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Interstate Pipelines | Exploration & Production | Midstream

Financial and Operational Reporting Package

Second Quarter 2011



D E P E N D A B L E N A T U R A L G A S

NOTES TO INVESTORS

Cautionary Statement

This Financial and Operational Reporting Package (Package) includes summarized financial and other information about El Paso Corporation (the Company). The information in this Package is intended to provide highlights and should not be used as a substitute for financial information in El Paso's filings with the Securities and Exchange Commission (SEC). Readers should refer to those filings. In addition, the glossary contains certain definitions of measures used in this Package and in other of our presentations. These definitions may not be the same as definitions used by other companies. This Package may contain information that is based on estimates. The Company has made every reasonable effort to ensure that the information and assumptions on which these estimates are based are current, reasonable, and complete. Factors that could cause actual results to differ materially from the estimates in this Package are changes in unaudited and/or unreviewed financial information and the effects of any changes in accounting rules and guidance, as well as other factors discussed in El Paso's filings with the SEC. The consolidated financial data and statistics in this Package for Second Quarter 2011 and its individual components reflect the operating results of El Paso and its operating segments through June 30, 2011. Independent auditors have not audited any of the financials and operating statements. The Company assumes no obligation to publicly update or revise any information contained herein as a result of new information, future events, or otherwise.

Certain of the production information in this Package include the production attributable to El Paso's 48.8 percent interest in Four Star Oil & Gas Company (Four Star). El Paso's Supplemental Oil and Gas disclosures, which are included in our 2010 Annual Report on Form 10-K, reflect its proportionate share of the proved reserves of Four Star separate from its consolidated proved reserves. In addition, the proved reserves attributable to its proportionate share of Four Star represent estimates prepared by El Paso and not those of Four Star.

Non-GAAP Financial Measures

The SEC's Regulation G applies to any public disclosure or release of material information that includes a non-GAAP financial measure. In the event of such a disclosure or release, Regulation G requires (i) the presentation of the most directly comparable financial measure calculated and presented in accordance with GAAP and (ii) a reconciliation of the differences between the non-GAAP financial measure presented and the most directly comparable financial measure calculated and presented in accordance with GAAP. The required presentations and reconciliations are included in the body of this Package.

El Paso believes that the non-GAAP financial measures described in the glossary are useful to investors because these measurements are used by many companies in the industry as a measure of operating and financial performance and are commonly employed by financial analysts and others to evaluate the operating and financial performance of the Company and its business segments and to compare it with the performance of other companies within the industry. These non-GAAP financial measures may not be comparable to similarly titled measures used by other companies and should not be used as a substitute for net income (loss), earnings (loss) per share, operating cash flows or other measures of financial performance presented in accordance with GAAP.

Debt Schedules

This Package contains schedules with details to the interest rates, maturity dates and principal amounts outstanding under El Paso's and its subsidiaries debt obligations by issuance and that mature through December 31, 2013. These schedules do not contain all the information about our outstanding debt that may be important to you. Additional information about our outstanding debt obligations is disclosed in El Paso's 2010 Annual Report on Form 10-K and Quarterly Report on Form 10-Q for the six months ended June 30, 2011, as filed with the SEC. The information in the Debt by Issuer Schedule and Debt Maturity Schedule are accurate as of June 30, 2011. Although we may periodically update the information posted to our website, we undertake no obligation to do so.

El Paso Corporation provides natural gas and related energy products in a safe, efficient, and dependable manner. El Paso owns North America's largest interstate natural gas pipeline system and one of North America's largest independent oil and natural gas producers and an emerging midstream business. For more information, visit www.elpaso.com.

EL PASO CORPORATION
Financial and Operational Reporting Package
Second Quarter 2011

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Operating Results



EL PASO CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(\$ in millions, except per common share amounts)
(unaudited)

	2011		2010				Year-to-Date	
	Q1	Q2	Q1	Q2	Q3	Q4	2011	2010
Operating revenues	\$ 989	\$ 1,236	\$ 1,401	\$ 1,018	\$ 1,213	\$ 984	\$ 2,225	\$ 2,419
Operating expenses								
Cost of products and services	47	44	53	53	57	55	91	106
Operation and maintenance	307	323	290	288	306	351	630	578
Ceiling test charges	-	-	2	-	14	9	-	2
(Gain) loss on long-lived assets	(2)	-	9	(3)	21	(110)	(2)	6
Depreciation, depletion and amortization	254	262	218	242	239	243	516	460
Taxes, other than income taxes	76	78	69	54	58	55	154	123
Total operating expenses	682	707	641	634	695	603	1,389	1,275
Operating income	307	529	760	384	518	381	836	1,144
Earnings from unconsolidated affiliates	30	32	28	111	28	21	62	139
Loss on debt extinguishment	(41)	(27)	-	-	(104)	(113)	(68)	-
Other income, net	99	82	60	57	71	139	181	117
Interest and debt expense	(240)	(239)	(243)	(284)	(255)	(249)	(479)	(527)
Income before income taxes	155	377	605	268	258	179	532	873
Income tax expense	19	38	186	82	75	43	57	268
Net income	136	339	419	186	183	136	475	605
Net income attributable to noncontrolling interests	(74)	(77)	(31)	(29)	(41)	(65)	(151)	(60)
Net income attributable to El Paso Corporation (EPC)	62	262	388	157	142	71	324	545
Preferred stock dividends of EPC	-	-	9	10	9	9	-	19
Net income attributable to EPC's common stockholders	\$ 62	\$ 262	\$ 379	\$ 147	\$ 133	\$ 62	\$ 324	\$ 526
Basic earnings attributable to EPC's common share	\$ 0.09	\$ 0.34	\$ 0.54	\$ 0.21	\$ 0.19	\$ 0.09	\$ 0.44	\$ 0.75
Diluted earnings attributable to EPC's common share	\$ 0.08	\$ 0.34	\$ 0.51	\$ 0.21	\$ 0.19	\$ 0.09	\$ 0.42	\$ 0.72
Basic weighted average common shares outstanding	714	763	696	698	699	699	738	697
Diluted weighted average common shares outstanding	768	782	768	761	762	706	771	768
Dividends declared per EPC's common share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02

EL PASO CORPORATION
SEGMENT INFORMATION
(\$ in millions)
(unaudited)

	2011		2010				Year-to-Date	
	Q1	Q2	Q1	Q2	Q3	Q4	2011	2010
Operating revenues								
Pipelines	\$ 753	\$ 722	\$ 737	\$ 680	\$ 692	\$ 711	\$ 1,475	\$ 1,417
Exploration and Production	250	535	647	369	519	254	785	1,016
Marketing	(12)	(20)	19	(48)	(16)	(4)	(32)	(29)
Other, including eliminations ⁽¹⁾	(2)	(1)	(2)	17	18	23	(3)	15
Consolidated total	\$ 989	\$ 1,236	\$ 1,401	\$ 1,018	\$ 1,213	\$ 984	\$ 2,225	\$ 2,419
Depreciation, depletion and amortization								
Pipelines	\$ 114	\$ 110	\$ 106	\$ 110	\$ 111	\$ 113	\$ 224	\$ 216
Exploration and Production	134	146	107	128	117	125	280	235
Marketing	-	-	-	-	-	-	-	-
Other ⁽¹⁾	6	6	5	4	11	5	12	9
Consolidated total	\$ 254	\$ 262	\$ 218	\$ 242	\$ 239	\$ 243	\$ 516	\$ 460
Operating income (loss)								
Pipelines	\$ 375	\$ 325	\$ 381	\$ 310	\$ 290	\$ 322	\$ 700	\$ 691
Exploration and Production	(30)	250	388	102	265	(24)	220	490
Marketing	(14)	(22)	17	(50)	(12)	(6)	(36)	(33)
Other ⁽¹⁾	(24)	(24)	(26)	22	(25)	89	(48)	(4)
Consolidated total	\$ 307	\$ 529	\$ 760	\$ 384	\$ 518	\$ 381	\$ 836	\$ 1,144
Segment EBIT								
Pipelines	\$ 499	\$ 428	\$ 452	\$ 472	\$ 375	\$ 439	\$ 927	\$ 924
Exploration and Production	(31)	250	390	103	261	(27)	219	493
Marketing	(14)	(21)	17	(49)	(12)	(6)	(35)	(32)
Other ⁽¹⁾	(59)	(41)	(11)	26	(111)	22	(100)	15
Consolidated total	\$ 395	\$ 616	\$ 848	\$ 552	\$ 513	\$ 428	\$ 1,011	\$ 1,400

⁽¹⁾ Includes our corporate general and administrative functions, midstream operations and other miscellaneous businesses.

PIPELINES
FINANCIAL AND OPERATIONAL HIGHLIGHTS
(\$ in millions)
(Excludes Intrasegment Transactions)

	2011		2010				Year-to-Date	
	Q1	Q2	Q1	Q2	Q3	Q4	2011	2010
Segment EBIT								
Operating revenues	\$ 753	\$ 722	\$ 737	\$ 680	\$ 692	\$ 711	\$ 1,475	\$ 1,417
Operating expenses								
Operation and maintenance	190	211	175	195	199	216	401	370
Cost of products and services	29	29	27	25	29	24	58	52
(Gain) loss on long-lived assets	-	-	9	-	21	-	-	9
Depreciation, depletion and amortization	114	110	106	110	111	113	224	216
Taxes, other than income taxes	45	47	39	40	42	36	92	79
Total operating expenses	378	397	356	370	402	389	775	726
Operating income	375	325	381	310	290	322	700	691
Other income, net	124	103	71	162	85	117	227	233
Segment EBIT	\$ 499	\$ 428	\$ 452	\$ 472	\$ 375	\$ 439	\$ 927	\$ 924

Throughput volumes (BBtu/d)

Tennessee Gas Pipeline	6,424	5,722	5,491	4,572	4,807	5,493	6,071	5,023
El Paso Natural Gas ⁽¹⁾	3,054	3,071	3,340	3,293	3,445	3,499	3,063	3,317
Colorado Interstate Gas ⁽²⁾	2,738	2,605	2,960	2,854	2,938	2,778	2,671	2,906
Wyoming Interstate Co, LTD	2,205	2,077	2,324	2,332	2,141	1,891	2,141	2,329
Southern Natural Gas	2,632	2,277	2,899	2,175	2,408	2,542	2,453	2,535
El Paso Gas Transmission Mexico, S. de R.L. ⁽³⁾	-	-	50	50	-	-	-	50
Total	17,053	15,752	17,064	15,276	15,739	16,203	16,399	16,160
Equity Investments (our proportional share)								
Citrus (50%)	1,009	1,290	1,049	1,178	1,308	1,039	1,150	1,114
Samalayuca & Gloria a Dios (50%) ⁽³⁾	-	-	223	221	-	-	-	219
San Fernando (50%) ⁽³⁾	-	-	475	475	-	-	-	475
Total	1,009	1,290	1,747	1,874	1,308	1,039	1,150	1,808
Total throughput	18,062	17,042	18,811	17,150	17,047	17,242	17,549	17,968

⁽¹⁾ Includes Mojave Pipeline Company (MPC)

⁽²⁾ Includes Cheyenne Plains Gas Pipeline (CPG)

⁽³⁾ During the second quarter of 2010, we completed the sale of our interest in these pipelines.

**EXPLORATION AND PRODUCTION
FINANCIAL HIGHLIGHTS
(\$ in millions)
(Excludes Intrasegment Transactions)**

	2011		2010				Year-to-Date	
	Q1	Q2	Q1	Q2	Q3	Q4	2011	2010
Segment EBIT								
Operating revenues								
Physical sales								
Natural gas	\$ 240	\$ 257	\$ 288	\$ 228	\$ 239	\$ 219	\$ 497	\$ 516
Oil and condensate	103	133	75	89	83	99	236	164
Natural gas liquids (NGL)	15	13	18	16	12	14	28	34
Total physical sales	358	403	381	333	334	332	761	714
Realized and unrealized (losses) gains on financial derivatives	(109)	132	253	31	184	(78)	23	284
Other revenues	1	-	13	5	1	-	1	18
Total operating revenues	250	535	647	369	519	254	785	1,016
Operating expenses								
Cost of products	-	-	10	5	-	-	-	15
Transportation costs	20	18	18	18	18	19	38	36
Production costs	73	70	69	64	61	70	143	133
Depreciation, depletion and amortization	134	146	107	128	117	125	280	235
General and administrative expenses	50	48	49	47	41	53	98	96
Ceiling test charges	-	-	2	-	14	9	-	2
Other	3	3	4	5	3	2	6	9
Total operating expenses	280	285	259	267	254	278	565	526
Operating income (loss)	(30)	250	388	102	265	(24)	220	490
Equity earnings and other income (expense), net	(1)	-	2	1	(4)	(3)	(1)	3
Segment EBIT	<u>\$ (31)</u>	<u>\$ 250</u>	<u>\$ 390</u>	<u>\$ 103</u>	<u>\$ 261</u>	<u>\$ (27)</u>	<u>\$ 219</u>	<u>\$ 493</u>

EXPLORATION AND PRODUCTION
AVERAGE DAILY VOLUMES, REALIZED PRICES AND COSTS PER UNIT

	2011		2010				Year-to-Date	
	Q1	Q2	Q1	Q2	Q3	Q4	2011	2010
Natural Gas Sales Volumes (MMcf/d)								
Central	402	419	324	322	320	360	410	324
Western	107	107	111	113	113	112	107	112
Southern	121	103	169	155	138	128	112	162
International	29	28	20	29	30	28	29	24
Total Consolidated	659	657	624	619	601	628	658	622
Unconsolidated Affiliate (Four Star)	47	47	47	46	47	48	47	46
Total Combined	706	704	671	665	648	676	705	668
Oil and Condensate Sales Volumes (MBbls/d)								
Central	0.7	0.8	0.9	0.8	0.9	0.9	0.8	0.8
Western	8.0	7.8	6.6	7.8	8.7	8.6	7.9	7.2
Southern	4.3	4.7	3.4	3.0	3.0	3.4	4.5	3.2
International	0.2	1.5	0.2	2.1	0.9	1.1	0.9	1.2
Total Consolidated	13.2	14.8	11.1	13.7	13.5	14.0	14.1	12.4
Unconsolidated Affiliate (Four Star)	0.9	0.8	1.0	1.2	1.0	0.9	0.8	1.1
Total Combined	14.1	15.6	12.1	14.9	14.5	14.9	14.9	13.5
NGL Sales Volumes (MBbls/d)								
Central	0.1	0.1	0.5	0.2	-	0.1	0.1	0.2
Southern	3.2	2.6	4.3	4.1	3.4	3.3	2.9	4.2
Total Consolidated	3.3	2.7	4.8	4.3	3.4	3.4	3.0	4.4
Unconsolidated Affiliate (Four Star)	1.7	1.4	1.7	1.4	1.6	1.6	1.5	1.6
Total Combined	5.0	4.1	6.5	5.7	5.0	5.0	4.5	6.0
Equivalent Sales Volumes (MMcfe/d)								
Central	406	424	331	329	326	366	415	330
Western	155	154	151	160	165	163	154	156
Southern	166	147	214	197	176	169	157	205
International	31	37	21	41	35	34	34	31
Total Consolidated	758	762	717	727	702	732	760	722
Unconsolidated Affiliate (Four Star)	63	61	64	61	62	63	62	62
Total Combined	821	823	781	788	764	795	822	784
Consolidated average realized prices								
Natural gas price on physical sales (\$/Mcf)	\$ 4.06	\$ 4.29	\$ 5.13	\$ 4.05	\$ 4.31	\$ 3.79	\$ 4.18	\$ 4.59
Natural gas, including financial derivative cash settlements (\$/Mcf) ⁽¹⁾⁽²⁾	\$ 5.44	\$ 5.44	\$ 6.04	\$ 5.86	\$ 5.93	\$ 4.88	\$ 5.44	\$ 5.95
Oil and condensate price on physical sales (\$/Bbl)	\$ 86.27	\$ 98.46	\$ 75.00	\$ 71.54	\$ 68.00	\$ 77.01	\$ 92.74	\$ 73.08
Oil and condensate, including financial derivative cash settlements (\$/Bbl) ⁽¹⁾	\$ 85.69	\$ 91.30	\$ 73.26	\$ 71.04	\$ 68.51	\$ 72.07	\$ 88.67	\$ 72.03
NGL price on physical sales (\$/Bbl)	\$ 50.37	\$ 54.85	\$ 44.67	\$ 40.10	\$ 39.21	\$ 45.43	\$ 52.41	\$ 42.43
Consolidated average transportation costs								
Natural gas (\$/Mcf)	\$ 0.31	\$ 0.28	\$ 0.29	\$ 0.31	\$ 0.30	\$ 0.31	\$ 0.30	\$ 0.30
Oil and condensate (\$/Bbl)	\$ 0.06	\$ 0.06	\$ 0.05	\$ 0.06	\$ 0.10	\$ 0.11	\$ 0.06	\$ 0.06
NGL (\$/Bbl)	\$ 5.01	\$ 4.73	\$ 2.79	\$ 2.57	\$ 3.56	\$ 3.95	\$ 4.88	\$ 2.68
Consolidated average cash operating costs (\$/Mcf)								
Lease operating expenses	\$ 0.74	\$ 0.71	\$ 0.75	\$ 0.67	\$ 0.70	\$ 0.82	\$ 0.73	\$ 0.71
Production taxes	0.32	0.31	0.31	0.30	0.24	0.21	0.31	0.31
Total production costs	1.06	1.02	1.06	0.97	0.94	1.03	1.04	1.02
General and administrative expenses	0.74	0.69	0.76	0.72	0.63	0.78	0.71	0.74
Taxes other than production and income taxes	0.05	0.04	0.06	0.08	0.05	0.03	0.05	0.07
Total cash operating costs	\$ 1.85	\$ 1.75	\$ 1.88	\$ 1.77	\$ 1.62	\$ 1.84	\$ 1.80	\$ 1.83
Consolidated depreciation, depletion and amortization (\$/Mcf)	\$ 1.96	\$ 2.11	\$ 1.67	\$ 1.92	\$ 1.81	\$ 1.86	\$ 2.04	\$ 1.79

⁽¹⁾ Amounts in the first and second quarters of 2011 include approximately \$82 million and \$68 million for cash settlements related to natural gas contracts and approximately \$(1) million and \$(9) million for cash settlements related to crude oil contracts. Amounts in the first, second, third and fourth quarters of 2010 include approximately \$51 million, \$102 million, \$90 million and \$63 million for cash settlements related to natural gas contracts and approximately \$(1) million for cash settlements in both first and second quarters, less than \$1 million of cash settlements in the third quarter and \$(6) million of cash settlements in the fourth quarter related to crude oil contracts.

⁽²⁾ Cash proceeds on settlements do not reflect \$52 million, \$48 million, \$48 million, and \$9 million or \$0.04, \$0.04, \$0.04 and \$0.01 per share for each period presented of cash option premiums paid in 2009 for financial derivatives settled in first, second, third and fourth quarters of 2010.

**EXPLORATION & PRODUCTION
RECONCILIATION OF CASH OPERATING COSTS
(unaudited)**

	Q1		Q2		Q3		Q4		Six Months Ended	
	Total (\$ MM)	Per-Unit (\$/Mcf)	Total (\$ MM)	Per-Unit (\$/Mcf)	Total (\$ MM)	Per-Unit (\$/Mcf)	Total (\$ MM)	Per-Unit (\$/Mcf)	Total (\$ MM)	Per-Unit (\$/Mcf)
2011										
Total operating expenses	\$ 280	\$ 4.11	\$ 285	\$ 4.12					\$ 565	\$ 4.11
Depreciation, depletion and amortization	(134)	(1.96)	(146)	(2.11)					(280)	(2.04)
Transportation costs	(20)	(0.30)	(18)	(0.26)					(38)	(0.27)
Total cash operating costs and per-unit cash costs⁽¹⁾	\$ 126	\$ 1.85	\$ 121	\$ 1.75					\$ 247	\$ 1.80
Total equivalent volumes (MMcfe) ⁽¹⁾	<u>68,187</u>		<u>69,356</u>						<u>137,543</u>	
2010										
Total operating expenses	\$ 259	\$ 4.01	\$ 267	\$ 4.04	\$ 254	\$ 3.93	\$ 278	\$ 4.12	\$ 526	\$ 4.02
Depreciation, depletion and amortization	(107)	(1.67)	(128)	(1.92)	(117)	(1.81)	(125)	(1.86)	\$ (235)	(1.79)
Transportation costs	(18)	(0.28)	(18)	(0.27)	(18)	(0.28)	(19)	(0.28)	\$ (36)	(0.28)
Cost of products	(10)	(0.15)	(5)	(0.08)	-	-	-	-	\$ (15)	(0.11)
Ceiling test charges	(2)	(0.03)	-	-	(14)	(0.22)	(9)	(0.14)	\$ (2)	(0.01)
Total cash operating costs and per-unit cash costs⁽¹⁾	\$ 122	\$ 1.88	\$ 116	\$ 1.77	\$ 105	\$ 1.62	\$ 125	\$ 1.84	\$ 238	\$ 1.83
Total equivalent volumes (MMcfe) ⁽¹⁾	<u>64,557</u>		<u>66,154</u>		<u>64,575</u>		<u>67,345</u>		<u>130,711</u>	

⁽¹⁾ Excludes volumes and costs associated with equity investment in Four Star

**EXPLORATION & PRODUCTION
PRODUCTION RELATED DERIVATIVE SCHEDULE**

Natural Gas	2011		2012	
	Notional Volume (TBtu)	Average Hedge Price	Notional Volume (TBtu)	Average Hedge Price
Economic				
Fixed Price - Legacy	2.3	\$3.93	2.3	\$3.93
Fixed Price	84.2	\$5.93	102.2	\$6.06
Fixed Price - Extendible				
Collars - Ceiling	9.2	\$7.29		
Collars - Floor	9.2	\$6.00		
Avg Ceiling	95.7	\$6.01	104.5	\$6.01
Avg Floor	95.7	\$5.89	104.5	\$6.01

Crude Oil	2011		2012		2013		2014		2015	
	Notional Volume (MMBbls)	Average Hedge Price	Notional Volume (MMBbls)	Average Hedge Price	Notional Volume (MMBbls)	Average Hedge Price	Notional Volume (MMBbls)	Average Hedge Price	Notional Volume (MMBbls)	Average Hedge Price
Economic										
Fixed Price	1.01	\$87.54	0.64	\$100.13						
Collars - Ceiling			1.46	\$95.00	2.92	\$96.88	1.10	\$100.00	1.10	\$100.00
Three-Way Collars - Ceiling	1.84	\$94.27	5.76	\$114.16	1.55	\$128.34				
Three-Way Collars - Floor ⁽¹⁾	1.84	\$85.14	5.76	\$92.54	1.55	\$100.00				
Three-Way Collars - Floor	1.84	\$65.00	5.76	\$67.54	1.55	\$75.00				
Avg Ceiling	2.85	\$91.88	7.86	\$109.46	4.47	\$107.79	1.10	\$100.00	1.10	\$100.00
Avg Floor	2.85	\$85.99	6.40	\$93.30	1.55	\$100.00				

Note: US Domestic positions are as of June 30, 2011 (Contract Months: July 2011 - Forward).

⁽¹⁾ If market prices settle at or below \$65.00, \$67.54 and \$75.00 for the years 2011, 2012 and 2013, respectively, our three ways collars-floors effectively "lock-in" a cash settlement of \$20.14 for 2011 and \$25.00 for 2012 and 2013 above that market price.

EL PASO CORPORATION
CASH FLOW HIGHLIGHTS
(\$ in millions)
(unaudited)

	Year-to-Date June 30,	
	2011	2010
Cash flow from operations		
Net income	\$ 475	\$ 605
Non-cash adjustments	530	604
Subtotal	1,005	1,209
Changes in price risk management activities, net	66	(173)
Other	(75)	(142)
Total working capital changes & other	(9)	(315)
Cash flow from operations	\$ 996	\$ 894

	Quarters Ended June 30,		Year-to-Date June 30,	
	2011	2010	2011	2010
Cash capital expenditures				
Pipelines	\$ 532	\$ 421	\$ 1,276	\$ 901
E&P	356	307	675	549
Other	39	33	65	52
Total	\$ 927	\$ 761	\$ 2,016	\$ 1,502
Cash paid for acquisitions	\$ 1	\$ 2	\$ 2	\$ 10
Divestiture proceeds	\$ 10	\$ 292	\$ 29	\$ 293
Dividends paid	\$ 7	\$ 17	\$ 23	\$ 33

Non-GAAP Reconciliations



EL PASO CORPORATION
ADJUSTED EARNINGS PER SHARE
(\$ in millions, except earnings per share)
(unaudited)

	Quarter Ended June 30, 2011			Year-to-Date June 30, 2011		
	Pre-tax	After-tax	Diluted EPS	Pre-tax	After-tax	Diluted EPS
Reported net income attributable to EPC common stockholders		\$ 262	\$ 0.34		\$ 324	\$ 0.42
Adjustments ⁽¹⁾						
Impact of E&P financial derivatives ⁽²⁾	\$ (73)	\$ (47)	\$ (0.06)	\$ 117	\$ 75	\$ 0.10
Change in fair value of legacy indemnification and other legacy items ⁽⁴⁾	11	7	0.01	11	7	0.01
Loss on debt extinguishment	27	18	0.02	68	44	0.05
Impact of estimated annual effective tax rate ⁽⁵⁾	-	(43)	(0.06)	-	(25)	(0.03)
Total adjustments	\$ (35)	\$ (65)	\$ (0.09)	\$ 196	\$ 101	\$ 0.13
Adjusted EPS ⁽⁶⁾		\$ 0.25			\$ 0.55	

	Quarter Ended June 30, 2010			Year-to-Date June 30, 2010		
	Pre-tax	After-tax	Diluted EPS	Pre-tax	After-tax	Diluted EPS
Reported net income attributable to EPC common stockholders		\$ 147	\$ 0.21		\$ 526	\$ 0.72
Adjustments ⁽¹⁾						
Impact of E&P financial derivatives ⁽²⁾⁽³⁾	\$ 70	\$ 45	\$ 0.06	\$ (133)	\$ (85)	\$ (0.11)
Ceiling test charges	-	-	-	2	2	-
Change in legacy derivative contracts and other legacy items ⁽⁴⁾	25	16	0.02	11	7	0.01
Gain on sale of Mexican pipeline assets	(80)	(59)	(0.08)	(80)	(59)	(0.08)
Impact of health care legislation	-	-	-	-	18	0.02
Impact of estimated annual effective tax rate ⁽⁵⁾	-	6	0.01	-	(8)	(0.01)
Total adjustments	\$ 15	\$ 8	\$ 0.01	\$ (200)	\$ (125)	\$ (0.17)
Adjusted EPS ⁽⁶⁾		\$ 0.22			\$ 0.55	

⁽¹⁾ All individual adjustments assume a 36% statutory tax rate, except for the international portion of ceiling test charges and gain on the sale of Mexican pipeline assets. The 2011 quarter ended and year to date assume 782 million and 771 million diluted shares, respectively. The 2010 quarter ended and year to date assume 761 million and 768 million diluted shares, respectively.

⁽²⁾ Quarter ended and year to date 2011 includes gains on financial derivatives of \$132 million and \$23 million adjusted for \$59 million and \$140 million of cash settlement proceeds, respectively. Quarter ended and year to date 2010 includes gains on financial derivatives of \$31 million and \$284 million adjusted for \$101 million and \$151 million of cash settlement proceeds, respectively.

⁽³⁾ Cash proceeds on settlements for the quarter ended and year to date 2010 do not reflect \$48 million, or \$0.04 per share, and \$100 million, or \$0.08 per share, of option premiums paid in 2009 for financial derivatives settled during the first six months of 2010, respectively.

⁽⁴⁾ For 2011, legacy items consist of change in fair value of an indemnification and environmental remediation costs. For 2010, legacy items consist of changes in the value of power contracts, an environmental remediation reserve and resolution of indemnifications.

⁽⁵⁾ Reflects the impact on earnings using the company's current estimate of its overall annual effective tax rate including the effects of adjustments.

⁽⁶⁾ Quarter ended and year to date 2011 reflects 774 and 771 million fully diluted shares, respectively. Quarter ended and year to date 2010 reflects 761 million fully diluted shares for both periods and includes \$10 million and \$19 million income impact from dilutive securities, respectively.

EL PASO CORPORATION
ADJUSTED SEGMENT EBIT AND ADJUSTED SEGMENT EBITDA
(\$ in millions)
(unaudited)

	Quarter Ended June 30, 2011					Year-to-Date June 30, 2011				
	Pipelines	E&P	Marketing	Other	Total	Pipelines	E&P	Marketing	Other	Total
Reported Segment EBIT	\$ 428	\$ 250	\$ (21)	\$ (41)	\$ 616	\$ 927	\$ 219	\$ (35)	\$ (100)	\$ 1,011
Adjustments										
Impact of E&P financial derivatives ⁽¹⁾	-	(73)	-	-	(73)	-	117	-	-	117
Change in fair value of legacy indemnification and other	-	-	-	11	11	-	-	-	11	11
Loss on debt extinguishment	-	-	-	27	27	-	-	-	68	68
Total adjustments	-	(73)	-	38	(35)	-	117	-	79	196
Adjusted Segment EBIT	\$ 428	\$ 177	\$ (21)	\$ (3)	\$ 581	\$ 927	\$ 336	\$ (35)	\$ (21)	\$ 1,207
DD&A	110	146	-	6	262	224	280	-	12	516
Adjusted Segment EBITDA	\$ 538	\$ 323	\$ (21)	\$ 3	\$ 843	\$ 1,151	\$ 616	\$ (35)	\$ (9)	\$ 1,723

	Quarter Ended June 30, 2010					Year-to-Date June 30, 2010				
	Pipelines	E&P	Marketing	Other	Total	Pipelines	E&P	Marketing	Other	Total
Reported Segment EBIT	\$ 472	\$ 103	\$ (49)	\$ 26	\$ 552	\$ 924	\$ 493	\$ (32)	\$ 15	\$ 1,400
Adjustments										
Impact of E&P financial derivatives ⁽¹⁾⁽²⁾	-	70	-	-	70	-	(133)	-	-	(133)
Ceiling test charges	-	-	-	-	-	-	2	-	-	2
Change in fair value of power contracts	-	-	39	-	39	-	-	21	-	21
Change in fair value of legacy indemnification and other	-	-	-	(14)	(14)	-	-	-	(10)	(10)
Gain on sale of Mexican pipeline assets	(80)	-	-	-	(80)	(80)	-	-	-	(80)
Total adjustments	(80)	70	39	(14)	15	(80)	(131)	21	(10)	(200)
Adjusted Segment EBIT	\$ 392	\$ 173	\$ (10)	\$ 12	\$ 567	\$ 844	\$ 362	\$ (11)	\$ 5	\$ 1,200
DD&A	110	128	-	4	242	216	235	-	9	460
Adjusted Segment EBITDA	\$ 502	\$ 301	\$ (10)	\$ 16	\$ 809	\$ 1,060	\$ 597	\$ (11)	\$ 14	\$ 1,660

⁽¹⁾ Quarter ended and year to date 2011 includes gains on financial derivatives of \$132 million and \$23 million adjusted for \$59 million and \$140 million of cash settlement proceeds, respectively. Quarter ended and year to date 2010 includes gains on financial derivatives of \$31 million and \$284 million adjusted for \$101 million and \$151 million of cash settlement proceeds, respectively.

⁽²⁾ Cash proceeds on settlements for the quarter ended and year to date 2010 do not reflect \$48 million, or \$0.04 per share, and \$100 million, or \$0.08 per share, of option premiums paid in 2009 for financial derivatives settled during the first six months of 2010, respectively.

EL PASO CORPORATION
PIPELINES AND EXPLORATION & PRODUCTION ADJUSTED PROPORTIONAL SEGMENT EBITDA
(\$ in millions)
(unaudited)

	Quarter Ended June 30, 2011		Year-to-Date June 30, 2011	
	Pipelines	E&P	Pipelines	E&P
Adjusted Segment EBITDA	\$ 538	\$ 323	\$ 1,151	\$ 616
Less: Equity earnings (loss)	24	1	49	(1)
Add: Proportionate share of investee Segment EBITDA ⁽¹⁾	80	22	146	39
Adjusted Proportional Segment EBITDA	<u>\$ 594</u>	<u>\$ 344</u>	<u>\$ 1,248</u>	<u>\$ 656</u>
Calculation of Proportionate Share of Investee Segment EBITDA				
Equity earnings (loss)	\$ 24	\$ 1	\$ 49	\$ (1)
Proportionate share of investee DD&A	19	7	32	13
Proportionate share of investee interest	22	-	35	-
Proportionate share of investee income taxes	15	5	30	9
Other ⁽²⁾	-	9	-	18
Proportionate share of investee Segment EBITDA ⁽¹⁾	<u>\$ 80</u>	<u>\$ 22</u>	<u>\$ 146</u>	<u>\$ 39</u>
Citrus debt at June 30, 2011 (50%)			<u>\$ 1,443</u>	
	Quarter Ended June 30, 2010		Year-to-Date June 30, 2010	
	Pipelines	E&P	Pipelines	E&P
Adjusted Segment EBITDA	\$ 502	\$ 301	\$ 1,060	\$ 597
Less: Equity earnings (loss)	25	(1)	40	(1)
Add: Proportionate share of investee Segment EBITDA ⁽¹⁾	70	20	122	42
Adjusted Proportional Segment EBITDA	<u>\$ 547</u>	<u>\$ 322</u>	<u>\$ 1,142</u>	<u>\$ 640</u>
Calculation of Proportionate Share of Investee Segment EBITDA				
Equity earnings (loss)	\$ 25	\$ (1)	\$ 40	\$ (1)
Proportionate share of investee DD&A	15	7	29	14
Proportionate share of investee interest	15	-	30	-
Proportionate share of investee income taxes	15	5	24	10
Other ⁽²⁾	-	9	(1)	19
Proportionate share of investee Segment EBITDA ⁽¹⁾	<u>\$ 70</u>	<u>\$ 20</u>	<u>\$ 122</u>	<u>\$ 42</u>
Citrus debt at June 30, 2010 (50%)			<u>\$ 1,013</u>	

⁽¹⁾ Pipelines and E&P reflect proportionate Segment EBITDA for their interests in Citrus and Four Star, respectively.

⁽²⁾ Other represents the excess purchase price amortization and differences between the estimated and actual equity earnings on our investment.

EL PASO CORPORATION
RECONCILIATION OF ADJUSTED SEGMENT EBITDA TO NET INCOME
(\$ in millions)
(unaudited)

	2011		2010				Year-to-Date	
	Q1	Q2	Q1	Q2	Q3	Q4	2011	2010
Adjusted Segment EBITDA	\$ 880	\$ 843	\$ 851	\$ 809	\$ 790	\$ 798	\$ 1,723	\$ 1,660
Less: DD&A	254	262	218	242	239	243	516	460
Adjusted Segment EBIT	626	581	633	567	551	555	1,207	1,200
Less: Adjustments ⁽¹⁾	231	(35)	(215)	15	38	127	196	(200)
Segment EBIT	395	616	848	552	513	428	1,011	1,400
Interest and debt expense	(240)	(239)	(243)	(284)	(255)	(249)	(479)	(527)
Income tax expense	(19)	(38)	(186)	(82)	(75)	(43)	(57)	(268)
Net income	136	339	419	186	183	136	475	605
Net income attributable to noncontrolling interests	(74)	(77)	(31)	(29)	(41)	(65)	(151)	(60)
Net income attributable to EPC	\$ 62	\$ 262	\$ 388	\$ 157	\$ 142	\$ 71	\$ 324	\$ 545

(1) For the components of the adjustments, refer to the Adjusted Earnings Per Share table located within this Package.

Schedules of Debt Maturities



EL PASO CORPORATION
DEBT BY ISSUER
AS OF JUNE 30, 2011
(\$ in millions)

Description	Interest Rate	Maturity Date	Principal June 30, 2011
El Paso Corporation	7.625%	7/15/2011	227
El Paso Corporation	9.625%	5/15/2012	28
El Paso Corporation	9.000%	5/30/2012	5
El Paso Corporation	7.875%	6/15/2012	176
El Paso Corporation	7.375%	12/15/2012	98
El Paso Corporation	12.000%	12/12/2013	30
El Paso Corporation	6.875%	6/15/2014	375
El Paso Corporation	8.250%	2/15/2016	68
El Paso Corporation - Revolver	Variable	5/27/2016	-
El Paso Corporation	7.000%	6/15/2017	900
El Paso Corporation	7.000%	2/1/2018	82
El Paso Corporation	7.250%	6/1/2018	575
El Paso Corporation	6.500%	9/15/2020	349
El Paso Corporation	6.700%	2/15/2027	7
El Paso Corporation	6.950%	6/1/2028	174
El Paso Corporation	8.050%	10/15/2030	234
El Paso Corporation	7.800%	8/1/2031	537
El Paso Corporation	7.750%	1/15/2032	1,005
El Paso Corporation	7.750%	10/15/2035	1
El Paso Corporation	7.420%	2/15/2037	160
Total El Paso Corporation (Holding Company)			\$ 5,031
Colorado Interstate Gas Company	5.950%	3/15/2015	35
Colorado Interstate Gas Company	6.800%	11/15/2015	340
Colorado Interstate Gas Company	6.850%	6/15/2037	100
Total Colorado Interstate Gas Company			\$ 475
El Paso Natural Gas Company	5.950%	4/15/2017	355
El Paso Natural Gas Company	8.625%	1/15/2022	260
El Paso Natural Gas Company	7.500%	11/15/2026	200
El Paso Natural Gas Company	8.375%	6/15/2032	300
Total El Paso Natural Gas Company			\$ 1,115
Southern Natural Gas Company	5.900%	4/1/2017	500
Southern Natural Gas Company	4.400%	6/15/2021	300
Southern Natural Gas Company	7.350%	2/15/2031	153
Southern Natural Gas Company	8.000%	3/1/2032	258
Total Southern Natural Gas Company			\$ 1,211
Southern LNG Inc.	9.500%	2/24/2014	71
Southern LNG Inc.	9.750%	2/24/2016	64
Total Southern LNG Inc.			\$ 135

EL PASO CORPORATION
DEBT BY ISSUER
AS OF JUNE 30, 2011
(\$ in millions)

Description	Interest Rate	Maturity Date	Principal June 30, 2011
Tennessee Gas Pipeline Company	6.000%	12/15/2011	86
Tennessee Gas Pipeline Company	8.000%	2/1/2016	250
Tennessee Gas Pipeline Company	7.500%	4/1/2017	300
Tennessee Gas Pipeline Company	7.000%	3/15/2027	300
Tennessee Gas Pipeline Company	7.000%	10/15/2028	400
Tennessee Gas Pipeline Company	8.375%	6/15/2032	240
Tennessee Gas Pipeline Company	7.625%	4/1/2037	300
Total Tennessee Gas Pipeline Company			\$ 1,876
El Paso Exploration & Production Company	7.750%	6/1/2013	1
El Paso Exploration & Production Company- Revolver	Variable	6/2/2016	400
Total El Paso Exploration & Production Company			\$ 401
El Paso Tennessee Pipeline Co.	9.000%	11/15/2012	1
Total El Paso Tennessee Pipeline Co.			\$ 1
Cheyenne Plains Gas Pipeline Company, LLC	Variable	3/31/2015 *	188
Total Cheyenne Plains Gas Pipeline Company, LLC			\$ 188
El Paso Pipeline Partners Operating Company, LLC	7.760%	9/30/2011	37
El Paso Pipeline Partners Operating Company, LLC	7.930%	9/30/2012	15
El Paso Pipeline Partners Operating Company, LLC	Variable	9/30/2012	35
El Paso Pipeline Partners Operating Company, LLC	8.000%	9/30/2013	88
El Paso Pipeline Partners Operating Company, LLC	4.100%	11/15/2015	375
El Paso Pipeline Partners Operating Company, LLC - Revolver	Variable	5/27/2016	370
El Paso Pipeline Partners Operating Company, LLC	6.500%	4/1/2020	535
El Paso Pipeline Partners Operating Company, LLC	7.500%	11/15/2040	375
Total El Paso Pipeline Partners Operating Company, LLC			\$ 1,830
Ruby Pipeline LLC	Variable	6/30/2017 *	1,485
Total Ruby Pipeline LLC			\$ 1,485
Other Financings:			
El Paso Energy Capital Trust I	4.750%	3/31/2028	325
Capital Lease Obligations			184
Other			2
Total Other Financings			\$ 511
Unamortized Discounts/Premiums			(47)
Total			\$ (47)
Total El Paso Corporation Debt			\$ 14,212

Notes:

* Amortizing Debt

EL PASO CORPORATION
DEBT MATURITY SCHEDULE THROUGH 2013
AS OF JUNE 30, 2011
(\$ in millions)

Description	Interest Rate	Maturity Date	Principal June 30, 2011
3Q11			
El Paso Corporation	7.625%	7/15/2011	227
El Paso Pipeline Partners Operating Company, LLC	7.760%	9/30/2011	37
Other Financing - Amortizing Debt *	Various		5
			269
4Q11			
Tennessee Gas Pipeline Company	6.000%	12/15/2011	86
Other Financing - Amortizing Debt *	Various		24
			110
Total 2011			\$ 379
2012			
1Q12			
Other Financing - Amortizing Debt *	Various		6
			6
2Q12			
El Paso Corporation	9.625%	5/15/2012	28
El Paso Corporation	9.000%	5/30/2012	5
El Paso Corporation	7.875%	6/15/2012	176
Other Financing - Amortizing Debt *	Various		24
			233
3Q12			
El Paso Pipeline Partners Operating Company, LLC	7.930%	9/30/2012	15
El Paso Pipeline Partners Operating Company, LLC	Variable	9/30/2012	35
Other Financing - Amortizing Debt *	Various		6
			56
4Q12			
El Paso Tennessee Pipeline Co.	9.000%	11/15/2012	1
El Paso Corporation	7.375%	12/15/2012	98
Other Financing - Amortizing Debt *	Various		43
			142
Total 2012			\$ 437
2013			
1Q13			
Other Financing - Amortizing Debt *	Various		6
			6
2Q13			
El Paso Exploration & Production Company	7.750%	6/1/2013	1
Other Financing - Amortizing Debt *	Various		44
			45
3Q13			
El Paso Pipeline Partners Operating Company, LLC	8.000%	9/30/2013	88
Other Financing - Amortizing Debt *	Various		6
			94
4Q13			
El Paso Corporation	12.000%	12/12/2013	30
Other Financing - Amortizing Debt *	Various		47
			77
Total 2013			\$ 222

Notes:

* This represents amortizing debt obligations for the quarter.

GLOSSARY

This contains a glossary of terms used in this Package as well as those used in other investor presentations and press releases. They are for reference only and may not be comparable to similarly titled measures used at other companies.

NON-GAAP FINANCIAL MEASURES

Segment earnings before interest expense and income taxes (Segment EBIT)

On January 1, 2011, El Paso began using the non-GAAP financial measure “segment earnings before interest expense and income taxes” or “Segment EBIT” to assess the operating results and effectiveness of the Company and its business segments. The Company believes that Segment EBIT is useful to its investors because it allows them to use the same performance measure analyzed internally by our management to evaluate the performance of our businesses and investments without regard to the manner in which they are financed or our capital structure. The Company defines Segment EBIT as net income (loss) adjusted for interest and debt expense and income taxes. Segment EBIT does not reflect a reduction for any amounts attributable to noncontrolling interests. Our 2010 amounts have been conformed to reflect our current performance measure.

Segment EBIT before depreciation, depletion and amortization (Segment EBITDA)

El Paso uses the non-GAAP financial measure of Segment EBITDA, which is defined as Segment EBIT excluding depreciation, depletion and amortization. The Company believes that Segment EBITDA is useful to investors as many analysts use it as a measure of operating performance. This measure however should not be used as a substitute for operating cash flows.

Adjusted Segment EBIT and Adjusted Segment EBITDA

Adjusted Segment EBIT is defined as Segment EBIT adjusted for certain items we consider to be significant to understanding our underlying performance for a given period. Adjusted Segment EBITDA is defined as adjusted Segment EBIT excluding depreciation, depletion and amortization. The Company believes that adjusted Segment EBIT and adjusted Segment EBITDA are useful to investors because it allows them to evaluate more effectively the performance of our businesses and to allow them to understand certain significant items impacting the comparability of our results.

For 2011, Adjusted Segment EBIT is defined as Segment EBIT adjusted for the impact of E&P financial derivatives, loss on debt extinguishment and changes in fair value of legacy indemnification and other legacy items.

For 2010, Adjusted Segment EBIT is defined as Segment EBIT adjusted for the impact of E&P financial derivatives, ceiling test charges, changes in fair value of power contracts, changes in fair value of legacy indemnification and other legacy items, the gain on the sale of our Mexican pipeline assets, the gain on Midstream joint venture and the loss on debt extinguishment.

Adjusted Proportional Segment EBITDA

Adjusted Proportional Segment EBITDA is defined as Adjusted Segment EBITDA including the proportional share of Segment EBITDA from our equity investments in Citrus and Four Star. The Company believes that adjusted proportional Segment EBITDA is useful to investors because it allows them to evaluate more effectively the performance of our Pipelines and Exploration and Production businesses regardless of the type of ownership structure.

Adjusted EPS

Adjusted EPS is defined as diluted earnings per share adjusted for certain items that we consider to be significant to understanding our underlying performance for a given period. Adjusted EPS is useful in analyzing the company's on-going earnings potential and understanding certain significant items impacting the comparability of our results.

For 2011, Adjusted EPS is earnings per share attributable to El Paso Corporation common stockholders adjusting for the impact of E&P financial derivatives, a loss on debt extinguishment, changes in fair value of legacy indemnification and other legacy items and the impact of the estimated annual effective tax rate.

For 2010, Adjusted EPS is earnings per share attributable to El Paso Corporation common stockholders adjusting for the impact of E&P financial derivatives, ceiling test charges, changes in legacy derivative contracts and other legacy items, the gain on sale of our Mexican pipeline assets, impact of health care legislation and the impact of the estimated annual effective tax rate.

Per-unit total cash operating costs

Our Exploration and Production segment uses per-unit total cash operating costs as a non-GAAP measure calculated on a per Mcfe basis equal to total operating expenses less DD&A, transportation costs, cost of products and services, and ceiling test charges, divided by total consolidated equivalent production. It is a valuable measure used by oil and gas companies and analysts to evaluate operating performance and efficiency.

Per-unit lease operating expenses

Our Exploration and Production segment uses per-unit lease operating expenses as a non-GAAP measure calculated on a per Mcfe basis equal to lease operating expenses divided by total equivalent production. The sum of lease operating expenses and production taxes equals production costs. The sum of cost of products, transportation costs, production costs, DD&A, G&A, ceiling test and other impairment charges and other operating expenses equals total operating expenses. It is a valuable measure of operating performance and efficiency for our Exploration and Production segment.

OTHER COMMONLY USED TERMS

Compound annual growth rate (CAGR)

El Paso uses the compound annual growth rates or "CAGR", which is the average annual growth rate over a period of years. The Company believes this metric is useful for investors because it displays the historical or projected performance over time. Compounded growth rates are the industry standard of measurement within the investment community and therefore El Paso feels it is preferred to using the simple average of year-to-year growth rates.

Risked unproved resources

Although the SEC now allows companies to report unproved reserves in the form of probable and possible reserves in their SEC filings, we have elected not to report on such basis. In certain of our earnings presentations, we have provided estimates of our "risked" unproved resources, which are different than probable and possible reserves as defined by the SEC. Note that we are not permitted to include or refer to our unproved resources on such a basis in any SEC filings, and these estimates of risked unproved resources should not be construed as comparable to our disclosures of our proved reserves. Risked unproved resources are estimates of potential reserves that are made using accepted geological and engineering analytical techniques. Investors are urged to closely consider the disclosures and risk factors in our Forms 10-K and 10-Q, available from our offices or from our website at <http://www.elpaso.com>, including the inherent uncertainties in estimating quantities of proved reserves.

Unrisked unproved resources

In certain of our presentations, we have provided estimates of our "unrisked" unproved resources, which are different than probable and possible reserves as defined by the SEC. Note that we are not permitted to include or refer to our unproved resources on such a basis in any SEC filings, and these estimates of unrisked unproved resources should not be construed as comparable to our disclosures of our proved reserves. Unrisked unproved resources are estimates of potential reserves that are made using accepted geological and engineering analytical techniques. Unrisked resources are less certain than risked resources as they do not contemplate the likelihood of a successful outcome. Investors are urged to closely consider the disclosures and risk factors in our Forms

10-K and 10-Q, available from our offices or from our website at <http://www.elpaso.com>, including the inherent uncertainties in estimating quantities of proved reserves.

Reserve replacement costs and Reserve Replacement Ratio

El Paso calculates two primary metrics, (i) a reserve replacement ratio, or “RRR” and (ii) reserve replacement costs, or “RRC”, to measure our ability to establish a long-term trend of adding reserves at a reasonable cost in our core asset areas. The reserve replacement ratio is an indicator of our ability to replenish annual production volumes and grow our reserves. It is important for us to economically find and develop new reserves that will more than offset produced volumes and provide for future production given the inherent decline of hydrocarbon reserves. In addition, we calculate reserve replacement costs to assess the cost of adding reserves which is ultimately included in depreciation, depletion and amortization expense. We believe the ability to develop a competitive advantage over other oil and gas companies is dependent on adding reserves in our core asset areas at lower costs than our competition.

The reserve replacement ratio and reserve replacement costs per unit are statistical indicators that have limitations, including their predictive and comparative value. As an annual measure, the reserve replacement ratio is limited because it typically varies widely based on the extent and timing of new discoveries, project sanctioning and property acquisitions. In addition, since the reserve replacement ratio does not consider the cost or timing of future production of new reserves, it cannot be used as a measure of value creation. We calculate these metrics as follows:

Reserve replacement ratio	$\frac{\text{Sum of reserve additions}^{(1)}}{\text{Actual production for the corresponding period}}$
Reserve replacement costs/Mcfe	$\frac{\text{Total oil and gas capital costs}^{(2)}}{\text{Sum of reserve additions}^{(1)}}$

⁽¹⁾ Reserve additions include proved reserves and reflect reserve revisions for prices and performance, extensions, discoveries and other additions and acquisitions and do not include unproved reserve quantities or proved reserve additions attributable to investments accounted for using the equity method. All amounts are derived directly from the table presented in Item 8, Financial Statements and Supplementary Data, Supplemental Natural Gas and Oil Operations in the Company’s 2010 Annual Report on Form 10-K.

⁽²⁾ Total oil and gas capital costs include the costs of development, exploration and property acquisition activities conducted to add reserves and exclude asset retirement obligations. All amounts are derived directly from the table presented in Item 8, Financial Statements and Supplementary Data, Supplemental Natural Gas and Oil Operations in the Company’s 2010 Annual Report on Form 10-K.

The exploration for and the acquisition and development of natural gas and oil reserves is inherently uncertain as further discussed in the Company’s SEC filings. One of these risks and uncertainties is our ability to spend sufficient capital to increase our reserves. While we currently expect to spend such amounts in the future, there are no assurances as to the timing and magnitude of these expenditures or the classification of the proved reserves as developed or undeveloped.

Reserves to Production Ratio

We calculate the statistical measure “reserves to production ratio” to estimate the life of our proved reserves, which is calculated by dividing end of year proved reserves by “total” production for the year.