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EL PASO NATURAL GAS CO
Form 424B3
August 07, 2003

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-97017

PROSPECTUS

EL PASO NATURAL GAS COMPANY

OFFER TO EXCHANGE
REGISTERED 8 3/8% NOTES DUE JUNE 15, 2032
FOR
ALL OUTSTANDING 8 3/8% NOTES DUE JUNE 15, 2032
(\$300,000,000 IN PRINCIPAL AMOUNT OUTSTANDING)

We are offering to exchange all of our outstanding 8 3/8% Notes due June 15, 2032 for our registered 8 3/8% Notes due June 15, 2032. In this prospectus, we will 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."

THE EXCHANGE OFFER

- Expires 5:00 p.m., New York City time, September 5, 2003, unless extended.
- 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.
- All outstanding Old Notes validly tendered and not withdrawn will be exchanged.
- The exchange offer is not subject to any condition other than that the exchange offer not violate applicable law or any applicable interpretation of the staff of the Securities and Exchange Commission.

THE NEW NOTES

- The terms of the New Notes to be issued in the exchange offer are substantially identical to the Old Notes, except that we have registered the New Notes with the Securities and Exchange Commission. In addition, the New Notes will not be subject to certain transfer restrictions.
- Interest on the New Notes will accrue from June 10, 2002 at the rate of 8 3/8% per annum, payable semi-annually in arrears on each June 15 and December 15, beginning December 15, 2003.
- The New Notes will not be listed on any securities exchange or the NASDAQ Stock Market.

YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS BEGINNING ON PAGE 10 OF THIS PROSPECTUS 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.

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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. We have agreed that, for a period of 180 days after the Expiration Date (as defined herein), we will make this prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

The date of this prospectus is August 7, 2003.

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UNTIL SEPTEMBER 16, 2003, ALL DEALERS THAT EFFECT TRANSACTIONS IN THESE SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE DEALERS' OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNUSED ALLOTMENTS OR SUBSCRIPTIONS.

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THIS PROSPECTUS INCORPORATES IMPORTANT BUSINESS AND FINANCIAL INFORMATION ABOUT EL PASO NATURAL GAS COMPANY THAT IS NOT INCLUDED IN OR DELIVERED WITH THIS PROSPECTUS. DOCUMENTS INCORPORATED BY REFERENCE ARE AVAILABLE FROM US WITHOUT CHARGE, EXCLUDING ANY EXHIBITS TO THOSE DOCUMENTS UNLESS THE EXHIBIT IS SPECIFICALLY INCORPORATED BY REFERENCE AS AN EXHIBIT IN THIS DOCUMENT. YOU CAN OBTAIN DOCUMENTS INCORPORATED BY REFERENCE INTO THIS PROSPECTUS BY REQUESTING THEM IN WRITING OR BY TELEPHONE FROM US AT THE FOLLOWING ADDRESS:

EL PASO NATURAL GAS COMPANY
OFFICE OF INVESTOR RELATIONS
EL PASO BUILDING
1001 LOUISIANA STREET
HOUSTON, TEXAS 77002
TELEPHONE NO.: (713) 420-2600

TO OBTAIN TIMELY DELIVERY OF ANY REQUESTED DOCUMENTS, YOU MUST REQUEST THE INFORMATION NO LATER THAN FIVE BUSINESS DAYS BEFORE YOU MAKE YOUR INVESTMENT DECISION. PLEASE MAKE ANY SUCH REQUESTS ON OR BEFORE AUGUST 28, 2003. SEE "WHERE YOU CAN FIND MORE INFORMATION" FOR MORE INFORMATION ABOUT THESE MATTERS.

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PROSPECTUS SUMMARY

This summary highlights some basic information appearing in other sections of this prospectus. It is not complete and does not contain all the information that you should consider before exchanging Old Notes for New Notes. You should carefully read this prospectus and the documents incorporated by reference 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 10 of this prospectus. You should rely only on the information contained in this document or to which we have referred you. 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," or "ours," we are describing El Paso Natural Gas Company, together with its subsidiaries. References to "El Paso" mean El Paso Corporation.

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

/d	= per day	Bcf	= billion cubic feet
BBtu	= billion British thermal units	MMcf	= million cubic feet
		MMDth	= million dekatherm

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

OUR BUSINESS

We are a Delaware corporation incorporated in 1928, and an indirect wholly owned subsidiary of El Paso Corporation (El Paso). Our sole business is the interstate transportation of natural gas. We conduct our business activities through two pipeline systems, each of which is discussed below.

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The EPNG system. The El Paso Natural Gas system consists of approximately 10,600 miles of pipeline with a winter sustainable west-flow capacity of 4,530 MMcf/d and approximately 800 MMcf/d of east-end deliverability. The west-flow capacity includes approximately 230 MMcf/d of capacity added in November 2002 related to the completion of our Line 2000 project which converted a pipeline from oil transmission to natural gas transmission. This pipeline extends from West Texas to the Arizona and California border. During 2002, 2001 and 2000, average throughput on the EPNG system was 3,799 BBtu/d, 4,253 BBtu/d and 3,937 BBtu/d. This system delivers natural gas from the San Juan, Permian and Anadarko Basins to California, which is our single largest market, as well as markets in Arizona, Nevada, New Mexico, Oklahoma, Texas and northern Mexico.

The Mojave system. The Mojave Pipeline system consists of approximately 400 miles of pipeline with a design capacity of approximately 400 MMcf/d. During 2002, 2001 and 2000, average throughput on the Mojave system was 266 BBtu/d, 283 BBtu/d and 407 BBtu/d. This system connects with the EPNG and Transwestern transmission systems at Topock, Arizona, the Kern River Gas Transmission Company transmission system in California and extends to customers in the vicinity of Bakersfield, California.

Our principal executive 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.

RECENT EVENTS

On June 26, 2003, El Paso announced that it had executed two definitive settlement agreements to resolve the principal litigation and claims against it relating to the sale or delivery of natural gas and/or electricity to or in the Western United States (the Western Energy Settlement). Parties to the settlement agreements include private class action litigants in California; the governor and lieutenant governor of California; the attorneys general of California, Washington, Oregon and Nevada; the California Public

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Utilities Commission; the California Electricity Oversight Board; the California Department of Water Resources; Pacific Gas and Electric Company; Southern California Edison Company; five California municipalities and six non-class private plaintiffs. We are a party to these definitive settlement agreements, and as such, will bear a portion of the costs and obligations of the settlements, as discussed more fully in our Current Report on Form 8-K filed July 9, 2003.

To satisfy a portion of our obligations under the Western Energy Settlement, in July 2003, we completed a private placement of \$355 million aggregate principal amount of our 7 5/8% senior notes due 2010. For additional information regarding the private placement, see our Current Report on Form 8-K filed July 24, 2003.

On July 16, 2003, El Paso announced that its Board of Directors had unanimously elected Douglas L. Foshee, previously Executive Vice President and Chief Operating Officer for Halliburton, to serve as President, Chief Executive Officer (CEO), and a director of El Paso, effective September 2, 2003. Ronald L. Kuehn, Jr., currently serving as El Paso's CEO, will continue to serve as Chairman of the Board. El Paso will also delay the release of its long range planning process so that Mr. Foshee can participate in the completion of the plan. For additional information regarding the election of Mr. Foshee, see El Paso's Current Report on Form 8-K filed July 16, 2003.

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SUMMARY OF THE TERMS OF THE EXCHANGE OFFER

The Exchange Offer..... We are offering to exchange up to \$300,000,000 of the New Notes for up to \$300,000,000 of the Old Notes. Old Notes may be exchanged only in \$1,000 increments.

The terms of the New Notes are identical in all material respects to the Old Notes except that the New Notes will not contain terms with respect to transfer restrictions, registration rights and payments of additional interest that relate to the Old Notes. The New Notes and the Old Notes will be governed by the same indenture.

Registration Rights Agreement..... We sold the Old Notes on June 10, 2002 to Credit Suisse First Boston Corporation, the initial purchaser, under a purchase agreement dated June 4, 2002. Pursuant to the purchase agreement, we and Credit Suisse First Boston Corporation entered into a registration rights agreement that granted the holders of the Old Notes certain exchange and registration rights. Specifically, we agreed to file, on or prior to 90 days after the closing of the offering of the Old Notes, this exchange offer registration statement with respect to a registered offer to exchange the Old Notes for the New Notes. We also agreed to use our commercial reasonable efforts to have this exchange offer registration statement declared effective by the SEC within 220 days after the closing of the offering of the Old Notes and to consummate the exchange offer within 30 business days thereafter. If we fail to fulfill our obligations under the registration rights agreement, additional interest will accrue on the Old Notes at an annual rate of 0.25% for the first 90 days and will increase by an additional 0.25% for each subsequent 90-day period up to a maximum additional annual rate of 0.75%. See "Exchange Offer and Registration Rights." We are currently paying additional interest at an annual rate of 0.75%.

Resale..... We believe that you will be able to freely transfer the New Notes without registration or any prospectus delivery requirement; however, certain broker-dealers and certain of our affiliates may be required to deliver copies of this prospectus if they resell any New Notes.

Expiration Date..... 5:00 p.m., New York City time, on September 5, 2003, unless the exchange offer is extended. You may withdraw Old Notes you tender pursuant to the exchange offer at any time prior to September 5, 2003. See "The Exchange Offer -- Expiration Date; Extensions;

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Termination; Amendments."

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.

Procedures for Tendering Old
Notes.....

If you wish to accept the exchange offer, sign and date the letter of transmittal that was delivered with this prospectus in accordance with the instructions, and deliver the letter of transmittal, along with the Old Notes and any other required documentation, to the exchange agent. Alternatively, you can

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tender your outstanding Old Notes by following the procedures for book-entry transfer, as described in this prospectus. By executing the letter of transmittal or 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 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.

Effect of Not Tendering.....

Old Notes that are not tendered or that are tendered but not accepted will, following the completion of the exchange offer, continue to be subject to the existing restrictions upon transfer thereof.

Special Procedures for
Beneficial Owners.....

If you are a beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and wish to tender such Old Notes in the exchange offer, please contact the registered holder as soon as possible and instruct them to tender on your behalf and comply with our instructions set forth elsewhere in this prospectus.

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Guaranteed Delivery
Procedures..... If you wish to tender your Old Notes, you may, in certain instances, do so according to the guaranteed delivery procedures set forth elsewhere in this prospectus under "The Exchange Offer -- Procedures for Tendering Old Notes -- Guaranteed Delivery."

Withdrawal Rights..... You may withdraw Old Notes that you tender pursuant to the exchange offer by furnishing a written or facsimile transmission notice of withdrawal to the exchange agent containing the information set forth in "The Exchange Offer -- Withdrawal of Tenders" at any time prior to the expiration date.

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.

Broker-Dealers..... 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. We have agreed that, for a period of 180 days after the Expiration Date (as defined herein), we will make this prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

SUMMARY OF TERMS OF NEW NOTES

Issuer..... El Paso Natural Gas Company

New Notes..... \$300,000,000 aggregate principal amount of 8 3/8% Notes due June 15, 2032.

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Maturity Date..... June 15, 2032.

Interest Rate..... 8 3/8% per annum, accruing from June 15, 2003.

Interest Payment Dates..... June 15 and December 15 of each year, beginning December 15, 2003.

Optional Redemption..... We may redeem some or all of the New Notes, at any time or from time to time, at the redemption price described in the section entitled "Description of the Notes -- Optional Redemption of Notes."

Ranking..... As of March 31, 2003, we had total long-term capital market debt (including the Old Notes) of approximately \$960 million. We also had guarantees of approximately \$11 million and letters of credit of approximately \$4 million. The New Notes rank equally with approximately \$675 million of our debt, guarantees and letters of credit, as well as the guarantee of El Paso's \$3 billion revolving credit facility described below.

We are a designated borrower under El Paso's \$3 billion revolving credit facility, which matures in June 2005. We are jointly and severally liable for any amounts outstanding under the \$3 billion facility until August 19, 2003. Except as set forth below, after August 19, 2003, we are only liable for the amounts we borrow under the \$3 billion facility. If, on August 19, 2003, (1) an event of default is continuing with respect to the \$3 billion facility or (2) El Paso or any of the subsidiary guarantors under the facility or any of El Paso's restricted subsidiaries (each as defined in the facility) is subject to a bankruptcy or similar proceeding, then we will continue to be jointly and severally liable for any amounts outstanding under such facility until none of the events described in (1) or (2) above exists. Once our joint and several liability expires on August 19, 2003 as set forth above, there are no circumstances in which we could again become liable under El Paso's \$3 billion facility except for amounts borrowed by us under the facility. As of March 31, 2003, \$1.5 billion was outstanding under the \$3 billion facility, none of which was borrowed by us.

We are also a designated borrower under El Paso's \$1 billion revolving credit facility. We are jointly and severally liable for any amounts outstanding under the \$1 billion facility until its maturity on August 4, 2003. As of March 31, 2003, \$500 million was outstanding (which amount has since been repaid). As of March 31, 2003, \$456 million in letters of credit were issued under the \$1 billion facility, none of which was borrowed by

us. Upon maturity of the \$1 billion facility, any amounts outstanding will be transferred to El Paso's \$3 billion facility.

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Our direct subsidiary, Sabine River Investors V, L.L.C. (Sabine), is one of 17 subsidiary guarantors of El Paso's \$3 billion facility. In connection with its guarantee of the \$3 billion facility, Sabine pledged its equity interests in each of EPNG Mojave, Inc. and El Paso Mojave Pipeline Co., its sole assets, to collateralize that facility. In addition, in connection with its guarantee of El Paso's \$3 billion facility, our direct parent El Paso EPNG Investments, L.L.C. pledged its equity interest in us to collateralize that facility. As a result, our ownership is subject to a change in control if El Paso's lenders under the \$3 billion facility are required to exercise rights over their collateral. El Paso EPNG Investments' equity in us and Sabine's equity interests in EPNG Mojave, Inc. and El Paso Mojave Pipeline Co. also collateralize approximately \$1 billion of other financing arrangements, including leases, letters of credit and other facilities. As a result of these guarantees and pledges, holders of the notes will be effectively subordinated to the secured creditors of El Paso under the \$3 billion facility and the approximately \$1 billion of other financing arrangements with respect to the equity interests of EPNG Mojave, Inc. and El Paso Mojave Pipeline Co. owned by Sabine. At March 31, 2003, the assets of Sabine represented approximately \$369 million, or 12%, of our total consolidated assets and Sabine's EBIT represented approximately \$5 million, or 6%, of our consolidated EBIT.

In connection with the Western Energy Settlement, El Paso has incurred total settlement obligations of approximately \$1.045 billion, of which approximately \$0.4 billion is classified as long-term. Of this amount, we have agreed to pay to the settling parties (i) an aggregate cash payment of \$343.5 million and (ii) a separate cash payment in an amount equal to the proceeds from the issuance by El Paso of approximately 26.4 million shares of El Paso common stock, such proceeds to be contributed or advanced to us by El Paso. We have also guaranteed the remaining balance of El Paso's total settlement obligations. Therefore, holders of the New Notes will rank equally with the settling claimants to the extent of our obligations under the Western Energy Settlement. To satisfy the \$343.5 million portion of our obligation, in July 2003, we completed a private placement of \$355 million aggregate principal amount of our 7 5/8% senior

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notes due 2010. The New Notes would rank equally with these notes.

Certain Covenants.....	The indenture governing the New Notes contains covenants, including covenants limiting (i) the creation of liens securing indebtedness, and (ii) sale-leaseback transactions.
Use of Proceeds.....	We will not receive any proceeds from the exchange of the New Notes for the outstanding Old Notes.
Risk Factors.....	You should read the "Risk Factors" section beginning on page 10, as well as the other cautionary statements throughout this prospectus, to ensure you understand the risks involved with the exchange of the New Notes for the outstanding Old Notes.

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SELECTED FINANCIAL INFORMATION

The following selected financial information was obtained from and should be read in conjunction with our consolidated financial statements and related notes included in this prospectus beginning on page F-1. This historical information is not necessarily indicative of the results to be expected in the future.

	THREE MONTHS ENDED		YEAR ENDED DECEMBER 31,				
	MARCH 31,						
	2003	2002	2002	2001	2000	1999	1998
	(UNAUDITED)		(IN MILLIONS)				
OPERATING RESULTS DATA:							
Operating revenues.....	\$132	\$152	\$ 564	\$ 572	\$ 508	\$ 501	\$ 480
Depreciation, depletion and amortization.....	17	13	63	70	66	63	61
Operating income (loss)(1).....	73	82	(105)	186	223	214	213
Income (loss) before income taxes.....	57	72	(154)	155	206	170	150
Income taxes.....	22	28	(55)	60	78	64	58
Net income (loss) from continuing operations.....	35	44	(99)	95	128	106	92

	AS OF MARCH 31,	AS OF DECEMBER 31,					
	2003	2002	2001	2000	1999	1998	
	(UNAUDITED)		(IN MILLIONS)				

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FINANCIAL POSITION DATA:

Total assets.....	\$3,203	\$3,189	\$3,344	\$2,993	\$3,100	\$2,79
Short-term debt (including current maturities of long-term debt).....	200	200	654	280	567	26
Long-term debt, less current maturities(2).....	758	758	659	873	873	98
Western Energy Settlement						
Current Portion.....	100	100	--	--	--	--
Noncurrent Portion.....	316	312	--	--	--	--
Stockholder's equity.....	1,182	1,153	1,298	1,227	1,126	1,04

- (1) In March 2003, we entered into an agreement in principle to settle claims associated with the western energy crisis from September 1996 to the date of the proposed settlement. We accrued a charge of \$412 million in December 2002 related to this settlement. In 2001, we incurred merger-related costs of \$98 million related to El Paso's merger with The Coastal Corporation. For a further discussion of these matters, see our financial statements included in this prospectus beginning on page F-1.
- (2) In July 2003, we completed a private placement of \$355 million aggregate principal amount of our 7 5/8% senior notes due 2010.

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RATIO OF EARNINGS TO FIXED CHARGES

The following table presents the ratio of earnings to fixed charges for El Paso Natural Gas and its consolidated subsidiaries for the periods indicated:

	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	1998	1999	2000	2001	2002	2002	2003
	----	----	----	----	----	----	----
Ratio of earnings to fixed charges.....	2.1x	2.5x	2.8x	2.5x	--(1)	5.2x	3.8x

- (1) Earnings were inadequate to cover fixed charges by \$160 million for the year ended December 31, 2002.

For the purposes of computing these ratios, earnings means income (loss) from continuing operations before income taxes and fixed charges, less capitalized interest. Fixed charges means the sum of the following:

- interest costs, not including interest on rate refunds;
- amortization of debt costs; and
- that portion of rental expense which we believe represents an interest factor.

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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 of natural gas for third parties. As a result, the volume of natural gas involved in these activities 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 transmission volumes and rates, to renegotiate existing contracts as they expire, or to remarket unsubscribed capacity:

- future weather conditions, including those that favor alternative energy sources;
- price competition;
- drilling activity and supply availability;
- expiration and/or turn back of significant contracts;
- service area competition;
- changes in regulation and actions of regulatory bodies;
- credit risk of customer base;
- increased cost of capital; and
- natural gas and liquids prices.

THE REVENUES OF OUR PIPELINE BUSINESSES ARE GENERATED UNDER CONTRACTS THAT MUST BE RENEGOTIATED PERIODICALLY.

Our revenues are generated under transportation contracts which expire periodically and must be renegotiated and extended or replaced. We cannot assure that we will be able to extend or replace our contracts when they expire or that the terms of any renegotiated contracts will be as favorable as the existing contracts. For a further discussion of these matters, see "Business -- Markets and Competition" beginning on page 22 and Note 4 to the Condensed Consolidated Financial Statements beginning on page F-34.

In particular, our ability to extend and/or replace transportation contracts could be adversely affected by factors we cannot control, including:

- the proposed construction by other companies of additional pipeline capacity in markets served by us;
- changes in state regulation of local distribution companies, which may cause them to negotiate short-term contracts or turn back their capacity when their contracts expire;
- reduced demand and market conditions;
- the availability of alternative energy sources or gas supply points;

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- obligations in connection with the settlement of litigation; and
- regulatory actions.

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.

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WE FACE COMPETITION THAT COULD ADVERSELY AFFECT OUR OPERATING RESULTS.

Our competitors include other pipeline companies, as well as participants in other industries supplying and transporting alternative fuels. If we are unable to compete effectively, our future profitability may be negatively impacted.

FLUCTUATIONS IN ENERGY COMMODITY PRICES COULD ADVERSELY AFFECT OUR BUSINESS.

Revenues generated by our contracts depend on volumes and rates, both of which can be affected by the prices of natural gas. Increased natural gas prices could result in loss of load from our customers, such as power companies not dispatching gas fired power plants, industrial plant shutdown or load loss to competitive fuels and local distribution companies' loss of customer base due to conversion from natural gas. The success of our operations is subject to continued development of additional oil and natural gas reserves in the vicinity of our facilities and our ability to access additional suppliers from interconnecting pipelines to offset the natural decline from existing wells connected to our systems. A decline in energy prices could precipitate a decrease in these development activities and could cause a decrease in the volume of reserves available for transmission on our system. 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 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 pipeline businesses are regulated by the FERC, the U.S. Department of Transportation, and various state and local regulatory agencies. Regulatory actions taken by those 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. If our tariff rates were reduced in a future rate proceeding, if our volume of business under our currently permitted rates was decreased significantly or if we were required to substantially discount the rates for our services because of competition, our profitability and liquidity could be reduced.

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

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COSTS OF ENVIRONMENTAL LIABILITIES, REGULATIONS AND LITIGATION COULD EXCEED OUR ESTIMATES.

Our operations are subject to various environmental laws and regulations. These laws and regulations obligate us to install and maintain pollution controls and to clean up various sites at which regulated materials may have been disposed of or released. We are also party to legal proceedings involving environmental matters pending in various courts and agencies.

It is not possible for us to estimate reliably the amount and timing of all future expenditures related to environmental matters because of:

- the uncertainties in estimating clean up costs;
- the discovery of new sites or information;
- the uncertainty in quantifying liability under environmental laws that impose joint and several liability on all potentially responsible parties;
- the nature of environmental laws and regulations; and
- the possible introduction of future environmental laws and regulations.

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Although we believe we have established appropriate reserves for liabilities, including clean up costs, we could be required to set aside additional reserves in the future due to these uncertainties. For additional information, see Note 4 to the Condensed Consolidated Financial Statements beginning on page F-34.

OUR OPERATIONS ARE SUBJECT TO OPERATIONAL HAZARDS AND UNINSURED RISKS.

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

While we maintain insurance against many of these risks, our financial condition and operations could be adversely affected if a significant event occurs that is not fully covered by insurance.

ONE CUSTOMER CONTRACTS FOR A SUBSTANTIAL PORTION OF OUR FIRM TRANSPORTATION CAPACITY.

For 2002, contracts with Southern California Gas Company were substantial. For additional information on our relationship with Southern California Gas Company, see "Business -- Markets and Competition" beginning on page 22 and Note 12 to the Consolidated Financial Statements beginning on page F-26. The loss of this customer or a decline in its credit-worthiness could adversely affect our results of operations, financial position and cash flow.

TERRORIST ATTACKS AIMED AT OUR FACILITIES COULD ADVERSELY AFFECT OUR BUSINESS.

On September 11, 2001, the U.S. was the target of terrorist attacks of unprecedented scale. Since the September 11th attacks, the U.S. government has issued warnings that energy assets, including our nation's pipeline

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infrastructure, may be a future target of terrorist organizations. These developments have subjected our operations to increased risks. Any future terrorist attack on our facilities, those of our customers and, in some cases, those of other pipelines, could have a material adverse effect on our business.

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 incorporated by reference herein.

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 could adversely affect our financial condition, even if we have not suffered any similar development. The outstanding senior unsecured indebtedness of El Paso has been downgraded to below investment grade, currently rated Caal by Moody's and B by Standard & Poor's (with a developing outlook by Moody's and a negative outlook by Standard & Poor's), which in turn resulted in a similar downgrading of our outstanding senior unsecured indebtedness to B1 by Moody's and B+ by Standard & Poor's (with a developing outlook by Moody's and a negative outlook by Standard & Poor's). These downgrades will increase our cost of capital and collateral requirements, and could impede our access to capital markets. As a result of these recent downgrades, El Paso has realized substantial demands on its liquidity. These downgrades may subject El Paso to additional liquidity demands in the future. These downgrades are a result, at least in part, of the outlook generally for the consolidated businesses of El Paso and its needs for liquidity.

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In order to meet its short term liquidity needs, El Paso has embarked on its 2003 Operational and Financial Plan. Pursuant to the plan, El Paso has substantially reduced its capital expenditures for 2003, signed purchase and sale agreements for or closed approximately \$2.6 billion in asset sales, retired and/or restructured two of its financing vehicles, entered into a new \$3 billion revolving credit facility, resolved significant litigation and regulatory matters, and achieved cost reductions for 2003. To fully achieve the plan's objectives, El Paso must complete an additional \$0.8 billion in non-core asset sales during 2003 and continue to recover substantial amounts of the cash collateral committed to its trading, petroleum and other businesses. There can be no assurance that the remaining actions contemplated under the plan will be consummated on favorable terms, if at all, or even if consummated, that such remaining actions will be successful in satisfying El Paso's liquidity needs. In the event that El Paso's liquidity needs are not satisfied, El Paso could be forced to seek protection from its creditors in bankruptcy. Such a development could materially adversely affect our financial condition.

Pursuant to El Paso's cash management program, surplus cash is made available to El Paso in exchange for an affiliated receivable. In addition, we conduct commercial transactions with some of our affiliates. As of March 31, 2003, we have receivables of approximately \$1,039 million from El Paso and its affiliates and payables of approximately \$7 million to El Paso and its affiliates. El Paso provides cash management and other corporate services for us. If El Paso is unable to meet its liquidity needs, there can be no assurance that we will be able to access cash under the cash management program, or that our affiliates would pay their obligations to us. However, we might still be required to satisfy affiliated company payables. Our inability to recover any

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intercompany receivables owed to us could adversely affect our ability to repay our outstanding indebtedness. For a further discussion of our related party transactions, see Note 11 to the Consolidated Financial Statements beginning on page F-25 and Note 5 to the Condensed Consolidated Financial Statements beginning on page F-42.

WE ARE JOINTLY AND SEVERALLY LIABLE FOR ALL OUTSTANDING AMOUNTS UNDER EL PASO'S CREDIT FACILITIES AND CERTAIN OTHER OBLIGATIONS.

We are a designated borrower under El Paso's \$3 billion revolving credit facility, which matures in June 2005. We are jointly and severally liable for any amounts outstanding under the \$3 billion facility until August 19, 2003. Except as set forth below, after August 19, 2003, we are only liable for the amounts we borrow under the \$3 billion facility. If, on August 19, 2003, (1) an event of default is continuing with respect to the \$3 billion facility or (2) El Paso or any of the subsidiary guarantors under the facility or any of El Paso's restricted subsidiaries (each as defined in the facility) is subject to a bankruptcy or similar proceeding, then we will continue to be jointly and severally liable for any amounts outstanding under such facility until none of the events described in (1) or (2) above exists. Once our joint and several liability expires on August 19, 2003 as set forth above, there are no circumstances in which we could again become liable under El Paso's \$3 billion facility except for amounts borrowed by us under the facility. As of March 31, 2003, \$1.5 billion was outstanding under the \$3 billion facility, none of which was borrowed by us.

We are also a designated borrower under El Paso's \$1 billion revolving credit facility. We are jointly and severally liable for any amounts outstanding under the \$1 billion facility until its maturity on August 4, 2003. As of March 31, 2003, \$500 million was outstanding (which amount has since been repaid). As of March 31, 2003, \$456 million in letters of credit were issued under the \$1 billion facility, none of which was borrowed by us. Upon maturity of the \$1 billion facility, any amounts outstanding will be transferred to El Paso's \$3 billion facility.

Our direct subsidiary, Sabine, is one of 17 subsidiary guarantors of El Paso's \$3 billion facility. In connection with its guarantee of this facility, Sabine pledged its equity interests in each of EPNG Mojave, Inc. and El Paso Mojave Pipeline Co., its sole assets, to collateralize that facility. In addition, in connection with its guarantee of El Paso's \$3 billion facility, our direct parent El Paso EPNG Investments, L.L.C. pledged its equity interests in us to collateralize that facility. As a result, our ownership is subject to a change in control if El Paso's lenders under the \$3 billion facility are required to exercise rights over their collateral. El Paso EPNG Investments' equity in us and Sabine's equity interest in EPNG Mojave,

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Inc. and El Paso Mojave Pipeline Co. also collateralize approximately \$1 billion of other financing arrangements, including leases, letters of credit and other facilities. As a result of these guarantees and pledges, holders of the notes will be effectively subordinated to the secured creditors of El Paso under the \$3 billion facility and the approximately \$1 billion of other financing arrangements with respect to the equity interests of EPNG Mojave, Inc. and El Paso Mojave Pipeline Co. owned by Sabine.

If, for any reason, El Paso does not repay any of the outstanding amounts under these facilities and other obligations, and we are required to repay any such amounts, our financial condition and liquidity could be materially adversely affected.

WE ARE JOINTLY AND SEVERALLY LIABLE FOR EL PASO'S AND EL PASO MERCHANT ENERGY'S

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OBLIGATIONS IN CONNECTION WITH THE WESTERN ENERGY SETTLEMENT.

We have guaranteed the payment of certain obligations of El Paso and El Paso Merchant Energy in connection with the Western Energy Settlement in the event that they fail to pay these amounts or if pledged collateral does not otherwise satisfy these obligations. If, for any reason, either El Paso or El Paso Merchant Energy does not pay any of these obligations, or if pledged collateral does not otherwise satisfy these obligations, and we are required to pay such amounts, our financial condition and liquidity could be materially adversely affected.

WE COULD BE SUBSTANTIVELY CONSOLIDATED WITH EL PASO IF EL PASO WERE FORCED TO SEEK PROTECTION FROM ITS CREDITORS IN BANKRUPTCY.

If El Paso were the subject of voluntary or involuntary bankruptcy proceedings, El Paso and its other subsidiaries and their creditors could attempt to make claims against us, including claims to substantively consolidate our assets and liabilities with those of El Paso and its other subsidiaries. The equitable doctrine of substantive consolidation permits a bankruptcy court to disregard the separateness of related entities and to consolidate and pool the entities' assets and liabilities and treat them as though held and incurred by one entity where the interrelationship between the entities warrants such consolidation. We believe that any effort to substantively consolidate us with El Paso and/or its other subsidiaries would be without merit. We would aggressively defend against any attempt to substantively consolidate us with El Paso and/or its other subsidiaries. However, we cannot assure you that El Paso and/or its other subsidiaries or their respective creditors would not attempt to advance such claims in a bankruptcy proceeding or, if advanced, how a bankruptcy court would resolve the issue. If a bankruptcy court were to substantively consolidate us with El Paso and/or its other subsidiaries, there could be a material adverse effect on our financial condition and liquidity and thus on our ability to make payments on the notes.

ONGOING LITIGATION AND INVESTIGATIONS REGARDING US AND EL PASO COULD SIGNIFICANTLY ADVERSELY AFFECT OUR BUSINESS.

On March 20, 2003, we and our affiliates entered into an agreement in principle (the Western Energy Settlement) to resolve the principal litigation, claims, and regulatory proceedings against us and our affiliates relating to the sale or delivery of natural gas and/or electricity to or in the Western United States. On June 26, 2003, El Paso entered into two definitive settlement agreements with various public and private claimants, including the states of California, Washington, Oregon and Nevada, to resolve this litigation. For further information on these matters, see "Prospectus Summary -- Recent Events," Notes 2 and 8 to the Consolidated Financial Statements beginning on pages F-10 and F-15, and Notes 2 and 4 to the Condensed Consolidated Financial Statements beginning on pages F-32 and F-34. The definitive settlement agreements are subject to approval by the California Superior Court for San Diego County and the structural settlement is subject to approval by the FERC. We currently expect final approval of these settlement agreements in late 2003 or early 2004. If the settlement is not approved by the court or the FERC, the proceedings and litigation will continue. We cannot assure you that the results of any such continued proceedings and litigation would be on terms as favorable as those of the current settlement agreements.

Since July 2002, twelve purported shareholder class action suits alleging violations of federal securities laws have been filed against El Paso and several of its officers. Eleven of these suits are now consolidated in federal court in Houston before a single judge. The suits generally challenge the

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accuracy or completeness of press releases and other public statements made during 2001 and 2002. The twelfth shareholder class action lawsuit was filed in federal court in New York City in October 2002 challenging the accuracy or completeness of El Paso's February 27, 2002 prospectus for an equity offering that was completed on June 21, 2002. It has since been dismissed, in light of similar claims being asserted in the consolidated suits in Houston. Four shareholder derivative actions have also been filed. One shareholder derivative lawsuit was filed in federal court in Houston in August 2002. This derivative action generally alleges the same claims as those made in the shareholder class action, has been consolidated with the shareholder class actions pending in Houston and has been stayed. A second shareholder derivative lawsuit was filed in Delaware State Court in October 2002 and generally alleges the same claims as those made in the consolidated shareholder class action lawsuit. A third shareholder derivative suit was filed in state court in Houston in March 2002, and a fourth shareholder derivative suit was filed in state court in Houston in November 2002. The third and fourth shareholder derivative suits both generally allege that manipulation of California gas supply and gas prices exposed El Paso to claims of antitrust conspiracy, FERC penalties and erosion of share value. At this time, El Paso's legal exposure related to these lawsuits and claims is not determinable.

Another action was filed against El Paso in December 2002, on behalf of participants in El Paso's 401(k) plan.

If we and El Paso do not prevail in these cases (or any of the other litigation, administrative or regulatory matters disclosed in El Paso's Form 10-Q for the quarter ended March 31, 2003 to which El Paso, is or may be, a party), and if the remedy adopted in these cases substantially impairs our and El Paso's financial position, the long-term adverse impact on our and El Paso's credit rating, liquidity and our ability to raise capital to meet ongoing and future investing and financing needs could be substantial.

WE ARE AN INDIRECT WHOLLY OWNED SUBSIDIARY OF EL PASO.

El Paso has substantial control over:

- our payment of dividends;
- decisions on our financings and our 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 RELATED TO OUR LONG-TERM DEBT

OUR SUBSTANTIAL LONG-TERM DEBT COULD IMPAIR OUR FINANCIAL CONDITION AND OUR ABILITY TO FULFILL OUR DEBT OBLIGATIONS.

We have substantial long-term debt. As of March 31, 2003, we had total long-term debt of approximately \$960 million, all of which was senior unsecured long-term indebtedness.

We are a designated borrower under El Paso's \$3 billion revolving credit facility, which matures in June 2005. We are jointly and severally liable for any amounts outstanding under the \$3 billion facility until August 19, 2003. Except as set forth below, after August 19, 2003, we are only liable for the

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amounts

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we borrow under the \$3 billion facility. If, on August 19, 2003, (1) an event of default is continuing with respect to the \$3 billion facility or (2) El Paso or any of the subsidiary guarantors under the facility or any of El Paso's restricted subsidiaries (each as defined in the facility) is subject to a bankruptcy or similar proceeding, then we will continue to be jointly and severally liable for any amounts outstanding under such facility until none of the events described in (1) or (2) above exists. Once our joint and several liability expires on August 19, 2003 as set forth above, there are no circumstances in which we could again become liable under El Paso's \$3 billion facility except for amounts borrowed by us under the facility. As of March 31, 2003, \$1.5 billion was outstanding under the \$3 billion facility, none of which was borrowed by us.

We are also a designated borrower under El Paso's \$1 billion revolving credit facility. We are jointly and severally liable for any amounts outstanding under the \$1 billion facility until its maturity on August 4, 2003. As of March 31, 2003, \$500 million was outstanding (which amount has since been repaid). As of March 31, 2003, \$456 million in letters of credit were issued under the \$1 billion facility, none of which was borrowed by us. Upon maturity of the \$1 billion facility, any amounts outstanding will be transferred to El Paso's \$3 billion facility.

Our direct subsidiary, Sabine, is one of 17 subsidiary guarantors of El Paso's \$3 billion facility. In connection with its guarantee of this facility, Sabine pledged its equity interests in each of EPNG Mojave, Inc. and El Paso Mojave Pipeline Co., its sole assets, to collateralize that facility. In addition, in connection with its guarantee of El Paso's \$3 billion facility, our direct parent El Paso EPNG Investments, L.L.C. pledged its equity interests in us to collateralize that facility. As a result, our ownership is subject to a change in control if El Paso's lenders under the \$3 billion facility are required to exercise rights over their collateral. El Paso EPNG Investments' equity in us and Sabine's equity interests in EPNG Mojave, Inc. and El Paso Mojave Pipeline Co. also collateralize approximately \$1 billion of other financing arrangements, including leases, letters of credit and other facilities. As a result of these guarantees and pledges, holders of the notes will be effectively subordinated to the secured creditors of El Paso under the \$3 billion facility and the approximately \$1 billion of other financing arrangements with respect to the equity interests of EPNG Mojave, Inc. and El Paso Mojave Pipeline Co. owned by Sabine.

In connection with the Western Energy Settlement, El Paso has incurred total settlement obligations of approximately \$1.045 billion, of which approximately \$0.4 billion is classified as long-term. Of this amount, we have agreed to pay to the settling parties (i) an aggregate cash payment of \$343.5 million and (ii) a separate cash payment in an amount equal to the proceeds from the issuance by El Paso of approximately 26.4 million shares of El Paso common stock, such proceeds to be contributed or advanced to us by El Paso. We have also guaranteed the remaining balance of El Paso's total settlement obligations. Therefore, holders of the New Notes will rank equally with the settling claimants to the extent of our obligations under the Western Energy Settlement. To satisfy the \$343.5 million portion of our obligation, in July 2003, we completed a private placement of \$355 million aggregate principal amount of our 7 5/8% senior notes due 2010. The New Notes would rank equally with these notes.

Our substantial long-term debt and obligations could have important consequences. For example, it could:

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- make it more difficult for us to satisfy our obligations with respect to our long-term debt, which could in turn result in an event of default on any or all of such long-term debt;
- 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;

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- 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 or satisfy our guarantees, we could be forced to restructure or refinance our long-term debt, seek additional equity capital or sell assets. We may be unable to obtain financing or sell assets on satisfactory terms, or at all.

Covenants applicable to our long-term debt allow us to incur significant amounts of additional indebtedness. Our incurrence of significant additional indebtedness would exacerbate the negative consequences mentioned above, and could adversely affect our ability to repay our long-term debt.

SOME OF OUR LONG-TERM DEBT IS SUBJECT TO CROSS-ACCELERATION PROVISIONS.

It is an event of default in the indenture governing one issue of our long-term debt if we default in compliance with the terms of any of our other indebtedness with an outstanding principal amount that exceeds \$25 million, and the default results in the acceleration of such indebtedness. If this were to occur, this issue of long-term debt would be subject to possible acceleration, and we may not be able to repay such long-term debt upon such acceleration.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

We have made statements in this document and the documents that are incorporated by reference into this document that constitute forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties. Forward-looking statements include information concerning our possible or assumed future results of operations. These statements may relate to, but are not limited to, information or assumptions about earnings per share, capital and other expenditures, dividends, financing plans, capital structure, cash flow, pending legal and regulatory proceedings and claims, including environmental matters, future economic performance, operating income, cost savings, management's plans, goals and objectives for future operations and growth and markets for our stock. These forward-looking statements generally are accompanied by words such as "intend," "anticipate," "believe," "estimate,"

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"expect," "should" or similar expressions. You should understand that these forward-looking statements are estimates that reflect the best judgment of our senior management and are not guarantees of future performance. They are subject to a number of assumptions, risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements.

For a description of certain risks relating to us and our business, see "Risk Factors" beginning on page 10 of this document and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 24 of this document. In addition, we can give you no assurance that:

- we have correctly identified and assessed all of the factors affecting our businesses;
- the publicly available and other information with respect to these factors on which we have based our analysis is complete or correct;
- our analysis is correct; or
- our strategies, which are based in part on this analysis, will be successful.

Accordingly, you should not place undue reliance on forward-looking statements, which speak only as of the date of this document, or, in the case of documents incorporated by reference, the date of those documents.

All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section and any other cautionary statements that may accompany such forward-looking statements. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, unless the securities laws require us to do so.

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WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement with the SEC under the Securities Act of 1933 that registers the securities offered by this prospectus. The registration statement, including the attached exhibits, contains additional relevant information about us. The rules and regulations of the SEC allow us to omit some information included in the registration statement from this prospectus.

In addition, we file reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934. You may read and copy this information at the SEC's public reference room, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. The SEC also maintains an Internet world wide web site that contains reports, proxy statements and other information about issuers, including El Paso Natural Gas, who file electronically with the SEC. The address of that site is <http://www.sec.gov>.

We "incorporate by reference" information into this prospectus, which means that we disclose important information to you by referring you to another document filed separately with the SEC. This important information is not included in or delivered with this prospectus. The information incorporated by

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reference is deemed to be part of this prospectus, except for any information superseded by information contained directly in this prospectus. The documents listed below and incorporated by reference into this prospectus contain important information about El Paso Natural Gas and its financial condition.

- Annual Report on Form 10-K and Amendment No. 1 on Form 10-K/A for the year ended December 31, 2002;
- Quarterly Report on Form 10-Q and Amendment No. 1 on Form 10-Q/A for the quarter ended March 31, 2003; and
- Current Reports on Form 8-K filed March 21, 2003, April 18, 2003, April 23, 2003, June 5, 2003, July 9, 2003 and July 24, 2003.

We also disclose information about us through current reports on Form 8-K that are furnished to the SEC to comply with Regulation FD. This information disclosed in these reports is not considered to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, is not subject to the liabilities of that section and is not incorporated by reference herein.

All documents filed by us with the SEC from the date of this prospectus to the end of the offering of the notes under this prospectus shall also be deemed to be incorporated herein by reference.

You can obtain any of the documents listed above or any additional documents that we may file with the SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements, through us or from the SEC through the SEC's web site at the address provided above. Documents incorporated by reference are available from us without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit in this document. You can obtain documents incorporated by reference into this prospectus by requesting them in writing or by telephone from us at the following address:

El Paso Natural Gas Company
Office of Investor Relations
El Paso Building
1001 Louisiana Street
Houston, Texas 77002
Telephone No.: (713) 420-2600

TO OBTAIN TIMELY DELIVERY OF ANY REQUESTED DOCUMENTS, YOU MUST REQUEST THE INFORMATION NO LATER THAN FIVE BUSINESS DAYS BEFORE YOU MAKE YOUR INVESTMENT DECISION. PLEASE MAKE ANY SUCH REQUESTS ON OR BEFORE AUGUST 28, 2003.

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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.

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BUSINESS

GENERAL

We are a Delaware corporation incorporated in 1928, and an indirect wholly owned subsidiary of El Paso Corporation (El Paso). Our sole business is the interstate transportation of natural gas. We conduct our business activities through two pipeline systems, each of which is discussed below.

The EPNG system. The El Paso Natural Gas system consists of approximately 10,600 miles of pipeline with a winter sustainable west-flow capacity of 4,530 MMcf/d and approximately 800 MMcf/d of east-end deliverability. The west-flow capacity includes approximately 230 MMcf/d of capacity added in November 2002 related to the completion of our Line 2000 project which converted a pipeline from oil transmission to natural gas transmission. This pipeline extends from West Texas to the Arizona and California border. During 2002, 2001 and 2000, average throughput on the EPNG system was 3,799 BBtu/d, 4,253 BBtu/d and 3,937 BBtu/d. This system delivers natural gas from the San Juan, Permian and Anadarko Basins to California, which is our single largest market, as well as markets in Arizona, Nevada, New Mexico, Oklahoma, Texas and northern Mexico.

The Mojave system. The Mojave Pipeline system consists of approximately 400 miles of pipeline with a design capacity of approximately 400 MMcf/d. During 2002, 2001 and 2000, average throughput on the Mojave system was 266 BBtu/d, 283 BBtu/d and 407 BBtu/d. This system connects with the EPNG and Transwestern transmission systems at Topock, Arizona, the Kern River Gas Transmission Company transmission system in California and extends to customers in the vicinity of Bakersfield, California.

REGULATORY ENVIRONMENT

Our interstate natural gas transmission systems are regulated by the Federal Energy Regulatory Commission (FERC) under the Natural Gas Act of 1938 and the Natural Gas Policy Act of 1978. Our systems operate under FERC-approved tariffs that establish rates and terms and conditions for service to our customers. Generally, the FERC's authority extends to:

- rates and charges for natural gas transportation;
- certification and construction of new facilities;
- extension or abandonment of facilities;
- maintenance of accounts and records;
- relationships between pipeline and marketing affiliates;
- terms and conditions of services;
- depreciation and amortization policies;
- acquisition and disposition of facilities; and
- initiation and discontinuation of services.

The fees or rates established under our tariffs are a function of our costs of providing service to our customers, including a reasonable return on our invested capital. Approximately 94 percent of our transportation services revenue is attributable to a capacity reservation, or demand charge, paid by firm customers. These firm shippers are obligated to pay a monthly demand

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charge, regardless of the amount of natural gas they transport, for the term of their contracts. The remaining 6 percent of our transportation services revenue is attributable to charges based solely on the volumes of gas actually transported on our pipeline systems. Consequently, our financial results have historically been relatively stable; however, they can be subject to volatility due to factors such as weather, changes in natural gas prices and market conditions, regulatory actions, competition and the credit-worthiness of our customers.

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Our interstate pipeline systems are also subject to federal, state and local pipeline safety and environmental statutes and regulations. We have continuing programs designed to keep all of our facilities in compliance with pipeline safety and environmental requirements. We believe that our systems are in material compliance with the applicable requirements.

A discussion of significant rate and regulatory matters is included in Note 4 to the Condensed Consolidated Financial Statements beginning on page F-34.

MARKETS AND COMPETITION

We have firm and interruptible customers, including distribution and industrial companies, electric generation companies, natural gas producers, other natural gas pipelines and natural gas marketing and trading companies. We provide transportation services in both our natural gas supply and market areas. Our pipeline systems connect with multiple pipelines that provide our shippers with access to diverse sources of supply and various natural gas markets served by these pipelines. The following table details our markets and competition on each of our interstate pipeline systems.

PIPELINE SYSTEM	CUSTOMER INFORMATION	CONTRACT INFORMATION	COMPETITION
EPNG	<p>Approximately 230 firm and interruptible transportation customers</p> <p>Major Customer: Southern California Gas Company (1,235 BBtu/d) (95 BBtu/d)</p>	<p>Approximately 180 firm transportation contracts Contracted capacity: (1) Weighted average remaining contract term: approximately 5 years</p> <p>Contract term expires in 2006. Contract terms expiring 2004-2007.</p>	<p>EPNG faces competition from other pipelines as well as other energy sources that produce electricity such as coal, power, nuclear, etc.</p>
Mojave	<p>Approximately 35 firm and interruptible transportation customers</p> <p>Major Customers: Texaco Natural Gas Inc. (185 BBtu/d) Burlington Resources Trading Inc. (76 BBtu/d) Los Angeles Department of</p>	<p>Eight firm contracts Contracted capacity: 98% Weighted average remaining contract term: approximately 4 years</p> <p>Contract term expires in 2007. Contract term expires in 2007.</p>	<p>Mojave faces competition from other pipelines as well as other energy sources that produce electricity such as coal, power, nuclear, etc.</p>

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Water and Power
(50 BBTu/d)

Contract term expires in 2007.

(1) A discussion of significant rate and regulatory matters regarding our capacity is included in Note 4 to the Condensed Consolidated Financial Statements beginning on page F-34.

In 2002, the combined capacity of all pipeline companies serving the California market was approximately 7.4 Bcf/d and we provided approximately 44 percent of this capacity. In 2002, the demand for interstate pipeline capacity to California averaged 5.0 Bcf/d, equivalent to approximately 68 percent of the total interstate pipeline capacity serving that state. Natural gas shipped to California across our system represented approximately 34 percent of the natural gas consumed in the state in 2002.

Electric power generation is one of the fastest growing demand sectors of the natural gas market. The potential consequences of proposed and ongoing restructuring and deregulation of the electric power industry are currently unclear. Restructuring and deregulation benefit the natural gas industry by creating more demand for natural gas turbine generated electric power, but this effect is offset, in varying degrees, by increased generation efficiency and more effective use of surplus electric capacity as a result of open market access.

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Our ability to extend our existing contracts or re-market expiring capacity at maximum rates is dependent on competitive alternatives, the regulatory environment at the federal, state and local levels and market supply and demand factors at the relevant dates these contracts are extended or expire. The duration of new or re-negotiated contracts will be affected by current prices, competitive conditions and judgments concerning future trends and volatility.

ENVIRONMENTAL

A description of our environmental activities is included in Note 8 to our Consolidated Financial Statements beginning on page F-15 and Note 4 to our Condensed Consolidated Financial Statements beginning on page F-34.

EMPLOYEES

As of July 9, 2003, we had approximately 745 full-time employees, none of whom are subject to collective bargaining agreements.

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

The notes to our consolidated financial statements included in this prospectus beginning on page F-7 and F-32 contain information that is pertinent to the following analysis, including a discussion of our significant accounting policies.

GENERAL

Our business is the interstate transportation of natural gas. Our interstate natural gas transportation systems face varying degrees of

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competition from other pipelines, as well as from alternative energy sources used to generate electricity, such as hydroelectric power, nuclear, coal and fuel oil. We are regulated by the FERC which regulates the rates we can charge our customers. These rates are a function of our costs of providing services to our customers, and include a return on our invested capital. As a result, our financial results have historically been relatively stable; however, they can be subject to volatility due to factors such as weather, changes in natural gas prices and market conditions, regulatory actions, competition and the credit-worthiness of our customers. In addition, our ability to extend our existing customer contracts or re-market expiring contracted capacity at maximum rates is dependent on competitive alternatives, the regulatory environment and supply and demand factors at the relevant dates these contracts are extended or expire.

RECENT EVENTS

As discussed in our current report on Form 8-K filed July 9, 2003, we currently expect an additional pre-tax charge of approximately \$146 million during the second quarter of 2003 in connection with the Western Energy Settlement. The historical information presented herein does not include this charge.

In July 2003, we completed a private placement of \$355 million aggregate principal amount of our 7 5/8% senior notes due 2010. For additional information regarding the private placement, see our Current Report on Form 8-K filed July 24, 2003.

REVENUE OUTLOOK

As discussed in Note 8 to the Consolidated Financial Statements beginning on page F-15, on September 20, 2002, the FERC issued an order related to the allocation of capacity on our EPNG system. This order required us to:

- give reservation charge credits prospectively to our firm shippers if we fail to schedule the shippers' confirmed volumes (except in the case of force majeure);
- refrain from entering into new firm contracts or remarketing turned back capacity under contracts terminating or expiring after May 31, 2002; and
- add additional compression to our Line 2000 project increasing the capacity by 320 MMcf/d without the opportunity to recover these costs in our rates until our next rate case which will be effective January 1, 2006.

Our future results of operations will be impacted as a result of this FERC order. Based on the order, we are unable to remarket approximately 471 MMDth/d of capacity, of which approximately 200 MMDth/d was rejected by Enron Corporation in May 2002 in its bankruptcy proceeding. The remaining 271 MMDth/d relates to contracts that expired within the time frame specified under the order. Prior to the rejection and expiration of the 471 MMDth/d contracts, we were earning approximately \$3.5 million per month, net of revenue credits, related to this capacity. In July 2003, the FERC issued two orders related to our capacity allocation proceedings discussed more fully on page F-39. In these rulings, the FERC reaffirmed its decision that our full requirements contracts must be converted to contract demand contracts effective September 1, 2003, supported our position relative to the maximum amount of

capacity we can make available to our shippers and confirmed that we have

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honored our obligations under our existing rate settlement, our contracts, the FERC's regulations and our certificates. We do not believe that these rulings will have a material impact on our ongoing revenues.

In addition, as discussed in Note 8 to our consolidated financial statements beginning on page F-15 and in Note 4 to the Condensed Financial Statements beginning on page F-34 of this prospectus, we have risk sharing mechanisms under our most recent rate case settlement. Under these risk sharing mechanisms, we collect cash from our customers, refund a portion of the cash received as required by the mechanism and then recognize the difference as revenues over the risk sharing period. This risk sharing period will expire on December 31, 2003. The expiration of the risk sharing mechanism will decrease our annual revenues by \$23 million.

RESULTS OF OPERATIONS

We use earnings before interest and income taxes (EBIT) to assess the operating results and effectiveness of our business. EBIT is operating income adjusted to include miscellaneous non-operating income. Items that are not included in this measure are financing costs, including interest and debt expense, affiliated interest income and income taxes. We believe this measurement is useful to our investors because it allows them to evaluate the effectiveness of our businesses and operations and our investments from an operational perspective, exclusive of the costs to finance those activities and exclusive of income taxes. This measurement may not be comparable to measurements used by other companies and should not be used as a substitute for net income or other performance measures such as operating income or operating cash flow. Presented below is a reconciliation of our operating income (loss) to EBIT and EBIT to net income (loss):

	THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,		
	2003	2002	2002	2001	2000
	(UNAUDITED)				
	(IN MILLIONS, EXCEPT VOLUME AMOUNTS)				
Operating revenues.....	\$ 132	\$ 152	\$ 564	\$ 572	\$ 508
Operating expenses.....	(59)	(70)	(669)	(386)	(285)
	-----	-----	-----	-----	-----
Operating income (loss).....	73	82	(105)	186	223
Other income and expense.....	1	--	1	(2)	4
	-----	-----	-----	-----	-----
EBIT.....	74	82	(104)	184	227
Interest and debt expense.....	(20)	(16)	(72)	(87)	(96)
Affiliated interest income.....	3	6	22	58	75
Income taxes.....	(22)	(28)	55	(60)	(78)
	-----	-----	-----	-----	-----
Net income (loss).....	\$ 35	\$ 44	\$ (99)	\$ 95	\$ 128
	=====	=====	=====	=====	=====
Total throughput (BBtu/d) (1).....	4,069	4,203	4,065	4,535	4,310
	=====	=====	=====	=====	=====

(1) Excludes Mojave throughput on behalf of EPNG.

OPERATING RESULTS -- EBIT

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FIRST QUARTER 2003 COMPARED TO FIRST QUARTER 2002

Operating revenues for the quarter ended March 31, 2003, were \$20 million lower than the same period in 2002. A decrease of \$15 million was due to capacity contracts that have expired which we are prohibited from remarketing due to our September 20, 2002 FERC order. For further discussion of this order, see Note 4 to the Condensed Consolidated Financial Statements beginning on page F-34. Also contributing to the decrease was a \$6 million fuel settlement related to our Mojave Pipeline rate case settled in the first quarter of 2002. These decreases were partially offset by \$2 million of higher throughput-based revenues from transportation to interconnecting pipelines serving markets in the midwest and east due to colder weather in 2003.

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Operating expenses for the quarter ended March 31, 2003, were \$11 million lower than the same period in 2002. A decrease of \$9 million was due to bad debt expense recorded in 2002 related to the bankruptcy of Enron Corp. Also contributing to the decrease was a \$4 million decrease in our estimated power purchase costs in 2003, \$2 million due to the periodic revaluation of natural gas imbalances due to higher natural gas prices in 2003 and \$1 million related to an insurance settlement for environmental claims received in 2003. These decreases were partially offset by a \$4 million expense related to the amortization of the discount associated with the Western Energy Settlement obligation and a \$2 million unfavorable fuel variance due to lower pipeline fuel recoveries.

YEAR ENDED DECEMBER 31, 2002 COMPARED TO YEAR ENDED DECEMBER 31, 2001

Operating revenues for the year ended December 31, 2002, were \$8 million lower than in 2001. The decrease was due to \$13 million from lower fuel efficiencies and lower natural gas prices, \$8 million from lower throughput to California and other southwestern states due to lower electric generation demand and milder weather in 2002 and \$4 million from lower rates on the Mojave Pipeline system as a result of a rate case settlement effective October 2001. The decreases were partially offset by \$13 million in higher revenues associated with a larger portion of our available system capacity earning maximum tariff rates and \$3 million related to higher demand revenues in 2002 resulting from annual inflation increases as provided in the EPNG tariff.

Operating expenses for the year ended December 31, 2002, were \$283 million higher than in 2001 primarily as a result of a \$412 million accrual for our Western Energy Settlement in December 2002. Also contributing to the increase were a \$10 million contribution to a charitable foundation, a \$6 million increase in corporate allocations, a \$6 million increase in bad debt expense related to the bankruptcy of Enron Corporation and a \$3 million increase in payroll and other costs. These increases were partially offset by the merger related costs of \$98 million incurred in 2001 related to the relocation of our headquarters from El Paso, Texas to Colorado Springs, Colorado and costs associated with severed employees as part of El Paso's merger with Coastal. For a further discussion of these charges, see Note 3 to the Consolidated Financial Statements beginning on page F-11. Also offsetting the increase was a \$22 million reduction associated with the periodic revaluation of natural gas imbalances as a result of changes in imbalance volumes and gas prices, \$10 million of lower compressor operating costs resulting from lower electric usage and prices in 2002, \$8 million of lower property and other taxes due to a change in an estimated business activity tax settlement and property and franchise tax refunds received in 2002, \$7 million of lower legal fees, \$7 million of depreciation adjustments due to the finalization of regulatory issues in 2002 and \$6 million in decreased environmental costs.

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Other income for the year ended December 31, 2002, was \$3 million higher than in 2001 due to gains on sales of non-pipeline assets of \$1 million in 2002 and a 2001 accrual of \$3 million for proposed fines from the Department of Transportation related to the August 2000 pipeline rupture.

YEAR ENDED DECEMBER 31, 2001 COMPARED TO YEAR ENDED DECEMBER 31, 2000

Operating revenues for the year ended December 31, 2001, were \$64 million higher than the same period in 2000. The increase was due to higher reservation revenues as a result of a larger portion of our capacity earning maximum tariff rates compared to the same period in 2000 and higher throughput from increased deliveries to California and other western states. The increase was partially offset by the impact of lower prices on fuel recoveries.

Operating expenses for the year ended December 31, 2001, were \$101 million higher than the same period in 2000. The increase was primarily due to merger-related costs incurred related to the relocation of our headquarters as part of El Paso's merger with Coastal, the impact of price changes on natural gas imbalances, higher power costs for compression and increases to our reserve for bad debts during the fourth quarter of 2001 in connection with the bankruptcy of Enron Corp. The increase was partially offset by unfavorable shipper and producer settlements in 2000.

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Other income (expense), net for the year ended December 31, 2001, was \$6 million lower than the same period in 2000 due primarily to the sales of non-pipeline related assets in 2000.

INTEREST AND DEBT EXPENSE

Below is the analysis of our interest expense:

	THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,		
	2003	2002	2002	2001	2000
	-----	-----	-----	-----	-----
	(UNAUDITED)				
	(IN MILLIONS)				
Long term debt, including current maturities.....	\$20	\$14	\$69	\$73	\$74
Short term borrowings.....	--	4	8	23	30
Other.....	1	--	1	--	--
Less: Capitalized interest.....	(1)	(2)	(6)	(9)	(8)
	---	---	---	---	---
Total interest and debt expense.....	\$20	\$16	\$72	\$87	\$96
	===	===	===	===	===

FIRST QUARTER 2003 COMPARED TO FIRST QUARTER 2002

Interest and debt expense for the quarter ended March 31, 2003, was \$4 million higher than the same period in 2002. The increase was primarily due to a \$6 million increase in interest related to the issuance of \$300 million of long-term debt in June 2002, which was partially offset by lower interest expense of \$4 million due to the discontinuation of commercial paper activities

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in the fourth quarter of 2002.

YEAR ENDED DECEMBER 31, 2002 COMPARED TO YEAR ENDED DECEMBER 31, 2001

Interest and debt expense for the year ended December 31, 2002, was \$15 million lower than in 2001. The decrease in interest expense was primarily due to a decrease in average commercial paper balances outstanding of \$480 million in 2001 compared with \$296 million in 2002 with the weighted average interest rate decreasing from 4.61% in 2001 to 2.67% in 2002. Also contributing to the decrease was a lower weighted average outstanding long-term debt principal balance in 2002 compared with 2001. In January 2002, we retired \$215 million aggregate principal amount of 7.75% notes and in June 2002, we issued \$300 million aggregate principal amount 8.375% notes. Offsetting the decrease was lower capitalized interest in 2002 compared to 2001 due to lower interest capitalization rates partially offset by a larger average construction work in progress balance in 2002.

YEAR ENDED DECEMBER 31, 2001 COMPARED TO YEAR ENDED DECEMBER 31, 2000

Interest and debt expense for the year ended December 31, 2001, was \$9 million lower than in 2000. The decrease was primarily due to a decrease in the weighted average interest rate on commercial paper borrowings. The rate decreased from 6.46% in 2000 to 4.61% in 2001. There were no maturities of long-term debt during 2001, resulting in a stable long-term debt balance.

AFFILIATED INTEREST INCOME

FIRST QUARTER 2003 COMPARED TO FIRST QUARTER 2002

Affiliated interest income for the quarter ended March 31, 2003, was \$3 million lower than the same period in 2002 due to lower short-term interest rates in 2003 and lower average balances advanced to El Paso under our cash management program. The average short-term interest rates for the first quarter decreased from 1.9% in 2002 to 1.4% in 2003. The average advance balance decreased in the first quarter from \$1.3 billion in 2002 to \$1.0 billion in 2003.

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YEAR ENDED DECEMBER 31, 2002 COMPARED TO YEAR ENDED DECEMBER 31, 2001

Affiliated interest income for the year ended December 31, 2002, was \$36 million lower than in 2001 due to lower short-term interest rates in 2002 and lower average advances to El Paso under the cash management program. The average short-term interest rates decreased from 4.3% in 2001 to 1.8% in 2002, and average advances to El Paso under its cash management program, were \$1,227 million in 2002 versus \$1,352 million in 2001.

YEAR ENDED DECEMBER 31, 2001 COMPARED TO YEAR ENDED DECEMBER 31, 2000

Affiliated interest income for the year ended December 31, 2001, was \$17 million lower than in 2000 due to lower short-term interest rates in 2001. The average short-term interest rates for the twelve months decreased from 6.4% in 2000 to 4.3% in 2001.

INCOME TAXES

FIRST QUARTER 2003 COMPARED TO FIRST QUARTER 2002

The income tax expense for the quarters ended March 31, 2003 and 2002, was \$22 million and \$28 million, resulting in effective tax rates of 39 percent for

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both periods. Our effective tax rates were different from the statutory rate of 35 percent primarily due to state income taxes.

YEAR ENDED DECEMBER 31, 2002 COMPARED TO YEARS ENDED DECEMBER 31, 2001 AND DECEMBER 31, 2000

Income tax benefit for the year ended December 31, 2002, was \$55 million and the income tax expense for the years ended December 31, 2001 and 2000 was \$60 million and \$78 million, resulting in effective tax rates of 36 percent, 38 percent and 38 percent. Our effective tax rates were different from the statutory rate of 35 percent in all periods primarily due to state income taxes. For a reconciliation of the statutory rate to the effective rates, see Note 4 to the Consolidated Financial Statements beginning on page F-11.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

Our liquidity needs are provided by cash flow from operating activities and the use of El Paso's cash management program. Under El Paso's cash management program, depending on whether we have short-term cash surpluses or requirements, we either provide cash to El Paso or El Paso provides cash to us. We have historically provided cash advances to El Paso, and we reflect these net advances to our parent as investing activities in our statement of cash flows. As of March 31, 2003, we had net receivables from El Paso and its subsidiaries of \$1,033 million as a result of this program. These receivables are due upon demand. However, as of March 31, 2003, we have classified \$608 million as non-current because we do not anticipate settlement within twelve months. We believe that cash flow from operating activities and cash provided by El Paso's cash management program will be adequate to meet our short-term capital and debt servicing requirements for existing operations. Our cash flows were as follows:

	THREE MONTHS		YEAR ENDED DECEMBER 31,		
	ENDED MARCH 31,		-----		
	2003	2002	2002	2001	2000
	-----		-----	-----	-----
	(UNAUDITED)		(IN MILLIONS)		
Cash flows from operating activities.....	\$ 48	\$ 72	\$ 269	\$ 324	\$ 160
Cash flows from investing activities.....	(51)	22	120	(455)	155
Cash flows from financing activities.....	--	(94)	(386)	131	(315)

In a series of credit rating agency actions in late 2002 and early 2003, and contemporaneously with the downgrades of the senior unsecured indebtedness of El Paso, our senior unsecured indebtedness was

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downgraded to below investment grade and is currently rated B1 by Moody's and B+ by Standard & Poor's (with a developing outlook at Moody's and a negative outlook at Standard & Poor's). These downgrades will increase our cost of capital and collateral requirements and could impede our access to capital markets in the future.

In April 2003, El Paso entered into a new \$3 billion revolving credit facility, with a \$1.5 billion letter of credit sublimit, which matures in June

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2005. This facility replaces the previous \$3 billion, 364-day revolving credit facility. El Paso's existing \$1 billion revolving credit facility, which matures in August 2003, and approximately \$1 billion of other financing arrangements (including leases, letters of credit and other facilities) were also amended to conform El Paso's obligations to the new \$3 billion revolving credit facility. We, along with our affiliates, ANR Pipeline Company, Tennessee Gas Pipeline Company (TGP) and El Paso, are borrowers under the \$3 billion revolving credit facility, and we, TGP and El Paso are borrowers under the \$1 billion revolving credit facility.

Our direct subsidiary, Sabine, is one of 17 subsidiary guarantors of El Paso's \$3 billion facility. In connection with its guarantee of the \$3 billion facility, Sabine pledged its equity interests in each of EPNG Mojave, Inc. and El Paso Mojave Pipeline Co., its sole assets, to collateralize that facility. In addition, in connection with its guarantee of El Paso's \$3 billion facility, our direct parent El Paso EPNG Investments, L.L.C. pledged its equity interests in us to collateralize that facility. El Paso EPNG Investments' equity in us and Sabine's equity interests in EPNG Mojave, Inc. and El Paso Mojave Pipeline Co. also collateralize approximately \$1 billion of other financing arrangements, including leases, letters of credit and other facilities. We will remain jointly and severally liable under the \$3 billion revolving credit facility through August 19, 2003. After that date, we will only be liable for the amounts we borrow under the facility other than as described above. We are also jointly and severally liable for any amounts outstanding under the \$1 billion revolving credit facility until it matures on August 4, 2003.

The revolving credit facilities have a borrowing cost of LIBOR plus 350 basis points and letter of credit fees of 350 basis points. A key financial covenant of the facilities is the requirement for El Paso to maintain debt to total capitalization, as defined in the revolving credit facilities, not to exceed 75 percent. In addition, we and the other pipeline company borrowers cannot incur incremental debt if the incurrence of debt would cause our debt to EBITDA ratio, as defined in the revolving credit facilities, to exceed 5 to 1. The proceeds from the issuance of debt by the pipeline company borrowers can be used only for maintenance and expansion capital expenditures or investments in other FERC-regulated assets, to fund working capital and to refinance existing debt. As of March 31, 2003, \$1.5 billion was outstanding under the \$3 billion facility, none of which was borrowed by us, and \$500 million was outstanding (which amount has since been repaid) and \$456 million in letters of credit were issued under the \$1 billion facility, none of which was borrowed by us.

In August 2002, the FERC issued a notice of proposed rulemaking requiring, among other things, that FERC regulated entities participating in cash management arrangements with non-FERC regulated parents maintain a minimum proprietary capital balance of 30 percent, and that the FERC regulated entity and its parent maintain investment grade credit ratings, as a condition to participating in the cash management program. If this proposal is adopted, our participation in El Paso's cash management program would terminate, which could affect our liquidity. We cannot predict the outcome of this proposal at this time.

On March 20, 2003, we and our affiliates entered into an agreement in principle (the Western Energy Settlement) with various public and private claimants, including the states of California, Washington, Oregon and Nevada, to resolve the principal litigation, claims and regulatory proceedings against us and our affiliates relating to the sale or delivery of natural gas and electricity from September 1996 to the date of the Western Energy Settlement. On June 26, 2003, El Paso announced that it had executed two definitive settlement agreements that resolve this litigation. See "Prospectus Summary -- Recent Events," Notes 2 and 8 to the Consolidated Financial Statements beginning on pages F-10 and F-15, and Notes 2 and 4 to the Condensed Consolidated Financial Statements beginning on pages F-32 and F-34.

CAPITAL EXPENDITURES

Our capital expenditures during the periods indicated are listed below:

	THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,		
	2003	2002	2002	2001	2000
	(IN MILLIONS)				
Maintenance.....	\$25	\$32	\$123	\$105	\$ 86
Expansion/Other.....	13	5	70	52	142
Total.....	\$38	\$37	\$193	\$157	\$228
	===	===	====	====	====

Under our current plan, we expect to spend between approximately \$100 million and \$150 million in each of the next three years for capital expenditures to maintain the integrity of our pipelines and ensure the reliable delivery of natural gas to our customers. In addition, we have budgeted to spend between approximately \$70 million and \$195 million in each of the next three years to expand the capacity of our pipeline systems. We expect to fund our maintenance and expansion capital expenditures using a combination of internally generated funds and external financing.

DEBT

For a discussion of our debt obligations, see Note 7 to the Consolidated Financial Statements beginning on page F-13 and Note 3 to the Condensed Consolidated Financial Statements beginning on page F-33.

COMMITMENTS AND CONTINGENCIES

For a discussion of our commitments and contingencies, see Note 8 to our Consolidated Financial Statements beginning on page F-15 and Note 4 to the Condensed Consolidated Financial Statements beginning on page F-34.

NEW ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

None.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary market risk is exposure to changing interest rates. The table below shows the carrying value and related weighted average interest rates of our interest bearing securities, by expected maturity dates, and the fair value of those securities. The fair values of our fixed rate long-term debt securities have been estimated based on quoted market prices for the same or similar issues.

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	DECEMBER 31, 2002				DECEMBER	
	-----					CARRYING
	EXPECTED FISCAL YEAR OF MATURITY OF CARRYING AMOUNTS					
2003	2004-2007	THEREAFTER	TOTAL	FAIR VALUE		

(DOLLARS IN MILLIONS)						
LIABILITIES:						
Long-term debt, including						
current portion -- fixed						
rate.....	\$200	--	\$758	\$958	\$874	
Average interest rate...	6.8%	--	7.9%			

As of March 31, 2003, there were no material changes in our quantitative and qualitative disclosures about market risk from those as of December 31, 2002.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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USE OF PROCEEDS

We received net proceeds of \$296 million from the issuance of the Old Notes which we used to pay related transaction fees, to repay outstanding commercial paper and other short-term indebtedness, for payments to minority interest shareholders and for general corporate purposes. We will not receive any cash proceeds from the issuance of the New Notes. We will exchange outstanding Old Notes for New Notes in like principal amount as contemplated in this prospectus. The terms of the New Notes are identical in all material respects to the existing Old Notes except as otherwise described herein under "Description of the Notes." The Old Notes surrendered in exchange for the New Notes will be retired and canceled and cannot be reissued. Accordingly, issuance of the New Notes will not result in a change in our total debt and other financing obligations.

CAPITALIZATION

The following table sets forth our historical capitalization as of March 31, 2003, which includes the original issuance of \$300 million of Old Notes on June 10, 2002, and our application of the net proceeds of \$296 million from that issuance to reduce our short-term indebtedness. The exchange of the Old Notes for the New Notes will not impact our overall capitalization. This table should be read in conjunction with our condensed consolidated financial statements and related notes contained in our March 31, 2003 Form 10-Q, which are included in this prospectus beginning on page F-29.

AS OF
MARCH 31,
2003

(UNAUDITED)

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(IN MILLIONS)

Short-term borrowings (including current maturities of long-term debt).....	\$ 200

Total long-term debt(1).....	758

Stockholder's equity:	
Preferred stock, 8%, par value \$0.01 per share; authorized 1,000,000 shares; issued 500,000 shares; stated at liquidation value.....	350
Common stock, par value \$1 per share; authorized and issued 1,000 shares.....	--
Additional paid-in capital.....	715
Retained earnings.....	117

Total stockholder's equity.....	1,182

Total capitalization.....	\$2,140
	=====

(1) In July 2003, we completed a private placement of \$355 million aggregate principal amount of our 7 5/8% senior notes due 2010.

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THE EXCHANGE OFFER

EXCHANGE TERMS

Old Notes in an aggregate principal amount of \$300,000,000 are currently issued and outstanding. The maximum aggregate principal amount of New Notes that will be issued in exchange for Old Notes is \$300,000,000. The terms of the New Notes and the Old Notes are substantially the same in all material respects, except that the New Notes will not contain terms with respect to transfer restrictions, registration rights and payments of additional interest.

The New Notes will bear interest at a rate of 8.375% per year, payable semi-annually on June 15 and December 15 of each year, beginning on December 15, 2003. Holders of New Notes will receive interest from the date of the original issuance of the Old Notes or from the date of the last payment of interest on the Old Notes, whichever is later. Holders of New Notes will not receive any interest on Old Notes tendered and accepted for exchange. In order to exchange your Old Notes for transferable New Notes in the exchange offer, you will be required to make the following representations, which are included in the letter of transmittal:

- any New Notes that you receive will be acquired in the ordinary course of your business;
- you are not participating, and have no arrangement or understanding 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

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- 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.

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, we will accept for exchange any Old Notes properly tendered in the exchange offer, and the exchange agent will deliver the New Notes promptly after the expiration date of the exchange offer.

If you tender your Old Notes, you will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of the Old Notes in connection with the exchange offer. We will pay all charges, expenses and transfer taxes in connection with the exchange offer, other than the taxes described below under "-- Transfer Taxes."

WE MAKE NO RECOMMENDATION TO YOU AS TO WHETHER YOU SHOULD TENDER OR REFRAIN FROM TENDERING ALL OR ANY PORTION OF YOUR EXISTING OLD NOTES INTO THIS EXCHANGE OFFER. IN ADDITION, NO ONE HAS BEEN AUTHORIZED TO MAKE THIS RECOMMENDATION. YOU MUST MAKE YOUR OWN DECISION WHETHER TO TENDER INTO THIS EXCHANGE OFFER AND, IF SO, THE AGGREGATE AMOUNT OF OLD NOTES TO TENDER AFTER READING THIS PROSPECTUS AND THE LETTER OF TRANSMITTAL AND CONSULTING WITH YOUR ADVISORS, IF ANY, BASED ON YOUR FINANCIAL POSITION AND REQUIREMENTS.

EXPIRATION DATE; EXTENSIONS; TERMINATION; AMENDMENTS

The exchange offer expires at 5:00 p.m., New York City time, on September 5, 2003, unless we extend the exchange offer, in which case the expiration date will be the latest date and time to which we extend the exchange offer.

We expressly reserve the right, so long as applicable law allows:

- to delay our acceptance of Old Notes for exchange;
- to terminate the exchange offer if any of the conditions set forth under "-- Conditions of the Exchange Offer" exist;
- to waive any condition to the exchange offer;
- to amend any of the terms of the exchange offer; and
- to extend the expiration date and retain all Old Notes tendered in the exchange offer, subject to your right to withdraw your tendered Old Notes as described under "-- Withdrawal of Tenders."

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Any waiver or amendment to the exchange offer will apply to all Old Notes tendered, regardless of when or in what order the Old Notes were tendered. If the exchange offer is amended in a manner that we think constitutes a material change, or if we waive a material condition of the exchange offer, we will promptly disclose the amendment or waiver by means of a prospectus supplement that will be distributed to the registered holders of the Old Notes, and we will extend the exchange offer to the extent required by Rule 14e-1 under the Exchange Act.

We will promptly follow any delay in acceptance, termination, extension or amendment by oral or written notice of the event to the exchange agent, followed promptly by oral or written notice to the registered holders. Should we choose to delay, extend, amend or terminate the exchange offer, we will have no obligation to publish, advertise or otherwise communicate this announcement, other than by making a timely release to an appropriate news agency.

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In the event we terminate the exchange offer, all Old Notes previously tendered and not accepted for payment will be returned promptly to the tendering holders.

In the event that the exchange offer is withdrawn or otherwise not completed, New Notes will not be given to holders of Old Notes who have validly tendered their Old Notes.

RESALE OF NEW NOTES

Based on interpretations of the SEC staff set forth in no action letters issued to third parties, we believe that New Notes issued under the exchange offer in exchange for Old Notes may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act, if:

- you are acquiring New Notes in the ordinary course of your business;
- you are not participating, and have no arrangement or understanding with any person to participate, in the distribution of the New Notes;
- you are not our "affiliate" within the meaning of Rule 405 under the Securities Act;
- you are not a broker-dealer who purchased Old Notes directly from us for resale pursuant to Rule 144A or any other available exemption under the Securities Act; and

If you tender Old Notes in the exchange offer with the intention of participating in any manner in a distribution of the New Notes:

- you cannot rely on those interpretations by the SEC staff, and
- you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction and that such a secondary resale transaction must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K.

Only broker-dealers that acquired the Old Notes as a result of market-making activities or other trading activities may participate in the exchange offer. Each broker-dealer that receives New Notes for its own account 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, must acknowledge that it will deliver a prospectus in connection with any resale of the New Notes. Please read the section captioned "Plan of Distribution" for more details regarding the transfer of New Notes.

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ACCEPTANCE OF OLD NOTES FOR EXCHANGE

We will accept for exchange Old Notes validly tendered pursuant to the exchange offer, or defectively tendered, if such defect has been waived by us. We will not accept Old Notes for exchange subsequent to the expiration date of the exchange offer. Tenders of Old Notes will be accepted only in denominations of \$1,000 and integral multiples thereof.

We expressly reserve the right, in our sole discretion, to:

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- delay acceptance for exchange of Old Notes tendered under the exchange offer, subject to Rule 14e-1 under the Exchange Act, which requires that an offeror pay the consideration offered or return the securities deposited by or on behalf of the holders promptly after the termination or withdrawal of a tender offer, or
- terminate the exchange offer and not accept for exchange any Old Notes not theretofore accepted for exchange, if any of the conditions set forth below under "-- Conditions of the Exchange Offer" have not been satisfied or waived by us or in order to comply in whole or in part with any applicable law. In all cases, New Notes will be issued only after timely receipt by the exchange agent of certificates representing Old Notes, or confirmation of book-entry transfer, a properly completed and duly executed letter of transmittal, or a manually signed facsimile thereof, and any other required documents. For purposes of the exchange offer, we will be deemed to have accepted for exchange validly tendered Old Notes, or defectively tendered Old Notes with respect to which we have waived such defect, if, as and when we give oral, confirmed in writing, or written notice to the exchange agent. Promptly after the expiration date, we will deposit the New Notes with the exchange agent, who will act as agent for the tendering holders for the purpose of receiving the New Notes and transmitting them to the holders. The exchange agent will deliver the New Notes to holders of Old Notes accepted for exchange after the exchange agent receives the New Notes.

If, for a