

PROPOSED CHARGING LETTER

CERTIFIED MAIL -- RETURN RECEIPT REQUESTED

Dresser, Inc.  
15455 Dallas Parkway, Suite 1100  
Addison, Texas 75001

*Attn: Patrick M. Murray*  
*Chairman & CEO*

Dear Mr. Murray:

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has reason to believe that Dresser, Inc. of Addison, Texas (“Dresser”) committed 33 violations of the Export Administration Regulations (the “Regulations”),<sup>1</sup> which are issued under the authority of the Export Administration Act of 1979, as amended (the “Act”).<sup>2</sup> Specifically, BIS charges that Dresser committed the following violations:

**Charge 1                      15 C.F.R. § 764.2(a) – Export to Libya without the Required U.S. Government Authorization**

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on one occasion, on or about January 4, 2001, Dresser, through its Avon, Massachusetts facility, engaged in conduct prohibited by the Regulations by exporting various oil industry-related items, which were subject to the Regulations<sup>3</sup> and to the Libyan Sanctions

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<sup>1</sup> The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2006). The charged violations occurred during 2001, 2002, 2003, and 2004. The Regulations governing the violations at issue are found in the 2001 through 2004 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2001-2004)). The 2006 Regulations establish the procedures that apply to this matter.

<sup>2</sup> 50 U.S.C. app. §§ 2401-2420 (2000). Since August 21, 2001, the Act has been in lapse, and the President, through Executive Order 13,222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 2, 2005 (70 Fed. Reg. 45,273, Aug. 5, 2005), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)). The Act and the Regulations are available on the Government Printing Office website at: <http://www.access.gpo.gov/bis/>.

<sup>3</sup> These items were classified as EAR99, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2001).

Regulations,<sup>4</sup> through Canada to Libya without the required U.S. Government authorization. Section 734.2(b)(6) of the Regulations provides that the export of items subject to the Regulations that transit or are transshipped through a country to a third country are deemed to be an export to the third country. Pursuant to Section 746.4 of the Regulations, authorization was required from OFAC before the items could be exported to Libya. Dresser was in possession of documentation stating that the items were destined for Libya, and no OFAC authorization was obtained. In engaging in this activity, Dresser committed one violation of Section 764.2(a) of the Regulations.

**Charges 2-11            15 C.F.R. § 764.2(a) – Export to Libya without the Required U.S. Government Authorization**

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on ten occasions, between on or about February 14, 2001 and on or about February 9, 2004, Dresser, through its Hammond and Alexandria, Louisiana facilities, engaged in conduct prohibited by the Regulations by exporting various oil industry-related items, which were subject to the Regulations<sup>5</sup> and to the Libyan Sanctions Regulations, through the United Kingdom to Libya without the required U.S. Government authorization. Section 734.2(b)(6) of the Regulations provides that the export of items subject to the Regulations that transit a country to a third country are deemed to be an export to the third country. Pursuant to Section 746.4 of the Regulations, authorization was required from OFAC before the items could be exported to Libya. Dresser knew or had reason to know that the items were intended for Libya, and no OFAC authorization was obtained. In engaging in this activity, Dresser committed ten violations of Section 764.2(a) of the Regulations.

**Charges 12-27            15 C.F.R. § 764.2(a) -- Export to Iran without the Required U.S. Government Authorization**

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on 16 occasions, between on or about September 18, 2001 and on or about July 7, 2004, Dresser, through its Alexandria, Louisiana facility, engaged in conduct prohibited by the Regulations by exporting various oil industry-related items, which were subject to the Regulations<sup>6</sup> and to the Iranian Transactions Regulations,<sup>7</sup> through the United Kingdom to Iran without the required U.S. Government authorization. These items were exported from the United States in response to special orders placed on Dresser by a United Kingdom company.

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<sup>4</sup> 31 C.F.R. Part 550 (2001).

<sup>5</sup> These items were classified as EAR99 and under Export Control Classification Number (“ECCN”) 2B999.

<sup>6</sup> These items were classified as EAR99 and under ECCN 2B999.

<sup>7</sup> 31 C.F.R. Part 560 (2001-2004).

Pursuant to Section 560.204 of the Iranian Transaction Regulations, an export to a third country intended for transshipment or reexport to Iran is a transaction subject to the Iranian Transactions Regulations that requires OFAC authorization. Pursuant to Section 746.7 of the Regulations, no person may export or reexport items subject to both the Regulations and the Iranian Transactions Regulations without authorization from OFAC. Dresser knew or had reason to know that the items were destined for Iran, and no OFAC authorization was obtained for the exports. In engaging in this activity, Dresser committed 16 violations of Section 764.2(a) of the Regulations.

**Charges 28-29            15 C.F.R. § 764.2(a) – Export to Libya without the Required U.S. Government Authorization**

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on two occasions, on or about October 10, 2001 and on or about June 6, 2003, Dresser, through its Alexandria, Louisiana facility, engaged in conduct prohibited by the Regulations by exporting various oil industry-related items, which were subject to the Regulations<sup>8</sup> and to the Libyan Sanctions Regulations, through Germany to Libya without the required U.S. Government authorization. Section 734.2(b)(6) of the Regulations provides that the export of items subject to the Regulations that transit a country to a third country are deemed to be an export to the third country. Pursuant to Section 746.4 of the Regulations, authorization was required from OFAC before the items could be exported or transshipped to Libya. Dresser knew or had reason to know that the items were destined for Libya, and no OFAC authorization was obtained. In engaging in this activity, Dresser committed two violations of Section 764.2(a) of the Regulations.

**Charges 30-33            15 C.F.R. § 764.2(a) – Export to Libya without the Required U.S. Government Authorization**

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on four occasions, between on or about July 12, 2000 and on or about March 28, 2002, Dresser, through its Stafford, Texas and Hammond, Louisiana facilities, engaged in conduct prohibited by the Regulations by exporting various oil industry-related items, which were subject to the Regulations<sup>9</sup> and to the Libyan Sanctions Regulations, through Italy to Libya without the required U.S. Government authorization. Section 734.2(b)(6) of the Regulations provides that the export of items subject to the Regulations that transit a country to a third country are deemed to be an export to the third country. Pursuant to Section 746.4 of the Regulations, authorization was required from OFAC before the items could be exported or transshipped to Libya. Dresser knew or had reason to know that the items were intended for Libya, and no OFAC authorization was obtained. In engaging in this activity, Dresser committed four violations of Section 764.2(a) of the Regulations.

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<sup>8</sup> These items were classified as EAR99.

<sup>9</sup> These items were classified as EAR99.

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Accordingly, Dresser is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

- The maximum civil penalty allowed by law of \$11,000 per violation;<sup>10</sup>
- Denial of export privileges; and/or
- Exclusion from practice before BIS.

If Dresser fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. *See* 15 C.F.R. §§ 766.6 and 766.7. If Dresser defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Dresser. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty on each of the charges in this letter.

Dresser is further notified that it is entitled to an agency hearing on the record if it files a written demand for one with its answer. *See* 15 C.F.R. § 766.6. Dresser is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. *See* 15 C.F.R. §§ 766.3(a) and 766.4.

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18. Should Dresser have a proposal to settle this case, Dresser or its representative should transmit it to the attorney representing BIS named below.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, Dresser's answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

U.S. Coast Guard ALJ Docketing Center  
40 S. Gay Street  
Baltimore, Maryland 21202-4022

In addition, a copy of Dresser's answer must be served on BIS at the following address:

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<sup>10</sup> *See* 15 C.F.R. § 6.4(a)(4) (2001-2004).

Dresser, Inc.  
Proposed Charging Letter  
Page 5 of 5

Office of Chief Counsel for Industry and Security  
Attention: Thea D. R. Kendler, Esq.  
Room H-3839  
United States Department of Commerce  
14th Street and Constitution Avenue, N.W.  
Washington, D.C. 20230

Thea D. R. Kendler is the attorney representing BIS in this case; any communications that Dresser may wish to have concerning this matter should occur through her. Ms. Kendler may be contacted by telephone at 202-482-5301.

Sincerely,

Michael D. Turner  
Director  
Office of Export Enforcement

Charge No.	Dresser, Inc. Facility	Items Shipped	Commodity Classification	Destination	Purchase Order Date	Purchase Order No.	Value of Specially Ordered U.S. Content
1	Avon, MA	4" Marimax Valves and Component Parts	EAR99	Libya	4-Jan-01	135791A	\$22,920.23
2	Hammond, LA	TK Valve Parts; Steel Thrust Washers; Steel Thrust Discs; O-Rings	EAR99	Libya	14-Feb-01	010404	\$600.00
3	Alexandria, LA	Disc Holders	EAR99	Libya	22-Jan-03 (invoice date)	100347	\$575.48
4	Alexandria, LA	Safety Relief Valves and Parts	EAR99	Libya	27-Jan-03	101146	\$815.28
5	Alexandria, LA	Valve; Set Screw; Gasket Kit; Gasket; Adjustable Ring Pin Assembly	2B999	Libya	13-Feb-03	101287	\$326.82
6	Alexandria, LA	Valves	2B999	Libya	4-Apr-03	101187	\$2,107.00
7	Alexandria, LA	Safety Relief Vales	2B999	Libya	24-Apr-03 25-Apr-03 16-May-03 (invoice dates)	100960	\$5,417.00

8	Alexandria, LA	Lever; Cotter Pin; Lock Washer; Screw; Lever Pin; Service Plug; Release Nut; Thrust Bear Assembly; Machine Screw	2B999 & EAR99	Libya	19-May-03	101610	\$13,925.77
9	Alexandria, LA	Tag Plate; Disc Collar; Disc Holders; Disc Guide; Nut; Cotter Pin; Compression Screw; Spindle; Top Spring Wash Assembly; Lift Stop; Other Valve Parts	EAR99	Libya	22-May-03	101682	\$24,214.34
10	Alexandria, LA	Stud; Gaskets; Adjusting Ring; Guide; Spring Washer; Spindle Assembly; Locknut; Adjusting Screw	2B999 & EAR99	Libya	11-Aug-03	102366	\$142.89
11	Alexandria, LA	Safety Valves	EAR99	Libya	9-Feb-04 (invoice date)	102449	\$8,141.00
12	Alexandria, LA	Safety Relief Valves; Safety Relief Valve Replacement Parts	EAR99	Iran	2-Aug-01 18-Sep-01	66065	\$12,954.80

13	Alexandria, LA	Safety Relief Valve Part and Nozzle	2B999 & EAR99	Iran	18-Oct-01	66721	\$1,023.60
14	Alexandria, LA	Maxiflow Safety Valve; Safety Relief Valve	2B999 & EAR99	Iran	22-Jun-02	69063	\$19,449.00
15	Alexandria, LA	Safety Relief Valve Parts	EAR99	Iran	04-Aug-02	69223	\$7,439.90
16	Alexandria, LA	Adjusting Ring; Spindle Assembly; Spring; Spring Washer; Guide; Disc Holder; Adjusting Screw; Locknut; Nozzle; O-Ring; SRV Spring; Adjusting Ring Pin Assembly; Disc; Gasket; Retainer Ring	EAR99	Iran	04-Sep-02	101175	\$135.90
17	Alexandria, LA	Valves	2B999 & EAR99	Iran	23-Sep-02	100654	\$1,263.70
18	Alexandria, LA	Safety Relief Valves; Bronze Valves	EAR99	Iran	26-Feb-03	101009	\$15,000.00
19	Alexandria, LA	Safety Relief Valves	2B999	Iran	07-Apr-03	101247	\$14,441.00

20	Alexandria, LA	Service Plug; Compression Screw Locknut; Lever Pin; Cotter Pin; Lift Stop; Disc Collar; Guide; Cover Plate Assembly; Top Spring Assembly; Spring Cover; Weather Shield; Valve Replacement	EAR99	Iran	23-Sep-03 (invoice date)	100448	\$23,317.00
21	Alexandria, LA	Safety Relief Valve	EAR99	Iran	27-Sep-03	102719	\$96.00
22	Alexandria, LA	Safety Valves	EAR99	Iran	22-Dec-03 (invoice date)	101706	\$48,290.30
23	Alexandria, LA	Ring; Pin Assemblies; Discs and Disc Holder; Screws; Spindle Assemblies	EAR99	Iran	02-Jan-04	103470	\$1,392.43
24	Alexandria, LA	Bellows Assembly; Gasket Kit; Disc Holder; Guide	EAR99	Iran	17-Jan-04	104146	\$143.92

25	Alexandria, LA	Disc; Adjustable Ring Pin Assembly; Bellows Assembly; Adjusting Ring; Spindle Assembly; Spring; Spring Washer; Guide; Disc Holder; Adjusting Screw; Locknut; Nozzle; O-Ring Retainer; Gasket; Top Spring Washer Assembly	EAR99	Iran	12-Feb-04	104257	\$122.80
26	Alexandria, LA	Safety Relief Valves	2B999	Iran	11-Mar-04	104568	\$1,616.80
27	Alexandria, LA	Pressure Relief Valves; Safety Valve Replacement Parts	EAR99	Iran	7-Jul-04 (invoice date)	103542	\$563.00
28	Alexandria, LA	Safety Relief Valve	EAR99	Libya	10-Oct-01	76723	\$621.84
29	Alexandria, LA	Multiple Safety Relief Valve Spare Parts	EAR99	Libya	06-Jun-03	3171534	\$3,675.00

30	Stafford, TX	'TK' Ball Valve 24"; Rotork Act; Rotork Diagram; Circuit Diagram; Dimensional Drawing; Typical Construction; Rotork IOM; Rotork Specification and Test Data Sheet; Rotork Execo Gear Details and Dimensions; Wiring Diagram; Rotork Dimensional Drawing; Rotork Adaptation Dimensional Drawing; Gove IOM; Ball Valve Installation & Maintenance Manual	EAR99	Libya	14-Jun-00 6-Jul-00 12-Jul-00	00-257	\$33,314.00 \$23,814.00 \$ 36,146.00
31	Hammond, LA	TK Ball Valve 4x4"; Drawings; Two & Three Piece End Entry Valve Valve Ball; Set Seat Springs; Ball in St. Steel; Drawings	EAR99	Libya	26-Sep-00	00-558	\$3,040.00
32	Hammond, LA	Rotork Actuator model; Circuit Diagram	EAR99	Libya	22-Mar-01	01-016	\$7,018.00
33	Hammond, LA		EAR99	Libya	28-Mar-02	01-455	\$20,432.00

UNITED STATES DEPARTMENT OF COMMERCE  
BUREAU OF INDUSTRY AND SECURITY  
WASHINGTON, D.C. 20230

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In the Matter of: )  
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Dresser, Inc. )  
15455 Dallas Parkway, Suite 1100 )  
Addison, Texas 75001 )  
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Respondent )  
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SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Dresser, Inc. (“Dresser”), and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively, the “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (the “Regulations”),<sup>1</sup> issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (the “Act”),<sup>2</sup>

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<sup>1</sup> The charged violations occurred during 2001, 2002, 2003 and 2004. The Regulations governing the violations at issue are found in the 2000-2004 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2001-2004)). The 2006 Regulations establish the procedures that apply to this matter.

<sup>2</sup> From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized and it remained in effect through August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended by the Notice of August 2, 2005 (70 Fed. Reg. 45,273 (Aug. 5, 2005)), has continued the Regulations in effect under IEEPA.

WHEREAS, Dresser filed a voluntary self-disclosure with BIS's Office of Export Enforcement in accordance with Section 764.5 of the Regulations concerning the transactions at issue herein;

WHEREAS, BIS has notified Dresser of its intention to initiate an administrative proceeding against Dresser, pursuant to the Act and the Regulations;

WHEREAS, BIS has issued a proposed charging letter to Dresser that alleged that Dresser committed 33 violations of the Regulations, specifically:

1. *One Violation of 15 C.F.R. § 764.2(a) – Export to Libya without the Required U.S. Government Authorization:* On one occasion, on or about January 4, 2001, Dresser, through its Avon, Massachusetts facility, engaged in conduct prohibited by the Regulations by exporting various oil industry-related items, which were subject to the Regulations<sup>3</sup> and to the Libyan Sanctions Regulations,<sup>4</sup> through Canada to Libya without the required U.S. Government authorization. Section 734.2(b)(6) of the Regulations provides that the export of items subject to the Regulations that transit or are transshipped through a country to a third country are deemed to be an export to the third country. Pursuant to Section 746.4 of the Regulations, authorization was required from OFAC before the items could be exported to Libya. Dresser was in possession of documentation stating that the items were destined for Libya, and no OFAC authorization was obtained.

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<sup>3</sup> These items were classified as EAR99, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2001).

<sup>4</sup> 31 C.F.R. Part 550 (2001).

2. *10 Violations of C.F.R. § 764.2(a) – Export to Libya without the Required U.S. Government Authorization:* On ten occasions, between on or about February 14, 2001 and on or about February 9, 2004, Dresser, through its Hammond and Alexandria, Louisiana facilities, engaged in conduct prohibited by the Regulations by exporting various oil industry-related items, which were subject to the Regulations<sup>5</sup> and to the Libyan Sanctions Regulations, through the United Kingdom to Libya without the required U.S. Government authorization. Section 734.2(b)(6) of the Regulations provides that the export of items subject to the Regulations that transit a country to a third country are deemed to be an export to the third country. Pursuant to Section 746.4 of the Regulations, authorization was required from OFAC before the items could be exported to Libya. Dresser knew or had reason to know that the items were intended for Libya, and no OFAC authorization was obtained.
  
3. *16 Violations of 15 C.F.R. § 764.2(a) -- Export to Iran without the Required U.S. Government Authorization:* On 16 occasions, between on or about September 18, 2001 and on or about July 7, 2004, Dresser, through its Alexandria, Louisiana facility, engaged in conduct prohibited by the Regulations by exporting various oil industry-related items, which were subject to the Regulations<sup>6</sup> and to the Iranian Transactions

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<sup>5</sup> These items were classified as EAR99 and under Export Control Classification Number (“ECCN”) 2B999.

<sup>6</sup> These items were classified as EAR99 and under ECCN 2B999.

Regulations,<sup>7</sup> through the United Kingdom to Iran without the required U.S. Government authorization. These items were exported from the United States in response to special orders placed on Dresser by a United Kingdom company. Pursuant to Section 560.204 of the Iranian Transaction Regulations, an export to a third country intended for transshipment or reexport to Iran is a transaction subject to the Iranian Transactions Regulations that requires OFAC authorization. Pursuant to Section 746.7 of the Regulations, no person may export or reexport items subject to both the Regulations and the Iranian Transactions Regulations without authorization from OFAC. Dresser knew or had reason to know that the items were destined for Iran, and no OFAC authorization was obtained for the exports.

4. *Two Violations of 15 C.F.R. § 764.2(a) – Export to Libya without the Required U.S. Government Authorization:* On two occasions, on or about October 10, 2001 and on or about June 6, 2003, Dresser, through its Alexandria, Louisiana facility, engaged in conduct prohibited by the Regulations by exporting various oil industry-related items, which were subject to the Regulations<sup>8</sup> and to the Libyan Sanctions Regulations, through Germany to Libya without the required U.S. Government authorization. Section 734.2(b)(6) of the Regulations provides that the export of items subject to the Regulations that transit a country to a third

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<sup>7</sup> 31 C.F.R. Part 560 (2001-2004).

<sup>8</sup> These items were classified as EAR99.

country are deemed to be an export to the third country. Pursuant to Section 746.4 of the Regulations, authorization was required from OFAC before the items could be exported or transshipped to Libya. Dresser knew or had reason to know that the items were destined for Libya, and no OFAC authorization was obtained.

5. *Four Violations of 15 C.F.R. § 764.2(a) – Export to Libya without the Required U.S. Government Authorization:* On four occasions, between on or about July 12, 2000 and on or about March 28, 2002, Dresser, through its Stafford, Texas and Hammond, Louisiana facilities, engaged in conduct prohibited by the Regulations by exporting various oil industry-related items, which were subject to the Regulations<sup>9</sup> and to the Libyan Sanctions Regulations, through Italy to Libya without the required U.S. Government authorization. Section 734.2(b)(6) of the Regulations provides that the export of items subject to the Regulations that transit a country to a third country are deemed to be an export to the third country. Pursuant to Section 746.4 of the Regulations, authorization was required from OFAC before the items could be exported or transshipped to Libya. Dresser knew or had reason to know that the items were intended for Libya, and no OFAC authorization was obtained.

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<sup>9</sup> These items were classified as EAR99.

WHEREAS, Dresser has reviewed the proposed charging letter and is aware of the allegations made against it and the administrative sanctions which could be imposed against it if the allegations are found to be true;

WHEREAS, Dresser fully understands the terms of this Agreement and the Order (“Order”) that the Assistant Secretary of Commerce for Export Enforcement will issue if he approves this Agreement as the final resolution of this matter;

WHEREAS, Dresser enters into this Agreement voluntarily and with full knowledge of its rights;

WHEREAS, Dresser states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, Dresser neither admits nor denies the allegations contained in the proposed charging letter;

WHEREAS, Dresser wishes to settle and dispose of all matters alleged in the proposed charging letter by entering into this Agreement; and

WHEREAS, Dresser agrees to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over Dresser, under the Regulations, in connection with the matters alleged in the proposed charging letter.
2. The following sanction shall be imposed against Dresser in complete settlement of the alleged violations of the Regulations relating to the transactions specifically detailed in the proposed charging letter and voluntary self-disclosure:

a. Dresser shall be assessed a civil penalty in the amount of \$110,000, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the Order.

b. The timely payment of the civil penalty agreed to in paragraph 2.a is hereby made a condition to the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to Dresser. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Dresser's export privileges under the Regulations for a period of one year from the date of imposition of the penalty.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, Dresser hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the Order, if entered), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in any charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if entered; (c) request any relief from the Order, if entered, including without limitation relief from the terms of a denial order under 15 C.F.R. § 764.3(a)(2); and (d) seek judicial review or otherwise contest the validity of this Agreement or the Order, if entered.

4. Upon entry of the Order and timely payment of the \$110,000 civil penalty, BIS will not initiate any further administrative proceeding against Dresser in connection with any violation of the Act or the Regulations arising out of the transactions identified in the proposed charging letter and the voluntary self-disclosure.

5. BIS will make the proposed charging letter, this Agreement, and the Order, if entered, available to the public.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

8. This Agreement shall become binding on the Parties only if the Assistant Secretary of Commerce for Export Enforcement approves it by entering the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

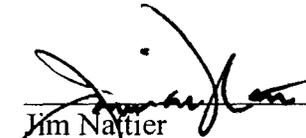
9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

BUREAU OF INDUSTRY AND SECURITY  
U.S. DEPARTMENT OF COMMERCE

  
\_\_\_\_\_  
Michael D. Turner  
Director  
Office of Export Enforcement

Date: 5/18/06

DRESSER, INC.

  
\_\_\_\_\_  
Jim Nattier  
Executive Vice President of Ethics and  
Compliance



Date: 16 May 2006

UNITED STATES DEPARTMENT OF COMMERCE  
BUREAU OF INDUSTRY AND SECURITY  
WASHINGTON, D.C. 20230

\_\_\_\_\_  
In the Matter of: )  
 )  
Dresser, Inc. )  
15455 Dallas Parkway, Suite 1100 )  
Addison, Texas 75001 )  
 )  
Respondent )  
\_\_\_\_\_

ORDER RELATING TO DRESSER INC.

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has notified Dresser, Inc (“Dresser”), of its intention to initiate an administrative proceeding against Dresser pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (the “Regulations”),<sup>1</sup> and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (the “Act”),<sup>2</sup> through the issuance of a proposed charging letter to Dresser that alleged that Dresser committed 33 violations of the Regulations. Specifically, the charges are:

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<sup>1</sup> The charged violations occurred during 2001, 2002, 2003 and 2004. The Regulations governing the violations at issue are found in the 2001-2004 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000-2004)). The 2006 Regulations establish the procedures that apply to this matter.

<sup>2</sup> From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized and it remained in effect through August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended by the Notice of August 2, 2005 (70 Fed. Reg. 45,273 (Aug. 5, 2005)), has continued the Regulations in effect under IEEPA.

1. *One Violation of 15 C.F.R. § 764.2(a) – Export to Libya without the Required U.S. Government Authorization:* On one occasion, on or about January 4, 2001, Dresser, through its Avon, Massachusetts facility, engaged in conduct prohibited by the Regulations by exporting various oil industry-related items, which were subject to the Regulations<sup>3</sup> and to the Libyan Sanctions Regulations,<sup>4</sup> through Canada to Libya without the required U.S. Government authorization. Section 734.2(b)(6) of the Regulations provides that the export of items subject to the Regulations that transit or are transshipped through a country to a third country are deemed to be an export to the third country. Pursuant to Section 746.4 of the Regulations, authorization was required from OFAC before the items could be exported to Libya. Dresser was in possession of documentation stating that the items were destined for Libya, and no OFAC authorization was obtained.
  
2. *10 Violations of C.F.R. § 764.2(a) – Export to Libya without the Required U.S. Government Authorization:* On ten occasions, between on or about February 14, 2001 and on or about February 9, 2004, Dresser, through its Hammond and Alexandria, Louisiana facilities, engaged in conduct prohibited by the Regulations by exporting various oil industry-related

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<sup>3</sup> These items were classified as EAR99, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2001).

<sup>4</sup> 31 C.F.R. Part 550 (2001).

items, which were subject to the Regulations<sup>5</sup> and to the Libyan Sanctions Regulations, through the United Kingdom to Libya without the required U.S. Government authorization. Section 734.2(b)(6) of the Regulations provides that the export of items subject to the Regulations that transit a country to a third country are deemed to be an export to the third country. Pursuant to Section 746.4 of the Regulations, authorization was required from OFAC before the items could be exported to Libya. Dresser knew or had reason to know that the items were intended for Libya, and no OFAC authorization was obtained.

3. *16 Violations of 15 C.F.R. § 764.2(a) -- Export to Iran without the Required U.S. Government Authorization:* On 16 occasions, between on or about September 18, 2001 and on or about July 7, 2004, Dresser, through its Alexandria, Louisiana facility, engaged in conduct prohibited by the Regulations by exporting various oil industry-related items, which were subject to the Regulations<sup>6</sup> and to the Iranian Transactions Regulations,<sup>7</sup> through the United Kingdom to Iran without the required U.S. Government authorization. These items were exported from the United States in response to special orders placed on Dresser by a United Kingdom company. Pursuant to Section 560.204 of the Iranian Transaction Regulations, an export to a third country intended for

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<sup>5</sup> These items were classified as EAR99 and under Export Control Classification Number ("ECCN") 2B999.

<sup>6</sup> These items were classified as EAR99 and under ECCN 2B999.

<sup>7</sup> 31 C.F.R. Part 560 (2001-2004).

transshipment or reexport to Iran is a transaction subject to the Iranian Transactions Regulations that requires OFAC authorization. Pursuant to Section 746.7 of the Regulations, no person may export or reexport items subject to both the Regulations and the Iranian Transactions Regulations without authorization from OFAC. Dresser knew or had reason to know that the items were destined for Iran, and no OFAC authorization was obtained for the exports.

4. *Two Violations of 15 C.F.R. § 764.2(a) – Export to Libya without the Required U.S. Government Authorization:* On two occasions, on or about October 10, 2001 and on or about June 6, 2003, Dresser, through its Alexandria, Louisiana facility, engaged in conduct prohibited by the Regulations by exporting various oil industry-related items, which were subject to the Regulations<sup>8</sup> and to the Libyan Sanctions Regulations, through Germany to Libya without the required U.S. Government authorization. Section 734.2(b)(6) of the Regulations provides that the export of items subject to the Regulations that transit a country to a third country are deemed to be an export to the third country. Pursuant to Section 746.4 of the Regulations, authorization was required from OFAC before the items could be exported or transshipped to Libya. Dresser knew or had reason to know that the items were destined for Libya, and no OFAC authorization was obtained.

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<sup>8</sup> These items were classified as EAR99.

5. *Four Violations of 15 C.F.R. § 764.2(a) – Export to Libya without the Required U.S. Government Authorization:* On four occasions, between on or about July 12, 2000 and on or about March 28, 2002, Dresser, through its Stafford, Texas and Hammond, Louisiana facilities, engaged in conduct prohibited by the Regulations by exporting various oil industry-related items, which were subject to the Regulations<sup>9</sup> and to the Libyan Sanctions Regulations, through Italy to Libya without the required U.S. Government authorization. Section 734.2(b)(6) of the Regulations provides that the export of items subject to the Regulations that transit a country to a third country are deemed to be an export to the third country. Pursuant to Section 746.4 of the Regulations, authorization was required from OFAC before the items could be exported or transshipped to Libya. Dresser knew or had reason to know that the items were intended for Libya, and no OFAC authorization was obtained.

WHEREAS, BIS and Dresser have entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein, and

WHEREAS, I have approved of the terms of such Settlement Agreement;

IT IS THEREFORE ORDERED:

FIRST, that a civil penalty of \$110,000 is assessed against Dresser, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment shall be made in the manner specified in the attached instructions.

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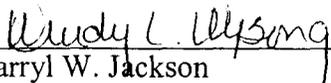
<sup>9</sup> These items were classified as EAR99.

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, Dresser will be assessed, in addition to the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, that the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to Dresser. Accordingly, if Dresser should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Dresser's export privileges under the Regulations for a period of one year from the date of entry of this Order.

FOURTH, that the proposed charging letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.

  
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Darryl W. Jackson  
Assistant Secretary of Commerce  
for Export Enforcement

Entered this 23d day of May, 2006.