

El Paso Files 10-K for 2003, Reports Loss of \$1.93 Billion

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El Paso Corp. on Thursday filed its long-awaited 10-K for 2003 with the Securities and Exchange Commission, reporting a loss for the year of \$1.93 billion, or \$3.23 a share, on revenue of \$6.7 billion.

The company's loss from continuing operations was \$616 million, or \$1.03 a share, the filing said.

The company also restated its financial results for every year since 1999 as a result of an investigation into its reserve accounting and accounting for hedging transactions.

The overall impact of the restatements was to cut shareholder equity by about \$2.4 billion at Sept. 30, 2003, the filing said.

Of this amount, about \$1.7 billion related to the restatement of El Paso's historical reserve estimates and about \$700 million related to the restatement of its historical accounting for hedges.

El Paso's restatement increased its previously reported 1999 earnings to 89 cents a share from 46 cents. It also reduced its 2000 earnings to 93 cents a share from \$2.19.

The company's 2001 earnings were restated to a loss of 77 cents a share from earnings of 30 cents a share. And its 2002 loss was widened to \$2.38 a share from \$1.87 as a result of the restatement, according to the filing.

Also in the filing, El Paso disclosed that one of its units was subpoenaed earlier this month by the grand jury of the U.S. District Court for the Southern District of New York to produce records regarding the United Nation's Oil for Food Program governing sales of Iraqi oil.

The unit, El Paso CGP Company, was formerly Coastal Corp., which the company acquired in January 2001. The subpoena seeks various records relating to transactions in oil of Iraqi origin during the period from 1995 to 2003, the filing said. El Paso said that other companies in the energy industry have received similar subpoenas.

The company received a subpoena from the SEC in March related to its reserve revisions, which are also being investigated by the U.S. attorney.

The company's hedging accounting is also the subject of an investigation by the U.S. Attorney and may become the subject of a separate inquiry by the SEC, El Paso said. Any of the probes could result in "significant fines" against the company, the filing said.

In February, El Paso completed the annual review of its Dec. 31, 2003 natural gas and oil reserve estimates. As a result of this review, it reduced proved natural gas and oil reserve estimates by about 1.8 trillion cubic feet.

An independent investigation revealed that beginning of 1999 and into 2003, certain employees used aggressive and, at times, unsupportable methods to book proved reserves, the filing said.

In August, the company also determined it had not properly accounted for many of the hedges of our anticipated natural gas production and certain other derivative transactions.

The company said it is in the process of correcting deficiencies in its internal controls that led to the overstatement of reserves and expects to have all remedial actions implemented by the end of the year. While the company believes the restatements constituted events of default under its various credit facilities, it has received waivers from lenders to address the issue, the filing said.

The Houston-based energy company also received an extension of time with various lenders until Nov. 30, to file its first and second quarter 2004 Forms 10-Q, which it expects to meet, the filing said.