Exploration & Production

E&P Key Takeaways

- Executing consistent long-term strategy
- Delivering improved performance
- Drilling portfolio has grown and become more resource play focused
- Allocating capital to the most economic and repeatable programs
  - Haynesville, Eagle Ford, Altamont programs total ~1/2 of domestic 2010 capital
  - Domestic capex 83% of total
- E&P well-positioned for growth

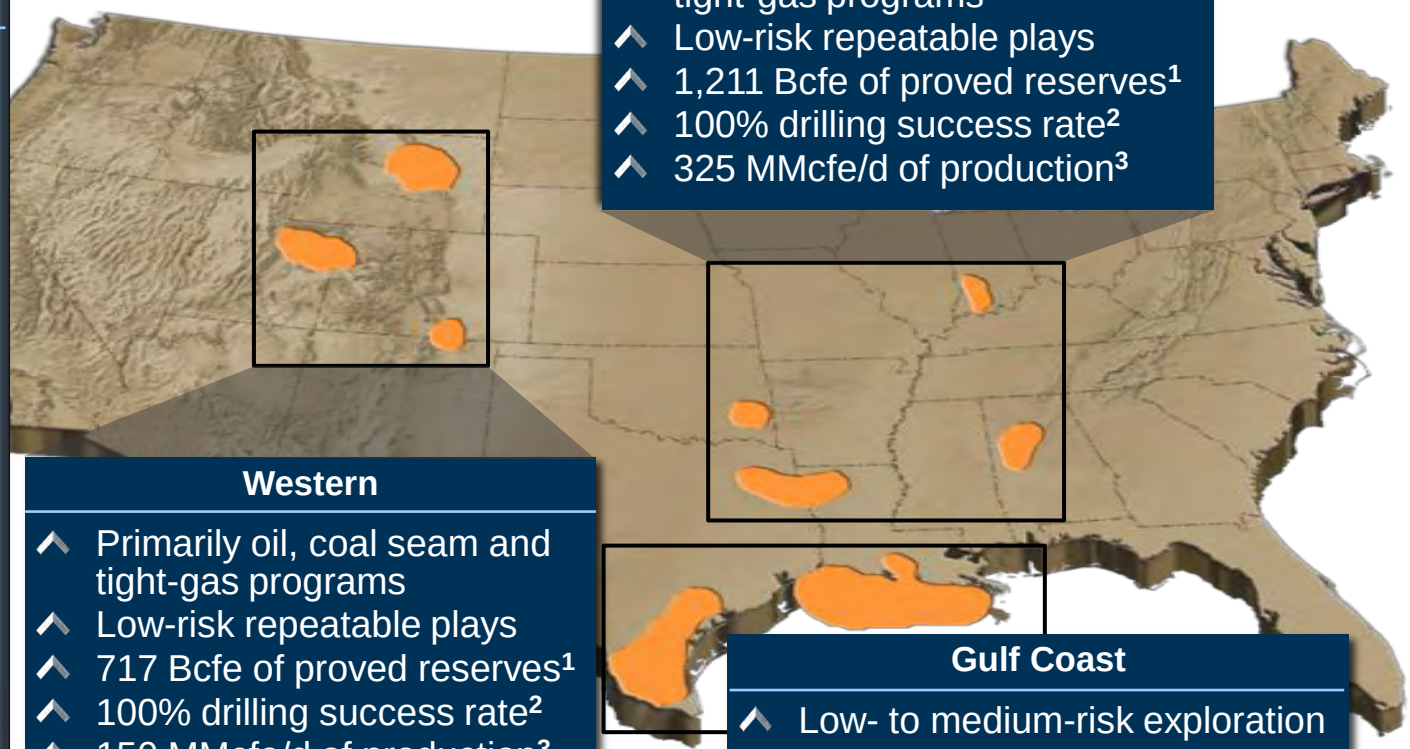
E&P 2009 Highlights

- ~$700 MM free cash flow
- Domestic production ahead of plan
- Significantly improved cost structure
- Progressing shale programs
  - Growth in Haynesville production & reserves
  - Entry into Eagle Ford
- International progress
  - Camarupim project on line
  - Egypt oil discoveries
- Improved organizational capabilities
- 39% inventory growth

El Paso Exploration & Production Domestic

Total Company

- Well-situated in key U.S. basins
- Focused on unconventional and low-risk conventional programs
- More than 2.5 Tcfe proved reserves[1]
- ~85% natural gas
- ~755 MMcfe/d of production[3]



Central

- Primarily shale, coal seam, and tight-gas programs
- Low-risk repeatable plays
- 1,211 Bcfe of proved reserves[1]
- 100% drilling success rate[2]
- 325 MMcfe/d of production[3]

Western

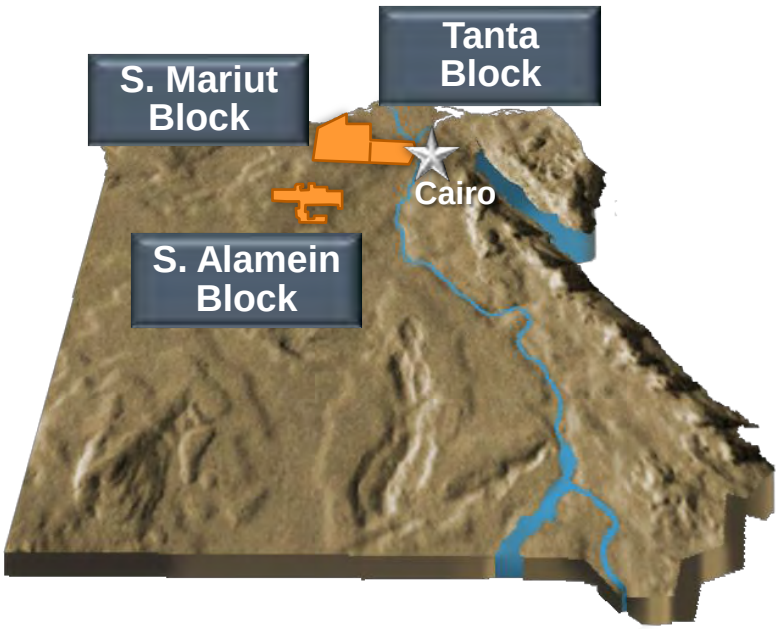
- Primarily oil, coal seam and tight-gas programs
- Low-risk repeatable plays
- 717 Bcfe of proved reserves[1]
- 100% drilling success rate[2]
- 150 MMcfe/d of production[3]

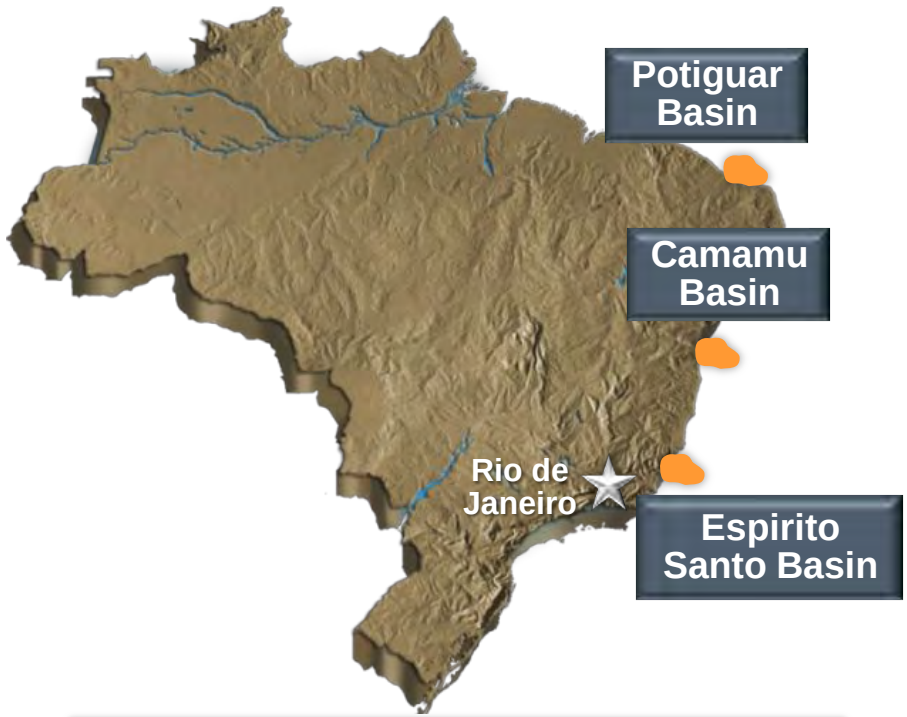
Gulf Coast

- Low- to medium-risk exploration
- Large acreage position
- 553 Bcfe of proved reserves[1]
- 80% drilling success rate[2]
- 265 MMcfe/d of production[3]

[1]Proved reserves as of year-end 2008; includes proportionate share of FSOG
[2]Drilling success rate is YTD Q3 2009
[3]Production estimate for full-year 2009; Total company & Central include proportionate share of FSOG

El Paso Exploration & Production International





Egypt

- Onshore conventional exploration
- 1.5 MM net acres
- Drilled 2 successful oil wells
- Currently drilling 6th well

Brazil

- In 3 basins with oil & gas exploration projects
- 66 Bcfe of proved reserves[1]
- 1st well flowing at Camarupim
- ~14 MMcfe/d of production[2]

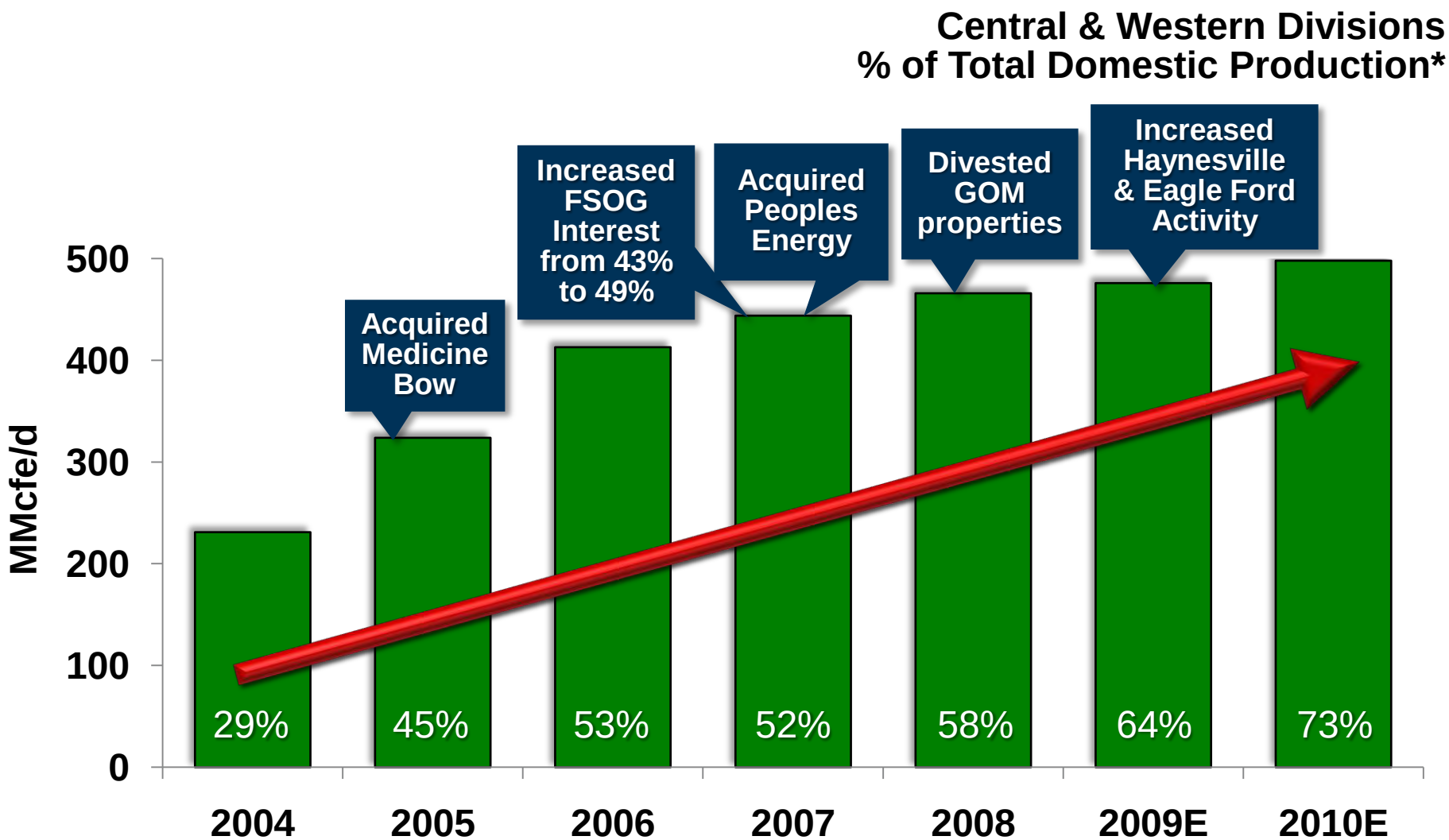
[1]Proved reserves as of YE 2008
[2]Estimate for full-year 2009

E&P Strategy

- Emphasize repeatable programs with significant project inventory
- Execute skillfully to improve cost efficiencies and maximize returns
- Grow inventory in areas that fit our competencies
- Foster a high-performance culture

Applying Consistent Approach to the E&P Business

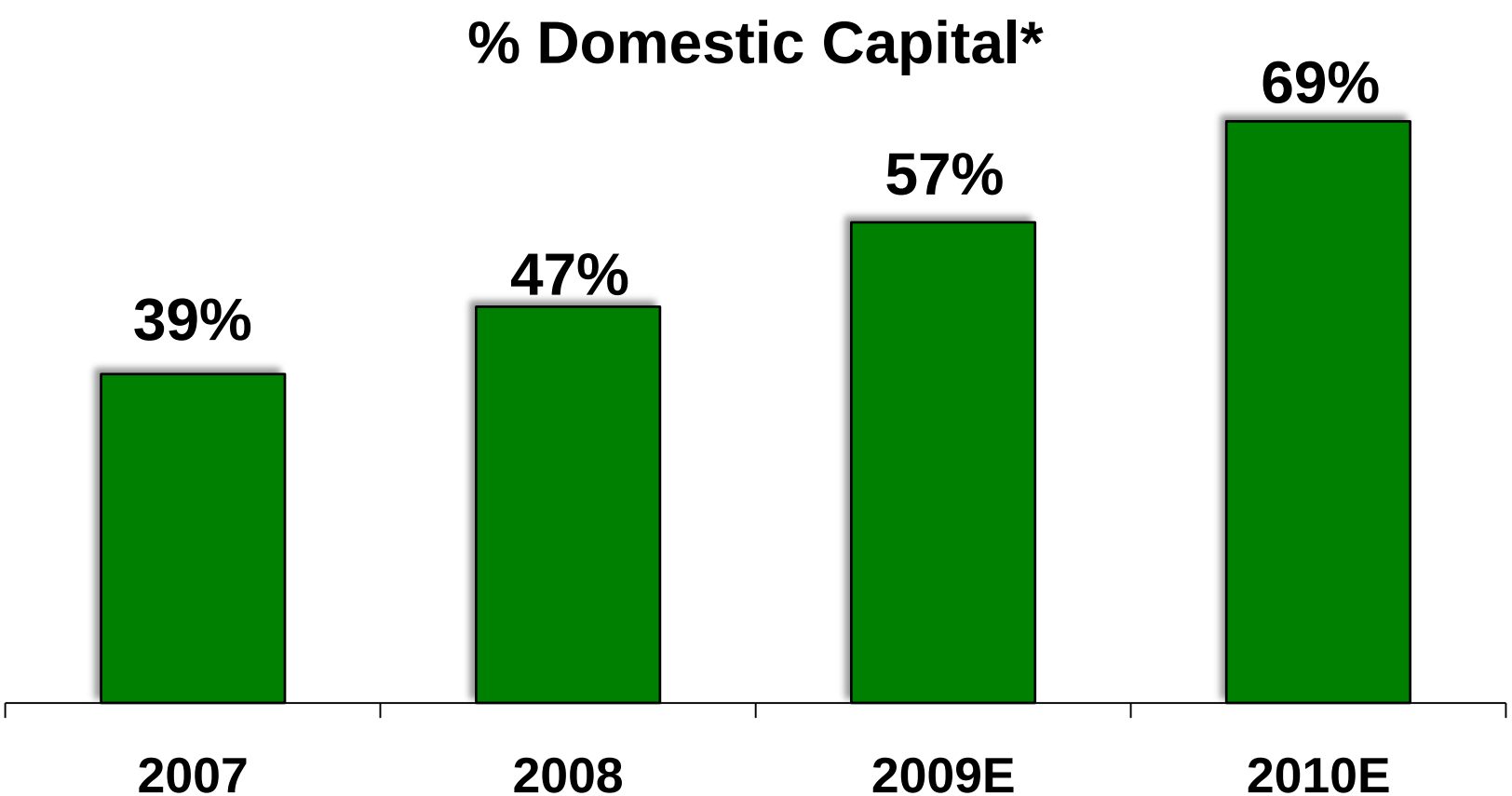
Onshoring and Derisking E&P Production Unconventional Resource Focus



*Includes proportionate share of FSOG

Capital Shifting to Unconventional Resources

Central & Western Divisions



***** Excludes proved property acquisitions

Drivers for Improving Performance

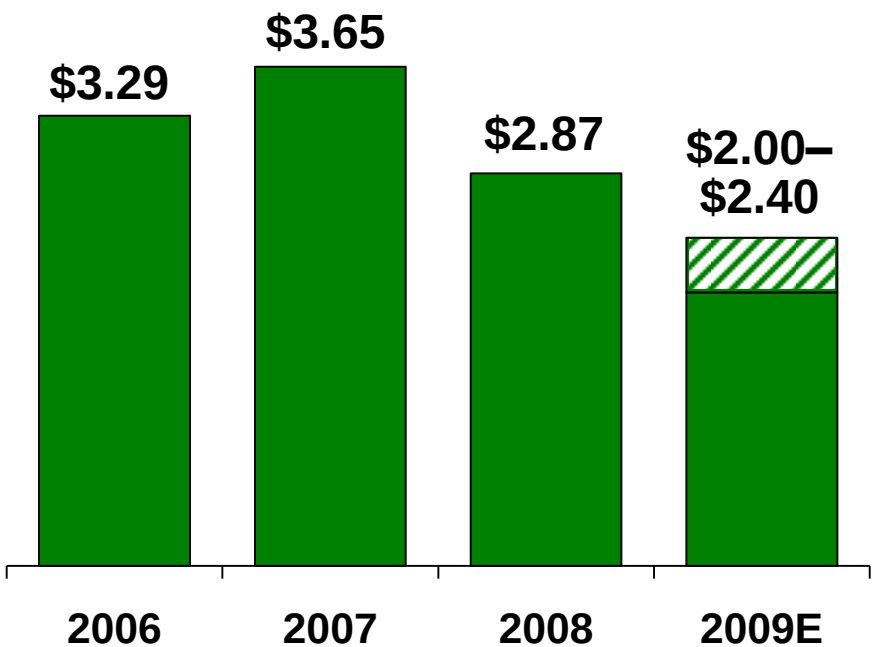
- Restructured organization to improve alignment and accelerate progress
- Improved cost and program management
- Substantially improved reserve replacement costs & and replacement rate
- Grew inventory

E&P Organizational Alignment

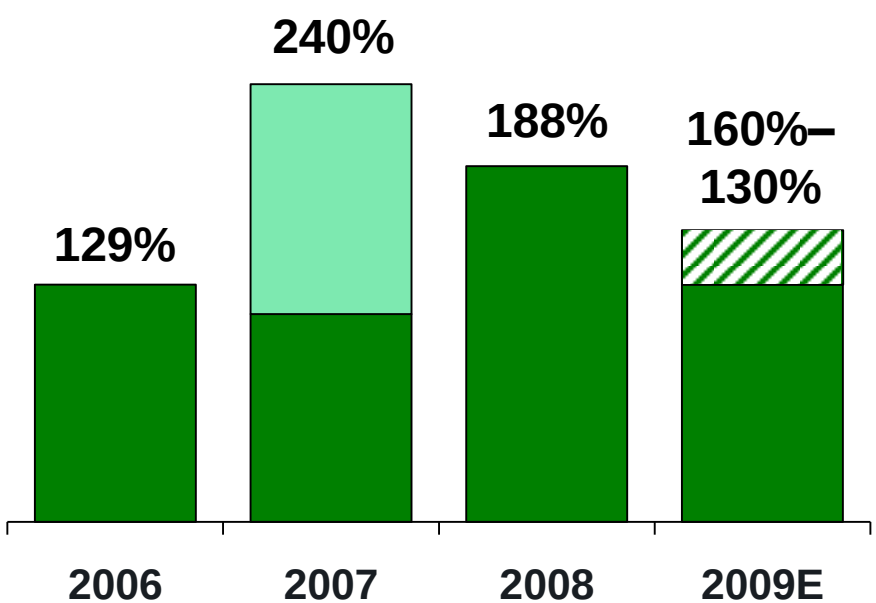
- Centralized operations, sharing best practices
  - Production
  - Drilling and completions
  - Supply chain management
  - Health, safety & environment
- Improved asset management and alignment
  - 12 asset teams focused on inventory development, capital program management, and value creation
  - Cross-functional make up
  - Networks of Excellence
- Enhanced ownership and accountability

Domestic Reserve Replacement Metrics

Reserve Replacement Costs (RRC, $/Mcfe)



Reserve Replacement Ratio (RRR)

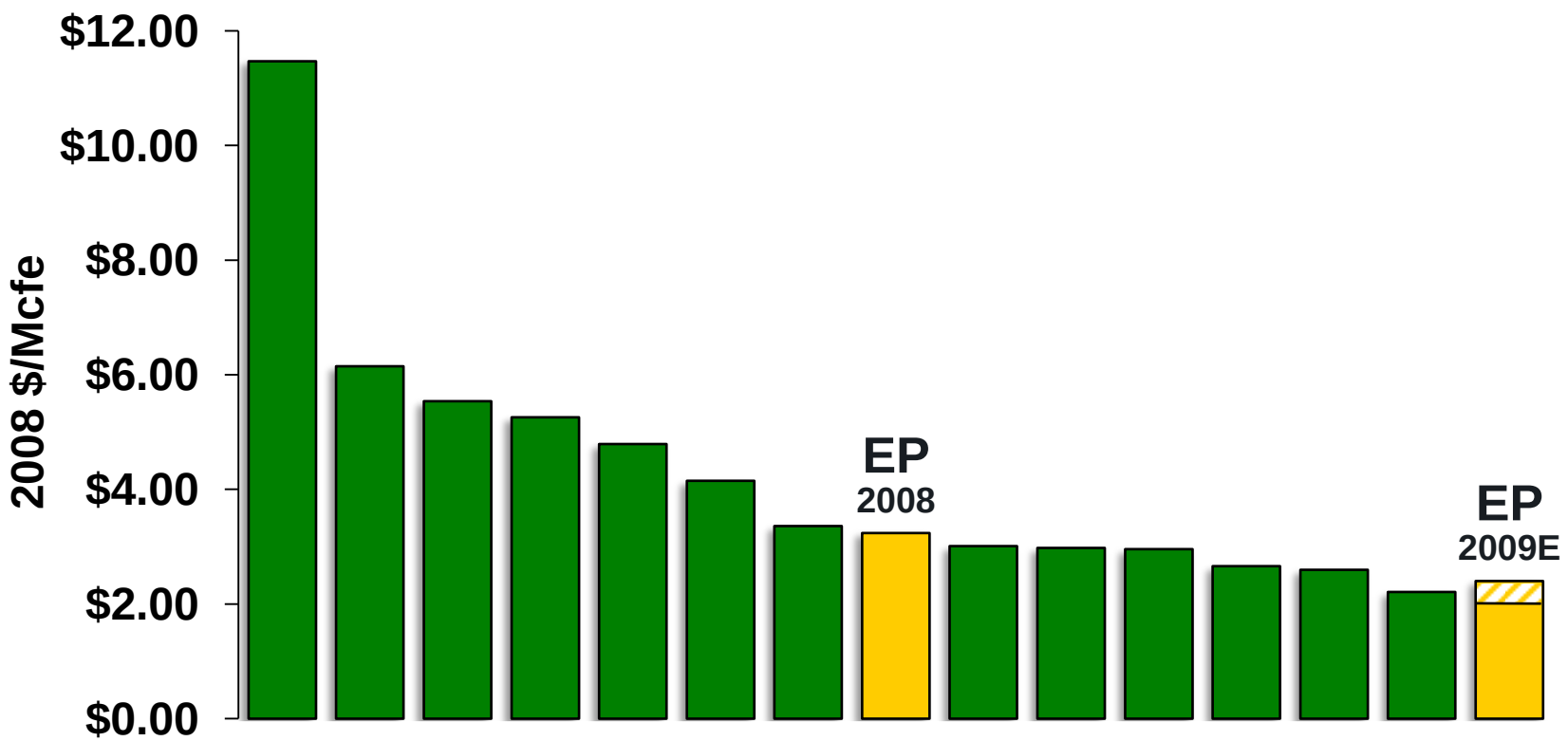


Reflects acquisitions

Continued RRC improvement in 2009
2.6–2.7 Tcfe total year-end reserves

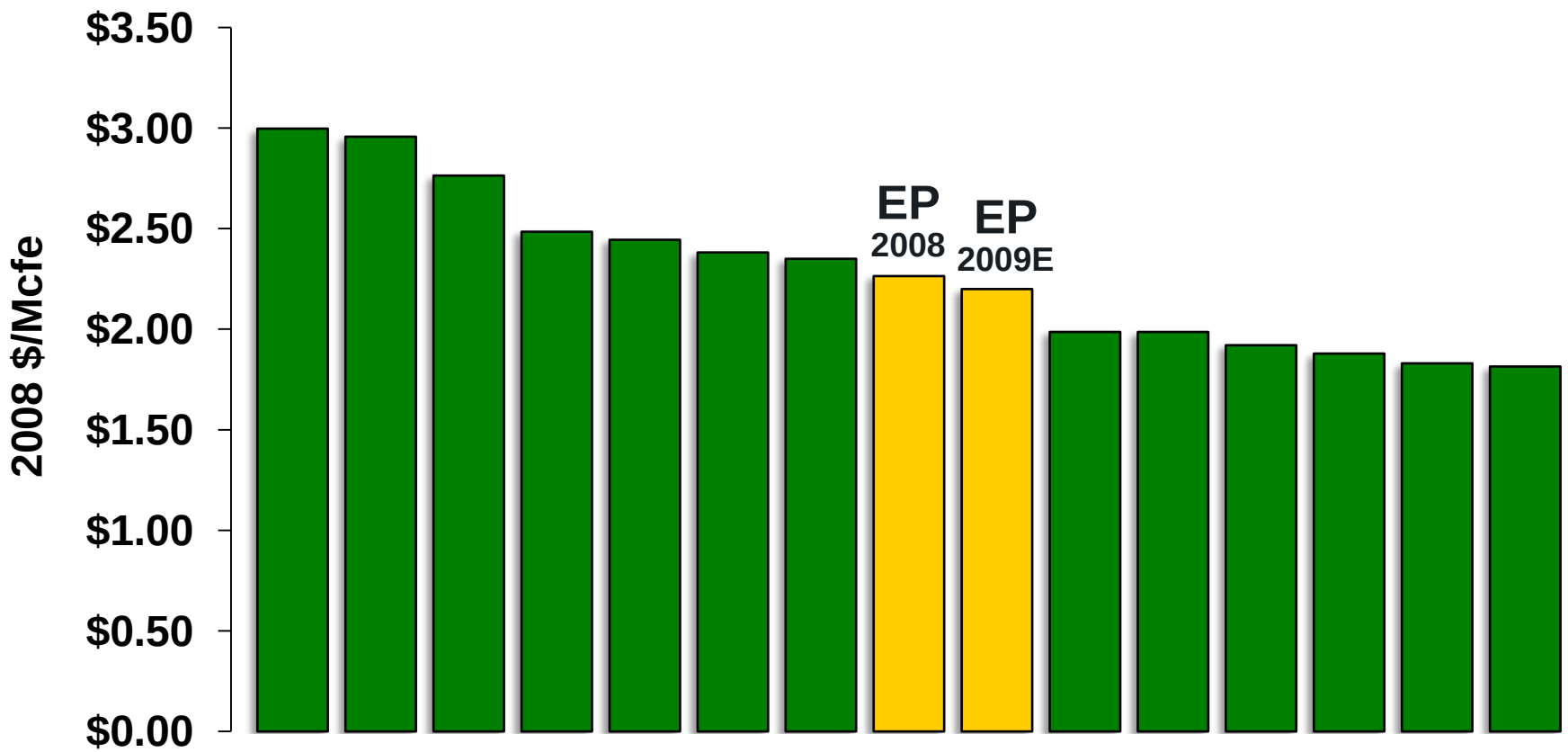
Note: Results do not include our proportionate share of FSOG; excludes impact of price-related revisions

Reserve Replacement Costs Stack Up Well vs. Peers



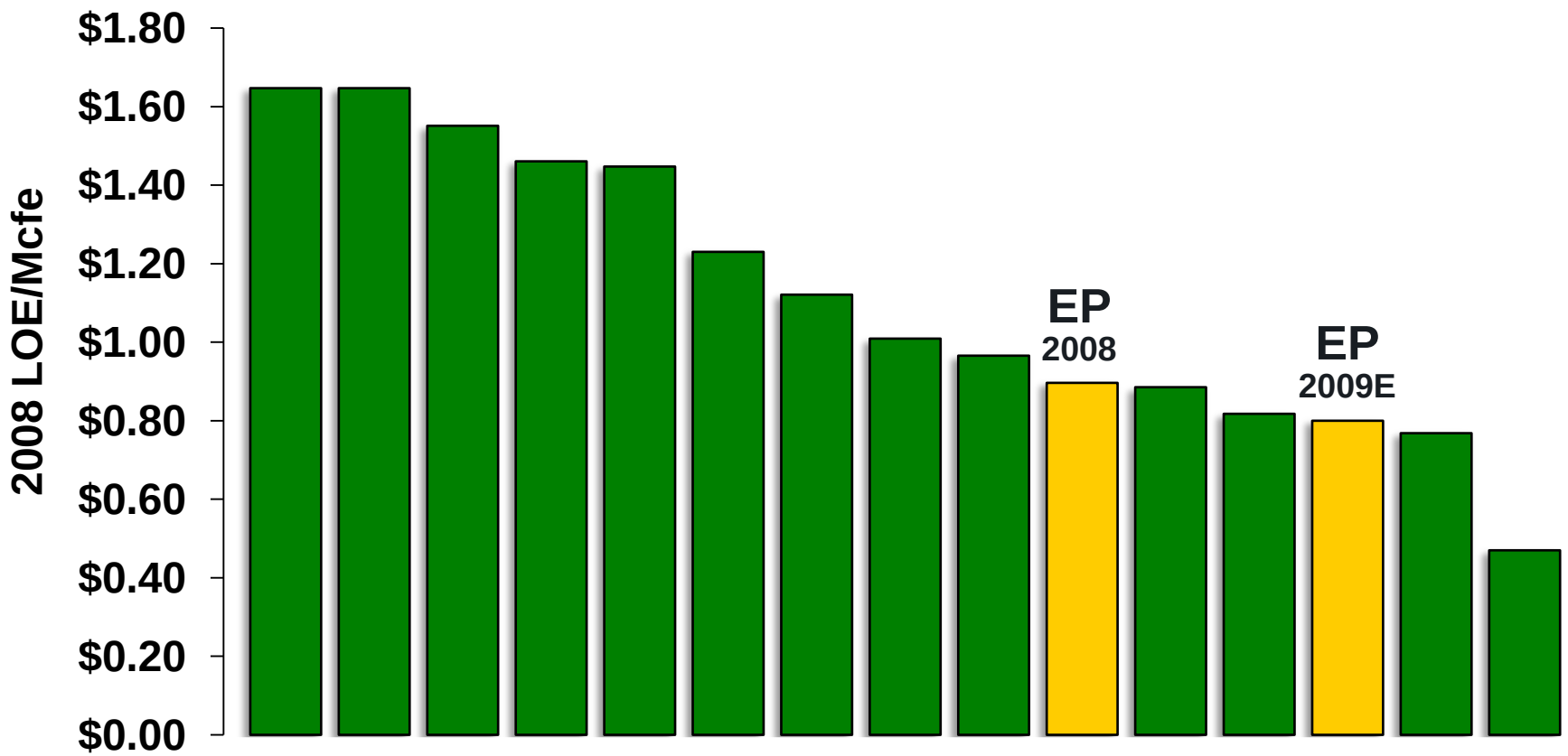
Peer Group: COG,CRK, EOG, FST, HK, NBL, NFX, PXD, PXP, RRC, SM, XCO, XEC

Total Cash Costs Improving



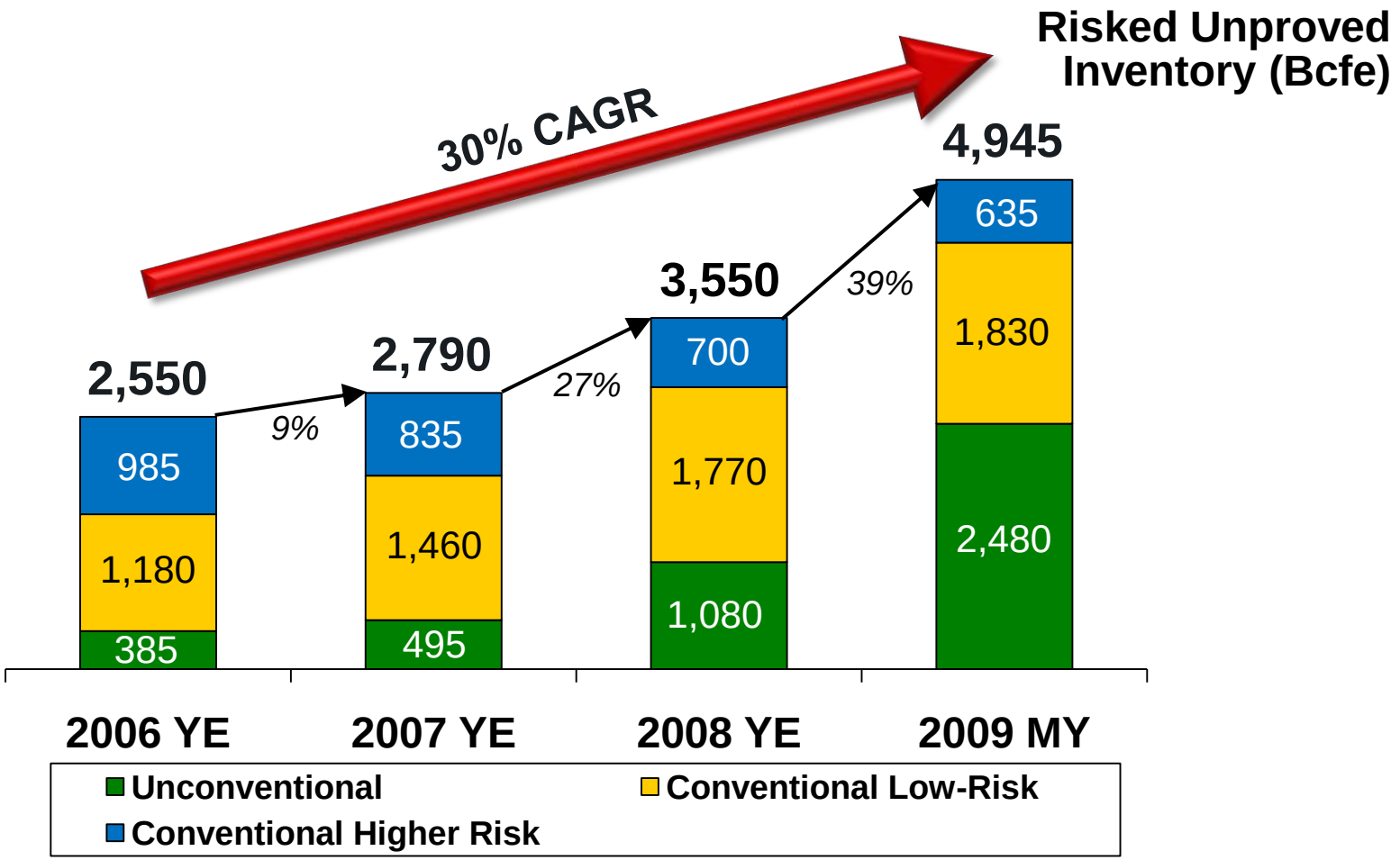
Note: Cash costs includes transportation costs
Peer Group: COG,CRK, EOG, FST, HK, NBL, NFX, PXD, PXP, RRC, SM, XCO, XEC

Lease Operating Expenses Very Competitive and Improving



Peer Group: COG,CRK, EOG, FST, HK, NBL, NFX, PXD, PXP, RRC, SM, XCO, XEC

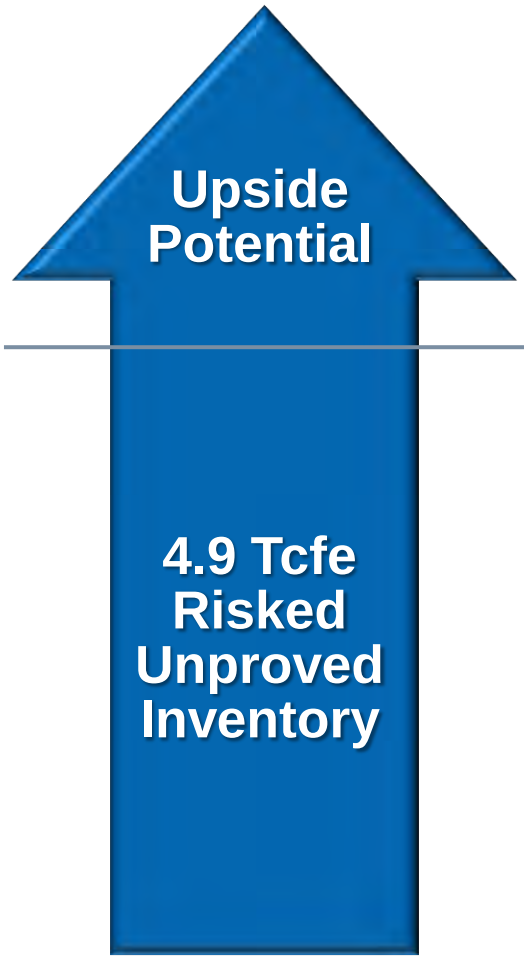
Sustained Unproved Inventory Growth



8.7 Tcfe of unrisked resource potential

Note: Inventory estimates include our proportionate share of FSOG

Growing Resource Inventory



- Potential down spacing
  - Haynesville, Eagle Ford, CBM, Altamont
- Additional shale potential
  - Bossier, Niobrara, Eagle Ford
- International exploration success

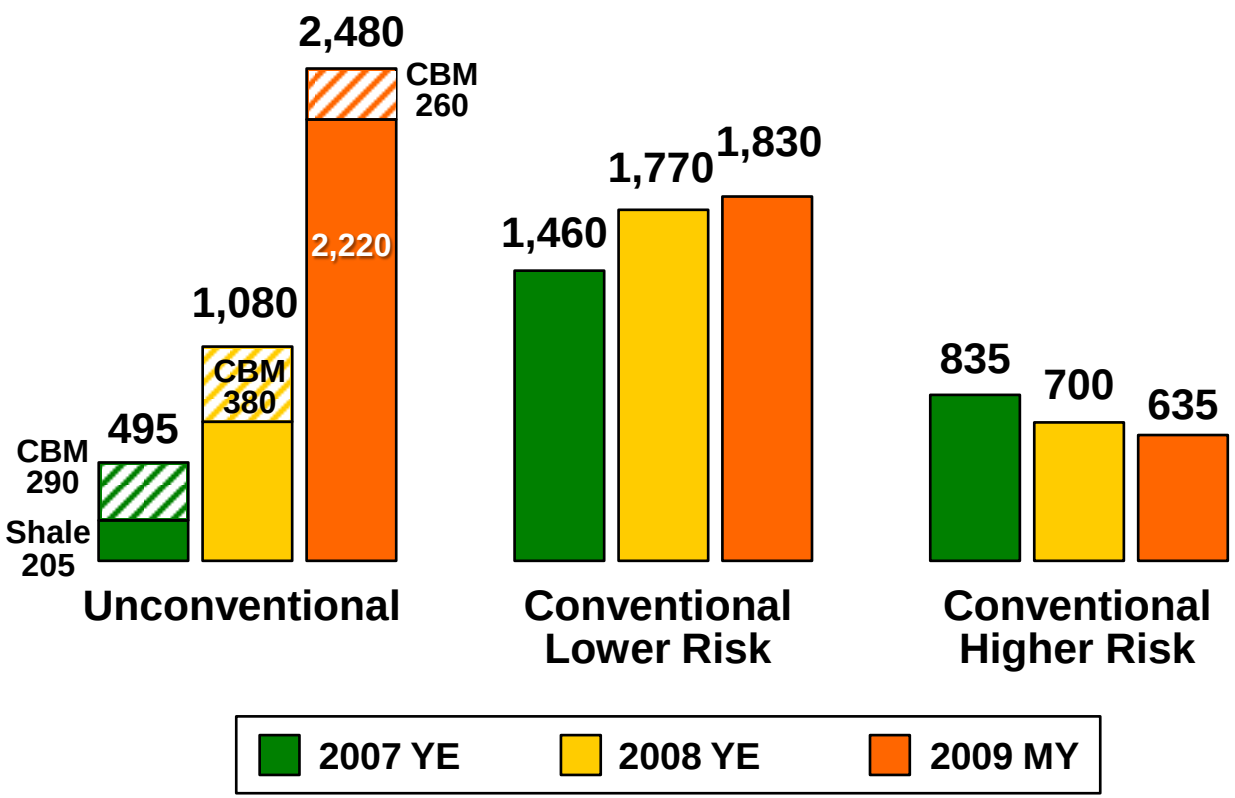
- Shale gas (45%)
  - Haynesville, Eagle Ford
- Coal-bed methane program drilling (5%)
  - Raton & Black Warrior
- Conventional low-risk (37%)
  - Arklatex, Altamont oil, Gulf Coast & Brazil
- Conventional higher risk (13%)
  - Gulf Coast, Egypt & Brazil
- 8.7 Tcfe on unrisked basis

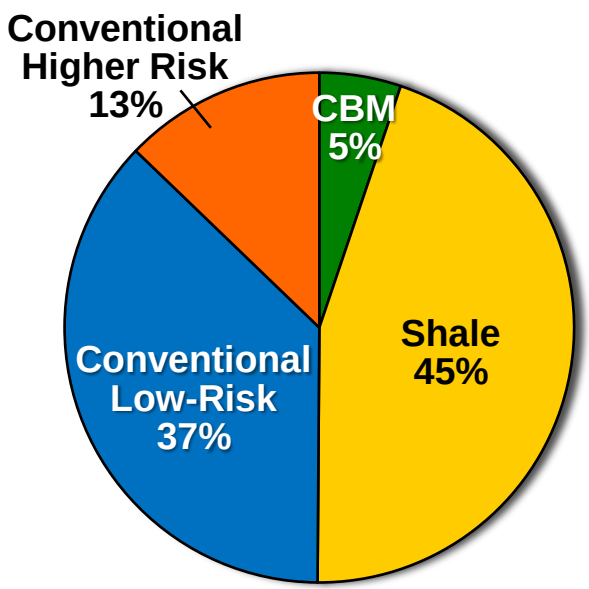
Mid-year 2009 inventory up 39% from YE 2008

Note: Inventory estimates include our proportionate share of FSOG

Significant Unconventional Inventory Growth

Net Risked Bcfe

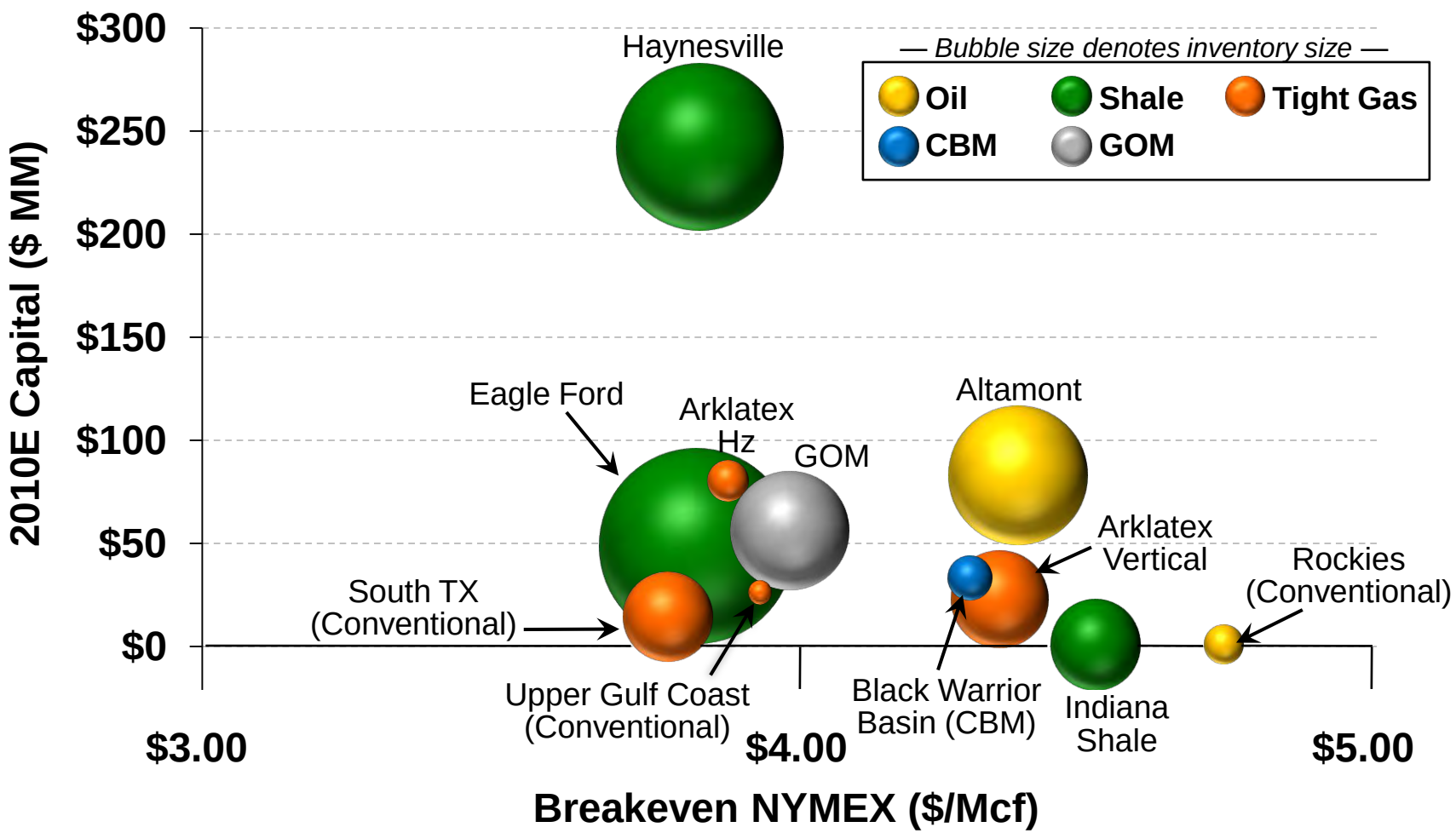




Unproved Inventory by Play Type

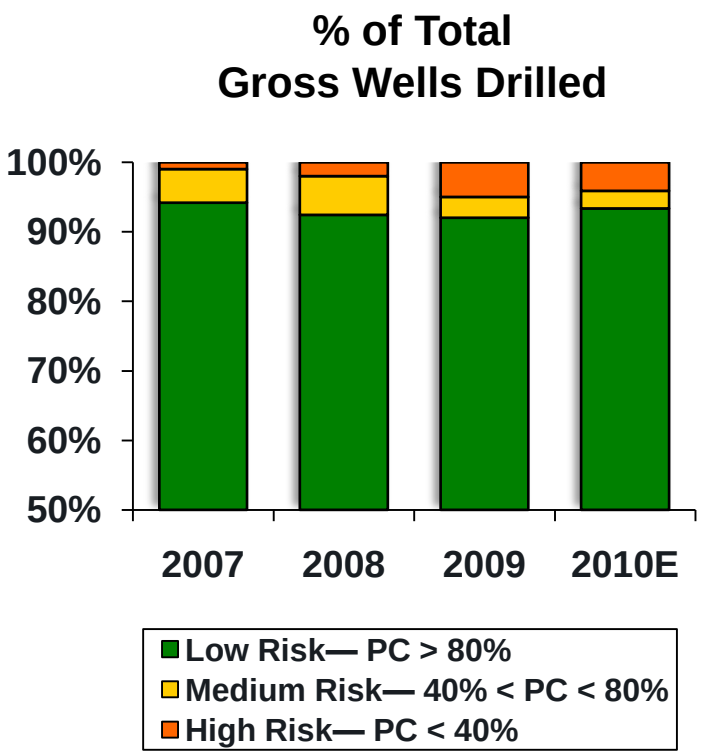
Note: Inventory estimates include our proportionate share of FSOG

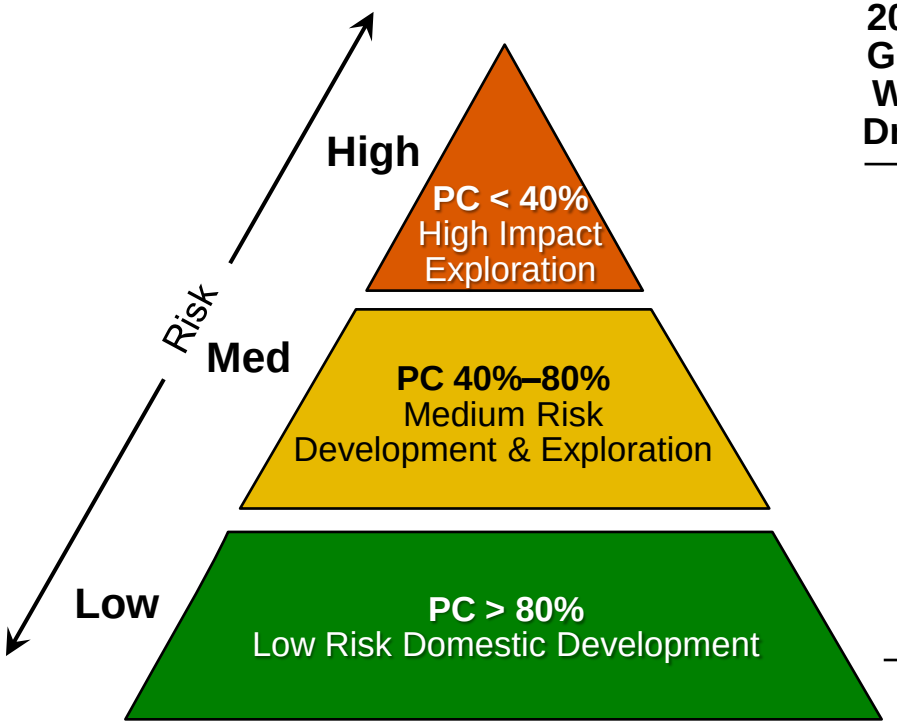
Total Domestic Unproved Inventory Breakeven Economics vs. Capital



Note: Oil to natural equivalent and pricing conversion based on 10:1
Breakeven price assumes 12% IRR
Capital includes drilling and completion amounts

Capital Program is Low-Risk

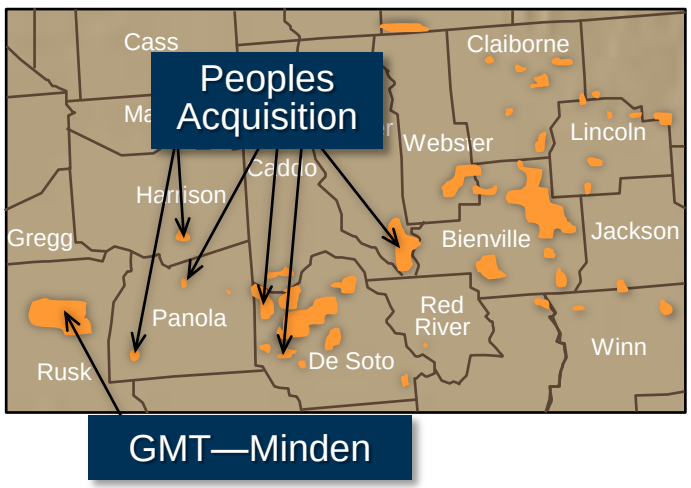




2010E Gross Wells Drilled	Drilling Capital (%)
11	7%
7	16%
248	77%
266	

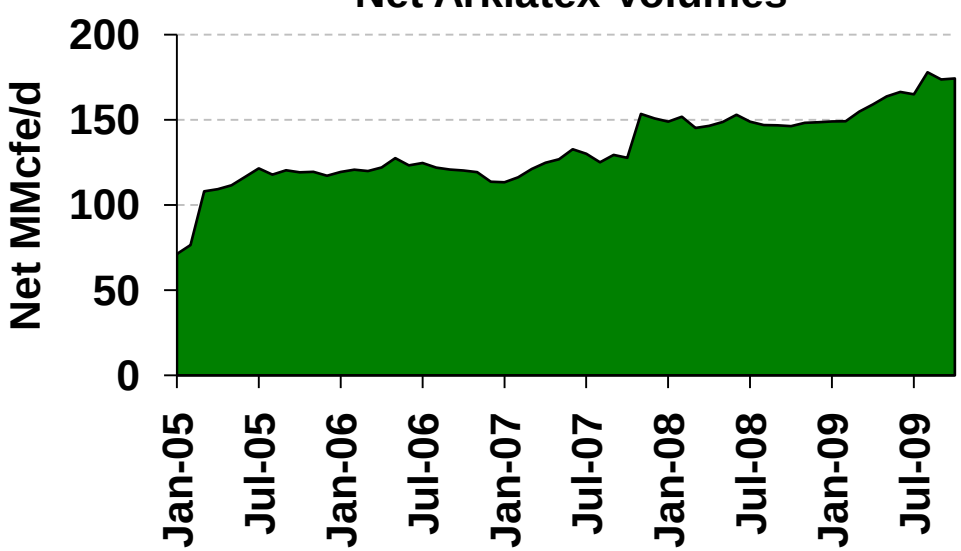
East TX/North LA Growth Story

2009 Acreage



- Transactions have improved size and quality of inventory
  - GMT-Minden acquisition —1Q 2005
  - Peoples acquisition — 3Q 2007
  - East Texas divestiture — 1Q 2008
  - N. Shongaloo divestiture — 1Q 2009

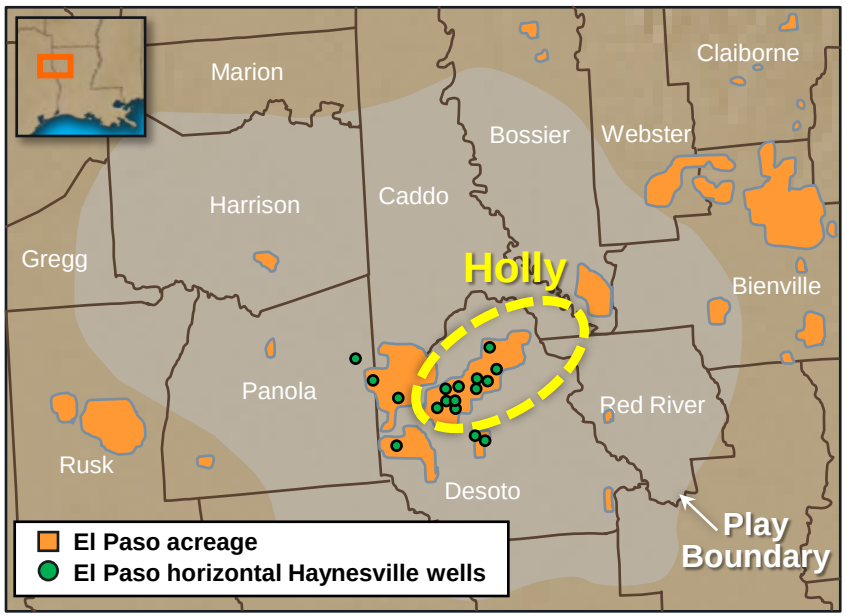
Net Arklatex Volumes

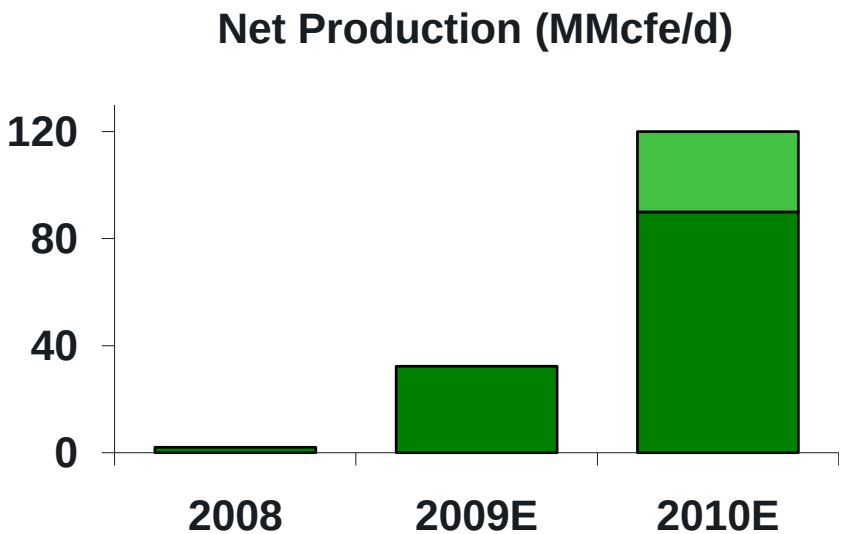


Haynesville Highlights

- ~40,000 net acre position, mostly in heart of the play
- Resource and production potential is significant
- Drilling and well performance results among best in industry
- Industry-leading cycle time
- YE 2009 exit rate ± 130 MMcfe/d (gross)
- Transportation capacity in place

Haynesville





Program Statistics

- Operating wells: 17
- Average WI: 75%
- Future drilling locations : 269
- Unrisked resource potential* : 860 Bcfe
- Risked resource potential* : 830 Bcfe

2010 Plan

- Gross wells spud: 41
- E&D Capital: $248 MM

Value Upside

- Infill drilling
- Bossier Shale

*Non-proved locations and resource potential as of 6/30/09

Haynesville Economics

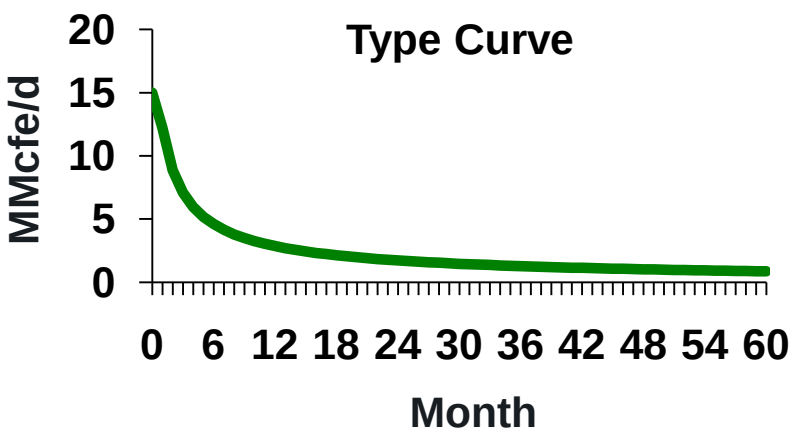
Holly Area

Overview

- Objective: Haynesville Shale
- Depth: 11,000'–12,500'
- Capital costs: $7.0–$8.0 MM
- Reserves: 6.5–7.5 Bcfe
- Initial prod: 15–25 MMcfe/d
- IP(30): 12–20 MMcfe/d
- Spacing: 160 acre

Metrics ($5.00/MMBtu, $50/Bbl)

- IRR: 35%–50%
- PVR: 1.30–1.50
- F&D costs: $1.25–$1.65/Mcfe



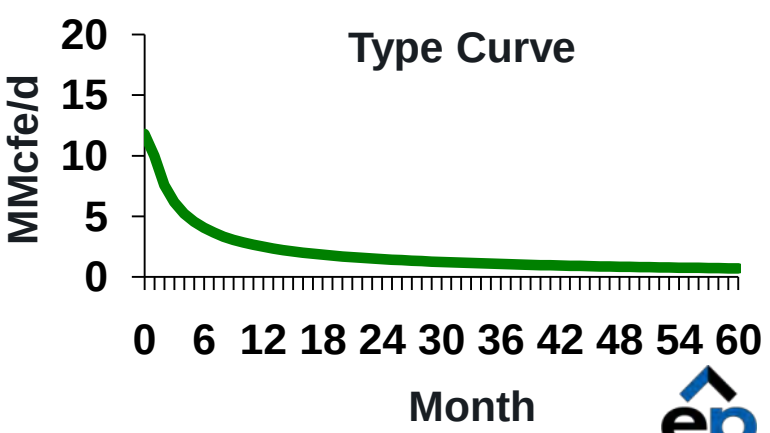
Non-Holly

Overview

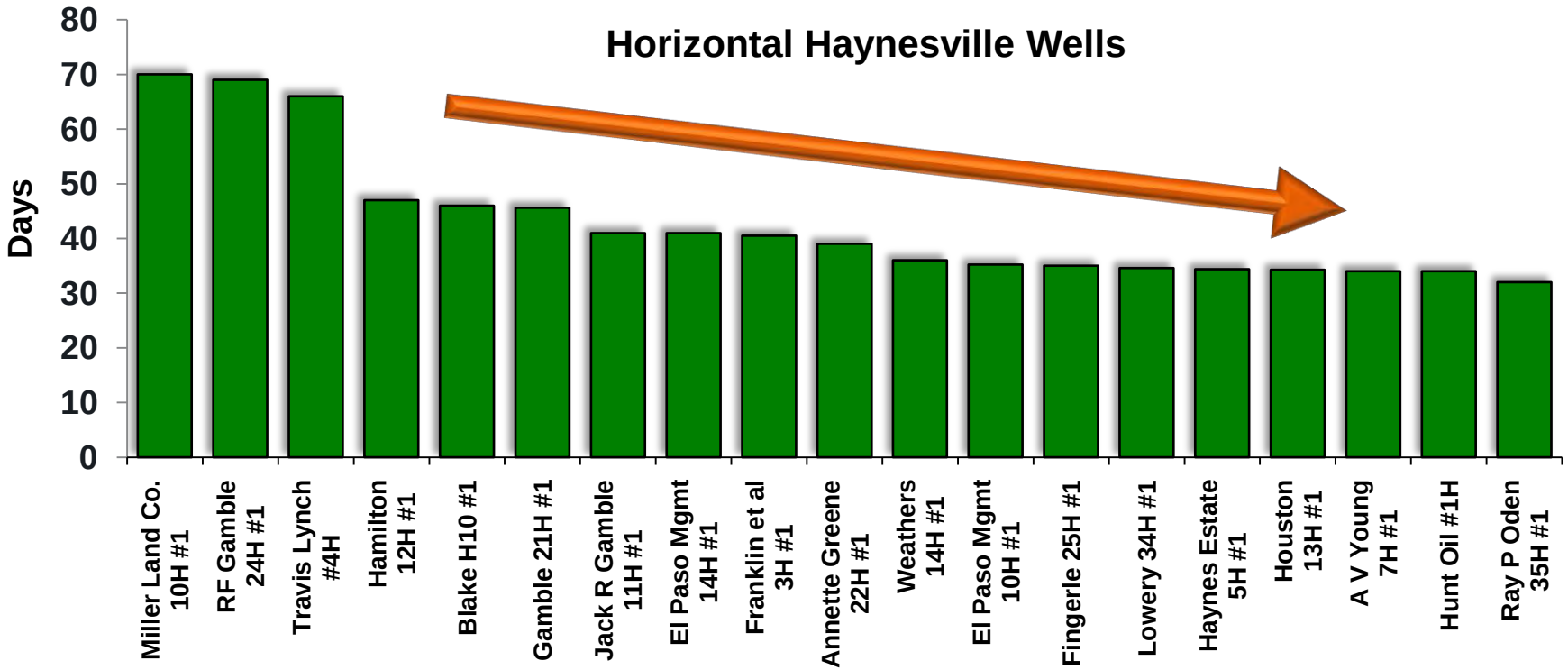
- Objective: Haynesville Shale
- Depth: 11,000'–12,500'
- Capital costs: $7.0–$8.0 MM
- Reserves: 5.0–6.0 Bcfe
- Initial prod: 9–19 MMcfe/d
- IP(30): 6–15 MMcfe/d
- Spacing: 160 acre

Metrics ($5.00/MMBtu, $50/Bbl)

- IRR: 20%–40%
- PVR: 1.15–1.35
- F&D costs: $1.60–$2.10/Mcfe



Drilling Cost & Performance Continue to Improve



- Skilled at horizontal drilling and high-pressure wells
- Optimal performance in vertical portion of hole through drilling curve section with PDC vs. insert bits
- One directional bottom hole assembly through curve and lateral
- Market rig rates—only one rig under long-term contract
- Cost reductions for services and material: cement, directional services, bits, rental tools, location construction, and transportation

Haynesville Fracture Stimulation

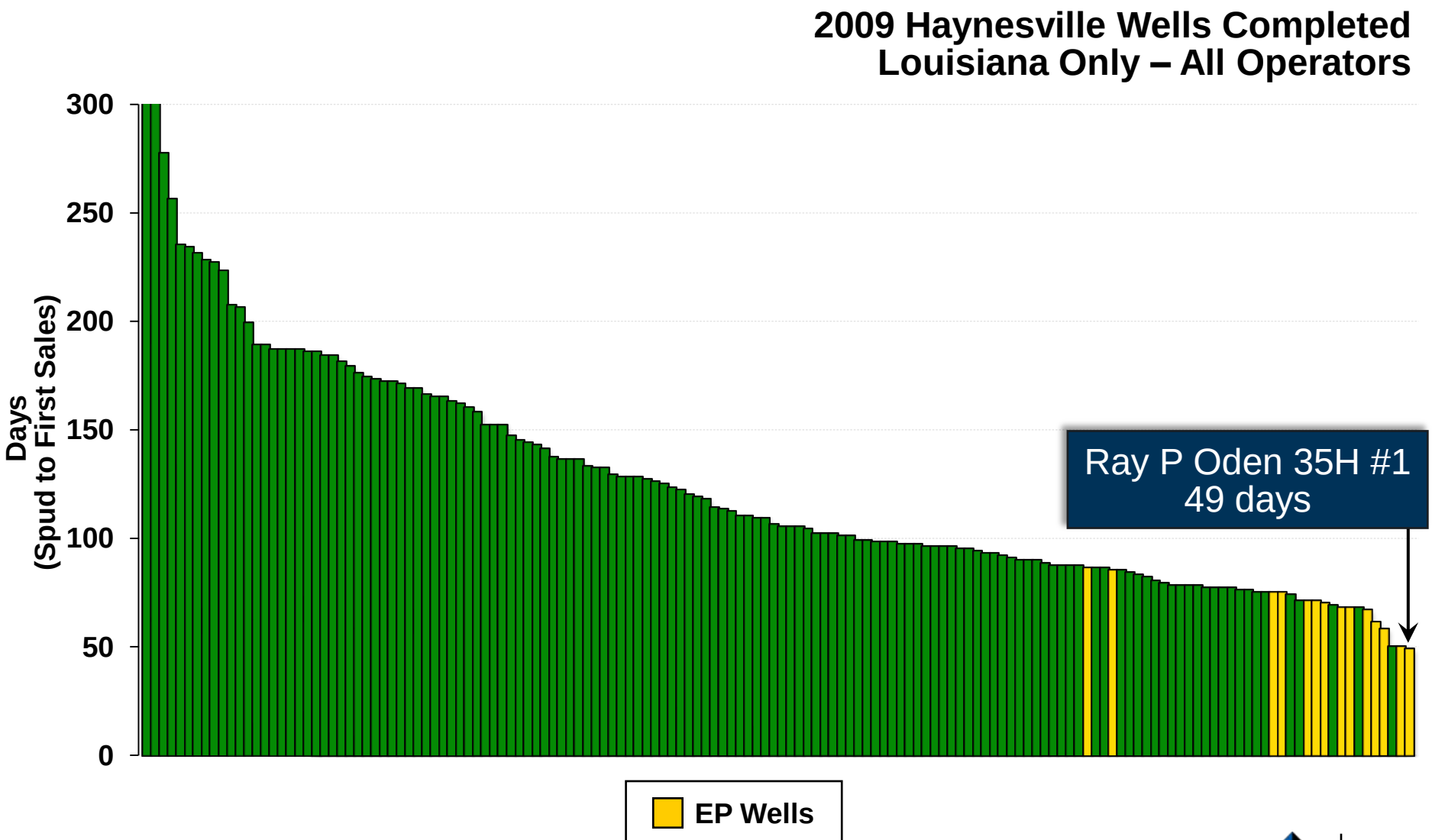
Improved Frac Design

- Increased stages from 8 to 14
- Rate increased from 40 bpm to 80 bpm
- Fluid increased from 10 MBbl to 15 MBbl per stage
- Proppant increased from 250,000 lbs to 380,000 lbs per stage
- Chemical tagging
- Micro seismic

Improving Operational Performance

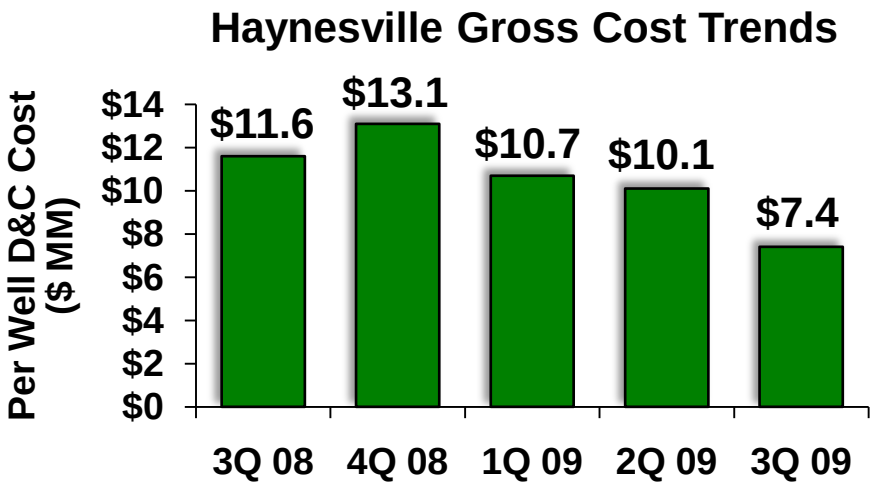
- Reduced drilling time to 30–35 days
  - Improved drill plan and bit selection
- Reduced completion time to 20 days
  - Use of pump down plugs and perforating
  - Smaller OD plugs have reduced failures from 30% to 5%
  - Water transfer units utilized rather than hauling fluid
- Expanding gathering systems and facilities to meet growing needs

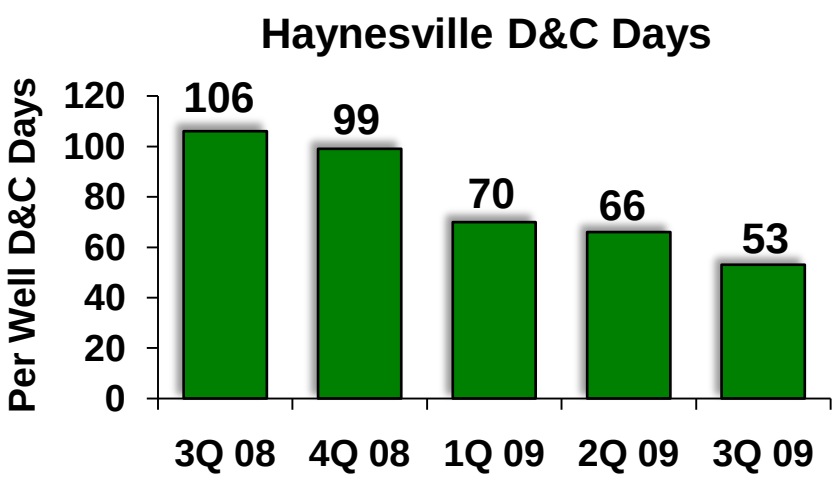
El Paso Delivering Industry-Leading Haynesville Cycle Time



Note: As of December 1, 2009

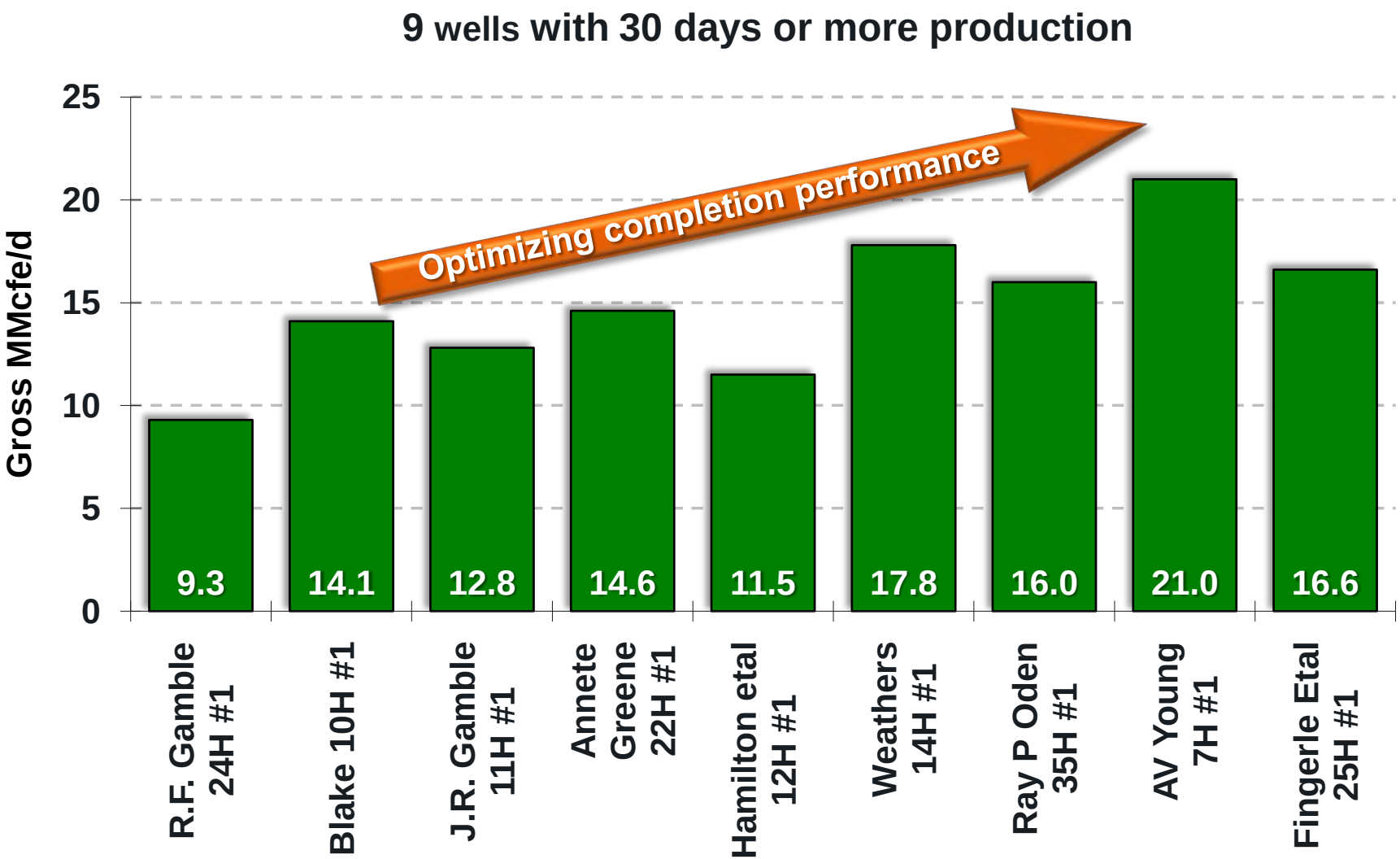
Significant Improvement in Haynesville Well Costs and Efficiency



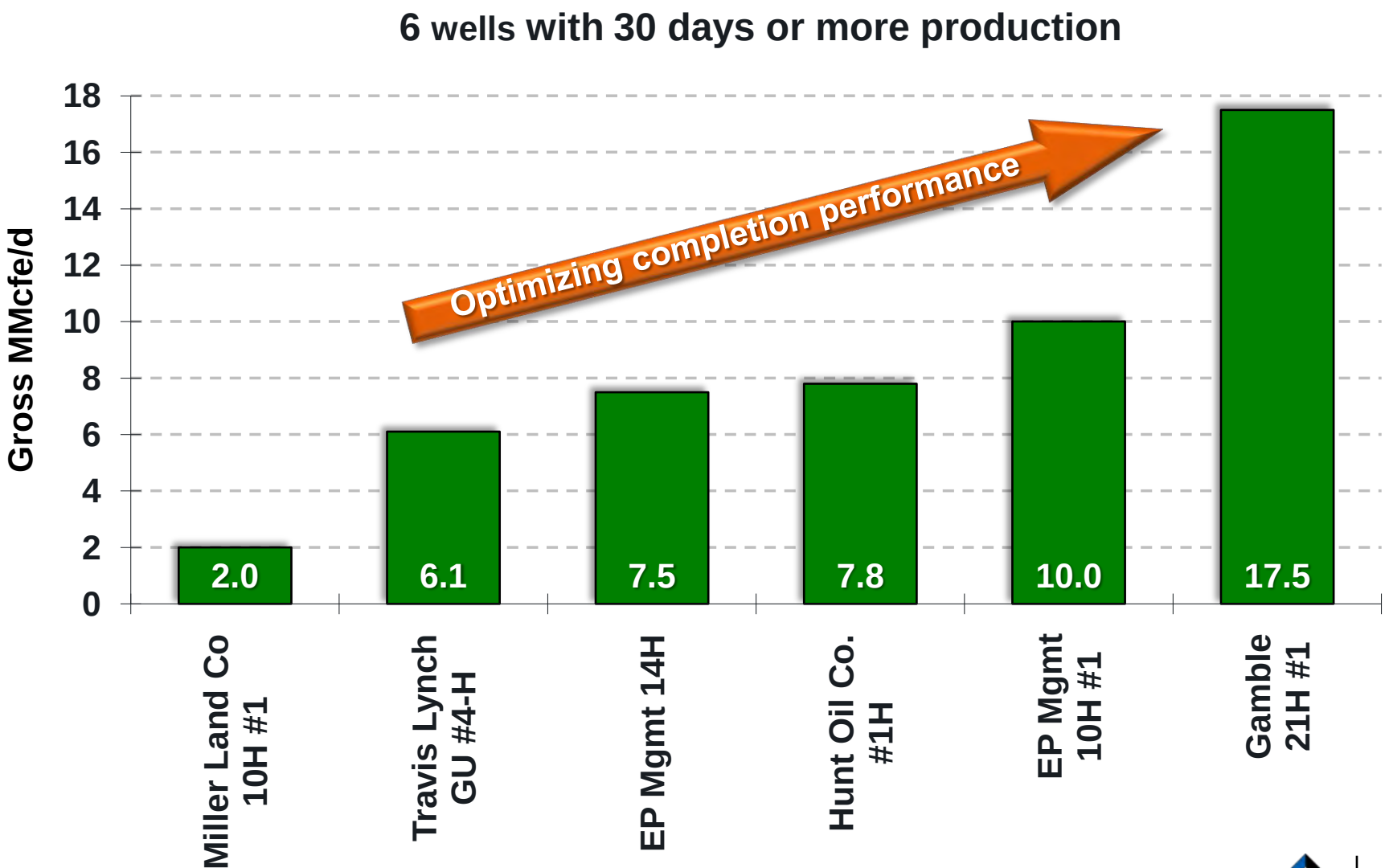


- Cut drill and completion days by half from the 1st well
- Eliminated the need for vertical pilot holes on most wells
- Drilling curve and lateral more efficiently
- Improved drill design and bit selection
- Reduced completions to 20 days
- Reduced service and supply costs

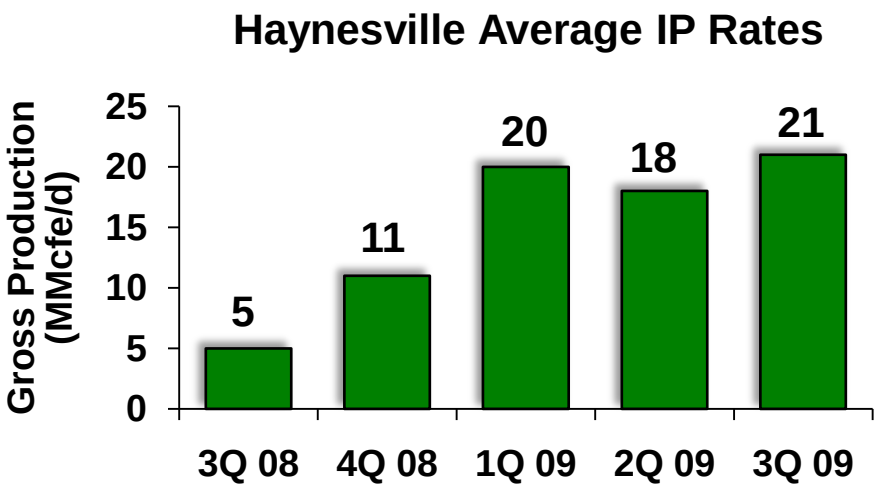
Holly Haynesville Shale IP 30s

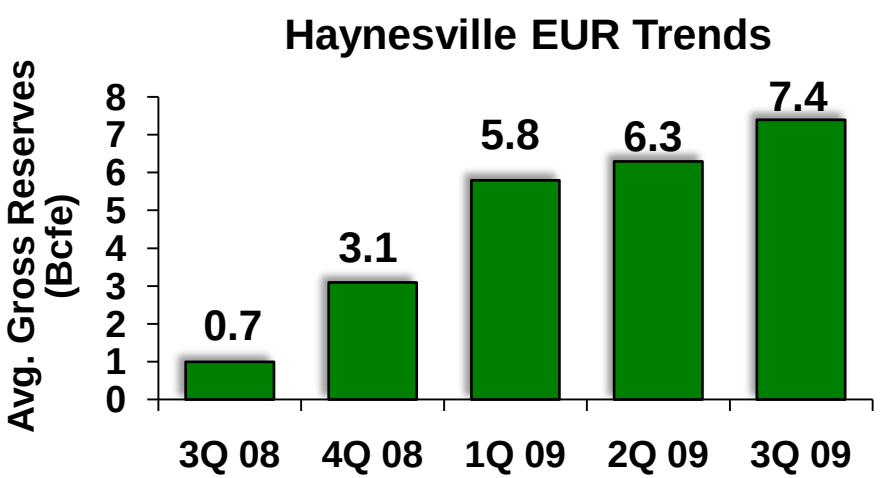


Non-Holly Haynesville Shale IP 30s



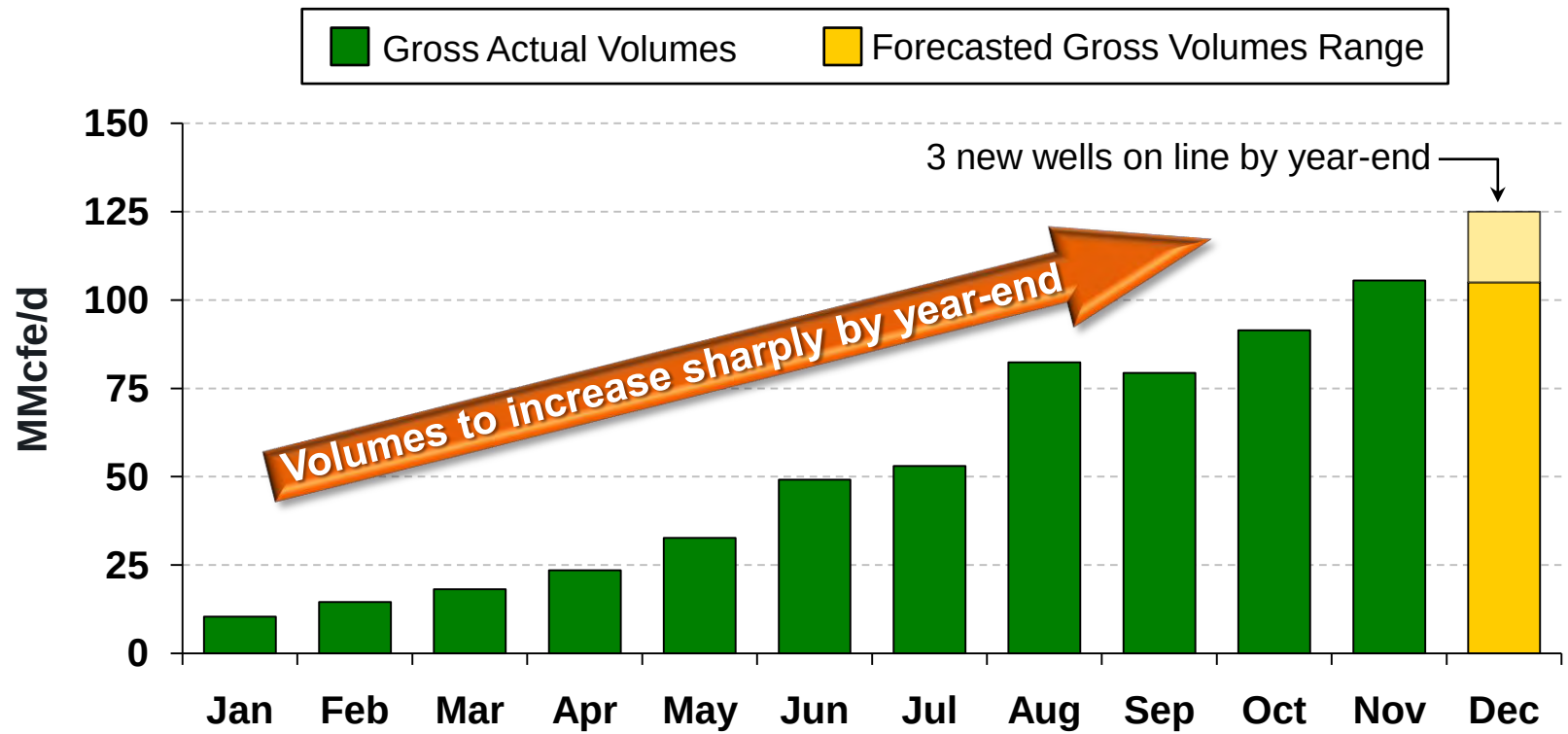
Well Performance & EUR Also Advancing





- Laterals now >4,000 feet
- Up to 14 frac stages
- More fluid and proppant in each stage
- Pumped at higher treating rates
- Estimated ultimate recovery reflects better stimulation and longer laterals
- Holly area 6.5–7.5 Bcfe
- Non-Holly 5–6 Bcfe
- ~80% of EP acreage in advantaged areas

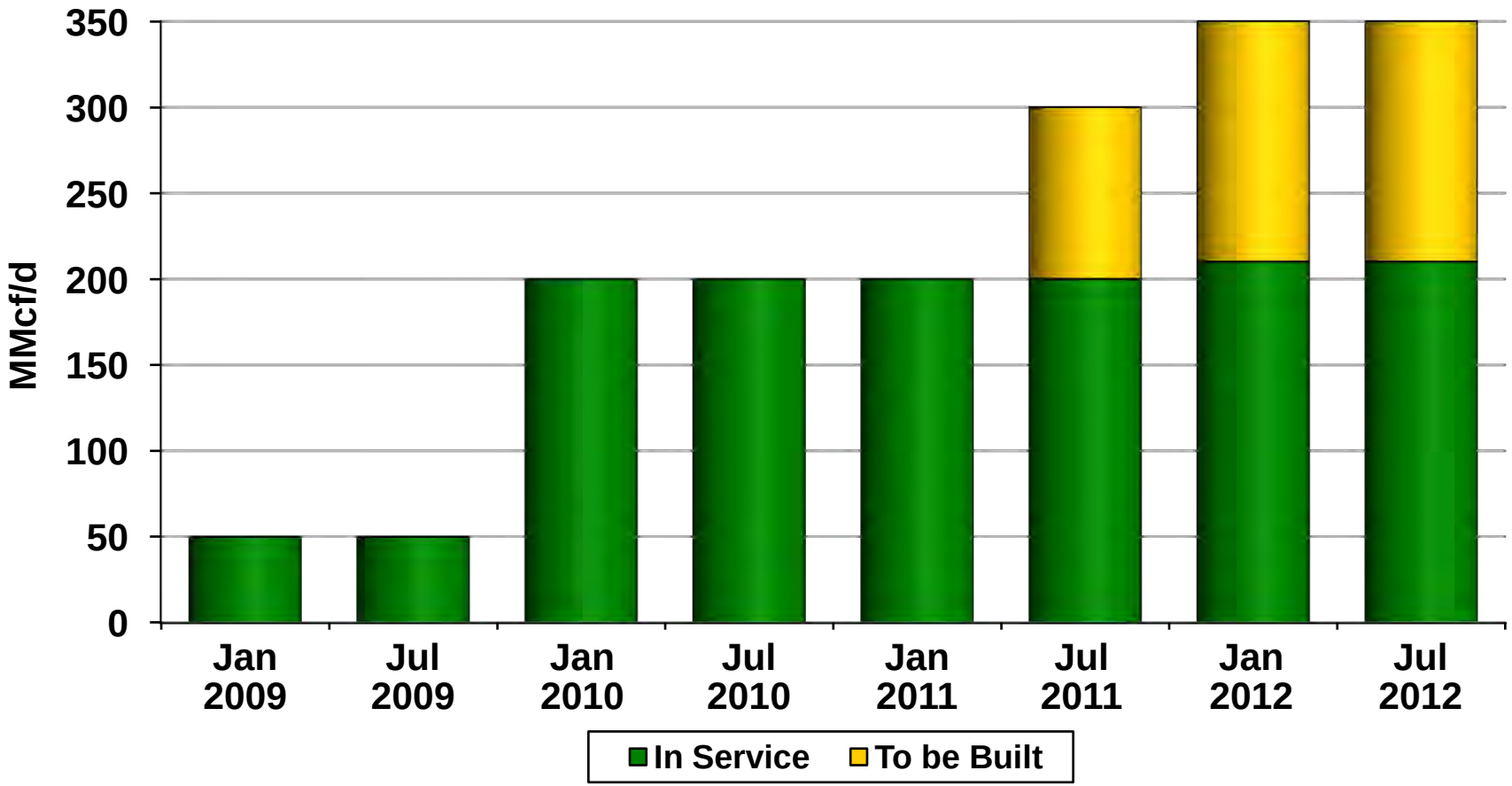
Haynesville Shale Production Growth



Rigs	1	1	2	2	2	3	3	3	5	5	5	5

Net volumes ~ 60%–65% of gross

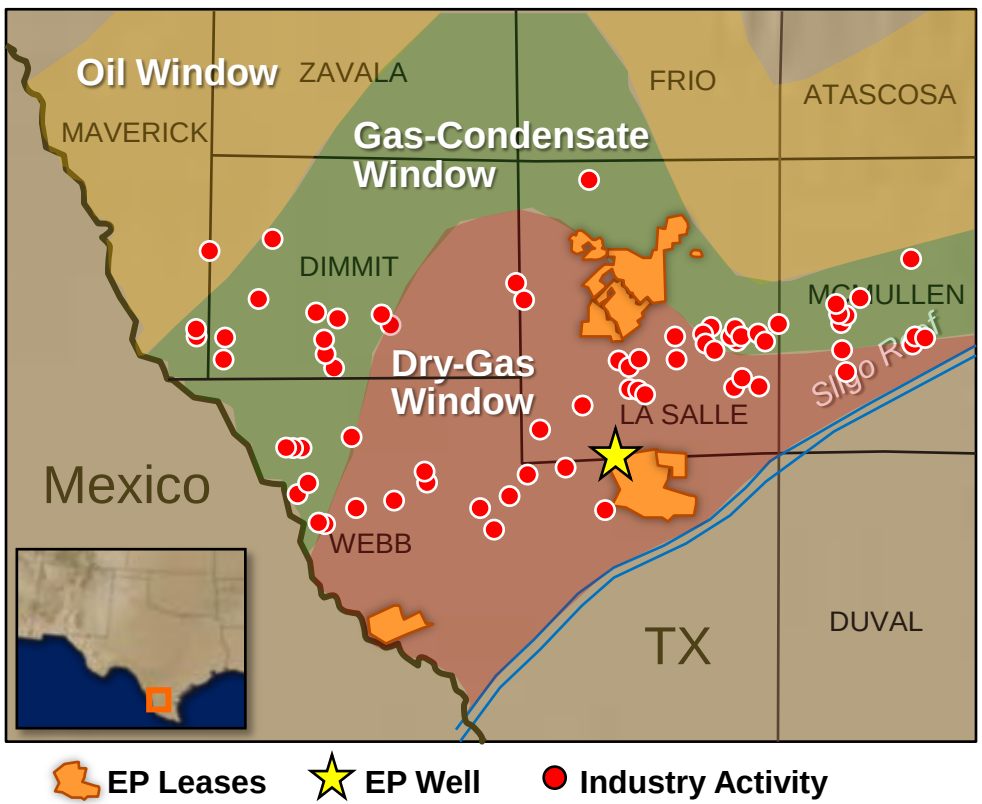
Greater Holly Area Take Away Capacity in Good Shape



Eagle Ford Highlights

- ~ 132,000 net acre position
- Significant resource and production potential
- Leveraging Haynesville expertise
- First well encouraging (7–8 MMcf/d)
- Risked resource potential (~1.1 Tcfe); comparable to that of Haynesville assuming 50% of acreage contributing
- Initially operating one-rig program

Eagle Ford Shale



Program Statistics

Operating wells:	1
Average WI:	100%
Future drilling locations:	700
Unrisked resource potential*:	2,200 Bcfe
Risked resource potential*:	1,100 Bcfe

2010 Plan

Gross wells spud:	10
E&D Capital:	$62 MM

Value Upside

- Continue to increase leasehold position
- Further delineation of acreage position
- Infill drilling
- Cost reduction

*Non-proved locations and resource potential as of 11/15/09

Eagle Ford Economics

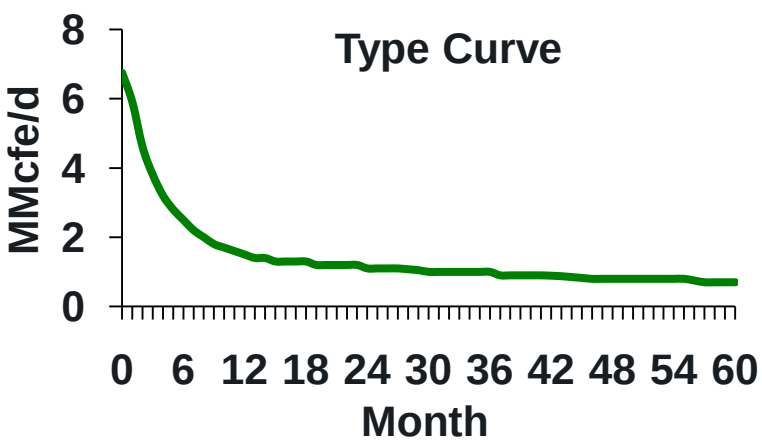
Dry-Gas Area

Overview

- Objective: Eagle Ford Shale
- Depth: 9,000'–13,000'
- Capital costs: $5.0-$6.5 MM
- Reserves: 3.0–6.0 Bcfe
- Initial prod: 4.0–13.0 MMcfe/d
- IP(30): 3.2–10.4 MMcfe/d
- Spacing: 160 acre

Metrics ($5.00/MMBtu, $50/Bbl)

- IRR: 20%–45%
- PVR: 1.15–1.40
- F&D costs: $1.50–2.20/Mcfe



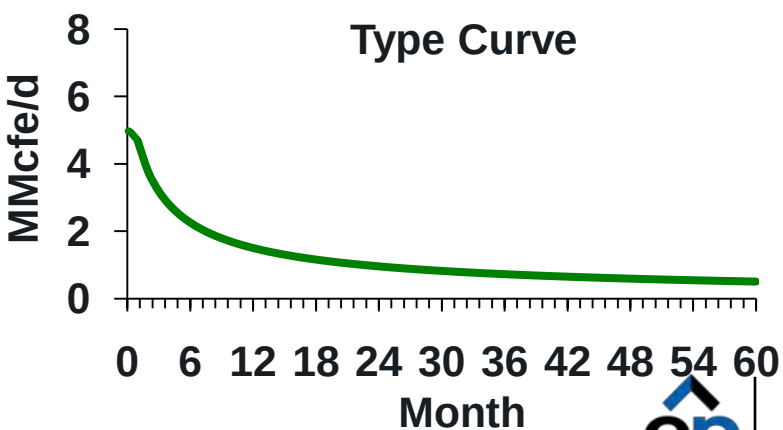
Wet-Gas Area

Overview

- Objective: Eagle Ford Shale
- Depth: 4,000'–11,000'
- Capital costs: $4.5–$5.5 MM
- Reserves: 2.0–5.0 Bcfe
- Initial prod: 3.0–8.0 MMcfe/d
- IP(30): 2.4–6.4 MMcfe/d
- Spacing: 160 acre

Metrics ($5.00/MMBtu, $50/Bbl)

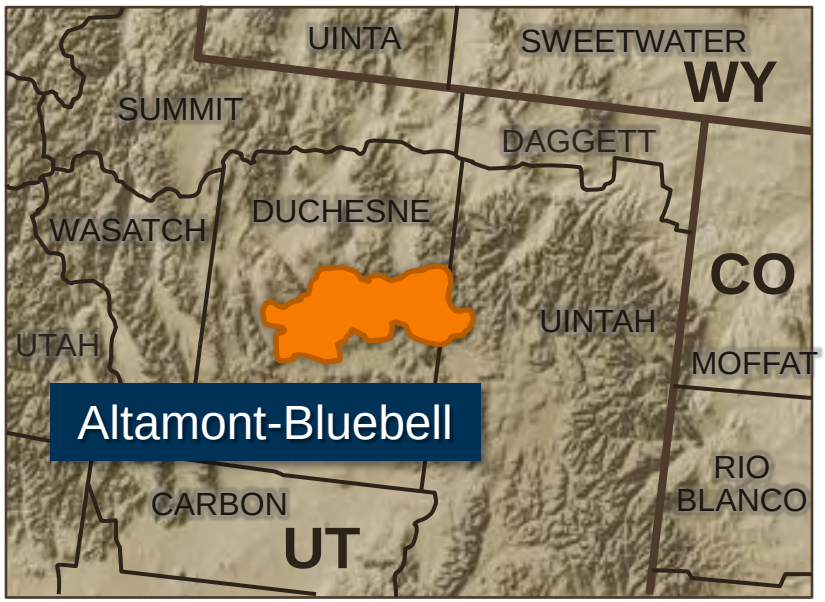
- IRR: 20%–40%
- PVR: 1.15–1.35
- F&D costs: $1.60–$2.75/Mcfe

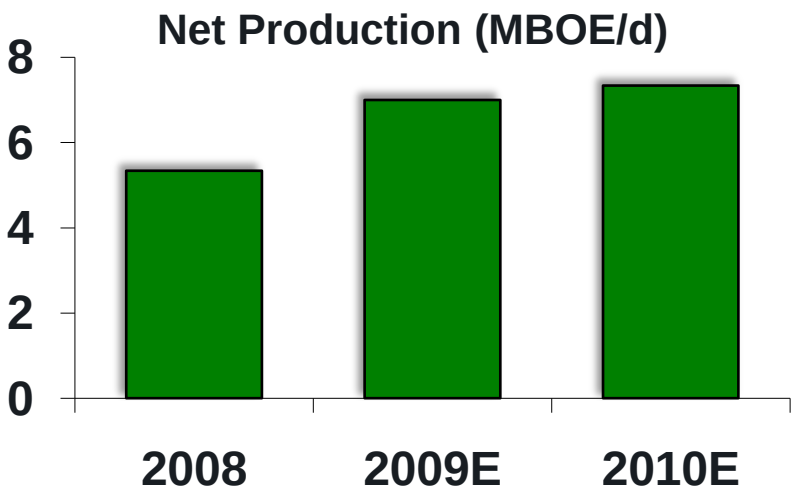


Altamont Highlights

- Added a 2nd drilling rig
- Reduced cycle time
- Substantially reduced drilling, completion and tie-in costs
- Breakeven at $45/Bbl vs. $70/Bbl in 2008
- Optimized completion process
- Realized inventory growth

Altamont





Program Statistics

- Operating wells: 210
- Average WI[1]: 77%
- Future drilling locations: 778
- Unrisked resource potential[2]: 63 MMBOE
- Risked resource potential[2]: 58 MMBOE

2010 Plan

- Gross wells spud: 23
- E&D Capital: $123 MM

Value Upside

- Oil price
- Workovers and recompletions
- Infill drilling
- Secondary recovery
- Additional consolidation

[1]Working interest reflects ownership in operated wells
[2]Non-proved locations and resource potential as of 6/30/09

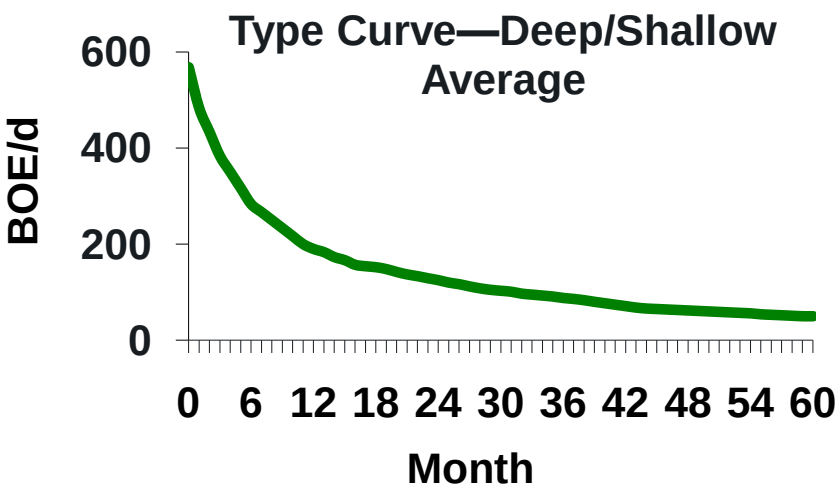
Altamont Economics

Overview

Objective:	Wasatch Green River
Depth:	9,000'–14,000'
Capital costs:	$3.8–$5.1 MM
Reserves:	350 MBOE
Initial prod:	550 BOE/d
IP(30):	475 BOE/d
Spacing:	160 acre approved 320 acre current

Metrics ($50–$70/Bbl)

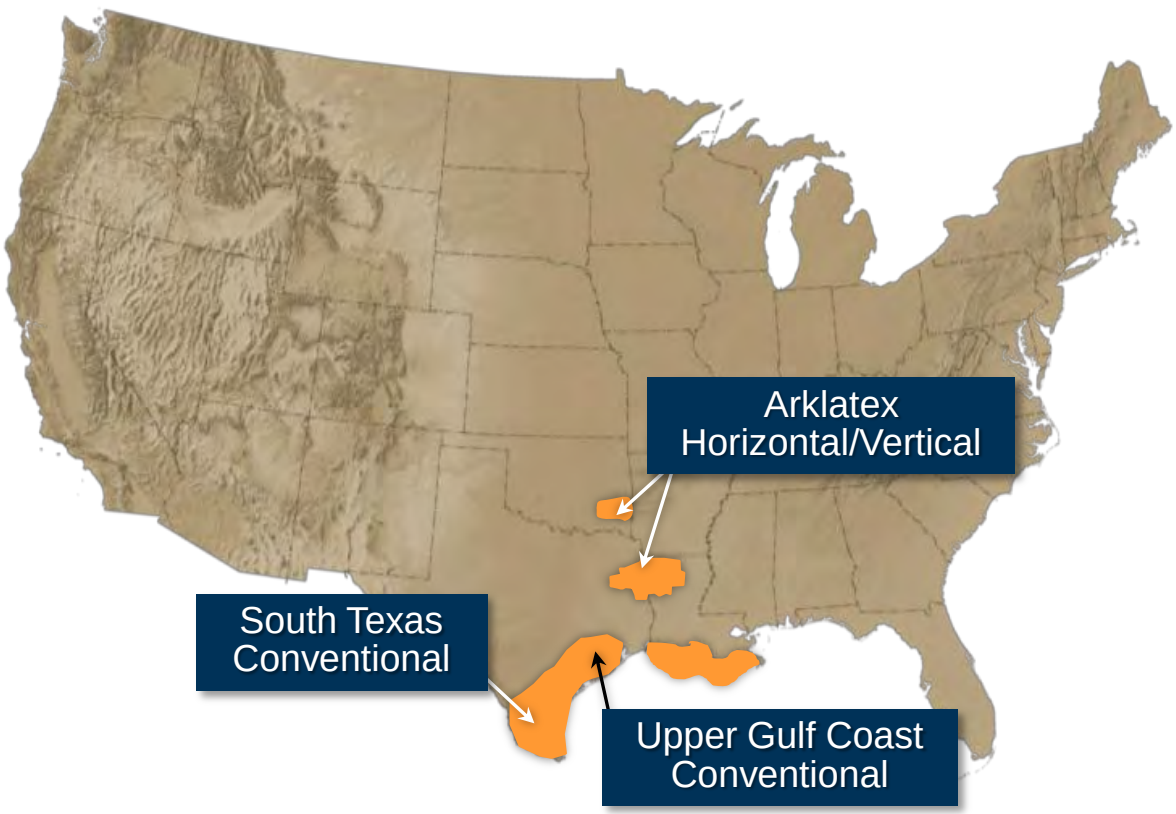
IRR:	25% - 60%
PVR:	1.16 – 1.67
F&D costs:	$15 - $16/Bbl



Significant Improvement in 2009 Altamont Well Costs and Efficiencies

- Reduced drilling costs from $5.2 MM to $4.0 MM
  - 44% decrease in rig contract day rates
  - 35% decrease in drilling fluids
  - Additional declines realized in directional services, cementing services, casing and equipment, solids control and well site supervision
- Reduced completion costs from $2.1 MM to $1.2 MM
  - Optimize frac design
  - 27% decrease in pumping costs
  - 13% decrease in proppant costs
- Reduced profitability threshold from $70/Bbl to $45/Bbl

Other Tight Gas Programs



Key Programs

- Cotton Valley Horizontal
- Cotton Valley Vertical
- Bustamante area
- Kelsey area
- Frio trend
- Wilcox trend

Metrics ($5.00/MMBtu, $50/Bbl)

- IRR: 20%–40%
- PVR: 1.15–1.30
- F&D costs (Mcfe): $1.75–$2.75

2010 Plan

- Gross wells spud: 62
- E&D Capital: $240 MM

Note: See Appendix for program details

Brazil Overview

Potiguar Basin

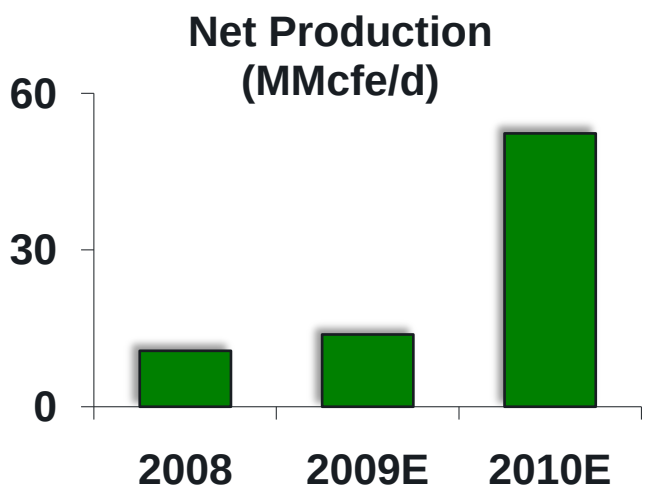
- Pescada Field producing

Camamu Basin

- Pinauna development project

Espirito Santo Basin

- Camarupim development
- ES 5 Block exploration

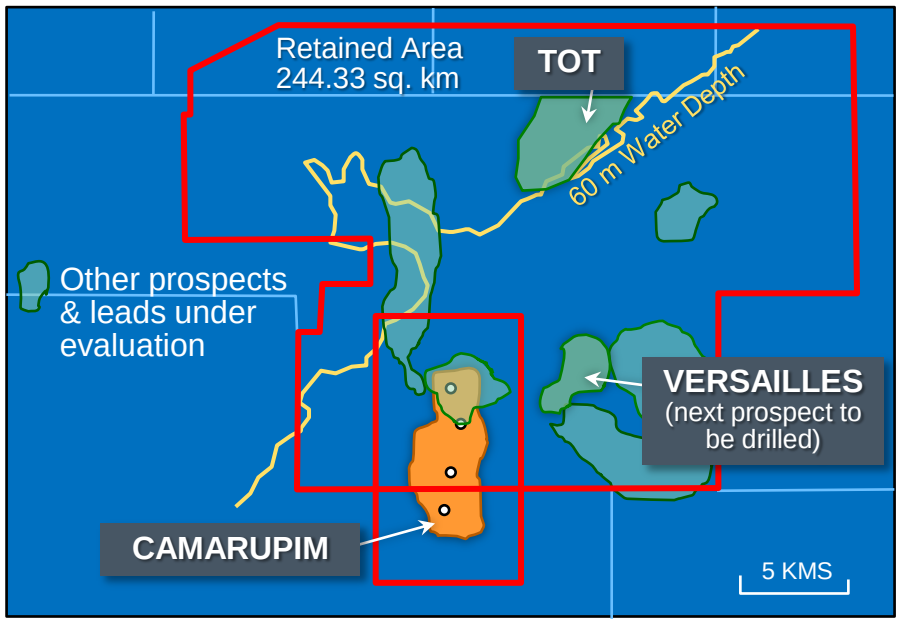


- 8 fields and 4 exploration blocks
  - ~163,000 net acres
- ~135 MM BOE risked resource potential

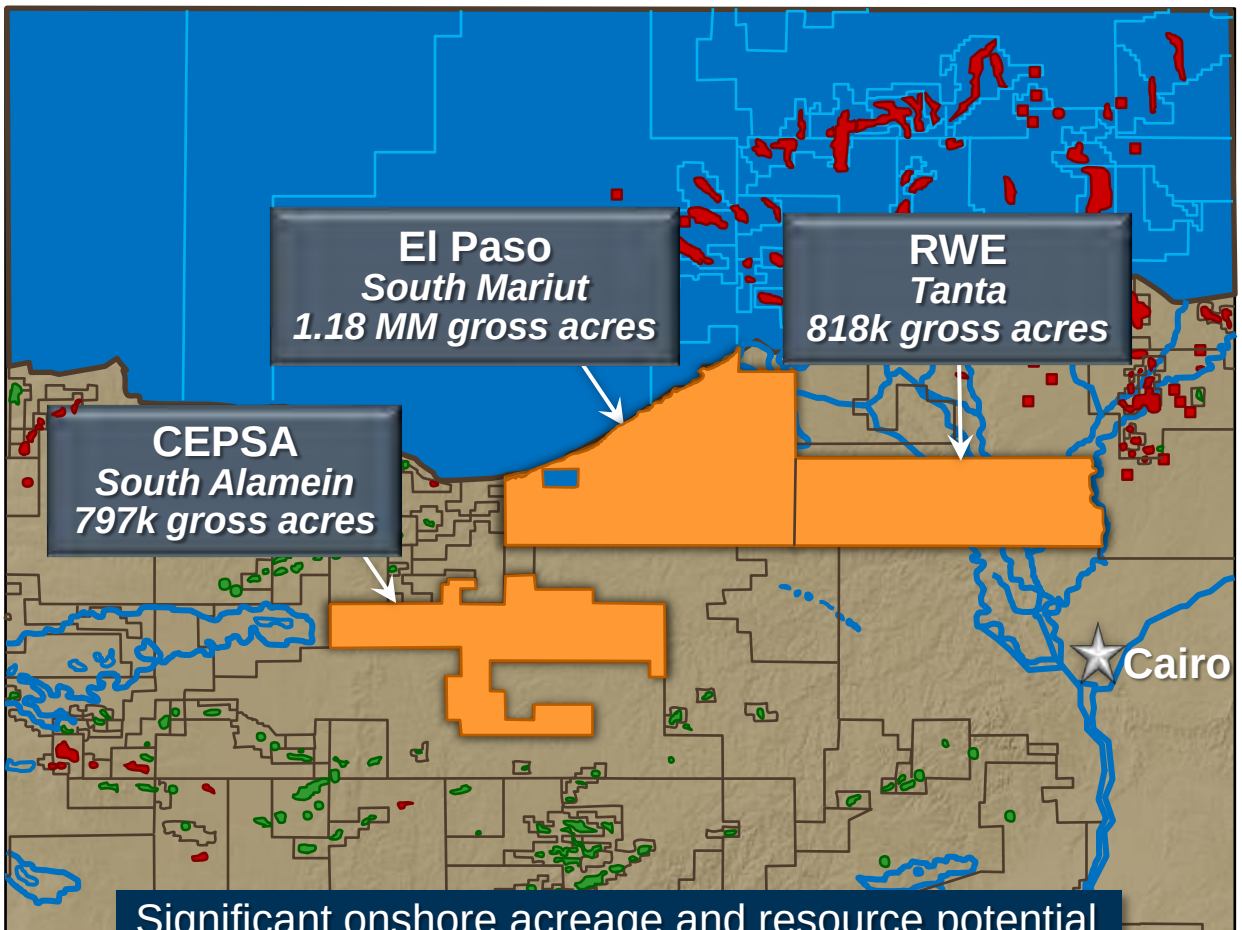
Note: Oil based on 6:1 equivalent pricing

Camarupim Project & BM-ES-5 Upside

- Project background
  - Deepwater gas and condensate field
  - Petrobras operated, El Paso WI = 24%
  - $146 MM capex, net to El Paso
  - Gas price indexed to basket of fuel oils
- Project update
  - 1st well on line Oct. 5 above expectations—>90 MMcfe/d (gross)
  - 3 additional wells to be tied to FPSO
- Value upside
  - Versailles exploration well to spud 1Q 2010
    - Tie back potential to Camarupim facilities
    - P(g) 65%
    - Gross risked resource size 35 MMBOE
  - TOT discovery in northern part of block under evaluation
  - Additional leads and prospects identified



Emerging Egypt Position



Significant onshore acreage and resource potential

- 2.8 MM gross, 1.5 MM net acres
- 1,481 Bcfe net unrisked resources
- 338 Bcfe net risked resources

2007

- South Mariut granted to El Paso (100% WI)

2008

- Swap 40% WI South Mariut to RWE for 40% WI Tanta
- Acquired 3D seismic data over portions of South Mariut and Tanta

2009

- Farmed into South Alamein (50%) with CEPSA
- Drilled 3 wells at South Alamein; 4th well currently drilling
  - 2 successful; 1 dry
- Drilled two dry holes on South Mariut
- 2D seismic data acquired in Tanta

South Alamein

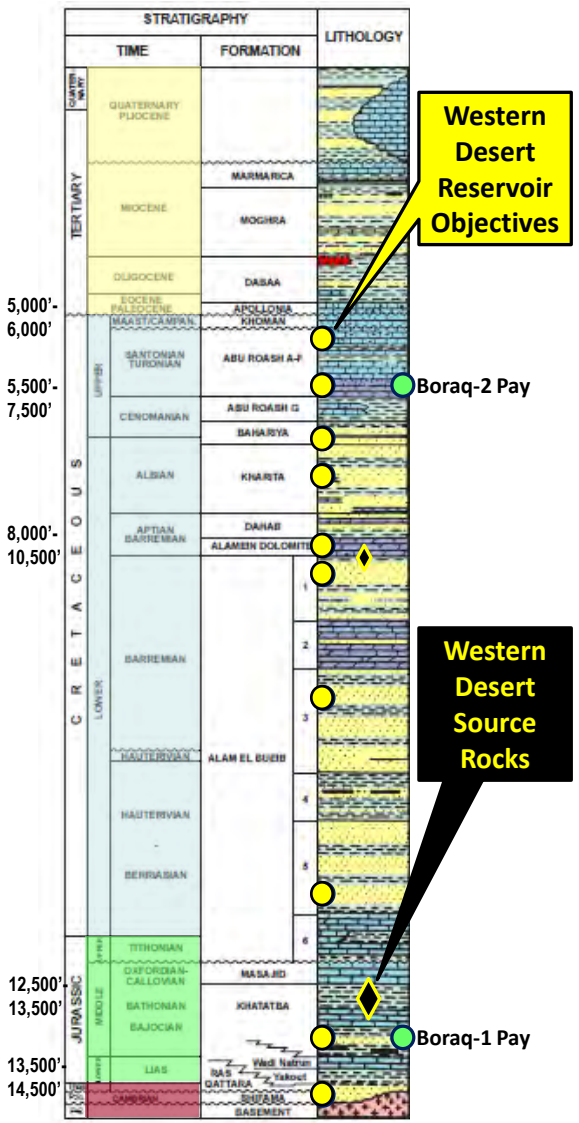
- Three wells drilled in South Alamein; currently drilling 4th well
  - First well proved oil
  - Second well tested > 1,700 BOPD
  - Third well unsuccessful

Typical Prospect

Objective:	Western Desert pays
Depth:	7,200'–15,000'
Expl. Well costs:	$5 MM–$11 MM
Gross resource:	25 MMBOE
P(g):	30%

Metrics* ($5.00/MMBtu, $50/Bbl)

IRR:	23%
PVR:	1.30
F&D costs	$16/BOE



*Reflected anticipated fully loaded program economics

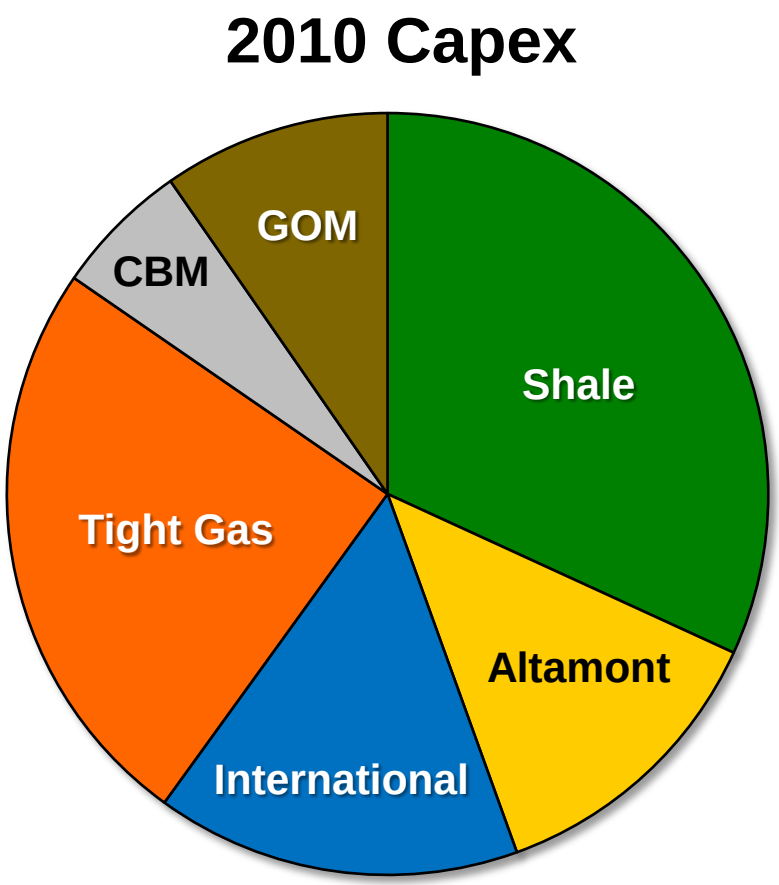
2010 Guidance Ranges

Metrics	Target
Production[1] (MMcfe/d)	720–760
Proved reserve growth[2]	5%–10%
Adj. EBITDA ($Billions)[3]	$0.9–$1.0
Cash costs[4] ($/Mcfe)	$1.90–$2.20
DD&A ($/Mcfe)	$1.65–$1.85

[1]Production includes our proportionate share of FSOG volumes
[2]Assumes no price-related revisions
[3]Adjustments exclude MTM changes on derivatives and include cash proceeds on settlements of E&P hedges based on guidance assumption prices
[4]Includes direct lifting costs, production taxes, administrative expenses and taxes other than income
Note: See appendix for definitions of all Non-GAAP measures

$1.1 Billion 2010 Capital Program

- Capital focused on highest return, largest inventory areas
  - Key shale programs
    - Haynesville
    - Eagle Ford
  - Key oil program
    - Altamont
  - Key coal-bed methane program
    - Black Warrior Basin
- International exploration
  - Key international programs
    - ES-5 Block Exploration, Brazil
    - South Alamein Block, Egypt



E&P Summary

- Consistent strategy driving capital allocation and portfolio improvement
- Business approach and organizational alignments driving improved performance
- Growing inventory of capital projects will drive future growth

High-performing, fully executing E&P company