



U.S. Department of Justice

*United States Attorney
Southern District of New York*

*The Silvia J. Mallo Building
One Saint Andrew's Plaza
New York, New York 10007*

February 5, 2007

David B. Anders, Esq.
Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019

Re: El Paso Corporation

Dear Mr. Anders:

On the understandings specified below, the Office of the United States Attorney for the Southern District of New York ("this Office") will not criminally prosecute El Paso Corporation and its subsidiaries (collectively, "EL PASO") for any crimes (except for criminal tax violations as to which this Office cannot and does not make any agreement) related to its participation from in or about mid-2000, up to and including in or about March 2003, in purchases of Iraqi oil under the United Nations Oil-for-Food Program that involved the payment of secret illegal surcharges to the former Government of Iraq, including as charged in Counts One, Two, Three, and Four of Indictment S5 05 Cr. 59 (DC), and as set forth in Exhibit A, which is incorporated by reference herein.

In addition, on the understandings specified below, the Office of Foreign Assets Control ("OFAC") of the Department of the Treasury will not pursue civil penalties against EL PASO for any violations of OFAC sanctions programs arising from EL PASO's participation from in or about mid-2000, up to and including in or about March 2003, in purchases of Iraqi oil under the United Nations Oil-for-Food Program that involved the payment of secret illegal surcharges to the former Government of Iraq, including as charged in Count Four of Indictment S5 05 Cr. 59 (DC), and as set forth in Exhibit A, which is incorporated by reference herein.

Moreover, if EL PASO fully complies with the understandings specified in this Agreement, no information given by or on behalf of EL PASO or any then-current employees at the request of this Office (or any other information directly or indirectly derived therefrom) will be used against EL PASO in any criminal tax prosecution. This Agreement does not provide any protection against prosecution for any crimes or the imposition of any OFAC civil penalties except as set forth above, and applies only to EL PASO and not to any other entities or any individuals except as set forth herein. EL PASO expressly understands that the protections provided to EL PASO by this Agreement shall not apply to any successor entities, whether the successor's interest arises through a merger or plan of reorganization, unless and until such successor formally adopts

David B. Anders, Esq.
February 5, 2007

Page 2 of 5

and executes this Agreement. The protections arising from this Agreement will not apply to any purchasers of all or substantially all of the assets of EL PASO, unless such purchaser enters into a written agreement, on terms acceptable to this Office, agreeing in substance to undertake all obligations set forth in this Agreement.

It is understood that, in connection with any matter relating to EL PASO's operations, finances, and corporate governance between 2001 and the date of the signing of this Agreement, EL PASO (a) shall truthfully and completely disclose all information with respect to the activities of EL PASO, its officers and employees, and others concerning all matters about which this Office inquires of it, which information can be used for any purpose, except as limited by the third paragraph of this Agreement; (b) shall cooperate fully with this Office, the Federal Bureau of Investigation, OFAC, the Securities and Exchange Commission ("SEC"), and any other law enforcement agency designated by this Office, in connection with any investigation related to the United Nations Oil-for-Food Program; (c) shall, at this Office's request, use its best efforts to assist this Office in any prosecution or investigation arising out of the conduct described in the opening paragraph of this Agreement by providing logistical, technical, and accounting support for any meeting, interview, grand jury proceeding, or any trial or other court proceeding; (d) shall, at this Office's request, use its best efforts promptly to secure the attendance and truthful statements or testimony of any officer, agent or employee at any meeting or interview or before the grand jury or at any trial or other court proceeding; (e) shall use its best efforts promptly to provide to this Office, upon request, any document, record, or other tangible evidence relating to matters concerning the United Nations Oil-for-Food Program about which this Office or any designated law enforcement agency inquires; and (f) shall bring to this Office's attention all criminal conduct by or criminal investigations of EL PASO or its respective senior managerial employees that comes to the attention of EL PASO's board of directors or senior management, as well as any administrative proceeding or civil action brought by any governmental authority that alleges fraud by or against EL PASO. It is further understood that EL PASO shall commit no crimes whatsoever and shall comply with all sanctions regulations administered by OFAC. Moreover, any assistance EL PASO may provide to federal criminal investigators shall be pursuant to the specific instructions and control of this Office and designated investigators. EL PASO's obligations under this paragraph shall continue until the later of (1) a period of two years from the date of the signing of this Agreement or (2) the date upon which all prosecutions arising out of the conduct described in the opening paragraph of this Agreement (involving EL PASO, its employees, or any others) are final.

It is understood that EL PASO agrees to forfeit to the United States, pursuant to 18 U.S.C. § 981(a)(1)(C), a sum of money equal to \$5,482,363, in United States currency, representing the benefits provided to the former Government of Iraq as a result of EL PASO's conduct referred to in the first and second paragraphs. EL PASO must forfeit this property to the United States within thirty days of executing this Agreement. Such payment shall be made by a certified check payable to the United States Marshals Service. It is the intent of the United States Attorney's Office for the Southern District of New York to seek the transfer of these funds to the Development

Fund of Iraq (sanctioned on May 21, 2003, by United Nations Security Council Resolution 1483) to be used as restitution to the people of Iraq as the intended beneficiaries of the proceeds of the sale of all Iraqi oil made pursuant to the United Nations Oil-for-Food Program. EL PASO agrees that, in the event that the United States files any civil actions seeking to forfeit the above-referenced property, EL PASO will not file a claim with the Court or otherwise contest this civil forfeiture action and will not assist a third party in asserting any claim. It is further understood that EL PASO will not file or assist anyone in filing a petition for remission or mitigation with the Department of Justice concerning this property.

It is understood that, should EL PASO commit any crimes subsequent to the date of signing of this Agreement, or should it be determined that EL PASO or any of its representatives have given false, incomplete, or misleading testimony or information, or should EL PASO otherwise violate any provision of this Agreement (other than the succeeding paragraph), EL PASO shall thereafter be subject to prosecution for any federal violation of which this Office has knowledge, including perjury and obstruction of justice. Any such prosecution that is not time-barred by the applicable statute of limitations on June 7, 2006, may be commenced against EL PASO, notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the commencement of such prosecution or the imposition of such civil penalties. It is the intent of this Agreement to waive all defenses based on the statute of limitations with respect to any prosecution that is not time-barred on the date that this Agreement is signed.

It is also understood that, should EL PASO commit any civil violation of OFAC sanctions subsequent to the date of signing of this Agreement, or should it be determined that EL PASO or any of its representatives have given false, incomplete, or misleading testimony or information, or should EL PASO otherwise violate any provision of this Agreement, EL PASO shall thereafter be subject to the imposition of OFAC civil penalties for any violation of OFAC sanctions programs of which OFAC has knowledge. Any such OFAC civil penalty that is not time-barred by the applicable statute of limitations on June 7, 2006, may be commenced against EL PASO, notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the imposition of such civil penalties. It is the intent of this Agreement to waive all defenses based on the statute of limitations with respect to any OFAC civil penalty that is not time-barred on the date that this Agreement is signed. It is further understood that EL PASO will maintain an internal compliance program to safeguard against violations of OFAC sanctions programs.

It is understood that EL PASO accepts and acknowledges responsibility as set forth in Exhibit A, which is incorporated by reference herein.

It is understood that, if it is determined that EL PASO has committed any crime after signing this Agreement, or that EL PASO or any of its representatives have given false, incomplete, or misleading testimony or information, or has otherwise violated any provision of this Agreement, (a) all statements made by EL PASO's representatives to this Office, OFAC,

David B. Anders, Esq.
February 5, 2007

Page 4 of 5

the SEC, or other designated law enforcement agents, and any testimony given by EL PASO's representatives before a grand jury or other tribunal, whether prior to or subsequent to the signing of this Agreement, and any leads from such statements or testimony shall be admissible in evidence in any criminal proceeding brought against EL PASO and relied upon as evidence to support any OFAC civil penalty imposed on EL PASO; and (b) EL PASO shall assert no claim under the United States Constitution, any statute, Rule 410 of the Federal Rules of Evidence, or any other federal rule that such statements or any leads therefrom should be suppressed. It is the intent of this Agreement to waive all rights in the foregoing respects.

It is further understood that this Agreement does not bind any federal, state or local prosecuting authority other than this Office and OFAC. This Office will, however, bring the cooperation of EL PASO to the attention of other prosecuting and other investigative offices, if requested by EL PASO.

It is further understood that EL PASO, this Office, and/or OFAC may disclose this Agreement to the public.

With respect to this matter, from the date of execution of this Agreement forward, this Agreement supersedes all prior, if any, understandings, promises and/or conditions between this Office and EL PASO and between OFAC and EL PASO. No additional promises, agreements, and conditions have been entered into other than those set forth in this letter and none will be entered into unless in writing and signed by all parties.

David B. Anders, Esq.
February 5, 2007

Page 5 of 5

Very truly yours,

MICHAEL J. GARCIA
United States Attorney

By: Edward O'Callaghan
Edward O'Callaghan/Stephen Miller/Michael Farbiarz
Assistant United States Attorneys
(212) 637-2634/2210/1587

APPROVED:

Lev E. Dassin
Lev E. Dassin
Chief, Criminal Division

Adam J. Szubin
Adam J. Szubin
Director, Office of Foreign Assets Control

AGREED AND CONSENTED TO:

Robert W. Baker
Robert W. Baker
Executive Vice President & General Counsel
On behalf of El Paso Corporation
Pursuant to Authority Granted by its Board of Directors

2-5-07
Date

APPROVED:

David B. Anders
David B. Anders, Esq.
Wachtell, Lipton, Rosen & Katz
Attorney for El Paso Corporation

2/6/07
Date

EXHIBIT A

In any criminal prosecution or regulatory action brought by the United States, the following statement shall be admissible against El Paso Corporation and/or any of its subsidiaries (collectively, "EL PASO"):

The United Nations Oil-for-Food Program permitted the former Government of Iraq to sell its oil under certain limited conditions — namely, that the proceeds of all sales of Iraqi oil were to be deposited into an escrow bank account monitored by the United Nations and used to purchase various humanitarian goods for the benefit of the Iraqi people. The former Government of Iraq began selling oil pursuant to the Oil-for-Food Program in or about December 1996.

Under the Oil-for-Food Program, the former Government of Iraq selected the companies and individuals who received the rights to purchase Iraqi oil (frequently referred to as "allocations" of oil). From December 1996 through mid-2000, the former Government of Iraq allocated approximately 47 million barrels of oil to The Coastal Corporation under the Oil-for-Food Program.

From in or about 2000, up to and including in or about March 2003, the former Iraqi Government demanded the payment of secret illegal surcharges on allocations of Iraqi oil. Other oil market participants and officials of the former Iraqi Government informed EL PASO that surcharges were being demanded on Iraqi oil allocations in the Oil-for-Food Program.

In January 2001, EL PASO merged with The Coastal Corporation. Following this merger, EL PASO did not receive any allocations of oil from the former Government of Iraq. Instead, following the merger, EL PASO purchased Iraqi oil from third-party intermediaries and/or allocation holders. Although EL PASO took steps designed to prevent the purchase of Iraqi oil from third parties on which illegal surcharges had been paid, such procedures proved inadequate.

The United States Government has represented to EL PASO that records maintained by the former Government of Iraq and its agents demonstrate that, from June 2001 until May 2002, EL PASO purchased Iraqi oil for which third-party intermediaries and/or allocation holders paid approximately \$5.48 million in illegal surcharges to the former Government of Iraq. These surcharge payments were not deposited into the Oil-for-Food Program's escrow account, which was established to purchase humanitarian goods for the Iraqi people.