

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF UTAH

UNITED STATES OF AMERICA,

Plaintiff,

v.

EL PASO NATURAL GAS COMPANY and  
PACIFIC NORTHWEST PIPELINE CORPORATION,

Defendants.

Civil No. 143-57

Filed: July 22, 1957

COMPLAINT

The United States of America, plaintiff, by its attorneys, acting under the direction of the Attorney General of the United States, brings this Civil Action to obtain equitable relief against the above-named defendants, and complains and alleges as follows:

JURISDICTION AND VENUE

1. This complaint is filed and this action is instituted against the defendants under Section 15 of the Act of Congress of October 15, 1914, c. 323, 38 Stat. 736, as amended, entitled "An Act to supplement existing laws against unlawful restraints and monopolies and for other purposes," commonly known as the Clayton Act, in order to prevent and restrain the violation by the defendants, as hereinafter alleged, of Section 7 of the Clayton Act.

2. The Pacific Northwest Pipeline Corporation transacts business and may be found within the District of Utah.

DEFENDANTS

3. El Paso Natural Gas Company, hereinafter referred to as "El Paso," is made a defendant herein. El Paso is a corporation organized and existing under the laws of the State of Delaware, with its principal office in El Paso, Texas.

4. Pacific Northwest Pipeline Corporation, hereinafter referred to as "Pacific Northwest", is made a defendant herein. Pacific Northwest is a corporation organized and existing under the laws of the State of Delaware, with its principal office in Salt Lake City, Utah.

#### TRADE AND COMMERCE

5. Natural gas is any gas of natural origin produced from or existing in oil or gas wells and it consists primarily of hydrocarbons. In 1956, natural gas consumption represented approximately 24% of total consumption of energy fuels in the United States, and principally because of physical burning qualities natural gas is in increasing demand as a source of domestic, commercial and industrial heat and for generation of electricity. Substantial quantities of natural gas are also used directly as an industrial raw material for the production of carbon black, ammonia, alcohol and numerous petrochemicals, including plastics, detergents and other synthetic materials. Before most natural gas can be used, certain impurities must be removed by a refining process, and the extracted products, such as natural gasoline, etc., are also valuable as chemical compounds and sources of energy. The construction of interstate pipeline systems has made it possible to transmit natural gas throughout most of the United States, but only eight states export more natural gas than they import. Production of and exploration for natural gas is carried on primarily by many independent companies and individuals who sell gas at the oil or gas well to the pipeline companies. A pipeline company, after any necessary processing, transports gas through its pipeline system and sells to distributors for resale to local domestic, commercial and industrial consumers, and may sell directly to municipalities and industrial consumers. A pipeline company, in addition to its primary function of selling natural gas, may also explore for and produce natural gas.

6. Defendant El Paso is engaged in the production, purchase, transportation and sale, in interstate commerce, of natural gas for ultimate public consumption for domestic, commercial, industrial and other uses. It transports and sells its own gas and is not a common

carrier. It owns and operates an integrated and interconnected pipeline system of over 6,700 miles. It produces and purchases natural gas in oil and gas fields in the Permian Basin in southeastern New Mexico and adjacent areas in west Texas; in the Panhandle Field in the Texas Panhandle area; and in the San Juan Basin in northwestern New Mexico and southwestern Colorado. El Paso owns more natural gas reserves than any other pipeline in the United States, and it is estimated that it ranks sixth among all natural gas producers in ownership of natural gas reserves. It sells natural gas for resale in California, Nevada, Texas, New Mexico and Arizona and also sells directly to certain industrial consumers and to cities and towns located along the routes of its pipelines. Utah Natural Gas Company, a subsidiary of defendant El Paso, purchases gas in the Clear Creek Field in central Utah and transports such gas through a 64 mile transmission pipeline to a point near Provo, Utah, where sales are made to Mountain Fuel Supply Company for distribution in Salt Lake City and surrounding areas in Utah. For the year ending December 31, 1956, defendant El Paso had total operating revenues of \$221,515,546 and total assets of \$909,531,955.

7. Defendant El Paso presently supplies in excess of 60% of all natural gas consumed in the State of California and is the only out-of-state pipeline company supplying gas to that State. El Paso transports gas through its pipeline system from the Permian Basin and the San Juan Basin, referred to above, to the California Border where it is sold to the Pacific Gas and Electric Company, the Southern California Gas Company and the Southern Counties Gas Company, hereinafter referred to as the "California Companies," who in turn distribute the gas to the various natural gas users in California. Since local supplies of gas are inadequate, the industries and other consumers of California are, through the California Companies, heavily dependent upon El Paso for gas for their heat and power. During 1955, the California Companies purchased over \$120 million worth of natural gas from El Paso, representing three-fourths of El Paso's revenues from sales of gas. El Paso is the principal supplier of

natural gas in the States of Arizona and Nevada and also supplies substantial amounts of natural gas in New Mexico and West Texas.

8. Defendant Pacific Northwest is engaged in the production, purchase, transportation and sale, in interstate commerce, of natural gas for ultimate public consumption for domestic, commercial, industrial and other uses. It transports and sells its own gas and is not a common carrier. It has recently constructed and placed in operation approximately 2300 miles of main and lateral pipelines extending from the San Juan Basin in New Mexico through the States of Colorado, Utah, Wyoming, Idaho, Oregon and Washington to a terminus at the Canadian Border. It produces and purchases natural gas in the San Juan Basin of New Mexico and southwestern Colorado; in the Bar-K Field in Utah and Colorado; in the Big Piney, Tip Top and Hogsback Fields in Wyoming; and in the Piceance Creek and Rangely Fields in Colorado. Pacific Northwest owns substantial reserves in western United States and Canada, particularly in the San Juan Basin, where it owns one of the largest blocks of gas-producing acreage. It has also contracted with West Coast Transmission Company, Ltd., in which company it owns a 25% stock interest, to purchase, commencing in late 1957, a substantial amount of natural gas from Canada. It sells natural gas for resale in Washington, Oregon and Idaho, and also sells directly to certain industrial consumers and to cities and towns located along the route of its pipeline. In addition, this company has contracts to sell natural gas to the Colorado Interstate Gas Company which sells gas in Wyoming and Colorado and to the Mountain Fuel Supply Company in Utah, which company, as hereinabove alleged in paragraph 6, also purchases gas from Utah Natural Gas Company, a subsidiary of Defendant El Paso. As of December 31, 1956, Pacific Northwest had assets of \$248,391,826. The company began initial deliveries of natural gas in late 1956 and to date has only reported revenues from gas sales which in 1956 amounted to \$4,095,539.

9. Defendant Pacific Northwest is the only supplier of natural gas to Washington, Oregon and Idaho. In these states natural gas

supply has only recently become available through Pacific Northwest's newly constructed pipeline and the demand for natural gas is expected to increase. Pacific Northwest, with the only facilities for importation of Canadian gas into the western states, has long-term contracts with West Coast Transmission, Ltd., for substantial and increasing amounts of Canadian gas with which to meet the demands of these markets.

10. Defendant Pacific Northwest has negotiated with distribution companies and consumers in California looking toward possible sale of natural gas in that state. Certain of these negotiations occurred immediately prior to the acquisition of Pacific Northwest by El Paso, which acquisition is hereinafter more fully described in paragraph 15.

11. Defendant El Paso and defendant Pacific Northwest are the only two interstate pipelines purchasing and transporting natural gas from the San Juan Basin. In addition to the pipeline companies, approximately 100 producers are engaged in the exploration for, and production of natural gas in this Basin. These producers are principally dependent upon the two pipeline defendants as outlets to which they can sell natural gas. In the San Juan Basin, El Paso and Pacific Northwest have competed directly in the purchase of natural gas from the various natural gas producers. Natural gas produced in the recently discovered Four Corners Field located at the common corner of New Mexico, Arizona, Utah and Colorado, and in the Paradox Basin in southeastern Utah and southwestern Colorado will be accessible to the pipelines of both defendants. Both pipeline companies are engaged in extensive exploration for natural gas in these aforementioned areas and throughout the western states and Canada.

12. Defendant El Paso and defendant Pacific Northwest have entered into agreements providing for loans of substantial amounts of money and for exchange of gas between the two companies. After the acquisition of the stock of Pacific Northwest by El Paso, hereinafter referred to in paragraph 15, certain officials of El Paso have become officers and directors of Pacific Northwest and announcement has been made of plans to coordinate and integrate the operations

of both pipelines.

13. In addition to the operation of its natural gas pipeline transmission system, defendant El Paso, directly and through its subsidiaries, is engaged in the exploration for oil, the production and refining of crude oil, the production of butadiene and the recovery and manufacture of products from natural gas, including natural gasoline, butane, propane and other refined and extracted products.

14. In addition to the operation of its natural gas pipeline transmission system, defendant Pacific Northwest, directly and through its subsidiaries, is engaged in the exploration for oil, the production and refining of crude oil and the recovery and manufacture of products from natural gas, including natural gasoline, butane, propane and other refined and extracted products.

#### OFFENSE CHARGED

15. Pursuant to an agreement dated November 8, 1956 between El Paso, Pacific Northwest and the Board of Directors of Pacific Northwest, El Paso has acquired in excess of 99% of the outstanding shares of Pacific Northwest's common stock. The acquisition by El Paso of the stock of Pacific Northwest is in violation of Section 7 of the Clayton Act in that the effect of the acquisition may be substantially to lessen competition or tend to create a monopoly. Because of this acquisition:

(a) The only two major pipelines transporting and selling natural gas in several western states are brought under common ownership and control. As a result thereof present and potential domestic, commercial and industrial consumers of natural gas in several states will be deprived of the benefits of a competitive market.

(b) The only two major purchasers of natural gas from numerous natural gas producers in the San Juan Basin and in other natural gas fields in several western states are brought under common ownership and control. As a result thereof the numerous producers of natural gas will be deprived of the benefits of a competitive market in the sale of their products.

(c) El Paso has acquired the only existing domestic facilities for importation of Canadian natural gas into western United States and has thus gained permanent access to sources of Canadian natural gas. As a result thereof, the substantial competition heretofore offered to El Paso by the sale of Canadian natural gas in the western states has been eliminated, and all transmission of natural gas from out-of-state and foreign sources into several western states has been brought under the control of El Paso.

(d) Actual and potential competition between El Paso and Pacific Northwest in various aspects of the exploration for, production, purchase and sale of natural gas will be eliminated.

(e) Pacific Northwest is permanently eliminated as an independent competitive factor in various aspects of the exploration for, production, purchase and sale of natural gas.

(f) The combination of El Paso and Pacific Northwest extends and increases concentration in the production, purchase, transmission and sale of natural gas in the section of the country in which these companies operate and will enhance El Paso's competitive position to a point where other potential competitors may be permanently excluded.

(g) Actual and potential competition between El Paso and Pacific Northwest in the production and sale of a variety of products of the oil and gas industry, including extracted and refined products of oil and natural gas, will be eliminated.

16. The violation alleged in this complaint is continuing and will continue unless the relief hereinafter prayed for is granted.

PRAYER

WHEREFORE, PLAINTIFF PRAYS:

1. That the acquisition by El Paso of the stock of Pacific Northwest be adjudged a violation of Section 7 of the Clayton Act.

2. That under such terms and conditions that this Court may prescribe the defendant El Paso be required to divest itself of the stock of Pacific Northwest.

3. That a preliminary injunction issue enjoining the defendants from disposing of any of the stock of Pacific Northwest, from disposing of or commingling or in any way impairing the independent utility of the assets of Pacific Northwest, and from making any basic changes in the organization or operations of Pacific Northwest pending a final adjudication of this proceeding.

4. That pursuant to Section 15 of the Clayton Act an order be made and entered herein requiring defendant El Paso to be brought before the Court in this proceeding and directing the Marshal of the Western District of Texas to serve summons upon it.

5. That the plaintiff have such other and additional relief as the Court may deem just and proper.

6. That the plaintiff recover its taxable costs.

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