

EL PASO NATURAL GAS CO
Form 8-K
October 18, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report:
October 17, 2005

(Date of Earliest Event Reported: October 17, 2005)

EL PASO NATURAL GAS COMPANY

(Exact name of Registrant as specified in its charter)

Delaware
(State or other
jurisdiction of
incorporation or
organization)

1-2700
(Commission File
Number)

74-0608280
(I.R.S. Employer
Identification No.)

El Paso Building
1001 Louisiana Street
Houston, Texas 77002

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (713) 420-2600

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Information

On October 17, 2005, we announced that we expect our right-of-way agreement across lands held by the United States in trust for the Navajo Nation to expire at midnight tonight. We do not expect any interruption in service to its customers. A copy of the press release is attached hereto as Exhibit 99.A and is incorporated herein by this reference.

As reported in our annual report on Form 10-K for the year ending December 31, 2004, approximately 900 miles of the northern mainline of our pipeline system traverse lands held in trust by the United States for the Navajo Nation. Those lands are the subject of various right-of-way agreements into which the United States has entered with us with the consent of the Navajo Nation.

Today, those real property agreements expired despite intensive efforts by us for over a year to reach a renewed consent agreement with the Navajo Nation. The future terms of any ultimate consent to be obtained from the Navajo Nation are uncertain.

Under the expiring consent agreements with the Navajo Nation, we paid approximately \$2 million per year to the Nation for a total payment of \$29 million over the last 20 years. We have extended an offer that increases compensation to the Nation to approximately \$ 138 million in cash and restricted common stock plus non-cash consideration, including a collaborative project to benefit the Nation, totaling another \$60 million, over the next 20 years.

The Navajo Nation is currently demanding we pay \$22 million per year, or \$440 million, over the coming 20-year period. The Nation's position amounts to a demand that we pay \$50,000 per acre for a 20-year right-of-way renewal, when the fair market value for a perpetual right-of-way through privately-owned land in the same area runs from \$100 to \$500 per acre.

In an effort to resolve the current impasse in the negotiations, we have also filed an application with the Department of the Interior requesting the agency renew our federal right-of-way without tribal consent. (You can access that filing at www.elpaso.com/about/Navajo). Also, because we are not the only pipeline facing this problem, the Energy Policy Act of 2005 includes a provision that calls for a comprehensive study of energy infrastructure rights-of-way on tribal lands. The study is to be conducted jointly by the Departments of Energy and the Interior and must be submitted to the Congress by August 2006.

We do not expect any interruption in service on our northern mainline system arising from these circumstances.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits.

| Exhibit Number | Description |
|---------------------------|---------------------------------------|
| 99.A | Press Release dated October 17, 2005. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EL PASO NATURAL GAS COMPANY

By: */s/ Daniel B. Martin*
Daniel B. Martin
Senior Vice President

Dated: October 17, 2005

EXHIBIT INDEX

| Exhibit Number | Description |
|---------------------------|---------------------------------------|
| 99.A | Press Release dated October 17, 2005. |