

ZILKHA SELIM K
Form DFAN14A
June 10, 2003

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

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Check the appropriate box:

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EL PASO CORPORATION

(Names of Registrant as Specified in Its Charters)

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SELIM K. ZILKHA

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

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Selim K. Zilkha

Investor Presentation

regarding

El Paso Corporation

June 2003

Agenda

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Smooth Transition

Q & A

Selim K. Zilkha Investor Presentation

Introduction

Shareholders

Directors

Management

Selim K. Zilkha Investor Presentation

Shareholder Viewpoint Selim K. Zilkha

The Results of Current El Paso Leadership

Shareholder Decline of over 90%

Repeatedly Endorsed Failed Business Strategies

Inability to Define and Execute a Clear Plan Going Forward

Continuing Lack of Transparency in Financial Disclosures

El Paso's Flawed Culture

Fundamental Change is Required

Selim K. Zilkha Investor Presentation

Shareholder Scorecard

Performance v. Standard & Poors Multi-Utilities & Unregulated Power Index (from April 1, 2002 to February 18, 2003)

El Paso's stock price has underperformed several other indices and stocks from April 1, 2002 to February 18, 2003 (the date that Mr. Zilkha started this proxy contest):

EP down 72.07 percentage points versus AMEX Natural Gas Index.

EP down 65.54 percentage points versus Standard and Poor's 500 Index.

EP down 3.46 percentage points versus The Williams Companies Inc.

EP down 31.06 percentage points versus Duke Energy Corporation.

EP down 100.79 percentage points versus Kinder Morgan Energy Partners LP.¹

¹ Kinder Morgan's stock price has increased while El Paso's stock price has plummeted.

Shareholder Viewpoint Selim K. Zilkha

Our Nominees

World class group with wealth of industry specific experience

Committed to restoring credibility

Determined to regain shareholder value

Not beholden to anyone, focused on shareholders

The Zilkha slate has demonstrated leadership in corporate governance

According to John Olson, this proposed Board is as deep a bench of energy talent available in Houston at large².

² John Olson, Sanders Morris Harris analyst report, February 18, 2003.

Issues Regarding The Current El Paso Board

Lack of focus by continually pursuing and then abandoning high risk strategies, including telecommunications, LNG and energy trading

Inability to execute a sustainable business strategy as they continue to spend more cash than they generate and over-leverage the company

Continuing an approach to disclosure that makes it almost impossible to understand El Paso's true financial position

Result this Board and Management are suffering from a lack of credibility

Threats of golden parachute severance plans are disingenuous the current Board has the authority to eliminate this economic threat

Selim K. Zilkha Investor Presentation

Issues Regarding The Current El Paso Board (cont.)

We believe investors are appropriately skeptical of companies that repeatedly report non-recurring charges. El Paso's history in this respect is poor. A recent A.G. Edwards analyst report states: "[t]he company once again reported large non-recurring charges . . . In total, El Paso has taken non-recurring charges in excess of \$5 billion, or almost 7.50 per share, since 2000. El Paso has written off more than it has reported in pro forma earnings for this time period."³

Recent Non-Recurring Charges

March 31, 2003	\$ 534 million
December 31, 2002	\$ 2,282 million
December 31, 2001	\$ 2,292 million
December 31, 2000	\$ 125 million
Total	\$ 5,233 million

³ Michael C. Heim, A.G. Edwards analyst report, May 13, 2003.

Issues Regarding The Current El Paso Board

(cont.)

It is time to hold this Board accountable

For more details about our Issues, see Appendix A

Selim K. Zilkha Investor Presentation

Zilkha Slate *Our Philosophy*

A return to good basic management.

The Board will establish a corporate culture based upon sustainable profitability, efficiency and full disclosure.

All assets must earn the cost of capital or greater.

We will rebuild the financial structure so that El Paso can withstand the inevitable business cycles to which all businesses are exposed.

Management must be competent and reliable.

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Zilkha Slate *Our Philosophy (cont.)*

Our first step will be a thorough evaluation of all El Paso assets.

Productive assets are defined by their ability to generate returns on invested capital.

Assets that generate returns that equal or exceed the cost of capital will be supported and encouraged to grow and provided with the necessary capital.

Selim K. Zilkha Investor Presentation

Zilkha Slate *Our Philosophy (cont.)*

If an asset is not productive, our nominees will

Determine with management strategies to make the asset productive.

If an asset cannot be made productive, we will sell the asset and use the proceeds to fund growth or retire debt. If it cannot be sold, it will be shut down and its working capital reinvested.

Asset review will be headed by a board member with expertise in that asset category.

Selim K. Zilkha Investor Presentation

Zilkha Slate *Our Philosophy (cont.)*

Non-productive assets will be addressed systematically, taking those with the most value first. The first review will be of all assets with \$50 million in net book value and greater.

First set of asset reviews within 30 days of being seated.

Selim K. Zilkha Investor Presentation

Zilkha Slate Director Compensation

Philosophy

\$80,000 annual retainer and a \$15,000 Committee Chairperson annual retainer paid entirely in El Paso stock. Stock cannot be sold until Director no longer serves on the Board.

One time stock option grant for shares with a market value equal to 50% of the annual retainer.

Must own 3 times annual retainer in company stock within 3 years.

All other Director plans will be cancelled.

Existing El Paso Long-Term Incentive Compensation Plan will be reviewed and any changes will be reviewed and any changes will be submitted for shareholder approval.

No longer provide loans and/or guarantees to company officers.

Mr. Zilkha will waive all rights to director compensation.

Zilkha Slate CEO Compensation

Philosophy

Annual base salary of \$900,000.

Maximum Annual incentive award not to exceed 1.5 times base salary and payable only upon attainment of Board performance objectives.

Long term incentive compensation.

A grant of 400,000 stock options at the current market price vesting over three years.

A grant of 100,000 restricted shares vesting over three years.

No additional grants during the first three years.

Must own 5 times annual base in company stock within 5 years.

No golden parachute severance package.

Selim K. Zilkha Investor Presentation

Zilkha Slate *Our* Management Plan

Elect John J. Murphy Chairman of the Board.

Elect Stephen D. Chesebro CEO.

Retain all members of management who are committed to rebuilding El Paso.

Build a team focused on shareholder value.

Aggressively review all existing management arrangements.

Selim K. Zilkha Investor Presentation

Zilkha Slate *Our Business Plan*

Immediately focus on core (productive) assets to maximize fundamental cash earnings and improve return on equity. **WE** define core assets as Exploration and Production, Pipeline and Midstream assets that earn their required returns on invested capital.

Exit non-core (non-productive) assets and related overhead costs on sound economic terms.

Aggressively reduce administrative costs to be equal to, or below, industry norms.

Set reasonable, but aggressive, operating and financial targets for each business unit, and hold them accountable for their performance. Reward exceptional performance.

Selim K. Zilkha Investor Presentation

Zilkha Slate *Our Business Plan (cont.)*

Maintain adequate pipeline expenditures to ensure safe, reliable and efficient operations.

Enhance capital available for Exploration and Production through partnerships, farm-outs and other financial arrangements.

Reduce El Paso's leverage, primarily through improved operating performance.

Work to restructure existing debt to consolidate and extend maturities where practicable.

Immediately enhance El Paso's financial and business disclosure.

Selim K. Zilkha Investors Presentation

Our Nominees Will Bring Stability to El Paso in a Smooth Management Transition

We believe the management transition to the new board will be a smooth one because of the broad energy industry expertise that exists within the slate and the personal knowledge of significant portions of El Paso's core businesses and assets.

Mr. Chesebro was CEO of Tenneco Energy, which is an important part of El Paso's natural gas transmission system. Tenneco Energy owned and operated a large portion of El Paso's current Midstream Business. Mr. Chesebro established the base for most of El Paso's international operations including Australia, Indonesia and Brazil. In addition, Mr. Chesebro managed South Texas exploration and production activities for both Tenneco Oil Company and Pennzoil. Mr. Chesebro was operations manager for Tenneco's Gulf of Mexico operations when it was the largest and most active in the industry. Mr. Chesebro also led the energy industry in achieving increased reliability and transparency in energy trading practices by forming the Gas Industries Standards Board, where he was chairman for the first three years of the organization's existence.

Selim K. Zilkha Investor Presentation

Our Nominees Will Bring Stability to El Paso in a Smooth Management Transition (cont.)

Mr. Murphy has worked with most, if not all of the major pipeline and Exploration and Production companies building refineries, providing pipeline components, or directly contributing to the exploration, production, and processing of oil and gas.

Mr. Zilkha owned and operated a significant part of what is now El Paso's Exploration and Production Business Segment.

Mr. Burns and Mr. Bennett both have extensive experience directly related to El Paso's natural gas business, including trading.

Mr. Davis has extensive Exploration and Production plus Midstream experience, and like Mr. Black and Mr. Bowman has led successful Exploration and Production organizations in the United States and worldwide.

Selim K. Zilkha Investor Presentation

Our Nominees Will Bring Stability to El Paso in a Smooth Management Transition (cont.)

We also expect a smooth transition because we do not plan mass firings.

Given the current management turmoil at El Paso, we believe that far from bringing disruption, the election of our slate will help stabilize the situation.

Selim K. Zilkha Investor Presentation

Conclusion

Our nominees have superior experience.

Our nominees have superior credibility.

As the largest individual shareholder in El Paso, Mr. Zilkha is committed to maximizing the value of your and his investment.

Only fundamental change can fix El Paso's problems!

Selim K. Zilkha Investor Presentation

Selim K. Zilkha

Investor Presentation

regarding

El Paso Corporation

June 2003

Appendix A

Selim K. Zilkha Investor Presentation

Current El Paso Board Lack of Focus and Direction

The current board has repeatedly changed El Paso's business strategy, including pursuing and then abandoning a series of high-risk ventures that proved disastrous.

In 1999, El Paso announced in its annual report that it would enter the telecommunications arena in 2000, stating: "Our physical footprint, risk management capabilities, and Internet trading platform provide us with a strong entry point into this business."

By the end of 2001, El Paso had stated that it would no longer participate in the telecommunications market.

In 2001, El Paso announced in its annual report: "Future growth will be driven by our LNG business, increased market share in North America, expansion of our petroleum business, and the addition of selected power generation assets."

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Current El Paso Board Lack of Focus and Direction (cont.)

On May 2, 2002, El Paso stated during a call with analysts: The most significant development in merchant energy is our [LNG] business. The board of directors has authorized a major move by the Corporation into [LNG]. We believe we have real competitive advantage in the business and we believe it should be the largest growing subsegment of the energy sector over the next 10 years.

On May 29, 2002, El Paso implemented a restructuring plan in which its Merchant Energy Segment was reorganized so that LNG, Petroleum and Energy Trading Businesses would each report separately. El Paso's stated objective for this restructuring was to generate better and higher earnings, get the credit profile right.

On February 4, 2003, El Paso announced that it was exiting the LNG and Energy Trading Businesses and would seek to sell its petroleum assets.

A-2

Current El Paso Board Inability to Execute Current Business Plan

El Paso's latest plan calls for *preserving and enhancing the value of El Paso's core businesses* which, according to El Paso's SEC filings, include its Pipeline, Production, Midstream and Non-merchant Power Businesses, and *divesting non-core businesses*.

Since January 1, 2002 approximately 72% by value of El Paso's asset dispositions have been in core (not non-core) areas as identified by El Paso.

Since January 1, 2003 over 50% by value of El Paso's asset dispositions have been in core (not non-core) areas.

In El Paso's May 1 preliminary proxy statement, it once again changed its business plan by removing Non-merchant Power Business from the definition of its core areas.

Core v. Non-Core Divestitures Our Analysis

	As defined in April 24, 2003	
	Preliminary Proxy Statement filed by El Paso ¹	
	(\$ millions)	
	Core Assets	Non-core Assets
<u>2002 as reported in Annual Report on Form 10-K for the year ended December 31, 2003</u>		
Cove Point LNG contract		210
<u>2002 as reported in Annual Report on Form 10-K for the year ended December 31, 2003</u>		
Pipeline Segment	303	
Production Segment	1,297	
Field Services Segment (Midstream)	1,513	
Merchant Energy Segment		161
Corporate and Other		57
Total 2002	3,113	428
<u>2003 as reported in Annual Report on Form 10-K for the year ended December 31, 2003</u>		
Pipeline Segment	43	
Production Segment	687	
Field Services Segment (Midstream)	35	
Merchant Energy Segment		813
Corporate and Other		89
<u>2003 as reported in Preliminary Proxy Statement on May 7, 2003</u>		
European natural gas trading book		82
Other, including ECK generating project in Prague, Czech Republic		78
Other, including Enerplus Global Energy Management Company		65
East Coast Power L.L.C.	456	
North Louisiana and Mid-Continent field service	120	
Unspecified additional asset sales		79
Eagle Point refinery and related pipeline assets		130
Total 2003	1,341	1,336
Total 2002 and 2003	4,454	1,764
	72%	28%

¹ For more detailed information see Schedule II of the proxy statement filed by Selim K. Zilkha on May 12, 2003.

Current El Paso Board Severance & Compensation

The current board has insisted on retaining outrageously expensive golden parachutes and other related self-enrichment devices. Now they are threatening shareholders with the additional expenses associated with a novel change of control scheme, as a means of coercing you into retaining the current management and board.

According to El Paso's public filings, the severance arrangements are only payable if there is a change in control, which happens if, over two years there is a change in a majority of the board, unless the election or nomination for the election by El Paso Corporation's stockholders of each new director was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were directors at the beginning of the period.

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Current El Paso Board Severance & Compensation (cont.)

In other words, El Paso's current board could prevent the payment of at least \$75 million and an obligation to set aside at least \$165 million (which El Paso has now changed to \$123 million) by simply letting shareholders pick a Board of their choosing without the threat of a financial payout to current management if you elect our nominees. (We believe El Paso has in any event exaggerated the possible size of these payouts, which become due only if there is a change in control and a termination of employment – and although we plan to dismiss Mr. Kuehn, we are not planning mass firings.)

The current board has condoned and, in fact, rewarded management despite poor performance.

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Current El Paso Board Severance & Compensation (cont.)

William Wise, the CEO of El Paso until he was recently jettisoned, received compensation in excess of \$37 million between 2001 and 2003 while El Paso's stock price dropped from a high of over \$75 to a low of \$3.33. Wise's compensation, as disclosed in El Paso's proxy statement, is made up of salary and bonus of \$6.2 million paid to Mr. Wise, restricted stock awards valued at \$1.7 million, other compensation of \$4.5 million, \$9.4 million remaining salary and bonus due as severance under his employment contract and \$15.3 million lump sum retirement payment. This amount does not include a \$9 million dollar loan to Wise.

Brent Austin, who as El Paso's CFO had direct responsibility for the series of financing transactions including the off-balance sheet transactions that led to El Paso's current sorry state, was promoted to President in late 2002. El Paso announced his termination shortly after Mr. Zilkha criticized his performance and promotion.

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Current El Paso Board Credibility, Disclosure & Debt

According to a recent report by a Goldman Sachs analyst, One of El Paso's key challenges is restoring management credibility. The same report noted that their hiring a new CEO could help restore credibility.

A recent Morgan Stanley report concludes that the maximum prudent debt level for El Paso is \$11 billion in other words, the incumbent directors have permitted El Paso to become seriously over-leveraged.

Following the Board's high-risk business strategies, such as venturing into telecommunications, energy trading and LNG, as well as off-balance sheet financing transactions, and particularly because of the excessive levels of debt it authorized, El Paso's financial condition continued to decline, leading it to fall into its current severe liquidity crisis.

The Board's failure to act quickly and decisively almost certainly made the liquidity crisis worse than it otherwise would have been since earlier action could have reduced El Paso's expenses and debt.

Current El Paso Board Lack of Accountability

The current board has failed to act proactively and instead acts principally in response to outside pressure it belatedly fired Mr. Wise and added a few new directors almost immediately after Mr. Zilkha announced he would seek to replace the Board, demanded Mr. Wise be fired and criticized the Board's lack of energy industry experience.

The current board makes excuses for poor performance, rather than taking responsibility for it.

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Benefits of a Fresh Start

Issue	Current Board	Our Nominees
Planning	Strategy du jour	Strategy based on developing sustainable operating earnings and reasonable financial leverage
	Repeated pursuit and then abandonment of high-risk business strategies	
Execution	Recurring writedowns	History of success in running successful operating companies
	Cannot define core and non-core assets	
	Asset sales mostly core	
Credibility	One of El Paso's key challenges is restoring management credibility (Goldman Sachs)	this proposed board is as deep a bench of energy talent available in Houston at large (John Olson)

Benefits of a Fresh Start (cont.)

Issue	Current Board	Our Nominees
Experience	Less industry-specific	More industry-specific
	Less operational	More operational
	Proud to point out they've been on boards of other public companies outside the energy sector	Not distracted by service on public company boards outside the energy sector
Disclosure	Complex financing techniques that make it difficult to determine El Paso's financial condition (even Morgan Stanley can't tell if debt is \$24b or \$29b)	Committed to transparency
Corporate culture	Pro-forma financial reporting	
	Generous severance and compensation for inferior results	Committed to fiscal prudence
	Outrageous Change of Control scheme	

Our Nominees Non-Executive Chairman / Lead Director

Under El Paso's current board arrangements, Mr. Kuehn serves as Chairman and CEO (the positions recently held by Mr. Wise). El Paso's board recently appointed Mr. Bissell, Chairman of the Board of BISSELL Inc., a manufacturer of vacuum cleaners, as lead director. By contrast, we plan to separate the positions of Chairman and CEO. We intend that when our slate is elected, John Murphy will serve as Chairman and, in that capacity, as lead director. In that capacity, he will:

Set the frequency and agenda for meetings of the Board.

Conduct executive sessions of the Board without management.

Appoint Committees of the Board and establish the process for selecting the Chair of each Board Committee.

Select the Secretary of the Company.

Conduct a Board review of strategic and long-term plans.

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Our Nominees Non-Executive Chairman / Lead Director (cont.)

Annually, review plans and projections for the coming year.

Quarterly, review results versus plans and projections.

At least annually, evaluate, with the independent members of the Board, the performance of the management team.

Annually, evaluate, with the Chairman of the Corporate Governance and Nominating Committee, the performance of the Board as a whole, each Committee and individual directors.

Conduct executive sessions of the Board without management.

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Our Nominees Committees of the Board

Our slate, when elected, will have the following committees all of which will be comprised entirely of independent directors:

Audit

Human Resources and Compensation

Finance

Corporate Governance and Nominating

Environmental and Safety

Legal

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Our Nominees Biographies

Name, Age and Business Address	Principal Occupation and Other Selected Information Concerning Nominees for Director
R. GERALD BENNETT	Since July 2000, Mr. Bennett has been the Chairman, President and CEO of Total Safety, Inc., the principal business of which is providing safety solutions to industrial and energy markets. From January 1999 to June 2000, Mr. Bennett was involved in the operations of G&S Bennett, Ltd., the principal business of which was investments, and of which he was the owner. From 1996 to December 1998, Mr. Bennett served as a Senior Vice President of Equitable Resources, Inc. and President of that company's ERI Supply and Logistics Group, the principal business of which is natural gas distribution and production. Mr. Bennett has extensive experience in the oil and gas industry, including exploration and production, gathering, transportation and storage of natural gas, marketing and regulatory affairs. Mr. Bennett is currently a director of TransTexas Gas Corporation. Mr. Bennett was asked to serve on the TransTexas board by a number of TransTexas senior bondholders and became a director after TransTexas first filed for federal bankruptcy protection in 1999. TransTexas filed for federal bankruptcy protection again in 2002.
Age: 61	
Business Address:	
11111 Wilcrest Green, Suite 300 Houston, TX 77042	
C. ROBERT BLACK	Mr. Black currently serves as the Chairman of the Board of Regents of Texas Tech University. He spent 41 years with Texaco, Inc., retiring in May 1999. From January 1997 to January 1998, Mr. Black served as President of the Worldwide Exploration and Production division of Texaco, the principal business of which is oil and gas exploration and production. From January 1998 to May 1, 1999, he served as Senior Vice President in the office of Chairman of Texaco. Mr. Black also served on Texaco's Executive Council, which has the responsibility for setting corporate strategies and priorities, and served as Texaco's Corporate Compliance Officer.
Age: 67	
Business Address:	
116 Applehead Island P.O. Box 7907 Horseshoe Bay, TX 78657	

CHARLES H. BOWMAN

Age: 67

Business Address:

13350 Hopes Creek Road

College Station, TX 77845-9250

RONALD J. BURNS

Age: 51

Business Address:

27890 North 100 Way

Scottsdale, AZ 85262

Mr. Bowman, Professor Emeritus of Petroleum Engineering at Texas A&M University, is currently retired. From July 1997 to November 2001 he served as Professor and Head of the Harold Vance Department of Petroleum Engineering at Texas A&M University. Prior to joining Texas A&M University, Mr. Bowman served as Chairman and Chief Executive Officer of BP America, Inc. from January 1994 to August 1996. Mr. Bowman spent 36 years in the international oil industry. From 1990 through 1993, he was the Managing Director of BP Australia Limited and Chief Executive Officer of BP Oil Australasia. He moved to Australia from London, where he was General Manager Europe for BP Oil International.

Since 1997, Mr. Burns has been the Chairman of Burns Capital Partners LP, the principal business of which is private equity investments. From 1997 to 1998, Mr. Burns has also served as President and Chief Operating Officer of Entergy Corporation, which is an electric utility. From 1989 until 1994, Mr. Burns was Chairman and Chief Executive Officer of Enron Gas Pipeline Group and had management responsibility for all of Enron's natural gas pipeline subsidiaries. During 1994 and 1995 Mr. Burns was also the Chairman and Chief Executive Officer of Enron North America; Enron's natural gas and electricity marketing, trading and finance subsidiary. During 1995 and 1996, Mr. Burns was President and Chief Executive Officer of Union Pacific Railroad.

STEPHEN D. CHESEBRO

Age: 61

Business Address:

1330 Post Oak Boulevard

Suite 1600

Houston, TX 77056

TED EARL DAVIS

Age: 63

Business Address:

55 Mott Lane

Houston, TX 77024

Since June 2001, Mr. Chesebro has served as the non-executive Chairman of the Board of Harvest Natural Resources, Inc., the principal business of which is international oil and gas exploration and production. Mr. Chesebro served as a director of Harvest Natural Resources, Inc. from October 2000 to June 2001. From January 1999 to September 1999, Mr. Chesebro served as a director, President and Chief Executive Officer of PennzEnergy, the principal business of which was oil and gas exploration and production. From February 1997 to December 1998, Mr. Chesebro served as a director, President and Chief Operating Officer of Pennzoil Company, the principal business of which was integrated oil, including exploration, production, refining, marketing and retail services. Prior to joining Pennzoil, Mr. Chesebro served 32 years with Tenneco, Inc., where he retired in 1996 as Chairman and Chief Executive Officer of Tenneco Energy.

Mr. Davis has been a consultant for the energy industry (self-employed) since July 2000. From 1997 to 2000, he served as the President, Exploration Production, for international operations of Conoco, Inc., the principal business of which is oil and gas exploration and production, in Africa, Mid-East and Asia-Pacific. Mr. Davis also served as President of Conoco's Upstream North America division with responsibilities for exploration, production, natural gas and gas products, pipeline and gas processing operations, LPG supply, marketing and distribution, business development, commercial, legal, business and regulatory activities. He was also a corporate vice-president at E.I. DuPont De Nemours and Company, the principal business of which is high-performance materials and specialty chemicals, from 1986 to 1999, when E.I. DuPont De Nemours and Company was Conoco's parent corporation. Mr. Davis is currently a director of Total Safety, Inc. and TransTexas Gas Corporation. Mr. Davis was asked to serve on the TransTexas board by a number of TransTexas senior bondholders and became a director after TransTexas first filed for federal bankruptcy protection in 1999. TransTexas filed for federal bankruptcy protection again in 2002.

JOHN J. MURPHY

Age: 71

Business Address:

5500 Preston Road

Suite 210

Dallas, TX 75205

JOHN V. SINGLETON

Mr. Murphy is currently retired. From 1997 to 2000, Mr. Murphy served as a Managing Director of SMG Management L.L.C., a privately owned investment group. Mr. Murphy is currently a director of CARBO Ceramics Inc., W.R. Grace & Co. and ShawCor Ltd. Mr. Murphy began his career with Dresser Industries, Inc., a provider of products and services to the energy industry, in 1952 as an engineer and he became Chairman and Chief Executive Officer in August 1983. He remained Chief Executive Officer until 1995 and Chairman of the Board until his retirement in November 1996. During his tenure with Dresser, Murphy successfully guided the company through years of both industry decline and rebirth. He negotiated a number of strategic and successful acquisitions and joint-ventures including Wheatly TXT, Baroid Corporation, M-1 Drilling Fluids Co., Western Atlas International and M.W. Kellogg, one of the major refinery construction companies in the world. At his retirement, Dresser had become one of the largest oilfield services company in the world, employing over 31,000 employees in fifty countries.

Age: 85

Business Address:

314 N. Post Oak Lane

Houston, TX 77024

Judge Singleton is a retired United States Federal District Judge. During his tenure, Judge Singleton served as the Chief Judge of the United States District Court for the Southern District of Texas and was elected to serve as the District Judge Representative from the Fifth Circuit to the Judicial Conference of the United States by all of his fellow Judges of the Fifth Circuit. In addition, all of the District Judge Representatives elected Judge Singleton to be their Chairman during his tenure at the Judicial Conference. Judge Singleton served on the State Bar of Texas Administration of Justice Committee, served as a member of the American Arbitration Association, Large Complex Case Panel, and was an Advisory Member of the Board of Directors of the Institute for Transnational Arbitration. Judge Singleton currently does arbitration and litigation counseling.

SELIM K. ZILKHA

Age: 76

Business Address:

1001 McKinney

Suite 1740

Houston, TX 77002

Mr. Zilkha is a 50% owner of Zilkha Renewable Energy, LLC, the principal business of which is wind energy generation, located at 1001 McKinney, Suite 1740, Houston, TX 77002. Mr. Zilkha is also the owner of Laetitia Vineyard & Winery, Inc., the principal business of which is vineyards and a winery, located at 453 Laetitia Vineyard Drive, Arroyo Grande, CA 93420. He was the majority owner of Zilkha Energy Company, L.L.C. for several years prior to that company's acquisition by Sonat, Inc. Mr. Zilkha served as a director of El Paso Energy Corporation from November 1999 to February 2001, and as an advisory director from February 2001 to June 2002. From January 1998 to November 1999, Mr. Zilkha was a director of Sonat, Inc., an energy holding company whose subsidiaries operated in the oil and natural gas industries.

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Cautionary Statement Regarding Forward

Looking Information Additional Information

Some of the statements contained in this presentation may constitute forward-looking statements, which for this purpose includes all statements that are not of historical fact. The actual future financial performance of El Paso could differ materially from those anticipated by these forward-looking statements. Particularly given the condition to which El Paso has been reduced under the current Board, there can be no assurance that Mr. Zilkha or the nominees will succeed in their efforts to turn El Paso around.

On May 12, 2003, Selim K. Zilkha filed with the Securities and Exchange Commission a definitive proxy statement relating to his solicitation of proxies with respect to the 2003 El Paso annual meeting of stockholders. Mr. Zilkha has furnished the definitive proxy statement to El Paso's stockholders and may file other proxy solicitation materials.

Investors and security holders are urged to read the proxy statement and any other proxy solicitation materials, when they become available, because they contain important information.

Selim K. Zilkha Investor Presentation

Cautionary Statement Regarding Forward Looking

Information Additional Information (cont.)

Investors and security holders may obtain a free copy of the definitive proxy statement and other documents filed by Mr. Zilkha with the Commission at the Commission's website at <http://www.sec.gov>. You may also access a copy of Mr. Zilkha's definitive proxy statement by accessing www.saveelpasonow.com. In addition, you may obtain a free copy of the definitive proxy statement by contacting Innisfree M&A Incorporated toll free at (877) 750-5837 (banks and brokers call collect at (212) 750-5833).

Detailed information regarding the names, affiliations and interests of individuals who may be deemed participants in the solicitation of proxies of El Paso stockholders is included in the proxy statement and Mr. Zilkha's DFAN14A filed with the Commission on May 21, 2003.

This presentation may quote or refer to independent industry research reports, financial analyst reports and newspaper articles. To the extent such a quote is included in this presentation, Mr. Zilkha has not sought or obtained the consent of the quoted source to the use of such quote as proxy soliciting material.

Selim K. Zilkha Investor Presentation