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EL PASO CORP/DE
Form DEFA14A
June 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.)

Filed by the Registrant [X]
Filed by a Party other than the Registrant []

Check the appropriate box:

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

EL PASO CORPORATION

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

EL PASO

INVESTOR PRESENTATION

June 2003

CAUTIONARY STATEMENT REGARDING
FORWARD-LOOKING STATEMENTS

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

ADDITIONAL IMPORTANT INFORMATION

El Paso Corporation has mailed its definitive proxy statement, together with a WHITE proxy card. Shareholders are strongly advised to read El Paso's proxy statement as it contains important information.

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

To the extent that industry researchers, financial analysts, or media articles are quoted in this presentation, it is El Paso's policy to use reasonable efforts to verify the source and accuracy of the quote. El Paso has not, however, sought or obtained the consent of the quoted source for the use of such quote as proxy soliciting material. The presentation may contain expressions of opinion and belief. Except as otherwise expressly attributed to another individual or entity, those opinions and beliefs are the opinions and beliefs of El Paso.

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

EXECUTIVE SUMMARY

- o El Paso has \$45 billion of assets
 - North America's premier pipeline franchise
 - One of largest U.S. independent oil and gas companies
 - 2nd largest U.S. natural gas gatherer and processor
- o Business strategy
 - Responded rapidly to changes in industry since December 2001
 - o Asset sales, financings, exit from trading
 - 2003 operational and financial plan focuses on core businesses, maximizes liquidity

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- o Strong steady progress with 67% of target non-core asset sales announced or completed
- Aggressive debt and cost reduction plans
 - o \$7.5 billion debt reduction
 - o Additional \$250 MM cost reductions, Clean Slate Initiative
- Long Range Planning Committee
 - o Optimize and streamline core natural gas businesses, achieving additional debt reduction, restore investment grade rating, maximize earnings and generate free cash flow

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EXECUTIVE SUMMARY

- o Board of Directors and Corporate Governance
 - We are nominating a strong board that is well equipped to help us reach our long-term goals
 - El Paso has achieved best practices in corporate governance
 - Pro shareholder takeover profile (no poison pill, no staggered board, no fair price provision)
- o Interim CEO, Ronald L. Kuehn, Jr., dedicated to seamless transition
 - A number of highly qualified candidates are being considered
- o El Paso sought to avoid proxy contest
 - Zilkha criticizing decisions made while he was on EP Board
 - Zilkha/Wyatt have no detailed business plan for future
 - Wyatt orchestrating strategy for proxy fight
 - Nominees lack board experience and relevant recent work experience*

*See slide 45

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AGENDA

- o Company Overview
- o Business Strategies
- o Corporate Governance
- o Zilkha/Wyatt Proxy Contest

- o Conclusion

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PERSPECTIVE

- o Company grew at a rapid rate 1992-2001
 - Equity value went from \$700 MM to \$40 billion
- o Growth in unregulated natural gas and power businesses, Telecom rewarded by stock market
- o Selim Zilkha on EP Board of Directors as El Paso expanded into these areas
- o Industry fundamentals changed dramatically
 - Collapse of Enron (late 2001)
 - Impact on Merchant Energy sector
 - Rating agencies' reaction
 - Loss of liquidity
 - California energy crisis
- o El Paso was first major energy company to respond
 - Significant actions taken from December 2001-January 2003
 - Have been executing detailed operational and financial plan since February 2003
 - Focused on next phase of actions to reduce debt and costs and on long-range planning

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COMPANY OVERVIEW AND
BUSINESS STRATEGIES

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EL PASO OVERVIEW

- o \$45 billion of assets (March 31, 2003)
- o North America's leading natural gas pipeline franchise
- o One of the largest independent natural gas and oil producers
- o 2nd largest U.S. natural gas gatherer and processor
- o Exiting energy trading and petroleum businesses, and downsizing power business

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Pipeline Group Overview

PIPELINE GROUP KEY FACTS

- o Approximately 58,000 miles of interstate pipelines
- o Transport approximately 25% of natural gas used in U.S.
- o Regulated by Federal Energy Regulatory Commission (FERC)
- o Provides attractive and stable earnings and cash flow

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NORTH AMERICA'S
PREMIER PIPELINE FRANCHISE

[GRAPHIC OF UNITED STATES]

- | | |
|--|---|
| o Only coast to coast natural gas pipeline network | - Great Lakes has Transmission (50%) |
| o Serve highest growth markets | - Portland Natural has Transmission (30%) |
| o Best access to new natural gas supplies | - ANR Pipeline |
| | - Colorado Interstate Gas |
| | - El Paso Natural Gas |

- Southern Natural Gas
- Florida Gas Transmission (50%)
- Elba Island LNG
- Tennessee Gas Pipeline

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PIPELINE GROUP STRATEGIES

- o Operate and maintain pipelines in a safe and dependable manner
- o Expand pipelines to access new markets
 - Current expansion inventory is excellent
 - Most of growth fueled by power generation
 - Provide customers with access to new gas supplies

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PRODUCTION OVERVIEW

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PRODUCTION BUSINESS KEY FACTS

- o Approximately 5 trillion cubic feet of natural gas equivalent proved reserves
 - 84% of reserves are natural gas
 - 90% are domestic
- o Combined strengths of Coastal and Sonat production businesses
- o Industry leader in deep drilling
- o Nation's most active driller in 2002

PRODUCTION STRATEGIES

- o EI Paso has developed unique strategy focusing on non-traditional gas supplies
 - Deep horizons in Texas coastal plains and Gulf of Mexico
 - Coal bed methane
- o Achieve economies of scale through focused operations
- o Advance technical leadership

CORE PRODUCTION AREAS

KEY FEATURES

EL PASO POSITION

SOUTH TEXAS

- | | |
|--|--|
| <ul style="list-style-type: none"> o Prolific production below 15,000' o Technology driven | <ul style="list-style-type: none"> o Best technology o Most active driller o Largest producer |
|--|--|

GULF OF MEXICO (DEEP SHELF)

- | | |
|--|---|
| <ul style="list-style-type: none"> o Important new exploration area o Large discoveries close to existing infrastructure o Potential royalty relief | <ul style="list-style-type: none"> o Most successful operator o Most active driller o Large acreage position |
|--|---|

COALBED METHANE

- | | |
|--|--|
| <ul style="list-style-type: none"> o Long life production o Low risk | <ul style="list-style-type: none"> o 30% of proved reserves o Compliments El Paso's other programs o Expanding to new areas |
|--|--|
-

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FIELD SERVICES OVERVIEW

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FIELD SERVICES KEY FACTS

- o Principal activities are natural gas gathering and processing
 - 2nd largest U.S. natural gas gatherer
- o Also active in natural gas storage, offshore platform, and liquids gathering services
- o Own 39% of GulfTerra Energy Partners units (NYSE: GTM) plus 1 % General Partner interest

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FIELD SERVICES STRATEGIES

- o GulfTerra is most financially efficient way to participate in Field Services growth opportunities
 - No incremental capital
- o \$2.5 billion of assets sold to GulfTerra 2000-2002
- o GulfTerra has strong growth opportunities
 - Acquisitions
 - New infrastructure development

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SOLID FIVE YEAR PERFORMANCE

ADJUSTED EBITDA (\$ MILLIONS)

						o 5-year distribution increase of 30%
CAGR 52%						o Created substantial value for public investors and EP
						o Outlook is very good
\$52	\$91	\$107	\$161	\$267	\$420	
-----	-----	-----	-----	-----	-----	
1998	1999	2000	2001	2002	2003E	

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2003 Operational and
Financial Plan and
Other Initiatives

2003 OPERATIONAL AND FINANCIAL PLAN

- o Preserve and enhance the value of core businesses
- o Divest non-core businesses quickly, but prudently
- o Strengthen and simplify balance sheet, maximize liquidity
- o Aggressively pursue cost reductions
- o Resolve regulatory and litigation matters

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PROGRESS AGAINST FINANCIAL PLAN

- o \$2.3 billion (67%) of \$3.4 billion asset sales program announced or completed
- o Extension of \$3 billion bank facility
- o \$1.9 billion of financings

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- o Significant improvement in liquidity
- o Simplification of balance sheet
- o Proposed Western energy settlement
- o Sale of European natural gas trading book

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DEBT AND COST REDUCTION

- o Current initiatives will reduce debt by \$7.5 billion (\$12 per share) by mid-2005
- o Clean Slate Initiative targeting more than \$400 MM of pre-tax annual cost savings and business efficiencies by end of 2004
 - Original 2003 goal was \$150 MM
 - Recent management changes demonstrate commitment to cut costs throughout organization

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LONG RANGE PLANNING PROCESS

- o Board-level Long Range Planning Committee is focusing on the future and weighing opportunities, including
 - Reviewing options to reduce debt to a level sustainable by current businesses
 - Raising debt reduction target by at least \$2.5 billion to at least \$10 billion in total
 - Achieving further capital expenditure reductions while generating substantial free cash flow from core businesses
- o These actions are intended to give El Paso the financial flexibility to take advantage of strategic business opportunities in the North American natural gas market and achieve future growth

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TEMPLATE FOR THE FUTURE

- o Strong earnings power of core business

- o After-tax effects of annual cost reductions and business efficiencies
- o Net after-tax interest savings from debt reduction

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CONCLUSIONS

- o El Paso's core businesses are performing well and have clear strategies for future growth
- o Management has made significant progress toward debt reduction, cost cutting, and improved liquidity
- o Long range planning committee will deliver final part of restructuring process
 - Deliver solid earnings power of core business
 - Reduce debt to appropriate level
 - Generate free cash flow while investing prudently in core businesses
- o Board of Directors and Management are committed to delivering shareholder value

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Board of Directors and
Corporate Governance

CEO TRANSITION

- o Ron Kuehn is interim CEO; dedicated to seamless transition
 - Former CEO of Sonat 1984-1999
 - Former Lead Director of El Paso
- o Board search committee
 - Bissell, Kuehn, Wyatt, and Braniff

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- o Engaged a leading search firm to find highly qualified candidate
- o Search committee is conducting a careful process to select the BEST candidate for Chief Executive Officer
- o In active discussions with short list of highly qualified candidates
 - Each has expressed interest in the position once the proxy contest is behind us

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ZILKHA/WYATT CEO NOMINEE

- o Chesebro' has not been actively employed since termination by PennzEnergy in 1999
 - Since 1999, Chesebro's only public directorship experience has been with Harvest Natural Resources (market cap: approximately \$200 MM) where he has been non-executive Chairman since June 2001
- o Chesebro' was not included among a list of 20 potential CEO candidates presented to El Paso by a leading search firm
- o Only significant portion of El Paso with which Chesebro' is familiar is Tennessee Gas Pipeline, which accounts for less than 25% of El Paso's pipeline assets
 - Regulatory climate has changed materially since his departure in 1996
- o Chesebro's only experience as CEO of a public company consists of less than 8 months at PennzEnergy
- o Chesebro's only other CEO experience was at Tenneco Energy, a subsidiary of Tenneco
- o Although Chesebro' now cites Pennzoil's 1997 rejection of an \$87 cash bid from UPR as an example of "ugly" corporate governance, at the time, he supported the Pennzoil Board's opposition*
 - o Shortly after rejecting UPR's bid, Pennzoil was sold in a \$38 stock transaction

* See article attached as Annex A

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EL PASO IS NOMINATING A STRONG BOARD OF DIRECTORS

- o Ensures continuity while effecting measured change in Board composition
- o Added 4 directors with outstanding backgrounds and substantial management expertise in the energy industry to complement continuing directors

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- o Combined expertise of our nominees creates a Board of Directors that is particularly well equipped to help us achieve our long-term goals
- o 3 directors are not standing for re-election: Messrs. Allumbaugh, Gibbons, and Wise
- o All but one of our nominees (CEO) are independent under NYSE guidelines

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EL PASO IS NOMINATING A STRONG BOARD OF DIRECTORS

- o 11 of our nominees have substantial experience serving on public company boards, based on years of directorship, service, and number of boards
- o 5 have extensive management and operating experience in the energy industry
- o 4 are prior Coastal Board of Directors members and 2 are prior Sonat Board of Directors members
- o 4 hold or have held the position of Chairman, President, or CEO of a NYSE company
- o El Paso's Board of Directors nominees have operating experience at more than a dozen energy companies, including Conoco, CONSOL, Lone Star Gas, Ocean Energy, Phillips, Shell, Sonat, Texaco, Transocean, Union Texas Petroleum, and United Meridian

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BEST PRACTICES IN CORPORATE GOVERNANCE

- o All of the company's non-management Directors (11 out of 12 nominees) meet NYSE independence standards
- o El Paso Directors cannot serve on the boards of more than 4 other public companies*
- o Since September 2002, El Paso has had a Lead Director to lead executive sessions of the Board of Directors*
- o Board of Directors regularly meets in executive session without any members of management present
- o El Paso has adopted minimum stock ownership requirements for Directors and executive officers

*Reflected in El Paso corporate governance guidelines

BEST PRACTICES IN CORPORATE
GOVERNANCE

- o Directors are required to attend a full-day program of continuing Board of Directors education at least once every 2 years
- o Company has a mandatory age limit that precludes Directors standing for re-election in the year following their 73rd birthday*
- o Director limitations (including age restriction) and requirements are in El Paso corporate governance guidelines; these guidelines are treated as binding but may be waived to extent permitted by NYSE and applicable law*

*Reflected in El Paso corporate governance guidelines

BEST PRACTICES INCLUDE CLEAR
COMMITTEE GUIDELINES

- o Audit committee consists solely of Directors who meet the heightened audit committee independence requirements and NYSE's financial literacy standards, and includes a "financial expert"
- o Audit Committee members cannot serve on more than two other public company audit committees
- o Company's compensation and governance committees consist solely of independent Directors
- o Compensation committee now consists of Bissell and Wyatt plus new Directors Whitmire, Dunlap, and Talbert
- o Each committee is authorized to engage its own advisors and counsel
- o Company's corporate governance guidelines and the committee charters are publicly available

PRO-SHAREHOLDER TAKEOVER PROFILE

- o No staggered Board of Directors

- o No-rights plan or "poison pill"
- o El Paso proposes to eliminate its "Fair Price" supermajority charter provision at this year's annual meeting

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Zilkha/Wyatt
Proxy Contest

THE CASE AGAINST ZILKHA/WYATT

- o We tried to avoid this proxy contest
- o No detailed business plan
- o 3 different management plans; wrong choice for CEO
- o Oscar Wyatt's leading role
- o Zilkha/Wyatt nominees lack detailed company knowledge, board experience, and relevant recent work experience*

*See slide 45

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EL PASO SOUGHT TO AVOID THIS
PROXY CONTEST

- o Consistently sought to engage Mr. Zilkha in dialogues to address his concerns, including meetings with him and his advisors
- o Offered Mr. Zilkha the opportunity to submit candidates for nomination to the Board of Directors
- o Despite these efforts, Mr. Zilkha rejected the company's proposals and chose to launch the Zilkha/Wyatt proxy campaign

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ZILKHA/WYATT PROXY CONTEST

SELIM ZILKHA:

- o Criticized strategic decisions which El Paso's Board of Directors approved while Zilkha was serving as a director or advisory director of the Company
- o During Zilkha's service as a director from October 1999 until January 2001 he voted in favor of all Board of Directors decisions and as an advisory director from January 2001 until June 2002, Zilkha did not dissent from any Board of Directors decision
- o Voluntarily chose to relinquish his role as an advisory director to sell El Paso stock
- o Zilkha/Wyatt have not presented a detailed business plan and have only offered a series of general statements about their plan for El Paso, which the Houston Chronicle has described as "strikingly similar" to El Paso's plan in an article comparing the plans*

*Source: Houston Chronicle, Laura Goldberg, May 7, 2003

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OSCAR WYATT IS PLAYING LEADING ROLE
IN PROXY CONTEST

-
- o Based upon information provided personally by Mr. Wyatt to El Paso, correspondence and e-mails, El Paso believes that Mr. Wyatt has played a leading role in recruiting the Zilkha/Wyatt nominees and in the planning and execution of the proxy contest
 - o According to their Proxy Statement, Mr. Wyatt has advised Mr. Zilkha that he does not intend to seek office in the future with El Paso
 - o Mr. Wyatt has recently made telephone calls to a senior executive of El Paso in which he (Wyatt) stated that after he takes control of El Paso he will set the terms and conditions of executive employment

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ZILKHA/WYATT PROXY CONTEST

EL PASO BELIEVES THE INTERESTS OF OSCAR WYATT CONFLICT
WITH THE INTERESTS OF THE COMPANY'S SHAREHOLDERS

- o Mr. Wyatt is the lead plaintiff in a shareholder suit against El Paso

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- o Mr. Wyatt is the defendant in a lawsuit brought by El Paso resulting from his default on payment of a company loan guarantee in the amount of \$2.5 MM plus interest
- o He has formed an energy company, NuCoastal, which has attempted to acquire assets that compete with El Paso, including Enron's Transwestern pipeline; Mr. Wyatt has also bid on El Paso assets*

*Source: The Oil Daily, March 20, 2003

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ZILKHA/WYATT PROXY CONTEST

OSCAR WYATT'S ACTIVITIES AT COASTAL

- o Criminal guilty plea by Mr. Wyatt and another Coastal officer of knowingly and willfully violating federal crude oil pricing regulations in connection with 1975 sales of domestic and foreign crude oil by Coastal subsidiaries
- o December 31, 1978 permanent injunction issued by the District Court of Travis County, Texas that prohibits Mr. Wyatt from ever owning any interests in certain former Coastal subsidiaries, which El Paso acquired in 2000, in connection with the settlement of a lawsuit relating to Coastal's failure to provide winter gas supplies under contracts with San Antonio, Austin and various other Texas municipalities in the 1970s
- o Series of greenmail transactions by Coastal in connection with unsolicited bids for publicly traded companies, including Texas Gas Resources, Pioneer Corp., Houston Natural Gas, and Sonat in the 1980s
- o History of actions adverse to stockholder interests
 - Coastal maintained a staggered Board of Directors structure for many years until its acquisition by El Paso in 2001, according to Coastal's annual proxy statements; In addition, as described in more detail in El Paso's Proxy Statement, under Mr. Wyatt's leadership, Coastal issued a dividend of super voting stock that had the effect of increasing Mr. Wyatt's control over Coastal

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ZILKHA/WYATT NOMINEES

- o Zilkha/Wyatt nominees have:
 - Limited knowledge of El Paso
 - Limited recent business experience
 - No or limited public company Board of Directors experience

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- o 3 nominees (Black, Burns, Singleton) have no public company Board of Directors experience
- o 3 nominees (Bennett, Bowman, Davis) have served on only one public company Board of Directors

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CONCLUSION

- o EI Paso's Board of Directors and management are strong and have made excellent progress
- o Current business plan is on track and we are focused on delivering substantial shareholder value
- o Focus on additional debt and cost reduction
- o Long Range Planning Committee process to achieve substantial improvements in earnings and free cash flow
- o We believe that shareholders should reject the Zilkha/Wyatt proposal

WE RECOMMEND THAT SHAREHOLDERS VOTE THE WHITE
PROXY CARD TO ENSURE EL PASO'S PROGRESS

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BOARD OF DIRECTORS NOMINEES

BOARD OF DIRECTORS NOMINEES

JOHN M. BISSELL
Lead Director

Director since: 2001
Member: Audit and
Compensation Committees
Age: 72

Chairman of the Board, BISSELL Inc.
Grand Rapids, MI: Floor Care, Appliance
and Detergent manufacturer

Previously: Director of The Coastal
Corporation (1985-2000); Director of
American Natural Resources Company, (1983-
1996)

JUAN CARLOS BRANIFF

Vice Chairman, Grupo Financiero BBVA
Bancomer Mexico City, Mexico: Commercial

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Director since: 1997
Chairman: Audit Committee
Member: Finance
Committee
Age: 45

Banking Institution

Member of Board of Directors of Fomento
Economico Mexicano, S.A. de C.V. and Coca
Cola FEMSA, S.A. de C.V.

Previously: Grupo Financiero BBVA Bancomer
Deputy Chief Executive Officer of Retail
Banking (1994-1999), Executive Vice
President of Capital Investments and
Mortgage Banking (1991-1994)

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BOARD OF DIRECTORS NOMINEES

JAMES L. DUNLAP

Director since: April 2003
Member: Compensation and
Governance Committees
Age: 65

Member of Board of Directors of
Massachusetts Mutual Life Insurance Company

Previously: Vice Chairman, President and
Chief Operating Officer of Ocean Energy/
United Meridian Corporation (1996-1999),
Senior Vice President of Texaco Inc.
(1994-1996), President of Texaco U.S.A.
(1987-1994), President and Chief Executive
Officer of Texaco Canada Inc. (1984-1986),
Vice Chairman of Texaco Ltd, London
(1982-1983)

ROBERT W. GOLDMAN

Director since: February 2003
Chairman: Finance
Committee
Member: Audit Committee
Age: 60

Business Consultant

Previously: Senior Vice President, Finance
and Chief Financial Officer of Conoco Inc.
(1998-2002) and Vice President, Finance
(1991-1998); Held various executive
positions with Conoco Inc. and E.I.
Du Pont de Nemours & Co., Inc.; Vice
President and Controller of Conoco Inc.
and Chairman of the Accounting Committee
of the American Petroleum Institute

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BOARD OF DIRECTORS NOMINEES

ANTHONY W. HALL, JR.

Director since: 2001
Member: Governance and
Finance Committees
Age: 58

City Attorney, City of Houston, Texas

Previously: Director of The Coastal
Corporation (1999-2001) Partner in the
law firm of Jackson Walker, LLP

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RONALD L. KUEHN, JR. Chairman of the Board and Chief Executive Officer, El Paso Corporation
Houston, TX: Diversified Energy Company

Director since: 1999
Age: 68

Member of Board of Directors of AmSouth Bancorporation, Praxair, Inc. and The Dun & Bradstreet Corporation

Previously: Lead Director of El Paso (2002-2003); Non executive Chairman of the Board of Paso (1999-2000); President and CEO of Sonat Inc. (1984-1999); Chairman of the Board of Sonat Inc. (1986-1999)

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BOARD OF DIRECTORS NOMINEES

J. CARLETON MACNEIL, JR. Financial Consultant, securities brokerage and investments

Director since: 2001
Member: Audit and Governance Committees
Age: 68

Previously: Director of The Coastal Corporation (1997-2001); Director of American Natural Resources Company (1993-1996)

THOMAS R. MCDADE Senior Partner, McDade Fogler Maines, L.L.P. Houston, TX: Law Firm

Director since: 2001
Member: Finance Committee
Age: 70

Previously: Director of The Coastal Corporation (1993-2001); Director of Equity Corporation International; Senior Partner with the law firm Fulbright & Jaworski

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BOARD OF DIRECTORS NOMINEES

J. MICHAEL TALBERT Chairman of the Board, Transocean Inc. Houston, TX: Offshore Drilling Company

Director since: April 2003
Member: Compensation and Finance Committees
Age: 56

Member of Board of Directors of Transocean Inc. (since 1994) Previously: CEO of Transocean Inc. and its predecessor companies (1994-2002); President and CEO of Lone Star Gas Company (1990-1994); President of Texas Oil & Gas Company (1987 to 1990); Various positions at Shell Oil Company (1970- 1982); Formerly Chairman of the National Ocean Industries Association

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MALCOLM WALLOP

Director since: 1995
Chairman: Governance
Committee
Member: Audit Committee
Age: 70

Chairman, Western Strategy Group
Arlington, VA: Consulting Group

President, Frontiers of Freedom Foundation,
Arlington, VA: Political Foundation

Member of Board of Directors of Hubbell
Inc. and Sheridan State Bank

Previously: Member of the United States
Senate for 18 years

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BOARD OF DIRECTORS NOMINEES

JOHN WHITMIRE

Director since: March 2003
Member: Compensation
Committee
Age: 62

Chairman of the Board, CONSOL Energy, Inc.
Pittsburgh, PA: Multifuel Energy Provider
and Energy Service Provider

Member of Board of Directors of
GlobalSantaFe

Previously: Chairman and CEO of Union Texas
Petroleum Holdings, Inc. (1996-1998);
More than 30 years serving Phillips
Petroleum Company in various positions
including Executive Vice President
of Worldwide E&P (1992-1996) and Vice
President of North American E&P
(1988-1992); Member of the Phillips
Petroleum Company Board of Directors
(1994-1996)

JOE B. WYATT

Director since: 1999
Chairman: Compensation
Committee
Member: Governance Committee
Age: 67

Chancellor Emeritus, Vanderbilt University
Nashville, TN: Higher Education

Member of the Board of Directors of Ingram
Micro, Inc. and Hercules, Inc., Chairman
of the Board for the University Research
Association, Inc. and New American Schools,
Inc.

Principal of the Washington Advisory Group,
LLC of Washington, D.C.

Previously: Chancellor, Chief Executive
Officer and Trustee of Vanderbilt
University for more than 18 years; Director
of Sonat Inc. (1984-1999)

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INVESTOR PRESENTATION

MAY 2003

Annex A

Copyright 1997 Bloomberg L.P.
Bloomberg News

July 1, 1997, Tuesday 6:30 pm Eastern Time

LENGTH: 761 words

HEADLINE: PENNZOIL TURNS DOWN BID BY UNION PACIFIC RESOURCES

DATELINE: HOUSTON

BODY:

Pennzoil Co.'s board recommended shareholders reject a \$ 6.4 billion hostile takeover bid from Union Pacific Resources Group Inc., calling the offer inadequate and ill timed.

Union Pacific Resources said it was "disappointed, but undeterred" by the response of Pennzoil's board, and said a combination of the companies is "inevitable."

Pennzoil chief executive James Pate said Pennzoil shareholders will gain more if the company remains independent because it is poised to reap the benefits of an extensive restructuring over the past two years, he said.

"This is not the time to be selling the company," Pate said in a telephone conference call.

Seeing the company's strategic plan to fruition "promises to deliver more value to shareholders than any kind of combination with Union Pacific Resources or anybody else," he said. The Pennzoil board is "in unanimous agreement that we want to remain independent," he said.

Pennzoil's financial advisers, Lehman Brothers Inc., Evercore Group Inc. and J.P. Morgan Securities Inc., also said the Union Pacific Resources' offer was inadequate, the Pennzoil official said.

The Pennzoil statement that it could better Union Pacific's offer of \$ 84 a share through internal growth drew skepticism.

Union Pacific Resources, which is based in Fort Worth, Texas, said in a statement that "the Pennzoil response today offers nothing new for shareholders. For many years, Pennzoil's management has claimed to be pursuing new strategic initiatives, all without results."

Benjamin Rice, an analyst with Brown Brothers Harriman, said without another buyer, Pennzoil's rejection of the offer was a mistake.

"Pennzoil has a short reserve life and a lot of debt," he said. "To reject that offer, they've got to have a white knight coming in, but I don't know who else is going to come along. I don't know what Pennzoil is going to be

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able to do to give shareholders \$ 84 of value."

Union Pacific Resources said it could develop Pennzoil's oil and gas properties in the Gulf of Mexico more effectively and more profitably than Pennzoil. A Pennzoil acquisition also would give Union Pacific Resources the nation's top brand of motor oil and Jiffy Lube, the largest chain of quick-change automotive oil centers.

Pennzoil shares fell 1 1/8 to 75 3/8, while Union Pacific Resources rose 1/8 to 25. Pennzoil's decision was announced after the close of trading.

In its critique of the Union Pacific bid, Pennzoil also questioned the value of Union Pacific Resources' two-tier offer, which would pay cash to the first Pennzoil shareholders to surrender their stock and Union Pacific Resources shares to the rest. The company said the Union Pacific stock value might drop in value.

In explaining its restructuring, Pate said Pennzoil sold 90 percent of its oil and gas properties to focus on the most-promising prospects and slashed costs by cutting the dividend and laying off workers.

At the same time, the Houston-based company updated its Shreveport, Louisiana, refinery and entered a lubricants joint venture with Conoco Inc. The two projects will provide \$ 70 million, or \$ 1.50 a share, of after-tax cash flow to Pennzoil as they become fully operational, he said.

The takeover offer also doesn't adequately value Pennzoil's international oil and gas properties, said Stephen Chesebro', president of Pennzoil Exploration and Production Co.

Pennzoil is a partner in two exploration ventures in the Caspian Sea that are believed to hold billions of barrels of oil each, and is searching for crude and natural gas in Egypt, Qatar and Venezuela. The company's international portfolio "is irreplaceable today," Chesebro' said.

Pate said second-quarter earnings that will be reported later this month "should match or exceed" estimates of a survey of analysts and results for all of 1997 also will meet or exceed estimates for the full year.

Pennzoil is expected to earn 69 cents a share in the second quarter that ended yesterday and \$ 3.36 for the full year, based on an average estimate of analysts surveyed by First Call.

The company will have cash flow of over \$ 12.50 a share this year, up from \$ 9.50 last year and \$ 6.75 in 1995, Pate said.

UPDATED-INFO: Adds Union Pacific Resources' response in second paragraph, adds information on international properties, Pennzoil's financial advisers.

LOAD-DATE: July 1, 1997