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EL PASO CORP/DE
Form DEFA14A
April 03, 2003

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

SCHEDULE 14A INFORMATION

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

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EL PASO CORPORATION

(Name of Registrant as Specified in its Charter)

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EL PASO CORPORATION
OPERATING STATISTICS
FOURTH QUARTER 2002

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

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(UNAUDITED)

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

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

EL PASO CORPORATION

CONSOLIDATED ANALYSIS OF NON-RECURRING ITEMS

(In Millions, Except per Share Amounts)

(UNAUDITED)

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

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

EL PASO CORPORATION
SEGMENT INFORMATION
(UNAUDITED)

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

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

EL PASO CORPORATION

CONSOLIDATED NET INCOME
(UNAUDITED)

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

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

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

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

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

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

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

EL PASO CORPORATION

CONSOLIDATED EARNINGS BEFORE INTEREST EXPENSE AND INCOME TAXES

(UNAUDITED)

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

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PIPELINE GROUP

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

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

PIPELINE GROUP

THROUGHPUT

(EXCLUDES INTRASEGMENT VOLUMES)

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(BBtu/d)

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

PRODUCTION

EARNINGS BEFORE INTEREST EXPENSE AND INCOME TAXES

(EXCLUDES INTRASEGMENT TRANSACTIONS)

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

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

PRODUCTION

SALES VOLUMES AND REALIZED PRICES

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

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

MERCHANT ENERGY GROUP

EARNINGS BEFORE INTEREST EXPENSE AND INCOME TAXES

(EXCLUDES INTRASEGMENT TRANSACTIONS)

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

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

MERCHANT ENERGY GROUP

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

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

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

MERCHANT ENERGY GROUP

OPERATING DATA

(EXCLUDES INTRASEGMENT TRANSACTIONS)

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

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

ANALYSIS OF PRICE RISK MANAGEMENT ACTIVITIES AND FORWARD BOOK

Total Portfolio Value at Risk:

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

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

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

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

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

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

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

FIELD SERVICES SEGMENT

VOLUMES AND RATES

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

Gathering and transportation volumes

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

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

EL PASO CORPORATION

SCHEDULE OF NON-RECURRING ITEMS

(UNAUDITED)

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

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

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

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

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