Remarks by Oscar S. Wyatt, Jr.
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The Coastal Corporation
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Good morning.

I am Oscar Wyatt, the founder and retired Chairman of The Coastal Corporation – and by virtue of the merger with El Paso, a substantial shareholder of El Paso Corporation.

I am joined today by a delegation of other El Paso shareholders.

We share a common goal of wanting to make this company as prosperous as it <u>should</u> be and <u>can</u> be again through conservative management and transparent reporting practices.

Let me begin by saying that El Paso <u>was</u> a strong company with an historically strong asset base.

Having said that, however, I have real concerns about recent developments at El Paso – as well as in the industry.

Today, our industry is losing the war for credibility.

Many companies have risked -- and lost that credibility by their own actions.

The fate of Enron has shattered the hopes of many shareholders, employees, customers, lending institutions and others who depend on our services, products, dividends, and credit worthiness.

The spread of unusual accounting practices – versus a reliance on solid, tried-and-true traditional accounting methods – have taken their toll on this industry even though these practices have been approved by the FASB, SEC and other regulatory bodies.

Some of the biggest national accounting firms must bear the preponderance of the burden for encouraging and enabling companies to risk the long-term interests of shareholders for the sake of being able to report current profits that have not actually been realized.

There is no place for this type off-balance-sheet financing because of the distortions it causes in income reporting.

Nor should we tolerate practices that drive up the cost of borrowing to junk-bond interest levels – or the payment of enormous fees to investment bankers that add nothing in the way of shareholder value.

The market has evaluated these practices and taken a stern measure of companies engaged in them.

Enron – of course. But Dynegy, Williams, Reliant, CMS, and others have paid a high price in credibility for these tactics. And their shareholders have also paid a terrible price.

There are deep concerns for all those who have been devastated by these accounting practices. Their use may be legal, but they have the potential to mislead investors and even highly skilled analysts.

I appear before you today to speak for thousands of former Coastal employees who have their hard-earned savings invested in El Paso.

I also speak for those Coastal employees who have gone on to work for El Paso and are deeply concerned about its future. Many have staked their fortunes – and those of their loved ones – on El Paso's continued success.

And finally, I speak for all shareholders who welcome that success, and who rightly expect that El Paso management will conduct its affairs with integrity, transparency, candor, and conservative business practices.

These are values about which there can be no debate.

We need absolutes – not loopholes.

We need trustworthy stewards managing our company conservatively – not questionable accounting techniques.

We need to exemplify the bedrock values of integrity, trust, accountability, and fair dealing upon which this industry was built.

And finally, we need to agree that our ultimate objective is to build a strong company – not to conduct El Paso's operations for the personal gain of its officers.

I hope that El Paso is not losing a decisive battle in the war for credibility in our industry.

El Paso management must recognize what these accounting practices have cost others – and us.

We should distance our company from those failed approaches to accounting and reporting as soon as possible.

I therefore call on El Paso to immediately change its accounting, reporting, spending, and business practices – even if that involves restating income in 2002.

In short, El Paso must begin reporting its earnings in an accurate, complete, and conservative manner.

Specifically, the practices that we believe must stop as soon as possible include the following:

First: Stop using so-called "mark-to-market" accounting to determine net income.

These accounting techniques use projections for 10 years or more and make it virtually impossible for any reasonable person to determine the true earnings of the transaction <u>and</u> company if it extends for a period of five to twenty years.

Second: Stop selling future contractual revenues and cashing them in for short-term gains by borrowing an equivalent amount of money that overstates operating cash flow and that you must pay back.

Third: Stop paying huge fees to investment bankers, who are the very people who helped bring Enron to its knees.

And fourth: Stop forming – and start dismantling – entities like Chaparral, Cedar Brakes I & II, Gemstone, Electron, Mesquite, Clydesdale, Trinity River, Limestone – and heaven knows how many more.

These entities reduce the asset value and <u>future</u> <u>income</u> of the company and may well leave shareholders holding the bag.

One arrangement in particular -- Cedar Brakes II -- is a transaction very similar to tactics used by Enron, with disastrous results.

In fact, El Paso used many of the same bankers, facilities, and properties as Enron to structure that arrangement.

Such questionable transactions can only reduce El Paso's asset value and future income – and certainly puts the interests of employees, retirees, and shareholders at risk.

El Paso <u>must</u> change its accounting practices <u>now</u> to be sure that they avoid an Enron-like meltdown.

Only then can they regain investor confidence and corporate credibility.

I feel a deep sense of obligation to the thousands of former Coastal employees whose life savings are now tied up in El Paso stock.

Thus, I have moved in a variety of forums to call these problems to the attention of those responsible for fixing them.

I first raised these issues about El Paso's practices with Chairman Bill Wise in a meeting last week.

I have also informed El Paso's Board of Directors – and the corporation's outside accounting firm, Price Waterhouse – about my concerns regarding these questionable practices.

And I have written the Securities and Exchange Commission and suggested some industrywide changes that are needed if the industry is going to avoid other Enron situations.

Today, I am again taking this case to the management of El Paso.

Their shareholders have the right to know and to demand the broadest responsibility from their management.

If this comes down to a choice between selling equity and pledging assets to repair the company's financial position – the only prudent course is to sell equity.

Finally, if I may, a personal observation: For many months, I have stayed silent and watched the downward progression of El Paso's share value.

But today, it is clear that management alone is being enriched by bonuses, stock options, and other forms of consideration.

I feel that I can no longer be quiet while the stockholders and the employees are facing the possibility of serious harm.

Concrete actions now are needed to correct these problems.

We know that won't be done by wishing and hoping.

I don't want to expose the company, its shareholders or employees to more stress or uncertainty.

But for the good of all of those groups, we must insist that El Paso management make these changes before it's too late.

As I said at the outset, El Paso is a strong company with great assets and a dedicated workforce.

I believe that it can remain strong and continue to prosper.

And now, I will be happy to respond to your questions concerning the company that means so much to all of us.

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