EL PASO NATURAL GAS CO
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PROSPECTUS

El Paso Natural Gas Company

$355,000,000

Offer to Exchange
Registered 5.95% Senior Notes Due 2017
for
All Outstanding 5.95% Senior Notes Due 2017

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON DECEMBER 7, 2007, UNLESS EXTENDED

The Notes

We are offering to exchange registered 5.95% Senior Notes Due 2017 for all of our outstanding 5.95% Senior Notes Due 2017. In this prospectus, we call the original notes the Old Notes and the registered notes the New Notes. The Old Notes and New Notes are collectively referred to in this prospectus as the notes.

TERMS OF THE EXCHANGE OFFER:

The terms of the New Notes will be substantially identical to those of the Old Notes, except that the New Notes will not be subject to the transfer restrictions or registration rights relating to the Old Notes. The New Notes will represent the same debt as the Old Notes, and will be issued under the same indenture as the Old Notes.

Subject to certain customary conditions, which we may waive, the exchange offer is not conditioned upon a minimum aggregate principal amount of Old Notes being tendered.

Interest on the New Notes will accrue from October 15, 2007, the date of the last payment of interest on the Old Notes, at the rate of 5.95% per annum, payable semi-annually in arrears on each April 15 and October 15, beginning April 15, 2008.

Each New Note issued in exchange for an Old Note will have the same principal amount, optional redemption terms, interest payment dates and maturity as the Old Note for which it is exchanged.

You may withdraw tenders of Old Notes at any time prior to the expiration of the exchange offer. We do not currently intend to extend the exchange offer.

The exchange of Old Notes for New Notes will not be a taxable event for United States federal income tax purposes.

We will not receive any proceeds from this exchange offer.

The New Notes will not be listed on any securities exchange or the Nasdaq Stock Market, Inc.

See the section entitled Description of the Notes that begins on page 43 for more information about the New Notes issued in this exchange offer and the Old Notes.

PARTICIPATING IN THE EXCHANGE OFFER INVOLVES RISKS. SEE THE SECTION ENTITLED RISK FACTORS THAT BEGINS ON PAGE 6 FOR A DISCUSSION OF THE RISKS THAT YOU SHOULD CONSIDER BEFORE PARTICIPATING IN THE EXCHANGE OFFER.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Each broker-dealer that receives New Notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. See Plan of Distribution.

The date of this prospectus is November 8, 2007.

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WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-4 with the Securities and Exchange Commission, or the SEC, under the Securities Act of 1933, as amended, or the Securities Act, that registers the issuance and sale of the securities offered by this prospectus. This prospectus, which constitutes a part of that registration statement, does not contain all of the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. We refer you to the registration statement and to its exhibits for further information with respect to us and the New Notes. The statements contained in this prospectus concerning the provisions of any document are not necessarily complete, and, in each instance, we refer you to the copy of such document filed as an exhibit to the registration statement or otherwise filed with the SEC. Each such statement is qualified in its entirety by such reference.

This prospectus incorporates important business and financial information about us that is not included in or delivered with the prospectus. This information is available without charge to holders of the notes upon written or oral request to the Corporate Secretary, El Paso Building, 1001 Louisiana Street, Houston, Texas 77002, telephone number (713) 420-2600. In order to obtain timely delivery, you must request documents from us no

later than five business days before the expiration of the exchange offer.

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and, in accordance therewith, file annual, quarterly and current reports and other information with the SEC. Such reports and other information may be read and copied at the SEC Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may also obtain copies of such material by mail from the Public Reference Section of the SEC at 100 F Street, NE, Washington, D.C. 20549 at prescribed rates. Please call the SEC at 1-800-SEC-0330 for more information on the public reference room.

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The SEC also maintains an internet web site that contains reports and other information about us that we file electronically with the SEC. The address of the site is *http: //www.sec.gov*.

We have not authorized anyone to give any information or make any representation that differs from, or adds to, the information in this document or in our documents that are publicly filed with the SEC. Therefore, if anyone does give you different or additional information, you should not rely on it.

If you are in a jurisdiction where it is unlawful to offer to exchange or sell, or to ask for offers to exchange or buy, the securities offered by this document, or if you are a person to whom it is unlawful to direct these activities, then the offer presented by this document does not extend to you.

The information contained in this document speaks only as of its date unless the information specifically indicates that another date applies.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on assumptions and beliefs that we believe to be reasonable; however, assumed facts almost always vary from actual results, and the differences between assumed facts and actual results can be material, depending upon the circumstances. Where we or our management express an expectation or belief as to future results, that expectation or belief is expressed in good faith and based on assumptions believed to have a reasonable basis. We cannot assure you, however, that the stated expectation or belief will occur or be achieved or accomplished. The words believe, expect, estimate, anticipate, and similar expressions will generally identify forward-looking statements. Our forward-looking statements, whether written or oral, are expressly qualified by these cautionary statements and any other cautionary statements that may accompany those statements. In addition, we disclaim any obligation to update any forward-looking statements to reflect events or circumstances after the date of this prospectus.

With this in mind, you should consider the risks discussed under the heading Risk Factors beginning on page 6 of this document and Management s Discussion and Analysis of Financial Condition and Results of Operations beginning on page 16 of this document, which include or refer to important factors that could cause actual results to differ materially from those expressed in any forward-looking statement made by us or on our behalf.

INDUSTRY TERMS

Below is a list of terms that are common to our industry and used in this document.

/d = per day
BBtu = billion British thermal units
Bcf = billion cubic feet
LNG = liquified natural gas
MMcf = million cubic feet

When we refer to cubic feet measurements, all measurements are at a pressure of 14.73 pounds per square inch.

PROSPECTUS SUMMARY

This summary highlights some basic information appearing in other sections of this prospectus to help you understand our business and the exchange offer. This summary does not contain all the information that you should consider before exchanging Old Notes for New Notes. You should carefully read this prospectus to understand fully the terms of the exchange offer and the New Notes, as well as the tax and other considerations that may be important to you. You should pay special attention to the Risk Factors section beginning on page 6 of this prospectus and the section entitled Cautionary Statement Regarding Forward-Looking Statements on page ii. You should rely only on the information contained in this document. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document. For purposes of this prospectus, unless the context otherwise indicates, when we refer to El Paso Natural Gas, us, we, our, ours, or EPNG we are describing El Paso Natural Gas Company, together with its subsidiaries. References to El Paso mean El Paso Corporation.

Our Company

We are a Delaware corporation incorporated in 1928, and an indirect wholly owned subsidiary of El Paso. Our primary business consists of the interstate transportation and storage of natural gas. We conduct our business activities through our natural gas pipeline systems and a storage facility as discussed below.

Each of our pipeline systems and our storage facility operates under tariffs approved by the Federal Energy Regulatory Commission that establish rates, cost recovery mechanisms and other terms and conditions of service to our customers. The fees or rates established under our tariffs are a function of our costs of providing services to our customers, including a reasonable return on our invested capital.

Our strategy is to protect and enhance the value of our transmission and storage business by:

- Successfully recontracting expiring transportation capacity;
- Developing storage capacity to serve our market area;
- Focusing on cost efficiencies, especially fuel use;
- Successfully completing expansion projects; and
- Attracting new supply and transporting natural gas to new markets.

Below is a further discussion of our pipeline systems and storage facility.

The EPNG System. The EPNG pipeline system consists of approximately 10,300 miles of pipeline with a winter sustainable west-flow capacity of 4,850 MMcf/d and approximately 800 MMcf/d of east-end deliverability. During 2006, 2005 and 2004, average throughput was 4,179 BBtu/d, 4,053 BBtu/d and 4,074 BBtu/d, respectively. This system delivers natural gas from the San Juan, Permian and Anadarko basins to markets in California, Arizona, Nevada, New Mexico, Oklahoma, Texas and northern Mexico.

The Mojave Pipeline Company (Mojave) System. The Mojave system consists of approximately 400 miles of pipeline with a design capacity of approximately 407 MMcf/d. During 2006, 2005 and 2004, average throughput was 461 BBtu/d (including 385 BBtu/d transported for the EPNG system), 161 BBtu/d and 161 BBtu/d, respectively. This system connects with the EPNG system near Cadiz, California, the EPNG and Transwestern systems at Topock, Arizona and the Kern River Gas Transmission Company system in California. This system also extends to customers in the vicinity of Bakersfield, California.

Storage Facility. Prior to 2006, we utilized our Washington Ranch underground storage facility located in New Mexico, which has up to approximately 44 Bcf of underground working natural gas storage capacity, solely to manage our system transportation needs. In 2006, we also began using this facility to offer interruptible storage services.

Our principal offices are in the El Paso building, located at 1001 Louisiana Street, Houston, Texas 77002, and our telephone number at that address is (713) 420-2600.

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Summary of the Terms of the Exchange Offer

Initial Offering of Old Notes	On April 4, 2007, we issued in a private placement $355 million amount of 5.95% Senior Notes Due 2017. We refer to these notes as the Old Notes in this prospectus.
Registration Rights Agreement	Pursuant to the registration rights agreement between us and the initial purchasers entered into in connection with the private placement of the Old Notes, we agreed to offer to exchange the Old Notes for up to $355 million principal amount of 5.95% Senior Notes Due 2017 that are being offered hereby. We refer to the notes issued for the Old Notes in this exchange offer as the New Notes. We have filed the registration statement of which this prospectus is a part of to meet our obligations under the registration rights agreement. If we fail to satisfy our obligations under the registration rights agreement, we will be required to pay additional interest to holders of the Old Notes under specified circumstances.
The Exchange Offer	We are offering to exchange all Old Notes for the same aggregate principal amount of the New Notes, which have been registered under the Securities Act. The Old Notes may be tendered only in $1,000 increments. We will exchange New Notes for all Old Notes that are validly tendered and not withdrawn prior to the expiration of the exchange offer. We will cause the exchange to be effected promptly after the expiration date of the exchange offer. The New Notes will evidence the same debt as the Old Notes and will be issued under and entitled to the benefits of the same indenture that governs the Old Notes. Because we have registered the New Notes, the New Notes will not be subject to transfer restrictions, and holders of Old Notes that have tendered and had their outstanding notes accepted in the exchange offer will have no registration rights.
If You Fail to Exchange Your Old Notes	If you do not exchange your Old Notes for New Notes in the exchange offer, you will continue to be subject to the restrictions on transfer provided in the Old Notes and the indenture governing those notes. In general, you may not offer or sell your Old Notes unless they are registered under the federal securities laws or are sold in a transaction exempt from or not subject to the registration requirements of the federal securities laws and applicable state securities laws.
Procedures for Tendering Your Old Notes	If you wish to tender your Old Notes for New Notes, you must: complete and sign the enclosed letter of transmittal by following the related instructions, and send the letter of transmittal, as directed in the instructions, together with any other required documents, to the exchange agent either (1) with the Old Notes to be tendered, or (2) in compliance with the specified procedures for guaranteed delivery of the Old Notes.

Brokers, dealers, commercial banks, trust companies and other nominees may also effect tenders by book-entry transfer.

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By executing the letter of transmittal (or, in the case of the Old Notes tendered by book-entry transfer, by transmitting an agent s message in lieu thereof) you will represent to us that, among other things:

the New Notes you receive will be acquired in the ordinary course of your business;

you are not participating, and you have no arrangement with any person or entity to participate, in the distribution of the New Notes;

you are not our affiliate, as defined in Rule 405 under the Securities Act, or a broker-dealer tendering Old Notes acquired directly from us for resale pursuant to Rule 144A or any other available exemption under the Securities Act; and

if you are not a broker-dealer, that you are not engaged in and do not intend to engage in the distribution of the New Notes.

If your Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, we urge you to contact that person promptly if you wish to tender your Old Notes pursuant to this exchange offer. See The Exchange Offer Procedures for Tendering Old Notes. Please do not send your letter of transmittal or certificates representing your Old Notes to us. Those documents should be sent only to the exchange agent. Questions regarding how to tender and requests for information should be directed to the exchange agent. See The Exchange Offer Exchange Agent.

Resale of the New Notes

Except as provided below, we believe that the New Notes may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act provided that:

the New Notes are being acquired in the ordinary course of business,

you are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate in the distribution of the New Notes issued to you in the exchange offer,

you are not our affiliate, and

you are not a broker-dealer tendering Old Notes acquired directly from us for your account.

Our belief is based on interpretations by the staff of the SEC, as set forth in no-action letters issued to third parties that are not related to us. The SEC has not considered this exchange offer in the context of a no-action letter, and we cannot assure you that the SEC would make similar determinations with respect to this exchange offer. If any of these conditions are not satisfied, or if our belief is not accurate, and you transfer any New Notes issued to you in the exchange offer without delivering a resale prospectus meeting the requirements of the Securities Act or without an

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	exemption from registration of your New Notes from those requirements, you may incur liability under the Securities Act. We will not assume, nor will we indemnify you against, any such liability. Each broker-dealer that receives New Notes for its own account in exchange for Old Notes, where the Old Notes were acquired by such broker-dealer as a result of market-making or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. See Plan of Distribution.
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on December 7, 2007, unless we decide to extend the expiration date. We do not currently intend to extend the exchange offer.
Conditions to the Exchange Offer	The exchange offer is not subject to any conditions other than that it does not violate applicable law or any applicable interpretation of the staff of the SEC.
Exchange Agent	We have appointed Wilmington Trust Company, as exchange agent for the exchange offer. You can reach the exchange agent at the address set forth on the back cover of this prospectus. For more information with respect to the exchange offer, you may call the exchange agent at (302) 636-6470.
Withdrawal Rights	You may withdraw the tender of your Old Notes at any time before the expiration date of the exchange offer. You must follow the withdrawal procedures as described under the heading The Exchange Offer Withdrawal of Tenders.
Federal Income Tax Considerations	The exchange of Old Notes for the New Notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes. See Material United States Federal Income Tax Considerations.
Acceptance of Old Notes and Delivery of New Notes	We will accept for exchange any and all Old Notes that are properly tendered in the exchange offer prior to the expiration date. See The Exchange Offer Procedures for Tendering Old Notes. The New Notes issued pursuant to the exchange offer will be delivered promptly following the expiration date.

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Summary of Terms of New Notes

Issuer	El Paso Natural Gas Company
New Notes	$355 million aggregate principal amount of 5.95% Senior Notes Due 2017.
Maturity Date	April 15, 2017.
Interest Rate	5.95% per annum, accruing from October 15, 2007, the date of the last payment of interest on the Old Notes.
Interest Payment Dates	April 15 and October 15 of each year, beginning April 15, 2008.
Optional Redemption	We may redeem the New Notes, in whole or in part, at any time prior to their maturity at the redemption price described in this prospectus under Description of the Notes Optional Redemption of Notes, which will include a make-whole premium. The notes will not be subject to any sinking fund provision.
Ranking	The New Notes will: be our senior unsecured indebtedness, ranking equally in right of payment with all of our existing and future unsecured senior indebtedness; be senior in right of payment to any of our future subordinated indebtedness; be effectively junior to any of our future secured indebtedness to the extent of the assets securing such indebtedness; and not be guaranteed by any of our subsidiaries, unconsolidated affiliates or parent companies, and accordingly, will be effectively junior to all existing and future indebtedness and other liabilities of our subsidiaries and unconsolidated affiliates. See Description of the Notes General. Our consolidated subsidiaries have no outstanding indebtedness. We have no secured debt.
Covenants	The indenture governing the notes contains covenants, including, but not limited to, covenants limiting (1) the creation of liens securing indebtedness, (2) the entry into certain sale-leaseback transactions, and (3) certain mergers and consolidations and transfers of assets. For a more detailed description, see Description of Notes Covenants.
Use of Proceeds	We will not receive any proceeds from the exchange of the outstanding Old Notes for the New Notes. See Use of Proceeds.
Risk Factors	

	You should read the Risk Factors section beginning on page 6, as well as the other cautionary statements throughout this prospectus, to ensure you understand the risks associated with the exchange of the outstanding Old Notes for the New Notes.
Further Issuances	We may, from time to time, without notice to or the consent of the holders of the New Notes, increase the principal amount of this series of notes under the indenture and issue such increased principal amount (or any portion thereof), in which case any additional notes so issued will have the same form and terms (other than the date of issuance and, under certain circumstances, the date from which interest thereon will begin to accrue), and will carry the same right to receive accrued and unpaid interest, as the New Notes previously issued, and such additional notes will form a single series with the notes.

RISK FACTORS

Before you decide to participate in the exchange offer, you should read the following risks, uncertainties and factors that may adversely affect us.

Risks Related to Our Business

Our success depends on factors beyond our control.

Our business is the transportation and storage of natural gas for third parties. Our results of operations are driven by the volumes of natural gas we transport or store and the prices we are able to charge for doing so. The volumes of natural gas we are able to transport and store depends on the actions of those third parties, and is beyond our control. Further, the following factors, most of which are beyond our control, may unfavorably impact our ability to maintain or increase current throughput, to renegotiate existing contracts as they expire or to remarket unsubscribed capacity:

- service area competition;
- expiration or turn back of significant contracts;
- changes in regulation and actions of regulatory bodies;
- weather conditions that impact throughput and storage levels;
- price competition;
- drilling activity and availability of natural gas;
- continued development of additional sources of gas supply that can be accessed;
- decreased natural gas demand due to various factors, including increases in prices and the increased availability or popularity of alternative energy sources such as hydroelectric, nuclear, wind, coal and fuel oil;
- availability and increased cost of capital to fund ongoing maintenance and growth projects;
- opposition to energy infrastructure development, especially in environmentally sensitive areas;
- adverse general economic conditions;
- expiration or renewal of existing interests in real property including real property on Native American lands; and
- unfavorable movements in natural gas prices in supply and demand areas.

The revenues of our pipeline businesses are generated under contracts that must be renegotiated periodically, some of which are for a substantial portion of our firm transportation capacity.

Our revenues are generated under transportation and storage contracts that expire periodically and must be renegotiated, extended or replaced. Although we actively pursue the renegotiation, extension or replacement of these contracts, we may not be able to extend or replace these contracts when they expire or may only be able to do so on terms that are not as favorable as existing contracts. If we are unable to renew, extend or replace these contracts or if we renew them on less favorable terms, we may suffer a material reduction in our revenues and earnings.

For additional information on our contracts with our major customers, see Note 8 to our Consolidated Financial Statements on page F-23. The loss of these customers or a decline in their creditworthiness could adversely affect our results of operations, financial position and cash flows.

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Fluctuations in energy commodity prices could adversely affect our business.

Revenues generated by our transportation and storage contracts depend on volumes and rates, both of which can be affected by the price of natural gas. Increased natural gas prices could result in a reduction of the volumes transported by our customers, including power companies that may not dispatch natural gas-fired power plants if natural gas prices increase. Increased prices could also result in industrial plant shutdowns or load losses to competitive fuels as well as local distribution companies loss of customer base. The success of our transmission and storage operations is subject to continued development of additional gas supplies to offset the natural decline from existing wells connected to our systems, which requires the development of additional oil and gas reserves and obtaining additional supplies from interconnecting pipelines. A decline in energy prices could cause a decrease in these development activities and could cause a decrease in the volume of natural gas available for transmission and storage through our systems. We retain a fixed percentage of natural gas transported. This retained natural gas is used as fuel and to replace lost and unaccounted for natural gas. Pricing volatility may, in some cases, impact the value of under or over recoveries of this retained natural gas, as well as imbalances and system encroachments. If natural gas prices in the supply basins connected to our pipeline systems are higher than prices in other natural gas producing regions, our ability to compete with other transporters and our long-term recontracting efforts may be negatively impacted. Furthermore, fluctuations in pricing between supply sources and market areas could negatively impact our transportation revenues. Fluctuations in energy prices are caused by a number of factors, including:

- regional, domestic and international supply and demand;
- availability and adequacy of transportation facilities;
- energy legislation;
- federal and state taxes, if any, on the transportation and storage of natural gas;
- abundance of supplies of alternative energy sources; and
- political unrest among oil producing countries.

The agencies that regulate us and our customers affect our profitability.

Our business is regulated by the FERC, the U.S. Department of Transportation, the U.S. Department of the Interior and various state and local regulatory agencies. Regulatory actions taken by these agencies have the potential to adversely affect our profitability. In particular, the FERC regulates the rates we are permitted to charge our customers for our services. In setting authorized rates of return in recent FERC decisions, the FERC has utilized a proxy group of companies that includes local distribution companies that are not faced with as much competition or risk as interstate pipelines. The inclusion of these lower risk companies may create downward pressure on tariff rates when subjected to review by the FERC in future rate proceedings. Pursuant to FERC s jurisdiction over rates, existing rates may be challenged by complaint and proposed rate increases may be challenged by protest. A successful complaint or protest against our rates could have an adverse impact on our revenues associated with providing transportation and storage services. On July 19, 2007, FERC issued a proposed policy statement addressing the issue of the proxy groups it will use to decide the return on equity of natural gas pipelines. FERC uses a discounted cash flow model that incorporates the use of proxy groups to develop a range of reasonable returns earned on equity interests in companies with corresponding risks. FERC then assigns a rate of return on equity within that range to reflect specific risks of that pipeline when compared to the proxy group companies. The proposed policy statement describes FERC s intention to allow the use of master limited partnerships in proxy groups, with certain restrictions that could lower the return that would otherwise be allowed. FERC has requested comments on the proposed policy.

In addition, increased regulatory requirements relating to the integrity of our pipelines requires additional spending in order to maintain compliance with these requirements. Any additional requirements that are enacted could significantly increase the amount of these expenditures.

Further, state agencies that regulate our local distribution company customers could impose requirements that could impact demand for our services.

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Environmental compliance and remediation costs and the costs of environmental liabilities could exceed our estimates.

Our operations are subject to various environmental laws and regulations that establish compliance and remediation obligations. Compliance obligations can result in significant costs to install and maintain pollution controls, fines and penalties resulting from any failure to comply and potential limitations on our operations. Remediation obligations can result in significant costs associated with the investigation and remediation of contaminated properties (some of which have been designated as Superfund sites by the United States Environmental Protection Agency under the Comprehensive Environmental Response, Compensation and Liability Act), as well as damage claims arising out of the contamination of properties or impact on natural resources. It is not possible for us to estimate exactly the amount and timing of all future expenditures related to environmental matters because of:

- The uncertainties in estimating pollution control and clean up costs, including sites where preliminary site investigation or assessments have been completed;

- The discovery of new sites or additional information at existing sites;

- The uncertainty in quantifying liability under environmental laws that impose joint and several liability on all potentially responsible parties; and

- The nature of environmental laws and regulations, including the interpretation and enforcement thereof.

Currently, various legislative and regulatory measures to address greenhouse gas (GHG) emissions (including carbon dioxide and methane) are in various phases of discussion or implementation. These include the Kyoto Protocol (which is impacting proposed domestic legislation), proposed federal legislation and state actions to develop statewide or regional programs, each of which have imposed or would impose reductions in GHG emissions. These actions could result in increased costs to (i) operate and maintain our facilities, (ii) install new emission controls on our facilities and (iii) administer and manage any GHG emissions program. These actions could also impact the consumption of natural gas, thereby affecting our operations.

Although we believe we have established appropriate reserves for our environmental liabilities, we could be required to set aside additional amounts due to these uncertainties which could significantly impact our future results of operations, cash flows or financial position. For additional information concerning our environmental matters, see Note 6 to our Consolidated Financial Statements beginning on page F-16.

Our operations are subject to operational hazards and uninsured risks.

Our operations are subject to the inherent risks normally associated with pipeline operations, including pipeline ruptures, explosions, pollution, release of toxic substances, fires, adverse weather conditions and other hazards, each of which could result in damage to or destruction of our facilities or damages or injuries to persons. In addition, our operations and assets face possible risks associated with acts of aggression or terrorism. If any of these events were to occur, we could suffer substantial losses.

While we maintain insurance against many of these risks to the extent and in amounts we believe are reasonable, this insurance does not cover all risks. Many of our insurance coverages have material deductibles as well as limits on our maximum recovery. As a result, our results of operations, cash flows or financial condition could be adversely affected if a significant event occurs that is not fully covered by insurance.

The expansion of our business by constructing new facilities subjects us to construction and other risks that may adversely affect our financial results.

We may expand the capacity of our existing pipelines or our storage facility by constructing additional facilities. Construction of these facilities is subject to various regulatory, development and operational risks, including:

- our ability to obtain necessary approvals and permits by regulatory agencies on a timely basis and on terms that are acceptable to us;

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the ability to obtain continued access to sufficient capital to fund expansion projects;

potential changes in federal, state and local statutes and regulations, including environmental requirements, that prevent a project from proceeding or increase the anticipated cost of the project;

impediments on our ability to acquire rights-of-way or land rights on a timely basis on terms that are acceptable to us;

our ability to construct projects within anticipated costs, including the risk that we may incur cost overruns resulting from inflation or increased costs of equipment, materials or labor, or other factors beyond our control, that may be material;

lack of anticipated future growth in natural gas supply; and

lack of transportation, storage or throughput commitments.

Any of these risks could prevent a project from proceeding, delay its completion or increase its anticipated costs. As a result, new facilities may not achieve our expected investment return, which could adversely affect our results of operations, cash flows or financial position.

Our business requires the retention and recruitment of a skilled workforce and the loss of employees could result in the failure to implement our business plan.

Our business requires the retention and recruitment of a skilled workforce. If we are unable to retain and recruit employees such as engineers and other technical positions, our business could be negatively impacted.

Risks Related to Our Affiliation with El Paso

El Paso files reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended. Each prospective investor should consider this information and the matters disclosed therein in addition to the matters described in this report. Such information is not included herein or incorporated by reference into this prospectus.

Our relationship with El Paso and its financial condition subjects us to potential risks that are beyond our control.

Due to our relationship with El Paso, adverse developments or announcements concerning El Paso or its other subsidiaries could adversely affect our financial condition, even if we have not suffered any similar development. The ratings assigned to El Paso s senior unsecured indebtedness are investment grade, currently rated Ba3 by Moody s Investor Service, BB- by Standard & Poor s and BB+ by Fitch Ratings. The ratings assigned to our senior unsecured indebtedness are currently rated Baa3 by Moody s Investor Service, BB by Standard & Poor s and BBB- by Fitch Ratings. We and El Paso are (i) on a positive outlook with Moody s Investor Service and Standard & Poor s and (ii) on a stable outlook with Fitch Ratings. Downgrades of our or El Paso s credit ratings could increase our cost of capital and collateral requirements, and could impede our access to capital markets.

El Paso provides cash management and other corporate services for us. Pursuant to El Paso s cash management program, we transfer surplus cash to El Paso in exchange for an affiliated receivable. In addition, we conduct commercial transactions with some of our affiliates. If El Paso or such affiliates are unable to meet their respective liquidity needs, we may not be able to access cash under the cash management program, or our affiliates may not be able to pay their obligations to us. However, we might still be required to satisfy affiliated company payables. Our inability to recover any affiliated receivables owed to us could adversely affect our financial position. For a further discussion of these matters, see Note 10 to our Consolidated Financial Statements on page F-24.

We may be subject to a change of control if an event of default occurs under El Paso s credit agreement.

Under El Paso s $1.75 billion credit agreement, our common stock and the common stock of several of our affiliates are pledged as collateral. As a result, our ownership is subject to change if there is a default

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under the credit agreement and El Paso s lenders exercise rights over their collateral, even if we do not have any borrowings outstanding under the credit agreement.

A default under El Paso s $1.75 billion credit agreement by any party could accelerate our future borrowings, if any, under the credit agreement and our long-term debt, which could adversely affect our liquidity position.

We are a party to El Paso s $1.75 billion credit agreement. We are only liable, however, for our borrowings under the credit agreement, which were zero at June 30, 2007. Under the credit agreement, a default by El Paso, or any other borrower could result in the acceleration of all outstanding borrowings, including the borrowings of any non-defaulting party. The acceleration of our future borrowings, if any, or the inability to borrow under the credit agreement, could adversely affect our liquidity position and, in turn, our financial condition.

Furthermore, the indentures governing some of our long-term debt contain cross-acceleration provisions, the most restrictive of which is $25 million. Therefore, if we borrow $25 million or more under El Paso s $1.75 billion credit agreement and such borrowings are accelerated for any reason, including the default of another party under the credit agreement, our long-term debt that contains these provisions could also be accelerated. The acceleration of our long-term debt could also adversely affect our liquidity position and, in turn, our financial condition.

We are an indirect wholly owned subsidiary of El Paso.

As an indirect wholly owned subsidiary of El Paso, subject to limitations in our credit agreements and indentures, El Paso has substantial control over:

- our payment of dividends;
- decisions on our financing and capital raising activities;
- mergers or other business combinations;
- our acquisitions or dispositions of assets; and
- our participation in El Paso s cash management program.

El Paso may exercise such control in its interests and not necessarily in the interests of us or the holders of our long-term debt.

Risks Associated with the Exchange Offer

If you fail to follow the exchange offer procedures, your Old Notes will not be accepted for exchange.

We will not accept your Old Notes for exchange if you do not follow the exchange offer procedures. We will issue New Notes as part of this exchange offer only after timely receipt of your Old Notes, a properly completed and duly executed letter of transmittal and all other required documents or if you comply with the guaranteed delivery procedures for tendering your Old Notes. Therefore, if you want to tender your Old Notes, please allow sufficient time to ensure timely delivery. If we do not receive your Old Notes, letter of transmittal, and all other required documents by the expiration date of the exchange offer, or you do not otherwise comply with the guaranteed delivery procedures for tendering your Old Notes, we will not accept your Old Notes for exchange. We are under no duty to give notification of defects or irregularities with respect to the tenders of Old Notes for exchange. If there are defects or irregularities with respect to your tender of Old Notes, we will not accept your Old Notes for exchange unless we decide in our sole discretion to waive such defects or irregularities.

If you fail to exchange your Old Notes for New Notes, they will continue to be subject to the existing transfer restrictions and you may not be able to sell them.

We did not register the Old Notes, nor do we intend to do so following the exchange offer. Old Notes that are not tendered will therefore continue to be subject to the existing transfer restrictions and may be transferred only in limited circumstances under the securities laws. As a result, if you hold Old Notes after the exchange offer, you may not be able to sell them. To the extent any Old Notes are tendered and accepted in the exchange offer, the trading market, if any, for the Old Notes that remain outstanding after the exchange offer may be adversely affected due to a reduction in market liquidity.

Risks Related to the Notes

Our substantial indebtedness could impair our financial condition and our ability to fulfill our debt obligations, including our obligations under the notes.

We have substantial indebtedness. As of June 30, 2007, we had total indebtedness of approximately $1.2 billion (including the Old Notes), all of which was senior unsecured indebtedness.

Our indebtedness could have important consequences to you. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to the notes and our other indebtedness, which could in turn result in an event of default on such other indebtedness or the notes;
- impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;
- diminish our ability to withstand a downturn in our business or the economy generally;
- require us to dedicate a substantial portion of our cash flow from operations to debt service payments, thereby reducing the availability of cash for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- place us at a competitive disadvantage compared to our competitors that have proportionately less debt.

If we are unable to meet our debt service obligations, we could be forced to restructure or refinance our indebtedness, seek additional equity capital or sell assets. We may be unable to obtain financing or sell assets on satisfactory terms, or at all.

We are not prohibited under the indenture governing the notes from incurring additional indebtedness. Our incurrence of significant additional indebtedness would exacerbate the negative consequences mentioned above, and could adversely affect our ability to repay the notes.

A default under El Paso s $1.75 billion credit agreement by any party could accelerate our future borrowings, if any, under the credit agreement and our long-term debt, which could adversely affect our liquidity position.

We are a party to El Paso s $1.75 billion credit agreement. We are only liable, however, for our borrowings under the credit agreement, which were zero as of June 30, 2007. Under the credit agreement, a default by El Paso, or any other borrower, could result in the acceleration of all outstanding borrowings, including the borrowings of any non-defaulting party. The acceleration of our future borrowings, if any, or the inability to borrow under the credit agreement, could adversely affect our liquidity position and, in turn, our financial condition.

Furthermore, the indentures governing some of our long-term debt contain cross-acceleration provisions, the most restrictive of which is $25 million. Therefore, if we borrow $25 million or more under El Paso s $1.75 billion credit agreement and such borrowings are accelerated for any reason, including the default of

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another party under the credit agreement, our long-term debt that contains these provisions could also be accelerated. The acceleration of our long-term debt could also adversely affect our liquidity position and, in turn, our financial condition.

We may be subject to a change of control if an event of default occurs under El Paso s credit agreement.

Under El Paso s $1.75 billion credit agreement, our common stock and the common stock of several of our affiliates are pledged as collateral. As a result, our ownership is subject to change if there is a default under the credit agreement and El Paso s lenders exercise rights over their collateral, even if we do not have any borrowings outstanding under the credit agreement.

The notes will be effectively subordinated to liabilities and indebtedness of our subsidiaries and subordinated to any of our secured indebtedness to the extent of the assets securing such indebtedness.

We currently have no secured indebtedness outstanding, but holders of any secured indebtedness that we may incur in the future would have claims with respect to our assets constituting collateral for such indebtedness that are prior to your claims under the notes. In the event of a default on such secured indebtedness or our bankruptcy, liquidation or reorganization, those assets would be available to satisfy obligations with respect to the indebtedness secured thereby before any payment could be made on the notes. Accordingly, any such secured indebtedness would effectively be senior to the notes to the extent of the value of the collateral securing the indebtedness. While the indenture governing the notes places some limitations on our ability to create liens, there are significant exceptions to these limitations that will allow us to secure some kinds of indebtedness without equally and ratably securing the notes. To the extent the value of the collateral is not sufficient to satisfy the secured indebtedness, the holders of that indebtedness would be entitled to share with the holders of the notes and the holders of other claims against us with respect to our other assets. In addition, the notes are not guaranteed by our subsidiaries and our subsidiaries are not prohibited under the indenture from incurring additional indebtedness. As a result, holders of the notes will be effectively subordinated to claims of third party creditors, including holders of indebtedness, of these subsidiaries. Claims of those other creditors, including trade creditors, secured creditors, governmental authorities, and holders of indebtedness or guarantees issued by the subsidiaries, will generally have priority as to the assets of the subsidiaries over claims by the holders of the notes. As a result, rights of payment of holders of our indebtedness, including the holders of the notes, will be effectively subordinated to all those claims of creditors of our subsidiaries.

Because there is no public market for the New Notes, you may not be able to resell them.

Although the issuance of the New Notes will be registered under the Securities Act, they will constitute a new issue of securities with no established trading market. We cannot assure you that an active market will exist for the New Notes or that any trading market that does develop will be liquid. We do not intend to apply to list the New Notes for trading on any securities exchange or to arrange for quotation on any automated dealer quotation system. The trading market for the New Notes may be adversely affected by:

- changes in the overall market for non-investment grade securities;
- changes in our financial performance or prospects;
- the prospects for companies in our industry generally;
- the number of holders of the New Notes;
- the interest of securities dealers in making a market for the New Notes; and

prevailing interest rates and general economic conditions.

USE OF PROCEEDS

This exchange offer is intended to satisfy our obligations under the registration rights agreement relating to the Old Notes. We will not receive any proceeds from the issuance of the New Notes and we have agreed to pay the expenses of this exchange offer. In exchange for issuing New Notes, we will receive a like principal amount of Old Notes. The Old Notes surrendered in exchange for New Notes will be retired and canceled and will not be reissued. Accordingly, issuing New Notes will not result in any increase in our outstanding debt.

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SELECTED HISTORICAL FINANCIAL AND OPERATING DATA

You should read the following selected historical financial and operating data together with Management s Discussion and Analysis of Financial Condition and Results of Operations beginning on page 16 of this prospectus and the Consolidated Financial Statements and related notes beginning on page F-1. The historical consolidated operating data for each of the three years in the period ended December 31, 2006 and the financial position data as of December 31, 2006 and 2005 were derived from the audited consolidated financial statements included in this prospectus. We derived the historical consolidated operating results data for each of the two years in the period ended December 31, 2003 and the financial position data as of December 31, 2004, 2003 and 2002 from our accounting records. The historical consolidated financial data as of June 30, 2007 and for each of the six month periods ended June 30, 2006 and 2007 were derived from the unaudited condensed consolidated financial statements included in this prospectus. Our selected historical results are not necessarily indicative of results to be expected in future periods and results for interim periods are not necessarily indicative of full year results.

	Year Ended December 31,					Six Months Ended June 30,	
	2006	2005	2004	2003	2002	2007	2006
				(In millions)			
Operating Results Data:							
Operating revenues	$ 588	$ 497	$ 508	$ 526	$ 564	$ 281	$ 295
Operating expenses							
Operation and maintenance	183	232	166	163	172	98	97
Western Energy settlement				127	412		
Depreciation, depletion and amortization	92	74	72	66	63	42	48
Taxes, other than income taxes	30	29	28	29	21	15	16
	305	335	266	385	668	155	161
Operating income (loss)	283	162	242	141	(104)	126	134
Other income, net	3	8	7	7		3	3
Interest and debt expense	(95)	(92)	(92)	(90)	(72)	(49)	(47)
Affiliated interest income, net	53	32	19	20	22	32	25
Income (loss) before income taxes	244	110	176	78	(154)	112	115
Income taxes	92	46	58	31	(55)	42	44
Net income (loss)	$ 152	$ 64	$ 118	$ 47	$ (99)	$ 70	$ 71
Financial Position Data:							
Total property, plant and equipment, net	$ 2,306	$ 2,224	$ 2,133	$ 2,041	$ 1,908	$ 2,361	
Total assets	$ 3,631	$ 3,378	$ 3,225	$ 3,724	$ 3,189	$ 3,833	
Total long-term debt	$ 1,111	$ 1,110	$ 1,110	$ 1,109	$ 758	$ 1,166	
Stockholder s equity	$ 1,726	$ 1,578	$ 1,513	$ 1,322	$ 1,153	$ 1,800	

Operating Data:							
Throughput volumes (BBtu/d)[1]	4,255	4,214	4,235	4,066	4,065	4,157	4,093

[1] Throughput volumes exclude throughput transported by Mojave on behalf of EPNG.

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RATIO OF EARNINGS TO FIXED CHARGES

	Year Ended December 31,					Six Months Ended June 30,	
	2006	2005	2004	2003	2002	2007	2006
Ratio of earnings to fixed charges	3.51x	2.13x	2.82x	1.82x	(1)	3.18x	3.33x

(1) Earnings were inadequate to cover fixed charges by $160 million.

For purposes of this computation, earnings represents income from continuing operations before income taxes, interest expense, amortization of debt costs and that portion of rental expense which represents an interest factor. Fixed charges means that sum of interest costs, amortization of debt costs and that portion of rental expense which represents an interest factor.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our results of operations and financial condition (MD&A) should be read in conjunction with Business, Selected Historical Financial and Operating Data and the Consolidated Financial Statements and related notes beginning on page F-1 of this prospectus. MD&A includes forward-looking statements that are subject to risks and uncertainties that may result in actual results differing from the statements we make. Factors that could cause actual results to differ include those risks and uncertainties that are discussed in Risk Factors.

Overview

Our business consists of the interstate transportation and storage of natural gas. Each of these businesses faces varying degrees of competition from existing and proposed pipelines, as well as from alternative energy sources used to generate electricity, such as hydroelectric, nuclear, wind, coal and fuel oil. Our revenues from transportation and storage services consist of the following types.

Type	Description	Percent of Total Revenues in 2006
Reservation	Reservation revenues are from customers (referred to as firm customers) that reserve capacity on our pipeline systems and storage facilities. These firm customers are obligated to pay a monthly reservation or demand charge, regardless of the amount of natural gas they transport or store, for the term of their contracts.	90
Usage and Other	Usage revenues are from both firm customers and interruptible customers (those without reserved capacity) who pay charges based on the volume of gas actually transported, injected or withdrawn.	10

Because of our regulated nature and the high percentage of our revenues attributable to reservation charges, our revenues have historically been relatively stable. However, our financial results can be subject to volatility due to factors such as changes in natural gas prices, market conditions, regulatory actions, competition, the creditworthiness of our customers and weather. On January 1, 2006, we adopted a fuel tracker on our EPNG system related to the actual costs of fuel lost and unaccounted for and other gas balancing costs, such as encroachments against our system gas supply and imbalance cash out price adjustments, with a true-up mechanism for amounts over or under retained.

Our ability to extend existing customer contracts or remarket expiring contracted capacity is dependent on competitive alternatives, the regulatory environment at the federal, state and local levels and the market supply and demand factors at the relevant dates these contracts are extended or expire. The duration of new or renegotiated contracts will be affected by current prices, competitive conditions and judgments concerning future market trends and volatility. Subject to regulatory requirements, we attempt to recontract or remarket our capacity at the rates allowed under our tariffs, although at times, we discount these rates to remain competitive. Our existing contracts mature at various times and in varying amounts of throughput capacity. We continue to manage our recontracting process to mitigate the risk of significant impacts on our revenues. The weighted average remaining contract term for our contracts is approximately four years as of December 31, 2006.

We successfully recontracted approximately 85 percent of the 1,600 BBtu/d of capacity that expired in 2006 to various customers for terms ranging from one to three years. The remaining capacity that expired in 2006 was recontracted for terms less than one year. We attempt to sell all our capacity under long-term contracts and market any remaining open position under shorter terms as market demand permits. Beginning in 2007, approximately 81 percent of our firm contracts were long-term agreements and we are continuing to remarket our available capacity to serve either existing customers, electric merchant generators, California non-core customers or new customers. At this time, we are uncertain how much of the available capacity will be recontracted, and if so, at what rates and term.

Below is the contract expiration portfolio and the associated revenue expirations for our firm transportation contracts as of December 31, 2006, including those with terms beginning in 2007 or later.

	BBtu/d[1]	Percent of Total Contracted Capacity	Reservation Revenue (In millions)	Percent of Total Reservation Revenue
2007	1,055	20	$ 71	15
2008	1,079	21	85	18
2009	434	8	71	15
2010	341	7	37	7
2011	1,275	25	62	13
2012 and beyond	974	19	153	32
Total	5,158	100	$ 479	100

(1) Excludes EPNG capacity on the Mojave system.

Results of Operations

Our management uses earnings before interest expense and income taxes (EBIT) to assess the operating results and effectiveness of our business. We believe EBIT is useful to our investors because it allows them to more effectively evaluate our operating performance using the same performance measure analyzed internally by our management. We define EBIT as net income adjusted for (i) items that do not impact our income from continuing operations, (ii) income taxes, (iii) interest and debt expense and (iv) affiliated interest income. We exclude interest and debt expense from this measure so that our investors may evaluate our operating results independently from our financing methods. EBIT may not be comparable to measurements used by other companies. Additionally, EBIT should be considered in conjunction with net income and other performance measures such as operating income or operating cash flows. Below is a reconciliation of EBIT to net income for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2006	2005	2004	2007	2006
	(In millions, except volume amounts)				
Operating revenues	$ 588	$ 497	$ 508	$ 281	$ 295
Operating expenses	(305)	(335)	(266)	(155)	(161)
Operating income	283	162	242	126	134
Other income, net	3	8	7	3	3

EBIT	286	170	249	129	137
Interest and debt expense	(95)	(92)	(92)	(49)	(47)
Affiliated interest income	53	32	19	32	25
Income taxes	(92)	(46)	(58)	(42)	(44)
Net income	$ 152	$ 64	$ 118	$ 70	$ 71
Throughput volumes (BBtu/d)[1]	4,255	4,214	4,235	4,157	4,093

(1) Throughput volumes exclude throughput transported by Mojave on behalf of EPNG.

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Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006

The following items contributed to our overall EBIT decrease of $8 million for the six month period ended June 30, 2007 compared to the same period in 2006:

	Revenue	Expense	EBIT Impact
	Favorable/(Unfavorable) (In millions)		
Transportation revenues	$ (14)	$	$ (14)
Operational gas and revaluations		6	6
Depreciation and amortization expense		6	6
Other[1]		(6)	(6)
Total impact on EBIT	$ (14)	$ 6	$ (8)

[1] Consists of individually insignificant items.

Transportation Revenues. For the six months ended June 30, 2007, our reservation revenues were lower compared to the same period in 2006, primarily as a result of a higher provision recorded in 2007 for EPNG s rate refund and lower reservation revenues for the Mojave system due to a decrease in tariff rates and expiration of certain firm contracts, both effective March 1, 2007. Listed below are EPNG and Mojave s rate proceedings which are further discussed in Note 4 to our Condensed Consolidated Financial Statements beginning on page F-30.

EPNG In August 2007, we received approval of the settlement of our rate case from the FERC. The settlement provides benefits for both us and our customers for a three year period ending December 31, 2008. Under the terms of the settlement, EPNG is required to file a new rate case to be effective January 1, 2009. Our financial statements reflect the proposed rates and we have reserved sufficient amounts to meet our refund obligations under this settlement. We have received from the FERC approval to begin billing the settlement rates on October 1, 2007 and we will make refunds, with interest, within 120 days of that date. Our financial statements reflect the proposed rates and we have estimated and reserved a sufficient amount to meet our obligations under this settlement. The refunds will be funded by drawing amounts under our cash management program with El Paso.

Mojave In February 2007, as required by its prior rate case settlement, Mojave filed with the FERC a general rate case proposing a 33 percent decrease in its base tariff rates resulting from a variety of factors, including a decline in rate base and various changes in rate design since its last rate case. No new services were proposed. These proposed rates would result in a decrease in revenues of approximately $13 million annually. The new base rates were effective March 1, 2007 and are subject to further adjustment upon the outcome of the rate case proceeding. In September 2007, the procedural schedule was suspended to enable the participants to prepare and present a formal offer of settlement to the Presiding Judge in this proceeding, and to the FERC. In October 2007, Mojave filed an offer of settlement to resolve all issues.

We periodically file for changes in our rates subject to the approval of the FERC. Changes in rates and other tariff provisions resulting from these regulatory proceedings have the potential to positively or negatively impact our profitability.

Operational Gas and Revaluations. During the six months ended June 30, 2006, our EBIT was negatively impacted by lower prices used to revalue net gas imbalance receivables from customers on our Mojave system.

Depreciation and Amortization Expense. During the six months ended June 30, 2007, our depreciation and amortization expense was lower as a result of changes to depreciation and amortization rates that were proposed in both our EPNG and Mojave rate cases.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

The following items contributed to our overall EBIT increase of $116 million for the year ended December 31, 2006 as compared to 2005:

	Revenue	Expense	Other	EBIT Impact
	Favorable/(Unfavorable) (In millions)			
EPNG reservation and other services revenues	$ 77	$	$	$ 77
Lower litigation accruals		42		42
Enron bankruptcy settlement	14	3		17
Lower general and administrative expense		10		10
Higher depreciation expense		(18)		(18)
Higher rights-of-way expense		(12)		(12)
Other[1]		5	(5)	
Total impact on EBIT	$ 91	$ 30	$ (5)	$ 116

[1] Consists of individually insignificant items.

The following discusses some of the significant items listed above as well as events that may affect our operations in the future.

EPNG Reservation and Other Services Revenues. Our reservation and other services revenues on the EPNG pipeline system were higher for the year ended December 31, 2006 compared to 2005, primarily due to the combined effect of (i) the termination, effective December 31, 2005, of reduced tariff rates to certain customers under the terms of our FERC-approved systemwide capacity allocation proceeding, (ii) an increase in tariff rates, which were effective January 1, 2006 and subject to refund, and (iii) revenues from various interruptible services provided under our tariffs.

Lower Litigation Accruals. Our litigation accruals were lower during the year ended December 31, 2006 as compared to December 31, 2005, due to amounts accrued during 2005 for our outstanding legal claims. For a further discussion of our legal matters, see Note 6 to our Consolidated Financial Statements beginning on page F-16.

Enron Bankruptcy Settlement. During the third quarter of 2006, we recorded income of approximately $17 million, net of amounts potentially owed to certain customers as a result of the Enron bankruptcy settlement. We may receive additional amounts in the future as settlement proceeds are released by the Bankruptcy Court. For a further discussion of this matter, see Note 6 to our Consolidated Financial Statements beginning on page F-16.

Lower General and Administrative Expense. During the year ended December 31, 2006, our general and administrative expenses were lower than in 2005, primarily due to a decrease in accrued benefits costs, lower insurance and lower allocated costs from El Paso.

Higher Depreciation Expense. On January 1, 2006, the effective date of EPNG s rate case, EPNG began applying higher depreciation rates to its property, plant and equipment which, along with an increase in depreciable plant, resulted in higher depreciation expense for the year ended December 31, 2006.

Higher Rights-Of-Way Expense. EPNG s rights-of-way expense was higher for the year ended December 31, 2006 as a result of the interim agreement reached with the Navajo Nation in January 2006. For a further discussion of this matter, see Note 6 to our Consolidated Financial Statements beginning on page F-16.

Year Ended December 31, 2005 Compared to Year Ended December 31,