holder for a stockholder of El Paso, then you must bring:

The validly executed proxy naming you as the proxy holder, signed by a stockholder of El Paso who owned shares of El Paso common stock on March 28, 2005, and

Valid government-issued personal identification (such as a driver's license or passport), and

If the stockholder whose proxy you hold was not a record holder of El Paso common stock on March 28, 2005, proof of the stockholder's ownership of shares of El Paso common stock on March 28, 2005, in the form of a letter or statement from a bank, broker or other nominee indicating that the stockholder owned El Paso common stock on March 28, 2005.

You may not use cameras, recording equipment or other electronic devices during the Annual Meeting.

11. How many votes must each proposal receive to be adopted?

With respect to the election of directors, the 12 nominees who receive the highest number of votes at the Annual Meeting will be elected.

With respect to Proposals No. 2 and 3, the approval of the El Paso Corporation 2005 Compensation Plan for Non-Employee Directors and the El Paso Corporation 2005 Omnibus Incentive Compensation Plan, each plan must receive the affirmative vote of more than 50 percent of the shares of common stock represented by person or proxy at the Annual Meeting and entitled to vote.

All other proposals must receive the affirmative vote of more than 50 percent of the votes cast on the proposal.

12. How are votes counted?

Votes are counted in accordance with El Paso's By-laws and Delaware law. An abstention by a stockholder with respect to a proposal is not counted in the tally of votes FOR or AGAINST that proposal, and therefore does not affect the outcome of the proposal. A broker non-vote with respect to the election of directors or any proposal will not be counted in determining the election of directors or whether the proposal is approved. A broker non-vote or abstention will be counted towards a quorum. If a stockholder returns an executed proxy card but does not indicate how his or her shares are to be voted, the shares covered by such proxy card will be included in determining if there is a quorum and will also be counted as votes

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FOR the election of El Paso's nominees, FOR the approval of the El Paso Corporation 2005 Compensation Plan for Non-Employee Directors, FOR the approval of the El Paso Corporation 2005 Omnibus Incentive Compensation Plan and FOR the proposal to ratify the appointment of PricewaterhouseCoopers LLP. Our By-laws refer to such a returned and executed proxy card as a non-vote by a stockholder. Shares will not be voted at the Annual Meeting if no properly executed proxy card covering those shares has been returned and the holder does not cast votes in respect of those shares in person at the Annual Meeting.

13. Do I have to vote?

No. However, we strongly urge you to vote. You may vote for all, some or none of El Paso's director nominees. You may abstain from voting or vote FOR or AGAINST the other proposals.

14. How can I view the stockholder list?

A complete list of stockholders entitled to vote at the Annual Meeting will be available to view during the Annual Meeting. You may access this list at El Paso's offices at 1001 Louisiana Street, Houston, Texas 77002 during ordinary business hours for a period of ten days before the Annual Meeting.

15. Who pays for the proxy solicitation related to the Annual Meeting?

We do. In addition to sending you these materials, some of our directors and officers as well as management and non-management employees may contact you by telephone, mail, e-mail or in person. You may also be solicited by means of press releases issued by El Paso, postings on our website, *www.elpaso.com*, and advertisements in periodicals. None of our officers or employees will receive any extra compensation for soliciting you. We have retained Georgeson Shareholder Communications, Inc. to assist us in soliciting your proxy for an estimated fee of \$15,000, plus reasonable out-of-pocket expenses. Georgeson will ask brokerage houses and other custodians and nominees whether other persons are beneficial owners of El Paso common stock. If so, we will supply them with additional copies of the proxy materials for distribution to the beneficial owners. We will also reimburse banks, nominees, fiduciaries, brokers and other custodians for their costs of sending the proxy materials to the beneficial owners of El Paso common stock.

16. If I want to submit a stockholder proposal for the 2006 Annual Meeting, when is it due?

If you want to submit a proposal for possible inclusion in next year's proxy statement, you must submit it *in writing* to the Corporate Secretary, El Paso Corporation, P.O. Box 2511, Houston, Texas 77252-5211, telephone (713) 420-6195 and facsimile (713) 420-4099. El Paso must receive your proposal on or before December 8, 2005. El Paso will consider only proposals meeting the requirements of the applicable rules of the Securities Exchange Commission (SEC).

Additionally, under El Paso's By-law provisions, for a stockholder to bring any matter before the 2006 Annual Meeting that is not included in the 2006 Proxy Statement, the stockholder's written notice must be received not less than 90 days nor more than 120 days prior to the first anniversary of the 2005 Annual Meeting. Under this criteria, stockholders must provide us with a notice of a matter to be brought before the 2006 Annual Meeting between January 26, 2006 and February 25, 2006.

If the 2006 Annual Meeting is held more than 30 days before or 60 days after May 26, 2006, for a stockholder seeking to bring any matter before the 2006 Annual Meeting, the stockholder's written notice must be received not less than 90 days nor more than 120 days before the date of the 2006 Annual Meeting or by the tenth day after we publicly announce the date of the 2006 Annual Meeting, if that would result in a later deadline.

17. How can I receive the proxy materials electronically?

If you want to stop receiving paper copies of the proxy materials, you must consent to electronic delivery. You can give consent by going to *www.econsent.com/ep* and following the instructions. Those of you that hold

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shares with a broker under a street name can give consent by going to www.ICSDelivery.com/ep and following the instructions.

18. How can I obtain a copy of the Annual Report?

A copy of El Paso's 2004 Annual Report to Stockholders is being mailed with this proxy statement to each stockholder entitled to vote at the Annual Meeting. If you do not receive a copy of the Annual Report, you may obtain one free of charge by writing or calling Mr. David L. Siddall, Corporate Secretary, at El Paso Corporation, P.O. Box 2511, Houston, Texas 77252-5211, telephone (713) 420-6195 and facsimile (713) 420-4099.

CORPORATE GOVERNANCE

El Paso is committed to maintaining the highest standards of corporate governance. We believe that strong corporate governance is critical to achieving our performance goals, and to maintaining the trust and confidence of investors, employees, suppliers, business partners and other stakeholders. A summary of El Paso's Corporate Governance Guidelines is set forth below.

Independence of Board Members. A key element for strong corporate governance is independent members of the Board of Directors. El Paso is committed to having more than a majority (our Governance Guidelines require at least 75 percent be non-management) of its Board of Directors be comprised of independent directors. Pursuant to the New York Stock Exchange (NYSE) corporate governance rules, and other criteria, a director will be considered independent if the Board determines that he or she does not have a material relationship with El Paso (either directly or as a partner, shareholder or officer of an organization that has a material relationship with El Paso). As part of this determination, the Board also considers any donations by El Paso or its Foundation to civic and charitable organizations with which any director nominee may have an association. Based on these criteria, the Board has affirmatively determined that Juan Carlos Braniff, James L. Dunlap, Robert W. Goldman, Anthony W. Hall, Jr., Thomas R. Hix, William H. Joyce, Ronald L. Kuehn, Jr., J. Michael Talbert, Robert F. Vagt, John L. Whitmire and Joe B. Wyatt are independent under the NYSE listing standards. Thus, 11 of the 12 nominees for the El Paso Board (92 percent) are independent. Further, our Audit, Compensation, Governance & Nominating, Finance and Health, Safety & Environmental Committees are composed entirely of independent directors.

Audit Committee Financial Expert. The Audit Committee plays an important role in promoting effective corporate governance, and it is imperative that members of the Audit Committee have requisite financial literacy and expertise. All members of El Paso's Audit Committee meet the financial literacy standard required by the NYSE rules and at least one member qualifies as having accounting or related financial management expertise under the NYSE rules. In addition, as required by the Sarbanes-Oxley Act of 2002, the SEC adopted rules requiring that public companies disclose whether or not its audit committee has an audit committee financial expert as a member. An audit committee financial expert is defined as a person who, based on his or her experience, satisfies all of the following attributes:

An understanding of generally-accepted accounting principles and financial statements.

An ability to assess the general application of such principles in connection with the accounting for estimates, accruals, and reserves.

Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and level of complexity of issues that can reasonably be expected to be raised by El Paso's financial statements, or experience actively supervising one or more persons engaged in such activities.

An understanding of internal controls and procedures for financial reporting.

An understanding of audit committee functions.

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The Board of Directors has affirmatively determined that Messrs. Hix and Goldman each satisfy the definition of audit committee financial expert, and has designated each of them as an audit committee financial expert.

Non-Executive Chairman. Mr. Kuehn currently serves as the Chairman of El Paso's Board of Directors in a non-executive capacity. As the Chairman of the Board of Directors, Mr. Kuehn has a number of responsibilities, which include setting board meeting agendas in collaboration with the CEO, presiding at Board meetings, executive sessions and the annual stockholders meeting, assigning tasks to the appropriate committees, and ensuring that information flows openly between management and the Board. Stockholders may communicate directly with Mr. Kuehn by writing to Chairman of the Board, c/o Corporate Secretary, El Paso Corporation, P.O. Box 2511, Houston, Texas 77252-2511, facsimile (713) 420-4099.

Executive Sessions of Board of Directors. El Paso holds regular executive sessions in which non-management Board members meet without any members of management present. Currently, Mr. Kuehn presides over the executive sessions. During 2004, non-management directors met in executive session seven times. The purpose of these executive sessions is to promote open and candid discussion among the non-management directors.

Committees of Board of Directors. The Board of Directors has adopted charters for the Audit Committee, the Compensation Committee and the Governance & Nominating Committee that comply with the corporate governance rules adopted by the SEC pursuant to the Sarbanes-Oxley Act of 2002 and the NYSE listing standards. The Audit Committee, the Compensation Committee, the Governance & Nominating Committee, the Finance Committee and the Health, Safety & Environmental Committee charters may be found on our website at www.elpaso.com.

Board/ Committee/ Director Evaluations. During 2004, the Board of Directors and each Board committee participated in self-evaluation and assessment processes in order to improve the efficiency and effectiveness of the Board, its committees and each director.

Director Education. El Paso encourages and facilitates director participation in seminars and conferences and other opportunities for continuing director education. During 2004, certain of our directors attended educational programs designed by a nationally recognized board educational organization. Also, each of our directors is a member of the National Association of Corporate Directors.

Mandatory Retirement. Our directors are subject to a mandatory retirement age and cannot stand for reelection in the calendar year following their 72nd birthday. Mr. Bissell has reached the mandatory retirement age and will not be standing for reelection at our Annual Meeting.

Stock Ownership Requirements. Our Board of Directors is committed to director and senior management stock ownership. Directors are required to own shares of El Paso common stock with a value of three times the annual cash retainer paid to non-employee directors. The Board also requires that the CEO own shares of El Paso common stock with a value of at least three times his or her annual base salary, and that other executive officers own El Paso common stock with a value of at least two times his or her base salary.

Corporate Governance Guidelines. Our corporate governance guidelines, together with the Board committee charters, provide the framework for the effective governance of El Paso. The Board of Directors has adopted the El Paso Corporate Governance Guidelines to address matters including qualifications for directors, responsibilities of directors, mandatory retirement for directors, the composition and responsibility of committees, conduct and minimum frequency of Board and committee meetings, management succession, director access to management and outside advisors, director compensation, stock ownership requirements, director orientation and continuing education, annual self-evaluation of the Board, its committees and directors and El Paso's policy on poison pills. The Board of Directors recognizes that effective corporate governance is an on-going process, and the Board, either directly or through the Governance & Nominating Committee, will review the El Paso Corporate Governance Guidelines annually, or more frequently if deemed necessary. Our Corporate Governance Guidelines may be found on our website at www.elpaso.com.

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Code of Ethics. El Paso has adopted a code of ethics, the Code of Business Conduct, that applies to all of its directors and employees, including its Chief Executive Officer, Chief Financial Officer and senior financial and accounting officers. The Code of Business Conduct is a value-based code that is built on El Paso's five core values: stewardship, integrity, safety, accountability and excellence. In addition to other matters, the Code of Business Conduct establishes policies to deter wrongdoing and to promote honest and ethical conduct, including ethical handling of actual or apparent conflicts of interest, compliance with applicable laws, rules and regulations, full, fair, accurate, timely and understandable disclosure in public communications and prompt internal reporting violations of the Code of Business Conduct. El Paso also has an Ethics & Compliance Office and Ethics & Compliance Committee, composed of members of senior management, that administers El Paso's ethics and compliance program. A copy of our Code of Business Conduct is available on our website at www.elpaso.com. El Paso will post on its internet website all waivers to or amendments of its Code of Business Conduct, which are required to be disclosed by applicable law and rules of the NYSE listing standards. Currently, El Paso does not have nor does it anticipate any waivers to or amendments of its Code of Business Conduct. We believe El Paso's Code of Business Conduct exceeds the requirements set forth in the applicable SEC regulations and the corporate governance rules of the NYSE.

Policy on Poison Pill Plans. The El Paso Corporate Governance Guidelines includes a policy on poison pills, or stockholder rights plans. El Paso does not currently have in place any stockholders rights plan, and the Board currently has no plans to adopt such a plan. However, if the Board is presented with a set of facts and circumstances which leads it to conclude that adopting a stockholder rights plan would be in the best interests of stockholders, the Board will seek prior stockholder approval unless the Board, in exercising its fiduciary responsibilities under the circumstances, determines by vote of a majority of the independent directors that such submission would not be in the best interests of El Paso's stockholders in the circumstances. If the Board were ever to adopt a stockholder rights plan without prior stockholder approval, the Board would present such plan to the stockholders for ratification within one year or cause it to expire within one year, without being renewed or replaced. Further, if the Board adopts a stockholder rights plan and El Paso's stockholders do not approve such plan, it will terminate.

Web Access. El Paso provides access through its website to current information relating to corporate governance, including a copy of each of the Board's standing committee charters, our Corporate Governance Guidelines, El Paso's Code of Business Conduct, El Paso's Restated Certificate of Incorporation and By-laws, biographical information concerning each director, and other matters regarding our corporate governance principles. El Paso also provides access through its website to all filings submitted by El Paso to the SEC. El Paso's website is www.elpaso.com, and access to this information is free of any charge to the user (except for any internet provider or telephone charges). Copies will also be provided to any stockholder upon request. Information contained on our website is not part of this proxy statement.

Process for Shareholder Communication with the Board. El Paso's Board has established a process for interested parties to communicate with the Board. Such communications should be in writing, addressed to the Board or an individual director, c/o Mr. David L. Siddall, Corporate Secretary, El Paso Corporation, P.O. Box 2511, Houston, Texas 77252. The Corporate Secretary will forward all communications to the addressee.

Director Attendance at Annual Meeting. The Board encourages all director nominees standing for election to attend the Annual Meeting in accordance with El Paso's Corporate Governance Guidelines. All incumbent directors who were elected at El Paso's 2004 Annual Meeting attended El Paso's 2004 Annual Meeting of Stockholders.

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The Board of Directors held 12 meetings during 2004. Each director who served on the El Paso Board of Directors during 2004 attended at least 75 percent of the meetings of the Board of Directors and of each committee on which he served. The Board of Directors has established five standing committees to assist the Board in carrying out its duties: the Audit Committee, the Compensation Committee, the Governance & Nominating Committee, the Finance Committee and the Health, Safety & Environmental Committee. The current members of the five standing committees are as follows:

Audit	Compensation	Governance & Nominating	Finance	Health, Safety & Environmental
Juan Carlos Braniff (Chairman)	Joe B. Wyatt (Chairman)	Anthony W. Hall, Jr. (Chairman)	Robert W. Goldman (Chairman)	John Whitmire (Chairman)
Robert W. Goldman	John M. Bissell	James L. Dunlap	John M. Bissell	Anthony W. Hall, Jr.
Thomas R. Hix	James L. Dunlap	William H. Joyce	Juan Carlos Braniff	William H. Joyce
John Whitmire	J. Michael Talbert	Joe B. Wyatt	Thomas R. Hix	J. Michael Talbert

You should note that Mr. Bissell is retiring and is not standing for reelection.

Audit Committee

The Audit Committee held 25 meetings during 2004. The Audit Committee currently consists of four non-employee directors, each of whom is independent as such term is defined in Section 10A of the Securities Exchange Act of 1934, the SEC rules thereunder, and the NYSE listing standards. The Board of Directors has determined that each member of the Audit Committee possesses the necessary level of financial literacy required to enable him to serve effectively as an Audit Committee member. No Audit Committee member serves on more than three audit committees of public companies, including El Paso's Audit Committee. El Paso maintains an Internal Audit Department to provide management and the Audit Committee with ongoing assessments of El Paso's risk management processes and system of internal controls.

The Audit Committee's primary duties include:

The provision of assistance to the Board of Directors in fulfilling its responsibilities with respect to the oversight of:

- The integrity of El Paso's financial statements.
- The evaluation and retention, including a review of the qualifications, independence and performance, of the independent auditor and any third party petroleum reserves engineer.
- The performance of El Paso's internal audit and ethics and compliance functions.
- El Paso's compliance with legal and regulatory requirements and its Code of Business Conduct.
- El Paso's risk management policies and procedures.

The appointment, compensation, retention, oversight responsibility and dismissal of El Paso's independent auditing firm or any other accounting firm engaged for the purpose of preparing or issuing an audit report or related work, or performing other audit, review or attestation services.

The pre-approval of all auditing services and allowable non-audit services provided to El Paso by its independent auditing firm.

The resolution of any disagreement between management and El Paso's auditor regarding financial reporting.

The preparation of an Audit Committee Report to be included in El Paso's proxy statement, as required by the SEC. See page 34 of this proxy statement for the Audit Committee Report.

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The appointment, compensation, retention, oversight responsibility and dismissal of any third party petroleum reserves engineer engaged for the purpose of reviewing or auditing El Paso's oil and gas reserves.

The review of procedures for the receipt, retention and treatment of complaints received by El Paso regarding any accounting, internal accounting controls or auditing matters.

The review of El Paso's risk assessment and risk management guidelines and policies, including El Paso's significant risk exposures and steps taken by management to monitor and control these exposures.

El Paso's independent auditor reports directly to the Audit Committee. In addition, the Audit Committee provides an open avenue of communication between the internal auditors, the independent auditor and the Board. Interested parties may contact the Audit Committee members by following the process outlined in the Corporate Governance section of this proxy statement.

The Audit Committee Charter can be found on our website at www.elpaso.com and is attached to this proxy statement as Exhibit A.

Policy for Approval of Audit and Non-Audit Fees

During 2004, the Audit Committee approved all the types of audit and permitted non-audit services which our independent auditor, PricewaterhouseCoopers LLP, was to perform during the year and the cap on fees for each of these categories, as required under applicable law. The Audit Committee's current practice is to consider for pre-approval annually all categories of audit and permitted non-audit services proposed to be provided by our independent auditors for a fiscal year. The Audit Committee will also consider for pre-approval annually the limit of fees and the manner in which the fees are determined for each type of pre-approved audit and non-audit services proposed to be provided by our independent auditors for the fiscal year. The Audit Committee must separately pre-approve any service that is not included in the approved list of services or any proposed services exceeding pre-approved cost levels. The Audit Committee has delegated pre-approval authority to the Chairman of the Audit Committee for services that need to be addressed between Audit Committee meetings. The Audit Committee is then informed of these pre-approval decisions, if any, at the next meeting of the Audit Committee. In selecting PricewaterhouseCoopers LLP as our independent auditor, the Audit Committee believes the provision of the audit and permitted non-audit services rendered by PricewaterhouseCoopers LLP is compatible with maintaining that firm's independence. See "Principal Accountant Fees and Services" on page 55 of this proxy statement for the aggregate fees paid to PricewaterhouseCoopers LLP for the fiscal years ended December 31, 2004 and 2003.

Compensation Committee

The Compensation Committee held four meetings during 2004. The Compensation Committee currently consists of four non-employee directors, each of whom is independent as such term is defined in (a) the NYSE listing standards, (b) the non-employee director standards of Rule 16b-3 of the Securities Exchange Act of 1934 and (c) the outside director requirements of Section 162(m) of the Code. The Compensation Committee's primary functions are to:

Review El Paso's executive compensation program to ensure that it is adequate to attract, motivate and retain competent executive personnel and is directly and materially related to the short-term and long-term objectives and operating performance of El Paso.

Ensure that El Paso's executive equity-based plan, long-term incentive compensation plan, annual incentive compensation plan and other executive compensation plans are administered in accordance with El Paso's stated compensation objectives and make recommendations to the Board with respect to such plans, as necessary.

Review appropriate criteria for establishing performance targets and determining annual corporate and executive performance ratings.

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Review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and determine and approve the CEO's compensation level based on this evaluation.

Review and approve goals and objectives relevant to director compensation, including annual retainer and meeting fees, and terms and awards of equity compensation and recommend changes to the full Board, if appropriate.

Select, retain, evaluate, and, where appropriate, replace the independent executive compensation consulting firm, and approve all related fees.

Produce a Compensation Committee Report on executive compensation to be included in El Paso's proxy statement, as required by the SEC.

The policies, mission and actions of the Compensation Committee are set forth in the Compensation Committee Report on Executive Compensation, which begins on page 27 of this proxy statement.

The Compensation Committee Charter can be found on our website at www.elpaso.com.

Governance & Nominating Committee

The Governance & Nominating Committee met seven times during 2004. The Governance & Nominating Committee currently consists of four non-employee directors, each of whom is independent as such term is defined in the NYSE listing standards. The Board has delegated to the Governance & Nominating Committee its oversight responsibilities relating to corporate governance and the establishment of criteria for Board selection. The Governance & Nominating Committee's primary responsibilities are to:

Develop and recommend to the Board corporate governance principles.

Identify and review the qualifications of candidates for Board membership, screen possible candidates for Board membership and communicate with members of the Board regarding Board meeting format and procedures.

Determine desired qualifications, expertise and characteristics and, to the extent the Governance & Nominating Committee deems necessary, conduct searches for potential candidates for Board membership with such attributes. The Governance & Nominating Committee has the sole authority and responsibility to select, evaluate, retain and, where appropriate, terminate any search firm to be used to identify qualified director candidates, including the sole authority to approve such search firm's fees and other retention terms.

Ensure that El Paso has an appropriate policy on potential conflicts of interest, including, but not limited to, the policies on (1) related-party transactions (including any dealings with directors, officers or employees), and (2) such other transactions that could have the appearance of a potential conflict of interest.

Monitor and report to the Board whether there is any current relationship between any director and El Paso that may adversely affect the independent judgment of the director.

Oversee the process of annual performance evaluations for the Board, each committee and directors.

Act as a nominating committee and consider any nominations properly submitted by the stockholders to the Corporate Secretary in accordance with the Corporate Governance Guidelines, El Paso's By-laws and the process set forth in this proxy statement.

Review and make recommendations regarding the Corporate Governance Guidelines.

Provide recommendations regarding continuing director educational programs.

The Governance & Nominating Committee Charter can be found on our website at www.elpaso.com.

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Nomination Process

El Paso pays a third party search firm a fee to assist in identifying, assessing qualifications and screening potential director nominees. The Governance & Nominating Committee will review any nominations from stockholders, other Board members, third party search firms, executives and other such persons.

The minimum qualifications that El Paso seeks for director nominees are set forth in its Corporate Governance Guidelines, which can be found on our website at www.elpaso.com. Among other matters, the Board considers education; business, governmental and civic experience; diversity; communication, interpersonal and other required skills; independence; and other matters relevant to the Board's objectives. El Paso has a comprehensive process in place to identify and evaluate candidates to be nominated for director. The Governance & Nominating Committee identifies the needs of the Board by asking each director to identify particular skills that will strengthen the Board, and that are in conformity with the goals identified in the Corporate Governance Guidelines. A third party search firm is then retained to help identify and screen specific candidates. The Governance & Nominating Committee reviews the qualifications of the candidates presented and interviews the most qualified. The Governance & Nominating Committee recommends potential nominees to the full Board, which interviews the candidates and then makes nominations for election at the Annual Meeting. Each director nominee who appears on the ballot is recommended by the Governance & Nominating Committee to the full Board.

Stockholders seeking to nominate persons for election as directors at the 2006 Annual Meeting must submit *in writing* a timely notice complying with El Paso's By-laws to Mr. David L. Siddall, Corporate Secretary, El Paso Corporation, P.O. Box 2511, Houston, Texas 77252-2511, telephone (713) 420-6195 and facsimile (713) 420-4099. To be timely for a stockholder seeking to bring any matter before the 2006 Annual Meeting, the stockholder's written notice must be received not less than 90 days nor more than 120 days prior to the first anniversary of the 2005 Annual Meeting. Under these criteria, stockholders must provide us with notice of nominations sought to be made at the 2006 Annual Meeting between January 26, 2006 and February 25, 2006.

If the 2006 Annual Meeting is held more than 30 days before or 60 days after May 26, 2006, for a stockholder seeking to bring any matter before the 2006 Annual Meeting, the stockholder's written notice must be received not less than 90 days nor more than 120 days before the date of the 2006 Annual Meeting or by the tenth day after we publicly announce the date of the 2006 Annual Meeting, if that would result in a later deadline.

Finance Committee

The Finance Committee met six times during 2004. The Finance Committee currently consists of four non-employee directors, each of whom is independent as such term is defined in the NYSE listing standards. The Finance Committee assists the Board in fulfilling its oversight responsibilities by reviewing and recommending appropriate action with respect to El Paso's capital structure, source of funds, payment of dividends, liquidity and financial position.

The Finance Committee's primary functions are to:

Review and recommend to the Board the long-range financial plan of El Paso.

Recommend to the Board financial policies that maintain or improve the financial strength of El Paso.

Develop and recommend dividend policies and recommend to the Board specific dividend payments.

Review and approve terms and conditions of financing plans, including the issuance of securities, corporate borrowings, off-balance sheet structures, investments and make recommendations to the Board of such financings.

The Finance Committee Charter can be found on our website at www.elpaso.com.

Table of Contents**Health, Safety & Environmental Committee**

The Health, Safety & Environmental Committee was created in July 2004 and met three times during 2004. The Health, Safety & Environmental Committee currently consists of four non-employee directors, each of whom is independent as such term is defined in the NYSE listing standards. The Health, Safety & Environmental Committee assists the Board in fulfilling its oversight responsibilities with respect to the Board's and El Paso's continuing commitment to improving the environment, ensuring the safety of El Paso's employees and ensuring that El Paso's businesses and facilities are operated and maintained in a safe manner. The Health, Safety & Environmental Committee's primary function is to review and provide oversight with regard to El Paso's policies, standards, accountabilities and programs relative to health, safety and environmental-related matters, including El Paso's pipeline integrity program. In this regard, the Health, Safety & Environmental Committee will advise the Board and make recommendations for the Board's consideration regarding health, safety and environmental-related issues. The Health, Safety & Environmental Committee Charter can be found on our website at www.elpaso.com.

2004 Compensation for Non-Employee Directors

The Compensation Committee, in consultation with an independent third-party consultant, periodically reviews non-employee director compensation and benefits and recommends changes (if appropriate) to the full Board of Directors based upon competitive market practices. All members of the Board are reimbursed for their reasonable expenses for attending Board functions. Employee directors do not receive any additional compensation for serving on the Board of Directors. Pursuant to El Paso's 1995 Compensation Plan for Non-Employee Directors and as provided under the 2005 Compensation Plan for Non-Employee Directors, which is being presented for approval at this Annual Meeting and will replace the 1995 Compensation Plan for Non-Employee Directors, if approved, non-employee directors receive an annual retainer of \$80,000, \$20,000 of which is required to be paid in deferred shares of El Paso common stock and the remaining \$60,000 of which is paid at the election of the director in any combination of cash, deferred cash or deferred shares of common stock. To the extent a director receives deferred shares rather than cash, he is credited with deferred shares with a value representing a 25 percent premium to the cash retainer he would otherwise have received. For example, an individual director could receive \$60,000 in cash and \$25,000 (\$20,000, plus \$5,000 premium) in mandatory deferred common stock assuming he elects not to take additional deferred common stock or could receive \$100,000 in deferred common stock assuming he elects to take his entire retainer in deferred common stock. Each non-employee director who chairs a Committee of the Board of Directors receives an additional retainer fee of \$15,000, which may be paid in the same manner as the annual retainer (with a total up to \$18,750 if he elects to take his entire retainer in deferred common stock). Each non-employee director also receives a long-term equity credit in the form of deferred shares of El Paso common stock (excluding any premium) equal to the amount of the annual retainer (currently \$80,000). Directors are not entitled to receive their deferred amounts until they cease to be a director of El Paso.

Chairman of the Board

Mr. Kuehn receives the same compensation and benefits as the other non-employee directors, plus a cash payment of \$33,750 per quarter to compensate him for the additional time spent on Board matters as Chairman of the Board.

Special Committee Meeting Fees Terminated

Beginning in March 2003, if any Committee of the Board of Directors held a meeting other than in connection with a regularly scheduled Board meeting, then each non-management Committee member who attended in person (other than the Chairman of the Board and Lead Director, if one) received a meeting fee of \$2,500 per day payable in cash. Effective November 18, 2004, the Board decided that special committee meeting fees would no longer be paid and terminated this policy.

Table of Contents**Total 2004 Non-Employee Director Compensation**

The following table reflects the compensation and benefits our directors received during 2004.

All Compensation Paid to Non-Employee Directors in 2004

Director	All Cash Fees			All Deferred Shares of Common Stock(2)		
	Annual Board/ Committee Chair Cash Retainer (\$)	Special Committee Meeting Fees (\$)(1)	Total Cash Fees (\$)	Deferred Shares of Common Stock for Retainer/ Chairman Fees (#)	Deferred Shares of Common Stock for Long-Term Equity Credit (#)	Total Deferred Shares of Common Stock (#)
John M. Bissell	\$ 15,000	\$ 2,500	\$ 17,500	8,035	8,524	16,559
Juan Carlos Braniff	56,250	2,500	58,750	5,940	8,524	14,464
James L. Dunlap	30,000	0	30,000	6,660	8,524	15,184
Robert W. Goldman	37,500	2,500	40,000	7,659	8,524	16,183
Anthony W. Hall, Jr.	75,000	0	75,000	2,664	8,524	11,188
Thomas R. Hix	15,000	0	15,000	7,161	5,729	12,890
William H. Joyce	15,000	0	15,000	7,161	5,729	12,890
Ronald L. Kuehn, Jr.(3)	150,000	0	150,000	8,035	8,524	16,559
J. Michael Talbert	60,000	0	60,000	2,664	8,524	11,188
John L. Whitmire	0	0	0	11,998	8,524	20,522
Joe B. Wyatt	54,375	0	54,375	5,644	8,524	14,168
Total	\$ 508,125	\$ 7,500	\$ 515,625	73,621	88,174	161,795

- (1) Effective November 18, 2004, the special meeting fee paid to Committee members who attend in person a committee meeting other than in connection with a regularly scheduled Board meeting was terminated. See additional information about special committee meeting fees in the description above.
- (2) Deferred shares of common stock are credited quarterly and based on the fair market value of our common stock on that date. The amounts reflected in these columns do not include dividend equivalent reinvestments and gains on the deferred shares subsequent to the shares being credited to the directors' deferred accounts. Directors do not receive any of these shares until they cease to be a director of El Paso.
- (3) As described above, Mr. Kuehn receives the same compensation and benefits as the other non-employee directors, plus a cash payment of \$33,750 per quarter to compensate him for additional time spent as Chairman of

the Board.

Director Charitable Award Plan Terminated

The Director Charitable Award Plan was adopted in January 1992 to provide for each eligible director to designate up to four charitable organizations to receive a maximum of \$1,000,000 in the aggregate upon the death of each director participant. A director was eligible to participate after two consecutive years of service on the Board of Directors. The Director Charitable Award Plan was terminated on December 4, 2003, with respect to any new participants, including current directors that have not served on the Board for at least two years as of the date the plan was terminated. Messrs. Bissell, Braniff, Hall, Kuehn and Wyatt are eligible to participate in this plan. Based on the current level of participation (including eleven former directors), the annual pre-funding amounts are estimated to be approximately \$142,000 per year plus administrative costs.

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PROPOSAL NO. 1 Election of Directors

The Board. You will have the opportunity to elect our entire Board of Directors, consisting of 12 members, at the Annual Meeting. Mr. Bissell has reached the mandatory retirement age pursuant to El Paso's Corporate Governance Guidelines and is not standing for reelection. All of our other incumbent directors are standing for reelection and we have added one new nominee, Robert F. Vagt, who was recommended to the Governance & Nominating Committee by a third party search firm. All directors are elected annually, and serve a one-year term and until his successor has been duly elected and shall qualify.

Nominations. At the Annual Meeting, we will nominate the 12 persons named in this proxy statement as directors.

The 12 nominees who receive the highest number of votes at the Annual Meeting will be elected. Broker non-votes, if any, will not be counted in determining the election of directors.

OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH OF THE NOMINEES NAMED BELOW.

General Information about the Nominees for Election, as of March 28, 2005. Each of the following nominees has agreed to be named in this proxy statement and to serve as a director if elected.

Juan Carlos Braniff

Director since 1997

Business Consultant
Age 47
Chairman Audit Committee
Member Finance Committee

Mr. Braniff has been a business consultant since January 2004. He served as Vice Chairman of Grupo Financiero BBVA Bancomer from October 1999 to January 2004, as Deputy Chief Executive Officer of Retail Banking from September 1994 to October 1999 and as Executive Vice President of Capital Investments and Mortgage Banking from December 1991 to September 1994.

James L. Dunlap

Director since 2003

Business Consultant
Age 67
Member Compensation Committee
Member Governance & Nominating Committee

Mr. Dunlap's primary occupation has been as a business consultant since 1999. He served as Vice Chairman, President and Chief Operating Officer of Ocean Energy/ United Meridian Corporation from 1996 to 1999. He was responsible for exploration and production and the development of the international exploration business. For 33 years prior to that date, Mr. Dunlap served Texaco, Inc. in various positions, including Senior Vice President, President of Texaco USA, President and Chief Executive Officer of Texaco Canada Inc. and Vice Chairman of Texaco Ltd., London. Mr. Dunlap is currently a member of the board of directors of Massachusetts Mutual Life Insurance Company, a trustee of the Nantucket Conservation Foundation, a trustee of the Culver Educational Foundation and a member of the Corporation of the Woods Hole Oceanographic Institution.

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Douglas L. Foshee

Director since 2003

President and Chief Executive Officer,
El Paso Corporation,
Houston, Texas Diversified Energy Company
Age 45

Mr. Foshee has been President, Chief Executive Officer and a director of El Paso since September 2003. He became Executive Vice President and Chief Operating Officer of Halliburton Company in 2003, having joined that company in 2001 as Executive Vice President and Chief Financial Officer. In December 2003, several subsidiaries of Halliburton, including DII Industries and Kellogg Brown & Root, filed for bankruptcy protection whereby the subsidiaries jointly resolved their asbestos claims. These claims were successfully resolved in 2004. Prior to assuming his position at Halliburton, Mr. Foshee was President, Chief Executive Officer, and Chairman of the Board of Nuevo Energy Company. From 1993 to 1997, Mr. Foshee served Torch Energy Advisors Inc. in various capacities, including Chief Operating Officer and Chief Executive Officer.

Robert W. Goldman

Director since 2003

Business Consultant
Age 62
Chairman Finance Committee
Member Audit Committee

Mr. Goldman's primary occupation has been as a business consultant since October 2002. He served as Senior Vice President, Finance and Chief Financial Officer of Conoco Inc. from 1998 to 2002 and Vice President, Finance from 1991 to 1998. For more than five years prior to that date, he held various executive positions with Conoco Inc. and E.I. Du Pont de Nemours & Co., Inc. Mr. Goldman was also formerly Vice President and Controller of Conoco Inc. and Chairman of the Accounting Committee of the American Petroleum Institute. He is currently Vice President, Finance of the World Petroleum Council, and a member of the board of directors of Tesoro Corporation and the Executive Committee of the board of The Alley Theatre.

Anthony W. Hall, Jr.

Director since 2001

Chief Administrative Officer,
City of Houston, Texas
Age 60
Chairman Governance & Nominating Committee
Member Health, Safety & Environmental Committee

Mr. Hall has been Chief Administrative Officer of the City of Houston since January 2004. He served as the City Attorney for the City of Houston from March 1998 to January 2004. He served as a director of The Coastal Corporation from August 1999 to January 2001. Prior to March 1998, Mr. Hall was a partner in the Houston law firm of Jackson Walker, LLP. He is a director of Houston Endowment Inc. and Chairman of the Boulé Foundation.

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Thomas R. Hix **Director since 2004**
 Business Consultant
 Age 57
 Member Audit Committee
 Member Finance Committee

Mr. Hix has been a business consultant since January 2003. He served as Senior Vice President of Finance and Chief Financial Officer of Cooper Cameron Corporation from January 1995 to January 2003. From September 1993 to April 1995, Mr. Hix served as Senior Vice President of Finance, Treasurer and Chief Financial Officer of The Western Company of North America. Mr. Hix is a member of the board of directors of The Offshore Drilling Company and Health Care Service Corporation.

William H. Joyce **Director since 2004**
 Chairman of the Board and Chief Executive Officer,
 Nalco Company,
 Naperville, Illinois Water Treatment,
 Process Chemicals and Service Company
 Age 69
 Member Governance & Nominating Committee
 Member Health, Safety & Environmental Committee

Dr. Joyce has been Chairman of the Board and Chief Executive Officer of Nalco Company since November 2003. From May 2001 to October 2003, he served as Chief Executive Officer of Hercules Inc. In 2001, Dr. Joyce served as Vice Chairman of the Board of Dow Chemical Corporation following its merger with Union Carbide Corporation. Dr. Joyce was named Chief Executive Officer of Union Carbide Corporation in 1995 and Chairman of the Board in 1996. Prior to 1995, Dr. Joyce served in various positions with Union Carbide. Dr. Joyce is a director of CVS Corporation and Celanese Corporation.

Ronald L. Kuehn, Jr. **Director since 1999**
 Chairman of the Board,
 El Paso Corporation,
 Houston, Texas Diversified Energy Company
 Age 69

Mr. Kuehn is currently the Chairman of the El Paso Board. Mr. Kuehn was Chairman of the Board and Chief Executive Officer from March 2003 to September 2003. From September 2002 to March 2003, Mr. Kuehn was the Lead Director of El Paso. From January 2001 to March 2003, he was a business consultant. Mr. Kuehn served as non-executive Chairman of the Board of El Paso from October 25, 1999 to December 31, 2000. Mr. Kuehn served as President and Chief Executive Officer of Sonat Inc. from June 1984 until his retirement on October 25, 1999. He was Chairman of the Board of Sonat Inc. from April 1986 until his retirement. He is a director of AmSouth Bancorporation, Praxair, Inc. and The Dun & Bradstreet Corporation.

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J. Michael Talbert

Director since 2003

Chairman of the Board,
 Transocean Inc.
 Houston, Texas Offshore Drilling Company
 Age 58
 Member Compensation Committee
 Member Health, Safety & Environmental Committee

Mr. Talbert has been Chairman of the Board of Transocean Inc. since October 2002. He served as Chief Executive Officer of Transocean Inc. and its predecessor companies from 1994 until October 2002, and has been a member of its board of directors since 1994. He served as President and Chief Executive Officer of Lone Star Gas Company from 1990 to 1994. He served as President of Texas Oil & Gas Company from 1987 to 1990, and served in various positions at Shell Oil Company from 1970 to 1982. Mr. Talbert is a director of The Offshore Drilling Company. Mr. Talbert is a past Chairman of the National Ocean Industries Association and a member of the University of Akron's College of Engineering Advancement Council.

Robert F. Vagt

Nominee

President,
 Davidson College
 Davidson, North Carolina Higher Education
 Age 58

Mr. Vagt has been President of Davidson College since 1997. He served as President and Chief Operating Officer of Seagull Energy Corporation from 1996 to 1997. From 1992 to 1996, Mr. Vagt served as President, Chairman and Chief Executive Officer of Global Natural Resources. He served as President and Chief Operating Officer of Adobe Resources Corporation from 1989 to 1992. Prior to 1989, Mr. Vagt served in various positions with Adobe Resources Corporation and its predecessor entities. He is a member of the board of directors of Cornell Companies, Inc.

John L. Whitmire

Director since 2003

Chairman of the Board,
 CONSOL Energy, Inc.,
 Pittsburgh, Pennsylvania Multifuel Energy Provider
 and Energy Service Provider
 Age 64
 Chairman Health, Safety & Environmental Committee
 Member Audit Committee

Mr. Whitmire has been Chairman of CONSOL Energy, Inc. since 1999. He served as Chairman and Chief Executive Officer of Union Texas Petroleum Holdings, Inc. from 1996 to 1998, and spent over 30 years serving Phillips Petroleum Company in various positions including Executive Vice President of Worldwide Exploration and Production from 1992 to 1996 and Vice President of North American Exploration and Production from 1988 to 1992. He also served as a member of the Phillips Petroleum Company Board of Directors from 1994 to 1996. He is a member of the board of directors of GlobalSantaFe Inc.

Table of Contents**Joe B. Wyatt****Director since 1999**

Chancellor Emeritus,
 Vanderbilt University,
 Nashville, Tennessee Higher Education
 Age 69
 Chairman Compensation Committee
 Member Governance & Nominating Committee

Mr. Wyatt has been Chancellor Emeritus of Vanderbilt University since August 2000. For eighteen years prior to that date, he served as Chancellor, Chief Executive Officer and Trustee of Vanderbilt University. Prior to joining Vanderbilt University, Mr. Wyatt was a member of the faculty and Vice President of Harvard University. From 1984 until October 1999, Mr. Wyatt was a director of Sonat Inc. He is a director of Ingram Micro, Inc. and Hercules, Inc. He is a principal of the Washington Advisory Group and Chairman of the Universities Research Association.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of March 15, 2005 (unless otherwise noted) regarding beneficial ownership of common stock by each director and nominee, our Chief Executive Officer, the other four most highly compensated executive officers in the last fiscal year, our directors and executive officers as a group and each person or entity known by El Paso to own beneficially more than five percent of its outstanding shares of common stock. No family relationship exists between any of the directors or executive officers of El Paso.

Title of Class	Name of Beneficial Owner	Beneficial Ownership (Excluding Options)(1)	Stock Options(2)	Total	Percent of Class
Common Stock	Pacific Financial Research Inc.(3) 9601 Wilshire Boulevard, Suite 800 Beverly Hills, CA 90210	78,130,889	0	78,130,889	12.16%
Common Stock	Brandes Investment Partners, L.L.C.(3) 11988 El Camino Real Suite 500 San Diego, CA 92130	71,441,912	0	71,441,912	11.12%
Common Stock	State Street Bank and Trust Company(3) P.O. Box 1389 Boston, MA 02104-1389	32,321,279	0	32,321,279	5.03%
Common Stock	J.M. Bissell	71,605	12,000	83,605	*
Common Stock	J.C. Braniff	72,080(4)	21,000	93,080	*
Common Stock	J.L. Dunlap	33,508(5)	8,000	41,508	*
Common Stock	R.W. Goldman	37,245	8,000	45,245	*
Common Stock	A.W. Hall, Jr.	47,990	12,000	59,990	*
Common Stock	T.R. Hix	12,923	0	12,923	*
Common Stock	W.H. Joyce	13,923	0	13,923	*
Common Stock	R.L. Kuehn, Jr.	320,923(6)	502,300	823,223	*

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Common Stock	J.M. Talbert	26,522	8,000	34,522	*
Common Stock	R.F. Vagt	3,000	0	3,000	*
Common Stock	J.L. Whitmire	42,747	8,000	50,747	*
Common Stock	J.B. Wyatt	59,934	14,000	73,934	*
Common Stock	D.L. Foshee	401,909	293,750	695,659	*
Common Stock	J.W. Somerhalder II	365,652	444,250	809,902	*

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Title of Class	Name of Beneficial Owner	Beneficial Ownership (Excluding Options)(1)	Stock Options(2)	Total	Percent of Class
Common Stock	L.A. Stewart	144,088(7)	73,750	217,838	*
Common Stock	D.D. Scott	141,136	195,994	337,130	*
Common Stock	R.W. Baker	132,301	218,709	351,010	*
Common Stock	Directors, nominee and executive officers as a group (17 persons total), including those individuals listed above	1,927,486	1,819,753	3,744,239	.59%

* Less than one percent

- (1) The individuals named in the table have sole voting and investment power with respect to shares of El Paso common stock beneficially owned, except that Mr. Talbert shares with one or more other individuals voting and investment power with respect to 5,000 shares of common stock. This column also includes shares of common stock held in the El Paso Benefits Protection Trust (as of March 15, 2005) as a result of deferral elections made in accordance with El Paso's benefit plans. These individuals share voting power with the trustee under that plan and receive dividend equivalents on such shares, but do not have the power to dispose of, or direct the disposition of, such shares until such shares are distributed. In addition, some shares of common stock reflected in this column for certain individuals are subject to restrictions.
- (2) The directors and executive officers have the right to acquire the shares of common stock reflected in this column within 60 days of March 15, 2005, through the exercise of stock options.
- (3) According to a Schedule 13G filed on February 11, 2005, as of December 31, 2004, Pacific Financial Research Inc. had sole voting power over 73,376,789 shares of common stock, no voting power over 4,754,100 shares of common stock and sole dispositive power of 78,130,889 shares of common stock. According to a Schedule 13G filed on February 14, 2005, as of December 31, 2004, Brandes Investment Partners, L.L.C. had shared voting power of 55,594,630 shares of common stock and shared dispositive power over 71,441,912 shares of common stock. According to a Schedule 13G/ A filed on February 18, 2005, as of December 31, 2004, State Street Bank and Trust Company had sole voting power over 17,728,241 shares of common stock, shared voting power over 14,593,038 shares of common stock and shared dispositive power of 32,321,279 shares of common stock.
- (4) Mr. Braniff's beneficial ownership excludes 3,500 shares owned by his wife. Mr. Braniff disclaims any beneficial ownership in those shares.
- (5) Mr. Dunlap's beneficial ownership excludes 900 shares held by his wife as trustee. Mr. Dunlap disclaims any beneficial ownership in those shares.
- (6) Mr. Kuehn's beneficial ownership excludes 28,720 shares owned by his wife or children. Mr. Kuehn disclaims any beneficial ownership in those shares.
- (7) Ms. Stewart's beneficial ownership includes 216 shares held by her husband.

Table of Contents**EXECUTIVE COMPENSATION****Compensation of Executive Officers**

This table and narrative text discusses the compensation paid in 2004, 2003 and 2002 to our Chief Executive Officer and our four other most highly compensated executive officers. The compensation reflected for each individual was for their services provided in all capacities to El Paso and its subsidiaries. This table also identifies the principal capacity in which each of the executives named in this proxy statement served El Paso at the end of 2004.

Summary Compensation Table

Name and Principal Position	Year	Long-Term Compensation						
		Annual Compensation			Awards	Payouts		
		Salary	Bonus	Other Annual Compensation	Restricted Stock Awards	Securities Underlying Options	Long-Term Incentive Plan Payouts	All Other Compensation
	(\$)(1)	(\$)	(\$)(2)	(\$)(3)	(#)	(\$)(4)	(\$)(5)	
Douglas L. Foshee(6) President and Chief Executive Officer	2004	\$ 630,000	\$ 1,250,000		\$ 1,320,000	375,000	\$ 180,500	\$ 51,750
	2003	\$ 297,115	\$ 600,000		\$	1,000,000	\$	\$ 1,758,913
John W. Sommerhalder II(7) Executive Vice President	2004	\$ 642,000	\$ 684,735		\$ 492,800	140,000	\$	\$ 46,500
	2003	\$ 617,500	\$ 750,000		\$		\$ 215,850	\$ 14,250
	2002	\$ 600,000	\$		\$		\$	\$ 81,926
Lisa A. Stewart(8) Executive Vice President	2004	\$ 458,337	\$ 441,604		\$ 1,077,600	295,000	\$	\$ 316,250
D. Dwight Scott Executive Vice President and Chief Financial Officer	2004	\$ 453,929	\$ 498,644		\$ 739,200	210,000	\$ 261,300	\$ 42,825
	2003	\$ 517,504	\$ 750,000		\$		\$	\$ 511,775
	2002	\$ 387,504	\$		\$		\$	\$ 71,108
Robert W. Baker Executive Vice	2004	\$ 404,004	\$ 295,203		\$ 492,800	140,000	\$ 97,350	\$ 25,658
	2003	\$ 360,837	\$ 350,000		\$		\$	\$ 10,500

President and General Counsel	2002	\$ 250,008	\$ 50,000	\$ 36,000	\$	\$	21,857
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- (1) The amount in this column for 2004 for Messrs. Foshee and Scott reflects a voluntary reduction in annual base salary. For a one-year period beginning on January 1, 2004, Mr. Foshee voluntarily reduced his annual base salary by 30 percent to \$630,000. Beginning on June 16, 2004, and for the remainder of 2004, Mr. Scott voluntarily reduced his annual base salary by 30 percent to \$379,404. In addition, the amount reflected in this column for 2004, 2003 and 2002 for Messrs. Somerhalder and Baker includes an amount for El Paso mandated reductions to fund certain charitable organizations.
- (2) There were no amounts paid for other annual compensation in 2004. The amount reflected for Mr. Baker in 2002 is a \$36,000 perquisite and benefit allowance. During 2003, El Paso eliminated perquisite and benefit allowances for its officers and, except as noted, the total value of the perquisites and other personal benefits received by the other executives named in this proxy statement in 2003 and 2002 are not included in this column since they were below the SEC's reporting threshold.
- (3) In 2004, Ms. Stewart received a grant of 80,000 shares of restricted stock on the start date of her employment and the total value reflected in this column for Ms. Stewart includes the value of those shares on the date of grant. The remainder of the shares of restricted stock granted to the executives named in this proxy statement during 2004 are annual grants pursuant to El Paso's long-term incentive

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compensation plan. The total number of shares and value of restricted stock granted (including the amount reflected in this column) held on December 31, 2004, is as follows:

Restricted Stock as of December 31, 2004

Name	Total Number of Restricted Stock (#)	Value of Restricted Stock (\$)
Douglas L. Foshee	267,500	\$ 2,782,000
John W. Somerhalder II	158,004	\$ 1,643,242
Lisa A. Stewart	150,000	\$ 1,560,000
D. Dwight Scott	113,444	\$ 1,179,818
Robert W. Baker	102,511	\$ 1,066,114

These shares are subject to a time-vesting schedule of three to five years from the date of grant. In addition, most of these shares were granted as a result of the achievement of certain performance measures. Any dividends awarded on the restricted stock are paid directly to the holder of the El Paso common stock. These total values can be realized only if the executives named in this proxy statement remain employees of El Paso for the required vesting period.

- (4) For 2004 and 2003, the amounts reflected in this column are the value of shares of performance-based restricted stock on the date they vested. These shares of performance-based restricted stock were originally reported, if required, in a long-term incentive table in El Paso's proxy statement for the year in which the shares of restricted stock were granted, along with the necessary performance measures for their vesting. No long-term incentive payouts were made in 2002. On the start date of his employment, Mr. Foshee was granted 200,000 shares of performance-based restricted stock. Based on El Paso's performance relative to its peer companies during the first year of Mr. Foshee's employment, 100,000 of the 200,000 shares vested and the remaining 100,000 shares were forfeited. The 100,000 shares that vested based on performance also time vest pro-rata over a five-year period. The first 20,000 shares of restricted stock vested based on time on October 11, 2004, and the value of the shares on the date they vested is reflected in this column for Mr. Foshee for 2004. On February 1, 2001, Mr. Scott was granted 50,000 shares of performance-based restricted stock. These shares time vested over a four-year period. Based on performance, 30,000 of the 50,000 shares vested on October 18, 2004, and the value of the 30,000 shares on the date they vested is reflected in this column for Mr. Scott for 2004. The remaining 20,000 shares were forfeited.
- (5) The compensation reflected in this column for 2004 includes El Paso's contributions to the El Paso Retirement Savings Plan and supplemental company match for the Retirement Savings Plan under the Supplemental Benefits Plan and any other special payments, as follows:

**El Paso's contributions to the Retirement Savings Plan
and Supplemental Company Match under the
Supplemental Benefits Plan and Other Special Payments
for Fiscal Year 2004**

Name	Retirement Savings Plan (\$)	Supplemental Benefits Plan (\$)	Other Special Payments \$(a)
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Douglas L. Foshee	\$	6,150	\$	45,600	\$	0
John W. Somerhalder II	\$	6,150	\$	40,350	\$	0
Lisa A. Stewart	\$	4,900	\$	11,350	\$	300,000(b)
D. Dwight Scott	\$	6,150	\$	36,675	\$	0
Robert W. Baker	\$	6,150	\$	19,508	\$	0

- (a) El Paso does not have a deferred compensation plan for executives and, therefore, does not pay any interest on deferred amounts.

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- (b) The amount in this column reflects the value of Ms. Stewart's sign-on bonus which was paid to her when she joined El Paso on February 2, 2004.
- (6) Mr. Foshee began his employment with El Paso on September 1, 2003.
- (7) Mr. Somerhalder will be leaving El Paso effective April 30, 2005.
- (8) Ms. Stewart began her employment with El Paso on February 2, 2004.

Stock Option Grants

This table sets forth the number of stock options granted at fair market value to the executives named in this proxy statement during the fiscal year 2004. In satisfaction of applicable SEC regulations, the table further sets forth the potential realizable value of such stock options in the year 2014 (the expiration date of the stock options) at an assumed annualized rate of stock price appreciation of five percent and ten percent over the full ten-year term of the stock options. As the table indicates for the grant made on March 8, 2004, annualized stock price appreciation of five percent and ten percent would result in stock prices in the year 2014 of approximately \$11.99 and \$19.09, respectively. Further as the table indicates for the grant made on April 1, 2004, annualized stock price appreciation of five percent and ten percent would result in stock prices in the year 2014 of approximately \$11.55 and \$18.39, respectively. The amounts shown in the table as potential realizable values for all stockholders' stock (approximately \$3.0 billion and \$7.6 billion for the March grant and approximately \$2.9 billion and \$7.3 billion for the April grant) represent the corresponding increases in the market value of 644,932,420 shares of the common stock outstanding as of December 31, 2004. No gain to the executive named in this proxy statement is possible without an increase in stock price, which would benefit all stockholders. Actual gains, if any, on stock option exercises and common stock holdings are dependent on the future performance of the common stock and overall stock market conditions. There can be no assurances that the potential realizable values shown in this table will be achieved.

Option Grants in 2004

Name	Number of Securities Underlying Options Granted (#)	Individual Grants(1)			Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
		Percent of Total Options Granted to all Employees in 2004	Exercise Price (\$/Share)	Expiration Date	If Stock Price at 5% (\$)	If Stock Price at 10% (\$)
Potential Increase in Value of All Common Stock Outstanding on December 31, 2004						
March 8, 2004 Grant	N/A	N/A	N/A	N/A	\$ 2,985,175,767	\$ 7,565,021,497
April 1, 2004 Grant	N/A	N/A	N/A	N/A	\$ 2,875,665,243	\$ 7,287,500,328

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Douglas L. Foshee	375,000	7.76%	\$ 7.09000	4/1/2014	\$	1,672,076	\$	4,237,363
John W. Somerhalder II	140,000	2.90%	\$ 7.09000	4/1/2014	\$	624,241	\$	1,581,949
Lisa A. Stewart	155,000	3.21%	\$ 7.36000	3/8/2014	\$	717,443	\$	1,818,141
	140,000	2.90%	\$ 7.09000	4/1/2014	\$	624,241	\$	1,581,949
D. Dwight Scott	210,000	4.35%	\$ 7.09000	4/1/2014	\$	936,361	\$	2,372,923
Robert W. Baker	140,000	2.90%	\$ 7.09000	4/1/2014	\$	624,241	\$	1,581,949

- (1) There were no stock appreciation rights granted in 2004. Any unvested stock options become fully exercisable in the event of a change in control of El Paso. See page 41 of this proxy statement for a description of El Paso's 2001 Omnibus Incentive Compensation Plan and the definition of the term change in control. Under the terms of El Paso's 2001 Omnibus Incentive Compensation Plan, the Compensation Committee may, in its sole discretion and at any time, change the vesting of the stock options. Certain non-qualified stock options may be transferred to immediate family members, directly or

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indirectly or by means of a trust, corporate entity or partnership. Further, stock options are subject to forfeiture and/or time limitations on exercise in the event of termination of employment.

Option Exercises and Year-End Value Table

This table sets forth information concerning stock option exercises and the fiscal year-end values of the unexercised stock options, provided on an aggregate basis, for each of the executives named in this proxy statement.

**Aggregated Option Exercises in 2004
and Fiscal Year-End Option Values**

Name	Shares		Number of Securities Underlying Unexercised Options at Fiscal Year-End (#)		Value of Unexercised In-the-Money Options at Fiscal Year-End (\$)(2)	
	Acquired on Exercise (#)(1)	Value Realized (\$)(1)	Exercisable	Unexercisable	Exercisable	Unexercisable
Douglas L. Foshee	0	\$ 0	200,000	1,175,000	\$ 607,000	\$ 3,661,750
John W. Somerhalder II	0	\$ 0	439,250	140,000	\$ 0	\$ 460,600
Lisa A. Stewart	0	\$ 0	0	295,000	\$ 0	\$ 928,700
D. Dwight Scott	0	\$ 0	143,494	210,000	\$ 8,280	\$ 690,900
Robert W. Baker	11,333	\$ 80,238	183,709	140,000	\$ 0	\$ 460,600

- (1) The amounts in these columns represent the number of shares and the value realized upon conversion of stock options into shares of stock that occurred during 2004 based upon the achievement of certain performance targets established when they were originally granted in 1999.
- (2) The figures presented in these columns have been calculated based upon the difference between \$10.38, the fair market value of the common stock on December 31, 2004, for each in-the-money stock option, and its exercise price. No cash is realized until the shares received upon exercise of an option are sold. No executives named in this proxy statement had stock appreciation rights that were outstanding on December 31, 2004.

PENSION PLAN

Effective January 1, 1997, El Paso amended its Pension Plan to provide pension benefits under a cash balance plan formula that defines participant benefits in terms of a hypothetical account balance. Prior to adopting a cash balance plan, El Paso provided pension benefits under a plan (the Prior Plan) that defined monthly benefits based on final average earnings and years of service. Under the cash balance plan, an initial account balance was established for each El Paso employee who was a participant in the Prior Plan on December 31, 1996. The initial account balance was equal to the present value of Prior Plan benefits as of December 31, 1996.

At the end of each calendar quarter, participant account balances are increased by an interest credit based on 5-Year Treasury bond yields, subject to a minimum interest credit of four percent per year, plus a pay credit equal to a percentage of salary and bonus. The pay credit percentage is based on the sum of age plus service at the end of the prior calendar year according to the following schedule:

Age Plus Service	Pay Credit Percentage
Less than 35	4%
35 to 49	5%
50 to 64	6%

65 and over

7%

Under El Paso's Pension Plan and applicable Internal Revenue Code provisions, compensation in excess of \$205,000 cannot be taken into account and the maximum payable benefit in 2004 was \$165,000. Any excess

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benefits otherwise accruing under El Paso's Pension Plan are payable under El Paso's Supplemental Benefits Plan. Participants will receive benefits from the Supplemental Benefits Plan in the form of a lump sum payment unless a valid irrevocable election was made to receive payment in a form other than lump sum prior to June 1, 2004.

Participants with an initial account balance on January 1, 1997 are provided minimum benefits equal to the Prior Plan benefit accrued as of the end of 2001. Upon retirement, certain participants (which includes Mr. Somerhalder) are provided pension benefits that equal the greater of the cash balance formula benefit or the Prior Plan benefit. For Mr. Somerhalder, the Prior Plan benefit reflects accruals through the end of 2001 and is computed as follows: for each year of credited service up to a total of 30 years, 1.1 percent of the first \$26,800, plus 1.6 percent of the excess over \$26,800, of the participant's average annual earnings during his five years of highest earnings.

Credited service as of December 31, 2001, for Mr. Somerhalder is reflected in the table below. Amounts reported under Salary and Bonus for each executive named in this proxy statement approximate earnings as defined under the Pension Plan.

Estimated annual benefits payable from the Pension Plan and Supplemental Benefits Plan upon retirement at the normal retirement age (age 65) for each executive named in this proxy statement is reflected below (based on assumptions that each executive receives base salary shown in the Summary Compensation Table with no pay increases, receives target annual bonuses beginning with bonuses earned for fiscal year 2005, and cash balances are credited with interest at a rate of four percent per annum):

Named Executive	Credited Service(1)	Pay Credit Percentage During 2004	Estimated Annual Benefits (\$)(2)
Douglas L. Foshee	N/A	5%	\$ 330,053
John W. Somerhalder II	24	7%	\$ 402,152
Lisa A. Stewart	N/A	5%	\$ 140,639
D. Dwight Scott	N/A	5%	\$ 261,592
Robert W. Baker	N/A	7%	\$ 142,601

(1) For Mr. Somerhalder, credited service shown is as of December 31, 2001.

(2) The Prior Plan minimum benefit for Mr. Somerhalder is greater than his projected cash balance benefit at age 65.

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El Paso has made previous filings and may make future filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that incorporate future filings, including this proxy statement, in whole or in part. The following graphs, the Audit Committee Report and the Compensation Committee Report on Executive Compensation do not constitute soliciting materials and are not considered filed or incorporated by reference into any other El Paso filing or filing of its subsidiaries or affiliates under the Securities Act of 1933 or the Securities Exchange Act of 1934, unless we state otherwise.

This graph reflects the changes in the value of \$100 invested since December 31, 1999 as invested in El Paso's common stock, the Standard & Poor's 500 Stock Index, the Standard & Poor's Oil & Gas Refining, Marketing & Transportation Index, the Standard & Poor's Multi-Utilities & Unregulated Power Index and El Paso's Peer Group. In the 2004 proxy statement, we provided this comparison through December 31, 2003 against the Standard & Poor's Multi-Utilities & Unregulated Power Index, which then included El Paso. El Paso is no longer included in that index. Accordingly, El Paso is providing this comparison against the Standard & Poor's Oil & Gas, Refining, Marketing & Transportation Index, which now includes El Paso. For your information, we have also provided this comparison against the Standard & Poor's Multi-Utilities & Unregulated Power Index and El Paso's Peer Group, which includes the companies described on page 29 of this proxy statement and El Paso.

**COMPARISON OF ANNUAL CUMULATIVE TOTAL VALUES FROM 1999-2004
FOR EL PASO, THE S&P 500 STOCK INDEX,
THE S&P OIL & GAS REFINING, MARKETING & TRANSPORTATION INDEX,
THE S&P MULTI-UTILITIES & UNREGULATED POWER INDEX AND
THE PEER GROUP**

	12/99	12/00	12/01	12/02	12/03	12/04
El Paso Corp	\$ 100	\$ 187.52	\$ 118.72	\$ 19.92	\$ 23.96	\$ 31.00
S&P 500 Index	\$ 100	\$ 90.90	\$ 80.09	\$ 62.39	\$ 80.29	\$ 89.03
S&P 500 Oil & Gas Refining, Marketing & Transportation Index	\$ 100	\$ 129.76	\$ 175.83	\$ 135.37	\$ 215.21	\$ 353.43
S&P 500 Multi-Utilities & Unregulated Power Index	\$ 100	\$ 172.67	\$ 38.29	\$ 12.09	\$ 16.95	\$ 20.21
Peer Group	\$ 100	\$ 162.55	\$ 137.41	\$ 84.17	\$ 111.52	\$ 153.12

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The annual values of each investment are based on the share price appreciation and assume cash dividend reinvestment. The calculations exclude any applicable brokerage commissions and taxes. Cumulative total stockholder return from each investment can be calculated from the annual values given above.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See Employment Contracts, Termination of Employment, Change in Control Arrangements, and Director and Officer Indemnification Agreements starting on page 37 of this proxy statement.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee currently consists of the following independent directors: Messrs. Bissell, Dunlap, Talbert and Wyatt. Mr. Whitmire served as a member of the Compensation Committee until December 2004. The Compensation Committee oversees El Paso's executive compensation programs, and the Committee's primary objectives are to:

review El Paso's executive compensation programs to ensure that all components of the programs reward performance in a manner that attracts and retains competent executive personnel;

pay-for-performance so that the interests of El Paso's management are closely aligned with both the short-term and long-term interests of El Paso's stockholders; and

ensure El Paso's management is committed to stock ownership to further link the interests of El Paso's management with the interests of El Paso's stockholders.

The Compensation Committee's charter reflects the Committee's various responsibilities, and the Committee periodically reviews the charter and makes any necessary revisions to the charter. The Compensation Committee engages an independent executive compensation consulting firm to assist the Committee in its review of El Paso's executive compensation programs to ensure they are competitive and consistent with the Committee's stated philosophy. The executive compensation consultant is retained by and is directly accountable to the Committee.

Compensation Committee Interlocks and Insider Participation. The Compensation Committee has neither interlocks nor insider participation.

General Compensation Philosophy

In our last report to stockholders, we discussed in detail the significant changes we made to El Paso's executive compensation programs based on an independent analysis performed by our executive compensation consultant. Most of these changes became effective in early 2004 and apply prospectively, and are described in this report.

Our general compensation philosophy is to ensure our executives' compensation is competitive, performance-based and aligns our executive's interests with those of our stockholders. Specifically, our goal is to design a comprehensive (yet easy to understand) executive compensation program that (1) pays-for-performance so that a large part of the potential total compensation our executives receive is dependent on each individual executive's performance as well as the performance of El Paso (and, if appropriate, the performance of El Paso's business units); (2) is targeted at the 50th percentile of the relevant peer group of companies; and (3) aligns the executives' interests with both the short-term and long-term interests of our stockholders. We accomplish this goal in the way we structure the components of our executive compensation program.

Components of Compensation

Our executives' total compensation includes three components: base salary, an annual cash incentive bonus, and long-term incentive awards in the form of restricted common stock and stock options. Each component of our executive compensation program is, to a significant extent, dependent upon both individual

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executive performance and El Paso's performance (and, if appropriate, the performance of El Paso's business units). El Paso's performance goals include its attainment of certain financial and non-financial goals that are established at the beginning of each year, and its creation of investor value. We are committed to stock ownership and believe equity compensation remains a strong long-term incentive for rewarding individual performance as well as closely aligning management's interests with the interests of our stockholders.

We believe each component of our executives' compensation has a specific purpose, as discussed in detail below.

Base Salary. Base salaries are paid for ongoing performance throughout the year. We review base salaries annually to ensure they are competitive and commensurate with each executive's job responsibilities and the executive's performance. The base salary of our executive officers is targeted at the 50th percentile of the base salaries of El Paso's peer group of companies. We also take into consideration relevant industry compensation data and analysis when making this determination.

Annual Cash Incentive Bonuses. We pay annual cash incentive bonuses after the end of a calendar year once we have determined each individual executive's performance and El Paso's performance (and, if applicable, the performance of El Paso's business units) relative to the performance goals that we establish at the beginning of each year. We establish the annual cash incentive bonus opportunity for each executive officer at the beginning of the year at a target level. The target level is reviewed annually to ensure that the target opportunities are competitive and commensurate with each executive's job responsibilities. An executive's annual cash incentive bonus may be lower (including no bonus being paid) than target level when target levels of performance are not achieved. There is also upside potential for an executive's annual cash incentive bonus to exceed the target level in the event of exceptional performance by El Paso, the business unit and/or the individual executive. Annual cash incentive bonuses of our executive officers are targeted at the 50th percentile of the cash bonuses of El Paso's peer group of companies if the individual executive's and El Paso's performances are at target levels. We also take into consideration relevant industry compensation data and analysis when making this determination.

Long-Term Incentive Awards. Long-term incentive awards are in the form of restricted common stock and stock options. Restricted stock and stock options tie directly to the performance of El Paso's common stock and provide the executive an incentive to build stockholder value. Restricted stock and stock options also provide an effective means of executive retention because the awards are focused long-term and vest over a period of years. The value of long-term incentive awards are paid approximately 50 percent in restricted stock and 50 percent in stock options. Restricted stock awards generally vest over a three-year period in equal annual installments and stock options over a four-year period in equal annual installments. An executive officer will forfeit the award if he or she voluntarily leaves El Paso prior to vesting. The value of long-term incentive awards for executive officers is targeted at approximately the 50th percentile of the long-term incentive awards of El Paso's peer group of companies if the individual executive's and El Paso's performances are at target levels. We also take into consideration relevant industry compensation data and analysis when making this determination. The amount of equity that is available for annual grants, or the equity pool, is tied to El Paso's strategic business plan as well as El Paso's relative total shareholder return compared to its peer group of companies. The Committee determined that in light of the fact that in 2004 this was a new approach to determining the available equity pool, it would assume target level of performance had been achieved in making the 2004 equity grants attributable to 2003 performance. However, for restricted stock and stock option grants made in 2005 for 2004 performance, the Committee will determine the available equity pool based upon El Paso's 2004 performance, as follows: 50 percent of the total value of the equity pool will be based on El Paso's performance against its 2004 goals and 50 percent on El Paso's relative total shareholder return compared to its peer group of companies (described below).

Employment Arrangements

While Mr. Foshee has a letter agreement with El Paso in connection with his employment in September 2003, his compensation and benefits are determined under El Paso's plans in effect from time to time and in accordance with the policies described above. We think that our stockholders should know that both

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Messrs. Foshee and Scott voluntarily reduced their annual base salaries in 2004 in an effort to reduce costs and we commend them for this action. Mr. Foshee voluntarily reduced his annual base salary by 30 percent to \$630,000 for a one year period beginning on January 1, 2004. Beginning on June 16, 2004, and for the remainder of 2004, Mr. Scott voluntarily reduced his annual base salary by 30 percent to \$379,404. These reductions do not affect their annual target bonus opportunities or any other of their benefits.

Ms. Stewart was hired as the President of El Paso's Production and Non-regulated Operations in February 2004. Ms. Stewart was offered a sign-bonus of \$300,000, a starting base salary of \$500,000, a target annual cash incentive bonus of 80 percent (not pro-rated for 2004) of her base salary and participation in the El Paso plans that are available to other executive officers as described beginning on page 37 of this proxy statement. In addition, Ms. Stewart was granted 80,000 shares of restricted stock and 155,000 stock options when she began her employment with El Paso. The shares of restricted stock vest over a three-year period in equal annual installments and the options vest over a four-year period in equal annual installments. Ms. Stewart's compensation and benefits are determined under El Paso's plans in effect from time to time and in accordance with the policies described above.

No other executive named in this proxy statement has an employment arrangement, and their compensation and benefits are determined under El Paso's plans in effect from time to time and in accordance with the policies described above, and those plans as described beginning on page 37 of this proxy statement.

Stock Ownership Requirements

To continue to emphasize stock ownership by our management and to further link their interests with the interests of our stockholders, the Board approved stockholder guidelines for El Paso's executive officers in 2003. The guidelines require that the CEO own shares of El Paso common stock with a value of at least three times his or her annual base salary. The other executive officers are required to own El Paso common stock with a value of at least two times their base salary. For additional information regarding our stock ownership requirements, see page 7 of this proxy statement or our Corporate Governance Guidelines.

Perquisites and Personal Benefits

We seek to maintain equal standards of treatment between our executive officers and other El Paso employees. We no longer provide personal perquisite and benefit allowances to officers. In addition, there have not been loans of any kind made to executive officers since federal law prohibited this practice in 2002.

Total Compensation

In order to determine appropriate levels of total compensation for our executive officers, we periodically conduct a thorough competitive evaluation with the help of our executive compensation consultant. We consider relevant industry and market changes when evaluating El Paso's performance as well as each individual executive's performance. We review and interpret executive compensation benchmark data that compares El Paso with a peer group of companies. The data is derived from several sources, including widely recognized executive compensation surveys and proxy statement data. The peer group includes some of the companies included in the S&P Oil & Gas, Refining, Marketing & Transportation Index, which is reflected in the Performance Graph found on page 26 of this proxy statement. However, this Index consists of only six companies and is not, in our opinion, a representative group of companies to which we should compare ourselves. Accordingly, we have added several companies in general industry with revenues comparable to El Paso's that our executive compensation consultant and we believe represent El Paso's appropriate comparators for executive pay purposes. In 2004, El Paso's peer group included the following companies: Apache, Anadarko Petroleum, Burlington Resources, CenterPoint Energy, Devon Energy, Dominion Resources, Duke Energy, Equitable Resources Inc., Kinder Morgan, PG&E, Questar Corp, Reliant Resources, Sempra Energy, TXU and Williams Companies. We strive to pay market competitive compensation at all levels of employees and officers throughout El Paso. We review compensation trend information to ensure that changes in compensation are justified given the market conditions at the time. In addition to considering the external market, we monitor the relationship between the compensation of our senior executives and the

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compensation of our non-managerial employees. We avoid any unjustified widening of that compensation differential.

The Compensation Committee is aware that establishing executive compensation levels solely on the basis of the 50th percentile of a peer group, without additional analysis, may lead to the unjustifiable escalation of executive compensation. Accordingly, we also take into account additional factors when establishing executive compensation levels. Some of these factors include the executive's level of experience, the executive's tenure and responsibilities within El Paso, the position within El Paso and the appropriate competitive pressures for that position within the industry. In addition, we ask our independent executive compensation consulting firm to provide to us an objective opinion regarding our levels of executive compensation relative to their responsibilities and we base our decisions on this combined information.

We have established an executive compensation program with a strong performance-based orientation and our primary mission is to ensure that each executive officer's compensation is directly related both to individual performance and the performance of El Paso. With respect to cash compensation, the base salary of executive officers is targeted at or near the 50th percentile of the peer group's base salaries. The total direct cash compensation an executive can achieve (the executive's base salary plus annual cash incentive bonus) is also targeted at approximately the 50th percentile of the peer group, and is lower than the 50th percentile if target level performance is not achieved or higher in the case of performance above the target levels. The value of long-term incentive awards for executive officers, including the CEO, is also targeted at approximately the 50th percentile of the peer group if the individual executive's and El Paso's performances are at target levels. Long-term incentive awards are also lower when target levels of performance are not achieved or higher in the case of exceptional performance above the target levels.

Tax Considerations

Section 162(m) of the Internal Revenue Code affects El Paso's federal income tax deduction for compensation paid to El Paso's CEO and four other highest paid executive officers. To the extent compensation is performance-based within the meaning of Section 162(m), the Section's limitations will not apply. El Paso's executive compensation plans, including the new equity plan being submitted for stockholder approval, are structured to qualify as performance-based compensation under Section 162(m). Specifically, annual cash incentive awards, stock options and performance-based restricted stock are designed to meet the requirements of Section 162(m). While we strive to make awards under El Paso plans that are intended to qualify as performance-based compensation under Section 162(m), it is possible under certain circumstances that some portion of the compensation paid to El Paso's CEO and other executive officers will not meet the standards of deductibility under Section 162(m). We reserve the right to award compensation which does not qualify as performance-based under Section 162(m) if we determine that such awards are necessary to provide a competitive compensation package to attract and retain qualified executive talent.

Significant Executive Compensation Actions Taken During 2004 and 2005

During 2004, we also reviewed the total financial benefits that our CEO and other executive officers potentially could receive pursuant to El Paso's employee benefit, severance protection, and equity compensation plans upon the following termination events: involuntary termination without cause, voluntary termination, termination with cause, retirement and termination (except where termination is by reason of death, disability, with cause or initiated by the executive other than for good reason) following a change in control of El Paso. The total remuneration included all aspects of each executive officer's compensation benefits under El Paso's plans, including the future value of outstanding stock options and restricted stock under varying stock price growth assumptions and, as applicable, the impact of accelerated vesting. In addition, our executive compensation consultant discussed with us El Paso's change in control provisions compared to that of our peer group and determined that our programs are market competitive.

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The following table reflects the potential benefits the executive officers named in this proxy statement could receive pursuant to El Paso's employee benefit, severance protection and equity compensation plans assuming the following termination events occurred on December 31, 2004:

**Total Potential Benefits Pursuant to El Paso's
Employee Benefit, Severance Protection and Equity Compensation Plans
Assuming Termination Event Occurs on December 31, 2004(1)**

Name	Involuntary Termination without Cause (\$)(2)(3)	Voluntary Termination (\$)(3)(4)	Retirement (\$)(3)(4)	Termination with Cause (\$)(5)	Change in Control of El Paso (\$)(3)(6)
Douglas L. Foshee(7)(8)	\$ 5,134,640	\$ 531,000	\$ 0	\$ 0	\$ 13,086,196
John W. Somerhalder II	\$ 5,203,096	\$ 1,632,567	\$ 1,819,359	\$ 1,819,359	\$ 9,860,406
Lisa A. Stewart(7)(8)	\$ 2,194,754	\$ 0	\$ 0	\$ 0	\$ 4,022,859
D. Dwight Scott(7)	\$ 2,595,016	\$ 5,812	\$ 0	\$ 0	\$ 4,365,402
Robert W. Baker	\$ 1,948,305	\$ 116,175	\$ 220,662	\$ 220,662	\$ 2,980,065
Total	\$ 17,075,811	\$ 2,285,554	\$ 2,040,021	\$ 2,040,021	\$ 34,314,928

- (1) The amounts reflected in this table do not reflect the balances, if any, that each individual may have vested in El Paso's Retirement Savings Plan. All amounts are for illustrative purposes only based upon amounts payable in the event of certain events of termination of employment as of December 31, 2004.
- (2) The amounts in this column reflect total potential benefits under El Paso's pension, severance pay and equity compensation plans in the event the executives named in this proxy statement are involuntarily terminated without cause. As of December 31, 2004, the executives would have received severance pay pursuant to the executive supplement to the Severance Pay Plan described on page 37 of this proxy statement. The executive supplement was terminated on January 1, 2005. Accordingly, in the event of an involuntary termination without cause after January 1, 2005, the executives will receive severance pay pursuant to the Severance Pay Plan which covers all employees of El Paso and would result in the actual severance amounts to be lower than those reflected in this column.
- (3) The value of stock options is calculated using the difference between an estimated \$10 stock price as of December 31, 2004, and the applicable exercise price for each stock option. The actual amounts realized from equity could be greater than or less than those amounts reflected in this column depending upon El Paso's stock price. Unless the stock options expire by their own terms, all stock options granted may be exercised for a period of one year following an involuntary termination without cause (three years following an involuntary termination without cause for pre-1997 grants), for a period of three months following a voluntary termination (three years following a voluntary termination for pre-1997 grants) and for a period of three years following a retirement or a change in control of El Paso. The value of restricted stock is calculated using an estimated fair market value of \$10.
- (4) As of December 31, 2004, the amounts in this column reflect total potential benefits under El Paso's pension and equity compensation plans in the event the executives named in this proxy statement voluntarily terminate their

employment with El Paso or retire.

- (5) As of December 31, 2004, the amounts in this column reflect total potential benefits under El Paso's pension plan in the event the executives named in this proxy statement are terminated with cause.
- (6) As of December 31, 2004, the amounts in this column reflect total potential benefits under El Paso's pension, severance protection and equity compensation plans in the event the executives named in this proxy statement are terminated (except where termination is by reason of death, disability, with cause or initiated by the executive other than for good reason) following a change in control of El Paso.
- (7) As of December 31, 2004, Messrs. Foshee and Scott and Ms. Stewart were not vested in their pension benefits.

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(8) The total potential benefits realized by Mr. Foshee and Ms. Stewart in the event they are terminated (except where termination is by reason of death, disability, with cause or initiated by the executive other than for good reason) following a change in control of El Paso have been reduced by the approximate amount that would be required to eliminate any tax gross-up pursuant to the 2004 Key Executive Severance Protection Plan described on page 37 of this proxy statement.

In addition, in 2005, we recommended to the Board that a new equity plan be submitted for stockholder approval. If the stockholders approve the Board's proposal to adopt the El Paso Corporation 2005 Omnibus Incentive Compensation Plan, it will replace all existing stockholder approved and non-stockholder approved equity plans. If the stockholders approve the new equity plan, we will cancel any remaining shares available for grant under the former plans and will not make any further grants from these plans. Our goal is that all shares available for grant to our executives and employees will be approved by our stockholders.

El Paso Performance and Chief Executive Officer Compensation

At the beginning of 2004, we established a minimum, target (being at the 50th percentile of our peer group) and maximum bonus level for each of the executive officers named in this proxy statement. In addition, we established the financial and non-financial goals for El Paso. We determine the appropriate funding of the 2004 annual incentive bonus pool, depending upon the level of El Paso's actual performance (see chart below). Based on the actual performance of El Paso relative to the performance goals established and each individual's performance adjustment factor (see chart below), we determine the specific percentage cash bonus to be awarded to each executive.

**Funding of the
2004 Annual Incentive Bonus Pool**

El Paso's Performance	Pool Funding
Maximum Targets Met	150%
Target Goals Met	100%(1)
Minimum Threshold	50%(2)
Threshold Not Met	0%

(1) If target goals are met, funding is at 100 percent. Funding may be pro-rated between 100 and 150 percent for performance above target and below maximum.

(2) If the minimum threshold of performance is met, funding is at 50 percent. Funding may be pro-rated between 50 and 100 percent for performance above the minimum threshold and below target.

Individual Performance Adjustment

Individual Rating	Adjustment Factor
Outstanding	125-150%
Excellent	110-124%
Highly Valued	100-109%
Opportunity for Development	50-60%
Requires Improvement	0%

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In the case of exceptional El Paso and individual executive performance, the actual target bonus eligibility could be adjusted upward to 225 percent of the target bonus (by taking 150 percent of El Paso's maximum annual incentive bonus pool times 150 percent of the maximum individual adjustment factor). For 2004, the range of annual cash incentive bonuses, depending upon the level of performance of both the individual executive and El Paso (and, if appropriate, the performance of El Paso's business units), is illustrated as a percentage of base salary for each named executive officer in the table below. The actual percentage of cash incentive bonuses can be at any level between the minimum and maximum percentages based on performance.

Range of 2004 Cash Incentive Bonuses as a Percentage of Base Salary

	Minimum	Target	Maximum
Douglas L. Foshee	0%	100%	225%
John W. Somerhalder II	0%	95%	214%
Lisa A. Stewart	0%	80%	180%
D. Dwight Scott	0%	80%	180%
Robert W. Baker	0%	60%	135%

After the end of 2004, we reviewed the actual performance of El Paso and each of the executives named in this proxy statement. We reviewed El Paso's 2004 financial goals and non-financial goals. El Paso's 2004 financial goals included earnings per share, cash flow from operations, and the amount by which outstanding debt was reduced. For the regulated pipeline business, these goals included the year-over-year increases in earnings from pipeline operations before deducting interest expenses and income taxes, the year-to-date earnings from pipeline operations excluding interest expense, income taxes and allowances for depreciation and amortization, and capital expenditures. For the non-regulated business, these goals included earnings from marketing operations before deducting interest expenses and income taxes, the use of letters of credit to cover collateral requirements of the marketing and trading operations, earnings from international power operations before deducting interest expenses and income taxes, cash generated by international power operations, receipt of non-recourse funding, average production rates, and the cost of operating current oil and gas production assets. The 2004 non-financial goals for El Paso and its business units included various enhancements to company-wide ethics compliance and safety goals. In addition, for the regulated pipeline business, the 2004 non-financial goals also included the number of miles successfully in-line inspected for the first time as part of El Paso's pipeline integrity program.

After comparing the performance of El Paso and its business units relative to these goals, we determined that El Paso and its business units attained the necessary performance goals for the 2004 performance period to award cash incentive bonuses at target level for corporate performance, above target level for our regulated business unit and below target level for our non-regulated business unit. The performance goals that were attained include cash flow from operations and debt reduction (net of cash) as well as substantially all of the non-financial goals. Although the attainment of all performance goals is not required, all performance goals are evaluated to determine the actual cash incentive bonus that may be awarded in a given year. In 2004, financial goals were weighted 70 percent and non-financial goals were weighted 30 percent. The annual cash incentive bonuses for business unit heads, including Mr. Somerhalder and Ms. Stewart, were weighted 75 percent on El Paso's attainment of its corporate performance goals and 25 percent on the business unit's attainment of its performance goals. We do not publish any of El Paso's or the CEO's quantifiable targets or other specific goals which we determine to be sensitive and proprietary and could adversely affect El Paso.

Consistent with our philosophy identified above, we reviewed internal and external factors to determine the appropriate compensation for Mr. Foshee and other executive officers of El Paso for 2004. We considered the significant amount of work that Mr. Foshee has accomplished during 2004. Despite the financial restatements and the extremely difficult business environment, this Committee finds that Mr. Foshee displayed great resolve in the manner in which he responded to numerous difficulties during his tenure, and commends him for retaining a strong management team to deal quickly and decisively with the monumental tasks confronting El Paso. Specifically, we

considered the El Paso stock price appreciation since he

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became CEO; reduction of debt; execution on asset sales; roll-out, implementation and update of the long-range plan; establishment of a streamlined, qualified executive management team; establishment of a company culture living the core values (stewardship, integrity, safety, accountability and excellence); and improvement of overall company performance. Mr. Foshee displayed foresight and responsiveness to rapidly changing industry-wide and general economic conditions by implementing a credible plan to streamline El Paso's businesses, cut costs, and maintain relationships with credit rating agencies, major stockholders, debt holders, financial institutions and business partners. These achievements are significant in light of the circumstances of the volatile energy markets, difficult financial markets and a challenging regulatory environment. Having reviewed the contribution that Mr. Foshee made to El Paso's performance in 2004, the Compensation Committee believes that he continues to demonstrate the integrity, planning and leadership qualities that the executive compensation program was designed to foster and reward. In light of the foregoing, we concluded that Mr. Foshee should receive an annual cash incentive bonus for 2004 in the amount of \$1,250,000, which is based upon El Paso's target level performance and Mr. Foshee's outstanding individual performance.

Compensation of Other Executive Officers

We consulted with our executive compensation consultant and applied the information and performance goals outlined above in reviewing and approving the compensation of El Paso's other executive officers. We concluded that Mr. Somerhalder should receive an annual cash incentive bonus for 2004 in the amount of \$684,735, which is based 75 percent on target level performance for El Paso, 25 percent on above target level performance for the regulated business unit and Mr. Somerhalder's highly valued individual performance. We concluded that Ms. Stewart should receive an annual cash incentive bonus for 2004 in the amount of \$441,604, which is based 75 percent on target level performance for El Paso, 25 percent on below target level performance for the non-regulated business unit and Ms. Stewart's excellent individual performance. We concluded that Messrs. Scott and Baker should receive an annual cash incentive bonus for 2004 in the amount of \$498,644 and \$295,203, respectively, which is based on target level performance for El Paso and Messrs. Scott's and Baker's excellent individual performance.

Current Members of the Compensation Committee of the Board of Directors

Joe B. Wyatt
(Chairman)

John M. Bissell
(Member)

James L. Dunlap
(Member)

J. Michael Talbert
(Member)

AUDIT COMMITTEE REPORT

Each member of the Audit Committee is independent, as that term is defined under Section 10A of the Securities Exchange Act of 1934, the SEC rules and the NYSE listing standards. Each member of the Audit Committee is also financially literate, as that qualification is interpreted by El Paso's Board of Directors in its business judgment. Further, each of Messrs. Goldman and Hix qualifies and is designated as an audit committee financial expert, serving on the Audit Committee as such term is defined in rules adopted by the SEC and interpreted by El Paso's Board. The Audit Committee currently consists of Messrs. Braniff, Goldman, Hix and Whitmire. During 2004, the Audit Committee met 25 times and discussed the interim financial information contained in each quarterly earnings announcement and the Form 10-K and Forms 10-Q with management and our internal auditors and independent auditors prior to release.

Policies and Mission

Our primary purpose is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to the integrity of El Paso's financial statements, the evaluation and retention of El Paso's independent auditor and any third party petroleum reserves engineer (including a review of their qualifications, independence and performance), the performance of El Paso's internal audit and ethics and compliance functions, El Paso's compliance with legal and regulatory requirements and its Code of Business Conduct, and El Paso's risk management policies and procedures. We have prepared this audit committee report as required

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by the SEC, and we engage in annual self evaluations. We review annually with the head of El Paso's internal audit the scope for internal audit activities, the results of audits which have been performed, the adequacy of staffing, the annual budget and the internal audit department charter. We are directly responsible for the appointment, compensation, retention, oversight responsibility and dismissal of the independent auditing firm engaged by El Paso for the purpose of preparing or issuing an audit report or related work, and the independent auditor reports directly to us. We obtain and review annually a report by the independent auditor describing among other matters, the independent auditors' internal quality control procedures and all relationships between the independent auditor and El Paso. We discuss generally the types of information to be disclosed, and the type of presentation to be made, with regard to earnings press releases and financial information and earnings guidance given to analysts and rating agencies. We review with the Corporate Controller and the independent auditor all critical accounting policies and practices, significant changes in El Paso's selection and application of accounting principles, judgments made in connection with the preparation of the financial statements and other significant financial reporting issues. We meet at least on a quarterly basis with the head of El Paso's internal audit, the independent auditor and management to discuss all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting. We review the procedures for the receipt, retention and treatment of complaints received by El Paso regarding any accounting, internal accounting controls or auditing matters. We review El Paso's risk assessment and risk management guidelines and policies, including El Paso's significant risk exposures and steps taken by management to monitor and control these exposures. All auditing services and permitted non-audit services provided to El Paso by the independent auditor are pre-approved by us in accordance with our pre-approval policy and applicable law. These responsibilities do not preclude us from obtaining the input of management, but these responsibilities may not be delegated to management.

Significant Audit Committee Actions Taken During 2004 and 2005

During 2004, El Paso restated its historical financial statements to reflect a downward revision of its natural gas and oil reserves and for adjustments related to the manner in which it historically accounted for hedges of its natural gas production. As soon as the magnitude of the reserve revision was determined, we commenced an independent investigation of the matter and retained Haynes and Boone as independent legal counsel. The purpose of this investigation was to assess the reasons for the revisions, evaluate and make recommendations on any improvements in the internal controls associated with the booking of reserves, and determine whether there were any instances of misconduct. Haynes and Boone investigated the roles of current senior executive management in the reserve revisions and advised us that the current senior executive management team did not participate in the inaccurate booking and the resulting overstatement of reserves. Haynes and Boone also advised us that the process conducted to estimate El Paso's proved reserves at December 31, 2003 was sound and that the reserves announced were estimated in accordance with applicable guidelines. We reviewed El Paso's remedial measures with respect to the reserve revisions, which resulted in the discharge of certain personnel and changes to El Paso's process for booking reserves. This process requires that reserve estimates are developed internally by an independent reserve reporting group, reviewed by internal committees and internal auditors, and attested to by El Paso's independent third party engineering firm, Ryder Scott Company, L.P., which is appointed by, and reports to the Audit Committee. Similarly, we investigated the underlying facts associated with the production hedge accounting matter and retained Arnold & Porter as independent counsel. Arnold & Porter investigated the roles of current senior executive management in the production hedge accounting matter and advised us that the current senior management team did not play a role in the adjustments related to the manner in which El Paso historically accounted for hedges of its natural gas production. We also reviewed El Paso's remedial measures with respect to the production hedge accounting matter. As a result of these investigations, we determined a restatement of historical financial statements was required and we informed the public promptly of our decisions.

During the completion of El Paso's financial statements for the year ended December 31, 2004, El Paso identified an error in the manner in which El Paso had originally adopted the provisions of SFAS No. 141 and SFAS No. 142 in 2002. We reviewed these issues with the Corporate Controller, the independent auditor and other members of management and determined that a restatement was necessary to reverse the amount El Paso recorded as a cumulative effect of those accounting changes.

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In light of the reserve revisions and production hedge accounting matters, discussed above, as well as El Paso's incorrect adoption of provisions of SFAS 141 and SFAS 142 in 2002, we gave careful consideration to our recommendation to continue to use PricewaterhouseCoopers LLP as independent certified public accountants for El Paso for 2005. We, as well as the full Board of Directors, continue to believe that PricewaterhouseCoopers LLP is a quality firm and their use is in the best interests of El Paso's stockholders. We also gave careful consideration to the long-standing relationship El Paso has with PricewaterhouseCoopers LLP to ensure that this relationship could not interfere with independent auditing practices. Although PricewaterhouseCoopers LLP has served as independent certified public accountants for El Paso since 1983 (when Coopers & Lybrand was the independent auditor for El Paso Natural Gas Company), a review of El Paso's significant acquisitions during the past ten years reflects that El Paso's history with PricewaterhouseCoopers LLP is, in fact, far less significant. None of the companies acquired by El Paso used PricewaterhouseCoopers LLP as their public accountants and neither current management nor Mr. Braniff, the Chairman of the Audit Committee, has a long-standing relationship with PricewaterhouseCoopers LLP. In addition, El Paso has a new head of internal audit and, beginning this year, El Paso has a new senior audit partner leading the PricewaterhouseCoopers LLP engagement team who was selected by the Audit Committee after an extensive interview and due diligence process. Further, the PricewaterhouseCoopers LLP engagement team assigned to El Paso's audit has experienced an annual attrition rate of 35 percent and has experienced turnover in assignments and turnover in engagements at the partner and manager levels. This provides El Paso with a rotation of independent auditors who can provide their experiences and new perspectives to El Paso's audit.

During 2004 and 2005 in preparation of El Paso's annual report on Form 10-K, we met frequently to discuss the effectiveness of internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002. As disclosed in El Paso's annual report on Form 10-K, El Paso's management has determined that certain material weaknesses existed as of December 31, 2004 that would prevent El Paso's disclosure controls and procedures from being effective. As a result, El Paso performed additional procedures to ensure that the financial statements were fairly presented in all material respects in accordance with generally accepted accounting principles. Further, since December 31, 2004, El Paso has commenced taking action to correct the control deficiencies that resulted in the material weaknesses described in the Form 10-K.

Audit Committee Statement

Consistent with our policies and mission stated above, we have adopted a charter, which is included as Exhibit A to this proxy statement. We have reviewed and discussed the audited financial statements with El Paso management; discussed with the independent auditors the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards), as modified or supplemented; received a written disclosure letter from El Paso's independent certified public accountants as required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), as modified and supplemented, and have discussed with the independent certified public accountants the independent accountant's independence; and based on the review and discussions contained in this paragraph, recommended to the Board of Directors that the audited financial statements be included in El Paso's Annual Report on Form 10-K for the 2004 fiscal year for filing with the SEC.

El Paso's management is responsible for El Paso's financial reporting process, internal audit process, and the preparation of El Paso's financial statements. El Paso's independent accountants are responsible for auditing those financial statements. We monitor and review these processes and do not conduct auditing or accounting reviews or procedures. We meet with management and the independent auditor to discuss the financial statements, and rely on El Paso's management's representation that the financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, and on the representations of El Paso's independent accountants included in their report on El Paso's financial statements.

Current Members of the Audit Committee of the Board of Directors

Juan Carlos Braniff
(Chairman)

Robert W. Goldman
(Member)

Thomas R. Hix
(Member)

John Whitmire
(Member)

Table of Contents**EMPLOYMENT CONTRACTS, TERMINATION OF EMPLOYMENT, CHANGE IN CONTROL ARRANGEMENTS, AND DIRECTOR AND OFFICER INDEMNIFICATION AGREEMENTS****Employment Agreements**

Douglas L. Foshee entered into a letter agreement with El Paso effective September 1, 2003. Under this agreement, Mr. Foshee serves as President, Chief Executive Officer and a director of El Paso and receives an annual salary of \$900,000 (which Mr. Foshee voluntarily reduced for 2004 to \$630,000). Mr. Foshee is also eligible to earn a target bonus amount equal to 100 percent of his annual salary (a maximum bonus of 225 percent of salary) based on El Paso's and his performance as determined by the Compensation Committee. Mr. Foshee also receives the employee benefits which are available to senior executive officers. In addition, on the start date of his employment, Mr. Foshee was granted 1,000,000 options to purchase El Paso common stock and 200,000 shares of restricted stock. The options will time vest pro-rata over a five-year period. The shares of restricted stock have both time and performance vesting provisions. Based on El Paso's performance relative to its peer companies during the first year, 100,000 of the 200,000 shares of restricted stock vested and the remaining 100,000 shares were forfeited. The 100,000 shares that vested based on performance also time vest pro-rata over a five-year period. The first 20,000 shares of restricted stock vested based on time on October 11, 2004. In addition, on his start date, Mr. Foshee received common stock with a value of \$875,000 and an additional cash payment of \$875,000. Mr. Foshee may not pledge or sell the common stock received as part of the sign-on bonus for a period of two years from the grant date. If Mr. Foshee's employment is involuntarily terminated not for cause, Mr. Foshee will receive a lump sum payment of two years base pay and target bonus. In the event he is terminated within two years of a change in control (or terminates employment for good reason), Mr. Foshee will receive a lump sum payment of three years annual salary and target bonus (plus a pro-rated portion of his target bonus).

As part of the merger with Sonat, El Paso entered into a termination and consulting agreement with Ronald L. Kuehn, Jr., dated October 25, 1999. Under this agreement, and for the remainder of his life, Mr. Kuehn will receive certain ancillary benefits made available to him prior to the merger with Sonat, including the provision of office space and related services, and payment of life insurance premiums sufficient to provide a death benefit equal to four times his base pay as in effect immediately prior to October 25, 1999. Mr. Kuehn and his eligible dependents will also receive retiree medical coverage.

Benefit Plans

Severance Pay Plan. The Severance Pay Plan is a broad-based employee plan providing severance benefits following a qualifying termination for all salaried employees of El Paso and certain of its subsidiaries. The plan also included an executive supplement, which provided enhanced severance benefits for certain executive officers of El Paso and certain of its subsidiaries, including all of the executives named in this proxy statement. The enhanced severance benefits available under the supplement included an amount equal to two times the sum of the officer's annual salary, including annual target bonus amounts as specified in the plan. A qualifying termination included an involuntary termination of the officer as a result of the elimination of the officer's position or a reduction in force and a termination for good reason (as defined under the plan). The executive supplement of the Severance Pay Plan terminated on January 1, 2005. Accordingly, the executives will receive severance pay pursuant to the Severance Pay Plan which covers all employees of El Paso and provides for severance benefits in a lesser amount than the executive supplement.

2004 Key Executive Severance Protection Plan. El Paso periodically reviews its benefit plans and engages an independent executive compensation consultant to make recommendations regarding its plans. Our executive compensation consultant recommended that El Paso adopt a new executive severance plan that more closely aligns with current market arrangements than El Paso's Key Executive Severance Protection Plan and Employee Severance Protection Plan (as described below). In light of this recommendation, El Paso adopted this plan in March 2004. This plan provides severance benefits following a change in control of El Paso for executives of El Paso and certain of its subsidiaries designated by the Board or the Compensation Committee, including Mr. Foshee, Ms. Stewart and Messrs. Scott and Baker. This plan is intended to replace the Key Executive Severance Protection Plan and the Employee Severance Protection Plan, and participants

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are required to waive their participation under those plans (if applicable) as a condition to becoming participants in this plan. The benefits of the plan include: (1) a cash severance payment in an amount equal to three times the annual salary and target bonus for Mr. Foshee, two times the annual salary and target bonus for executive vice presidents and senior vice presidents, including Ms. Stewart and Messrs. Scott and Baker, and one times the annual salary and target bonus for vice presidents; (2) a pro-rated portion of the executive's target bonus for the year in which the termination of employment occurs; (3) continuation of life and health insurance following termination for a period of 36 months for Mr. Foshee, 24 months for executive vice presidents and senior vice presidents, including Ms. Stewart and Messrs. Scott and Baker, and 12 months for vice presidents; (4) a gross-up payment for any federal excise tax imposed on an executive in connection with any payment or distribution made by El Paso or any of its affiliates under the plan or otherwise; provided that in the event a reduction in payments in respect of the executive of ten percent or less would cause no excise tax to be payable in respect of that executive, then the executive will not be entitled to a gross-up payment and payments to the executive shall be reduced to the extent necessary so that the payments shall not be subject to the excise tax; and (5) payment of legal fees and expenses incurred by the executive to enforce any rights or benefits under the plan. Benefits are payable for any termination of employment of an executive in the plan within two years following the date of a change in control, except where termination is by reason of death, disability, for cause (as defined in the plan) or instituted by the executive other than for good reason (as defined in the plan). Benefits are also payable under the plan for terminations of employment prior to a change in control that arise in connection with, or in anticipation of, a change in control. Benefits are not payable for any termination of employment following a change in control if (i) the termination occurs in connection with the sale, divestiture or other disposition of designated subsidiaries of El Paso, (ii) the purchaser or entity subject to the transaction agrees to provide severance benefits at least equal to the benefits available under the plan, and (iii) the executive is offered, or accepts, employment with the purchaser or entity subject to the transaction. A change in control generally occurs if: (i) any person or entity becomes the beneficial owner of more than 20 percent of El Paso's common stock; (ii) a majority of the current members of the Board of Directors of El Paso or their approved successors cease to be directors of El Paso (or, in the event of a merger, the ultimate parent following the merger); or (iii) a merger, consolidation, or reorganization of El Paso, a complete liquidation or dissolution of El Paso, or the sale or disposition of all or substantially all of El Paso's and its subsidiaries' assets (other than a transaction in which the same stockholders of El Paso before the transaction own 50 percent of the outstanding common stock after the transaction is complete). This plan generally may be amended or terminated at any time prior to a change in control, provided that any amendment or termination that would adversely affect the benefits or protections of any executive under the plan shall be null and void as it relates to that executive if a change in control occurs within one year of the amendment or termination. In addition, any amendment or termination of the plan in connection with, or in anticipation of, a change in control which actually occurs shall be null and void. From and after a change in control, the plan may not be amended in any manner that would adversely affect the benefits or protections provided to any executive under the plan.

Key Executive Severance Protection Plan. This plan, initially adopted in 1992, provides severance benefits following a change in control of El Paso for certain officers of El Paso and certain of its subsidiaries, including Mr. Somerhalder. The benefits of the plan include: (1) an amount equal to three times the participant's annual salary, including maximum bonus amounts as specified in the plan; (2) continuation of life and health insurance for an 18-month period following termination; (3) a supplemental pension payment calculated by adding three years of additional credited pension service; (4) certain additional payments to the terminated employee to cover excise taxes if the payments made under the plan are subject to excise taxes on golden parachute payments; and (5) payment of legal fees and expenses incurred by the employee to enforce any rights or benefits under the plan. Benefits are payable for any termination of employment for a participant in the plan within two years of the date of a change in control, except where termination is by reason of death, disability, for cause or instituted by the employee for other than good reason (as defined in the plan). A change in control occurs if: (i) any person or entity becomes the beneficial owner of 20 percent or more of El Paso's common stock; (ii) any person or entity (other than El Paso) purchases the common stock by way of a tender or exchange offer; (iii) El Paso stockholders approve a merger or consolidation, sale or disposition or a plan of liquidation or dissolution of all or substantially all of El Paso's assets; or (iv) if over a two year

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period a majority of the members of the Board of Directors at the beginning of the period cease to be directors. A change in control has not occurred if El Paso is involved in a merger, consolidation or sale of assets in which the same stockholders of El Paso before the transaction own 80 percent of the outstanding common stock after the transaction is complete. This plan generally may be amended or terminated at any time, provided that no amendment or termination may impair participants' rights under the plan or be made following the occurrence of a change in control. This plan is closed to new participants, unless the Board determines otherwise.

Employee Severance Protection Plan. This plan, initially adopted in 1992, provides severance benefits following a change in control (as defined in the Key Executive Severance Protection Plan) of El Paso for certain salaried, non-executive employees of El Paso and certain of its subsidiaries. The benefits of the plan include: (1) severance pay based on the formula described below, up to a maximum of two times the participant's annual salary, including maximum bonus amounts as specified in the plan; (2) continuation of life and health insurance for an 18-month period following termination (plus an additional payment, if necessary, equal to any additional income tax imposed on the participant by reason of his or her continued life and health insurance coverage); and (3) payment of legal fees and expenses incurred by the employee to enforce any rights or benefits under the plan. The formula by which severance pay is calculated under the plan consists of the sum of: (i) one-twelfth of a participant's annual salary and maximum bonus for every \$7,000 of his or her annual salary and maximum bonus, but no less than five-twelfths nor more than the entire salary and bonus amount, and (ii) one-twelfth of a participant's annual salary and maximum bonus for every year of service performed immediately prior to a change in control. Benefits are payable for any termination of employment for a participant in the plan within two years of the date of a change in control, except where termination is by reason of death, disability, for cause or instituted by the employee for other than "good reason" (as defined in the plan). This plan generally may be amended or terminated at any time, provided that no amendment or termination may impair participants' rights under the plan or be made following the occurrence of a change in control. This plan is closed to new participants, unless the Board determines otherwise.

Supplemental Benefits Plan. This plan provides for certain benefits to officers and key management employees of El Paso and its subsidiaries. The benefits include: (1) a credit equal to the amount that a participant did not receive under El Paso's Pension Plan because the Pension Plan does not consider deferred compensation (whether in deferred cash or deferred restricted common stock) for purposes of calculating benefits and eligible compensation is subject to certain Internal Revenue Code limitations; and (2) a credit equal to the amount of El Paso's matching contribution to El Paso's Retirement Savings Plan that cannot be made because of a participant's deferred compensation and Internal Revenue Code limitations. The plan may not be terminated so long as the Pension Plan and/or Retirement Savings Plan remain in effect. The management committee of this plan designates who may participate and also administers the plan. Benefits under El Paso's Supplemental Benefits Plan are paid upon termination of employment in a lump-sum payment. In the event of a change in control (as defined under the Key Executive Severance Protection Plan) of El Paso, the supplemental pension benefits become fully vested and nonforfeitable. El Paso's payment obligations under the Supplemental Benefits Plan as of December 31, 2004, are as follows:

**Payment Obligations under the
Supplemental Benefits Plan
as of December 31, 2004**

Name	Retirement Savings Plan (\$)	Non-Qualified Pension Benefit \$(1)
Douglas L. Foshee	\$ 48,513	\$ 76,451
John W. Somerhalder II	\$ 54,488	\$ 1,774,503
Lisa A. Stewart	\$ 11,350	\$ 12,826
D. Dwight Scott	\$ 48,450	\$ 107,578
Robert W. Baker	\$ 27,195	\$ 114,818

- (1) This amount is included in the calculation of the estimated annual benefits described under the Pension Plan on page 24 of this proxy statement.

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Senior Executive Survivor Benefits Plan. This plan provides certain senior executives (including each of the executives named in this proxy statement) of El Paso and its subsidiaries who are designated by the plan administrator with survivor benefit coverage in lieu of the coverage provided generally for employees under El Paso's group life insurance plan. The amount of benefits provided, on an after-tax basis, is two and one-half times the executive's annual salary. Benefits are payable in installments over 30 months beginning within 31 days after the executive's death, except that the plan administrator may, in its discretion, accelerate payments.

Benefits Protection Trust Agreement. El Paso maintains a trust for the purpose of funding certain of its employee benefit plans (including the severance protection plans described above). The trust consists of a trustee expense account, which is used to pay the fees and expenses of the trustee, and a benefit account, which is made up of three subaccounts and used to make payments to participants and beneficiaries in the participating plans. The trust is revocable by El Paso at any time before a threatened change in control (which is generally defined to include the commencement of actions that would lead to a change in control (as defined under the Key Executive Severance Protection Plan)) as to assets held in the trustee expense account, but is not revocable (except as provided below) as to assets held in the benefit account at any time. The trust generally becomes fully irrevocable as to assets held in the trust upon a threatened change in control. The trust is a grantor trust for federal tax purposes, and assets of the trust are subject to claims by El Paso's general creditors in preference to the claims of plan participants and beneficiaries. Upon a threatened change in control, El Paso must deliver \$1.5 million in cash to the trustee expense account. Prior to a threatened change in control, El Paso may freely withdraw and substitute the assets held in the benefit account, other than the initially funded amount; however, no such assets may be withdrawn from the benefit account during a threatened change in control period. Any assets contributed to the trust during a threatened change in control period may be withdrawn if the threatened change in control period ends and there has been no threatened change in control. In addition, after a change in control occurs, if the trustee determines that the amounts held in the trust are less than designated percentages (as defined in the Trust Agreement) with respect to each subaccount in the benefit account, the trustee must make a written demand on El Paso to deliver funds in an amount determined by the trustee sufficient to attain the designed percentages. Following a change in control and if the trustee has not been requested to pay benefits from any subaccount during a determination period (as defined in the Trust Agreement), El Paso may make a written request to the trustee to withdraw certain amounts which were allocated to the subaccounts after the change in control occurred. The trust generally may be amended or terminated at any time, provided that no amendment or termination may result, directly or indirectly, in the return of any assets of the benefit account to El Paso prior to the satisfaction of all liabilities under the participating plans (except as described above) and no amendment may be made unless El Paso, in its reasonable discretion, believes that such amendment would have no material adverse effect on the amount of benefits payable under the trust to participants. In addition, no amendment may be made after the occurrence of a change in control which would (i) permit El Paso to withdraw any assets from the trustee expense account, (ii) directly or indirectly reduce or restrict the trustee's rights and duties under the trust, or (iii) permit El Paso to remove the trustee following the date of the change in control.

Director and Officer Indemnification Agreements

El Paso has entered into indemnification agreements with each member of the Board of Directors and certain officers, including each of the executives named in this proxy statement. These agreements reiterate the rights to indemnification that are provided to our Board of Directors and certain officers under El Paso's By-laws, clarify procedures related to those rights, and provide that such rights are also available to fiduciaries under certain of El Paso's employee benefit plans. As is the case under the By-laws, the agreements provide for indemnification to the full extent permitted by Delaware law, including the right to be paid the reasonable expenses (including attorneys fees) incurred in defending a proceeding related to service as a director, officer or fiduciary in advance of that proceedings final disposition. El Paso may maintain insurance, enter into contracts, create a trust fund or use other means available to provide for indemnity payments and advances. In the event of a change in control of El Paso (as defined in the indemnification agreements), El Paso is

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obligated to pay the costs of independent legal counsel who will provide advice concerning the rights of each director and officer to indemnity payments and advances.

EQUITY COMPENSATION PLAN INFORMATION TABLE

The following table provides information concerning equity compensation plans as of December 31, 2004, that have been approved by stockholders and equity compensation plans that have not been approved by stockholders. The table includes (a) the number of securities to be issued upon exercise of options, warrants and rights outstanding under the equity compensation plans, (b) the weighted-average exercise price of all outstanding options, warrants and rights and (c) additional shares available for future grants under all of El Paso's equity compensation plans.

Plan Category	(a)	(b)	(c)
	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by stockholders	6,624,686	\$ 28.07	4,537,843(2)
Equity compensation plans not approved by stockholders	24,954,615	\$ 47.00	25,804,722(3)
Total	31,579,301		30,342,565

(1) Column (a) does not include 2,344,277 shares with a weighted-average exercise price of \$38.62 per share which were assumed by El Paso under the Executive Award Plan of Sonat Inc. as a result of the merger with Sonat in October 1999. The Executive Award Plan of Sonat Inc. has been terminated and no future awards can be made under it.

(2) In column (c), equity compensation plans approved by stockholders include 2,831,050 shares available for future issuance under the Employee Stock Purchase Plan.

(3) In column (c), equity compensation plans not approved by stockholders include 77,568 shares available for future awards granted under the Restricted Stock Award Plan for Management Employees.

If the stockholders approve the Board's proposal to adopt the El Paso Corporation 2005 Omnibus Incentive Compensation Plan, it will replace all existing stockholder approved and non-stockholder approved plans, which are

reflected above in the equity compensation plan table and further described below. If the new plan is approved, we will cancel all remaining shares available for grant under these plans and will not make any further grants from these plans.

Stockholder Approved Plans

2001 Omnibus Incentive Compensation Plan. This plan provides for the grant to officers and key employees of El Paso and its subsidiaries of stock options, stock appreciation rights, limited stock appreciation rights, performance units and restricted stock. A maximum of 6,000,000 shares in the aggregate may be subject to awards under this plan. The plan administrator designates which employees are eligible to participate, the amount of any grant and the terms and conditions (not otherwise specified in the plan) of such grant. If a change in control (defined in substantially the same manner as under the Key Executive Severance Protection Plan) of El Paso occurs: (1) all outstanding stock options become fully exercisable; (2) stock appreciation rights and limited stock appreciation rights become immediately exercisable; (3) designated amounts of performance units become fully vested; (4) all restrictions placed on awards of restricted stock automatically lapse; and (5) the current year's target bonus amount becomes payable for each

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officer participating in the plan within 30 days, assuming target levels of performance were achieved by El Paso and the officer for the year in which the change in control occurs, or the prior year if target levels have not been established for the current year, except that no bonus amounts will become payable in connection with a change in control that results solely from a change to the Board of Directors of El Paso. The plan generally may be amended or terminated at any time. Any amendment following a change in control that impairs participants' rights requires participant consent.

1999 Omnibus Incentive Compensation Plan and 1995 Omnibus Compensation Plan - Terminated Plans. These plans provided for the grant to eligible officers and key employees of El Paso and its subsidiaries of stock options, stock appreciation rights, limited stock appreciation rights, performance units and restricted stock. These plans have been replaced by the 2001 Omnibus Incentive Compensation Plan. Although these plans have been terminated with respect to new grants, certain stock options and shares of restricted stock remain outstanding under them. If a change in control of El Paso occurs, all outstanding stock options become fully exercisable and restrictions placed on restricted stock lapse. For purposes of the plans, the term change in control has substantially the same meaning given such term in the Key Executive Severance Protection Plan.

Non-stockholder Approved Plans

Strategic Stock Plan. This plan is an equity compensation plan that has not been approved by the stockholders. This plan provides for the grant of stock options, stock appreciation rights, limited stock appreciation rights and shares of restricted stock to non-employee members of the Board of Directors, officers and key employees of El Paso and its subsidiaries primarily in connection with El Paso's strategic acquisitions. A maximum of 4,000,000 shares in the aggregate may be subject to awards under this plan. The plan administrator determines which employees are eligible to participate, the amount of any grant and the terms and conditions (not otherwise specified in the plan) of such grant. If a change in control, as defined earlier under the Key Executive Severance Protection Plan, of El Paso occurs: (1) all outstanding stock options become fully exercisable; (2) stock appreciation rights and limited stock appreciation rights become immediately exercisable; and (3) all restrictions placed on awards of restricted stock automatically lapse. The plan generally may be amended or terminated at any time, provided that no amendment or termination may impair participants' rights under the plan.

Restricted Stock Award Plan for Management Employees. This plan is an equity compensation plan which has not been approved by the stockholders. The plan provides for the granting of restricted shares of El Paso's common stock to management employees (other than executive officers and directors) of El Paso and its subsidiaries for specific accomplishments beyond that which are normally expected and which will have a significant and measurable impact on the long-term profitability of El Paso. A maximum of 100,000 shares in the aggregate may be subject to awards under this plan. The plan administrator designates which employees are eligible to participate, the amount of any grant and the terms and conditions (not otherwise specified in the plan) of such grant. The plan generally may be amended or terminated at any time, provided that no amendment or termination may impair participants' rights under the plan.

Omnibus Plan for Management Employees. This plan is an equity compensation plan which has not been approved by the stockholders. This plan provides for the grant of stock options, stock appreciation rights, limited stock appreciation rights and shares of restricted stock to salaried employees (other than employees covered by a collective bargaining agreement) of El Paso and its subsidiaries. A maximum of 58,000,000 shares in the aggregate may be subject to awards under this plan. If a change in control, as defined earlier under the Key Executive Severance Protection Plan, of El Paso occurs: (1) all outstanding stock options become fully exercisable; (2) stock appreciation rights and limited stock appreciation rights become immediately exercisable; and (3) all restrictions placed on awards of restricted stock automatically lapse. The plan generally may be amended or terminated at any time, provided that no amendment or termination may impair participants' rights under the plan.

Table of Contents**PROPOSAL NO. 2 Approval of El Paso Corporation 2005 Compensation Plan for Non-Employee Directors**

Since 1995, El Paso has had a Compensation Plan for Non-Employee Directors which provides for a non-employee director compensation program to enable El Paso to attract and retain highly qualified individuals to serve as members of El Paso's Board of Directors. The plan permits directors to receive their compensation in any combination of cash, deferred cash and deferred shares of common stock. The 1995 Compensation Plan for Non-Employee Directors expires this year and the shares authorized under the plan have been essentially depleted. Accordingly, on February 18, 2005, the Board of Directors adopted the El Paso Corporation 2005 Compensation Plan for Non-Employee Directors (the Plan) and is seeking approval of the Plan by the stockholders of El Paso. The effective date of the Plan will be the date it is approved by our stockholders. The 2005 Compensation Plan for Non-Employee Directors will succeed the current plan if it is adopted by El Paso's stockholders at the Annual Meeting.

The affirmative vote of a majority of the votes cast on the proposal is required for approval of the proposal. Abstentions and broker non-votes are not counted as votes cast, and therefore do not affect the outcome of the proposal.

The following is a general summary of the Plan and is qualified in its entirety by the full text of the Plan which is attached to this proxy statement as Exhibit B. Capitalized terms not defined herein have the same meanings ascribed to such terms in the plan document.

Purpose. The purpose of the Plan is to provide a compensation program for the non-employee directors of El Paso that will attract and retain highly qualified individuals to serve as members of El Paso's Board of Directors.

Administration. Subject to terms of the Plan, the Plan will be administered by the Management Committee. The Management Committee will consist of the CEO and such other senior officers as the CEO may designate. The Management Committee will interpret the Plan, will prescribe, amend and rescind rules relating to the Plan as it deems proper and in the best interests of El Paso, and will take any other action necessary for the administration of the Plan.

Participants. Each non-employee director of El Paso will be eligible to participate in the plan immediately upon his or her election to the Board of Directors. As of February 18, 2005, the date the Board adopted the Plan, there were 11 directors eligible to participate.

Shares Available for the Plan. Subject to adjustment as provided in the Plan (e.g., in the event of a recapitalization, stock split, stock dividend, merger, reorganization or similar event), the maximum number of shares of common stock which may be awarded under the plan is 2,500,000. The shares to be delivered under the Plan may be made available from any combination of shares held in El Paso's treasury or authorized but unissued shares of El Paso's common stock.

Compensation. The Board of Directors will establish, by resolution or otherwise, from time to time, the amount of each participant's compensation. For purposes of the Plan, the term compensation means the participant's annual retainer and meeting fees, if any, for each regular or special meeting of the Board and for any committee meetings attended. Such compensation will be determined in accordance with El Paso's By-laws and will be paid, unless deferred by the participant in accordance with the terms of the Plan, in four equal quarterly installments with each installment being made on or about the last day of the applicable Plan Quarter (as defined in the Plan). The Management Committee, if necessary, may determine prior to the beginning of the applicable Plan Quarter for which the compensation is to be paid that payment will be made at a later date.

By December 31 of the calendar year prior to each Plan Year (as defined in the Plan) or at such later time as may be provided by Treasury Regulations promulgated under Section 409A of the Internal Revenue Code, a participant will be entitled to elect to receive his or her compensation for the following year in any combination of cash, deferred cash and deferred shares of common stock. If no election is received by El Paso with respect to any Plan Year, the participant will be deemed to have made an election to receive such

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compensation in the form of undeferred cash. Elections are irrevocable and will apply to the compensation earned during the Plan Year for which the election is effective.

If a participant elects to have all or a specified percentage of his or her compensation for a given year deferred in cash or shares of common stock, such cash or common stock, as the case may be, will be recorded in a deferred account as of the date the compensation otherwise would have been paid. If a participant elects to defer compensation in cash, the participant's deferred account will be credited with an amount equal to the amount deferred. If a participant elects to defer compensation in the form of shares of deferred common stock, or if an amount is required to be taken in shares of deferred common stock, the participant's account will be credited with an amount equal to the amount deferred plus a 25 percent conversion premium (Conversion Premium) for the purpose of determining the number of shares of common stock which will be credited to his or her account (the Common Stock Deferral). The actual number of shares of common stock which will be credited to the participant's deferred account will equal the Common Stock Deferral divided by the fair market value of the common stock on the applicable Payment Date (as defined in the plan). With respect to shares of common stock credited to a participant's deferred account, the participant will have the right to receive dividend equivalents and other distributions thereon. Any such dividend equivalents and other distributions will be promptly reinvested in additional shares of common stock. Interest or earnings/losses, as applicable, may be credited to the balance of a participant's deferred account as determined by the Management Committee. To the extent a trust is established to hold shares of common stock equal to the number of shares credited to a participant's deferred account, the participant will have the right to direct the trustee to vote shares of common stock held by the trust equal to the total number of shares credited to the participant's deferred account.

Long-Term Equity Credit. Each participant will be entitled to receive a long-term equity credit under the Plan which will be in the form of shares of deferred common stock and will be credited to the participant's deferred account on each Payment Date or as otherwise determined by El Paso's By-laws. The long-term equity credit will not be entitled to the Conversion Premium. Except for the absence of the Conversion Premium, the long-term equity credit will be treated the same as all other Common Stock Deferrals under the Plan.

Phantom Stock Units. If the Management Committee determines that the maximum number of shares of common stock which may be awarded under the Plan has been issued, then phantom stock units which will have an accounting value equal to the fair market value of one share of common stock shall be credited to a participant's deferred account for his or her Common Stock Deferral and/or long-term equity credit. A participant will have the right to receive dividend equivalents and other distributions on phantom stock units credited to his or her deferred account, subject to applicable laws. When, and if, additional shares of common stock become available under the Plan or a successor plan, the phantom stock units credited to a participant's deferred account will be replaced with an equal number of shares of deferred common stock credited to the participant's deferred account. If no additional shares of common stock become available under the Plan at the time of distribution of the phantom stock units to a participant, an amount equal to the phantom stock unit balance of a participant's account will be paid to the participant (or to his or her beneficiary in the case of the participant's death) based on the fair market value of the common stock on the day preceding the date of such payment.

Payment. Payment of compensation deferred by a participant generally will be made or, in the case of installments over a period of years, begin to be made in the month following the date on which the participant ceases to be a director of El Paso. Deferred cash will be paid to the participant in either a lump-sum cash payment or in periodic installments over a period of years to be determined at the time the deferral election is made. Deferred common stock will be distributed to the participant in either a lump-sum distribution or in annual installments over a period of years to be determined at the time the deferral election is made; provided, however, such distribution may be delayed until such later date as may be necessary to comply with Section 16(b) of the Securities Exchange Act of 1934, as amended and the rules promulgated thereunder. The amount which will be paid and/or distributed to a participant (or to the participant's beneficiary in the case of the participant's death) will equal the amount credited to the participant's deferred account in the form of cash, plus interest thereon to the date of payment, plus a number of shares of common stock equal to

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the number of whole shares credited to the participant's deferred account. No fractional shares of common stock will be distributed. The value of any fractional shares of common stock will be paid in a lump-sum cash payment.

The balance of a participant's deferred account will be distributed in full to the participant's beneficiary in the event of a participant's death or Permanent Disability (as defined in the Plan). In the case of an unforeseeable emergency (as defined in the Plan), a participant may request a distribution from his or her deferred account in accordance with Section 409A of the Internal Revenue Code.

Change in Control. If a participant ceases to continue to serve as a director of El Paso or its successor after a Change in Control of El Paso, all deferred cash and shares of deferred common stock will be paid and/or distributed, as the case may be, to a participant (or to his or her beneficiary in the case of the participant's death) within 30 days after the date of the Change in Control, or at such other later time as may be required to enable the participant to avoid liability under Section 16(b) of the Securities Exchange Act.

For purposes of the Plan, Change in Control has the same meaning given such term in the El Paso Corporation 2005 Omnibus Incentive Compensation Plan, which is subject to the approval of El Paso's stockholders at the Annual Meeting. For a description of the events which will constitute a Change in Control under the 2005 Omnibus Incentive Compensation Plan, see the discussion of "Change in Control" on page 51 of this proxy statement.

Unfunded Obligation and Discretionary Investment. Amounts deferred by participants under the Plan are unfunded obligations of El Paso. El Paso will not be required to segregate any monies from its general funds, to create any trusts or to make any special deposits with respect to such obligations. All amounts deferred by participants may be invested at the direction of the Management Committee. The Management Committee in its sole discretion may also determine that all or a portion of the deferred amounts will be paid into one or more grantor trusts to be established by El Paso, and may designate an investment advisor to direct investments and reinvestments of such deferrals.

Termination and Amendment. Subject to the Board of Directors, the Management Committee may from time to time amend the Plan as it may deem proper and in the best interest of El Paso; provided, however, stockholder approval will be required to the extent required by applicable law, regulation or stock exchange. Subject to Section 409A of the Internal Revenue Code, the Board of Directors may suspend or terminate the Plan at any time; provided, however, no amendment or termination may impair the right of a participant (or his or her beneficiary in the case of a participant's death) to receive benefits accrued under the Plan prior to the effective date of such amendment or termination.

Impact of Future Legislation and Regulations. The Plan is intended to comply with Section 409A of the Internal Revenue Code and the terms of the Plan should be interpreted to comport with Section 409A and any guidance issued by the Secretary of the Treasury or the Internal Revenue Service interpreting Section 409A. If necessary, the terms of the Plan will be amended to comply with such future guidance.

Benefits under the Plan. It is not possible to specify the amount of benefits that will be paid to each participant under the Plan since each participant's ultimate benefit will depend upon his or her election to receive cash, deferred cash, or deferred shares of common stock. See page 13 of this proxy statement for a more detailed description of the compensation currently paid to El Paso's non-employee directors. The fair market value of El Paso's common stock was \$10.48 as of March 28, 2005.

Recommendation. The Board of Directors believes that approval of the 2005 Compensation Plan for Non-Employee Directors is in the best interests of El Paso and its stockholders because the Plan will enable El Paso to attract and retain qualified individuals to serve as directors of El Paso.

WE RECOMMEND THAT YOU VOTE FOR THE APPROVAL OF THE EL PASO CORPORATION 2005 COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS.

Table of Contents**PROPOSAL NO. 3 Approval of El Paso Corporation 2005 Omnibus Incentive Compensation Plan**

On February 18, 2005, the Board of Directors adopted the El Paso Corporation 2005 Omnibus Incentive Compensation Plan (the 2005 Plan) and is seeking approval of the 2005 Plan by our stockholders. The effective date of the 2005 Plan will be the date it is approved by our stockholders. If approved by our stockholders, the 2005 Plan will replace El Paso's current 2001 Omnibus Incentive Compensation Plan as well as three non-stockholder approved plans the El Paso Corporation Omnibus Plan for Management Employees, the El Paso Corporation Restricted Stock Award Plan for Management Employees and the El Paso Corporation Strategic Stock Plan (together with the 2001 Omnibus Incentive Compensation Plan, the Prior Plans). If the stockholders approve the 2005 Plan, the shares which remain available for grant under the Prior Plans will be canceled and will no longer be available for grant, and no further grants will be made from the Prior Plans. The following table shows the number of outstanding stock options and shares which remain available for grant under the Prior Plans as of December 31, 2004. For more information on the number of shares subject to outstanding options, warrants, and rights and other awards under the Prior Plans, see the Equity Compensation Plan Information Table on page 41 of this proxy statement.

**Shares Available for Grant under the Prior Plans
as of December 31, 2004**

Prior Plans	Shares Available for Grant (#)(1)
2001 Omnibus Incentive Compensation Plan	1,645,363
Omnibus Plan for Management Employees	25,408,484
Restricted Stock Award Plan for Management Employees	77,568
Strategic Stock Award Plan	318,670
	27,450,085

- (1) Of the 27,450,085 shares that remain available for grant under the Prior Plans as of December 31, 2004, 27,124,285 shares may be delivered in connection with full-value awards. For this purpose, full-value awards means equity awards other than options or stock appreciation rights for which a participant does not pay or surrender rights to payment equal to at least fair market value of the award determined at the date of grant. The number of shares underlying awards that the Plan Administrator has authorized to be made in April 2005 as part of the annual grant for 2005, which would have been made under the 2005 Plan had that plan been approved, is approximately six million shares. The 2005 annual grant will reduce the number of shares under the Prior Plans by the same amount.

If the 2005 Plan is approved, all future shares available for grant to our employees will be approved by our stockholders. We believe the 2005 Plan, if adopted, will continue to allow us to offer our employees long-term, performance-based compensation and we will continue to be able to attract, motivate and retain experienced and highly qualified employees who will contribute to the financial success of El Paso. The 2005 Plan provides for the granting of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, incentive awards, cash awards and other stock-based awards. The 2005 Plan does not permit the repricing of stock options or the granting of discounted options. Provisions have been included to meet the requirements for deductibility of executive compensation under Section 162(m) of the Internal Revenue Code with respect to performance-based compensation awarded to participants the Plan Administrator deems are subject to Section 162(m).

The affirmative vote of a majority of the votes cast on the proposal is required for approval of this proposal. Abstentions and broker non-votes are not counted as votes cast, and therefore do not affect the outcome of the proposal.

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The following is a general summary of the 2005 Plan and is qualified in its entirety by the full text of the 2005 Plan which is attached to this proxy statement as Exhibit C. Capitalized terms not defined herein shall have the same meanings ascribed to such terms in the plan document.

Purposes. The purposes of the 2005 Plan are (i) to promote the interests of El Paso and its stockholders by strengthening El Paso's ability to attract and retain employees by furnishing employees with suitable recognition for their contribution to the success of El Paso, (ii) to align employees' interests and efforts to the long-term interests of the stockholders and (iii) to provide employees with a direct incentive to achieve El Paso's strategic and financial goals.

Administration. The Compensation Committee of the Board of Directors will be the Plan Administrator with respect to participants considered to be Section 16 Insiders and participants the Plan Administrator deems to be subject to Section 162(m) of the Internal Revenue Code. With respect to Section 16 Insiders and participants subject to 162(m) of the Internal Revenue Code, the Plan Administrator will be independent as that term is defined pursuant to the rules of any stock exchange on which the common stock of El Paso is listed and will meet the non-employee director standards within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, as amended and the outside director requirements of Section 162(m). The Management Committee will be the Plan Administrator with respect to all other participants. The Management Committee will consist of the CEO and such other senior officers as the CEO may designate. The Plan Administrator will have the power to determine who will be granted awards under the 2005 Plan, set the terms and conditions of such awards consistent with the terms of the 2005 Plan, and construe and interpret the 2005 Plan and the awards granted. The Plan Administrator may exercise its discretion with respect to the powers and rights granted to it under the 2005 Plan except that the Plan Administrator cannot exercise any discretion with respect to any award if it would cause the compensation attributable to the award to fail to qualify as performance-based compensation under Section 162(m).

Participants. All salaried employees (other than an employee who is a member of a unit covered by a collective bargaining agreement) and members of the Board of Directors who are salaried officers will be eligible to participate in the 2005 Plan. The Plan Administrator will designate the participants who will participate in the 2005 Plan. In addition, the Plan Administrator will be able to grant awards to any person who, in the sole discretion of the Plan Administrator, holds a position of responsibility and is able to contribute substantially to the success of El Paso.

Aggregate Shares and Limitations. Subject to adjustment for any change in capitalization as described below, the maximum number of shares of common stock that may be issued upon the exercise or settlement of awards granted under the 2005 Plan is 35,000,000 shares; provided, however, the number of shares of common stock issued under the 2005 Plan with respect to restricted stock, restricted stock units, performance shares, performance units and other stock-based awards may not exceed 17,500,000 shares. The shares to be delivered under the 2005 Plan may be made available from any combination of shares held in El Paso's treasury or authorized but unissued shares of El Paso's common stock. The maximum number of shares of common stock and maximum amount with respect to which awards may be granted to any participant in any one calendar year is referred to as the Maximum Annual Employee Grant, as follows: (a) 2,000,000 shares in the case of stock options or stock appreciation rights, (b) 1,000,000 shares in the case of restricted stock, restricted stock units, performance shares or performance units and (c) \$10,000,000 worth of other awards under the 2005 Plan, including incentive awards. Shares subject to an award under the 2005 Plan will be counted as used to the extent they are actually used. Shares granted under the 2005 Plan which terminate by expiration, forfeiture, cancellation or otherwise will be available for grants of future awards under the 2005 Plan. In addition, any shares subject to a restricted stock unit, performance share, performance unit or other stock-based award which is settled in cash in lieu of shares may again be available for grants of future awards under the Plan. Shares which are withheld or separately surrendered to pay the exercise price of an option or stock appreciation right or to satisfy tax withholding obligations relating to an award will not be available for grant of future awards under the 2005 Plan.

Certain Adjustments. In the event of a change in capitalization, an appropriate adjustment will be made to (i) the maximum number and class of shares of common stock or other securities with respect to

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which awards may be granted under the 2005 Plan, (ii) the maximum number and class of shares of common stock or other securities that may be issued upon exercise of stock options, (iii) the Maximum Annual Employee Grants, (iv) the number and class of shares of common stock or other securities which are subject to outstanding awards and the Stock Option Price or exercise price thereof, if applicable and (v) performance goals. A change in capitalization means any increase or reduction in the number of shares of common stock, any change in the shares of common stock, or any exchange of shares of common stock for a different number or kind of shares of common stock or other securities of El Paso or another company by reason of a reclassification, recapitalization, merger, consolidation, reorganization, spin-off, split-up, issuance of warrants, rights or debentures, stock dividend, stock split or reverse stock split, cash dividend, property dividend, combination or exchange of shares, repurchase of shares, change in corporate structure or otherwise.

Awards. Awards under the 2005 Plan may be in the form of stock options to purchase common stock of El Paso, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, incentive awards, cash awards and other stock-based awards. The awards under the 2005 Plan may be granted either alone or in any combination with all other types of awards under the 2005 Plan. The terms and features of the various forms of awards are set forth below and described more fully in the 2005 Plan, which is attached to this proxy statement as Exhibit C.

Stock Options. A stock option is a right to purchase a specific number of shares of common stock under specific terms, conditions and price. The Plan Administrator will determine the price of the shares of common stock covered by each stock option (the Stock Option Price), except that the Stock Option Price may not be less than 100 percent of the fair market value of the shares of common stock on the date the stock options are granted. The Plan Administrator will also set the term of each stock option. The term of a stock option may not exceed ten years from the date of the grant. Stock options granted under the 2005 Plan may be either incentive stock options which qualify under the meaning of Section 422 of the Internal Revenue Code or non-qualified stock options which are not designed to qualify under Section 422. With respect to each stock option granted under the 2005 Plan, the Plan Administrator will determine the nature and extent of any restrictions to be imposed on the shares of common stock which may be purchased, including, but not limited to, restrictions on the transferability of shares acquired upon exercise. Stock options granted under the 2005 Plan cannot be repriced without the approval of the stockholders other than in connection with a change in capitalization in which an adjustment is permitted.

The actual purchase of shares of common stock pursuant to a stock option is called the exercise of that stock option. Stock options granted under the 2005 Plan will be exercisable at such time or times and subject to such terms and conditions as determined by the Plan Administrator at the time of grant. The Plan Administrator may waive such restrictions on the exercisability of a stock option at any time on or after the date of the grant in whole or in part, as the Plan Administrator may determine in its sole discretion. Shares covered by a stock option may be purchased at one time or in such installments over the option period as determined by the Plan Administrator.

The Plan Administrator will determine the form of payment of the Stock Option Price, which may include cash, shares of common stock already owned by the participant, or any combination of cash and shares of common stock, with the fair market value of the common stock valued as of the day prior to delivery. The Plan Administrator may also designate additional forms of payment that will be permitted, including the payment of all or a portion of the exercise price from the shares of common stock issuable to a participant upon exercise of a stock option. A participant will not have any of the rights of a stockholder until the shares of common stock are issued to the participant.

Stock Appreciation Rights. A stock appreciation right granted under the 2005 Plan is a right to receive, in shares of common stock, the appreciation in value of a share of common stock between the date the stock appreciation right or related award is granted and the date it is exercised. A stock appreciation right may be granted freestanding or in tandem or in combination with any other award under the 2005 Plan.

Upon exercise, each stock appreciation right will entitle a participant to receive shares of common stock with a fair market value equal to multiplying (i) the difference between the fair market value of a share of common stock on the date the stock appreciation right is exercised over the price fixed at the date of grant

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(which may not be less than 100 percent of the fair market value of a share of common stock on the date of grant) times (ii) the number of shares of common stock with respect to which the stock appreciation right is exercised. A stock appreciation right granted in tandem with any other award under the 2005 Plan may be exercised only at such times and to the extent that the award as to which it relates is exercisable. A stock appreciation right expires at the same time the associated award expires.

A holder of a stock appreciation right will not have any of the rights of a stockholder until shares of common stock are issued. The acquisition of common stock pursuant to the exercise of a stock appreciation right will be subject to the same restrictions which apply to the acquisition of common stock acquired upon exercise of a stock option.

Performance Shares and Performance Units. Performance shares granted under the 2005 Plan represent the right to receive a number of shares of common stock for each performance share granted. Performance units granted under the 2005 Plan represent the right to receive a payment, either in cash or shares of common stock, equal to the value of a performance unit. Performance shares or performance units may be granted to participants at any time and from time to time as the Plan Administrator determines. Performance shares and performance units may be granted alone or in combination with any other award.

Prior to the grant of each performance share or performance unit, the Plan Administrator will establish the initial number of shares of common stock for each performance share and the initial value for each performance unit. In addition, the Plan Administrator will determine the performance goals used to determine the extent to which the participant receives a payout for the performance period. The Plan Administrator may assign percentages or other relative values of performance which will be applied to determine the extent to which the participant receives a payout. After a performance period has ended, the Plan Administrator will determine the extent to which the performance goals have been met and the holder of a performance share or performance unit is entitled to receive a payout of the number of performance shares or value of performance units awarded. No payout will be made without written certification by the Plan Administrator that the applicable performance goals have been satisfied.

Restricted Stock. Restricted stock is common stock that is subject to forfeiture if a participant's employment terminates before a specified date, if pre-established performance goals for a specified time period are not attained or upon such other factors or criteria as the Plan Administrator may determine. Restricted stock may be granted to participants under the 2005 Plan at any time and from time to time as the Plan Administrator determines. Generally, there is no purchase price associated with restricted stock and, unless otherwise provided in the award agreement, the restriction period on time-based restriction stock will be at least three years and the restriction period on performance-based restricted stock will be at least one year.

A participant who receives a grant of restricted stock will be recorded as a stockholder of El Paso and will have all the rights of a stockholder with respect to such shares (except with respect to the restrictions on transferability during the restriction period), including the right to vote the shares and receive dividends and other distributions paid with respect to the underlying shares. When all applicable conditions associated with a participant's restricted stock have been met, the participant will be issued shares of common stock subject to the payment of all taxes required to be withheld.

Restricted Stock Units. A restricted stock unit granted under the 2005 Plan represents a right to receive a payment, in cash or shares of common stock, equal to the value of a share of common stock. Restricted stock units may be granted to participants at any time and from time to time as the Plan Administrator determines. Unless otherwise provided in the award agreement, the restriction period on time-based restriction stock units cannot be less than three years and the restriction period on performance-based restricted stock units cannot be less than one year.

A participant who receives a grant of restricted stock units will not be recorded as a stockholder of El Paso and will not have any of the rights of a stockholder unless or until the participant is issued shares of common stock in settlement of the restricted stock units granted. The Plan Administrator may determine that restricted stock units will be entitled to dividend equivalents equal to cash dividends, if any, paid on shares of common stock. Dividend equivalents may be paid in cash or common stock or credited to the participant as

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additional restricted stock units. When all applicable conditions associated with a participant's restricted stock units have been met, restricted stock units will be settled in any combination of cash or shares of common stock subject to the payment of all taxes required to be withheld.

Incentive Awards. An incentive award is a percentage of a participant's base salary, fixed dollar amount or other measure of compensation to be awarded in cash or other awards under the 2005 Plan at the end of a performance period if certain performance goals or other performance measures are achieved. Prior to the beginning of a particular performance period, or not later than 90 days following the beginning of the relevant fiscal year, the Plan Administrator will establish the performance goals or other performance measures which must be achieved for any participant to receive an incentive award for that performance period. The performance goals or other performance measures may be based on any combination of corporate and business unit performance goals or other performance measures. The Plan Administrator may also establish one or more company-wide performance goals or other performance measures which must be achieved. Such performance goals or other performance measures may include a threshold level of performance below which no incentive award is earned, target levels of performance at which specific incentive awards are earned, and a maximum level of performance at which the maximum level of incentive awards are earned. Incentive awards become payable to the extent the Plan Administrator certifies in writing that the performance goals or other performance measures selected for a particular performance period have been attained. No incentive award will be paid if the threshold level of performance set for each performance goal or other performance measure for the performance period is not attained. The participant's personal performance must be satisfactory, regardless of El Paso's performance and the attainment of the performance goals or other performance measures, before the participant may be granted an incentive award.

At the end of each performance period and within 30 days after the information necessary to make a determination is available for the performance period, the Plan Administrator will determine whether the performance goals or other performance measures for the performance period have been achieved and the amount of each participant's award. Incentive awards may be paid in any combination of cash and/or other awards. Because a participant will bear the risk of forfeiture, price fluctuation, and other attending risks during the restriction period associated with any restricted stock awarded as part of an incentive award, the Plan Administrator may determine that a participant who receives restricted stock as part of an incentive award will be awarded an additional amount of restricted stock up to the amount actually awarded.

In lieu of receiving all or any portion of any cash awarded as part of an incentive award under the 2005 Plan, the Plan Administrator may determine that participants who receive cash as part of an incentive award will be entitled to elect to receive additional shares of restricted stock with a value equal to the portion of the cash award foregone. In addition, the Plan Administrator may determine that any participant who makes such an election will, on account of the attendant risks described above, receive additional shares of restricted stock up to the amount of shares the participant elected to receive in lieu of cash. The election will be irrevocable and will only apply to incentive awards for that performance period.

Cash Awards and Other Stock-Based Awards. The Plan Administrator may grant cash awards to participants in such amounts and upon such terms, including the achievement of specific performance criteria as the Plan Administrator may determine. The Plan Administrator may also grant other types of equity-based or equity-related awards known as "other stock-based awards" under the 2005 Plan. Other stock-based awards may involve the transfer of actual shares of common stock or payment in cash or otherwise of amounts based on the value of shares of common stock. The Plan Administrator may establish performance criteria applicable to such awards in its sole discretion. Each cash award granted will specify a payment amount or payment range as determined by the Plan Administrator. Each other stock-based award will be expressed in terms of shares of common stock or units based on shares of common stock, as determined by the Plan Administrator.

Performance Goals. The Plan Administrator may determine that performance criteria will apply to awards granted under the 2005 Plan. To the extent that awards are intended to qualify as "performance-based compensation" under Section 162(m) of the Internal Revenue Code, the performance goals may include any one or more of the following, either individually, alternatively or in any combination, applied to either El Paso

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as a whole or any subsidiary or business unit, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to the pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Plan Administrator: financial goals earnings; earnings per share; net income; revenues; operating cash flow; free cash flow (defined as operating cash flow less capital expenditures less dividends); debt level; equity ratios; expenses; cost reduction targets; capital expended; working capital; weighted average cost of capital; operating or profit margins; interest-sensitivity gap levels; return on assets; return on equity or capital employed; production and non-regulated business unit goals amount of the oil and gas reserves; oil and gas reserve additions; oil and gas reserve replacement ratios; costs of finding oil and gas reserves; daily natural gas and/or oil production; regulated business unit goals contracted capacity on pipelines; throughput levels on pipelines; corporate and other total shareholder return; market share; charge-offs; assets; non-performing assets; asset sale targets; asset quality levels; value of assets; fair market value of the common stock; employee retention/attrition rates; investments; regulatory compliance; satisfactory internal or external audits; improvement of financial ratings; safety targets; economic value added; or achievement of balance sheet or income statement objectives. The Plan Administrator may adjust the performance goals to include or exclude extraordinary charges, gain or loss on the disposition of business units, losses from discontinued operations, restatements and accounting changes and other unplanned special charges such as restructuring expenses, acquisitions, acquisition expenses, including expenses related to goodwill and other intangible assets, stock offerings, stock repurchases and loan loss provisions.

Termination of Employment. The award agreement applicable to each award granted under the 2005 Plan will set forth the effect of a participant's termination of employment upon such award. Unless explicitly set forth otherwise in an award agreement or as determined by the Plan Administrator, (i) all of a participant's unvested and/or unexercisable awards automatically will be forfeited upon termination of a participant's employment for any reason, and, with respect to stock options or stock appreciation rights, a participant will be permitted to exercise the vested portion of the stock option or stock appreciation right for at least three months following termination of employment, and (ii) all of a participant's awards whether vested or unvested, exercisable or unexercisable automatically will be forfeited upon the termination of the participant's employment for cause. Provisions regarding the effect of a termination of employment upon an award will be determined in the sole discretion of the Plan Administrator and need not be uniform among all awards or among all participants.

Change in Control. Under the 2005 Plan, a change in control occurs if: (i) any person or entity becomes the beneficial owner of 20 percent or more of El Paso's common stock; (ii) any person or entity (other than El Paso) purchases the common stock by way of a tender or exchange offer; (iii) El Paso stockholders approve a merger or consolidation, sale or disposition or a plan of liquidation or dissolution of all or substantially all of El Paso's assets; or (iv) if over a two year period a majority of the members of the Board of Directors at the beginning of the period cease to be directors. A change in control has not occurred if El Paso is involved in a merger, consolidation or sale of assets in which the same stockholders of El Paso before the transaction own 80 percent of the outstanding common stock after the transaction is complete.

Except as otherwise provide in an award agreement, in the event of a participant's termination of employment (a) without cause or (b) by the participant for "Good Reason" (as defined in the 2005 Plan), if applicable, within two years following a change in control (i) all stock options and stock appreciation rights will become fully vested and exercisable, (ii) the restriction periods applicable to all shares of restricted stock and restricted stock units will immediately vest, (iii) the performance periods applicable to any performance shares, performance units and incentive awards that have not ended will end and such awards will become vested and payable in cash in an amount assuming target levels of performance by both participants and El Paso have been achieved within ten days following such termination and (iv) any restrictions applicable to cash awards and other stock-based awards will immediately lapse and, if applicable, become payable within ten days following such termination.

Transferability. Awards granted under the 2005 Plan may not be transferred, assigned, pledged, or hypothecated in any manner except in the case of the death of a participant. Non-qualified stock options may be transferred to certain immediate family members, directly or indirectly or by means of a trust, corporate

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entity or partnership, as provided for in the 2005 Plan and allowed by the Plan Administrator. Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of awards granted under the 2005 Plan, or any right or privilege conferred thereby, contrary to the provisions of the 2005 Plan, may result in the forfeiture of any affected award.

Termination and Amendment. The Plan Administrator, subject to the approval of the Board of Directors, may from time to time amend the 2005 Plan as it deems proper and in the best interest of El Paso; provided, however, (i) stockholder approval is required to the extent required by applicable law, regulation or stock exchange and (ii) no change in any award previously granted under the 2005 Plan may be made without the consent of the participant which would impair the right of the participant to acquire or retain common stock or cash that the participant may have acquired as a result of the 2005 Plan. The Board of Directors may at any time suspend the operation of or terminate the 2005 Plan with respect to any shares of common stock or rights which are not at that time subject to any award outstanding under the 2005 Plan. No award may be granted under the 2005 Plan on or after the tenth anniversary of the effective date of the 2005 Plan.

United States Federal Income Tax Consequences. The following discussion briefly summarizes the material federal income tax consequences of participation in the 2005 Plan. This discussion is general in nature and does not address issues related to the tax circumstances of any particular participant. The discussion is limited to the impact of the Internal Revenue Code as is currently in effect upon United States citizens residing in the United States.

Under the Internal Revenue Code, a participant granted a non-qualified stock option or incentive stock option realizes no taxable income upon receipt of the stock option, but in the case of a non-qualified stock option a participant is deemed to have realized ordinary taxable income upon the exercise of the stock option equal to the excess of the fair market value of the shares of common stock acquired at the time of the exercise of the stock option over the Stock Option Price. El Paso will be entitled to a deduction equal to the same amount to the extent such amount is treated as reasonable compensation under the Internal Revenue Code. The deduction will be allowed in El Paso's taxable year which includes the last day of the participant's taxable year in which the stock option is exercised. A participant's tax basis in shares of common stock acquired upon the exercise of a stock option will be the fair market value of such common stock on the date the stock option is exercised. Upon any sale of shares of common stock acquired under the 2005 Plan, the participant's gain or loss will therefore equal the difference between the sale price and such tax basis. (Notwithstanding the foregoing, in the event of a cashless exercise of stock options, the fair market value shall equal the actual sales price of the underlying shares of common stock.) Upon disposition by a participant of incentive stock option shares, any gain or loss realized by the participant will generally be taxed as a capital gain or loss. There will be no federal income tax consequences to El Paso upon the disposition of shares acquired upon exercise of an incentive stock option, provided the necessary holding periods have been met.

The grant of a stock appreciation right to a participant will have no taxable consequences for the participant or El Paso. The exercise of a stock appreciation right results in taxable income to the participant equal to the difference between the price of the stock appreciation right and the fair market value of the shares of common stock on the date of exercise, and a corresponding tax deduction to El Paso.

With respect to awards other than stock options and stock appreciation rights that result in a transfer to the participant of cash or shares or other property, if no restriction on transferability or substantial risk of forfeiture applies to the transferred amounts, the participant generally recognizes ordinary income equal to the cash or the fair market value of shares or other property actually received. If a restriction on transferability or substantial risk of forfeiture applies to shares or other property transferred to a participant under an award, the participant generally recognizes ordinary income equal to the fair market value of the transferred amounts at the earlier of the time when either the restriction on transferability or substantial risk of forfeiture lapses. The ordinary income recognized by a participant will be subject to both wage withholding and employment taxes.

In the case of restricted stock, for example, a participant may elect under Section 83(b) of the Code to be taxed at the time of grant rather than at the time the restriction on transferability or substantial risk of forfeiture lapses. A participant who makes a Section 83(b) election with respect to restricted stock will include in ordinary income, as compensation at the time the restricted stock is first granted, the excess of the

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fair market value of such shares of common stock at the time of issuance over the amount paid, if any, by the participant for such common stock. With respect to Section 16 Insiders, there are situations where the subsequent sale of shares of common stock within six months of their vesting under an award could subject the individual to liability under Section 16(b) of the Securities Exchange Act of 1934; therefore, valuation of the shares would be deferred until six months from the date of distribution. The only way to have the stock valued on the date of distribution is if a Section 83(b) election is made.

If a Section 83(b) election is made, any dividends or other distributions received on the shares of common stock that are subject to restrictions will be treated as dividend income. If a participant does not make an election under Section 83(b), distributions received on the shares of common stock for the time period prior to the lapse of the restrictions will be treated as additional compensation. A deduction by El Paso will be allowed for federal income tax purposes in an amount equal to the ordinary income recognized by the employee with respect to the restricted stock awarded.

Benefits under the Plan. The Plan Administrator has not yet granted awards under the 2005 Plan. However, the following table sets forth recent annual awards made under the Prior Plans, which would have been made under the 2005 Plan had that plan been approved, to the following groups: (i) each of the named executives, (ii) all current executive officers as a group, (iii) all current directors who are not executive officers, as a group, and (iv) all employees, including all current officers who are not executive officers, as a group.

2005 Omnibus Incentive Compensation Plan

Name and Position	Dollar Value (\$)	Number of Shares Underlying Awards (#)(1)
Douglas L. Foshee President and Chief Executive Officer	\$ 1,250,000	598,251
John W. Somerhalder II Executive Vice President	684,735	
Lisa A. Stewart Executive Vice President	441,604	179,475
D. Dwight Scott Executive Vice President and Chief Financial Officer	498,644	179,475
Robert W. Baker Executive Vice President and General Counsel	295,203	179,475
Executive Officer Group, 5 persons total, including those individuals listed above	3,170,186	1,136,676
Non-Executive Director Group		&n