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**UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION**

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In the Matter of)	
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NGC CORPORATION,)	Docket No. C-3697
a corporation.)	
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)	

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act ("FTC Act"), and by virtue of the authority vested in it by said Act, the Federal Trade Commission ("Commission"), having reason to believe that respondent NGC Corporation ("NGC"), a corporation subject to the jurisdiction of the Commission, has entered into an agreement to acquire certain assets of Chevron U.S.A. Inc. ("Chevron USA"), a wholly-owned subsidiary of Chevron Corporation ("Chevron"), a corporation subject to the jurisdiction of the Commission, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, and that a proceeding in respect thereof would be in the public interest, hereby issues its Complaint stating its charges as follows:

DEFINITIONS

PARAGRAPH ONE: For purposes of this Complaint:

"Natural gas liquids" means hydrocarbon compounds produced when natural gas (methane) is purified, with molecules containing two to five or more carbon atoms, whether commingled as raw mix from gas processing plants or fractionated into individual specification products. Natural gas liquids specification products are ultimately used in the manufacture of petrochemicals, in the refining of gasoline, and as bottled fuel, among others uses.

"Fractionation" means separating raw mix natural gas liquids into natural gas liquids specification products such as ethane or ethane-propane, propane, iso-butane, normal-butane, and natural gasoline via a series of distillation processes.

THE RESPONDENT

PARAGRAPH TWO: Respondent NGC is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business at 13430 Northwest Freeway, Suite 1200, Houston, Texas 77040.

PARAGRAPH THREE: Respondent NGC is, and at all times relevant herein has been, engaged in commerce, as "commerce" is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and is a corporation whose business is in or affects commerce, as "commerce" is defined in Section 4 of the FTC Act, as amended, 15 U.S.C. § 44.

THE ACQUISITION

PARAGRAPH FOUR: Chevron Corporation is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business at 575 Market Street, San Francisco, California 94104.

PARAGRAPH FIVE: Chevron U.S.A. Inc. is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business at 575 Market Street, San Francisco, California 94104.

PARAGRAPH SIX: Chevron and Chevron USA are, and at all times relevant herein have been, engaged in commerce, as "commerce" is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and are corporations whose businesses are in or affect commerce, as "commerce" is defined in Section 4 of the FTC Act, as amended, 15 U.S.C. § 44.

PARAGRAPH SEVEN: Respondent NGC entered into an agreement with Chevron USA, dated May 22, 1996, to acquire certain assets of Chevron USA in exchange for a 28% ownership interest in NGC along with \$300 million in cash and debt assumption. The assets to be acquired include natural gas and natural gas liquids processing facilities, transportation and terminaling assets, the fractionation facility at Mont Belvieu, Texas and associated underground storage, and gas marketing and sales contracts.

THE RELEVANT MARKET

PARAGRAPH EIGHT: The relevant line of commerce in which to analyze the effects of the acquisition described herein is the fractionation of natural gas liquids.

PARAGRAPH NINE: The relevant section of the country in which to analyze the effects of the acquisition is the vicinity of Mont Belvieu, Texas. Mont Belvieu offers extensive storage facilities, unmatched pipeline connections for raw mix and specification products, and numerous specification products buyers. As a result, Mont Belvieu is the U.S. hub for fractionation of raw mix natural gas liquids. And it is the nation's premier marketplace for sales of fractionated specification products. Producers of raw mix natural gas liquids throughout much of Texas, New Mexico, western Wyoming, and western Colorado have no good alternative to Mont Belvieu for their fractionation needs.

PARAGRAPH TEN: The relevant line of commerce is highly concentrated in the relevant section of the country whether measured by Herfindahl-Hirschmann Indices or two-firm and four-firm concentration ratios.

PARAGRAPH ELEVEN: NGC is an actual and potential competitor of Chevron in the relevant line of commerce in the relevant section of the country. NGC would, after the acquisition, have the largest market share in the relevant line of commerce throughout the relevant section of the country. NGC would, after the acquisition of Chevron's fractionator, control three of the four fractionators at Mont Belvieu. NGC's control would extend over approximately 70 percent of the current fractionating capacity at Mont Belvieu.

PARAGRAPH TWELVE: Entry into the relevant line of commerce is difficult and would not be timely, likely or sufficient to prevent anticompetitive effects in the relevant section of the country.

EFFECTS OF THE ACQUISITION

PARAGRAPH THIRTEEN: The effects of the acquisition, if consummated, may be substantially to lessen competition or to tend to create a monopoly in the relevant line of commerce in the relevant section of the country in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, in the following ways, among others:

- a. by eliminating actual and potential competition between NGC and Chevron to provide fractionation services to producers of natural gas liquids,
- b. by increasing the likelihood that NGC will unilaterally exercise market power, and
- c. by increasing the likelihood of, or facilitating, collusive or coordinated interaction,

each of which increases the likelihood that the prices of fractionation services will increase in the relevant section of the country.

VIOLATIONS CHARGED

PARAGRAPH FOURTEEN: The acquisition agreement described in Paragraph Seven violates Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

PARAGRAPH FIFTEEN: The proposed acquisition described in Paragraph Seven, would, if consummated, violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission, on this 12th day of December 1996, issues its Complaint against said respondent.

By the Commission.

Donald S. Clark
Secretary

SEAL:

ISSUED: December 12, 1996