

## **EL PASO CORPORATION CORPORATE GOVERNANCE GUIDELINES**

El Paso Corporation's (the "Company") Board of Directors (the "Board") believes that sound corporate governance policies and practices provide an essential foundation to assist the Board in fulfilling its responsibilities. These guidelines, which are to be reviewed and amended periodically by the Governance & Nominating Committee of the Board, are set forth below:

### **Mission Statement**

The Board's primary mission is the creation of long-term stockholder value while supporting and providing oversight to management in the business and operations of the Company. To that end, the Board and management are committed to providing natural gas and related energy products in a safe, efficient, dependable manner through two core businesses—pipelines and exploration and production—while observing the highest ethical values. The Board and management also recognize that the long-term interests of stockholders are advanced by responsibly addressing the concerns of other stakeholders and interested parties including employees, customers, suppliers, communities in which the Company's businesses are located, government officials and the public at large.

### **Board Structure**

1. *Number of Directors.* The Board will normally consist of between 9 and 14 members, although the Board (pursuant to the Company's By-laws) may from time to time change its size to accommodate the Company's needs. No more than one-quarter of the Board members shall be from then current management. These will include the Chairman of the Board (if an executive position), the President, and the Chief Executive Officer and those additional persons identified as the top management individuals within the Company.
  
2. *Selection of Board Members and Director Qualification Standards.* The Governance & Nominating Committee of the Board has the responsibility for making a recommendation to the Board of a slate of directors to stand for election at the annual meeting of the Company's stockholders. The Board's objective is to select individuals with education, experience and skills necessary to assist and provide oversight to management in the operation of the Company's businesses. Because the experiences and advice of those businesses facing similar issues is of particular value, current and former senior officers of other major corporations are desirable nominees. In selecting an individual to become a director, the Board will consider: education; business, governmental and civic experience; diversity; communication, interpersonal, and other required skills; international background and other matters which are relevant to this Board's objectives. Further, the Board will consider these additional qualities in selecting individuals to serve as members of the Board: independence; wisdom;

integrity; an understanding and general acceptance of our current corporate philosophy; a valid business or professional knowledge and experience that can bear on our problems and deliberations; a proven record of accomplishment with major corporations, educational or governmental institutions; an inquiring mind; the willingness to speak one's mind and ability to challenge and stimulate management; future orientation; and the willingness to commit required time and energy.

The Board shall nominate for election or reelection only candidates who agree to tender, promptly following the annual meeting at which they are elected or reelected as director, irrevocable resignations that will be effective upon (i) the failure to receive the required vote at the next annual meeting at which they face reelection and (ii) Board acceptance of such resignation. In addition, the Board shall fill director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to the Board, the same form of resignation tendered by other directors in accordance with this Corporate Governance Guideline.

3. *Stockholder Recommendations.* The Governance & Nominating Committee shall consider new director candidates recommended by the Company's stockholders to the extent such recommendations are made in compliance with applicable laws, rules and regulations, the Company's By-laws and procedures established by the Governance & Nominating Committee. Director candidates recommended by stockholders shall be evaluated by the Governance & Nominating Committee based on the same criteria outlined above to be applied to director candidates identified by the Governance & Nominating Committee.
4. *Independence.* A majority of the directors must be non-management directors who meet the "independence" requirements of the New York Stock Exchange, Securities and Exchange Commission, these Guidelines and other applicable regulations. See Determination of Director Independence below.
5. *Director Responsibilities.* Each director is expected to devote the necessary time and attention to fulfill the obligations of a director, and is expected to attend Board and committee meetings whenever possible. Directors are expected to represent all of the stockholders effectively through the (a) prudent exercise of judgment; (b) fair balance of interests of constituencies; and (c) appropriate stewardship of Company resources. As a group, directors are expected to set the appropriate policy for the Company, and to bring to the Board broad experience in national and international business matters, a diversity of experience, and an insight and awareness of the appropriate and ever-changing role that large corporations should have in society. Directors are expected to attend the Company's annual meeting of stockholders if they are standing for re-election.
6. *Service on Other Boards.* The Board believes that individuals should limit the number of boards of publicly traded companies on which they serve in order

to give proper attention to their responsibility to each board. Therefore, the Board has established the following limitations: (1) directors shall not serve on the board of more than four other publicly traded companies, (2) the chief executive officer shall not serve on the board of more than two other non-affiliated publicly traded companies, and (3) members of the Company's Audit Committee shall not serve on the audit committee of more than two other publicly traded companies. Exceptions to this policy will be considered in appropriate circumstances by the Board. Directors should notify the Chairman of the Governance & Nominating Committee before accepting a seat on the board of any other publicly traded company in order to avoid conflicts of interests and to ensure that such service does not exceed the limitations set forth above.

7. *Board Leadership.* The Board does not have a policy on whether the role of the Chief Executive Officer and the Chairman of the Board should be separate, or whether the Chairman of the Board should be a management or a non-management director.
8. *Lead Director Concept.* When the Chairman of the Board is a management director, the Board will also designate a non-management director as "Lead Director." When the Chairman of the Board is a non-management director, the Chairman of the Board will act as Lead Director and will chair executive sessions of the non-management directors, and have such other duties as the Board may determine. In addition, the Board may from time to time designate a non-management director as the Lead Director for special projects of the Board.
9. *Committees of the Board.* The Board shall have an Audit Committee, Compensation Committee, Governance & Nominating Committee, and such other committees as the Board may determine from time to time. Members of the Audit Committee, Compensation Committee and Governance & Nominating Committee shall all meet the "independence" requirements of the New York Stock Exchange listing requirements. In addition, members of the Audit Committee shall meet any heightened "independence" requirements established by applicable law, and at least one member of the Audit Committee shall satisfy the definition of an "audit committee financial expert" in accordance with rules adopted by the Securities and Exchange Commission. The Board, in compliance with applicable laws and regulations and the rules of the New York Stock Exchange, will determine the responsibilities and membership of its committees. The committee chairperson, in consultation with committee members, will determine the frequency and length of the meetings of the committee, in accordance with applicable regulations and committee charters.
10. *Retirement/Resignation.* No director shall stand for reelection to the office of director in the year following the year of his/her seventy-second (72nd) birthday. Management directors are expected to submit a letter of resignation at the time of retirement from active employment with the Company, or when

resigning from a top management position in the Company. At the discretion of the Board, such former officer may be asked to continue as a Board member until the normal retirement age. Non-management directors are expected to submit a proposed letter of resignation under the following circumstances: (a) when the director retires from his or her principal business organization or other activity with which he or she was identified at the time of election to the Board; (b) whenever the director's affiliation or position of principal employment changes after election to the Board; (c) whenever the health or physical condition of a director would prevent him or her from satisfactorily fulfilling the responsibilities of the position; and (d) whenever the non-management director's affiliation with another entity creates an interlocking directorate or other potential conflict with this Company's business. In the event that the proposed letter of resignation is not accepted, the director's tenure will continue.

11. *Voting for Directors.* In accordance with the Company's By-laws, if none of the Company's stockholders provides notice of an intention to nominate one or more candidates to compete with the Board's nominees in a director election, or if stockholders have withdrawn all such nominations by the day before the Company mails its notice of meeting to our stockholders, a nominee must receive more votes cast for than against his or her election or reelection in order to be elected or reelected to the Board. The Board expects a director to tender his or her resignation if he or she fails to receive the required number of votes for reelection in such an uncontested election.

If an incumbent director fails to receive the required vote for reelection, the Governance & Nominating Committee shall promptly determine whether to accept the director's resignation offer and will submit such recommendation for prompt consideration by the Board. In considering whether to accept or reject the tendered resignation, the Governance & Nominating Committee will consider all factors deemed relevant by the members of the Governance & Nominating Committee including, without limitation, the stated reasons why stockholders voted against election of such director, the length of service and qualifications of the director whose resignation has been tendered, the director's contributions to the Company, applicable By-law provisions and these Corporate Governance Guidelines.

The Board will act on the Governance & Nominating Committee's recommendation no later than 90 days following certification of the shareholder vote. In considering the Governance & Nominating Committee's recommendation, the Board will consider the factors considered by the Governance & Nominating Committee and such additional information and factors the Board believes to be relevant. Following the Board's decision on the Governance & Nominating Committee's recommendation, the Company will promptly disclose the Board's decision whether to accept the director's resignation as tendered (providing a full explanation of the process by which the decision was reached and, if applicable, the reasons for rejecting the

tendered resignation) in a Form 8-K filed with the Securities and Exchange Commission.

The Board expects any director who fails to receive the required vote for reelection to abstain from participating in any decision regarding his or her resignation. If a majority of the members of the Governance & Nominating Committee failed to receive more votes cast for than against his or her election or reelection at the same election, the Board of Directors will appoint a Board committee of the independent directors who are on the Board who did receive more votes cast for than against his or her election or reelection solely for the purpose of considering the tendered resignations and will recommend to the Board whether to accept or reject them. This Board committee may, but need not, consist of all of the independent directors who received more votes cast for than against his or her election or reelection.

To the extent that one or more directors' resignations are accepted by the Board, the Governance & Nominating Committee will recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board. If a director's resignation is not accepted by the Board, such director will continue to serve until the next annual meeting and until his successor is duly elected, or his or her earlier resignation or removal.

This provision on voting for directors will be summarized or included in each proxy statement relating to the election of directors.

### **Determination of Director Independence**

The Board, based upon a recommendation of the Governance & Nominating Committee, shall determine the independence of each director or nominee based on applicable regulatory requirements of the Securities and Exchange Commission ("SEC"), the New York Stock Exchange ("NYSE"), these Guidelines and other applicable regulations. The Governance & Nominating Committee and the Board will apply the following standards when assessing the independence of a director or nominee and the materiality of the relationship of the director or nominee with the Company (which, for purposes of this section only, includes the Company's subsidiaries). A director shall be deemed independent by the Board if the director meets the following standards and otherwise has no material relationship with the Company, either directly, or as a partner, stockholder, or officer of an organization that has a relationship with the Company.

- A director has not been an employee of the Company within the past three years and an immediate family member of a director has not been an executive officer of the Company within the past three years. Employment as an interim Chief Executive Officer ("CEO") or other executive officer shall not disqualify the director from being considered independent following employment; provided that such interim position did not exceed one (1) year in length.

- Neither a director nor an immediate family member of a director receives, or in any of the past three years has received, direct compensation in excess of \$120,000 (other than compensation received by the director for prior service as an interim CEO or other executive officer) from the Company, other than in the form of director or committee fees or in the form of pension or other forms of deferred compensation not contingent upon continued service as a director.
- A director is not a current partner or employee of the Company's internal or external auditor and an immediate family member of a director is not a current partner of such auditor. In addition, neither a director nor an immediate family member of a director has been a partner or employee of such firm who personally worked on the Company's audit within the past three years.
- Neither a director nor an immediate family member of a director is, or in the past three years has been, part of an interlocking directorate in which he or she was employed as an executive officer of another company where one of the Company's current executive officers served at the same time on the compensation committee.
- A director is not an employee, and an immediate family member of a director is not be a current executive officer, of another company that during any one of the last three fiscal years made payments to or received payments from the Company for property or services that exceed the greater of \$1,000,000 or two percent of such company's annual consolidated gross revenues.
- A director is not a partner in, or a controlling shareholder or executive officer of, a business or other professional entity which is indebted to the Company, or to which the Company is indebted, in an amount in excess of one percent of the total consolidated assets of such business or other professional entity as of the end of its most recently completed fiscal year.
- A director is not serving as a director, trustee, advisory board member or executive officer of a charitable organization to which the Company's discretionary contributions to the charitable organization in any single fiscal year exceed the greater of \$1,000,000 or two percent of such charitable organization's total annual charitable receipts and are not made as part of normal matching charitable gifts or programs of the Company available to all employees and independent directors.

For purposes of these standards, an "immediate family member" includes a director's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and anyone (other than domestic employees) who shares such director's home.

Annually, the Board, based upon a recommendation of the Governance & Nominating Committee, will review all relationships of the directors and nominees to determine whether the directors and nominees meet these categorical standards of independence. If any relationship exists between a director or nominee and the Company that is not

covered by these standards, the Board shall determine whether such relationship is material, and whether the director should be independent. The Board may determine that a director or nominee is “independent” even if the director or nominee does not meet each of these categorical standards of independence as long as the Board determines that such person is independent of management and free from any relationship that in the judgment of the Board would interfere with the independent judgment of the director or nominee as a member of the Board. The Company, if required to comply with applicable regulations, will explain in its proxy statement any determination by the Board that a relationship was immaterial in the event that it did not meet the categorical standards set forth above.

## **Board Functions**

1. *Approval of Major Strategies and Financial Objectives.* Each year the Board will review and approve, as appropriate, the Company’s business plan, as well as its long-term strategic plan, and financial goals. The Board will regularly monitor the Company’s performance with respect to these plans and goals.
2. *Board Evaluation.* The Board, in conjunction with the Governance & Nominating Committee, will annually evaluate the effectiveness of the Board and its committees. Each director will provide an assessment of the Board’s performance in specified categories, including but not limited to, fiduciary oversight, Board governance and process, strategic planning and business decisions, and financial matters. In addition, each committee shall conduct an annual evaluation of its effectiveness. The Board will meet in executive session to discuss these assessments. The purpose of these evaluations is to increase the effectiveness of the Board as a whole, each committee, and each individual Board member. Unless otherwise determined by the Board, the Governance & Nominating Committee shall be responsible for establishing the evaluation criteria and implementing the process for such evaluations.
3. *Chief Executive Officer Evaluation.* The Compensation Committee will evaluate the performance of the Chief Executive Officer at least annually and report such evaluation to the Board. The evaluation will be based on objective criteria which shall include, among other factors, corporate and individual performance, including the Company’s financial performance and return on Company common stock, the accomplishment of short-term and long-term strategic goals and objectives, and any other factors established by the Compensation Committee.
4. *Management Succession.* The Board shall periodically review with the Chief Executive Officer the management succession and development plan (including, without limitation, policies regarding succession in the event of an emergency or the retirement of the Chief Executive Officer). There should be available, on a continual basis, the Chief Executive Officer’s recommendation as to his/her successor should he/she die or become disabled.

5. *Executive Compensation.* The Compensation Committee shall be responsible for reviewing the executive compensation program of the Company to ensure that it is adequate to attract, motivate and retain competent executive personnel and that it is directly and materially related to the short-term and long-term objectives of the Company and its stockholders, the operating performance of the Company and such other factors as deemed appropriate by the Compensation Committee.
6. *Director Compensation.* The Board, based upon a recommendation from the Compensation Committee, will periodically review director compensation (including additional compensation to members and chairpersons the Board and Board committees) to ensure that it is reasonable and competitive with companies that are similarly situated. Management directors shall receive no additional compensation for Board or Board committee service. To more closely align the interests of directors and the Company's stockholders, a significant portion of the directors' fees will be paid in the form of Company equity.
7. *Stock Ownership.* Directors are required to own shares of Company common stock with a value equal to at least five (5) times the annual cash retainer, within five (5) years of the later of his or her initial election to the Board and the Board's adoption of this stock ownership policy. Because the Board is committed to director and senior management stock ownership, the Board requires that the Chief Executive Officer own at least five (5) times his or her annual base salary in the form of Company common stock within five (5) years from his or her election to that position, or the Board's adoption of this stock ownership policy, whichever is later. Likewise, each other executive officer is required to own at least two (2) times his or her annual base salary in the form of Company common stock within five (5) years after the later of his or her election to such position and the Board's adoption of this stock ownership policy. For purposes of this guideline, (a) each share of common stock owned on any date (a "measuring date") by a director or executive officer shall be deemed to have a value equal to the greater of (1) the trading price of a share of the Company's common stock as of the date the applicable share was acquired by the director or executive officer or (2) the trading price of a share of the Company's common stock as of that measuring date; (b) a director or executive officer's performance units, phantom stock units, shares of restricted stock and shares subject to deferred compensation, 401(k) or similar plans shall be counted as shares of common stock owned by the director or officer (with the value thereof determined in accordance with clause (a) above) and (c) on any measuring date, a director or executive officer shall be deemed to own shares of common stock with a value equal to the in-the-money value, if any, of each vested or unvested stock option, stock appreciation right or similar equity-linked grant then held by the director or executive officer (with the in-the money value determined based on the trading price of a share of the Company's common stock on that measuring date).

8. *Board Interaction with Institutional Investors, Stockholders, the Press, Customers, Interested Parties, etc.* The Board believes that management speaks for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. However, it is expected that Board members will speak for the Company only with the knowledge of management and, in most instances, at the request of management. Interested parties may contact non-management members of the Board by sending written correspondence to the director to the following address:

\_\_\_\_\_, Director  
c/o Corporate Secretary  
P.O. Box 2511  
Houston, TX 77252

The Corporate Secretary will forward all such correspondence directly to the appropriate Board member or members.

9. *Director Orientation and Continuing Education.* The Board will ensure that newly elected Board members are provided with a director orientation session in order to (a) become better acquainted with the way the Board functions, (b) meet with members of management, and (c) gain useful information regarding the Company and its operations. The Board, in consultation with the Chief Executive Officer, will provide for continuing education opportunities for Board members to become more knowledgeable about specific areas of importance to the Company's operations (including, but not limited to, accounting, finance, internal controls, risk assessment and mitigation, regulatory compliance, ethics and compliance measures, business strategies, and other strategic aspects of the Company). In addition, each director shall be required to attend, at least once every two years, a continuing education program, seminar or conference designed for board members. The Company will assist directors in fulfilling this requirement, including by identifying, and, to the extent requested by a director, making arrangements for the director's attendance at, programs, seminars and conferences and reimbursing directors for their costs and expenses in connection with attending such programs, seminars and conferences.

## **Board Operations**

1. *Number of Board Meetings.* The Board will meet as frequently as needed for the directors to discharge properly their responsibilities. Regular meetings of the Board are held at least six times per year and special meetings are held as necessary.
2. *Conduct of Meetings.* Board and Committee meetings will be conducted in a manner which ensures open communication, meaningful participation and timely resolution of issues.

3. *Agenda for Board and Committee Meetings.* The Chairman of the Board and Chief Executive Officer will propose an agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda. With respect to committees of the Board, the chairperson of such committee, in consultation with committee members and appropriate members of management, will develop the Committee's agenda for applicable meetings.
4. *Materials Distributed in Advance of Meetings.* Information and data that are important to the Board's understanding of a meeting should, when practical, be distributed in writing to members of the Board in advance of the applicable meeting. Each director is expected to thoroughly review such materials prior to a Board or committee meeting, provided sufficient time is provided for such review.
5. *Executive Sessions.* The Board will hold executive sessions at least twice a year without the Chief Executive Officer or other management directors. The Chairman (or the Lead Director if the Chairman is a member of management) shall preside over all such executive sessions.
6. *Director Interaction with Management.* Board members shall have complete access to the Company's management. Board members should exercise reasonable judgment when contacting management to avoid creating unnecessary distractions from the Company's business operations, and ensure that the Chief Executive Officer is informed of such contacts.
7. *Access to Independent Advisors.* The Board and each committee shall have full access to independent legal, accounting, financial and other advisors, as it deems necessary or appropriate to assist the Board or respective committee in the conduct of its duties.

### **Policy on Poison Pill Plans**

The Company does not currently have in place any stockholders rights plan (also known as a "poison pill"), and the Board currently has no plans to adopt such a plan. However, if the Board is presented with a set of facts and circumstances which leads it to conclude that adopting a rights plan would be in the best interests of stockholders, the Board will seek prior stockholder approval unless the Board, in exercising its fiduciary responsibilities under the circumstances, determines by vote of a majority of the independent directors that such submission would not be in the best interests of the Company's stockholders in the circumstances. If the Board were ever to adopt a rights plan without prior stockholder approval, it will be presented to the stockholders for ratification within one year or expire within one year, without being renewed or replaced. Further, if the Board adopts a rights plan and the Company's stockholders do not approve such rights plan, it will terminate.

## **Policy on Pledging Company Securities**

Directors and executive officers are to refrain from entering into any arrangement that involves holding Company securities in a margin account or a pledge of Company securities, unless the transaction is approved in advance by the General Counsel of the Company. Furthermore, directors and executive officers are expressly prohibited from holding Company securities in a margin account or otherwise entering into any pledge arrangement that, in either case, would permit a third party to sell the Company securities without director or executive officer's consent or knowledge.

Effective: February 10, 2009