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EL PASO CORP/DE
Form 424B5
June 17, 2002

Filed Pursuant to Rule 424(b) (5)
Registration Nos. 333-82412
333-82412-01
333-82412-02

This prospectus supplement and the accompanying prospectus relate to an effective registration statement under the Securities Act of 1933, but are not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 14, 2002

PROSPECTUS SUPPLEMENT

(To Prospectus Dated February 27, 2002)

10,000,000 Equity Security Units

[EL PASO LOGO]

% Equity Security Units

We are offering 10,000,000 of our % equity security units.

Each equity security unit has a stated amount of \$50 and will initially consist of (a) a purchase contract which will obligate you to purchase from us, at a purchase price of \$50, shares of our common stock on August 16, 2005 and (b) a senior note with a principal amount of \$50 that is due on August 16, 2007. The senior note will initially be pledged to us to secure your obligation to purchase shares of our common stock under the purchase contract.

We will make quarterly contract adjustment payments to you under the purchase contract at the annual rate of % of the stated amount of \$50 per purchase contract. In addition, you will receive quarterly interest payments on the senior note at the initial annual rate of %. We have the right to defer the contract adjustment payments on the purchase contracts until August 16, 2005, but not the interest payments on the senior notes, as described in this prospectus supplement. The interest rate on the senior notes will be reset, and the senior notes will be remarketed, as described in this prospectus supplement. These quarterly payments will be made on February 16, May 16, August 16 and November 16 of each year, beginning August 16, 2002.

Our common stock is listed on the New York Stock Exchange and the Pacific Exchange under the symbol "EP." On June 14, 2002, the last reported sale price of our common stock on the NYSE was \$21.83 per share.

We have applied to list the equity security units on the New York Stock Exchange.

The underwriters have an option to purchase a maximum of 1,500,000 additional equity security units from us to cover over-allotments of equity security units.

Concurrently with this offering of equity security units, we are conducting under a separate prospectus supplement a separate offering of up to 51,750,000

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shares of our common stock. This offering of equity security units is not conditioned on the completion of the concurrent offering of our common stock.

 INVESTING IN OUR EQUITY SECURITY UNITS INVOLVES RISKS. PLEASE READ "RISK FACTORS" BEGINNING ON PAGE S-17.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS	PROCEEDS TO EL PASO
	-----	-----	-----
Per Equity Security Unit.....	\$	\$	\$
Total.....	\$	\$	\$

The public offering price set forth above does not include accumulated contract adjustment payments and accrued interest, if any. Contract adjustment payments on the purchase contracts and interest on the senior notes will accrue from the date of original issuance of the equity security units, which is expected to be _____, 2002.

The underwriters expect to deliver the equity security units to purchasers on or about _____, 2002.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the prospectus to which it relates is truthful or complete. Any representation to the contrary is a criminal offense.

Joint Book-Running Managers

CREDIT SUISSE FIRST BOSTON _____ JPMORGAN

BANC OF AMERICA SECURITIES LLC
 LEHMAN BROTHERS
 MORGAN STANLEY
 SALOMON SMITH BARNEY

The date of this prospectus supplement is June _____, 2002.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement is part of a registration statement that we have filed with the Securities and Exchange Commission ("SEC") utilizing a "shelf" registration process. Under this shelf process, we are offering to sell our equity security units using this prospectus supplement and the accompanying prospectus. The prospectus supplement describes our business and the specific terms of the equity security units offering. The accompanying prospectus gives more general information, some of which may not apply to this offering. Generally, when we refer only to the "prospectus," we are referring to both parts combined. You should read both this prospectus supplement together with the accompanying prospectus before making a decision to invest in our equity security units. If the description of the offering varies between the prospectus supplement and the accompanying prospectus, you should rely on the information in the prospectus supplement.

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights some basic information from this prospectus supplement to help you understand us and the equity security units. It does not contain all the information that may be important to you. You should carefully read this prospectus supplement, the accompanying prospectus and the documents incorporated by reference for more complete information regarding us and the equity security units. You should pay special attention to the "Risk Factors" section beginning on page S-17 of this prospectus supplement, as well as the section entitled "Risk Factors and Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995" included in our Annual Report on Form 10-K for the year ended December 31, 2001, and the other documents incorporated by reference, to determine whether an investment in the equity security units is appropriate for you.

For purposes of this prospectus supplement, except as set forth in the next sentence and unless the context otherwise indicates, when we refer to "El Paso," "us," "we," "our" or "ours," we are describing El Paso Corporation, together with its subsidiaries. With respect to any description of the terms of the units, the purchase contracts or the senior notes, such references refer only to El Paso Corporation, and not to its subsidiaries. Unless indicated otherwise, all information in this prospectus supplement assumes that the underwriters do not exercise their over-allotment option in either this offering or the concurrent offering of our common stock.

OUR BUSINESS

We are an energy company originally founded in 1928 in El Paso, Texas. Our principal operations include:

- natural gas transportation, gathering, processing and storage;
- natural gas and oil exploration, development and production;
- energy and energy-related commodities and product marketing;
- power generation;
- energy infrastructure facility development and operation;
- petroleum refining;
- chemicals production; and
- coal mining.

Our operations are segregated into four primary business segments: Pipelines, Production, Merchant Energy and Field Services. These segments are strategic business units that provide a variety of energy products and services. We manage each segment separately, and each segment requires different technology and marketing strategies.

Our Pipelines segment owns or has interests in approximately 60,000 miles of interstate natural gas pipelines in the U.S. and internationally. In the U.S., our systems connect the nation's principal natural gas supply regions to the five largest consuming regions in the U.S.: the Gulf Coast, California, the Northeast, the Midwest and the Southeast. These pipelines represent one of the largest integrated coast-to-coast mainline natural gas transmission systems in the U.S. Our U.S. pipeline systems also own or have interests in over 430

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billion cubic feet (Bcf) of storage capacity used to provide a variety of services to our customers and own and operate a liquefied natural gas (LNG) terminal at Elba Island, Georgia that was reactivated in 2001. Our international pipeline operations include access between our U.S. based systems and Canada and Mexico, as well as interests in three major operating natural gas transmission systems in Australia.

Our Production segment leases approximately 5 million net acres in 19 states, including Colorado, Louisiana, Oklahoma, Texas, Utah, West Virginia and Wyoming, and in the Gulf of Mexico. We also have exploration and production rights in Australia, Bolivia, Brazil, Canada, Hungary, Indonesia and Turkey. During 2001, daily equivalent natural gas production exceeded 1.7 billion cubic feet of gas equivalents per day (Bcfe/d), and our reserves at December 31, 2001 were approximately 6.7 trillion cubic feet of gas equivalents (Tcfe).

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Our Merchant Energy segment is involved in a broad range of energy-related activities including asset ownership, customer origination, marketing and trading and financial services. We buy, sell and trade natural gas, power, crude oil, refined products, coal and other energy commodities in the U.S. and internationally. We are also a significant owner of electric generating capacity and own or have interests in 95 facilities in 20 countries. The three refineries we operate have the capacity to process approximately 438 thousand barrels (MBbls) of crude oil per day and produce a variety of petroleum products. We also produce agricultural and industrial chemicals at five facilities in the U.S. Our coal mining operations produce high-quality, bituminous coal with reserves in Kentucky, Virginia and West Virginia. Our financial services businesses manage investments in the North American energy industry. Most recently, Merchant Energy has announced its expansion into the LNG business.

Our Field Services segment provides natural gas gathering, products extraction, fractionation, dehydration, purification, compression and intrastate transmission services. These services include gathering natural gas from more than 15,000 natural gas wells with approximately 21,000 miles of natural gas gathering and natural gas liquids pipelines, and approximately 30 natural gas processing, treating and fractionation facilities located in some of the most active production areas in the U.S., including the San Juan Basin, east and south Texas, Louisiana, the Gulf of Mexico and the Rocky Mountains. We conduct our intrastate transmission operations through interests in six intrastate systems, which serve a majority of the metropolitan areas and industrial load centers in Texas as well as markets in Louisiana. Our primary vehicle for growth and development of midstream energy assets is El Paso Energy Partners, L.P., a publicly traded master limited partnership of which our subsidiary serves as the general partner. El Paso Energy Partners provides natural gas, natural gas liquids and oil gathering and transportation, storage and other related services.

Our principal executive offices are located in the El Paso Building, located at 1001 Louisiana Street, Houston, Texas 77002, and our telephone number at that address is (713) 420-2600.

RECENT DEVELOPMENTS

Since November of 2001, the wholesale energy industry has experienced significant changes, including:

- The bankruptcy of Enron Corp.;
- The tightening of credit and the capital markets;

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- Recent investigations of trading strategies used by several wholesale market participants; and
- The focus by ratings agencies on a more conservative balance between the business risk and the financial profile of wholesale energy market participants.

In response to these industry changes, we announced in December 2001 a plan to strengthen our capital structure and enhance our liquidity. More recently, on May 29, 2002, we announced a strategic repositioning plan to limit our investment in and exposure to energy trading and to increase our investment in core natural gas businesses. The key elements of our strategic repositioning plan include the following:

- Restructuring our Merchant Energy segment, including:
 - Downsizing our trading and risk management activities;
 - Reducing our trading personnel by approximately 50% and achieving \$150 million of annualized cost savings. We expect to incur severance expense of approximately \$70 million after-tax over the second and third quarters of 2002;
 - Limiting our working capital investment in our trading activities to \$1.0 billion; and
 - Realigning the activities in Merchant Energy under three areas: Power, Petroleum and LNG and Energy Trading.

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- Further enhancing our credit beyond the plan announced in December 2001 by:
 - Issuing \$1.5 billion of equity securities;
 - Selling our San Juan Basin natural gas gathering assets to El Paso Energy Partners for an estimated \$800 million;
 - Reducing our company-wide annual operating expenses by at least \$300 million (inclusive of the savings in Merchant Energy);
 - Decreasing our net debt to total capitalization to approximately 49%, including almost \$2.0 billion of guarantees related to unconsolidated debt in the Electron and Gemstone investments; and
 - Reducing our non-cash earnings to approximately 5% of 2003 net income.
- Increasing our investment in core natural gas assets by:
 - Increasing capital spending in our Production segment to \$2.3 billion;
 - Aggressively pursuing an LNG strategy; and
 - Continuing an active infrastructure investment program.

A pro forma presentation of the impact on our historical financial statements of our announced sale of the San Juan Basin gathering assets to El Paso Energy Partners, as well as our sale of Texas midstream assets to El Paso Energy Partners completed in April 2002, has been included in a Form 8-K filed with the SEC on June 14, 2002, and incorporated by reference into the

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accompanying prospectus.

Our strategy has been, and continues to be, the ownership and control of a flexible portfolio of assets across the natural gas value chain. We will also continue to use this flexible portfolio to reallocate capital to those business segments which offer the best available returns. The ability to respond comprehensively and expeditiously to changing market conditions demonstrates the power of our vertically integrated natural gas franchise, the breadth of our assets and the scope of our portfolio of investment opportunities. We believe the successful implementation of our strategic repositioning plan will better enable us to participate in the significant growth opportunities available in our industry under existing market conditions.

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THE OFFERING

WHAT ARE EQUITY SECURITY UNITS?

Each equity security unit, or normal unit, will be issued at the stated amount of \$50 and will initially consist of:

(1) a purchase contract under which:

- you will agree to purchase, and we will agree to sell, for \$50, shares of our common stock on August 16, 2005 (the "stock purchase date"), the number of which we will determine based on the average trading price of our common stock for a period preceding that date, calculated in the manner described below under "What is the settlement rate?"; and
- we will pay you quarterly contract adjustment payments at the annual rate of % of the \$50 stated amount as further described below, subject to our right of deferral; and

(2) a senior note due August 16, 2007, with a principal amount of \$50 on which we will pay interest quarterly at the initial annual rate of % until the earlier of the date of settlement of a successful remarketing of the senior notes (which is the third business day after such remarketing) and the stock purchase date, after which we will pay interest at the reset rate.

The senior note that is held as part of the normal unit will be owned by you but will initially be pledged to us as collateral to secure your obligations under the purchase contract. The collateral agent, which will be The Bank of New York, will hold the pledged senior note until you pay the purchase price under the purchase contract. If the senior notes are successfully remarketed as described in this prospectus supplement, the applicable ownership interest in the portfolio of treasury securities purchased with the proceeds of that remarketing will be pledged to us as collateral to secure your obligations under the purchase contracts, replacing the senior notes held as part of the normal units.

WHAT ARE STRIPPED UNITS?

A holder of normal units may elect, at any time prior to a successful remarketing or a tax event redemption (described under "Description of the Senior Notes -- Tax Event Redemption"), subject to certain exceptions, to withdraw the pledged senior notes underlying the normal units and create "stripped units" by substituting, as pledged securities, specified zero-coupon treasury securities that will pay \$50 per stripped unit on the business day

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immediately preceding the stock purchase date, which is the amount due on the stock purchase date under the related purchase contract. The pledged senior notes will then be released from the pledge agreement and delivered to the holder.

A holder of stripped units may recreate normal units at any time prior to a successful remarketing or a tax event redemption, subject to certain exceptions, by substituting senior notes for the pledged zero-coupon treasury securities held as part of the stripped units.

Because treasury securities are issued in whole multiples of \$1,000, holders of normal units and stripped units may only make collateral substitutions to create stripped units or recreate normal units, as the case may be, in whole multiples of 20 units.

WHAT ARE UNITS?

We refer to normal units together with stripped units as "units."

WHAT ARE PURCHASE CONTRACTS?

The purchase contract held as part of a unit obligates you to purchase, and us to sell, for \$50, on the stock purchase date, a number of newly issued shares of our common stock equal to the settlement rate described below. We will base the settlement rate on the applicable market value, which is the average

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closing price of our common stock for a period preceding that date, calculated in the manner described below.

WHAT IS THE SETTLEMENT RATE?

The settlement rate is the number of newly issued shares of our common stock that we are obligated to sell, and holders are obligated to buy, for \$50, upon settlement of a purchase contract on the stock purchase date.

The settlement rate for each purchase contract will be as follows, subject to adjustment under specified circumstances as described in this prospectus supplement:

- if the applicable market value, determined as described below, of our common stock is equal to or greater than \$ _____, the settlement rate will be _____ shares of our common stock;
- if the applicable market value of our common stock is less than \$ _____ but greater than \$ _____, the settlement rate will be equal to \$ _____ divided by the applicable market value of our common stock; and
- if the applicable market value of our common stock is less than or equal to \$ _____, the settlement rate will be _____ shares of our common stock.

The "applicable market value" means the average of the closing price per share of our common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the stock purchase date.

CAN A HOLDER SETTLE ITS PURCHASE CONTRACTS EARLY?

Subject to certain exceptions, at any time not later than 11:00 a.m., New

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York City time, on the eleventh business day immediately preceding the stock purchase date, a holder may settle a purchase contract early by delivering a cash payment of \$50 to the purchase contract agent, as described under "Description of the Equity Security Units -- Early Settlement." A holder that settles a purchase contract early will receive _____ shares of our common stock, subject to adjustment under certain circumstances, and such holder's pledged securities would be released as collateral and distributed to such holder.

In addition, if we are involved in a merger prior to the stock purchase date in which at least 30% of the consideration for our common stock consists of cash or cash equivalents, a holder may settle a purchase contract early by delivering a cash payment of \$50 to the purchase contract agent, as described under "Description of the Equity Security Units -- Early Settlement Upon Cash Merger." A holder that settles a purchase contract early in connection with a cash merger will receive the kind and amount of securities, cash or other property that such holder would have been entitled to receive if such holder had settled the purchase contract immediately before the cash merger at the settlement rate in effect at such time, and such holder's pledged securities would be released as collateral and distributed to such holder.

However, in either case, the option to settle early will not be available unless at such time, if so required under the U.S. federal securities laws, there is in effect a registration statement and a current prospectus is available covering the common stock to be delivered in respect of the purchase contracts being settled. In addition, in either case, a holder that settles a purchase contract early will not receive any further contract adjustment payments from us and will not receive any accumulated and unpaid contract adjustment payments or deferred contract adjustment payments.

WHAT PAYMENTS WILL BE MADE TO A HOLDER OF NORMAL UNITS?

If you hold a normal unit, you will receive:

- quarterly contract adjustment payments on the purchase contract at the annual rate of _____ % of the \$50 stated amount on all quarterly payment dates on or before the stock purchase date, subject to our right of deferral; and

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- quarterly interest payments on the pledged senior note at the annual rate of _____ % of the \$50 principal amount for the quarterly interest payments due on or before May 16, 2005. On August 16, 2005, if the senior notes are successfully remarketed prior to the stock purchase date, you will receive a quarterly interest payment on the pledged portfolio of treasury securities that are substituted for the senior note at an annual rate of _____ %; if the senior notes are not successfully remarketed prior to the stock purchase date, you will continue to receive a quarterly interest payment on the pledged senior note at the annual rate of _____ %. That is, on the stock purchase date, you will receive a quarterly payment at the same annual rate as all previous quarterly interest payments, regardless of whether or when the remarketing was successful.

WHAT PAYMENTS WILL BE MADE TO A HOLDER OF STRIPPED UNITS?

If you hold a stripped unit, you will receive only the quarterly contract adjustment payments on the purchase contract at the annual rate of _____ % of the \$50 stated amount on all quarterly payment dates on or before the stock purchase date, subject to our right of deferral. In addition, original issue discount will accrue on the pledged zero-coupon treasury securities that are held as part

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of the stripped unit.

WHAT PAYMENTS WILL BE MADE TO A HOLDER OF SENIOR NOTES HELD SEPARATELY?

If you hold a senior note separately from a normal unit, you will receive only the quarterly interest payments on that senior note. The senior notes will pay interest at the initial annual rate of % of the \$50 principal amount until the earlier of the settlement date of a successful remarketing and the stock purchase date. After that date, we will pay interest on the senior notes at the reset rate from the settlement date of a successful remarketing (or if not successfully remarketed, the stock purchase date) until their maturity on August 16, 2007. If no such successful remarketing occurs before the stock purchase date, the interest rate will be reset, as of the stock purchase date, to a reset rate equal to the two-year benchmark rate plus a spread that will be determined based on the credit rating of the senior notes at that time, as described under "Description of the Senior Notes -- Interest".

WHAT ARE THE PAYMENT DATES?

Contract adjustment payments on the purchase contracts, subject to our right of deferral, and interest payments on the senior notes will be paid quarterly in arrears on each February 16, May 16, August 16 and November 16, commencing August 16, 2002.

WHEN CAN WE DEFER PAYMENTS?

We may, at our option and upon prior written notice to the holders of the units and the purchase contract agent, defer payment of all or part of the contract adjustment payments on the purchase contracts until no later than the stock purchase date. We will pay additional contract adjustment payments on any deferred installments of contract adjustment payments at a rate of % per year until paid, compounded quarterly. However, we will not pay any deferred contract adjustment payments on purchase contracts that have been settled early or terminated. We may elect to pay all contract adjustment payments that have been deferred until the stock purchase date in shares of our common stock in lieu of cash.

We are not entitled to defer payments of interest on the senior notes.

WHAT IS REMARKETING?

In order to provide holders of the normal units with the necessary funds to settle their purchase contracts, the remarketing agent will seek to sell the senior notes of holders of normal units in a remarketing. The remarketing agent will use the proceeds from a remarketing of senior notes held as part of the normal units in substantial part to purchase the specified portfolio of treasury securities, as described below, which will then be pledged as collateral to secure the obligations of the holders of the normal units under the related purchase contracts. The cash paid upon the maturity of the pledged portfolio of treasury securities then held as part of the normal units of such holders will be used to satisfy in full such holders' obligations under the purchase contracts to purchase shares of our common stock on the stock purchase date, and to pay an amount to such holders on August 16, 2005 based on the initial annual rate on the senior notes. This will

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be one way for holders of normal units to satisfy their obligations to purchase shares of our common stock under the related purchase contracts.

The remarketing agent will remarket the senior notes that are held as part

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of the normal units on one or more occasions starting on the initial remarketing date, which will be the third business day immediately preceding May 16, 2005, which is the last quarterly interest payment date before the interest payment date falling on the stock purchase date.

We have entered into a remarketing agreement with Credit Suisse First Boston Corporation, pursuant to which it has agreed to use its commercially reasonable best efforts to:

- establish a reset rate on the remarketing date that will be sufficient to cause the aggregate market value at the remarketing date of all the senior notes being remarketed (which shall be all senior notes held as part of the normal units and all senior notes held separately by holders who have elected to have their senior notes participate in the remarketing) to be equal to approximately, but not less than, 100.50% of the remarketing value; and
- sell the senior notes participating in the remarketing at a price equal to approximately, but not less than, 100.50% of the remarketing value.

The "remarketing value" will be equal to the sum of:

(1) the value at the remarketing date of such amount of treasury securities that will pay, on the business day immediately preceding the quarterly interest payment date falling on the stock purchase date, an amount of cash equal to the aggregate interest payment that is scheduled to be payable on that quarterly interest payment date on each senior note participating in the remarketing, assuming for this purpose, even if not true, that the interest rate on the senior notes remains at the initial annual rate; and

(2) the value at the remarketing date of such amount of treasury securities that will pay, on the business day immediately preceding the stock purchase date, an amount of cash equal to \$50 for each senior note participating in the remarketing.

The remarketing agent will use the proceeds from the successful remarketing of the senior notes held as part of the normal units to purchase, in the discretion of the remarketing agent, in open market transactions or at treasury auction, the amount of treasury securities described in (1) and (2) above, which it will deliver through the purchase contract agent to the collateral agent to secure the obligations under the related purchase contracts and to pay the quarterly interest payment on the normal units due on August 16, 2005. The remarketing agent will retain, as a remarketing fee, an amount not exceeding 25 basis points (0.25%) of the total proceeds from the remarketing of the senior notes held as part of the normal units. The remarketing agent will remit the remaining portion of the proceeds from the remarketing of the senior notes held as part of the normal units, if any, to the holders of the normal units.

A holder of normal units that does not want to participate in the remarketing and wants instead to retain the senior notes held as part of such holder's normal units must create stripped units not later than 5:00 p.m., New York City time, on the fourth business day immediately preceding the first business day of the relevant remarketing period. The cash received upon maturity of the specified zero-coupon treasury securities held as part of the stripped units will be applied in substantial part to satisfy such holder's obligation under the purchase contracts on the stock purchase date.

WHAT IS THE RESET RATE?

In order to facilitate a remarketing of the senior notes at the remarketing price described above, the remarketing agent will seek to establish a reset rate

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on the senior notes sufficient to cause the aggregate market value at the remarketing date of all the senior notes being remarketed (which shall be all senior notes held as a part of the normal units and all senior notes held separately by holders who have elected to have their senior notes participate in the remarketing) to be equal to approximately, but not less than, 100.50% of the remarketing value described above under "What is remarketing?". Resetting the interest rate on the senior notes at this rate should enable the remarketing agent to sell the senior notes participating in the remarketing

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and use the proceeds from the remarketing of senior notes held as part of the normal units in substantial part to purchase the specified portfolio of treasury securities. Upon maturity of the specified portfolio of treasury securities, the cash received therefrom will be applied on the stock purchase date to settle the purchase contracts and to pay an amount to holders of normal units based on the initial annual rate on the senior notes.

The remarketing agent will first seek to establish the reset rate on the third business day prior to May 16, 2005, which is the last quarterly interest payment date before the stock purchase date. If the remarketing agent cannot establish a reset rate that results in a successful remarketing on that initial remarketing date and, as a result, the senior notes cannot be sold as described below, the interest rate will not be reset at that time and will continue to be the initial interest rate on the senior notes. However, the remarketing agent will thereafter attempt to establish a reset rate that results in a successful remarketing, and the remarketing agent will attempt to remarket the senior notes on the subsequent dates as described below.

If the senior notes are successfully remarketed, we will pay interest to the holders of such senior notes after the remarketing at the reset rate from the date of the settlement of the successful remarketing until the date of maturity of the senior notes. If a reset rate cannot be established before the stock purchase date in connection with a successful remarketing, the interest rate on all outstanding senior notes will be reset, as of the stock purchase date, to a reset rate equal to the two-year benchmark rate plus a spread that will be determined based on the credit rating of the senior notes at that time, as described under "Description of the Senior Notes -- Interest." The resetting of the interest rate on the senior notes will not change the quarterly interest payment due to holders of the normal units on August 16, 2005, which, as described above, will be paid at the same annual rate as all previous quarterly interest payments.

The interest rate on all outstanding senior notes will be reset to the reset rate, regardless of whether holders of the senior notes elect to participate in the remarketing.

WHAT HAPPENS IF THE REMARKETING AGENT DOES NOT SELL THE SENIOR NOTES ON THE INITIAL REMARKETING DATE?

If, as described above, the remarketing agent cannot establish a reset rate on the initial remarketing date that will be sufficient to cause the aggregate market value at the remarketing date of all the senior notes being remarketed (which shall be all senior notes held as part of the normal units and all senior notes held separately by holders who have elected to have their senior notes participate in the remarketing) to be equal to approximately, but not less than, 100.50% of the remarketing value, and thus cannot sell the senior notes participating in the remarketing on that remarketing date, the remarketing agent will attempt to establish a reset rate that results in a successful remarketing on each of the two immediately following business days. If the remarketing agent cannot establish a reset rate that results in a successful remarketing on either

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of those days, it will attempt to establish such a reset rate on each of the three business days immediately preceding July 1, 2005, which are June 28, 29 and 30, 2005.

If the remarketing agent cannot establish such a reset rate during the June 28-30, 2005 remarketing period, it will further attempt to establish a reset rate on each of the seventh, sixth and fifth business days immediately preceding the stock purchase date, which are August 5, 8 and 9, 2005.

We refer to each of these three three-business-day periods as "remarketing periods" in this prospectus supplement.

If the remarketing agent fails to remarket the senior notes participating in the remarketing on the fifth business day immediately preceding the stock purchase date, each holder of a normal unit will be deemed to have directed us to retain the senior note pledged as collateral in satisfaction of its obligations under the purchase contract and we will retain such senior note in full satisfaction of those obligations. Each holder of senior notes which are not held as part of normal units will continue to own its senior notes, which, as of the stock purchase date, will pay interest at the reset rate until the maturity date of the senior notes.

MAY A HOLDER OF SENIOR NOTES THAT ARE NOT HELD AS A PART OF NORMAL UNITS STILL PARTICIPATE IN A REMARKETING OF SUCH HOLDER'S SENIOR NOTES?

A holder of senior notes that are not held as part of normal units may elect to have these separately held senior notes participate in the remarketing in the manner described under "Description of the Senior Notes --

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Optional Remarketing of Senior Notes Which Are Not Held as Part of Normal Units." If the remarketing is successful, the remarketing agent will retain, as a remarketing fee, an amount not exceeding 25 basis points (0.25%) of the total proceeds from the remarketing of the senior notes held separately that were sold in the remarketing and will promptly remit to the holders of those senior notes the remaining portion of the proceeds from the remarketing of those senior notes.

If a holder of senior notes held separately elects to have its senior notes remarketed in a remarketing period but the remarketing fails during that remarketing period, the senior notes will be promptly returned to the holder following the conclusion of that remarketing period.

BESIDES PARTICIPATING IN A REMARKETING, HOW ELSE CAN A HOLDER'S OBLIGATIONS UNDER THE PURCHASE CONTRACT BE SATISFIED?

Besides participating in the remarketing, a holder's obligations under the purchase contract may also be satisfied:

- if such holder holds stripped units, by the application of the cash received upon maturity of the pledged zero-coupon treasury securities;
- through a cash settlement of the purchase contract by the delivery of cash not earlier than 9:00 a.m., New York City time, on the tenth business day immediately preceding the stock purchase date and not later than 11:00 a.m., New York City time, on the eighth business day immediately preceding the stock purchase date upon advance notice, as described under "Description of the Equity Security Units -- Notice to Settle With Cash."
- through an early settlement of the purchase contract at any time, subject to certain exceptions, not later than 11:00 a.m., New York City time, on

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the eleventh business day immediately preceding the stock purchase date by the early delivery of cash to the purchase contract agent, as described under "Description of the Equity Security Units -- Early Settlement;" or

- if we are involved in a merger, acquisition or consolidation prior to the stock purchase date in which at least 30% of the consideration for our common stock consists of cash or cash equivalents, through an early settlement of the purchase contract by the early delivery of cash to the purchase contract agent, as described under "Description of the Equity Security Units -- Early Settlement upon Cash Merger."

CAN A HOLDER'S OBLIGATIONS UNDER THE PURCHASE CONTRACT BE TERMINATED?

A holder's obligation under the purchase contract, including its obligations to purchase shares of our common stock, our obligation to sell shares of our common stock under the purchase contract and the purchase contract itself will automatically terminate upon the occurrence of particular events of our bankruptcy, insolvency or reorganization. Upon such a termination of the purchase contracts, the pledged senior notes (or the pledged portfolio of treasury securities, if there has been a successful remarketing, or the pledged tax event portfolio of treasury securities, if there has been a tax event redemption) or pledged zero-coupon treasury securities, as applicable, will be released and distributed to such holder and such holder will have no further rights under the purchase contracts, including the right to receive any accumulated and unpaid or deferred contract adjustment payments. If we become the subject of a case under the federal bankruptcy code, a delay may occur as a result of the automatic stay under the bankruptcy code and continue until the automatic stay has been lifted. The automatic stay will not be lifted until such time as the bankruptcy judge agrees to lift it and return your collateral to you.

WHAT IS THE MATURITY OF THE SENIOR NOTES?

The senior notes will mature on August 16, 2007.

UNDER WHAT CIRCUMSTANCES MAY WE REDEEM THE SENIOR NOTES BEFORE THEY MATURE?

If the tax laws change or are interpreted in a way that adversely affects our ability to deduct the interest payable or accruable by us on the senior notes for United States federal income tax purposes, we may elect to redeem the senior notes at the redemption price described under "Description of the Senior Notes -- Tax Event Redemption".

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WHAT IS THE RANK OF THE SENIOR NOTES AS COMPARED TO OUR OTHER INDEBTEDNESS?

The senior notes will rank equally with all of our existing and future senior unsecured debt. Because we are a holding company and conduct substantially all of our operations exclusively through our subsidiaries, the senior notes will effectively have a position junior to the claims of creditors, including trade creditors, of our subsidiaries and holders of the unsecured and secured debt of our subsidiaries. As of March 31, 2002, we had approximately \$6 billion of outstanding long-term senior indebtedness and our subsidiaries had approximately \$8 billion of outstanding long-term indebtedness.

WHAT ARE THE PRINCIPAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES RELATED TO THE NORMAL UNITS, STRIPPED UNITS AND SENIOR NOTES?

If you purchase normal units in this offering, under the purchase contract agreement and the certificate evidencing the normal units, you will be deemed to

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agree to treat the purchase of a normal unit as the purchase of a senior note and a purchase contract. You must allocate the purchase price of the normal units between those senior notes and purchase contracts in proportion to their respective initial fair market values, which will establish your initial tax basis. We expect to report the initial fair market value of each senior note as \$50 and the initial fair market value of each purchase contract as \$0 and, by purchasing normal units, you will be deemed to agree to such allocation.

Under the terms of the senior notes and the senior indenture, we and each holder of the senior notes agree, for United States federal income tax purposes, to treat the senior notes as indebtedness that is subject to the regulations governing contingent payment debt obligations in the manner described under "United States Federal Income Tax Consequences." As discussed more fully below, the effect of these Treasury regulations will be:

- to require you, regardless of your usual method of tax accounting, to use the accrual method with respect to the senior notes;
- to possibly result in the accrual of original issue discount by you in excess of stated interest payments actually received by you; and
- generally to result in ordinary income rather than capital gain treatment of any gain, and to some extent loss, on the sale, exchange or other disposition of the senior note at any time up to six months after the date on which the interest rate on the senior notes is reset.

If you own stripped units, you will be required to include in gross income in each year your allocable share of any original issue discount or acquisition discount on the zero-coupon treasury securities that accrues in such year.

We intend to report the contract adjustment payments as income to you, but you may want to consult your tax advisor concerning alternative characterizations.

Because there is no statutory, judicial or administrative authority directly addressing the tax treatment of the units or instruments similar to the units, we urge you to consult your own tax advisor concerning the tax consequences of an investment in the units. For additional information, see "United States Federal Income Tax Consequences."

WHAT VOTING RIGHTS DOES A HOLDER OF A UNIT HAVE?

A holder of a unit has limited voting rights. A holder of a unit may vote only with respect to certain modifications of the purchase contract agreement governing the purchase contracts and the pledge agreement governing the pledge of the senior notes (or the specified portfolio of treasury securities, if a successful remarketing has occurred, or the specified tax event portfolio of treasury securities, if a tax event redemption has occurred) or the specified zero-coupon treasury securities pledged to secure its obligations under the purchase contracts. In addition, a holder of normal units and a holder of senior notes held separately may vote with respect to certain modifications of the senior indenture and the senior notes.

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A holder of a unit will not have any voting or other rights (including under our shareholder rights agreement, as described under "Description of Capital Stock -- Shareholder Rights Agreement" in the accompanying prospectus) with respect to our common stock until the related purchase contract is settled.

WILL THE UNITS OR SENIOR NOTES BE LISTED ON A STOCK EXCHANGE?

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We have applied to list the normal units on the New York Stock Exchange.

Neither the stripped units nor the senior notes will initially be listed. However, if either of these securities is separately traded to a sufficient extent that applicable exchange listing requirements are met, we may attempt, but are not obligated, to cause those securities to be listed on the exchange on which the normal units are then listed.

WHAT ARE THE EXPECTED USES OF PROCEEDS FROM THE OFFERING?

We estimate that the net proceeds from the sale of normal units in this offering, after deducting underwriting discounts and commissions and the estimated expenses of this offering payable by us, will be \$ _____ million, or \$ _____ million if the underwriters exercise their over-allotment option in full to purchase additional normal units. We anticipate using the net proceeds from this offering to reduce short-term borrowings and for general corporate purposes.

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THE OFFERING -- EXPLANATORY DIAGRAMS

The following diagrams demonstrate some of the key features of the purchase contracts, normal units, stripped units and the senior notes, and the transformation of normal units into stripped units and senior notes.

PURCHASE CONTRACTS

- Normal units and stripped units both include a purchase contract under which you agree to purchase, and we agree to sell, shares of our common stock on the stock purchase date.
- The number of shares of common stock to be purchased under each purchase contract will depend on the "applicable market value." The "applicable market value" means the average of the closing price per share of our common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the stock purchase date.

[GRAPHIC]

VALUE OF DELIVERED SHARES ON STOCK PURCHASE DATE		PERCENTAGE OF SHARES DELIVERED ON STOCK PURCHASE DATE (3)		
V a l u e	100%	P e r c e n t a g e	Deliver 100% of Shares (4)	Deliver Between 100% and ____% of Shares (5)
Reference Price (1) \$	Threshold Appreciation Price (2) \$	Reference Price (1) \$	Threshold Appreciation Price (1) \$	Deliver % of Shares (6)

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Common Stock Price

Common Stock Price

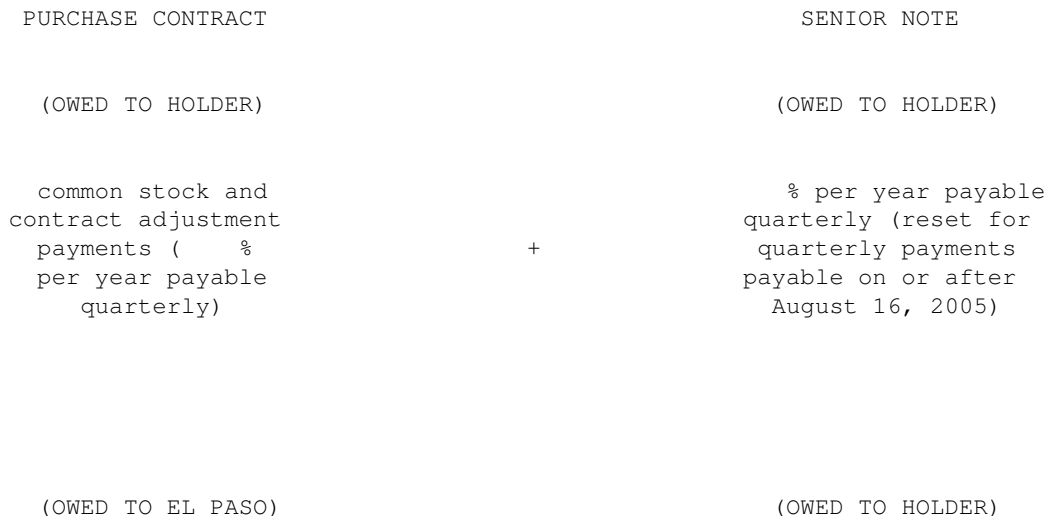
- (1) The "reference price" is \$.
- (2) The "threshold appreciation price" is equal to \$, which is % of the reference price.
- (3) For each of the percentage categories shown, the percentage (expressed as a decimal) of the shares of common stock to be delivered on the stock purchase date to a holder of normal units or stripped units is determined by dividing:
 - the related number of shares of common stock to be delivered, as indicated in the footnote for each such category, by
 - an amount equal to \$50, which is the stated amount of the normal units, divided by the reference price.
- (4) If the applicable market value of our common stock is less than or equal to the reference price, the number of shares of our common stock to be delivered will be calculated by dividing the stated amount of \$50 by the reference price.
- (5) If the applicable market value of our common stock is between the reference price and the threshold appreciation price, the number of shares of common stock to be delivered will be calculated by dividing the stated amount of \$50 by the applicable market value.
- (6) If the applicable market value of our common stock is greater than or equal to the threshold appreciation price, the number of shares of common stock to be delivered will be calculated by dividing the stated amount of \$50 by the threshold appreciation price.

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NORMAL UNITS

- A normal unit will consist of two components as illustrated below:

[FLOW CHART]



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\$50 at stock
purchase date
(at August 16, 2005)

\$50 at maturity
(at August 16, 2007)

NORMAL UNIT

- After a successful remarketing or tax event redemption, the normal units will include a specified portfolio of treasury securities or specified tax event portfolio of treasury securities, as the case may be, instead of the senior notes.
- If you hold a normal unit, you own the senior notes (or, after a successful remarketing or tax event redemption, the specified portfolio of treasury securities or specified tax event portfolio of treasury securities, as the case may be), but you will pledge them to us as collateral to secure your obligations under the related purchase contract.
- If you hold a normal unit but do not want to participate in the remarketing, you must create stripped units not later than 5:00 p.m., New York City time, on the fourth business day immediately preceding the first business day of the relevant remarketing period.

STRIPPED UNITS

- A stripped unit will consist of two components as illustrated below:

[FLOW CHART]

PURCHASE CONTRACT

SUBSTITUTE
ZERO-COUPON
TREASURY SECURITIES

(OWED TO HOLDER)

common stock and
contract adjustment
payments (%
per year
payable quarterly) +

(OWED TO EL PASO)

(OWED TO HOLDER)

\$50 at stock
purchase date
(at August 16, 2005)

\$50 at maturity
(at August 15, 2005)

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quarterly interest payments payable on or after August 16, 2005; or

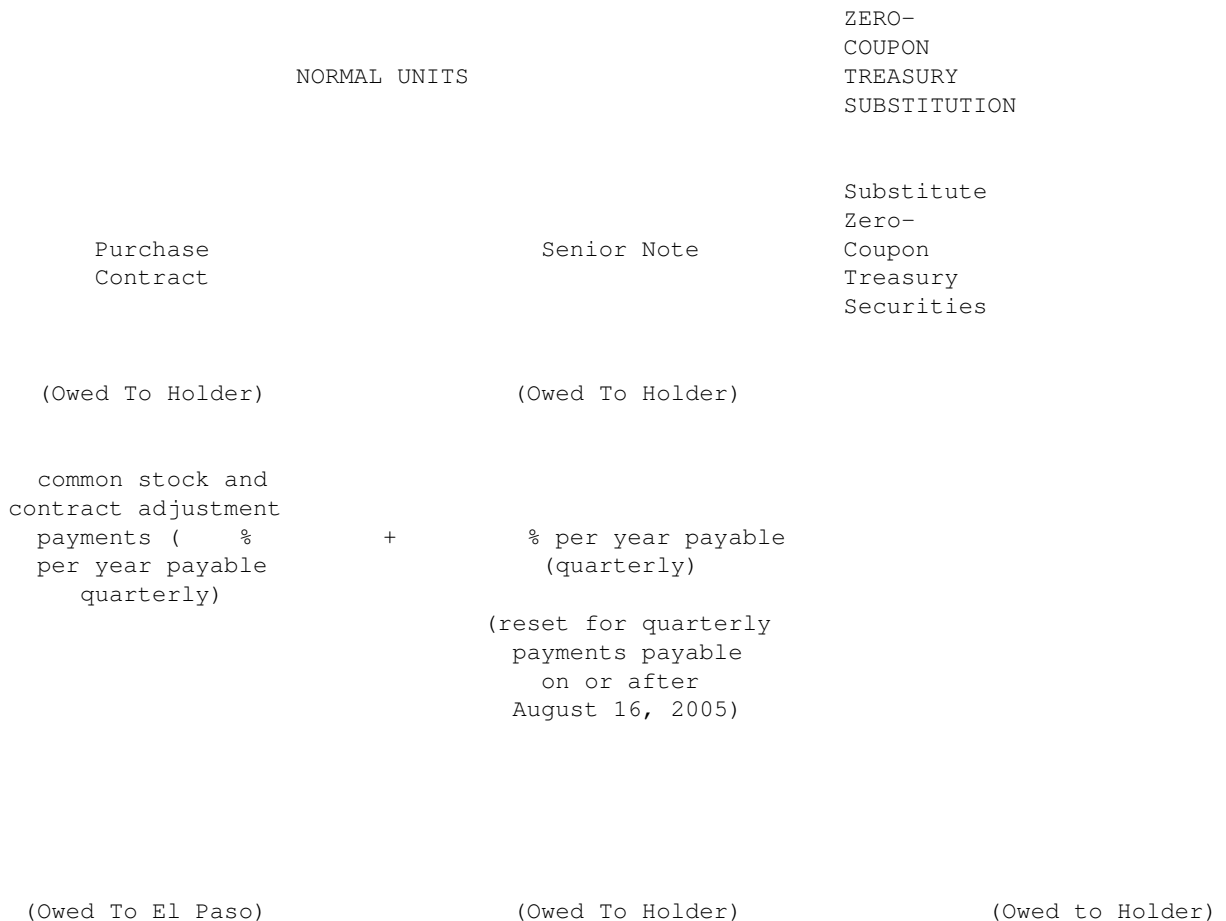
- deliver the senior note to the remarketing agent to be included in the remarketing.

TRANSFORMING NORMAL UNITS INTO STRIPPED UNITS AND SENIOR NOTES AND RECREATING NORMAL UNITS

- To create a stripped unit, you may, prior to a successful remarketing of the senior notes or a tax event redemption, subject to certain exceptions, combine the purchase contract with the specified zero-coupon U.S. treasury securities that mature on August 15, 2005.
- You will then own the specified zero-coupon U.S. treasury securities but such securities will be pledged by you to us as collateral to secure your obligations under the related purchase contract.
- The zero-coupon U.S. treasury securities together with the purchase contract would then constitute a stripped unit. The senior note, which was previously held as part of the normal unit, will be delivered to you as a separate security.

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[FLOW CHART]



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\$50 at stock
purchase date
(at August 16, 2005)

\$50 at maturity
(at August 16, 2007)

\$50 at maturity
(at August 15, 2005)

NORMAL UNITS

STRIPPED UNITS

SEPARATELY HELD
SENIOR NOTE

Purchase
Contract

Substitute
Zero-Coupon
Treasury Securities

Senior Note

(Owed To Holder)

(Owed To Holder)

common stock and
contract adjustment
payments (%
per year payable
quarterly)

+

+

% per year payable
quarterly

(reset for quarterly
payments payable
on or after
August 16, 2005)

(Owed To El Paso)

(Owed To Holder)

(Owed To Holder)

\$50 at stock
purchase date
(at August 16, 2005)

\$50 at maturity
(at August 15, 2005)

\$50 at maturity
(at August 16, 2007)

STRIPPED UNITS

- You can also, prior to a successful remarketing of the senior notes or a tax event redemption, subject to certain exceptions, transform stripped units and senior notes into normal units. Following that transformation, the specified zero-coupon U.S. treasury securities, which were previously held as part of the stripped units, will be delivered to you as a separate security.
- The transformation of normal units into stripped units and senior notes and the transformation of stripped units and senior notes into normal units requires certain minimum amounts of securities, as described under "Description of the Equity Security Units -- Creating Stripped Units and Recreating Normal Units."

CONCURRENT OFFERING OF COMMON STOCK

Concurrently with this offering of equity security units, we are conducting a separate offering of 45,000,000 shares of our common stock. Neither this offering of equity security units nor the concurrent offering of our common stock is conditioned on the completion of the other offering.

SUMMARY FINANCIAL INFORMATION

The following summary financial information should be read in conjunction with our consolidated financial statements and related notes thereto, which are incorporated herein by reference. The operating results data for each of the years in the three-year period ended December 31, 2001, and the financial position data as of the end of each fiscal year during such period are derived from our audited consolidated financial statements. The summary financial information for the quarters ended March 31, 2002 and 2001, is derived from our unaudited consolidated financial statements for the respective periods. This historical information is not necessarily indicative of the results to be expected in the future and does not give effect to our announced strategic repositioning plan described under "Recent Developments" on page S-2.

	YEARS ENDED DECEMBER 31,			TH
	2001	2000	1999	ENDE
	-----	-----	-----	-----
	2001	2000	1999	2002
	-----	-----	-----	-----
	(U			
	(IN MILLIONS, EXCEPT PER COMMON SHAR			
Operating Results Data:(1)				
Operating revenues(2).....	\$57,475	\$48,915	\$27,325	\$13,1
Merger-related costs and asset impairments(3).....	1,843	125	557	3
Ceiling test charge(4).....	135	--	352	
Income (loss) from continuing operations before preferred stock dividends.....	67	1,236	257	2
Income (loss) from continuing operations available to common stockholders.....	67	1,236	257	2
Basic earnings per common share from continuing operations.....	\$ 0.13	\$ 2.50	\$ 0.52	\$ 0.
Diluted earnings per common share from continuing operations.....	\$ 0.13	\$ 2.43	\$ 0.52	\$ 0.
Cash dividends declared per common share(5).....	\$ 0.85	\$ 0.82	\$ 0.80	\$ 0.
Basic average common shares outstanding.....	505	494	490	5
Diluted average common shares outstanding.....	516	513	497	5

	AS OF DECEMBER 31,			AS O
	2001	2000	1999	2002
	-----	-----	-----	-----
	2001	2000	1999	2002
	-----	-----	-----	-----
	(U			
	(\$ IN MILLIONS)			

Financial Position Data:(1)

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Total assets(2).....	\$48,171	\$46,320	\$32,090	\$48,5
Long-term debt and other financing obligations.....	12,816	11,603	10,021	14,3
Non-current notes payable to unconsolidated affiliates.....	368	343	--	3
Company-obligated preferred securities of consolidated trusts.....	925	925	625	9
Minority interests.....	3,088	2,782	1,819	3,2
Stockholders' equity.....	9,356	8,119	6,884	9,3

-
- (1) Our operating results and financial position data reflect the acquisitions of PG&E's Texas Midstream operations in December 2000. This acquisition was accounted for as a purchase, and therefore operating results are included in our results prospectively from the purchase date.
 - (2) Our operating revenues and total assets reflect the significant growth in our Merchant Energy operations during 2001 and 2000 as well as the consolidation of the U.S. operations of Coastal Merchant Energy in September 2000.
 - (3) Our 2001 costs relate primarily to our merger with The Coastal Corporation, and our 1999 costs relate primarily to our merger with Sonat, Inc.
 - (4) Ceiling test charges are reductions in earnings that result when capitalized costs of natural gas and oil properties exceed the upper limit, or ceiling, on the value of these properties.
 - (5) Cash dividends declared per share of common stock represent the historical dividends declared by El Paso for all periods presented.

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RISK FACTORS

Investing in the units involves risks, including the risks described below that are specific to the normal units and those that could affect us and our business. You should not invest in the units unless you understand these investment risks. Because a normal unit initially consists of a purchase contract to acquire shares of our common stock and a senior note issued by us, you are making an investment decision with regard to our common stock and senior notes, as well as the normal units. Before you invest in the units, you should consider the risks, uncertainties and factors that may adversely affect us that are discussed under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors and Cautionary Statement For Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995" in our Annual Report on Form 10-K for the year ended December 31, 2001, which is incorporated by reference in the accompanying prospectus, as well as the following additional risk factors.

ADDITIONAL RISKS RELATED TO THE COMPANY

WE MAY HAVE DIFFICULTY ACCESSING CAPITAL ON ATTRACTIVE TERMS OR AT ALL.

In response to the occurrence of several recent events, including the September 11, 2001 terrorist attack on the United States, the ongoing war against terrorism by the United States, and the bankruptcy of Enron Corp., one of our major competitors, the financial markets have been disrupted in general, and the availability and cost of capital for our business and that of our competitors have been adversely affected. In addition, the bankruptcy of Enron and other issues affecting the energy industry have caused the credit ratings agencies to review the capital structure and earnings power of energy companies, including ours. These reviews have constrained the capital available to our industry and could adversely affect our access to funding for our operations. Our business is capital intensive, and achievement of our growth targets is

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dependent, at least in part, upon our ability to access capital at rates and on terms we determine to be attractive. If our ability to access capital becomes significantly constrained, our financial condition and future results of operations could be significantly adversely affected.

FAILURE OF OUR ENERGY TRADING COUNTERPARTIES TO FULFILL THEIR COMMITMENTS COULD SIGNIFICANTLY ADVERSELY AFFECT OUR ENERGY MARKETING AND TRADING BUSINESS.

Since the bankruptcy of Enron Corp., the energy marketing and trading industry has come under heightened scrutiny by regulatory and rating agencies, resulting in a reduction in the credit available to companies in the industry. Consequently, a number of industry participants could have liquidity constraints on their trading activities, could reduce the size of their trading businesses or could discontinue their trading operations altogether. If the counterparties in our energy marketing and trading business continue to face liquidity constraints, or are otherwise unable or unwilling to continue their trading activities, the financial results and liquidity of our energy marketing and trading business could be significantly adversely affected.

WE MAY NOT ACHIEVE ALL OF THE OBJECTIVES SET FORTH IN OUR STRATEGIC REPOSITIONING PLAN IN A TIMELY MANNER OR AT ALL.

Our ability to achieve the stated objectives of our strategic repositioning plan, as well as the timing of their achievement, if at all, is subject to factors beyond our control, including:

- our ability to issue equity securities, including the normal units offered pursuant to this prospectus supplement and our common stock being offered concurrently herewith, which is based on our stock price, credit ratings and liquidity in the capital markets; and
- our ability to raise cash from asset sales, which may be impacted by our ability to locate potential buyers in a timely fashion and obtain a reasonable price or by competing asset sales programs by our competitors.

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RISKS RELATED TO THIS OFFERING

YOU WILL BEAR THE ENTIRE RISK OF A DECLINE IN THE PRICE OF OUR COMMON STOCK.

The market value of the shares of our common stock you will receive on the stock purchase date may be materially different from the effective price per share paid by you on the stock purchase date. If the average trading price of our common stock on the stock purchase date is less than \$ per share, you will, on the stock purchase date, be required to purchase shares of common stock at a loss. Accordingly, a holder of units assumes the entire risk that the market value of our common stock may decline. Any such decline could be substantial.

YOU WILL RECEIVE ONLY A PORTION OF ANY APPRECIATION IN OUR COMMON STOCK PRICE.

The aggregate market value of the shares of our common stock you will receive on the stock purchase date generally will exceed the stated amount of \$50 only if the average closing price per share of our common stock over the applicable 20-trading day period preceding settlement equals or exceeds \$, which we refer to as the "threshold appreciation price." The threshold appreciation price represents an appreciation of % over \$, the price of our common stock on , 2002. Therefore, during the period prior to the stock purchase date, an investment in the units affords less opportunity for equity appreciation than a direct investment in our common stock. If the

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average closing price exceeds \$ _____, which we refer to as the "reference price," but falls below the threshold appreciation price, you will realize no equity appreciation on the common stock for the period during which you own the purchase contract. Furthermore, if the applicable average closing price exceeds the threshold appreciation price, the value of the shares of common stock you will receive under the purchase contract will be approximately _____ % of the value of the shares of common stock you could have purchased with \$50 at the time of this offering.

THE TRADING PRICE OF OUR COMMON STOCK AND THE GENERAL LEVEL OF INTEREST RATES AND OUR CREDITWORTHINESS WILL DIRECTLY AFFECT THE TRADING PRICE FOR THE UNITS.

It is impossible to predict whether the price of our common stock or interest rates will rise or fall. Our creditworthiness, operating results and prospects and economic, financial and other factors will affect trading prices of our common stock. In addition, market conditions can affect the capital markets generally, in turn affecting the price of our common stock. These conditions may include the level of, and fluctuations in, the trading prices of stocks generally and sales of substantial amounts of our common stock in the market after the offering of the normal units or the perception that those sales could occur. Fluctuations in interest rates may affect the relative value of our common stock underlying the purchase contracts and of the other components of the units, which could, in turn, affect the trading prices of the units and our common stock.

YOU MAY SUFFER DILUTION OF OUR COMMON STOCK ISSUABLE UPON SETTLEMENT OF YOUR PURCHASE CONTRACT.

The number of shares of our common stock issuable upon settlement of your purchase contract is subject to adjustment only for stock splits and combinations, stock dividends and other specified transactions described in this prospectus supplement. See "Description of the Equity Security Units -- Anti-dilution Adjustments" for more information. The number of shares of our common stock issuable upon settlement of each purchase contract is not subject to adjustment for other events, such as employee stock option grants, offerings of common stock for cash, or in connection with acquisitions or other transactions, any of which may adversely affect the price of our common stock. The terms of the units do not restrict our ability to offer common stock in the future or to engage in other transactions that could dilute our common stock. Moreover, we have no obligation to consider the interests of the holders of the units in engaging in any such offering or transaction.

YOU WILL HAVE LITTLE PROTECTION UNDER THE TERMS OF THE UNITS OR SENIOR NOTES IN THE EVENT OF A HIGHLY LEVERAGED TRANSACTION OR CHANGE OF CONTROL.

The purchase contracts provide for acceleration in case of a cash merger, but acceleration may not protect you against a decline in the value of your investment, and you will not be protected against other

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transactions that may adversely affect the value of the units. The units and senior notes do not contain provisions that will afford you protection in the event of a highly leveraged transaction or change in control, including a takeover, other mergers, recapitalization or similar restructuring, a sale of substantially all of our assets or similar transactions. These types of transactions may adversely affect our financial and operating condition, our creditworthiness and the investment quality of our securities. Even in the case of a cash merger, while you will be able to accelerate the settlement date of your purchase contracts, the merger transaction itself may adversely affect the value of your investment in the senior notes which would remain outstanding.

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Consequently, your investment in the units and senior notes may be materially adversely affected.

YOU WILL HAVE NO RIGHTS AS A COMMON STOCKHOLDER.

Until you acquire shares of our common stock upon settlement of your purchase contract, you will have no rights with respect to our common stock, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on our common stock. Upon settlement of your purchase contract, you will be entitled to exercise the rights of a holder of common stock only as to actions for which the record date occurs after the stock purchase date. For more information on our common stock, see "Description of Capital Stock" in this prospectus supplement and the accompanying prospectus.

YOUR PLEDGED SECURITIES WILL BE ENCUMBERED.

Although holders of normal units and stripped units will be beneficial owners of the underlying pledged senior notes (or the specified portfolio of treasury securities, if a successful remarketing has occurred, or the specified tax event portfolio of treasury securities, if a tax event redemption has occurred) and the specified zero-coupon treasury securities, respectively, the holders will pledge those securities with the collateral agent to secure their obligations under the related purchase contracts. Therefore, for so long as the purchase contracts remain in effect, holders will not be allowed to withdraw their pledged senior notes (or the specified portfolio of treasury securities, if a successful remarketing has occurred, or the specified tax event portfolio of treasury securities, if a tax event redemption has occurred) or specified zero-coupon treasury securities from this pledge arrangement, except upon substitution of other securities as described in this prospectus supplement.

In addition, notwithstanding the automatic termination of the purchase contracts, if we become the subject of a case under the U.S. bankruptcy code, imposition of an automatic stay under Section 362 of the U.S. bankruptcy code may delay the delivery to you of your securities being held as collateral under the pledge arrangement, and such delay may continue until the automatic stay has been lifted. The automatic stay will not be lifted until such time as the bankruptcy judge agrees to lift it and return your collateral to you.

THE PURCHASE CONTRACT AGREEMENT WILL NOT BE QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939; THE OBLIGATIONS OF THE PURCHASE CONTRACT AGENT WILL BE LIMITED.

The purchase contract agreement relating to the units will not be qualified under the Trust Indenture Act of 1939. The purchase contract agent under the purchase contract agreement, who will act as the agent and the attorney-in-fact for the holders of the units, will not be qualified as a trustee under the Trust Indenture Act of 1939. Accordingly, holders of the units will not have the benefits of the protections of the Trust Indenture Act of 1939 other than to the extent applicable to a senior note included in a normal unit. Under the terms of the purchase contract agreement, the purchase contract agent will have only limited obligations to the holders of the units.

THE SECONDARY MARKET FOR THE UNITS AND SENIOR NOTES MAY BE ILLIQUID.

We are unable to predict how the units will trade in the secondary market or whether that market will be liquid or illiquid. There is currently no secondary market for the units and senior notes. We have applied to list the normal units on the New York Stock Exchange. We will not initially list either the stripped units or the senior notes. However, if either of these securities is separately traded to a sufficient extent that applicable

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exchange listing requirements are met, we may attempt, but are not obligated, to cause those securities to be listed on the exchange on which the normal units are then listed. We cannot provide assurance that a listing application for stripped units or senior notes will be accepted or, if accepted, that the normal units, stripped units or senior notes will not be delisted from the New York Stock Exchange or that trading in the normal units, stripped units or senior notes will not be suspended as a result of elections to create stripped units or recreate normal units through collateral substitution that cause the numbers of these securities to fall below the applicable requirements for listing securities on the New York Stock Exchange.

We have been advised by the underwriters that they presently intend to make a market for the normal units; however, they are not obligated to do so and any market making may be discontinued at any time. There can be no assurance as to the liquidity of any market that may develop for the normal units, the stripped units or the senior notes, your ability to sell such securities or whether a trading market, if it develops, will continue. In addition, in the event that sufficient numbers of normal units are converted to stripped units, the liquidity of normal units could be adversely affected.

WE MAY REDEEM THE SENIOR NOTES UPON THE OCCURRENCE OF A TAX EVENT.

We have the option to redeem the senior notes in cash, on not less than 30 days' nor more than 60 days' prior written notice, in whole but not in part, at any time if a tax event occurs under the circumstances described in this prospectus supplement. If we exercise this option, we will redeem the senior notes at the redemption price described in this prospectus supplement under "Description of the Senior Notes -- Tax Event Redemption." There can be no assurance as to the effect on the market prices of the normal units if we substitute the specified tax event portfolio of treasury securities as collateral in place of any senior notes so redeemed. A tax event redemption will be a taxable event to the holders of normal units and senior notes held separately.

THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE UNITS ARE UNCLEAR.

No statutory, judicial or administrative authority directly addresses the treatment of the units or instruments similar to the units for United States federal income tax purposes. As a result, the United States federal income tax consequences of the purchase, ownership and disposition of the units are unclear.

FOR UNITED STATES FEDERAL INCOME TAX PURPOSES, INCOME AND LOSS ON THE SENIOR NOTES WILL GENERALLY BE ORDINARY AND YOU WILL BE REQUIRED TO ACCRUE INTEREST INCOME IN EXCESS OF THE STATED AMOUNTS OF INTEREST YOU RECEIVE.

Under the terms of the senior indenture and the senior notes, we and each holder agree, for United States federal income tax purposes, to treat the senior notes as indebtedness that is subject to the regulations governing contingent payment debt instruments. As a result, you will be required to include original issue discount in income during your ownership of the senior notes, subject to some adjustments. Additionally, you will generally be required to recognize ordinary income on the gain, if any, realized on a sale, exchange or other disposition of the senior notes at any time up to six months after the date on which the interest rate on the senior notes is reset. Thus, the ability to offset such ordinary income with a loss, if any, on a purchase contract may be limited. See "United States Federal Income Tax Consequences."

AS A HOLDING COMPANY, WE WILL DEPEND ON OUR SUBSIDIARIES FOR FUNDS TO MEET OUR

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PAYMENT OBLIGATIONS UNDER THE PURCHASE CONTRACTS AND SENIOR NOTES.

The purchase contracts and senior notes will be exclusively our obligations and not obligations of our subsidiaries. As a holding company, we conduct substantially all of our operations exclusively through our subsidiaries and our only significant assets are our investments in these subsidiaries. This means that we are dependent on dividends, other distributions, loans or other payments of funds from our subsidiaries to meet our debt service and other obligations, including our obligations relating to the purchase contracts and senior notes.

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Our subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due under the purchase contracts and senior notes or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations.

The senior indenture governing the senior notes, subject to certain restrictions, permits us to incur additional secured indebtedness and permits our subsidiaries to incur additional secured and unsecured indebtedness, all of which would in effect be senior to the senior notes. The senior indenture also permits certain of our subsidiaries to pledge assets in order to secure our indebtedness and to agree with lenders under any secured indebtedness to restrictions or repurchase of the senior notes and on the ability of those subsidiaries to make distributions, loans, other payments or asset transfers to us. The total long-term indebtedness of our subsidiaries as of March 31, 2002 was approximately \$8 billion.

IF A LIQUIDATION OR REORGANIZATION OF OUR SUBSIDIARIES OCCURS, PAYMENTS UNDER THE PURCHASE CONTRACTS AND SENIOR NOTES WILL BE EFFECTIVELY SUBORDINATED IN RIGHT OF PAYMENT TO CERTAIN OBLIGATIONS OF OUR SUBSIDIARIES.

Because our subsidiaries are separate and distinct legal entities, our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the right of the holders of the purchase contracts and senior notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

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ACCOUNTING TREATMENT

BALANCE SHEET

We will recognize the fair value of the senior notes as a liability. We expect the fair value of each senior note to be \$50. The purchase contracts are forward transactions in our common stock. We expect the fair value of each purchase contract to be \$0. We will not recognize any subsequent changes in the fair value of the purchase contract or the senior notes. When we settle the purchase contracts we will issue our common stock and the amount we receive will be added to equity and allocated between common stock and additional paid-in capital. We will recognize the present value of the annual contract adjustment payment as a liability with an offsetting reduction in equity.

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INCOME STATEMENT

The quarterly interest payments on the senior notes will be recognized as interest expense. The quarterly contract adjustment payments will be allocated between the liability recognized at date of issuance and interest expense based on a constant rate over the term of the purchase contract.

Fees and expenses incurred in connection with this offering will be allocated between the senior notes and the purchase contracts. The amount allocated to the senior notes will be deferred and recognized as interest expense over the term of the senior notes. The amount allocated to the purchase contracts will be charged to equity.

EARNINGS PER SHARE

Before the settlement of the purchase contracts, we will consider the shares to be issued under the purchase contracts in our calculation of diluted earnings per share using the treasury stock method. Under this method, we will increase diluted shares outstanding by the number of shares we would be required to issue to settle the purchase contracts and we will decrease diluted shares outstanding by the number of shares that we could purchase using the proceeds from the settlement of the purchase contracts. We anticipate that there will be no dilution of our earnings per share except during the periods when the average price of our common stock is above \$.

OTHER MATTERS

Both the Financial Accounting Standards Board and its Emerging Issues Task Force continue to study the accounting for financial instruments and derivative instruments. The Emerging Issues Task Force has been asked to address whether financial instruments similar to the purchase contracts should be accounted for as derivatives under the existing accounting guidance. It is possible that our accounting for the purchase contracts and the senior notes could be affected by any new accounting rules that might be issued by these groups.

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USE OF PROCEEDS

We will use the net proceeds we receive from the sale of our normal units, approximately \$ (or approximately \$ if the underwriters exercise their over-allotment option in full), and the net proceeds from the concurrent sale of our common stock, approximately \$ (or approximately \$ if the underwriters for our concurrent common stock offering exercise their over-allotment option in full), to reduce short-term borrowings and other financings having a weighted average annual interest rate of 3.03% and for general corporate purposes. We may invest any funds we do not require immediately for general corporate purposes in marketable securities and short-term investments.

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CAPITALIZATION

The following table sets forth our historical unaudited consolidated capitalization as of March 31, 2002, and our capitalization:

- as adjusted to give effect to (i) the sale on June 10, 2002 by us and two consolidated subsidiaries of a total of \$1.04 billion principal amount of

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long-term debt and the use of the net proceeds therefrom to repay commercial paper and other short-term indebtedness and (ii) the sale by us of 10,000,000 normal units and the application of the net proceeds therefrom as described under "Use of Proceeds;" and

- as further adjusted to give effect to the sale by us of 45,000,000 shares of common stock in our concurrent offering at a public offering price of \$ _____ per share and the application of the net proceeds therefrom as described under "Use of Proceeds."

Completion of the concurrent offering of our common stock is not a condition to the completion of this offering of our normal units.

You should read this table in conjunction with our consolidated financial statements and related notes contained in our 2001 Annual Report on Form 10-K, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, and our Current Report on Form 8-K filed with the SEC on June 14, 2002, each of which is incorporated herein by reference.

	AS OF MARCH 31, 2002		
	EL PASO HISTORICAL	AS ADJUSTED	AS FURTHER ADJUSTED
	(UNAUDITED)		
	(IN MILLIONS, EXCEPT SHARE AMOUNTS)		
Debt and other financing obligations:			
Notes payable to unconsolidated affiliates.....	\$ 371	\$	\$
Short-term borrowings and other financing obligations.....	2,674	-----	-----
Total current debt and other financing obligations.....	3,045	-----	-----
Notes payable to unconsolidated affiliates.....	326	-----	-----
Long-term debt and other financing obligations(1).....	14,372	-----	-----
Total debt and other financing obligations.....	17,743	-----	-----
Securities of subsidiaries:			
El Paso-obligated preferred securities of consolidated trusts.....	925	-----	-----
Minority interests.....	3,259	-----	-----
Total securities of subsidiaries.....	4,184	-----	-----
Stockholders' equity:			
Common stock, par value \$3.00 per share; 750,000,000 shares authorized(2); 540,009,931 shares issued as of March 31, 2002, actual; and _____ shares issued as of March 31, 2002, as adjusted(3).....	1,620	-----	-----
Additional paid-in capital.....	3,183	-----	-----
Retained earnings.....	5,169	-----	-----
Treasury stock and other, net.....	(618)	(4)	(
Total stockholders' equity.....	9,354	-----	-----
Total capitalization.....	\$31,281	\$	\$
	=====	=====	=====

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- (1) Includes \$500 million of the senior notes held at issuance as part of the normal units.
- (2) In May 2002, we increased our authorized shares of common stock to 1,500,000,000.
- (3) The number of outstanding shares does not include the common stock issuable upon settlement of the purchase contracts held as part of the units.
- (4) Reflects an adjustment of \$ _____ representing the present value of the contract adjustment payments payable in connection with the purchase contracts held as part of the units.

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PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

As of May 31, 2002, there were 532,733,753 shares of common stock outstanding held by 53,814 registered holders. Our common stock is traded on the New York Stock Exchange and the Pacific Exchange under the symbol "EP". The following table sets forth the high and low sales price per share of the common stock as reported on the NYSE and our dividends declared for the periods shown:

	HIGH -----	LOW -----	DIVIDENDS -----
2002			
Second Quarter (through June 14, 2002).....	\$46.8000	\$19.3200	\$ --
First Quarter.....	46.8900	31.7000	0.2175
2001			
Fourth Quarter.....	\$54.0500	\$36.0000	\$0.2125
Third Quarter.....	54.4800	38.0000	0.2125
Second Quarter.....	71.1000	49.9000	0.2125
First Quarter.....	75.3000	57.2500	0.2125
2000			
Fourth Quarter.....	\$74.2500	\$57.1300	\$0.2060
Third Quarter.....	67.5000	46.2500	0.2060
Second Quarter.....	52.5000	39.3750	0.2060
First Quarter.....	42.3125	30.3125	0.2060

Future dividends will be payable only when, as and if declared by our Board of Directors and will be dependent upon business conditions, earnings, our cash requirements and other relevant factors.

On June 14, 2002, the last reported sale price of our common stock on the NYSE was \$21.83 per share.

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DESCRIPTION OF THE EQUITY SECURITY UNITS

We summarize below the principal terms of the normal units and the purchase contracts and senior notes which comprise the normal units. The following description is only a summary. It supplements the description of purchase contracts, common stock, debt securities and units in the accompanying

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prospectus under the captions "Description of Purchase Contracts," "Description of Capital Stock," "Description of the Debt Securities" and "Description of Units" and, to the extent it is inconsistent with the descriptions contained in the accompanying prospectus, replaces the description in the accompanying prospectus. You should read these descriptions together with the purchase contract agreement, the senior indenture, the pledge agreement and the remarketing agreement, as well as the Trust Indenture Act, for a complete understanding of the provisions that may be important to you. See "Where You Can Find More Information" for more information about how to obtain a copy of those documents, as well as a form of certificate evidencing the normal units, form of certificate evidencing the stripped units and form of senior note, all of which we will file with the SEC as exhibits to a Current Report on Form 8-K, which will be incorporated by reference in the registration statement of which the accompanying prospectus, which is supplemented by this prospectus supplement, forms a part.

OVERVIEW

Each equity security unit, or normal unit, will be issued at the stated amount of \$50 and will initially consist of:

(1) a purchase contract under which:

- you will agree to purchase, and we will agree to sell, for \$50, shares of our common stock on the stock purchase date, the number of which will be determined by the settlement rate described below, based on the average trading price of our common stock for a period preceding that date; and
- we will pay you quarterly contract adjustment payments at the annual rate of % of the \$50 stated amount as further described below, subject to our right to deferral as described below; and

(2) a senior note due August 16, 2007 with a principal amount of \$50, on which we will pay interest quarterly at the initial annual rate of % until the earlier of the date of settlement of a successful remarketing of the senior notes (which is the third business day after such remarketing) and the stock purchase date, after which we will pay interest at the reset rate.

The senior notes that are held as part of the normal units will be owned by you but will initially be pledged to us as collateral to secure your obligations under the purchase contracts.

A holder of normal units may elect at any time prior to a successful remarketing or a tax event redemption, subject to certain exceptions described below under "-- Creating Stripped Units and Recreating Normal Units," to withdraw the pledged senior notes held as part of the normal units and create stripped units by substituting, as pledged securities, specified zero-coupon treasury securities that will pay \$50 per stripped unit on the business day immediately preceding the stock purchase date, which is the amount due on the stock purchase date under the related purchase contract. If a holder of normal units elects to substitute the specified zero-coupon treasury securities as pledged securities, the pledged senior notes will be released from the pledge agreement and delivered to the holder. The normal units would then become stripped units.

A holder of stripped units may at any time prior to a successful remarketing or a tax event redemption, subject to certain exceptions described below under "-- Creating Stripped Units and Recreating Normal Units," recreate normal units by substituting the senior notes for the specified zero-coupon

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treasury securities held as part of the stripped units.

Because treasury securities are issued in whole multiples of \$1,000, holders of normal units and stripped units may only make collateral substitutions to create stripped units or recreate normal units, as the case may be, in whole multiples of 20 units.

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As a beneficial owner of a unit, you will be deemed to have:

- irrevocably agreed to be bound by the terms of the purchase contract agreement, pledge agreement and purchase contract for so long as you remain a beneficial owner of such unit; and
- appointed the purchase contract agent under the purchase contract agreement as your agent and attorney-in-fact to enter into and perform the purchase contract on your behalf.

In addition, as a beneficial owner of a normal unit, you will be deemed by your acceptance of the normal unit to have agreed to treat yourself as the owner of the related senior notes (or after a successful remarketing, the specified portfolio of treasury securities, or tax event redemption, the specified tax event portfolio of treasury securities) and to treat the senior notes as our indebtedness.

At the closing of the offering of the normal units, the underwriters will purchase the normal units. The purchase price of each normal unit will be allocated by us between the related purchase contract and the related senior note. The senior notes will then be pledged to the collateral agent to secure the holders' obligations owed to us under the purchase contracts.

We will enter into:

- a purchase contract agreement with JPMorgan Chase Bank, as purchase contract agent, governing, among other things, the appointment of the purchase contract agent as the agent and attorney-in-fact for the holders of the units, the purchase contracts, the transfer, exchange or replacement of certificates representing the units and certain other matters relating to the units; and
- a pledge agreement with The Bank of New York, as collateral agent and securities intermediary creating a pledge and security interest for our benefit to secure the obligations of holders of units under the purchase contracts. The pledge agreement will also provide for The Bank of New York to act as custodial agent with respect to the senior notes that are held separately and participating in a remarketing.

CREATING STRIPPED UNITS AND RECREATING NORMAL UNITS

Prior to a successful remarketing or a tax event redemption, subject to certain exceptions described below, holders of normal units will have the ability to "strip" those normal units, by depositing with the collateral agent specified zero-coupon treasury securities, thereby creating "stripped units," and holders of stripped units will have the ability to recreate normal units from their stripped units by depositing with the collateral agent senior notes, as described in more detail below. Holders who elect to create stripped units or recreate normal units will be responsible for any related fees or expenses.

CREATING STRIPPED UNITS

Each holder of normal units may create stripped units prior to a successful

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remarketing or a tax event redemption, subject to the exception set forth in the following sentence, and withdraw the pledged senior notes underlying such holder's normal units by substituting, as pledged securities, specified zero-coupon treasury securities described below that will pay \$50 per stripped unit on the business day immediately preceding the stock purchase date, which is the amount due on the stock purchase date under the purchase contract. Holders of normal units may create stripped units at any time prior to a successful remarketing or a tax event redemption, except that they may not create stripped units during the period that commences at 5:00 p.m., New York City time, on the fourth business day immediately preceding any remarketing period and ends at 9:00 a.m., New York City time, on the fourth business day immediately succeeding the third business day in such remarketing period.

In order to create stripped units, a holder of normal units must substitute, as pledged securities, zero-coupon U.S. treasury securities (CUSIP No. 912803 AG 8), which mature on August 15, 2005. Upon creation of the stripped units, the zero-coupon treasury securities will be pledged with the collateral agent to secure the holder's obligation to purchase shares of our common stock under the purchase contract, and the pledged

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senior notes underlying the holder's normal units will be released. Because treasury securities are issued in whole multiples of \$1,000, holders of normal units may only make substitutions to create stripped units in whole multiples of 20 normal units.

To create stripped units, you must:

- deposit with the collateral agent the zero-coupon treasury securities described above, which will be substituted for the pledged senior notes held as part of the normal units and pledged with the collateral agent to secure your obligation to purchase shares of our common stock under the purchase contract;
- instruct the purchase contract agent to decrease the number of normal units evidenced by the normal units global security certificate (or if the normal units are held in certificated form, transfer such normal units to the purchase contract agent); and
- deliver a notice to the purchase contract agent stating that you have deposited the specified zero-coupon treasury securities with the collateral agent and are requesting that the purchase contract agent instruct the collateral agent to release to you the pledged senior notes held as part of such normal units.

Upon that deposit and the receipt of an instruction from the purchase contract agent, the collateral agent will effect the release to the purchase contract agent of the underlying pledged senior notes from the pledge under the pledge agreement free and clear of our security interest. The purchase contract agent will then:

- decrease the number of normal units evidenced by the normal units global security certificate (or if the normal units are held in certificated form, cancel the normal units);
- transfer to you the underlying pledged senior notes; and
- increase the number of stripped units evidenced by the stripped units global security certificate (or if the stripped units are held in certificated form, deliver to you the stripped units).

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Any senior notes released to you will be tradeable separately from the resulting stripped units. Interest on the senior notes will continue to be payable in accordance with their terms.

RECREATING NORMAL UNITS

Each holder of stripped units may recreate normal units prior to a successful remarketing or a tax event redemption, subject to the exception set forth in the following sentence, by substituting, as pledged securities, senior notes for the pledged zero-coupon treasury securities underlying the stripped units. Holders may recreate normal units at any time prior to a successful remarketing or a tax event redemption, except that they may not recreate normal units during the period that commences at 5:00 p.m., New York City time, on the fourth business day immediately preceding any remarketing period and ends at 9:00 a.m., New York City time, on the fourth business day immediately succeeding the third business day in such remarketing period.

Upon recreation of the normal units, the senior notes will be pledged with the collateral agent to secure the holder's obligation to purchase shares of our common stock under the purchase contract, and the pledged zero-coupon treasury securities underlying the stripped units will be released. Because treasury securities are issued in whole multiples of \$1,000, holders of stripped units may only make substitutions to recreate normal units in whole multiples of 20 stripped units.

To recreate normal units from stripped units, you must:

- deposit with the collateral agent senior notes having an aggregate principal amount equal to the aggregate stated amount of your stripped units to be substituted for normal units, which will be substituted for the pledged zero-coupon treasury securities held as part of the stripped units and pledged with the collateral agent to secure your obligation to purchase shares of our common stock under the purchase contract;

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- instruct the purchase contract agent to decrease the number of stripped units evidenced by the stripped units global security certificate (or if the stripped units are held in certificated form, transfer such stripped units to the purchase contract agent); and
- deliver a notice to the purchase contract agent stating that you have deposited the senior notes with the collateral agent and are requesting that the purchase contract agent instruct the collateral agent to release to you the pledged zero-coupon treasury securities held as part of such stripped units.

Upon that deposit and the receipt of an instruction from the purchase contract agent, the collateral agent will effect the release to the purchase contract agent of the underlying pledged zero-coupon treasury securities from the pledge under the pledge agreement free and clear of our security interest. The purchase contract agent will then:

- decrease the number of stripped units evidenced by the stripped units global security certificate (or if the stripped units are held in certificated form, cancel the stripped units);
- transfer to you the underlying pledged zero-coupon treasury securities; and

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- increase the number of normal units evidenced by the normal units global security certificate (or if the normal units are held in certificated form, deliver to you the normal units).

QUARTERLY PAYMENTS

If you hold a normal unit, you will receive:

- quarterly contract adjustment payments on the purchase contract at the annual rate of % of the \$50 stated amount on all quarterly payment dates on or before the stock purchase date, subject to our right of deferral; and
- quarterly interest payments on the pledged senior note at the annual rate of % of the \$50 principal amount for the quarterly interest payments due on or before May 16, 2005. On August 16, 2005, if the senior notes are successfully remarketed prior to the stock purchase date, you will receive a quarterly interest payment on the pledged portfolio of treasury securities that are substituted for the senior note at an annual rate of %; if the senior notes are not successfully remarketed prior to the stock purchase date, you will continue to receive a quarterly interest payment on the pledged senior note at the annual rate of %. That is, on the stock purchase date, you will receive a quarterly interest payment at the same annual rate as all previous quarterly interest payments, regardless of whether or when the remarketing was successful.

If you hold a stripped unit, you will only be entitled to receive quarterly contract adjustment payments on the purchase contract at the annual rate of % of the \$50 stated amount on all quarterly payment dates on or before the stock purchase date, subject to our right of deferral. In addition, original issue discount will accrue on the pledged zero-coupon treasury securities that are part of the stripped unit.

If you hold a senior note separately from a normal unit, you will receive only the quarterly interest payments on the senior note. The senior notes will pay interest at the initial annual rate of % of the \$50 principal amount for the quarterly interest payments due on or before May 16, 2005. If the senior notes are successfully remarketed on the third business day prior to May 16, 2005, which is the last quarterly interest payment date prior to the stock purchase date, the senior notes will pay interest at the reset rate for the quarterly interest payments due on and after August 16, 2005 until their maturity on August 16, 2007. However, if the remarketing agent cannot establish a reset rate that results in a successful remarketing on the initial remarketing date, the interest rate will continue to be the initial annual rate of % until the remarketing agent can, on a later remarketing date prior to the stock purchase date, establish a reset rate that results in a successful remarketing. In that event, the quarterly interest payment due on August 16, 2005 will be calculated in part at the initial annual rate of % and in part at the reset rate (commencing on the date of settlement of the successful remarketing). Interest payable on the senior notes thereafter and until their maturity on August 16, 2007 will be at the reset rate. If a reset rate cannot be established before the stock

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purchase date in connection with a successful remarketing, the interest rate will be reset, as of the stock purchase date, to a reset rate equal to the two-year benchmark rate plus a spread that will be determined based on the credit rating of the senior notes at that time, as described in the section entitled "Description of the Senior Notes -- Interest".

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Our obligations with respect to the contract adjustment payments and the senior notes will be unsecured and will rank equally with all our other existing and future unsecured and unsubordinated indebtedness. For additional information on the ranking of the senior notes, see "Description of the Senior Notes -- Ranking."

Contract adjustment payments and interest payments on the senior notes payable for any period will be computed:

- for any full quarterly period on the basis of a 360-day year of twelve 30-day months;
- for any period shorter than a full quarterly period, on the basis of a 30-day month; and
- for periods of less than a month, on the basis of the actual number of days elapsed per 30-day month.

Contract adjustment payments will accumulate and interest on the senior notes will accrue from _____, 2002 and, subject to our right to defer contract adjustment payments, will be payable quarterly in arrears on February 16, May 16, August 16 and November 16 of each year, commencing August 16, 2002. If the purchase contracts are settled early (at your option) or terminated (upon the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us), you will have no right to receive any accumulated and unpaid contract adjustment payments or deferred contract adjustment payments.

Contract adjustment payments and interest payments on the senior notes will be payable, as applicable, to the holders of units as they are registered on the books and records of the purchase contract agent on the relevant record dates. So long as the units and senior notes remain in book-entry form only, the record date will be the business day immediately preceding the relevant payment dates. Contract adjustment payments will be paid through the purchase contract agent, which will hold amounts received in respect of the contract adjustment payments for the benefit of the holders of the purchase contracts that are held as part of such normal units. Subject to any applicable laws and regulations, each interest payment will be made as described under "Description of the Senior Notes -- Book-Entry and Settlement" below. If the units and senior notes do not remain in book-entry form only, the relevant record dates will be the 15th day prior to the relevant payment dates. If any date on which these payments and distributions are to be made is not a business day, then amounts payable on that date will be made on the next day that is a business day without any interest or other payment in respect of the delay, except that, if the business day is in the next calendar year, payment will be made on the immediately preceding business day, in each case with the same force and effect as if made on the scheduled payment date.

OPTION TO DEFER CONTRACT ADJUSTMENT PAYMENTS

We may, at our option and upon prior written notice to the holders of the units and the purchase contract agent, defer the payment of contract adjustment payments on the related purchase contracts until no later than the stock purchase date. We will pay additional contract adjustment payments on any deferred installments of contract adjustment payments at the rate of _____ % per year (compounded quarterly) until paid. However, if a purchase contract is settled early or terminated (upon the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us), the right to receive accumulated and unpaid contract adjustment payments and deferred contract adjustment payments will terminate.

If we elect to defer the payment of contract adjustment payments on the purchase contracts until the stock purchase date, we may elect to pay each

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holder of units on the stock purchase date in respect of the deferred contract adjustment payments, in lieu of a cash payment, a number of shares of our common stock equal to (a) the aggregate amount of deferred contract adjustment payments payable to the holder divided by (b) the applicable market value (as defined below under "-- Description of the Purchase Contracts"). If we elect to pay deferred contract adjustment payments on the stock purchase date in common stock, we will not

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issue any fractional shares of our common stock. In lieu of fractional shares otherwise issuable with respect to such payment of deferred contract adjustment payments, the holder will be entitled to receive an amount in cash equal to the fraction of a share times the applicable market value.

If we exercise our option to defer the payment of contract adjustment payments, then until the deferred contract adjustment payments have been paid, we will not declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any class of our common stock other than:

- purchases, redemptions or acquisitions of shares of our common stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers or directors or a stock purchase or dividend reinvestment plan, or the satisfaction by us of our obligations pursuant to any contract or security outstanding on the date of such event;
- as a result of a reclassification of our capital stock or the exchange or conversion of one class or series of our capital stock for another class or series of the capital stock;
- the purchase of fractional interests in shares of our common stock pursuant to the conversion or exchange provisions of the security being converted or exchanged;
- dividends or distributions in our common stock (or rights to acquire our common stock), or repurchases, redemptions or acquisitions of our common stock in connection with the issuance or exchange of common stock (or securities convertible into or exchangeable for shares of our common stock); or
- redemptions, exchanges or repurchases of any rights outstanding under a shareholder rights plan or the declaration or payment thereunder of a dividend or distribution of or with respect to rights in the future.

DESCRIPTION OF THE PURCHASE CONTRACTS

Each purchase contract underlying a unit, unless earlier settled or terminated, will obligate you to purchase, and us to sell, for \$50, on the stock purchase date, a number of newly issued shares of our common stock equal to the settlement rate.

The settlement rate, which is the number of newly issued shares of our common stock issuable upon settlement of a purchase contract on the stock purchase date, subject to adjustment under certain circumstances as described under "-- Anti-dilution Adjustments" below, will be as follows:

- If the applicable market value of our common stock is equal to or greater than the threshold appreciation price of \$ _____, which is approximately _____ % above the reference price of \$ _____, the

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settlement rate, which is equal to the stated amount of \$50 divided by \$, will be shares of our common stock per purchase contract. Accordingly, if the market price for our common stock increases to an amount that is greater than \$ on the stock purchase date, the aggregate market value of the shares of common stock issued upon settlement of each purchase contract, assuming that this market value is the same as the applicable market value of our common stock, will be greater than \$50, and if the market price equals \$, the aggregate market value of those shares, assuming that this market value is the same as the applicable market value of our common stock, will equal \$50.

- If the applicable market value of our common stock is less than \$ but greater than \$, the settlement rate will be equal to the stated amount of \$50 divided by the applicable market value of our common stock per purchase contract. Accordingly, if the market price for our common stock increases, but that market price is less than \$ on the stock purchase date, the aggregate market value of the shares of common stock issued upon settlement of each purchase contract, assuming that this market value is the same as the applicable market value of our common stock, will equal \$50.

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- If the applicable market value of our common stock is less than or equal to \$, the settlement rate, which is equal to the stated amount of \$50 divided by \$, will be shares of our common stock per purchase contract. Accordingly, if the market price for our common stock decreases to an amount that is less than \$ on the stock purchase date, the aggregate market value of the shares of our common stock issued upon settlement of each purchase contract, assuming that the market value is the same as the applicable market value of our common stock, will be less than \$50, and if the market price equals \$, the aggregate market value of those shares, assuming that this market value is the same as the applicable market value of our common stock, will equal \$50.

The "applicable market value" of our common stock is the average of the closing prices per share of our common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the stock purchase date.

For purposes of determining the applicable market value for our common stock, the closing price of our common stock on any date of determination means:

- the closing sale price or, if no closing price is reported, the last reported sale price of our common stock on the New York Stock Exchange on that date;
- if our common stock is not listed for trading on the New York Stock Exchange on any date, the closing sale price as reported in the composite transactions for the principal U.S. securities exchange on which our common stock is so listed;
- if our common stock is not so listed on a United States national or regional securities exchange, as reported by the Nasdaq stock market;
- if our common stock is not so reported, the last quoted bid price for our common stock in the over-the-counter market as reported by the National Quotation Bureau or similar organization; or

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- if that bid price is not available, the market value of our common stock on that date as determined by a nationally recognized independent investment banking firm retained by us for this purpose.

A trading day is a day on which our common stock:

- is not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business; and
- has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of our common stock.

SETTLEMENT

Settlement of the purchase contracts will occur on the stock purchase date, unless:

- you have settled the purchase contract not later than 11:00 a.m., New York City time, on the eleventh business day immediately preceding the stock purchase date through the early delivery of cash to the purchase contract agent