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EL PASO CORP/DE
Form 8-K
October 07, 2004

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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: October 7, 2004
(Date of Earliest Event Reported: September 30, 2004)

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 2.01. COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS

On September 30, 2004, we completed the previously announced sale of our ownership interests in GulfTerra Energy Partners, L.P. ("GulfTerra") and nine processing plants in South Texas to affiliates of Enterprise Products Partners, L.P. ("Enterprise"). The sales were completed in connection with the closing of the merger between GulfTerra and Enterprise. This Current Report on Form 8-K is being filed to provide the pro-forma financial impacts of the sale on our historical financial statements for the year ended December 31, 2003. We will file an additional report on Form 8-K to provide the additional pro-forma financial information on the sale when we file our Form 10-Q for the six months ended June 30, 2004.

Item 9.01. FINANCIAL STATEMENTS AND EXHIBITS

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b. Unaudited Pro Forma Financial Statements

The accompanying unaudited pro forma financial statements are based on our historical consolidated financial statements as of and for the year ended December 31, 2003, adjusted for the effects of the sale of our interests in GulfTerra and the processing plants described above. The unaudited pro forma balance sheet as of December 31, 2003, assumes these dispositions occurred on the balance sheet date. The unaudited pro forma statement of income for the year ended December 31, 2003, assumes these 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 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 made any assumptions or adjustments for possible increases or decreases in distributions by GulfTerra Energy Partners or 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 DECEMBER 31, 2003
(In millions)

	EL PASO HISTORICAL -----	PRO FORMA ADJUSTMENTS -----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,429	\$ 1,010 (a)
Accounts and notes receivable, net	2,492	
Assets held for sale	1,139	(150) (a)
Other	3,862	(3) (a)
	-----	-----
Total current assets	8,922	857
	-----	-----
Property, plant and equipment, net	18,594	--
Other assets		
Investments in unconsolidated affiliates	3,551	65 (a) (418) (a)
Other	6,017	(660) (a)
	-----	-----
Total assets	\$ 37,084 =====	\$ (156) =====
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 2,055	
Short-term financing obligations, including current maturities	1,457	
Liabilities related to assets held for sale	236	
Other	3,326	(3) (a) (11) (a)
	-----	-----

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Total current liabilities	7,074	(14)
	-----	-----
Long-term debt	20,275	
	-----	-----
Other liabilities		
Deferred income taxes	1,571	147 (a)
Other	3,243	(79) (a)
		(2) (a)
	-----	-----
	4,814	66
	-----	-----
Commitments and contingencies		
Securities of subsidiaries	447	(84) (a)
	-----	-----
	447	(84)
	-----	-----
Stockholders' equity		
Common stock	1,917	
Additional paid-in capital	4,576	
Retained earnings	(1,785)	(124) (a)
Other	(234)	
	-----	-----
Total stockholders' equity	4,474	(124)
	-----	-----
Total liabilities & stockholders' equity	\$ 37,084	\$ (156)
	=====	=====

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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	2,017	(17) (b)
Depreciation, depletion and amortization	1,207	(12) (b)
Ceiling test charges	76	
Loss on long-lived assets	949	(166) (b)
Western Energy Settlement	104	
Taxes, other than income taxes	296	
	-----	-----
	6,436	(812)
	-----	-----
Operating income (loss)	275	30
	-----	-----
Earnings (losses) from unconsolidated affiliates	363	(378) (b)
Other income, net	1	
Interest and debt expense	(1,787)	

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Distributions on preferred interests of consolidated subsidiaries	(52)	
	-----	-----
Loss before income taxes	(1,200)	(348)
Income taxes	584	122 (c)
	-----	-----
Loss from continuing operations	\$ (616)	\$ (226)
	=====	=====
Basic and diluted loss per common share from continuing operations	\$ (1.03)	
	=====	
Basic and diluted average common shares outstanding	597	
	=====	

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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 derived from our Annual Report on Form 10-K for the year ended December 31, 2003.

PRO FORMA ADJUSTMENTS

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

- o The sale of 100 percent of our interest in the general partner of GulfTerra, which includes the elimination of a minority ownership in the general partner that arose from the interest previously sold to Enterprise in December 2003,
- o The redemption of our Series B units of GulfTerra which occurred in October 2003,
- o The elimination of all effects of our common units and Series C units of GulfTerra, with the exception of the amounts related to the units retained by us, 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 GulfTerra interests and South Texas processing assets on our consolidated balance sheet. The pro forma effects include the following:
- (1) Receipt of net proceeds of \$1.01 billion from the sale of our remaining 50 percent interest in the general partner of GulfTerra, 10.9 million Series C units, 2.9 million common units, and nine processing plants in South Texas. In addition to the cash proceeds, we received a 9.9 percent interest in the general partner of the combined organization that has an estimated fair value of \$65

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- million;
- (2) Reduction of our net investment in GulfTerra by \$418 million;
 - (3) Elimination of goodwill included in our Field Services segment of \$480 million as a result of the completion of the sale and \$180 million of intangible assets associated with the assets sold;
 - (4) Elimination of a portion of the previously deferred gains on prior transactions with GulfTerra of \$82 million (\$79 million of which was included in non-current liabilities);
 - (5) Elimination of minority interest of \$84 million related to the previous sale of an effective 50 percent interest in GulfTerra to Enterprise in December 2003;
 - (6) Elimination of the carrying value as of December 31, 2003 of the nine South Texas processing plants which were classified as assets held for sale of \$150 million, \$3 million of inventory, and related liabilities of \$13 million, (\$11 million of which was part of current liabilities);
 - (7) Recording a \$124 million net loss associated with the sale transaction. The amount consists of a \$23 million pretax gain on the sale and income taxes of \$147 million related to the gain on the sale. This amount reflects the non-deductibility of goodwill eliminated in the sale transaction.

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- (b) To reflect the pro forma effects of the sale of our GulfTerra interests and South Texas processing assets on our consolidated income statement. The pro forma effects include the following:
- (1) Reduction of earnings from unconsolidated affiliates of approximately \$112 million for (i) our general partner interests, (ii) all Series C units, (iii) all Series B units redeemed by GulfTerra during 2003, and (iv) the proportional share of income on GulfTerra common units sold.
 - (2) Elimination of gains (losses) recorded in earnings from unconsolidated affiliates during 2003 on sales of our GulfTerra interests, including:
 - (i) the net gain on the sale of an effective 50% general partner interest to Enterprise in the fourth quarter of 2003 of \$269 million,
 - (ii) an \$8 million realized gain related to our sale in 2003 of GulfTerra common units, and
 - (iii) an \$11 million realized loss on GulfTerra's redemption of our Series B units.
 - (3) Adjustment for the historical results of operations for our South Texas Processing Plants, including a \$166 million impairment charge recorded during 2003 on these assets
- (c) To reflect income taxes related to income statement adjustments at a statutory tax rate of 35 percent.

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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.

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EL PASO CORPORATION

By: /s/ JEFFREY I. BEASON

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

Date: October 7, 2004

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