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EL PASO CORP/DE
Form 8-K
January 21, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report: January 20, 2005
(Date of Earliest Event Reported: January 14, 2005)

EL PASO CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1-14365
(Commission File Number)

76-0568816
(I.R.S. Employer
Identification No.)

El Paso Building
1001 Louisiana Street
Houston, Texas 77002
(Address of principal executive offices) (Zip Code)

(713) 420-2600
(Registrant's telephone number, including area code)

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Item 9.01. FINANCIAL STATEMENTS AND EXHIBITS

b. Unaudited Pro Forma Financial Statements

On January 14, 2005, we sold our remaining interests in Enterprise Products GP, LLC, the general partner of Enterprise Products Partners, L.P., and Enterprise Products Partners L.P. (Enterprise) to affiliates of EPCO, Inc. for approximately \$425 million. The transaction includes the sale of El Paso's 9.9 percent membership interest in the general partner of Enterprise and approximately 13.5 million common units in Enterprise.

Previously, on September 30, 2004, we completed the sale of a portion of our ownership interests in GulfTerra Energy Partners, L.P. ("GulfTerra") and

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nine processing plants in South Texas to affiliates of Enterprise. The sales were completed in connection with the closing of the merger between GulfTerra and Enterprise. This Current Report on Form 8-K provides the pro forma impacts of these sales.

These unaudited pro forma financial statements are based on our historical consolidated financial statements as of and for the nine months ended September 30, 2004, and for the year ended December 31, 2003, adjusted for the effects of the sales of our interests in Enterprise and GulfTerra and the processing plants described above. The unaudited pro forma balance sheet as of September 30, 2004, assumes that the January 14, 2005 disposition of our remaining interests in Enterprise occurred on the balance sheet date. The unaudited pro forma statements of income for the nine months ended September 30, 2004, and for the year ended December 31, 2003, assume all dispositions occurred on January 1, 2003. The unaudited pro forma financial statements should be read in conjunction with the historical consolidated financial statements included in our Quarterly Report on Form 10-Q for the nine months ended September 30, 2004, and our Annual Report on Form 10-K for the year ended December 31, 2003, and should not be construed to be indicative of future results or results that actually would have occurred had the transactions occurred at the dates presented. In addition, these pro forma financial statements were prepared in accordance with Article 11 of Regulation S-X. Accordingly, we have not assumed any cost savings or synergies that might occur related to these transactions.

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EL PASO CORPORATION
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
 AS OF SEPTEMBER 30, 2004
 (In millions)

	EL PASO HISTORICAL -----	PRO FORMA ADJUSTMENTS -----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,329	\$ 425 (a)
Accounts and notes receivable, net	1,634	
Assets held for sale and from discontinued operations	480	
Other	1,534	
	-----	-----
Total current assets	5,977	425
Property, plant and equipment, net	18,625	
Other assets		
Investments in unconsolidated affiliates	3,052	(256) (a)
Other	4,141	
	-----	-----
Total assets	\$ 31,795	\$ 169
	=====	=====
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 1,336	
Short-term financing obligations, including current maturities	1,554	
Liabilities related to assets held for sale	149	

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Other	1,789	167 (a)
		(1) (a)
	-----	-----
Total current liabilities	4,828	166
	-----	-----
Long-term debt	17,673	
	-----	-----
Other liabilities		
Deferred income taxes	1,598	(102) (a)
Other	3,298	(15) (a)
	-----	-----
	4,896	(117)
	-----	-----
Commitments and contingencies		
Securities of subsidiaries	366	
	-----	-----
	366	
	-----	-----
Stockholders' equity		
Common stock	1,952	
Additional paid-in capital	4,557	
Accumulated deficit	(2,189)	120 (a)
Other	(288)	
	-----	-----
Total stockholders' equity	4,032	120
	-----	-----
Total liabilities & stockholders' equity	\$ 31,795	\$ 169
	=====	=====

See accompanying notes

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EL PASO CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004
(In millions)

	EL PASO HISTORICAL	PRO FORMA ADJUSTMENTS
	-----	-----
Operating revenues	\$ 4,510	\$ (722) (b)
	-----	-----
Operating expenses		
Cost of products and services	1,215	(528) (b)
Operation and maintenance	1,281	(12) (b)
Depreciation, depletion and amortization	808	(8) (b)
Loss on long-lived assets	789	(491) (b)
Taxes, other than income taxes	197	(2) (b)
	-----	-----
	4,290	(1,041)
	-----	-----
Operating income	220	319
Earnings from unconsolidated affiliates	815	(607) (b)
Other income, net	82	
Interest and debt expense	(1,229)	
Distributions on preferred interests of consolidated		

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subsidiaries	(18)	-----
Loss before income taxes	(130)	(288)
Income taxes	(124)	240 (c)
Loss from continuing operations	\$ (254)	\$ (48)
Basic and diluted loss per common share from continuing operations	\$ (.40)	=====
Basic and diluted average common shares outstanding	639	=====

See accompanying notes

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EL PASO CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2003
(In millions)

	EL PASO HISTORICAL	PRO FORMA ADJUSTMENTS
	-----	-----
Operating revenues	\$ 6,711	\$ (782) (b)
Operating expenses		
Cost of products and services	1,787	(617) (b)
Operation and maintenance	2,121	(17) (b)
Depreciation, depletion and amortization	1,207	(12) (b)
Ceiling test charges	76	
Loss on long-lived assets	949	(166) (b)
Taxes, other than income taxes	296	
	6,436	(812)
Operating income	275	30
Earnings (losses) from unconsolidated affiliates	363	(420) (b)
Other income, net	1	
Interest and debt expense	(1,787)	
Distributions on preferred interests of consolidated subsidiaries	(52)	
Loss before income taxes	(1,200)	(390)
Income taxes	584	136 (d)
Loss from continuing operations	\$ (616)	\$ (254)
Basic and diluted loss per common share from continuing operations	\$ (1.03)	=====
Basic and diluted average common shares outstanding	597	=====

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See accompanying notes

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EL PASO CORPORATION NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

EL PASO HISTORICAL

These amounts represent our condensed historical consolidated balance sheet and income statement information. Amounts as of and for the nine months ended September 30, 2004 were derived from our Quarterly Report on Form 10-Q for the nine months ended September 30, 2004. Amounts for the year ended December 31, 2003 were derived from our 2003 Annual Report on Form 10-K.

PRO FORMA ADJUSTMENTS

These amounts represent the historical results and balances related to our interests in Enterprise and GulfTerra which were accounted for as equity investments and the nine processing plants sold to affiliates of EPCO, Inc. as of and for the periods presented. The pro forma adjusting entries reflect the following transactions:

- o The sale of all of our interest in the general partner of Enterprise and GulfTerra;
- o The redemption of our Series B units of GulfTerra;
- o The elimination of all effects of our common units and Series C units of GulfTerra and Enterprise; and
- o The elimination of all non-affiliated effects of the nine processing plants sold.

PRO FORMA ADJUSTING ENTRIES

- (a) To reflect the pro forma effects of the sale of our remaining Enterprise interests on our condensed consolidated balance sheet. The pro forma effects include the following:
- (1) Receipt of proceeds of \$425 million from the sale of our remaining 9.9 percent interest in the general partner of Enterprise and 13.5 million of Enterprise common units.
 - (2) Elimination of the remaining carrying value of our investment in Enterprise of \$256 million and unamortized current and non-current deferred gains of \$16 million that were previously recorded related to asset sales to GulfTerra.
 - (3) Recording current income taxes payable of \$167 million, which includes reclassifying deferred income taxes of \$102 million.
 - (4) Recording a \$120 million gain, net of income taxes, associated with the sale transaction.

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- (b) To reflect the pro forma effects of the sale of our Enterprise and GulfTerra interests and nine processing plants on our condensed consolidated income statements. The pro forma effects include the following:
- (1) Adjustment for the historical results of operations for our nine processing plants, including impairment charges recorded during 2003 and 2004 on these assets;
 - (2) Reduction of earnings from unconsolidated affiliates for (i) all of our general partner interest, (ii) all of our Series C units, (iii) all of our Series B units redeemed by GulfTerra during 2003, and (iv) all of our common units sold; and
 - (3) Elimination of gains and losses on long-lived assets during 2003 and 2004 on sales of our Enterprise and GulfTerra interests.
- (c) To reflect income taxes related to 2004 income statement adjustments. Income taxes were computed using a statutory rate of 35 percent except for taxes on the net gain related to the sale of our interests in GulfTerra and our nine processing plants. Taxes on the net gain were computed separately and resulted in significant tax expense of \$139 million due to the non-deductibility of goodwill which was written off as a result of these transactions. The statutory rate of 35 percent differs from our effective tax rate.
- (d) To reflect income taxes related to 2003 income statement adjustments at a statutory tax rate of 35 percent. This rate differs from our effective tax rate.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

EL PASO CORPORATION

By: /s/ JEFFREY I. BEASON

Jeffrey I. Beason
Senior Vice President and Controller
(Principal Accounting Officer)

Date: January 20, 2005

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