UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

In the Matter of El PASO ENERGY CORPORATION, a corporation.	)))))))))))	Docket No.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and the Clayton Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission ("Commission"), having reason to believe that respondent El Paso Energy Corporation has entered into an agreement to acquire all of the outstanding securities of Sonat Inc., all subject to the jurisdiction of the Commission, in violation of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, that such acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission 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

1. For purposes of this complaint, the following definitions shall apply:

   a. “Respondent” or "El Paso" means El Paso Energy Corporation, its subsidiaries, divisions, groups, affiliate entities, and each of their directors, officers, employees, agents and representatives; and each partnership, joint venture, joint stock company or concession in which El Paso is a participant.

   b. "Sonat" means Sonat Inc., its subsidiaries, divisions, groups, affiliate entities, and each of their directors, officers, employees, agents and representatives; and each partnership, joint venture, joint stock company or concession in which Sonat Inc. is a participant.

   c. "The acquisition" means the transaction described, in whole or in part, in Paragraph 9 of this Complaint.

El Paso

2. Respondent El Paso is a corporation organized and doing business under the laws of the State of Delaware with its executive offices at 1001 Louisiana Street, Houston, Texas 77002.

3. Respondent El Paso operates through six business units: Tennessee Gas Pipeline Company, East Tennessee Natural Gas, El Paso Natural Gas Company, El Paso Field Services Company, El Paso Energy Marketing Company, and El Paso Energy International Company. The company owns the nation's only integrated coast-to-coast natural gas pipeline system and has operations in natural gas transmission, gas gathering and processing, energy marketing, power generation and international energy infrastructure development.

4. Respondent's 1998 revenues were over $5.5 billion and its total assets exceeded $10 billion.

5. At all times relevant herein, Respondent El Paso has been and is now 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 affecting commerce as "commerce" is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

Sonat

6. Sonat is a corporation organized and doing business under the laws of the State of Delaware with its headquarters at 1900 Fifth Avenue North, Birmingham, Alabama 35203.

7. Sonat Inc. is an integrated energy company engaged in exploration and production of oil and natural gas, interstate transmission of natural gas, and energy services. Sonat has assets of nearly $4.4 billion. Its 1998 revenue was $3.7 billion. Through its natural gas transmission segment, Sonat owns interests in more than 14,000 miles of natural gas pipelines. Southern Natural Gas Company is the major pipeline in the Southeast, with customers in seven states, while Sonat's 50 percent-owned Florida Gas Transmission Company is the principal pipeline serving Florida.

8. At all times relevant herein, Sonat has been and is now 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 affecting commerce as "commerce" is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

The Acquisition

9. Pursuant to the Agreement and Plan of Merger dated March 13, 1999, by and between El Paso and Sonat, El Paso Energy Corporation intends to acquire 100% of the voting securities of Sonat.

Count One

10. One relevant line of commerce is the transportation of natural gas out of producing fields.

11. One relevant section of the country is the area of the Gulf of Mexico off the coast of the State of Louisiana that contains portions of the areas known as the West Cameron Area, West Cameron South Addition Area, East Cameron Area, East Cameron South Addition Area, Vermillion Area and Vermillion Area South Addition, and the Garden Banks Area.

12. Consumption of natural gas in the relevant section of the country is substantially below production, with the result that most production in each portion of the relevant section of the country is transported by pipelines to consuming areas along the Gulf Coast and elsewhere in the United States. Pipeline capacity for transporting natural gas out of this section of the country is approximately 2900 million cubic feet per day.

13. The business of transporting natural gas by pipeline out of producing fields in the relevant section of the country is highly concentrated. The acquisition would substantially increase concentration in each portion of the relevant section of the country. In the relevant section of the country as a whole, the acquisition would increase the Herfindahl-Hirschman Index (commonly referred to as "HHI") by over 1000 points to over 4400.

14. Respondent El Paso holds a 34.5 percent effective ownership interest in, and is the general partner of, Leviathan Gas Pipeline Partners, L.P., a publicly held Delaware limited partnership. Leviathan Gas Pipeline Partners, L.P. is a 50 percent owner of Stingray Pipeline Company, which owns a large natural gas transmission system extending more than 120 miles into the Gulf of Mexico off the coast of Louisiana. It gathers gas from various areas in the Gulf of Mexico, including the West Cameron and East Cameron areas, and delivers the gas to shore.

15. Sonat owns and operates Sea Robin Pipeline Company, which starts from shore a few miles to the east of Stingray. Sea Robin Pipeline Company gathers gas from various areas in the Gulf of Mexico, including the West Cameron and East Cameron areas, and transports the gas to shore.

16. Respondent El Paso, through its general partnership in Leviathan Gas Pipeline Partners, L.P., and Sonat, through its ownership interests in the Sea Robin Pipeline Company, are direct and substantial competitors in the business of transporting natural gas out of producing fields in the relevant section of the country set out in Complaint Paragraph 11.

17. The effect of the acquisition may be substantially to lessen competition or tend to create a monopoly in the transportation of natural gas out of producing fields in the relevant section of the country set out in Complaint Paragraph 11, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in the following ways, among others:

    a. the acquisition will eliminate actual and potential competition between El Paso and Sonat;

b. the acquisition will eliminate actual and potential competition among competitors generally; and

c. the acquisition will increase concentration in the transportation of natural gas out of producing fields in the relevant section of the country set out in Complaint Paragraph 11, therefore increasing the likelihood of collusion.

18. Entry would not be timely, likely, or sufficient to prevent anticompetitive effects in the relevant section of the country.

Count Two

19. One relevant line of commerce is the transportation of natural gas out of producing fields.

20. One relevant section of the country is the area of the Gulf of Mexico off the coast of the State of Louisiana that contains portions of the areas known as the Main Pass including its additions and extensions, South Pass, South Pass East Addition, Viosca Knoll, and Mississippi Canyon.

21. Consumption of natural gas in the relevant section of the country is substantially below production, with the result that most production in each portion of the relevant section of the country is transported by pipelines to consuming areas along the Gulf Coast and elsewhere in the United States. Pipeline capacity for transporting natural gas out of this section of the country is approximately 3050 million cubic feet per day.

22. The business of transporting natural gas by pipeline out of producing fields in the relevant section of the country is highly concentrated. The acquisition would substantially increase concentration in each portion of the relevant section of the country. In the relevant section of the country as a whole, the acquisition would increase the HHI by over 1000 points to over 4300.

23. Respondent El Paso holds a 34.5 percent effective ownership interest in, and is the general partner of, Leviathan Gas Pipeline Partners, L.P., a publicly held Delaware limited partnership. Leviathan Gas Pipeline Partners, L.P. owns a 99 percent interest in Viosca Knoll Gathering Company, a Delaware Joint Venture ("VKGC"). VKGC operates a large natural gas gathering system extending more than 100 miles into the Gulf of Mexico off the coast of Louisiana. It transports gas primarily from wells in the Mississippi Canyon and Viosca Knoll areas.

24. Destin Pipeline Company, L.L.C. ("Destin") owns a large natural gas gathering system extending approximately 75 miles into the Gulf of Mexico off the coast of Louisiana. Sonat is the owner of a one-third membership interest in Destin and the operator of the pipeline owned by Destin. Destin transports gas primarily from wells in the Mississippi Canyon and Viosca Knoll areas.

25. Respondent El Paso, through its general partnership in Leviathan Gas Pipeline Partners, L.P., and Sonat, through its ownership interests in Destin, and in other ways, are direct and

substantial competitors in the business of transporting natural gas out of producing fields in the relevant section of the country set out in Complaint Paragraph 20.

26. The effect of the acquisition may be substantially to lessen competition or tend to create a monopoly in the transportation of natural gas out of producing fields in the relevant section of the country set out in Complaint Paragraph 20, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in the following ways among others:

    a. the acquisition will eliminate actual and potential competition between El Paso and Sonat;
    b. the acquisition will eliminate actual and potential competition among competitors generally; and

    c. the acquisition will increase concentration in the transportation of natural gas out of producing fields in the relevant section of the country set out in Complaint Paragraph 20, therefore increasing the likelihood of collusion.

27. Entry would not be timely, likely, or sufficient to prevent anticompetitive effects in the relevant section of the country.

Count Three

28. One relevant line of commerce is the transportation of natural gas into gas consuming areas.

29. One relevant section of the country is eastern Tennessee and northern Georgia and certain portions thereof.

30. Consumption of natural gas in the relevant section of the country is substantially higher than production, with the result that most natural gas consumed in each portion of the relevant section of the country is transported by pipelines from producing areas in the Gulf of Mexico and elsewhere in the United States. Customers in the relevant section of the country purchase contracts for the transportation and delivery of over 750 million cubic feet of natural gas per day.

31. The business of transporting natural gas by pipeline into the relevant section of the country is highly concentrated. The acquisition would substantially increase concentration in each portion of the relevant section of the country. In the least concentrated portion of the relevant section of the country, the acquisition would increase the HHI by over 1000 points to over 5700. In certain other portions, the acquisition would increase the HHI by over 4500 points to 10000.

32. Respondent's subsidiary Tennessee Gas Pipeline Company owns and operates a large natural gas transmission system extending from producing fields in the Gulf of Mexico, Texas, and Louisiana through several States in the southern United States, including Tennessee, and on into the northern United States. In the State of Tennessee, Tennessee

Gas Pipeline interconnects with, and delivers natural gas to, a pipeline owned and operated by East Tennessee Natural Gas, also an El Paso subsidiary.

33. East Tennessee Natural Gas transports natural gas received from Tennessee Gas Pipeline Company, and from other sources, to many local gas distribution utilities in eastern Tennessee and northern Georgia.

34. Sonat owns Southern Natural Gas Company, which owns and operates a large natural gas transmission system extending from producing fields in the Gulf of Mexico and Louisiana through several States in the southern United States, including Georgia and Tennessee.

35. Sonat, either directly, or via interconnection with East Tennessee Natural Gas, transports natural gas to many local gas distribution utilities in eastern Tennessee and northern Georgia.

36. El Paso offered reduced transportation rates to local gas distribution utilities located in eastern Tennessee in response to a threat by Sonat to by-pass East Tennessee Natural Gas by extending its own pipeline.

37. Respondent El Paso and Sonat are direct and substantial competitors in the business of transporting natural gas into the relevant section of the country set out in Complaint Paragraph 29.

38. The effect of the acquisition may be substantially to lessen competition or tend to create a monopoly in the transportation of natural gas into the relevant section of the country set out in Complaint Paragraph 29, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in the following ways among others:

    a. the acquisition will eliminate actual and potential competition between El Paso and Sonat;
    b. the acquisition will eliminate actual and potential competition among competitors generally; and

    c. the acquisition will increase concentration in the transportation of natural gas into the relevant section of the country set out in Complaint Paragraph 29, therefore increasing the likelihood of collusion.

39. Entry would not be timely, likely, or sufficient to prevent anticompetitive effects in the relevant section of the country.

Violation Charged

40. The proposed acquisition of the stock or assets of Sonat by El Paso, as set forth in Complaint Paragraph 9 herein, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this ____day of
____________, 19__, issues its complaint against said respondent.

By the Commission.

SEAL:

Donald S. Clark
Secretary