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U.S. ANNOUNCES OIL-FOR-FOOD SETTLEMENT
WITH EL PASO CORPORATION

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York ("the Office"), and MARK J. MERSHON, the Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), today announced an agreement ("the Agreement") resolving the criminal and civil regulatory liabilities of EL PASO CORPORATION and its subsidiaries ("EL PASO") relating to EL PASO's procurement of Iraqi oil under the United Nations Oil-for-Food Program. According to the Agreement, EL PASO obtained Iraqi oil under the Program from third parties that paid secret, illegal surcharges to the former government of Iraq, in violation of United States wire fraud statutes and sanctions that prohibited transactions with the former Government of Iraq. Pursuant to the Agreement, EL PASO will forfeit \$5,482,363 to the United States. The Office will seek to transfer this money to the Development Fund of Iraq (established on May 21, 2003, by United Nations Security Council Resolution 1483) to be paid as restitution for the benefit of the people of Iraq. This Agreement addresses civil violations of the regulations administered by the Treasury Department's Office of Foreign Assets Control ("OFAC") arising out of EL PASO's conduct as outlined in the Agreement and attached Exhibit A. In a separate agreement, EL PASO agreed to pay an additional monetary penalty of \$2,250,000 to the Securities and Exchange Commission ("SEC").

In addition to these payments, the Agreement obligates EL PASO, among other things, to continue cooperating fully with the Office, the FBI, the SEC, OFAC, and any other law enforcement agency designated by the Office in connection with any investigation into the United Nations Oil-for-Food Program. The Agreement provides that EL PASO will not be prosecuted for any crimes (except possibly criminal tax violations) related to its participation -- from approximately mid-2000 until 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 to today's Agreement.

The Office's decision to enter into the Agreement was guided by the factors set forth in the Department of Justice's recently amended memorandum, "Principles of Federal Prosecution of Business Organizations." Among other factors, the Office's decision took account of EL PASO's (1) cooperation since approximately September 2004 with the various Government investigations into the corruption of the Oil-for-Food Program, which included, among other things, providing both documents and audio tapes of its oil traders' telephone conversations (from both domestic and international locations), facilitating meetings between federal investigators and numerous current and former employees from both its domestic and international corporate entities, and providing the complete results of its comprehensive internal review of its own involvement in the Oil-for-Food Program; (2) commitment to continue to provide cooperation; (3) implementation of enhanced compliance procedures, supervised by the company's Legal and Ethics departments, that are designed to prevent future violations of law by its employees; (4) confirmation that culpable employees were no longer working for EL PASO; (5) voluntary abandonment of its trade in Iraqi oil under the Oil-for-Food Program in mid-2002 based, in part, on concerns about the effectiveness of compliance efforts in preventing the payment of illegal surcharges by others to the former Government of Iraq; (6) settlement of the SEC's civil enforcement action prior to entering the Agreement with this Office; and (7) agreement to forfeit \$5,482,363 -- representing the amount of illegal surcharges paid to Saddam Hussein's Government by third parties from whom EL PASO purchased Iraqi oil -- for ultimate transfer to the Iraqi people through the Development Fund for Iraq. This Office also considered the significant consequences that a criminal indictment would have upon the legitimate operations and innocent employees and shareholders of EL PASO. In light of the above, the public interest has been vindicated. Accordingly, after carefully balancing all the factors in the Principles of Federal Prosecution of Business Organizations, this Office has concluded that criminal prosecution of EL PASO would not serve the public interest.

Mr. GARCIA praised the efforts of the FBI, the SEC, and OFAC in conducting the investigation.

Assistant United States Attorneys EDWARD C. O'CALLAGHAN, STEPHEN A. MILLER, and MICHAEL FARBIARZ are in charge of the ongoing investigation.

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