

# NATIONAL FUEL GAS CO

## FORM 8-K (Current report filing)

Filed 09/09/11 for the Period Ending 09/09/11

Address	6363 MAIN STREET WILLIAMSVILLE, NY 14221-5887
Telephone	716-857-7000
CIK	0000070145
Symbol	NFG
SIC Code	4924 - Natural Gas Distribution
Industry	Natural Gas Utilities
Sector	Utilities
Fiscal Year	09/30

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

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**FORM 8-K**

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**CURRENT REPORT**

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

Date of Report (Date of earliest event reported): September 9, 2011

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**NATIONAL FUEL GAS COMPANY**

(Exact name of registrant as specified in its charter)

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New Jersey  
(State or other jurisdiction  
of incorporation)

1-3880  
(Commission  
File Number)

13-1086010  
(IRS Employer  
Identification No.)

6363 Main Street, Williamsville, New York  
(Address of principal executive offices)

14221  
(Zip Code)

Registrant's telephone number, including area code: (716) 857-7000

Former name or former address, if changed since last report: Not Applicable

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions ( *see* General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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National Fuel Gas Company (the “Company”) will conduct a presentation for financial analysts in New York City on September 9, 2011. A copy of materials to be presented by the Company is furnished as part of this Current Report as Exhibit 99.

Neither the furnishing of the presentation as an exhibit to this Current Report nor the inclusion in such presentation of any reference to the Company’s internet address shall, under any circumstances, be deemed to incorporate the information available at such internet address into this Current Report. The information available at the Company’s internet address is not part of this Current Report or any other report filed or furnished by the Company with the Securities and Exchange Commission.

In addition to financial measures calculated in accordance with generally accepted accounting principles (“GAAP”), the presentation furnished as part of this Current Report as Exhibit 99 contains certain non-GAAP financial measures. The Company believes that such non-GAAP financial measures are useful to investors because they provide an alternative method for assessing the Company’s operating results in a manner that is focused on the performance of the Company’s ongoing operations. The Company’s management uses these non-GAAP financial measures for the same purpose, and for planning and forecasting purposes. The presentation of non-GAAP financial measures is not meant to be a substitute for financial measures prepared in accordance with GAAP.

Certain statements contained herein or in the materials furnished as part of this Current Report, including statements regarding estimated future earnings and statements that are identified by the use of the words “anticipates,” “estimates,” “expects,” “forecasts,” “intends,” “plans,” “predicts,” “projects,” “believes,” “seeks,” “will” and “may” and similar expressions, are “forward-looking statements” as defined by the Private Securities Litigation Reform Act of 1995. There can be no assurance that the Company’s projections will in fact be achieved nor do these projections reflect any acquisitions or divestitures that may occur in the future. While the Company’s expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis, actual results may differ materially from those projected in forward-looking statements. Furthermore, each forward-looking statement speaks only as of the date on which it is made. In addition to other factors, the following are important factors that could cause actual results to differ materially from those discussed in the forward-looking statements: financial and economic conditions, including the availability of credit, and occurrences affecting the Company’s ability to obtain financing on acceptable terms for working capital, capital expenditures and other investments, including any downgrades in the Company’s credit ratings and changes in interest rates and other capital market conditions; changes in economic conditions, including global, national or regional recessions, and their effect on the demand for, and customers’ ability to pay for, the Company’s products and services; the creditworthiness or performance of the Company’s key suppliers, customers and counterparties; economic disruptions or uninsured losses resulting from terrorist activities, acts of war, major accidents, fires, severe weather, pest infestation or natural disasters; factors affecting the Company’s ability to successfully identify, drill for and produce economically viable natural gas and oil reserves, including among others geology, lease availability, weather conditions, shortages, delays or

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unavailability of equipment and services required in drilling operations, insufficient gathering, processing and transportation capacity, the need to obtain governmental approvals and permits, and compliance with environmental laws and regulations; changes in laws and regulations to which the Company is subject, including those involving derivatives, taxes, safety, employment, climate change, other environmental matters, and exploration and production activities such as hydraulic fracturing; uncertainty of oil and gas reserve estimates; significant differences between the Company's projected and actual production levels for natural gas or oil; significant changes in market dynamics or competitive factors affecting the Company's ability to retain existing customers or obtain new customers; changes in demographic patterns and weather conditions; changes in the availability and/or price of natural gas or oil and the effect of such changes on the accounting treatment of derivative financial instruments; impairments under the SEC's full cost ceiling test for natural gas and oil reserves; changes in the availability and/or cost of derivative financial instruments; changes in the price differential between similar quantities of natural gas at different geographic locations, and the effect of such changes on the demand for pipeline transportation capacity to or from such locations; other changes in price differentials between similar quantities of oil or natural gas having different quality, heating value or geographic location; changes in the projected profitability of pending or potential projects, investments or transactions; significant differences between the Company's projected and actual capital expenditures and operating expenses; delays or changes in costs or plans with respect to Company projects or related projects of other companies, including difficulties or delays in obtaining necessary governmental approvals, permits or orders or in obtaining the cooperation of interconnecting facility operators; governmental/regulatory actions, initiatives and proceedings, including those involving derivatives, acquisitions, financings, rate cases (which address, among other things, allowed rates of return, rate design and retained natural gas), affiliate relationships, industry structure, franchise renewal, and environmental/safety requirements; unanticipated impacts of restructuring initiatives in the natural gas and electric industries; ability to successfully identify and finance acquisitions or other investments and ability to operate and integrate existing and any subsequently acquired business or properties; changes in actuarial assumptions, the interest rate environment and the return on plan/trust assets related to the Company's pension and other post-retirement benefits, which can affect future funding obligations and costs and plan liabilities; significant changes in tax rates or policies or in rates of inflation or interest; significant changes in the Company's relationship with its employees or contractors and the potential adverse effects if labor disputes, grievances or shortages were to occur; changes in accounting principles or the application of such principles to the Company; the cost and effects of legal and administrative claims against the Company or activist shareholder campaigns to effect changes at the Company; increasing health care costs and the resulting effect on health insurance premiums and on the obligation to provide other post-retirement benefits; or increasing costs of insurance, changes in coverage and the ability to obtain insurance. The Company disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date thereof.

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Item 9.01	Financial Statements and Exhibits.
(d)	Exhibits
Exhibit 99	Furnished presentation materials

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

NATIONAL FUEL GAS COMPANY

By: /s/ J AMES R. P ETERSON  
James R. Peterson  
Assistant Secretary

Dated: September 9, 2011

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EXHIBIT INDEX

Exhibit  
Number

Description

99

Furnished presentation materials



**National Fuel**  
A subsidiary of National Fuel Gas Corporation

Exhibit 99



## Investor Presentation

Analyst Day  
September 9, 2011



# National Fuel Gas Company

## *Schedule of Speakers*



September 9, 2011

8:00 -8:20 am	<b>Dave Smith</b> Chairman & Chief Executive Officer	Corporate Overview
8:20 -8:35 am	<b>Matt Cabell</b> President -Seneca Resources Corporation	Exploration & Production Overview
8:35 –9:00 am	<b>John McGinnis</b> Senior Vice PresidentSeneca Resources Corporation	Exploration & Production Geology/New Plays
9:00 -9:20 am	<b>Barry McMahan</b> Senior Vice PresidentSeneca Resources Corporation	Exploration & Production Operations/Environment
9:20 –9:40 am	<b>Ron Tanski</b> President and Chief Operating Officer	Pipeline & Storage Midstream
9:40 –9:50 am	<b>Anna Marie Cellino</b> President -National Fuel Gas Distribution Corporation	Utility Overview
9:50 -10:10 am	<b>Dave Bauer</b> Treasurer and Principal Financial Officer	Financial Update
10:10 -10:45 am	<b>Question &amp; Answer Session</b>	

# National Fuel Gas Company

## *Safe Harbor For Forward Looking Statements*

This presentation may contain "forward-looking statements" as defined by the Private Securities Litigation Reform Act of 1995, including statements regarding future prospects, plans, performance and capital structure, anticipated capital expenditures and completion of construction projects, as well as statements that are identified by the use of the words "anticipates," "estimates," "expects," "forecasts," "intends," "plans," "predicts," "projects," "believes," "seeks," "will," "may," and similar expressions. Forward-looking statements involve risks and uncertainties, which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. The Company's expectations, beliefs and projections contained herein are expressed in good faith and are believed to have a reasonable basis, but there can be no assurance that such expectations, beliefs or projections will result or be achieved or accomplished.

In addition to other factors, the following are important factors that could cause actual results to differ materially from results referred to in the forward-looking statements: financial and economic conditions, including the availability of credit, and occurrences affecting the Company's ability to obtain financing on acceptable terms for working capital, capital expenditures and other investments, including any downgrades in the Company's credit ratings and changes in interest rates and other capital market conditions; changes in economic conditions, including global, national or regional recessions, and their effect on the demand for, and customers' ability to pay for, the Company's products and services; the creditworthiness or performance of the Company's key suppliers, customers and counterparties; economic disruptions or uninsured losses resulting from terrorist activities, acts of war, major accidents, fires, severe weather, pest infestation or natural disasters; factors affecting the Company's ability to successfully identify, drill for and produce economically viable natural gas and oil reserves, including among others geology, lease availability, weather conditions, shortages, delays or unavailability of equipment and services required in drilling operations, insufficient gathering, processing and transportation capacity, the need to obtain governmental approvals and permits, and compliance with environmental laws and regulations; changes in laws and regulations to which the Company is subject, including those involving derivatives, taxes, safety, employment, climate change, other environmental matters, and exploration and production activities such as hydraulic fracturing; uncertainty of oil and gas reserve estimates; significant differences between the Company's projected and actual production levels for natural gas or oil; significant changes in market dynamics or competitive factors affecting the Company's ability to retain existing customers or obtain new customers; changes in demographic patterns and weather conditions; changes in the availability and/or price of natural gas or oil and the effect of such changes on the accounting treatment of derivative financial instruments; impairments under the SEC's full cost ceiling test for natural gas and oil reserves; changes in the availability and/or cost of derivative financial instruments; changes in the price differential between similar quantities of natural gas at different geographic locations, and the effect of such changes on the demand for pipeline transportation capacity to or from such locations; other changes in price differentials between similar quantities of oil or natural gas having different quality, heating value, geographic location or delivery date; changes in the projected profitability of pending or potential projects, investments or transactions; significant differences between the Company's projected and actual capital expenditures and operating expenses; delays or changes in costs or plans with respect to the Company's projects or related projects of other companies, including difficulties or delays in obtaining necessary governmental approvals, permits or orders or in obtaining the cooperation of interconnecting facility operators; governmental/regulatory actions, initiatives and proceedings, including those involving derivatives, acquisitions, financings, rate cases (which address, among other things, allowed rates of return, rate design and retained natural gas), affiliate relationships, industry structure, franchise renewal, and environmental/safety requirements; unanticipated impacts of restructuring initiatives in the natural gas and electric industries; ability to successfully identify and finance acquisitions or other investments and ability to operate and integrate existing and any subsequently acquired business or properties; changes in actuarial assumptions, the interest rate environment and the return on plan/trust assets related to the Company's pension and other post-retirement benefits, which can affect future funding obligations and costs and plan liabilities; significant changes in tax rates or policies or in rates of inflation or interest; significant changes in the Company's relationship with its employees or contractors and the potential adverse effects if labor disputes, grievances or shortages were to occur; changes in accounting principles or the application of such principles to the Company; the cost and effects of legal and administrative claims against the Company or activist shareholder campaigns to effect changes at the Company; increasing health care costs and the resulting effect on health insurance premiums and on the obligation to provide other post-retirement benefits; or increasing costs of insurance, changes in coverage and the ability to obtain insurance.

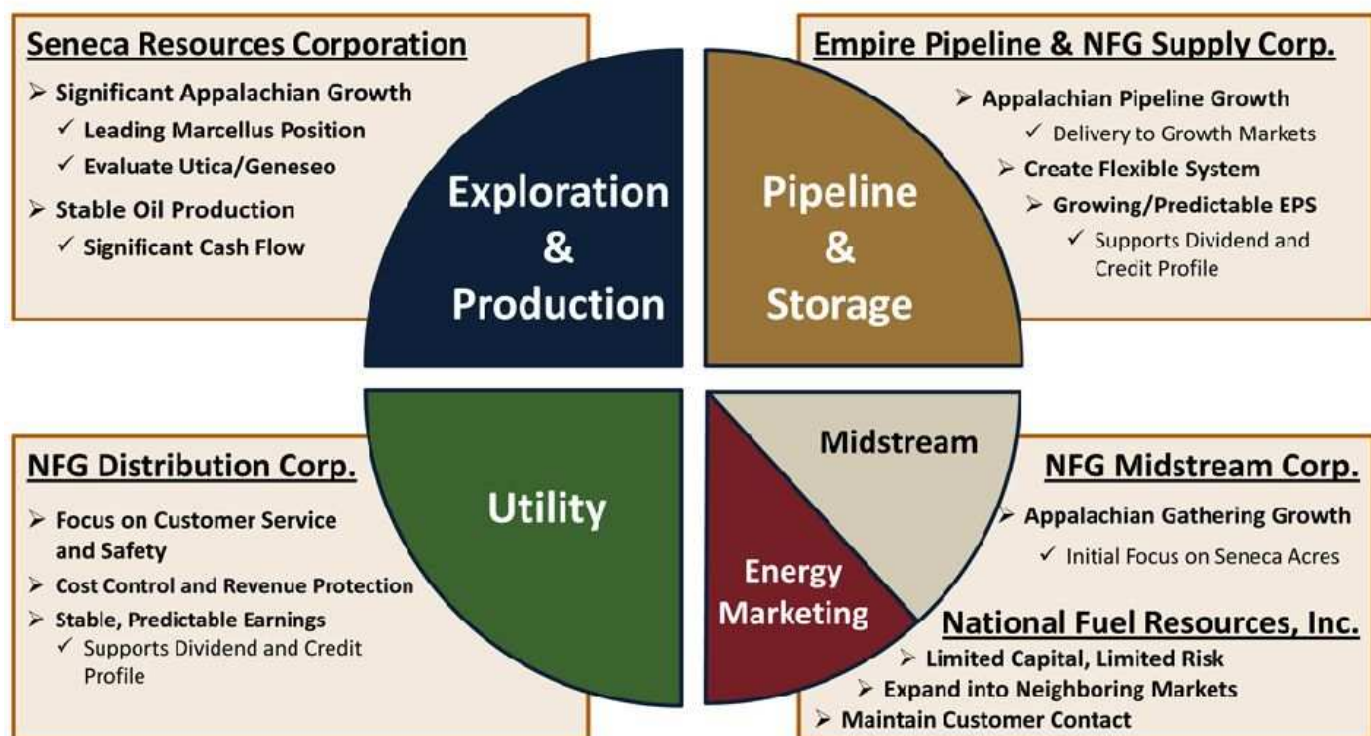
Forward-looking statements include estimates of oil and gas quantities. Proved oil and gas reserves are those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible under existing economic conditions, operating methods and government regulations. Other estimates of oil and gas quantities, including estimates of probable reserves, possible reserves, and resource potential, are by their nature more speculative than estimates of proved reserves. Accordingly, estimates other than proved reserves are subject to substantially greater risk of being actually realized. Investors are urged to consider closely the disclosure in our Form 10-K available at [www.nationalfuelgas.com](http://www.nationalfuelgas.com). You can also obtain this form on the SEC's website at [www.sec.gov](http://www.sec.gov).

For a discussion of the risks set forth above and other factors that could cause actual results to differ materially from results referred to in the forward-looking statements, see "Risk Factors" in the Company's Form 10-K for the fiscal year ended September 30, 2010 and the Company's Forms 10-Q for the periods ended December 31, 2010, March 31, 2011 and June 30, 2011. The Company disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date thereof or to reflect the occurrence of unanticipated events.



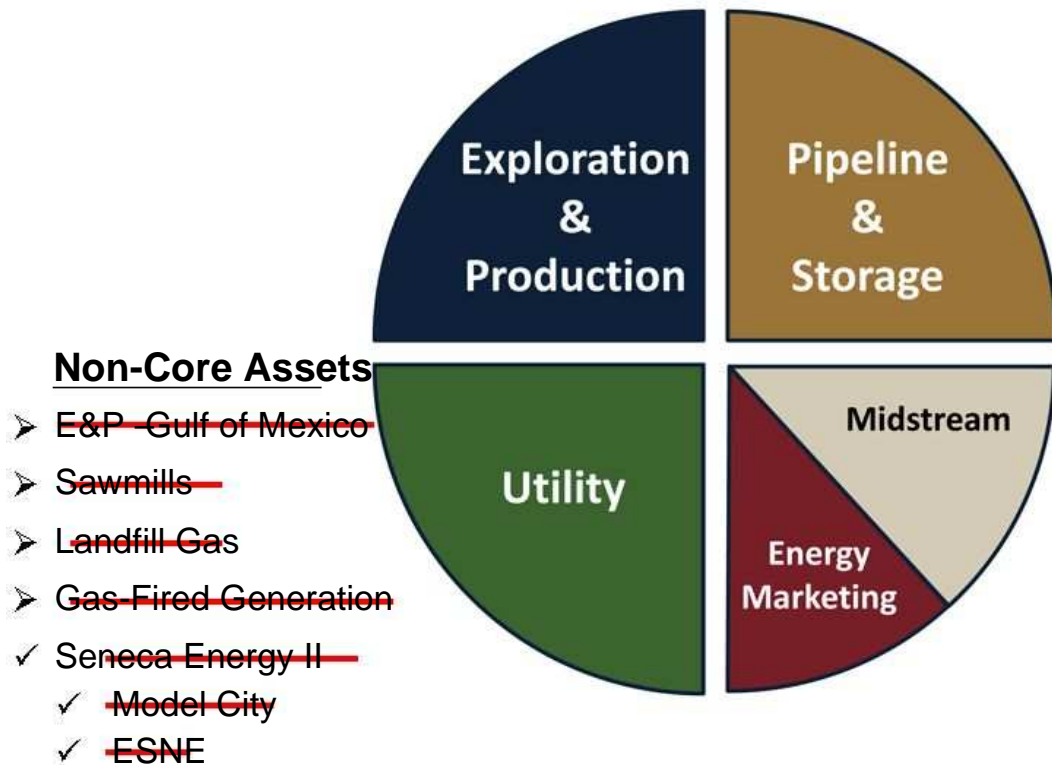
# Core Businesses

## *Integrated Business Structure*



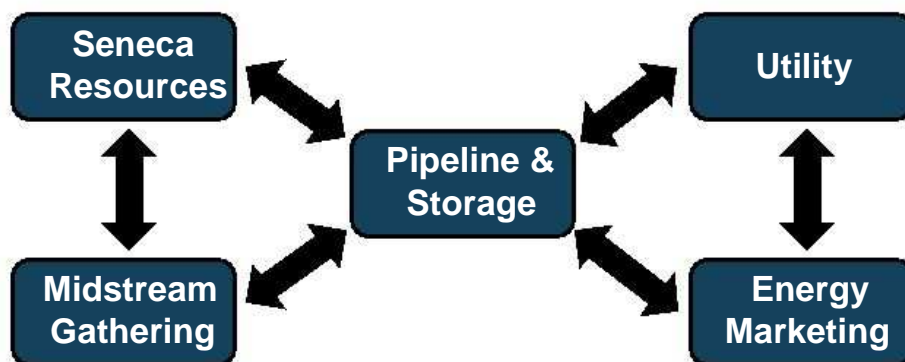
# Core Businesses

## *Integrated Business Structure*



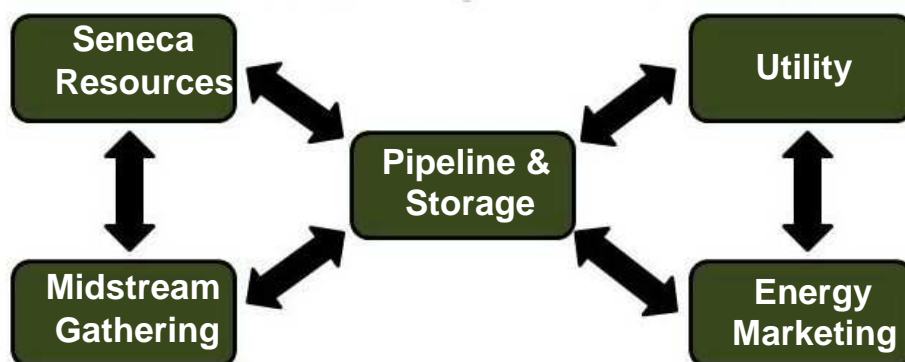
# National Fuel Gas Company

*Unique Asset Mix Creates Operational Value*



- The interconnected nature of the current asset mix creates many operational efficiencies and synergies
  - ✓ The Company's gathering and interstate pipeline network, opportunities and capabilities allow for largely unfettered growth in Seneca's production
  - ✓ National Fuel Resource and the NFG Distribution Corporation are large customers on the interstate pipeline and storage network
  - ✓ Many internal resources including facilities and employees are shared and partially allocated to subsidiaries leading to efficiencies and streamlined operations

## *Our Business Mix Leads to Long-Term Value Creation*



- The strategic and financial benefits created by the integrated mix of businesses has continued to generate significant long-term value for the Company
  - ✓ The mix of rate-regulated and non-regulated businesses have generated total shareholder returns that have outperformed over the long-term
  - ✓ The rate-regulated returns—which are not commodity price sensitive—provide downside protection while unregulated returns provide significant upside opportunity
  - ✓ Coordinated development of infrastructure and Marcellus acreage improves the present value of all operations
  - ✓ The Company's strong credit profile lowers the cost of capital for all of our businesses

# National Fuel Gas Company

## *Seneca Resources Joint Venture Discussions*

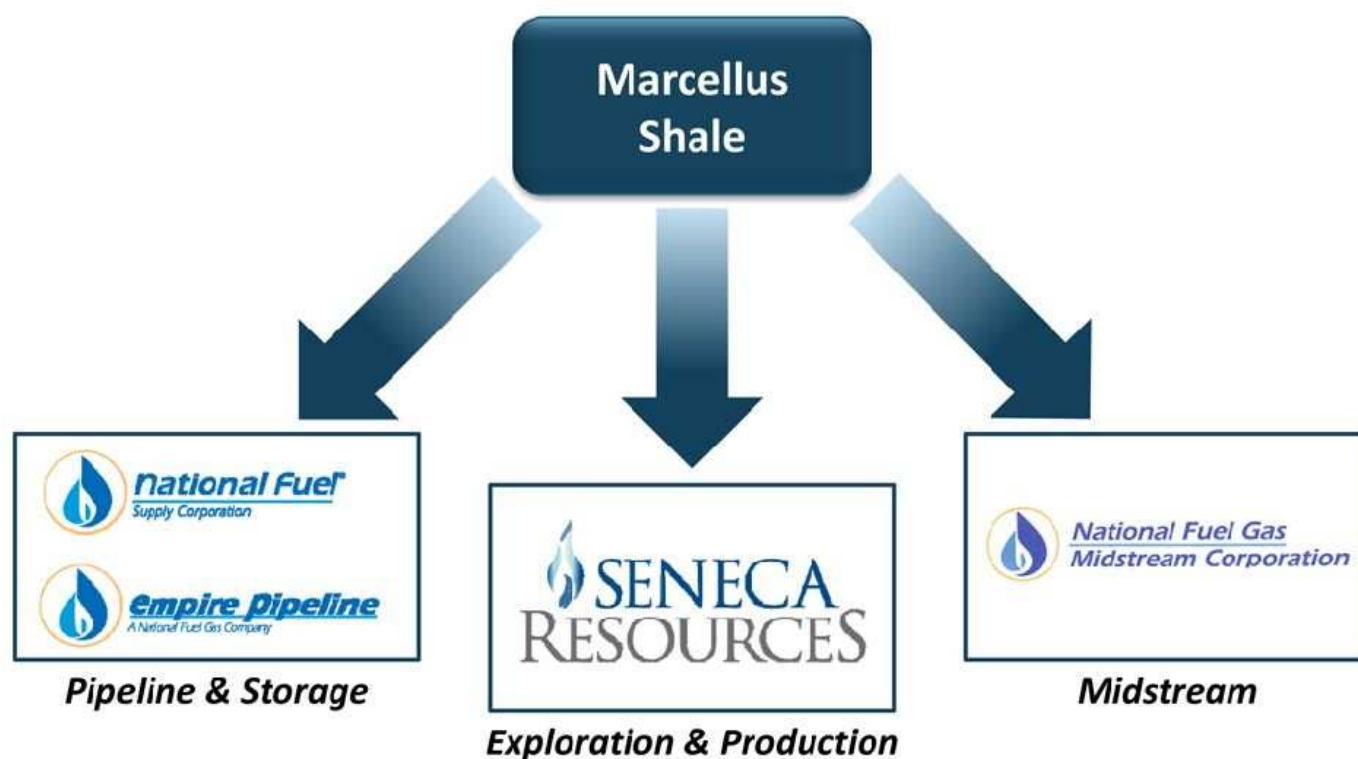
September 9, 2011



- ✓ Initial acreage price targets met by several parties
- ✓ Several other negotiating points, each with an associated value or other significant consequence, were not mutually agreed upon
- ✓ Aggressive growth plans were more compelling than any current joint venture opportunity
  - Not capital constrained

# National Fuel Gas Company

## *Significant Growth Related to the Marcellus Shale*





# National Fuel Gas Company

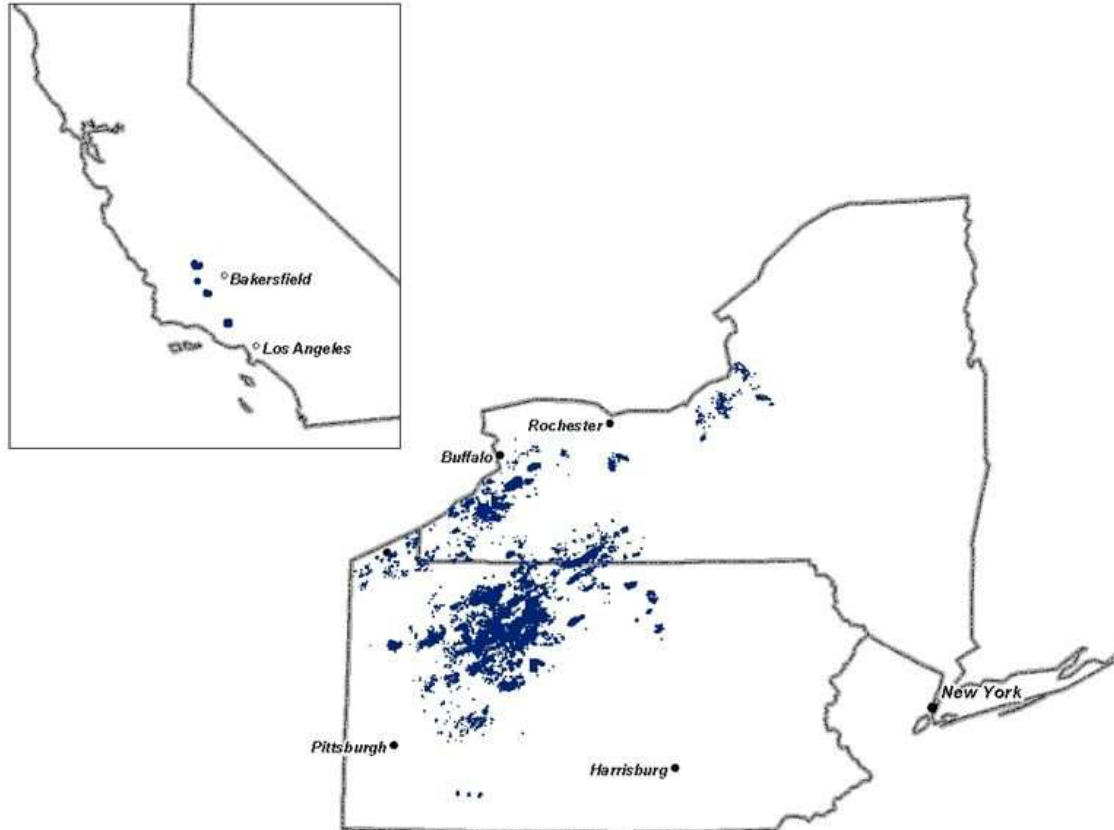
## 2014 –Where We Are Headed

September 9, 2011

- **Significant Ramp Up in Capital Expenditures to Fuel Marcellus Expansion**
  - ✓ 2011 to 2014: Growing Capital Expenditures at an **18% CAGR**
  - ✓ 2014 Forecasted Capital Spending: **\$1.3 to \$1.6 Billion**
- **Rapidly Growing Production Through Marcellus Development**
  - ✓ 2011 to 2014: Growing Production at a **41% CAGR**
  - ✓ 2014 Forecasted Production: **16000 Bcfe**
- **Transform the Pipeline & Storage Segment**
  - ✓ 2011 to 2014: Growing Throughput at a **20% CAGR**
  - ✓ 2014 Forecasted Throughput: **~600 Bcf**
- **Maintain a Strong Balance Sheet**
  - ✓ Will be able to maintain targeted Equity-to-Capitalization of 55% to 65%

***Cash from Operations is forecasted to double from 2011 to 2014***





# Seneca Resources

## *Our Growth Story*

September 9, 2011

- Not the same company we were just a few years ago
- Will continue to grow dramatically
  - ✓ Production and reserves expected to triple or quadruple from 2010 to 2014
- Held over 700,000 Marcellus acres before the play received any attention
- Have since added another 40,000 acres in the core of the play
- In addition to Marcellus, Seneca has acreage in emerging plays:
  - ✓ Utica Shale: significant untested potential
  - ✓ Geneseo Shale (Upper Devonian): ~300,000 prospective acres
- Outstanding oil producing assets in California provide steady production and cash flow

## Major Transformation Over the Past Five Years

**Then**



**Now**

➤ **Capital Expenditures**

- 2006: 70% Gulf of Mexico and Canada

➤ **Production**

- 2006-2009: Declining Production

➤ **3-Year Average F&D Cost**

- 2006-2008: \$7.63 per Mcfe

➤ **Capital Expenditures**

- Gulf of Mexico and Canada have been sold.
- 2011: 90% for Marcellus Shale

➤ **Production**

- 2010-2013: Production expected to triple

➤ **3-Year Average F&D Cost**

- 2008-2010: \$2.37 per Mcfe

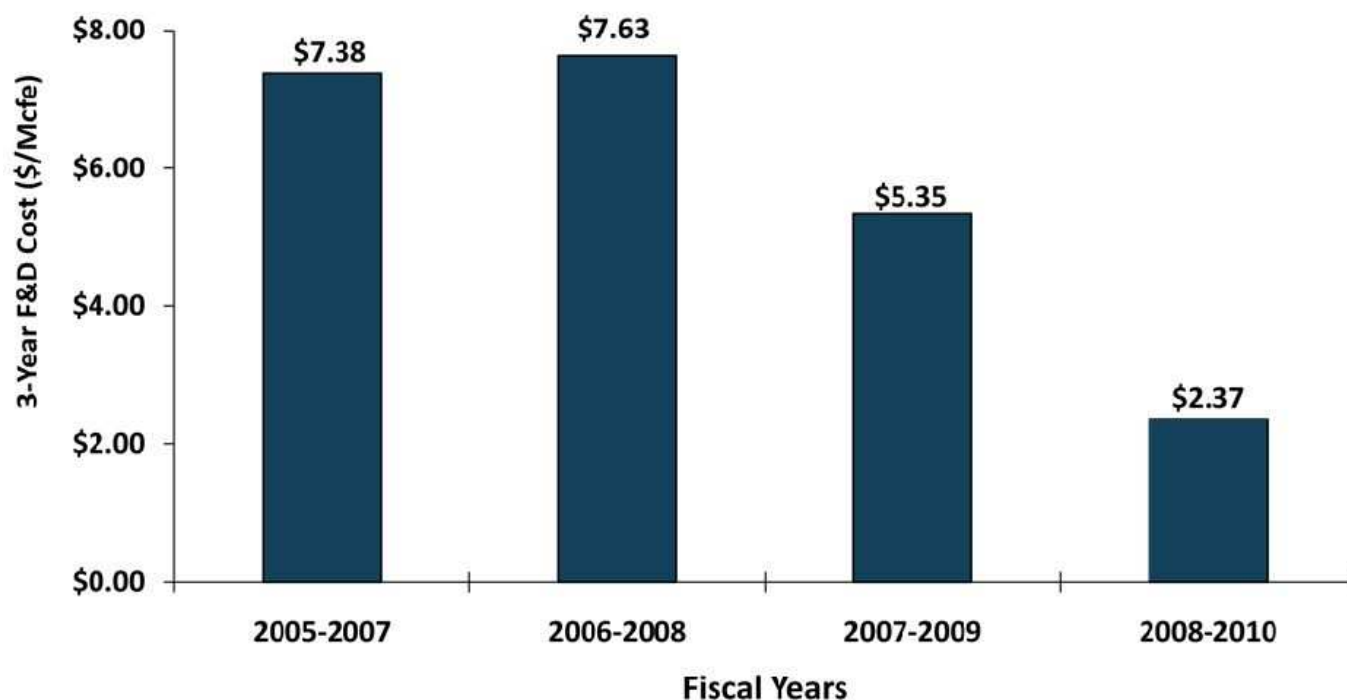
***From Gulf of Mexico Wildcatting to Marcellus Resource Development***

	Proved Reserves (at Sept. 30, 2010)
California	55.5 MMBoe (333 Bcfe)
Shallow Devonian	131 Bcfe
Marcellus	202 Bcfe

	Prospective Net Acres	Resource Potential
Marcellus Shale	745,000	8-15 TCFE
Geneseo Shale	300,000	TBD
Utica Shale	TBD	TBD

## *Continued Improvement in Finding & Development Costs*

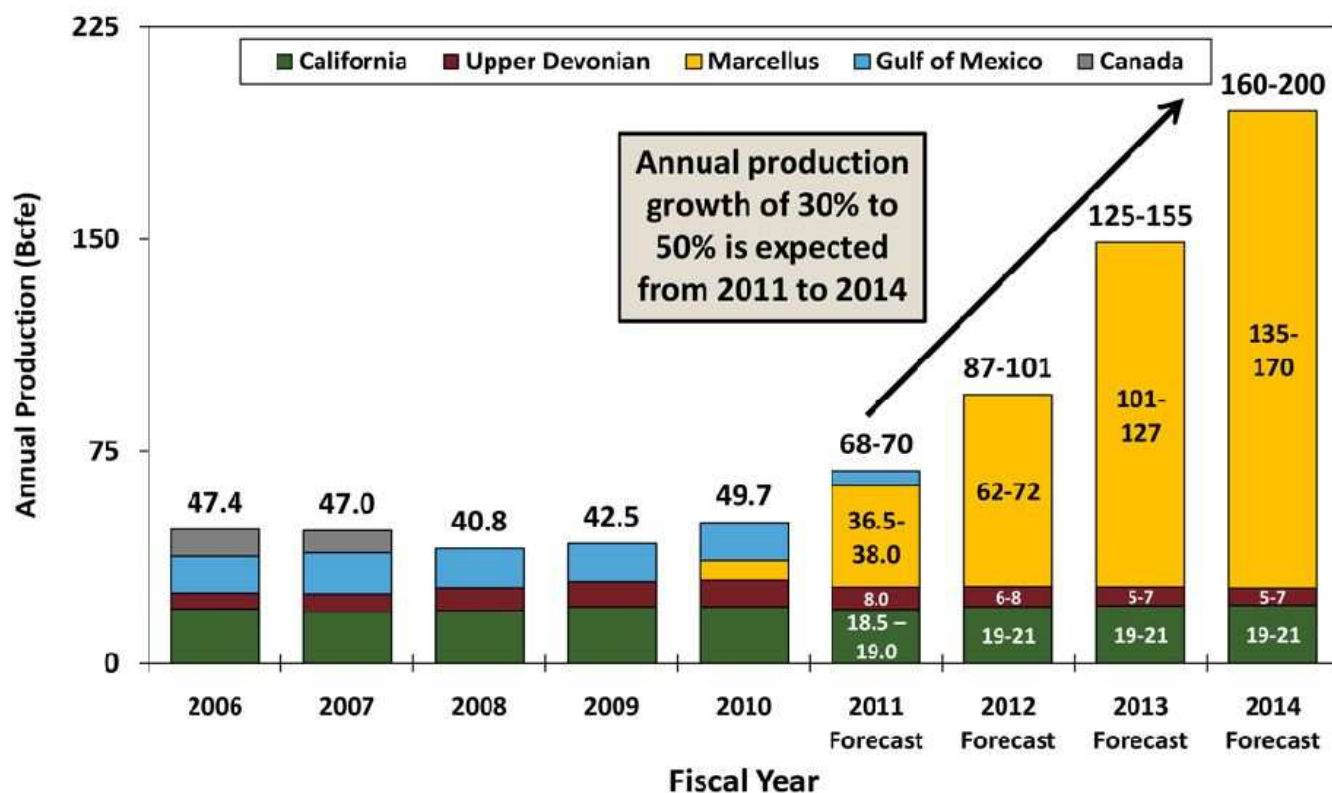
**Three Year Average U.S Finding & Development Cost**



# Seneca Resources

## *Ramping Up Production Growth*

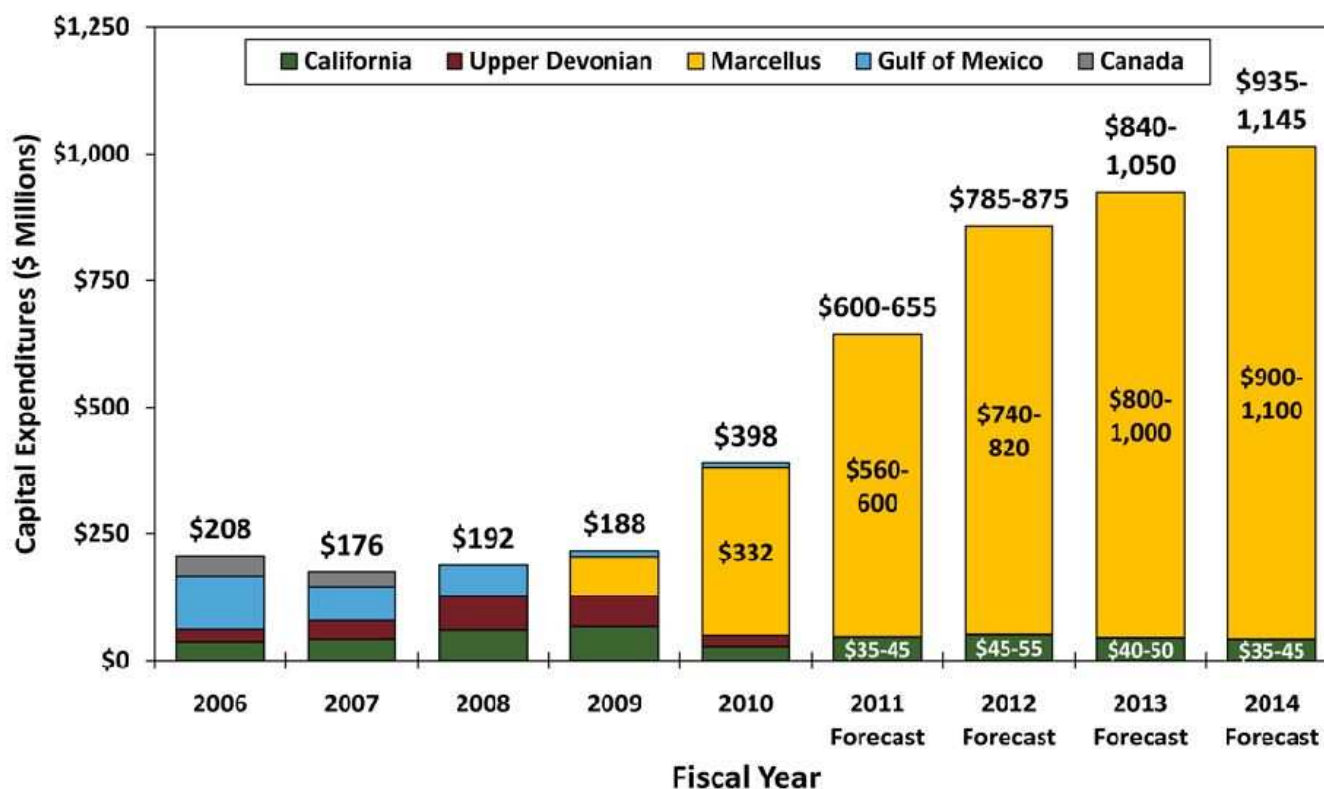
September 9, 2011



# Seneca Resources

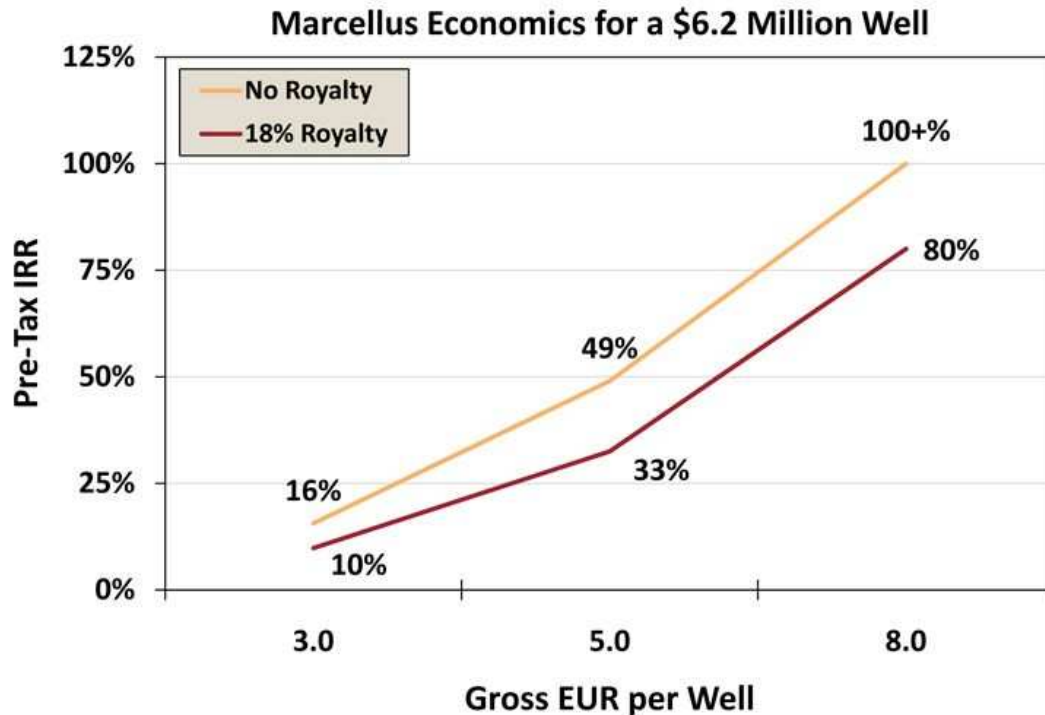
## Capital Spending Shifting to the Marcellus

September 9, 2011

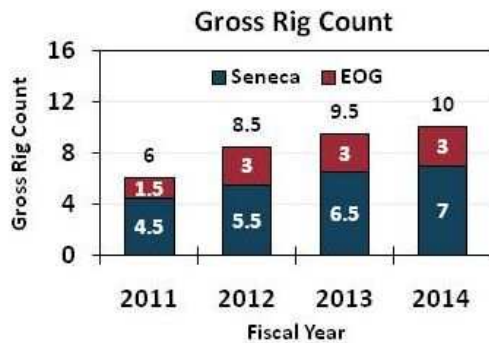




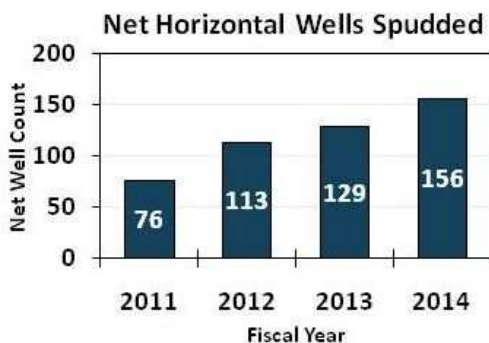
## Marcellus Acreage Position Provides Superior Economics



## Marcellus Shale Strategic Development Plan



- Aggressively Develop our excellent Tioga and Lycoming County leasehold
- Systematically evaluate western acreage

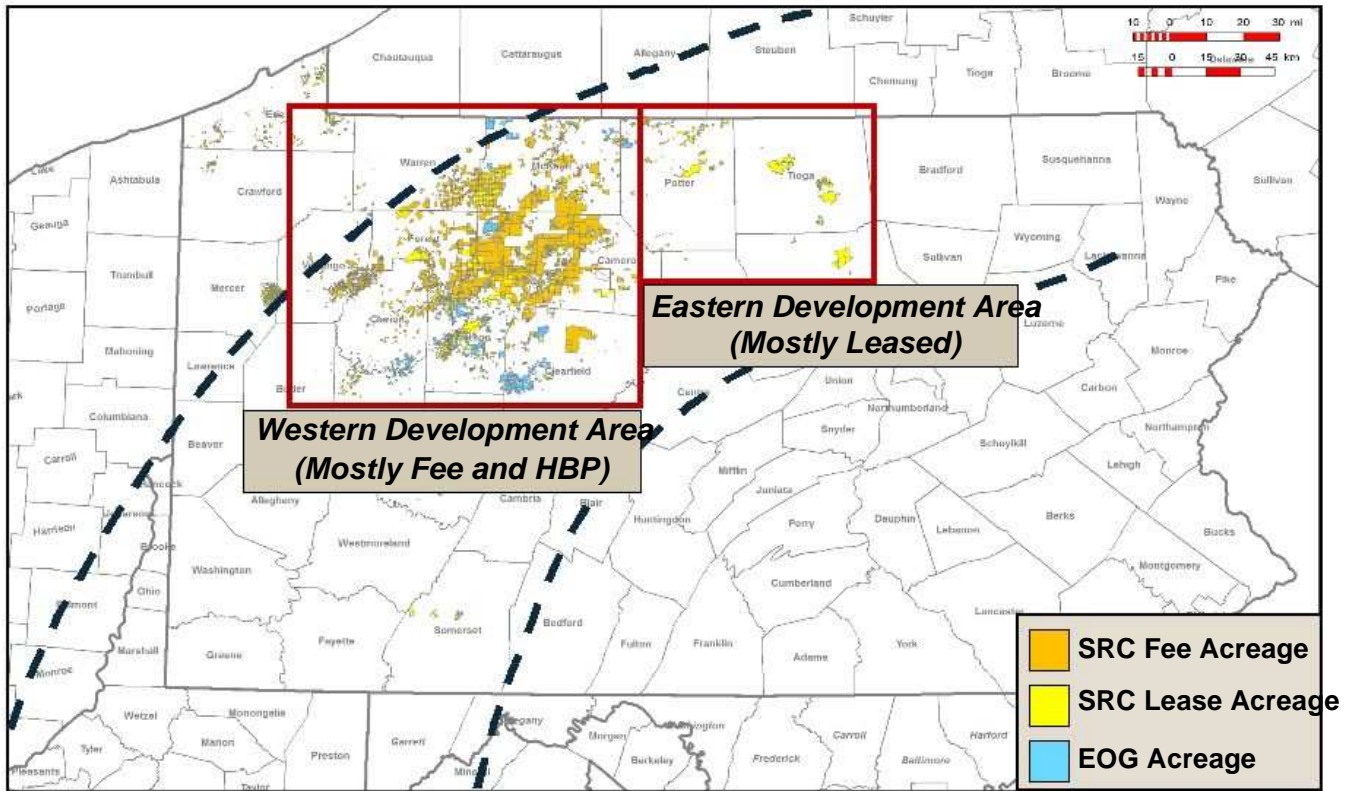


- Begin development of western acres that are “de-risked”
- Continue participation with EOG on Joint Venture acreage

# Marcellus Shale

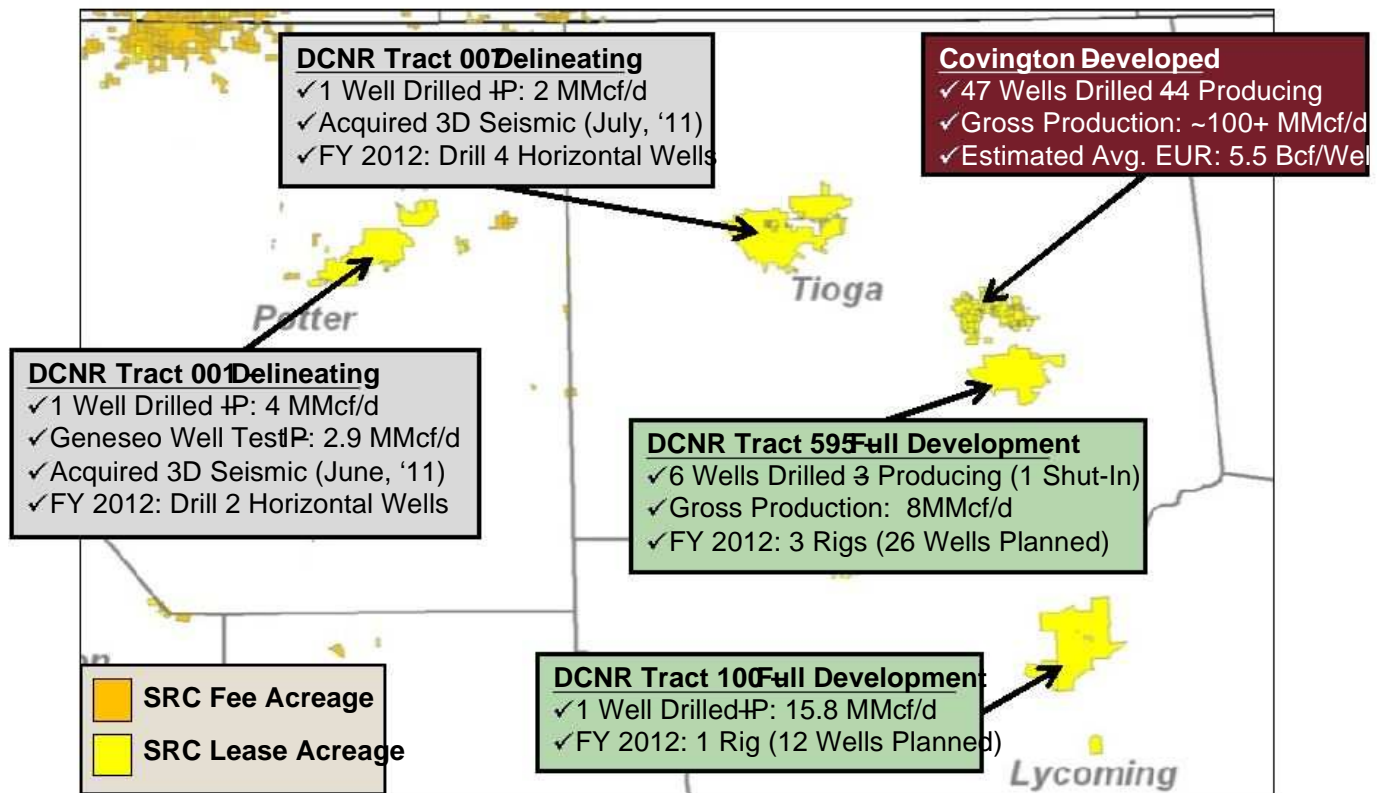
## Seneca's Development Areas

September 9, 2011



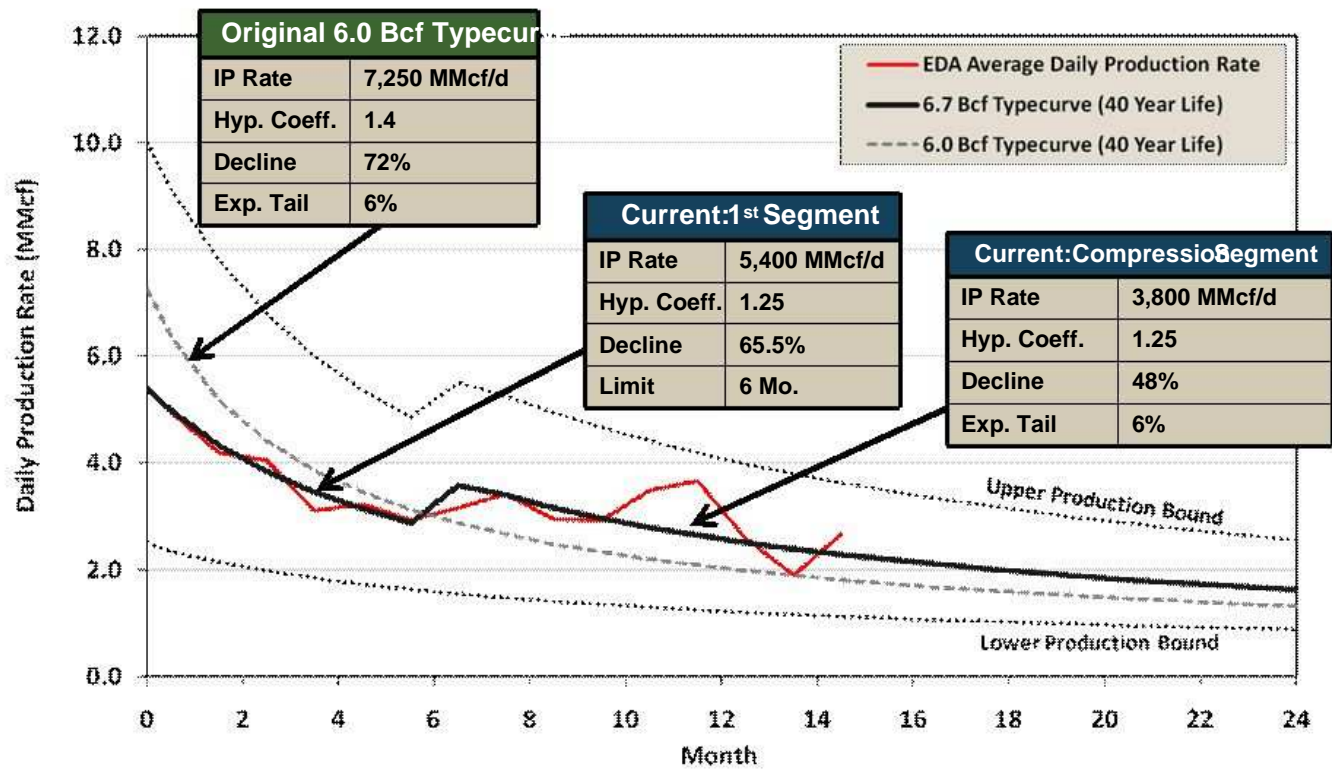
# Marcellus Shale

## Eastern Development Area (EDA) Results & Plan Forward



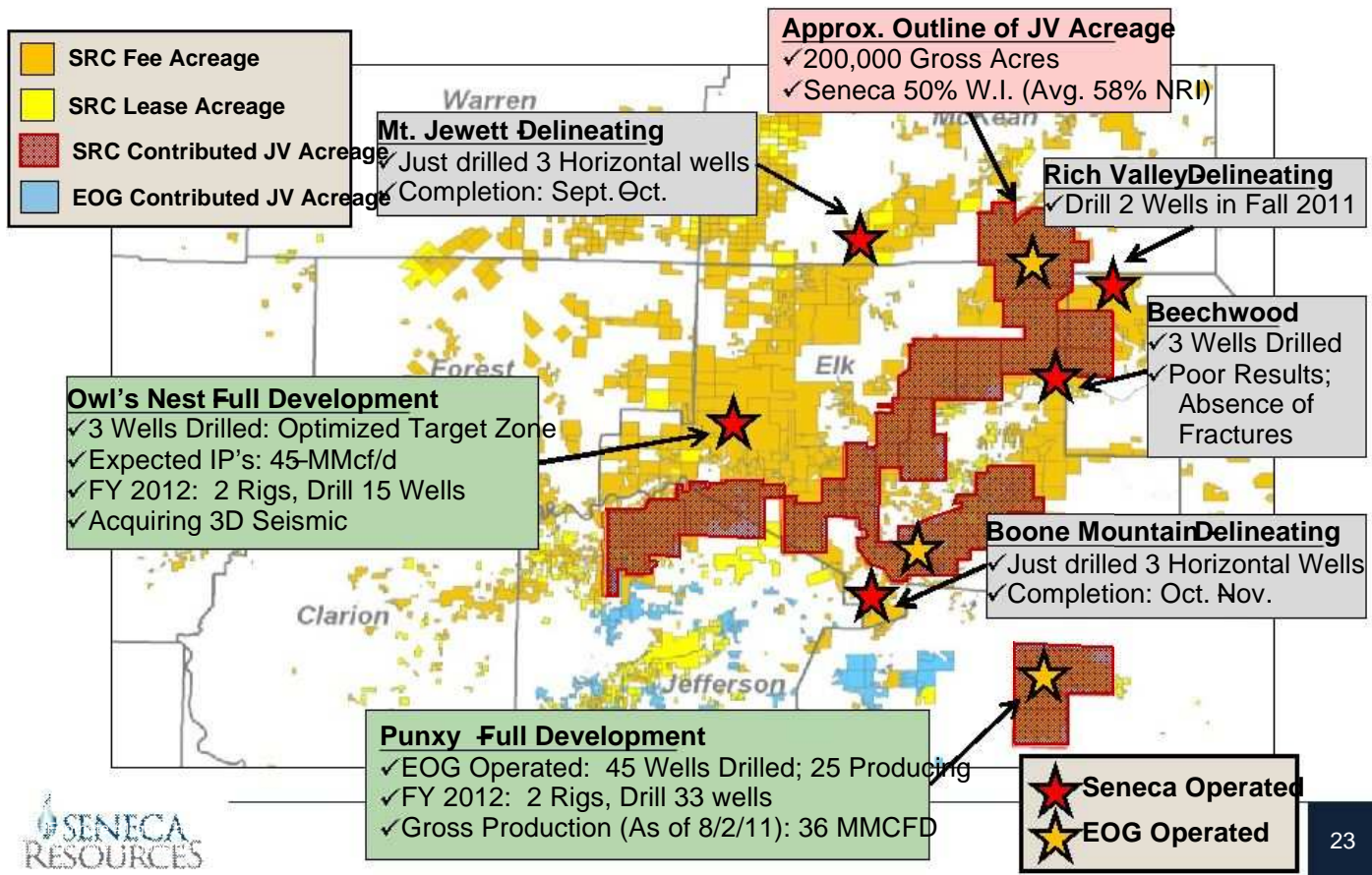
# Marcellus Shale

## EDA Typecurve 6.7 Bcfe EUR (Greater Than 3,500' Lateral)



# Marcellus Shale

## Western Development Area (WDA) Results & Plan Forward





# Marcellus Shale

## *Geotechnical Keys to Success*

September 9, 2011

### 1. 3D Seismic Data

- Impacts surface location, lateral length and target zone by imaging faults and structure
- Attribute and fracture analyses being conducted to determine if natural fractures and stress regime can be identified

### 2. Natural Fractures

- Impacts Initial Production (IP) & Estimated Ultimate Recovery (EUR) per well; Varies by area.

### 3. Target Zone

- Impacts IP & EUR per well; Varies by area.

### 4. Stress Regime

- Impacts completion efficiency; Varies by area.

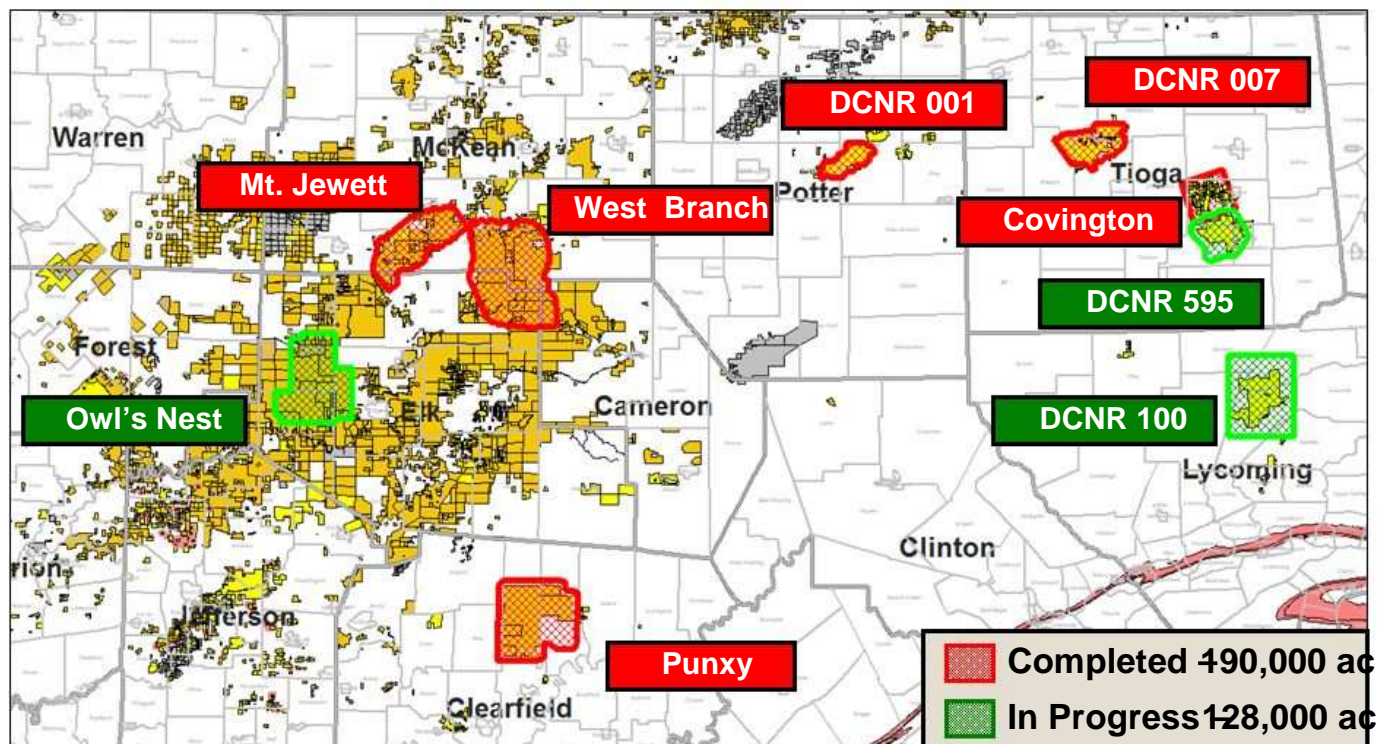
### 5. Optimize Lateral Length

- Cost versus IP/EUR per well; Currently evaluating.

# Marcellus Shale

## Expanding 3D Seismic Coverage

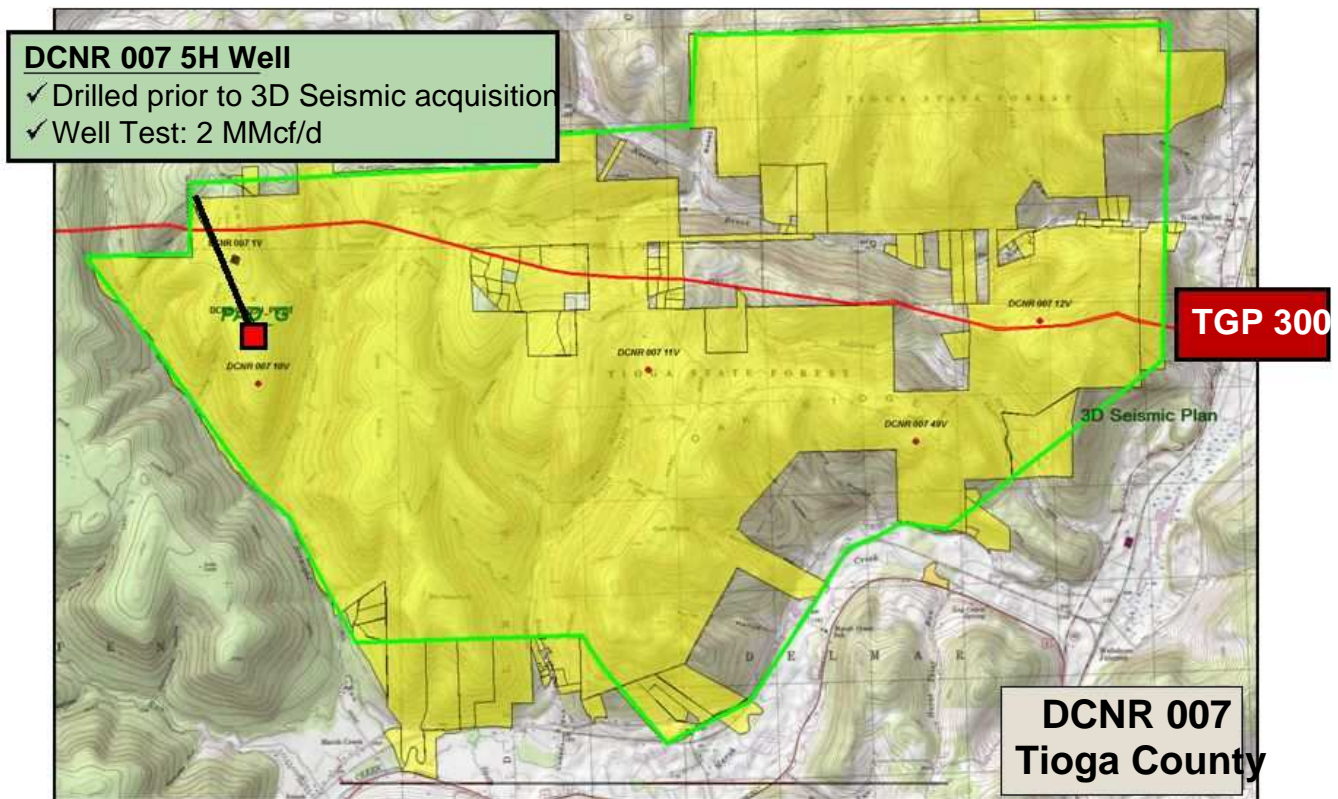
September 9, 2011





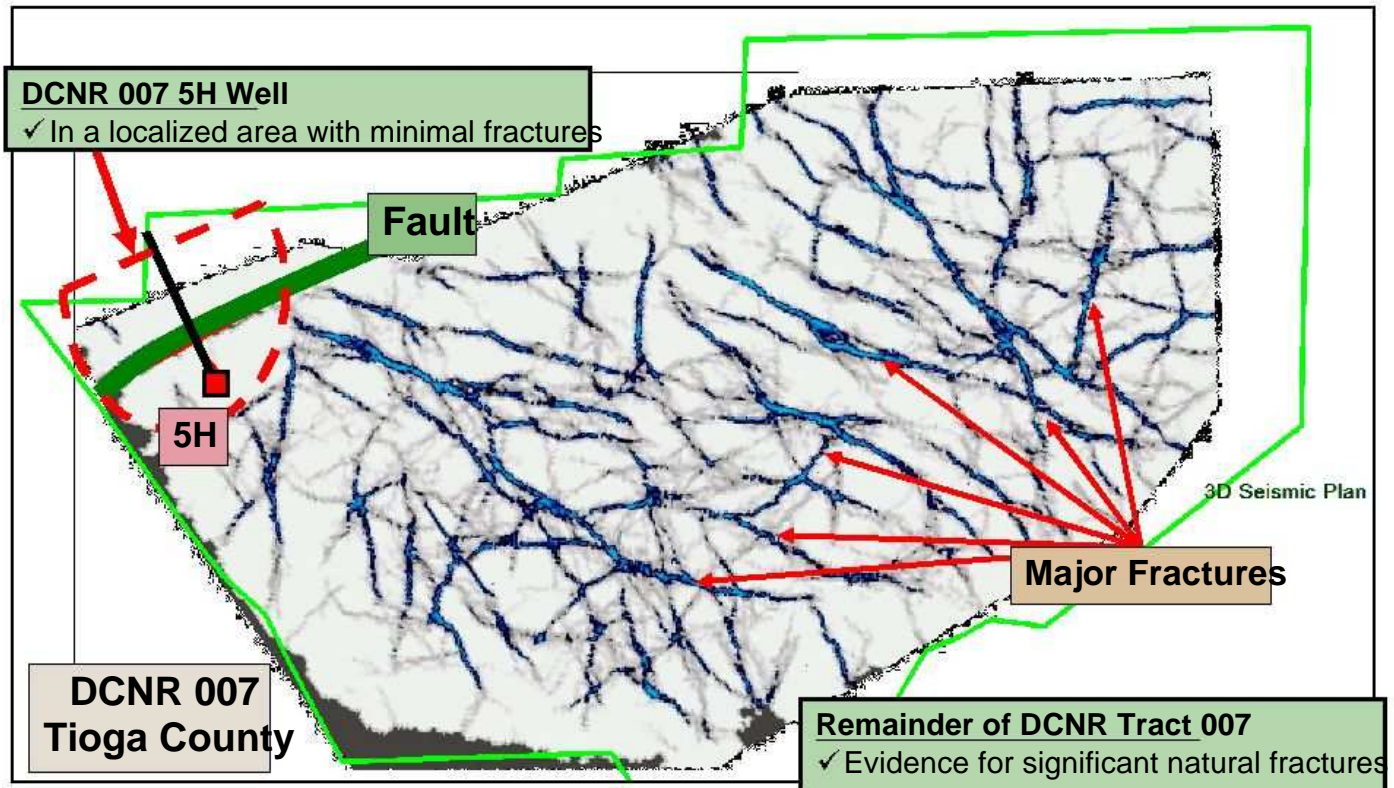
# Marcellus Shale

## *Importance of 3D Seismic in Identifying Fractures*



# Marcellus Shale

## 3D Seismic Analysis: Fracture Patterns?



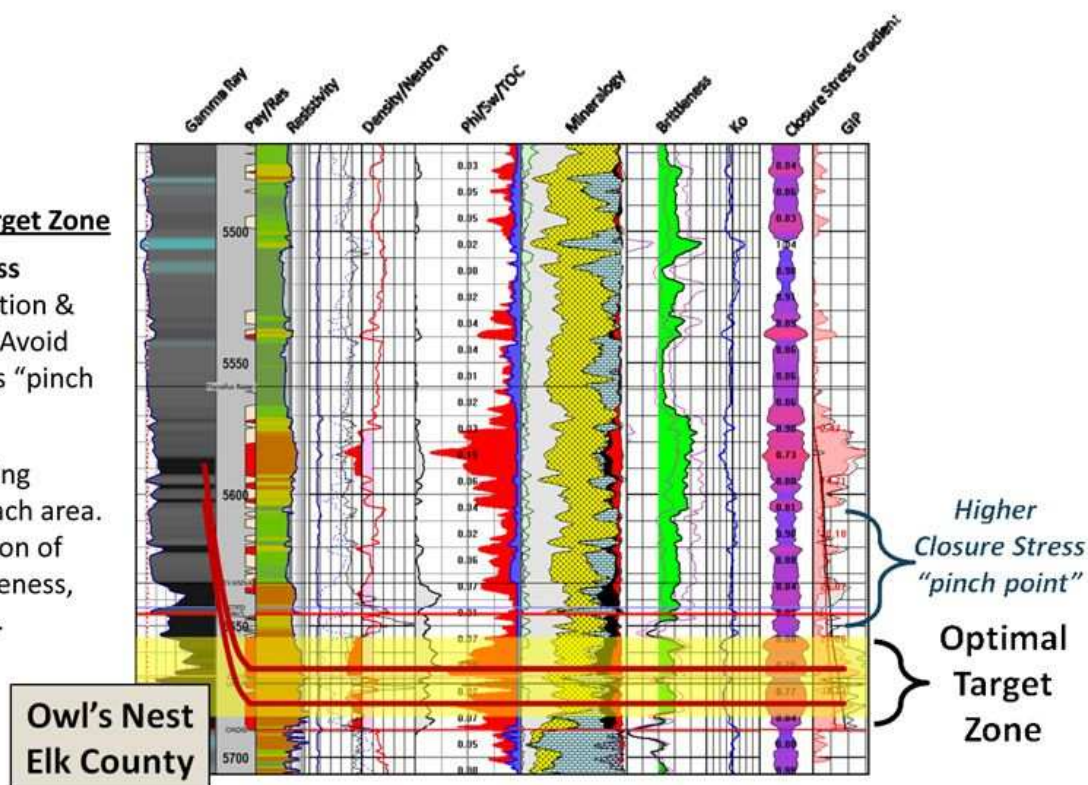
# Marcellus Shale

## Importance of Closure Stress & Target Zone

September 9, 2011

### Closure Stress & Target Zone

- **High Closure Stress**  
Impacts frac initiation & limits frac width. Avoid high closure stress "pinch points".
- Currently optimizing **Target Zones** in each area. Best zone a function of rock quality, brittleness, and stress regime.

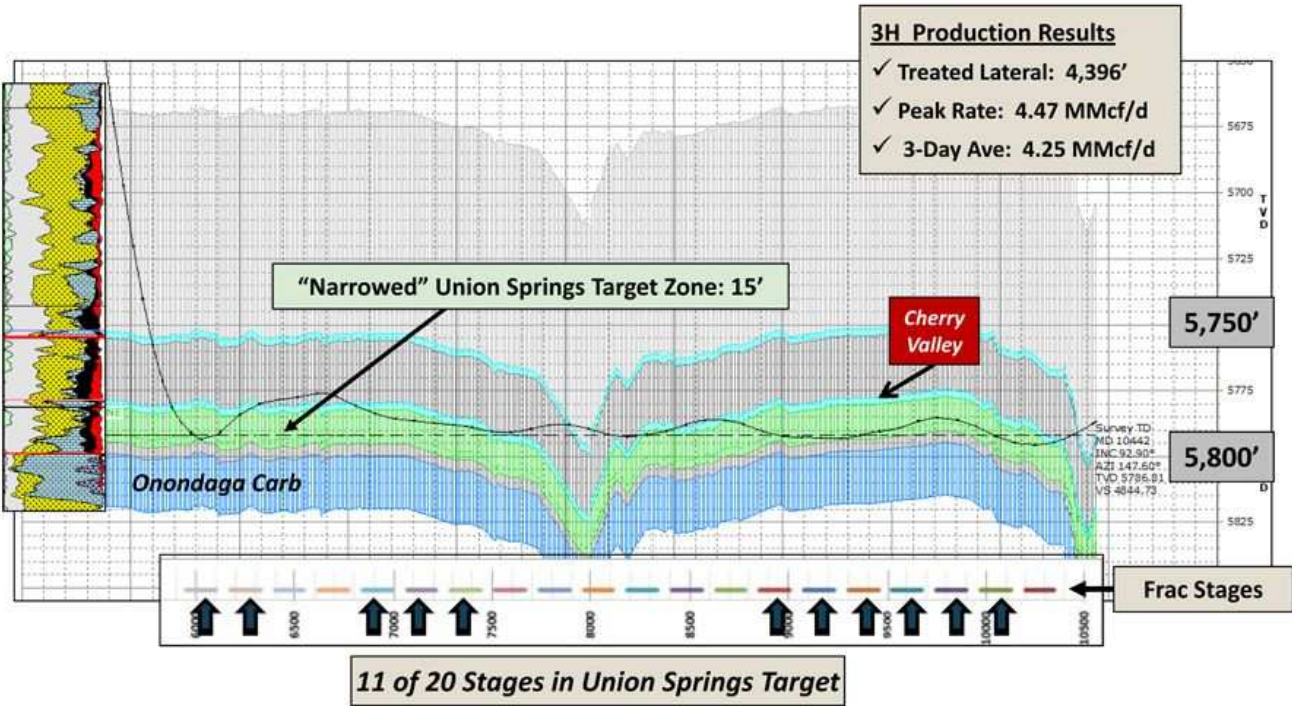




# Marcellus Shale

## Owl's Nest Improved IP's by Optimizing The Target Zone

### Moving into Full Development



# Marcellus Shale

## Breaking Down Our Acreage Position

Area	Net Acres	Possible Locations	Wells Drilled	Wells Completed	EUR (Bcfe)	Status
<b>Eastern Development Area (EDA)</b>						
Covington	7,000	47	47	44	5.5	Developed
595	6,000	55	4	4	7.0	Full Development
100	10,000	70	1	1	8.0	Full Development
007	15,000	75	1	1	3.0 -5.0	Delineating
001	13,000	58	1	1	3.0 -5.0	Delineating
Other EDA	4,000	10	-	-	3.0 -8.0	Untested
	<b>55,000</b>	<b>315</b>	<b>54</b>	<b>51</b>		
<b>Western Development Area (WDA)</b>						
Owl's Nest / Ridgeway	91,000	680	3	3	4.0	Full Development
Mt. Jewett	25,000	232	4	1	3.0 -5.0	Delineating
James City	30,000	340	1	1	3.0 -5.0	Delineating
Boone Mtn	8,500	59	4	1	3.0 -5.0	Delineating
Rich Valley	30,000	188	-	-	4.0 -5.0	Delineating
WDA Other	337,000	2,654	4	3	2.0 -6.0	Untested
	<b>521,500</b>	<b>4,153</b>	<b>16</b>	<b>9</b>		
<b>EOG Operated</b>						
Punxy	12,000	87	45	25	4.0	Full Development
West Branch	12,500	121	7	5	3.0 -5.0	Delineating
Clermont	10,000	96	2	2	3.0 -5.0	Delineating
Brady	13,500	113	-	-	4.0 -5.0	Untested
EOG Other	120,500	502	2	2	2.0 -5.0	Untested
	<b>168,500</b>	<b>919</b>	<b>56</b>	<b>34</b>		
<b>Seneca Resources Total</b>	<b>745,000</b>	<b>5,387</b>	<b>126</b>	<b>94</b>		

## Strategic Plan Moving Forward

### ➤ Fiscal Year 2012

- ✓ *Eastern Development Area*
  - Move forward with full development of DCNR 100 (Lycoming) and DCNR 595 (Tioga)
  - Drill several additional delineation wells in DCNR 007 (Tioga) and DCNR 001 (Potter) with recently acquired 3D seismic data
- ✓ *Western Development Area*
  - Acquire 3D seismic in Owl's Nest (Elk) and begin full development
  - Continue delineation throughout the WDA, including Mt. Jewett (McKean), Boone Mountain (Elk) and Rich Valley (Cameron)
- ✓ *EOG-Operated Joint Venture*
  - Continue to fully participate on all development and delineation wells

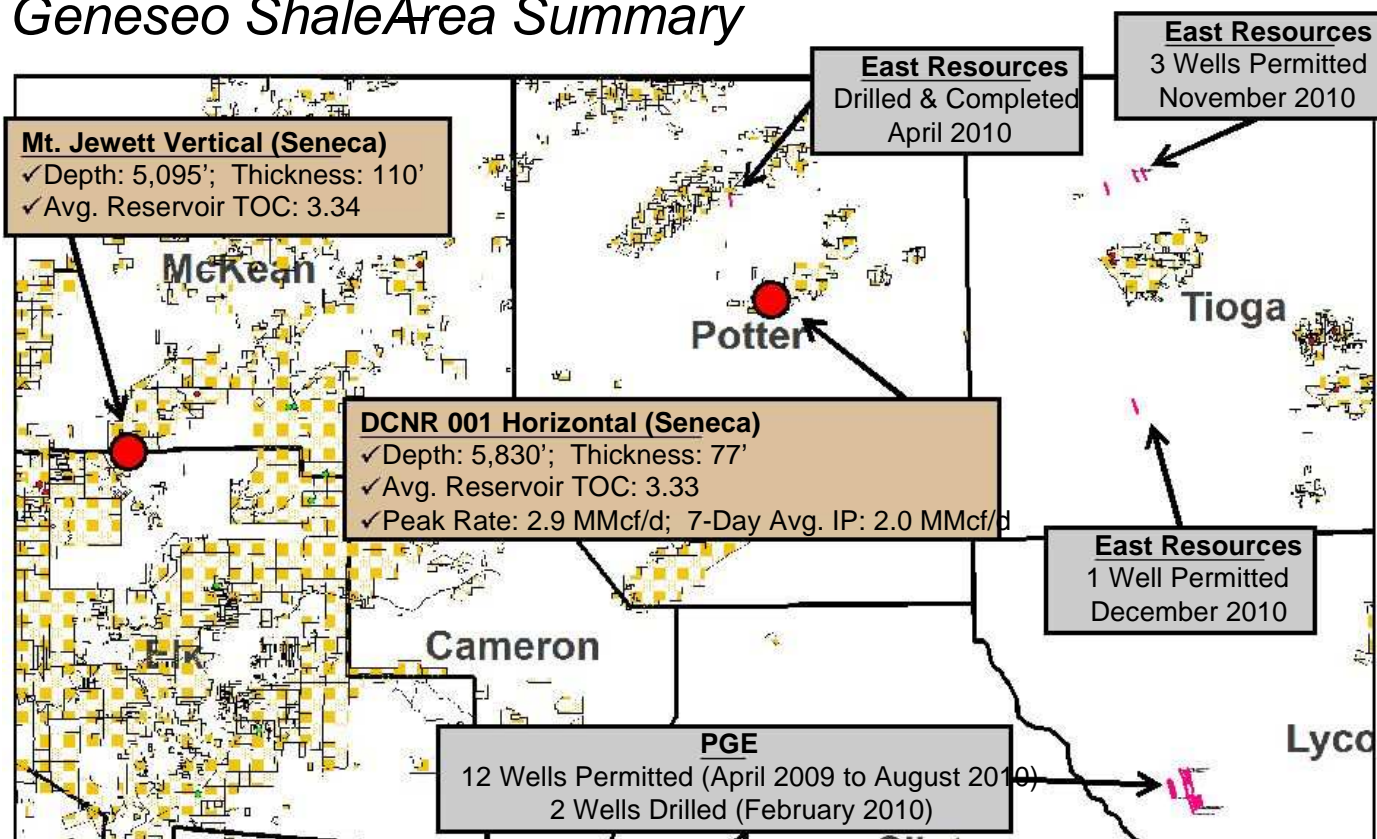
### ➤ 2013 and Beyond

- ✓ *Eastern Development Area*
  - Ongoing full development
- ✓ *Western Development Area*
  - Full development at Owl's Nest area and other fully delineated areas
  - Continue delineation of new areas
- ✓ *EOG-Operated Joint Venture*
  - Continue to fully participate on all development and delineation wells

# New Plays

## Geneseo Shale Area Summary

September 9, 2011

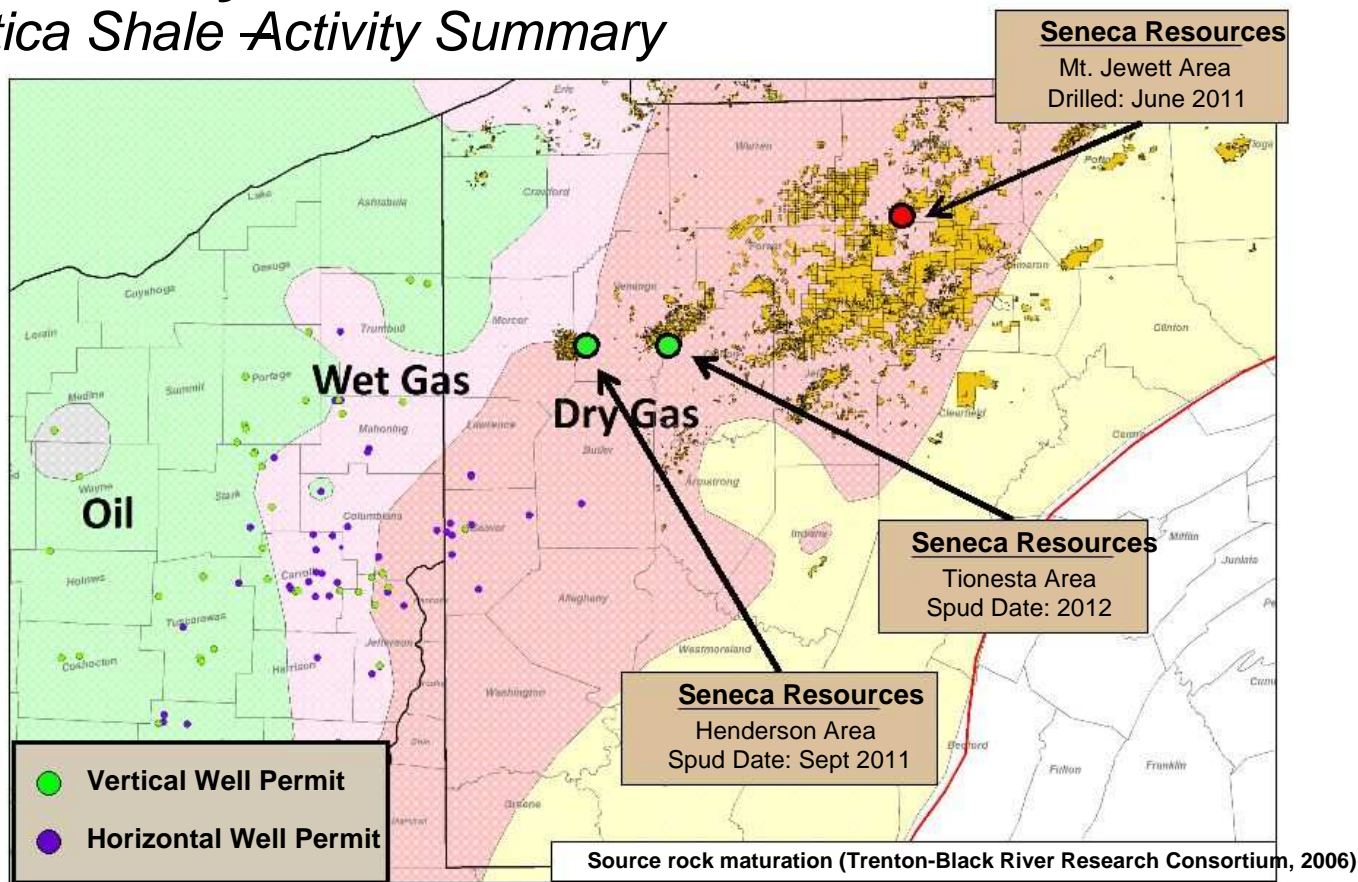




# New Plays

## Utica Shale Activity Summary

September 9, 2011





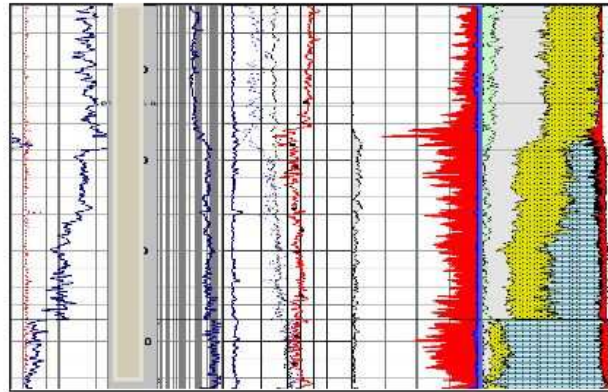
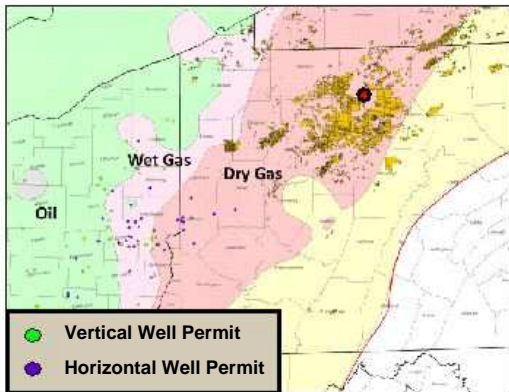
# New Plays

## Utica Program Update

September 9, 2011

**Seneca Resources recently drilled a vertical Utica/Pt. Pleasant strat test in McKean County, PA. Preliminary results are encouraging.**

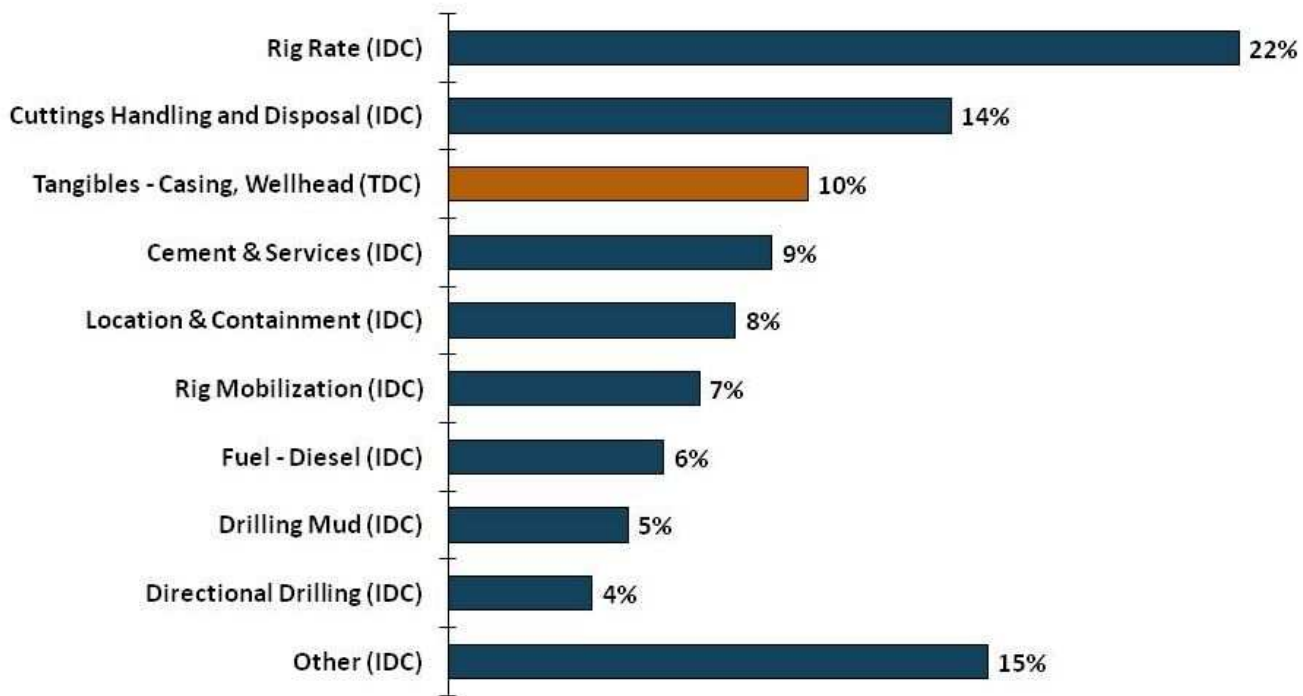
- 400 feet of gross reservoir at a depth of 10,000'
- Potential pay spans the Utica, Pt. Pleasant and portions of the Trenton Formations
- Reservoir quality is similar to that of the shallower Marcellus
- Mineralogy is considerably different from the Marcellus



# Marcellus Shale

## Drilling Cost Distribution

September 9, 2011



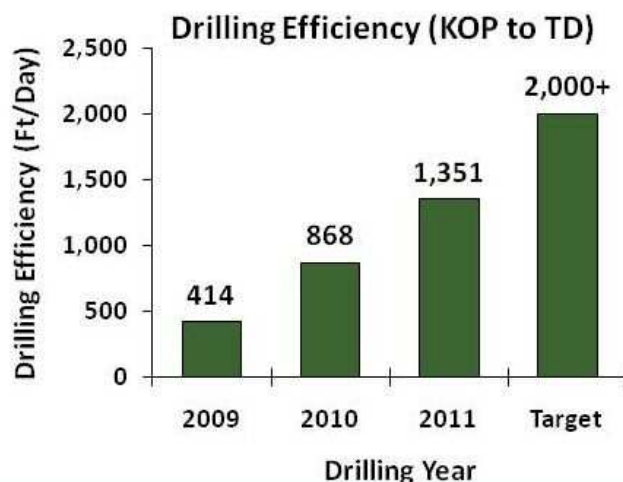
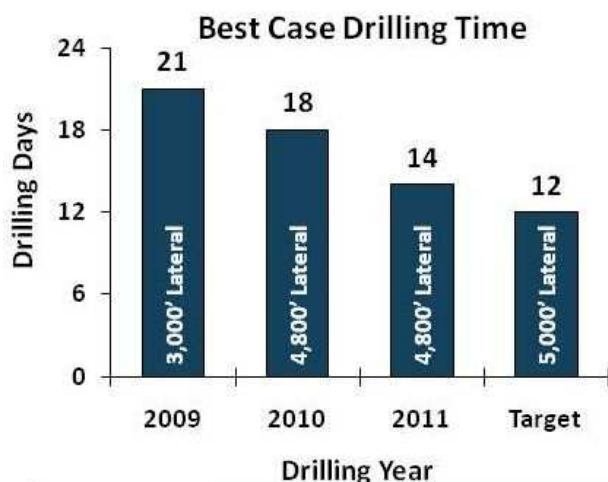
**Estimated 2011 Development Well Drilling Cost \$2.5 Million (4,500' Lateral)**

# Marcellus Shale

September 9, 2011

## *Continuously Improving Drilling Efficiency*

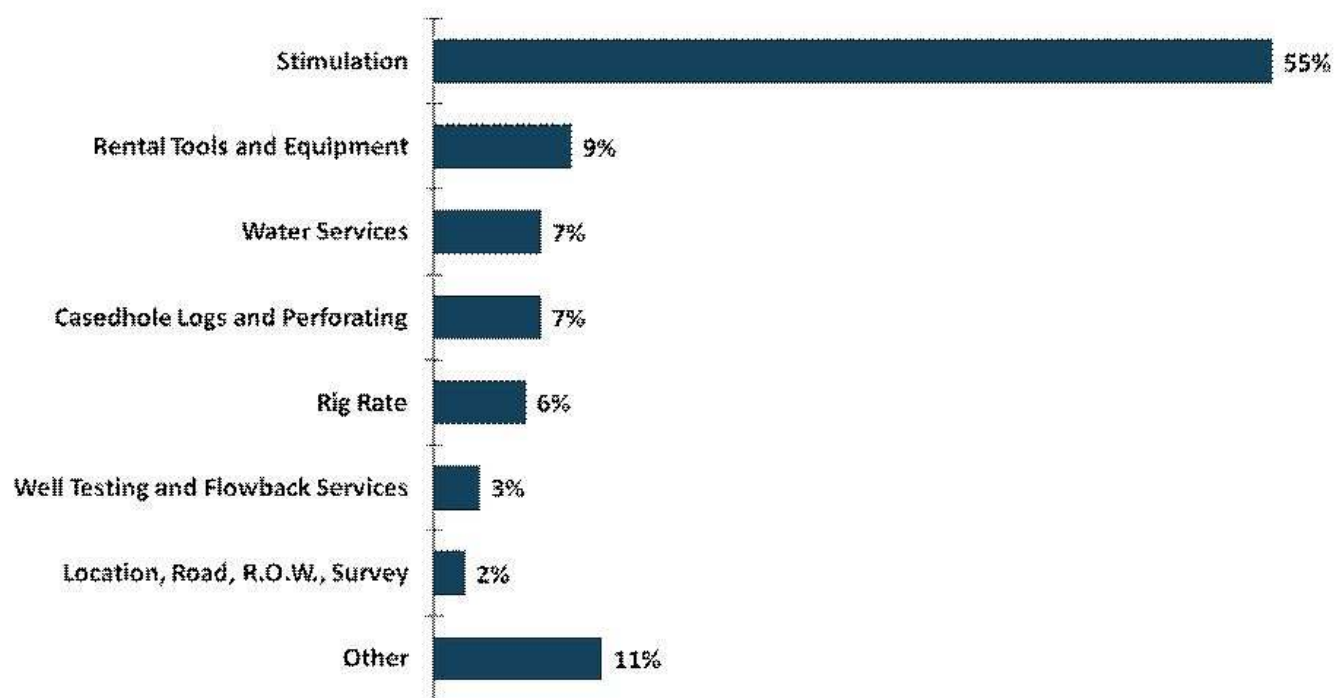
	Wells per Pad	Average Lateral Length	Days per Well (Incl. Mob)	Drill & Suspend Cost (\$MM per Well)
Estimated 2011 Drill Cost	6-8	4,500'	22	\$2.5
Target	6-8	4,500'	15	\$1.7



# Marcellus Shale

## Completion Cost Distribution

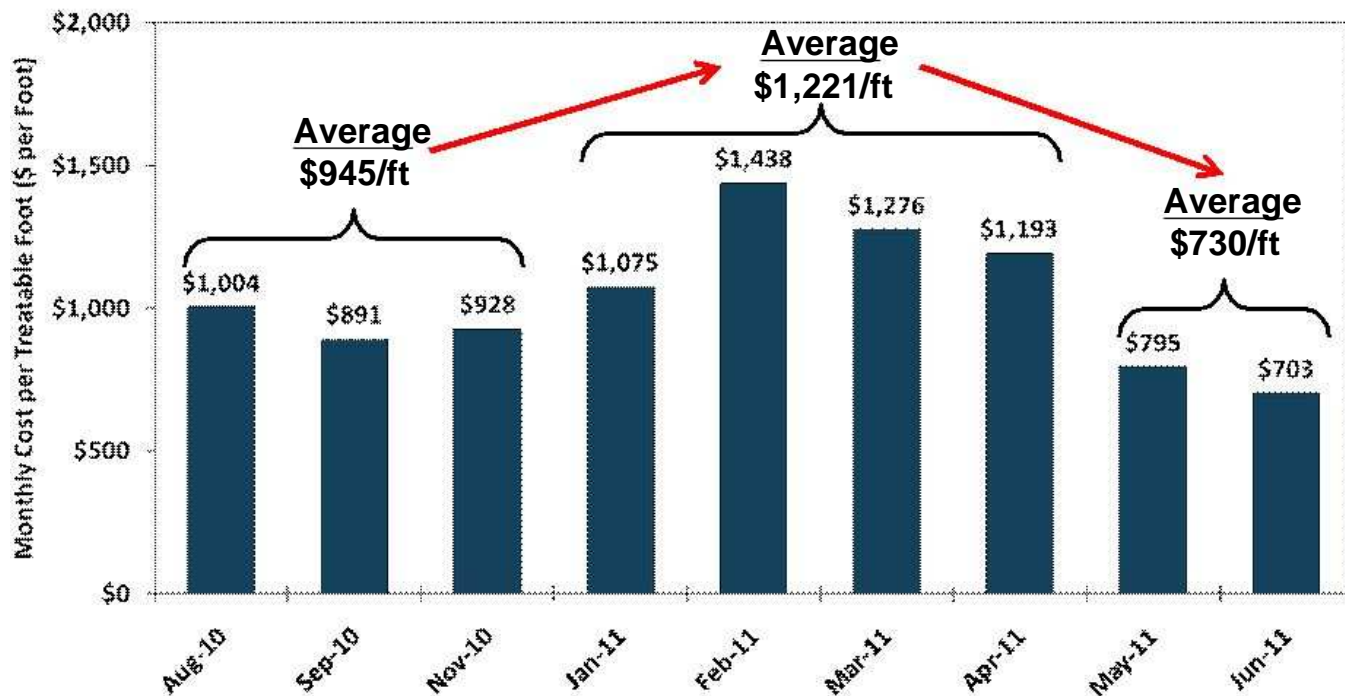
September 9, 2011



# Marcellus Shale

## Completion Cost Trends

September 9, 2011



***Completion costs have been recently improving in the Marcellus***

# Marcellus Shale

September 9, 2011

## Operational Efficiencies Drive Cost Savings

**Improved Efficiency  
Leads to  
Improved Costs**

Long-Term  
Frac Contract

Equipment  
Ownership  
(Frac Tanks, etc...)

Pad Cost Reduction  
(Rig Mats, Concrete  
Pads, etc...)

Increased Wells  
per Pad

Natural Gas Powered  
Rigs

Proppant & Chemical  
Sourcing

Concentrated  
Regional  
Development

External Casing  
Packers

Well Length	Drilling Cost	Total Drilling Cost	Completion Cost	Total Completion Cost	Total D&C Cost
2011 Estimate 4,500' Lateral	\$556/Ft	\$2.5 MM	\$800/Ft	\$3.6 MM	\$6.1 MM
Target	\$378/Ft	\$1.7 MM	\$700/Ft	\$3.15 MM	\$4.85 MM

## *Cost Savings from Multi-Well Pad Drilling*

### 1 Well per Pad

- **Location & Road Costs**
  - \$600,000 per well
- **Rig Mobilization**
  - \$600,000 per well
- **Ancillary Drilling Costs (Trucking, etc..)**
  - \$150,000 per well
- **Frac Mobilization**
  - \$7,000 per well
- **Water Hauling vs. Infrastructure**
  - \$200,000 per well

### 6 Wells per Pad

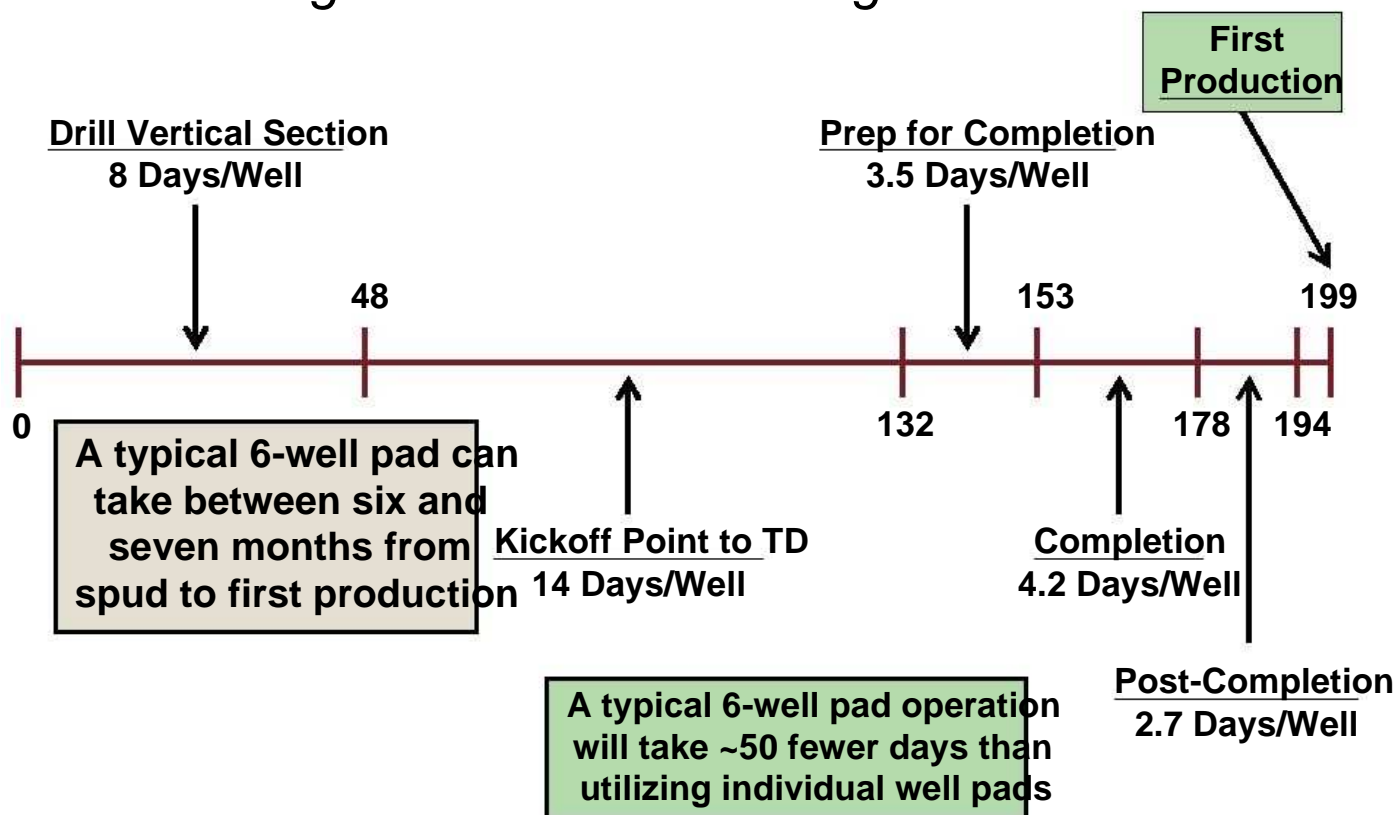
- **Location & Road Costs**
  - \$100,000 per well
- **Rig Mobilization**
  - \$100,000 per well
- **Ancillary Drilling Costs (Trucking, etc..)**
  - \$25,000 per well
- **Frac Mobilization**
  - \$1,200 per well
- **Water Hauling vs. Infrastructure**
  - \$50,000 per well

***Cost Savings of Pad Drilling: ~\$1.2 Million per Well***

# Marcellus Shale

September 9, 2011

## Understanding Multi-Well Pad Drilling





# Marcellus Shale

## Water Management Program

September 9, 2011

### ➤ Water Sourcing:

- ✓ Coal mine runoff
- ✓ Permitted freshwater sources
- ✓ Recycled water

### ➤ Water Management:

- ✓ Instituted a “Zero Surface Discharge” policy
- ✓ Recycle Marcellus flowback and produced water
- ✓ Centralized water handling in development areas
  - Tioga County DCNR 595 and Covington
  - Lycoming County DCNR 100
  - Elk County Owl’s Nest
- ✓ Installing new evaporative technology
- ✓ Investigating underground injection



***Seneca is committed to protecting the surface from any type of pollution***

## *“Zero Liquid Discharge Operation”*

- Utilizing a state-of-the-art evaporative technology to ensure no liquid is discharged at the surface
  - ✓ Building centrally located units in the Western Development Area (WDA) and the Eastern Development Area (EDA)
  - ✓ Removes all liquids from the production stream
  - ✓ Has the ability to be powered by the waste heat from a compressor station
  - ✓ End products:
    - ✓ Non-hazardous solidified salt material
    - ✓ Clean water vapor emissions



[www.FracFocus.org](http://www.FracFocus.org)

- Seneca discloses its hydraulic fracturing data
- Testing “Green Fluids”
- Refueling Standards
- Evaluate shallow geology and shallow water systems
- Developed *Best Practices* for design and cementing of production casing



# California

September 9, 2011

## *Stable Production and Strong Cash Flows*



- **Net Acreage: 11,833 Acres**
- **Net Wells: 1,322**
- **Oil Gravity: 1237° Api**
- **NRI: 87.64**

Rank	Company	California 2010 BOEPD
1	Chevron	174,856
2	Aera (Shell/Exxon)	158,786
3	Occidental	151,584
4	Plains Exploration	36,488
5	Venoco Inc.	19,121
6	Berry Petroleum	18,513
7	<b>Seneca Resources</b>	<b>9,655</b>
8	Breitbart Energy	7,414
9	MacPherson	7,185
10	E&B Natural Resources	5,259

### North Lost Hills

~1,150 BOEPD

Tulare & Etchegoin Formation

Primary & Steamflood

181 Active Wells

### South Lost Hills

~1,800 BOEPD

Monterey Shale

Primary

216 Active Wells

### North Midway Sunset

~4,300 BOEPD

Potter & Tulare Formation

Steamflood

703 Active Wells

### South Midway Sunset

~700 BOEPD

Antelope Formation

Steamflood

100 Active Wells

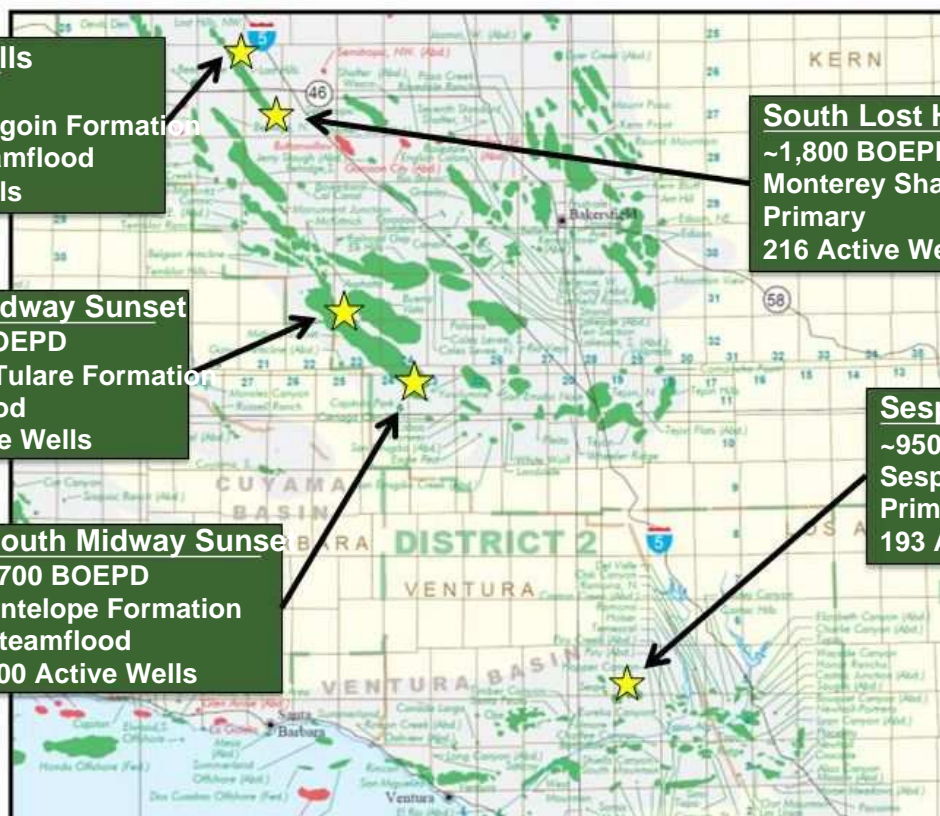
### Sespe

~950 BOEPD

Sespe Formation

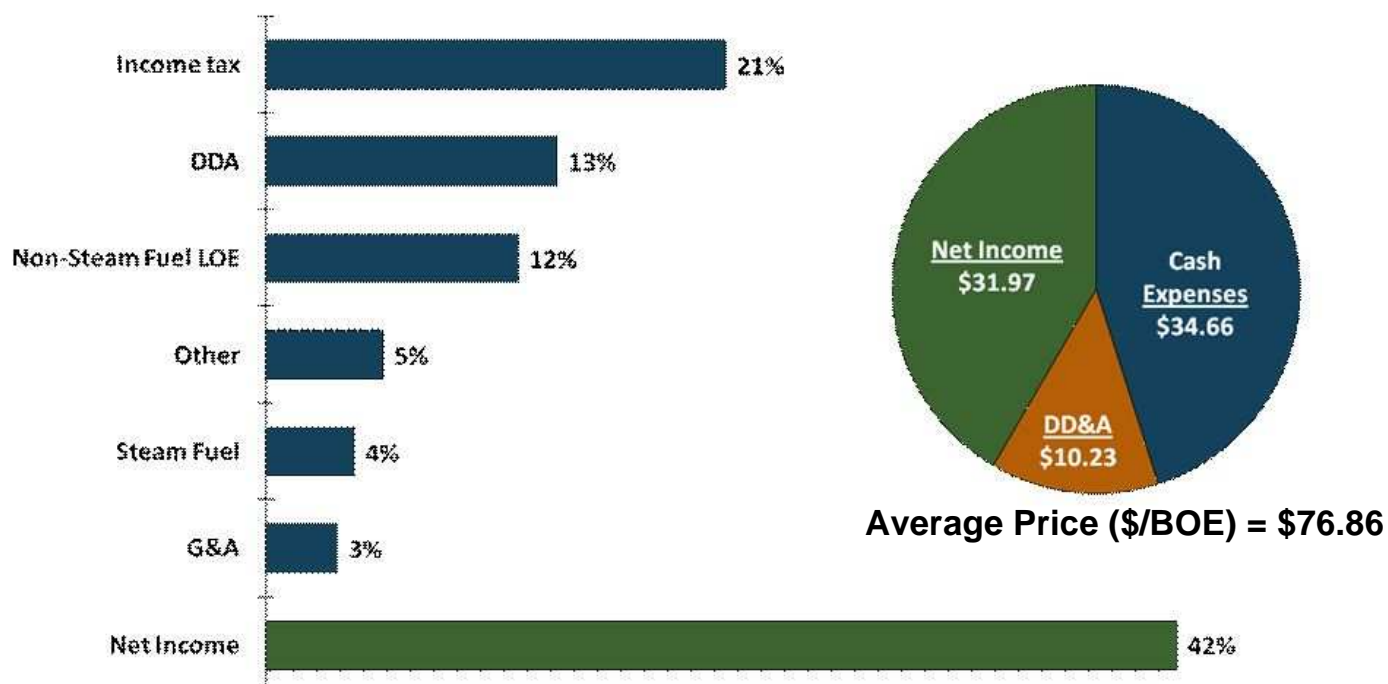
Primary

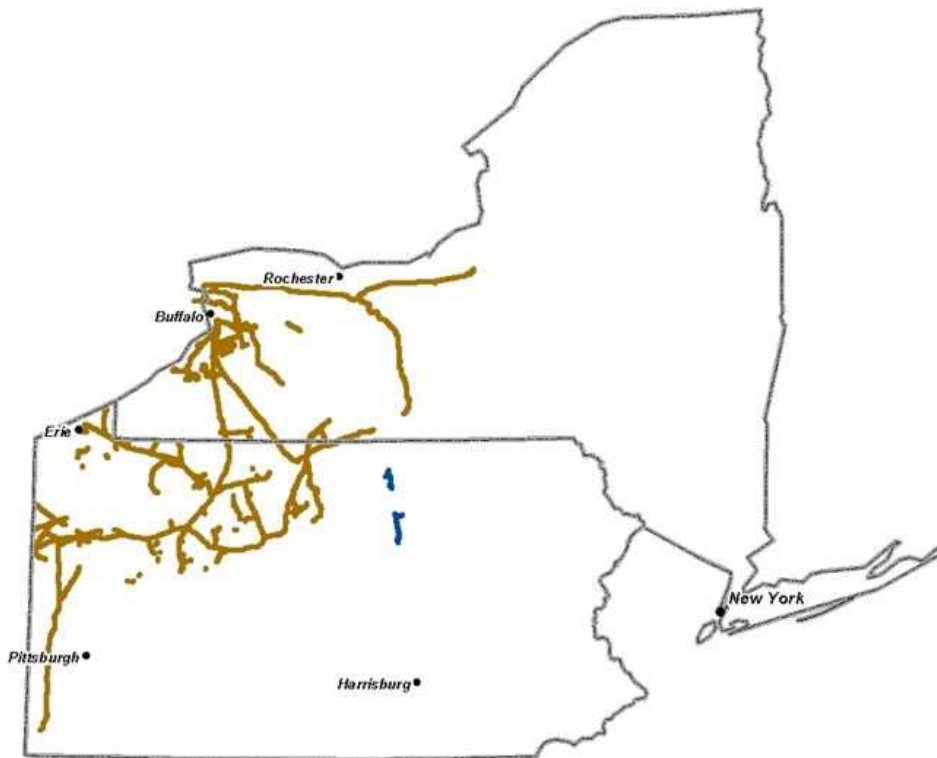
193 Active Wells



## Strong Margins Support Significant Free Cash Flow

Fiscal Year 2011 Net Income and Expenses per BOE



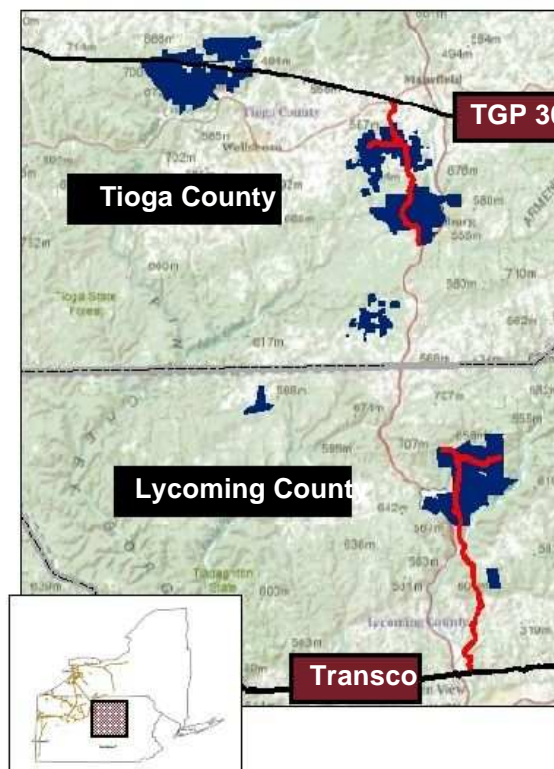




# Midstream

September 9, 2011

## *Critical To Boosting Returns in the Marcellus*



- Midstream's gathering systems are critical to unlock remote, but highly productive Marcellus acreage
- Goal is to first work to assist Seneca and then gather 3<sup>rd</sup> party producer volumes
- History of operational success and efficiency within Pennsylvania
- Continuously evaluating opportunities to grow along with the rapid development of the Marcellus

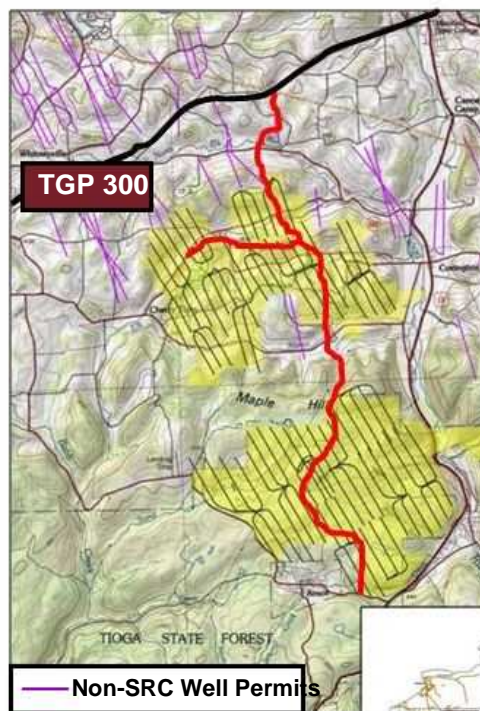
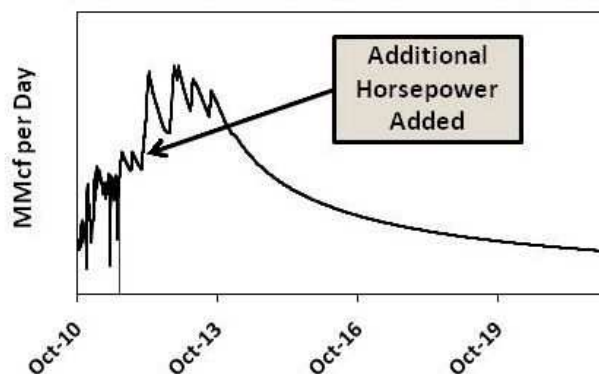


# Midstream

## Covington Gathering System Tioga County

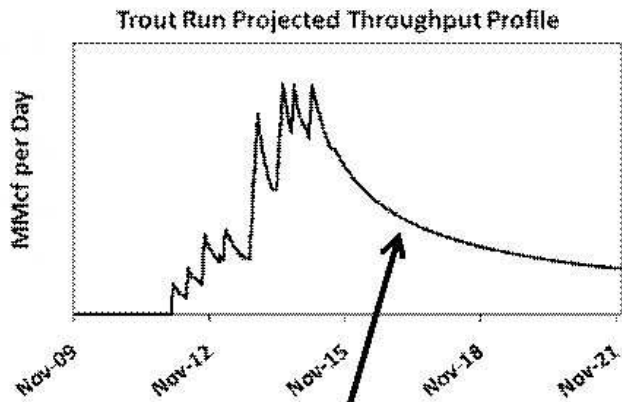
- Early completion of gathering system allowed Seneca to begin flowing gas as pads were completed
- As Seneca's production matures, open pipeline to third party production

Covington System Projected Throughput Profile

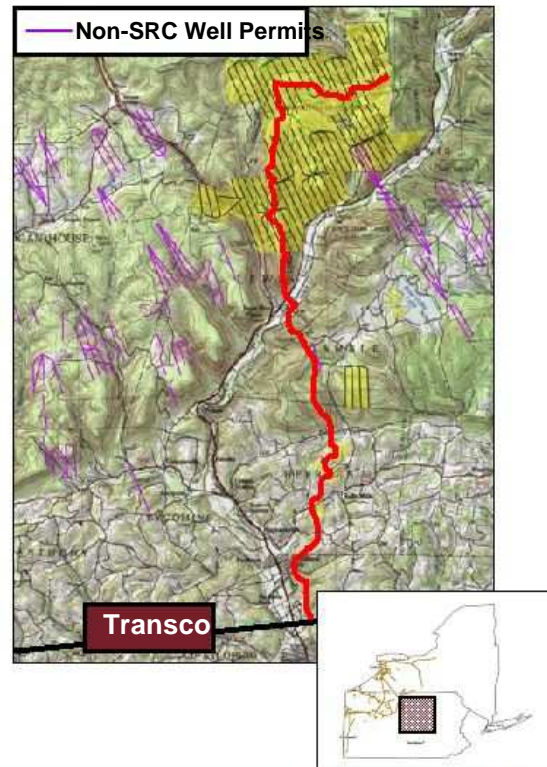


# Midstream

## Trout Run Gathering System– Lycoming County



Will work to add 3<sup>rd</sup> party  
Marcellus producers to  
offset natural decline of  
Seneca's production

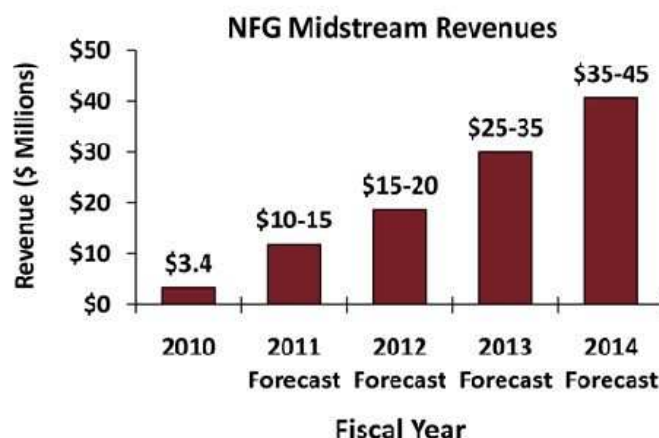


# Midstream

## *Future Opportunities for Expansion*

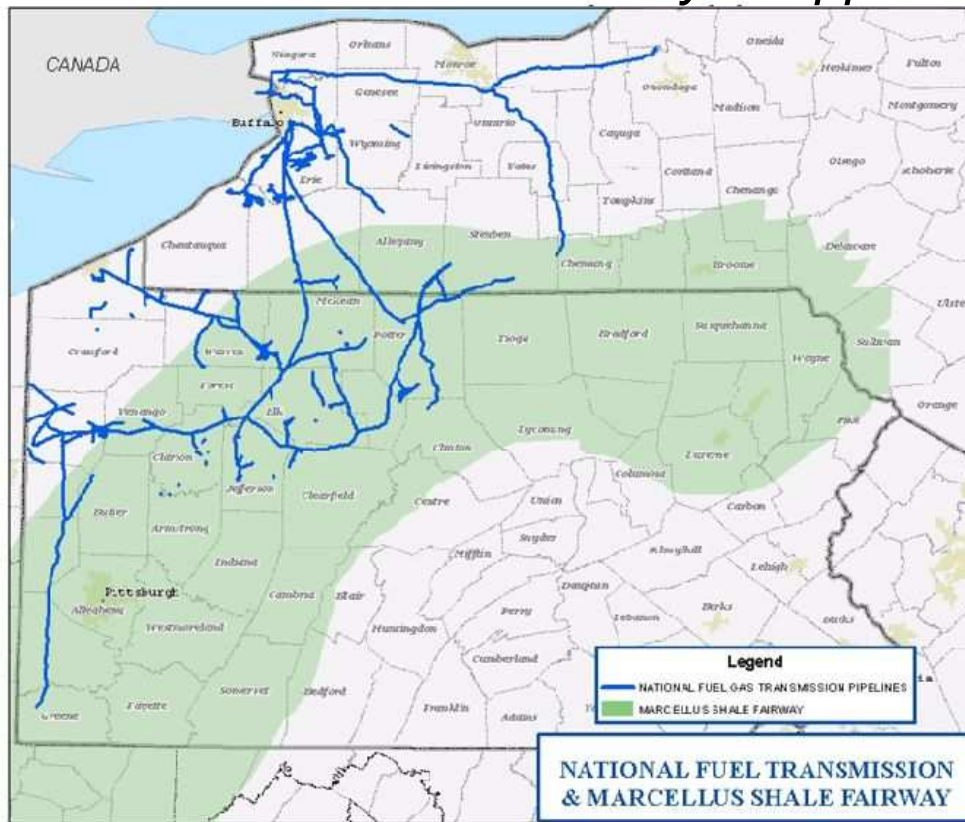
- Will continue to evaluate new gathering infrastructure to alleviate constraints throughout the Marcellus
- Look to fill existing gathering infrastructure with 3<sup>rd</sup> party production once Seneca's reaches its peak production and begins the natural decline

***The Covington and Trout Run gathering systems allow Seneca to achieve significant production growth over the next three years. Midstream is continually looking to build additional gathering systems.***



# Pipeline & Storage

*Expansive Network Located Centrally in Appalachia*

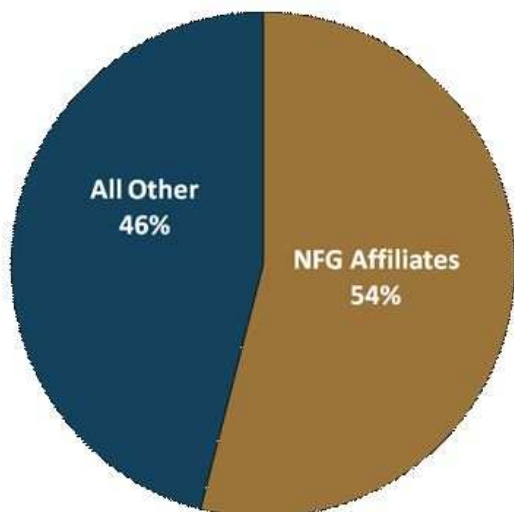


# Pipeline & Storage

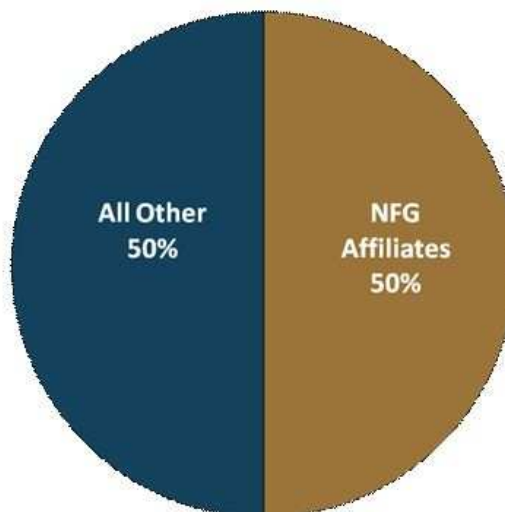
## Intercompany Capacity Utilization

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Supply Transportation Contracts <sup>(1)</sup>



Supply Storage Contracts <sup>(1)</sup>



***Our integrated business structure allows our affiliated businesses to efficiently utilize our Pipeline & Storage services***



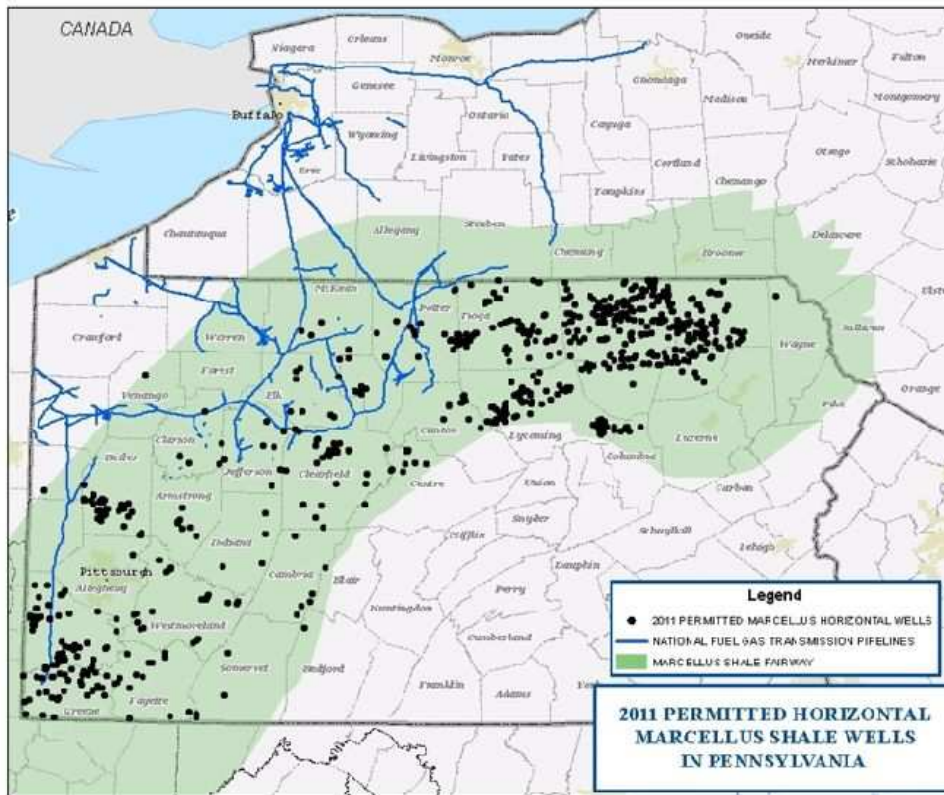
(1) As of July 1, 2011



# Pipeline & Storage

## *Positioned to Move Growing Marcellus Production*

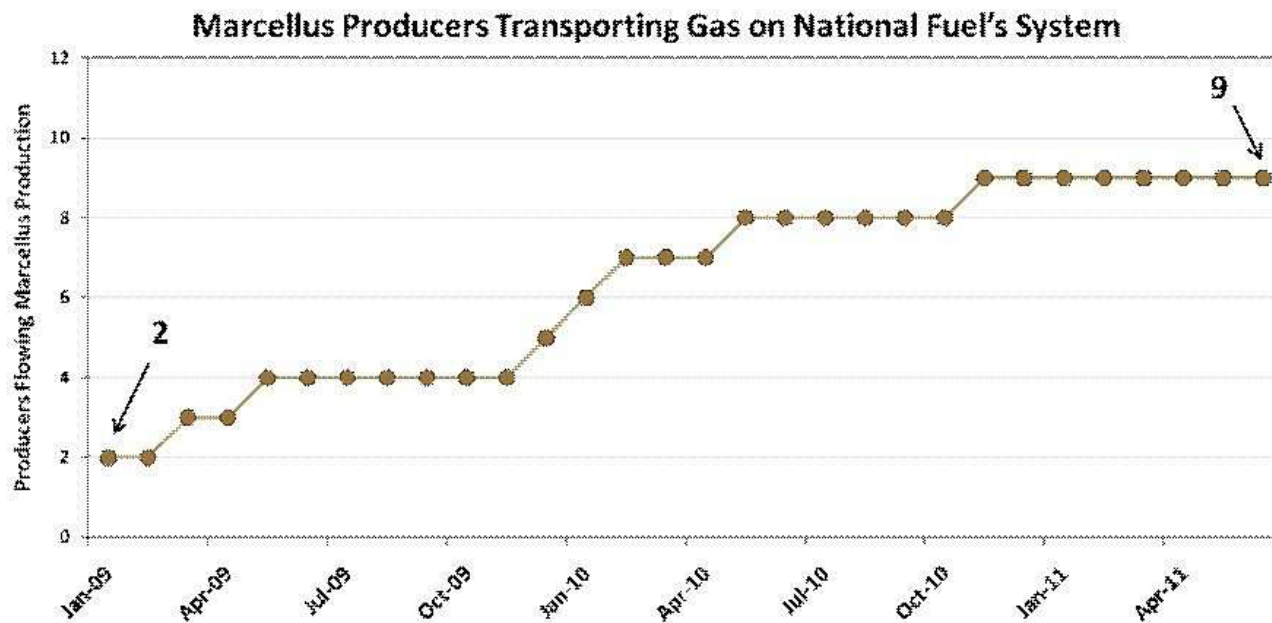
September 9, 2011



# Pipeline & Storage

September 9, 2011

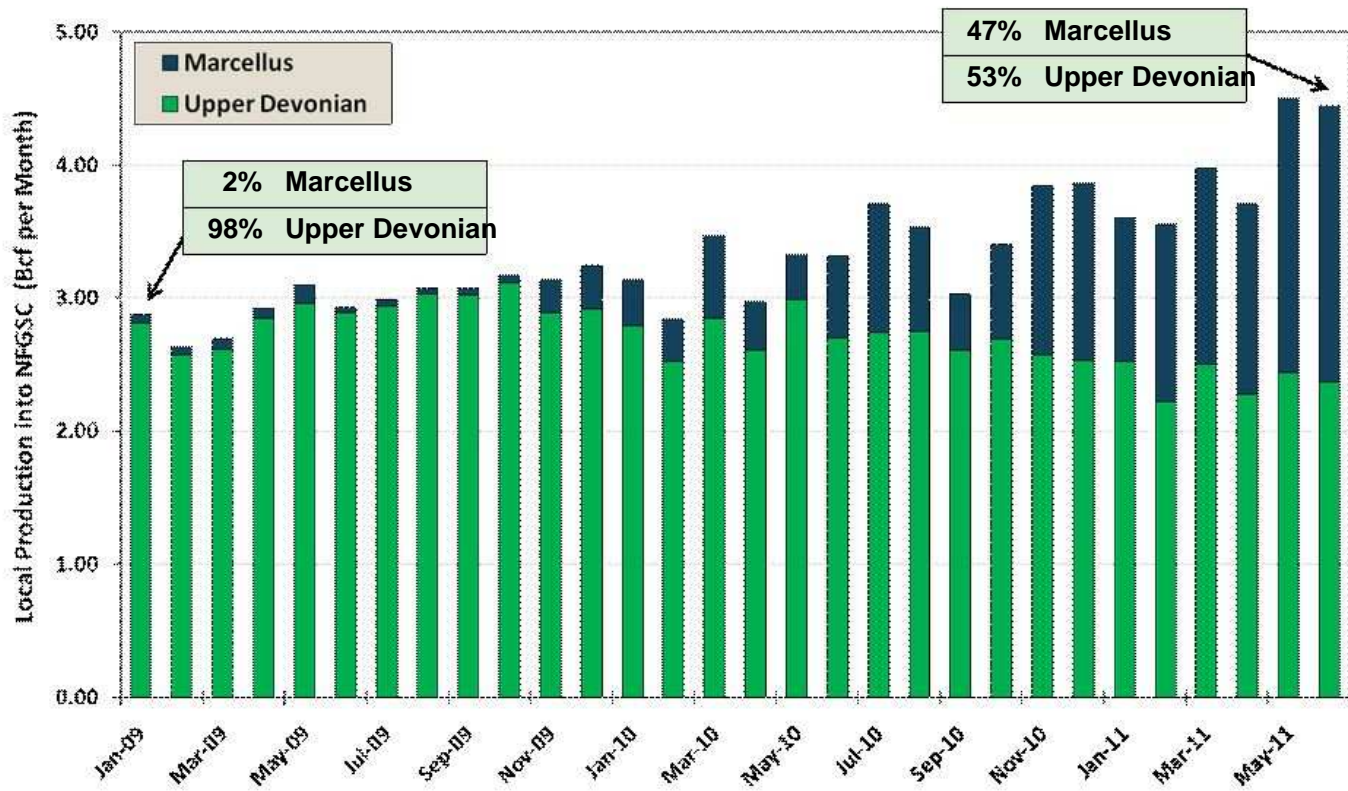
## Marcellus Producers Increase Utilization of NFGSC



**Producers moving Marcellus gas on NFGSC has more than tripled since January 2009.**

# Pipeline & Storage

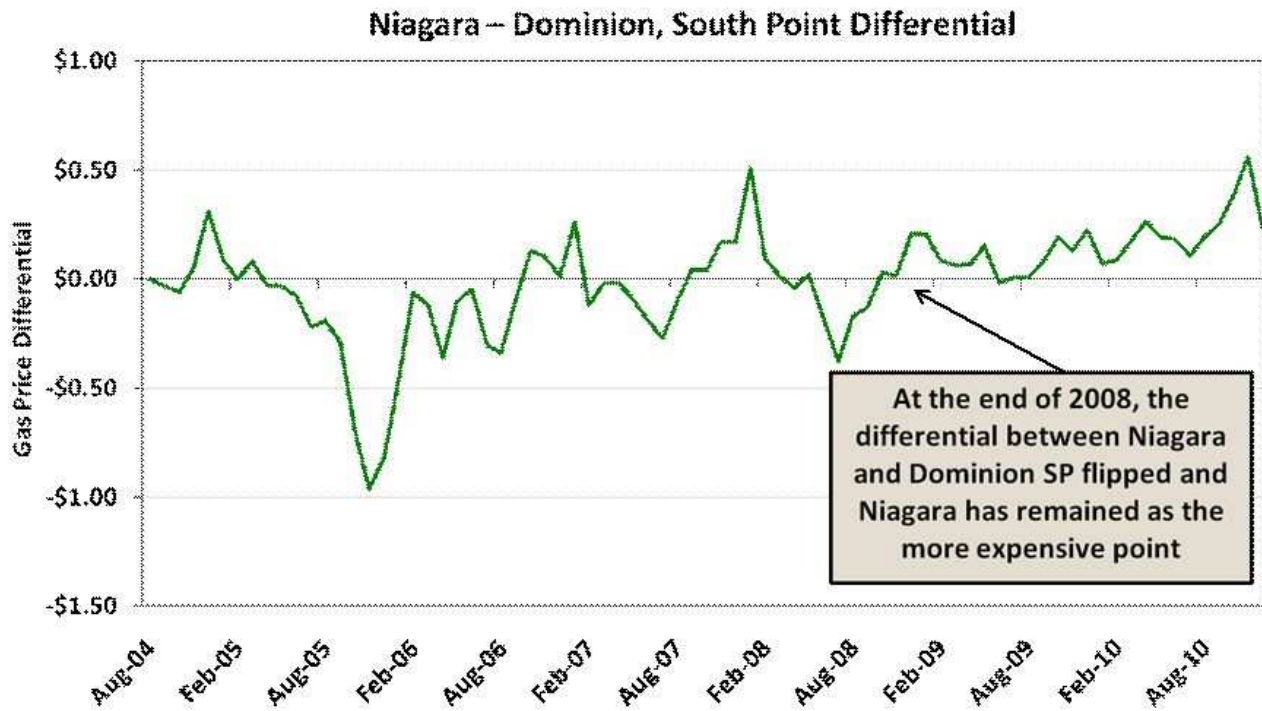
## *Shifting Sources of Throughput*





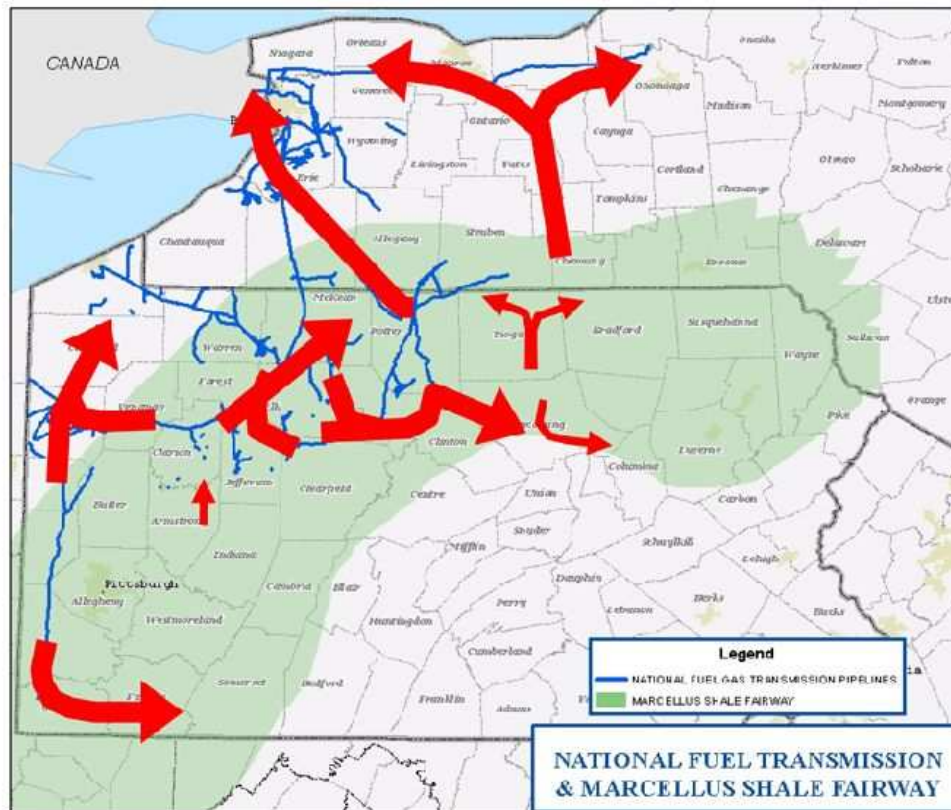
# Pipeline & Storage

## *Stable Revenue Amid Changing Market Dynamics*



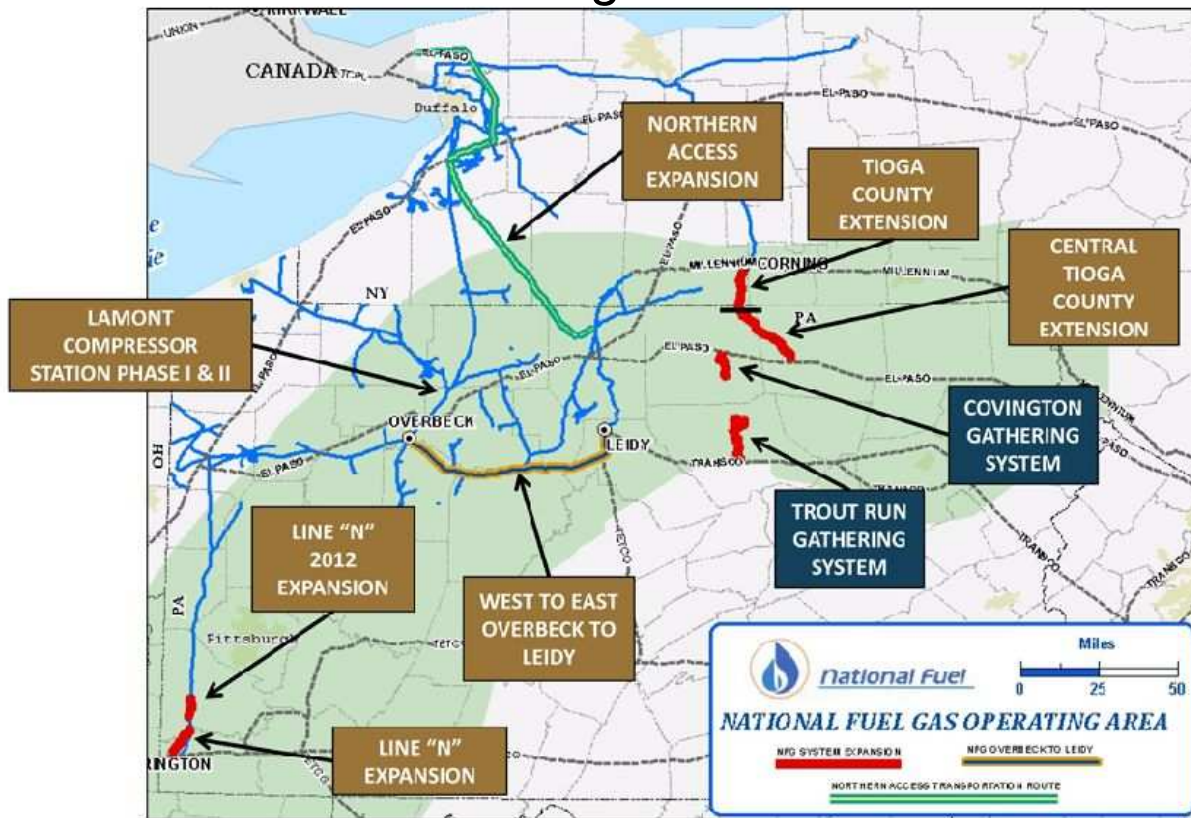
# Pipeline & Storage

## Marcellus Driving Changing Gas Flow Patterns



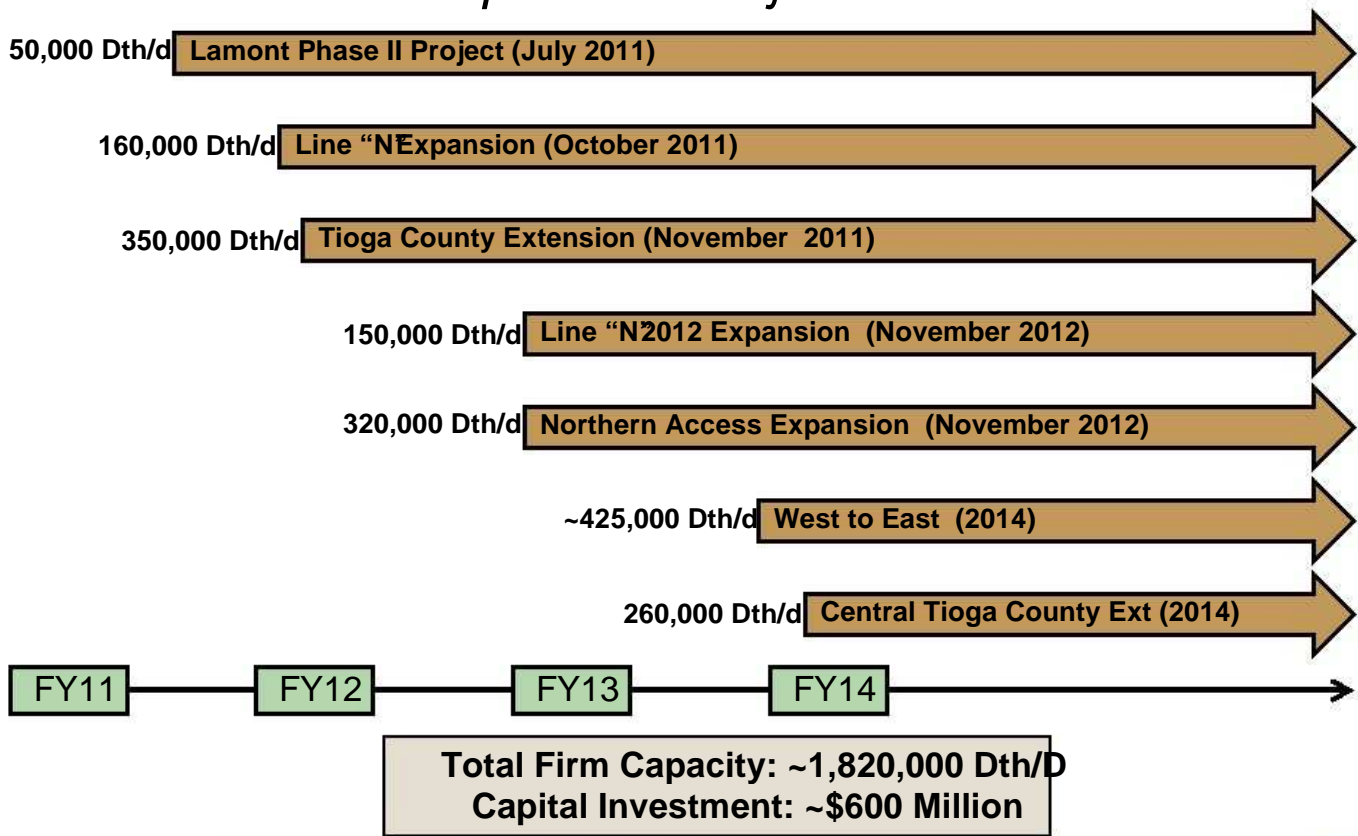
# Pipeline & Storage

*Positioned to Move Growing Marcellus Production*



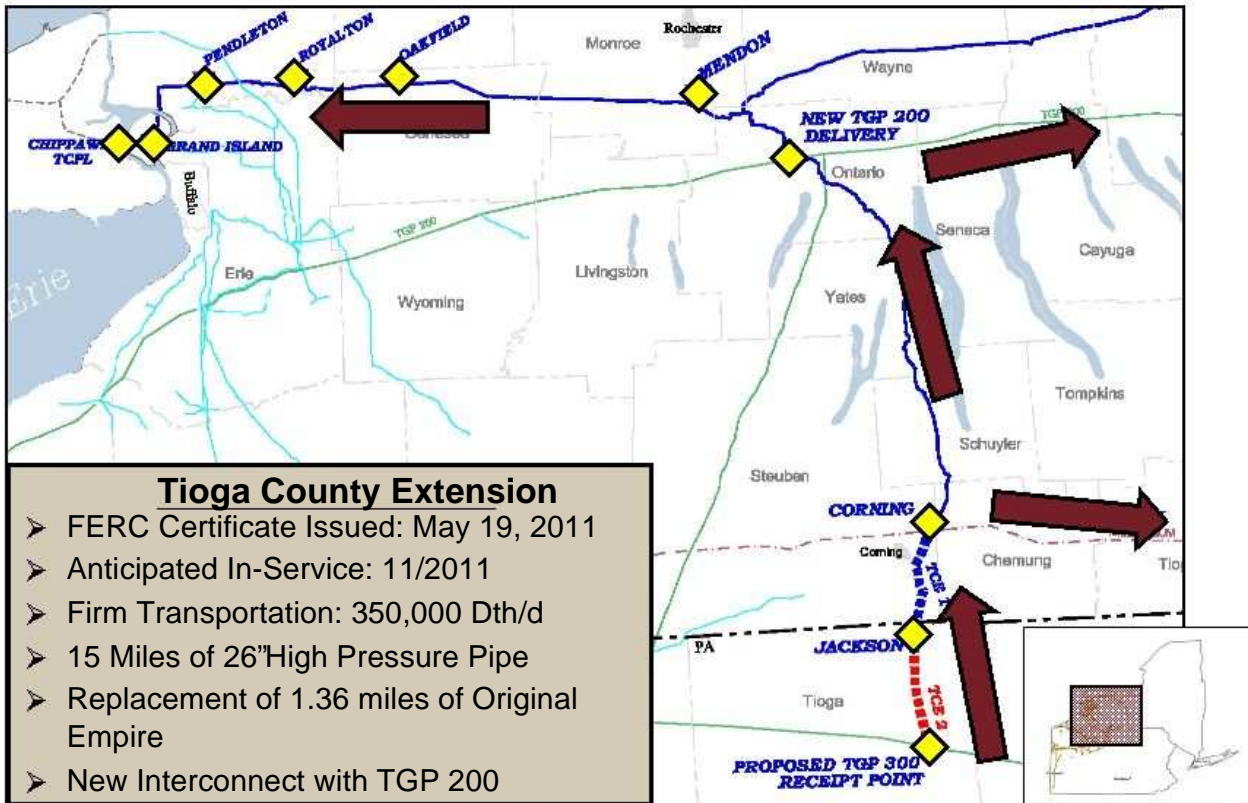
# Pipeline & Storage

## Marcellus Driven Expansion Projects



# Pipeline & Storage

## Tioga County Extension Project





# Pipeline & Storage

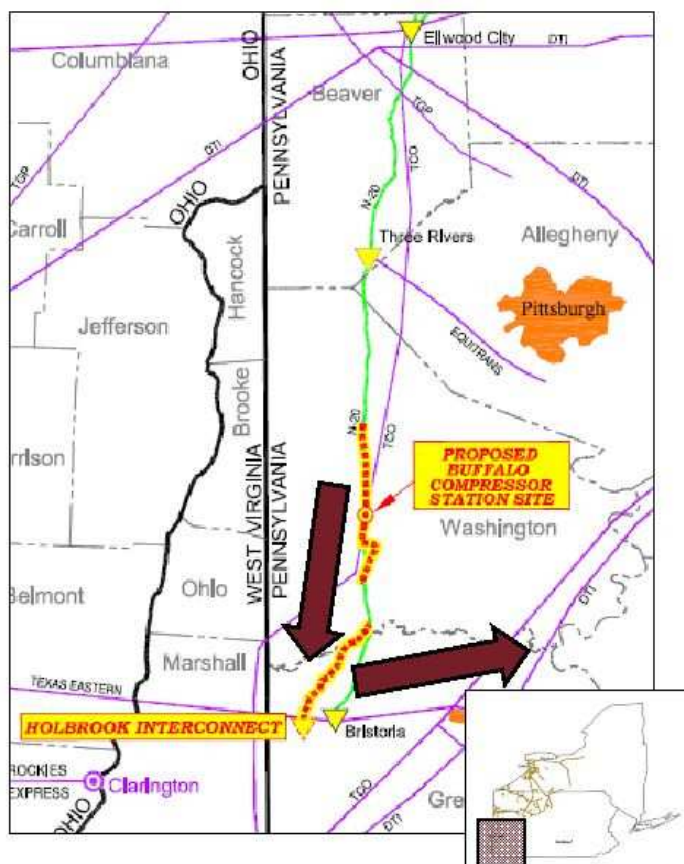
## Line N Expansion Project

### Line N Expansion 2011

- In-Service Date: 9/2011
- Fully Subscribed: 160,000 Dth/D
- 20+ Miles of 20" Pipe
- New 4,740 HP Compression Station
- Delivery to TETCO at Holbrook Station

### Line N Expansion 2012

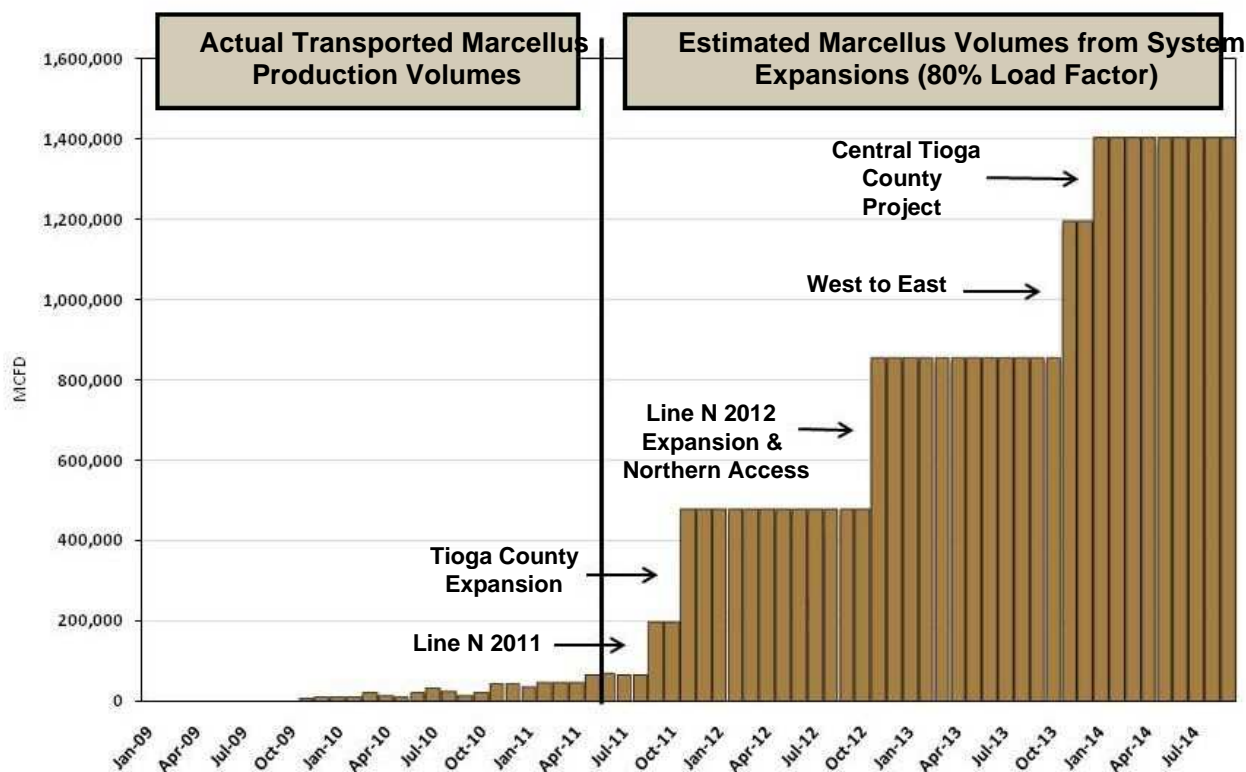
- In-Service Date: 11/2012
- Fully Subscribed: 150,000 Dth/D
- 4.85 Miles of 24" Replacement Pipe
- Additional 20,620 HP at Buffalo Station



# Pipeline & Storage

September 9, 2011

## Marcellus Volumes from System Expansions

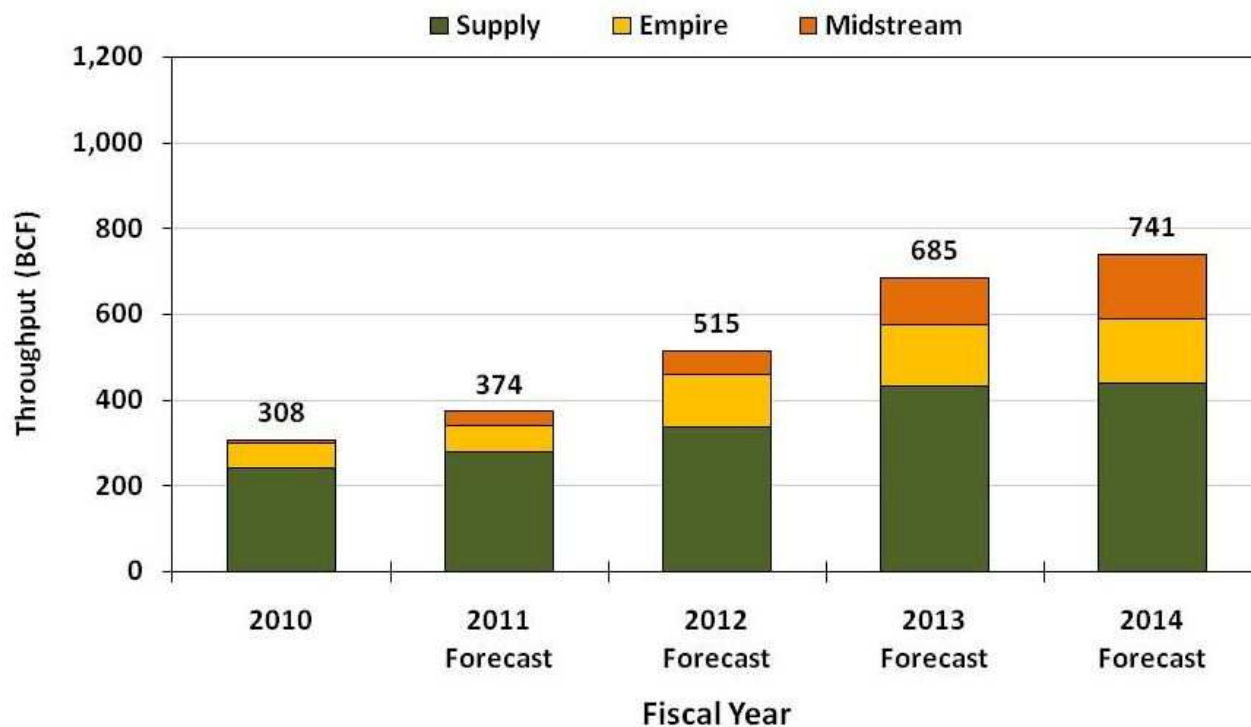




# Pipeline, Storage & Midstream

## Significant Throughput Growth

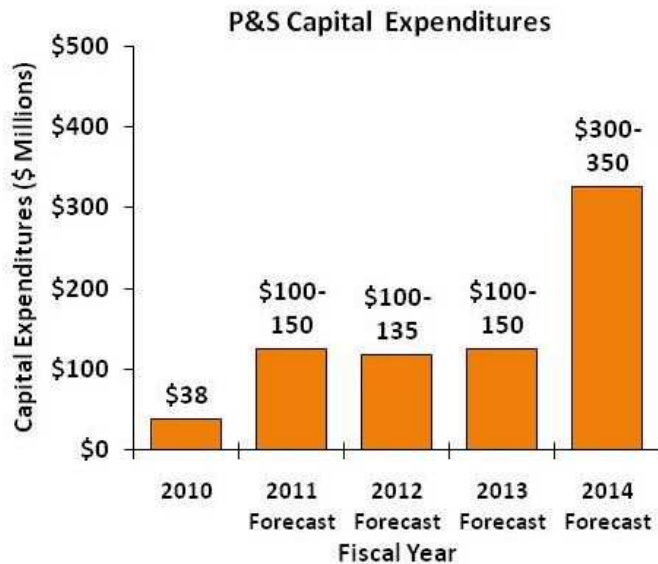
September 9, 2011



# Pipeline & Storage Growth

## Deploying Significant Growth Capital

**Capital spending is ramping up significantly to fund system expansion and assuming recently allowed industry average ROE and capital structure targets, this segment can achieve significant growth with a rapid increase in contracted volumes**



# Utility

## *National Fuel Gas Distribution Corporation*

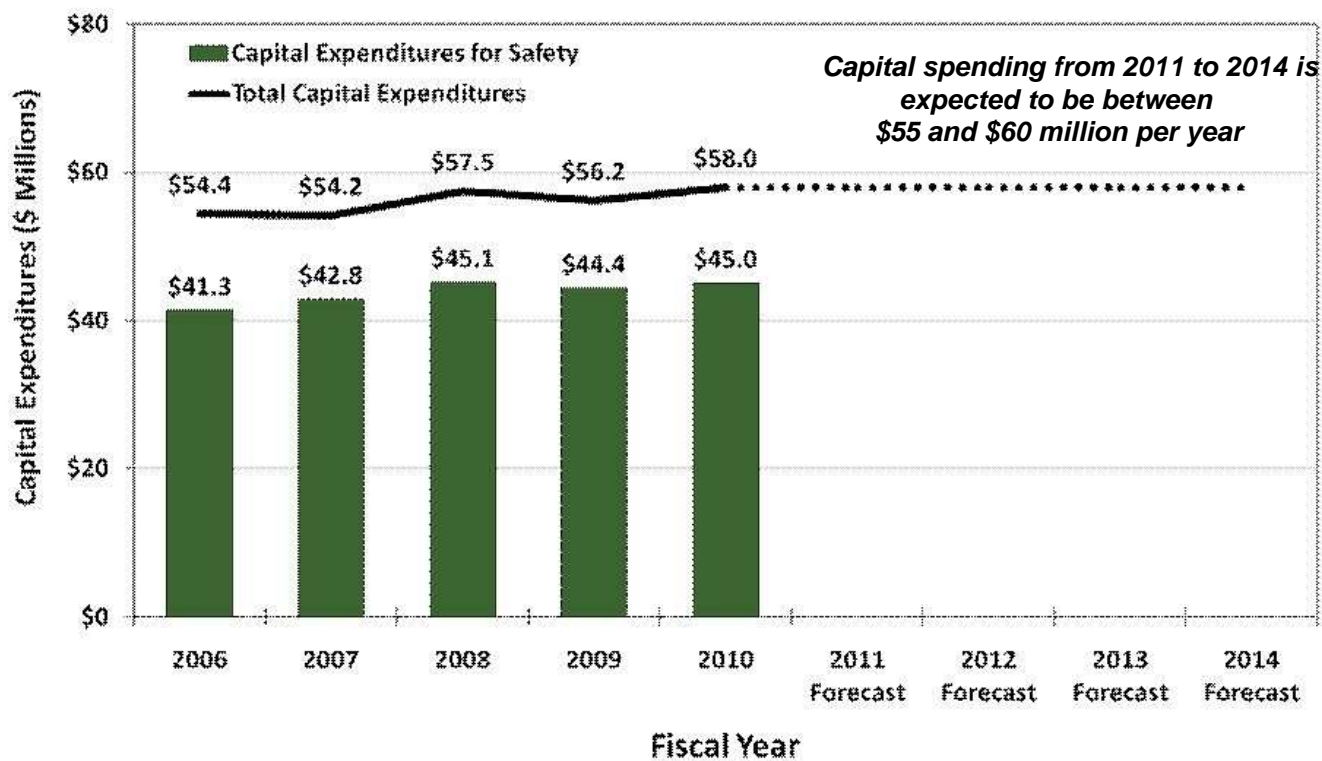
September 9, 2011



# Utility

## Strong Commitment to Safety

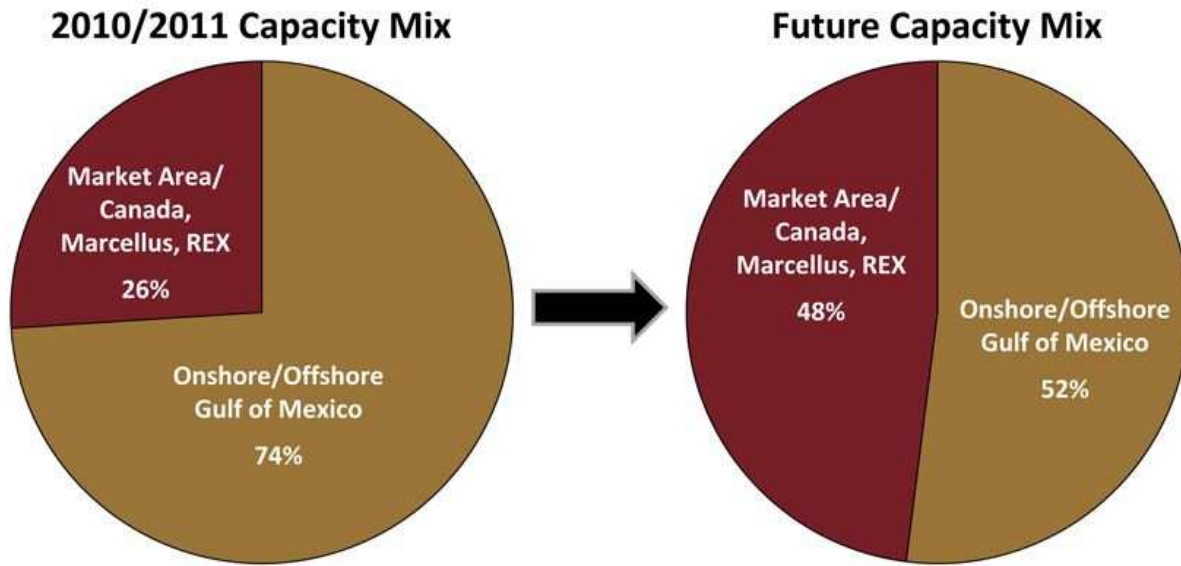
September 9, 2011



# Utility

## Operational Reliability

### Changing Natural Gas Supply Dynamics

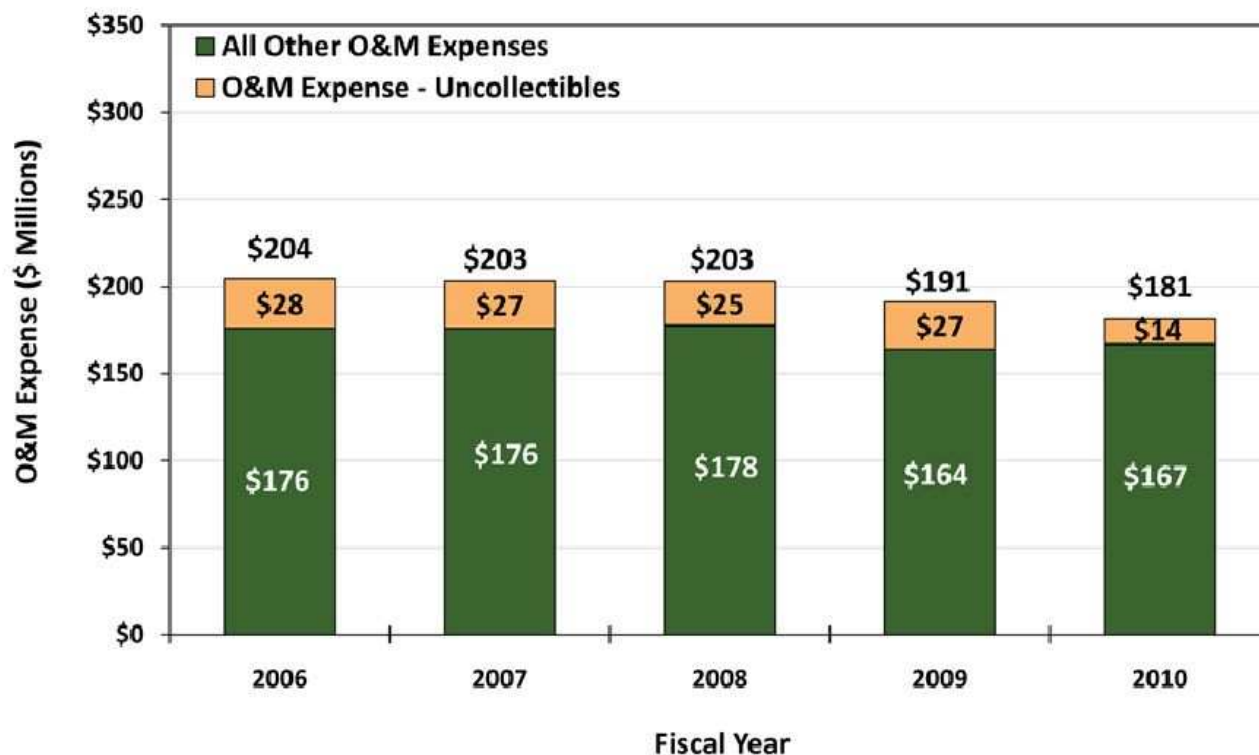


***The development of unconventional sources has shifted the need for traditional sources of natural gas supply to reliably serve our utility customers***

# Utility

## Continued Cost Control

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# Utility

## *Stable Earnings/Financial Stability*

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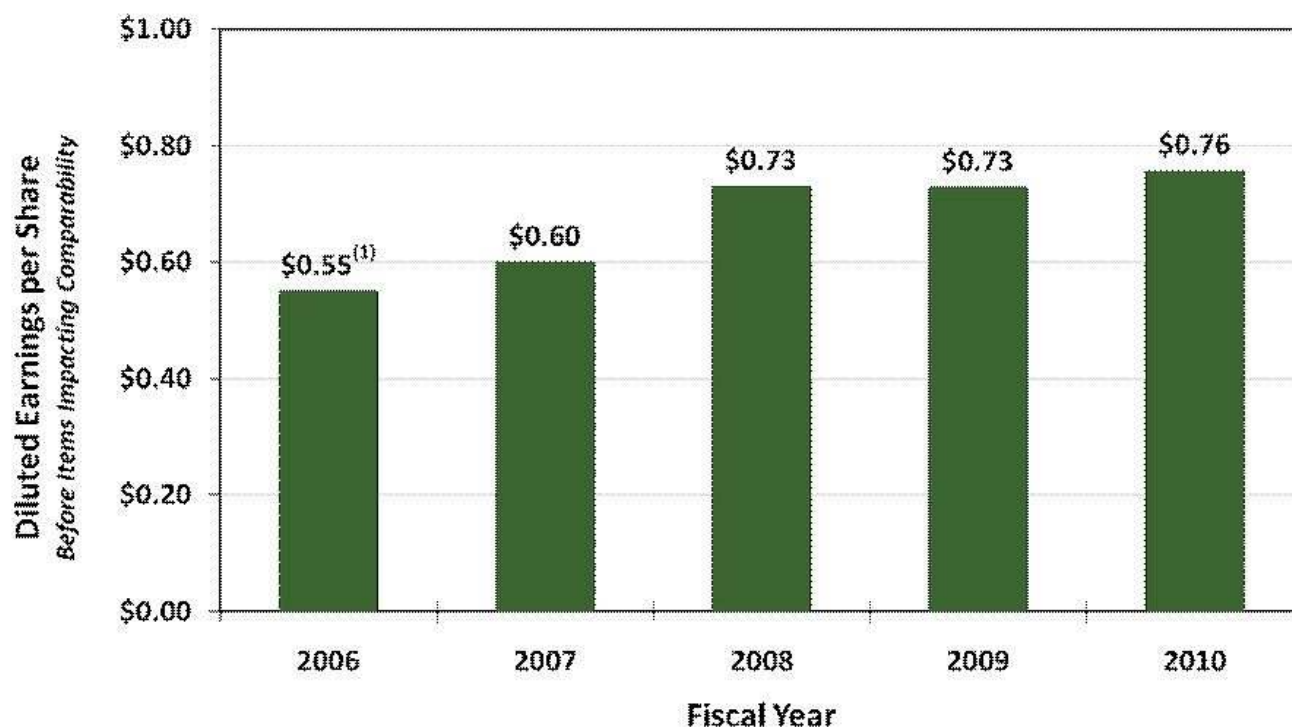
Photocourtesyof CarlHeldmann, BuildYourOwnHouse- [www.byoh.com](http://www.byoh.com)



# Utility

September 9, 2011

## Diluted Earnings per Share *(Before Items Impacting Comparability)*

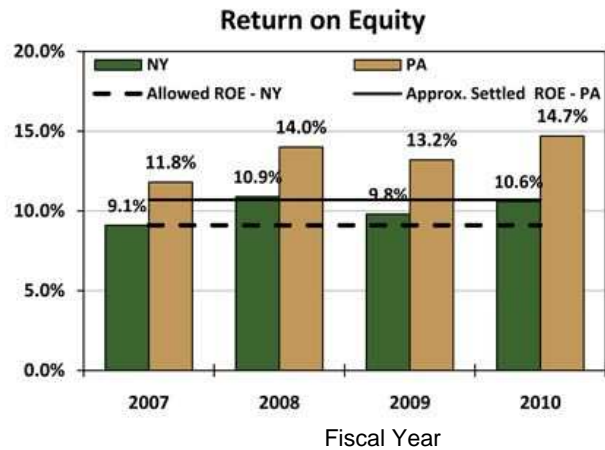
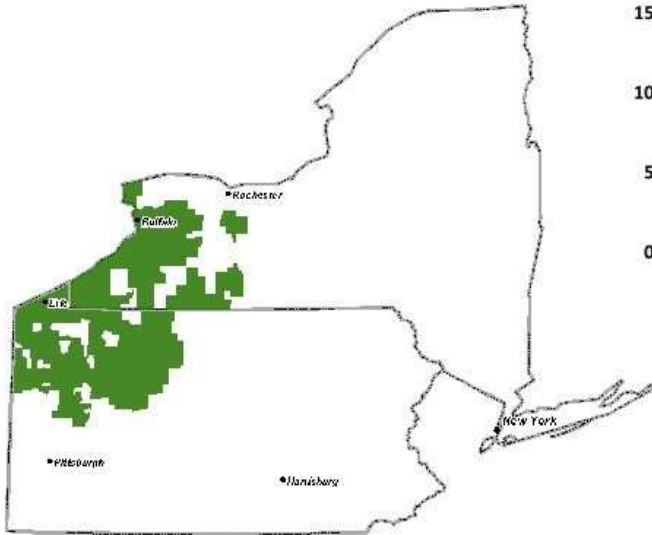


(1) Excludes out-of-period adjustment to symmetrical sharing of \$0.03; Including this adjustment, GAAP earnings would be \$0.58.

# Utility

## Financial Stability

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### Rate Mechanisms

#### New York & Pennsylvania

- Low Income Rates
- Choice Program/POR
- Merchant Function Charge

#### New York only

- Revenue Decoupling
- 90/10 Sharing
- Weather Normalization

Strong Commitment to Safety

Operational Reliability

Continue to control expenses

Financial Stability

Maintain a solid regulatory strategy to  
achieve strong regulatory outcomes

# Utility

## *National Fuel Gas Distribution Corporation*

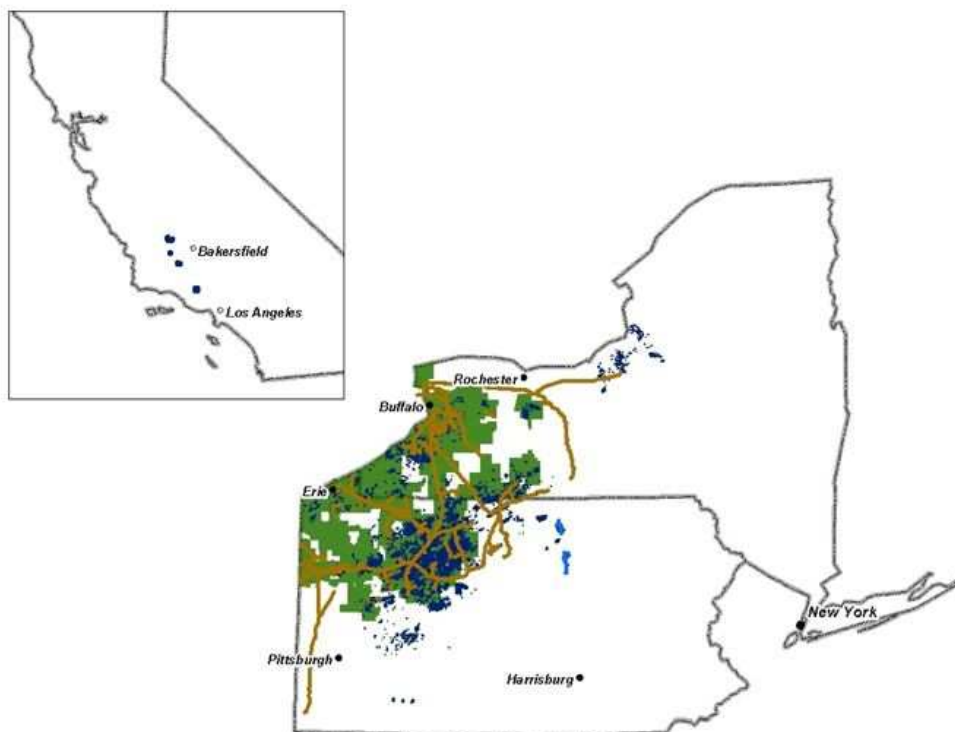
September 9, 2011



# National Fuel Gas Company

## Corporate & Financial Overview

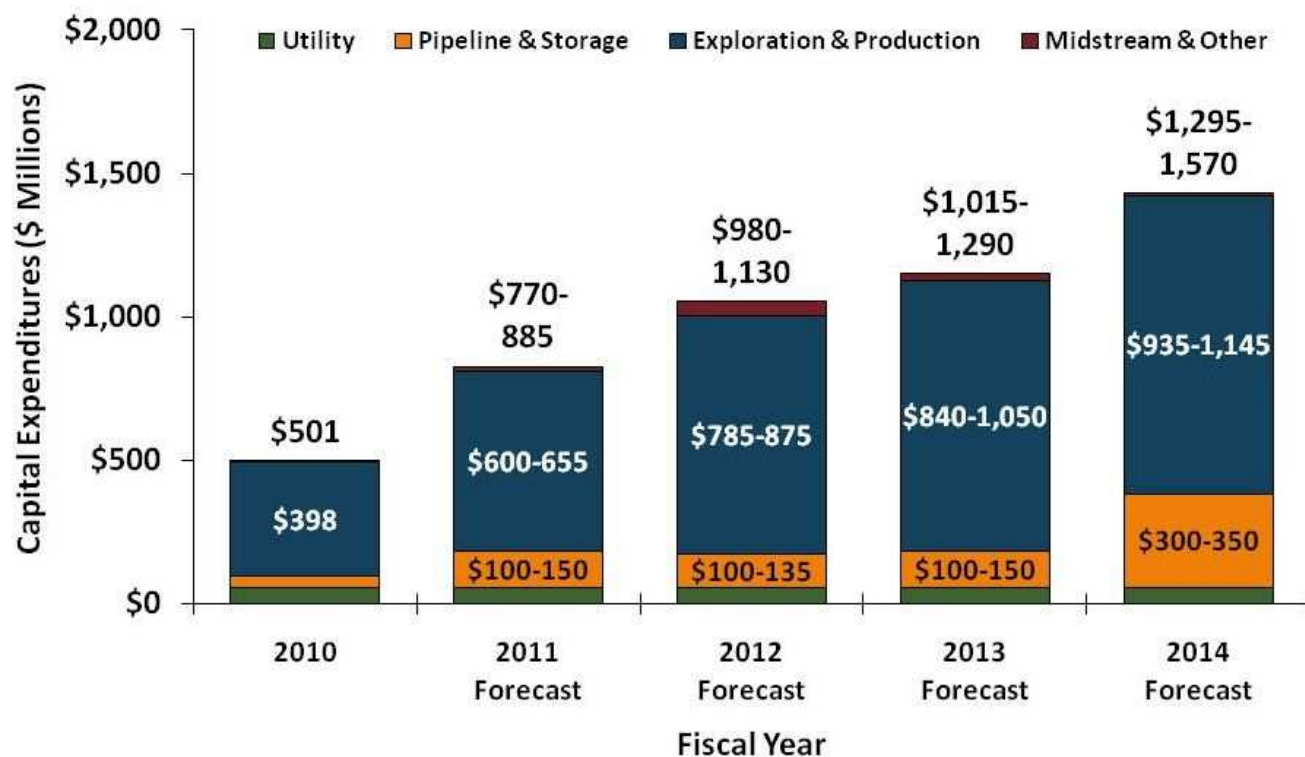
September 9, 2011



# National Fuel Gas Company

## Consolidated Capital Expenditures

September 9, 2011

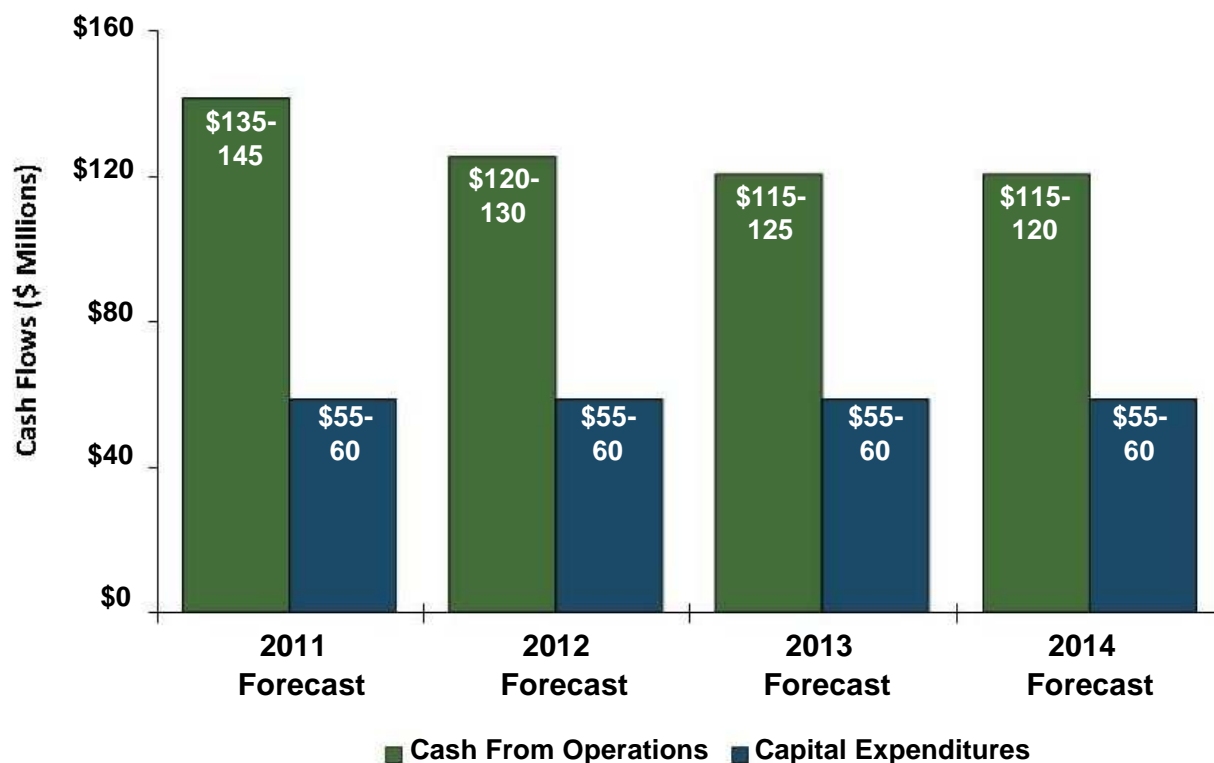


Note: A reconciliation to Capital Expenditures as presented on the Consolidated Statement of Cash Flows is included at the end of this presentation.

# National Fuel Gas Company

## Cash Flow Forecast - Utility

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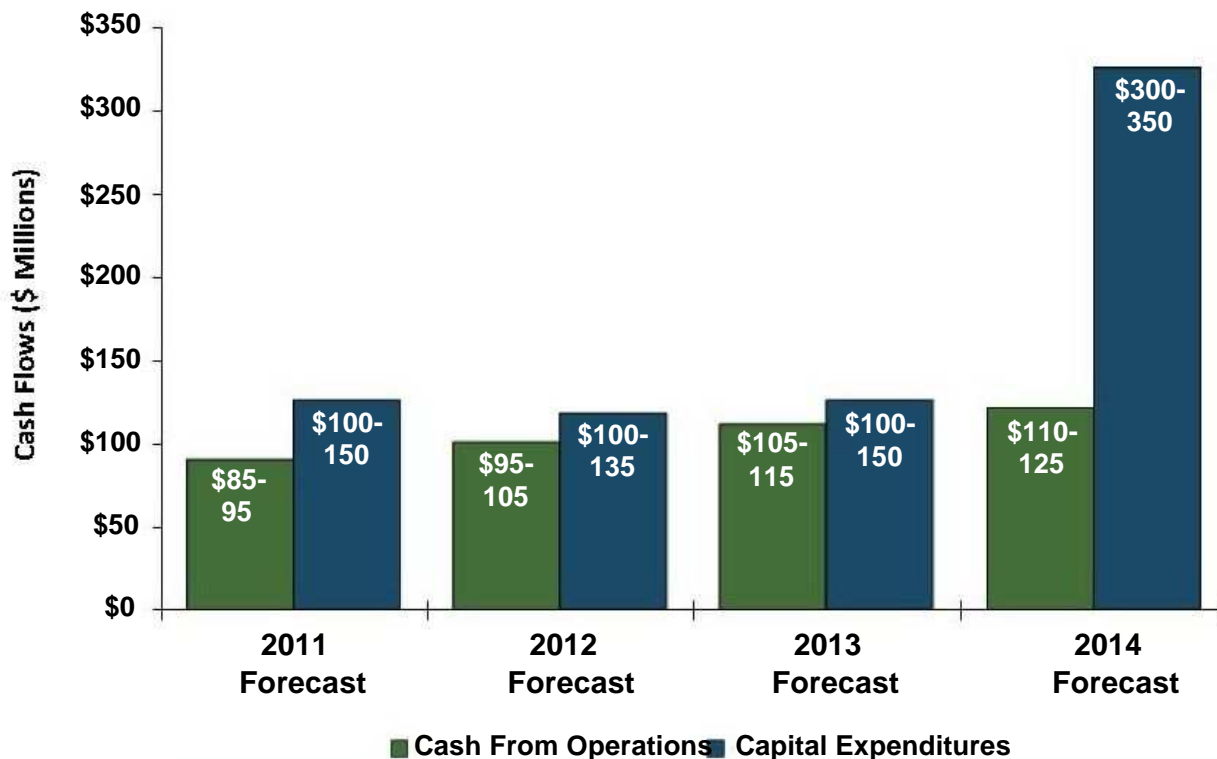




# National Fuel Gas Company

## Cash Flow Forecast Pipeline & Storage

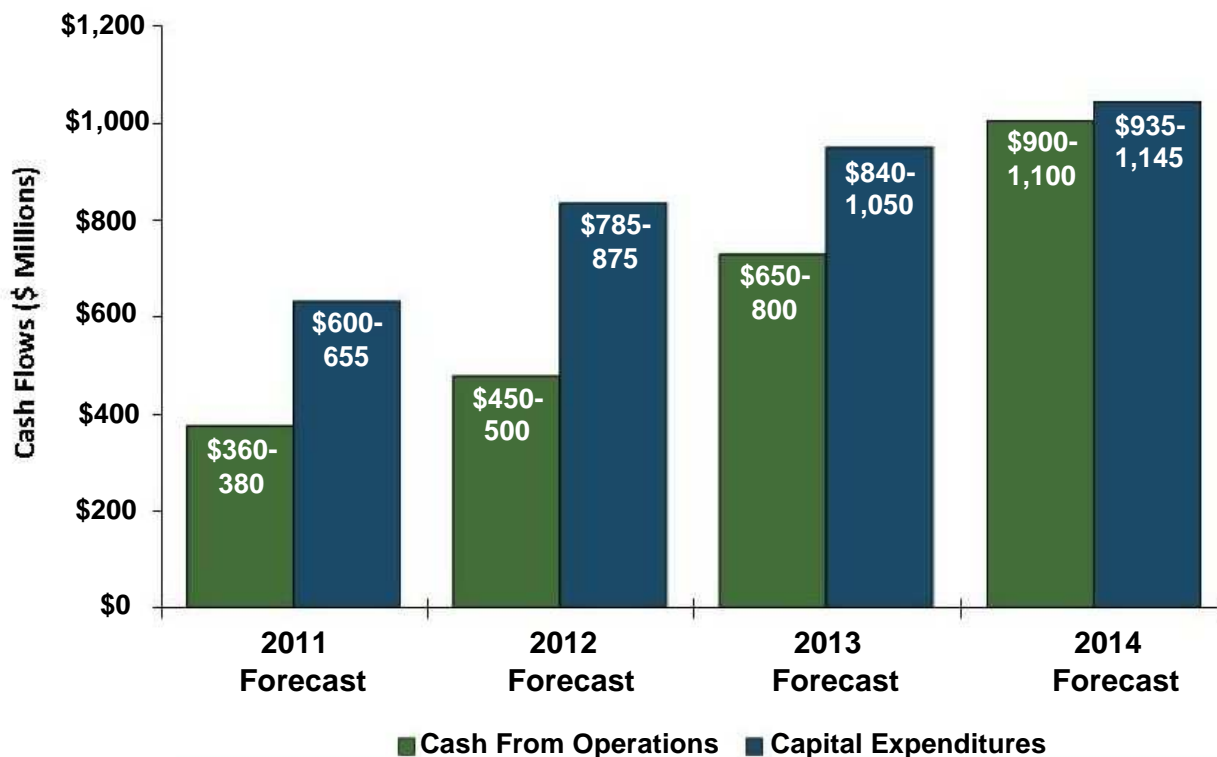
September 9, 2011



# National Fuel Gas Company

## Cash Flow Forecast Exploration & Production

September 9, 2011



**Note:** This assumes NYMEX natural gas pricing of \$4.00, \$4.50, \$5.00 and \$5.50 for fiscal years 2011, 2012, 2013 and 2014, respectively. It also assumes NYMEX crude oil pricing of \$80, \$95, \$100 and \$100 for fiscal years 2011, 2012, 2013 and 2014, respectively.

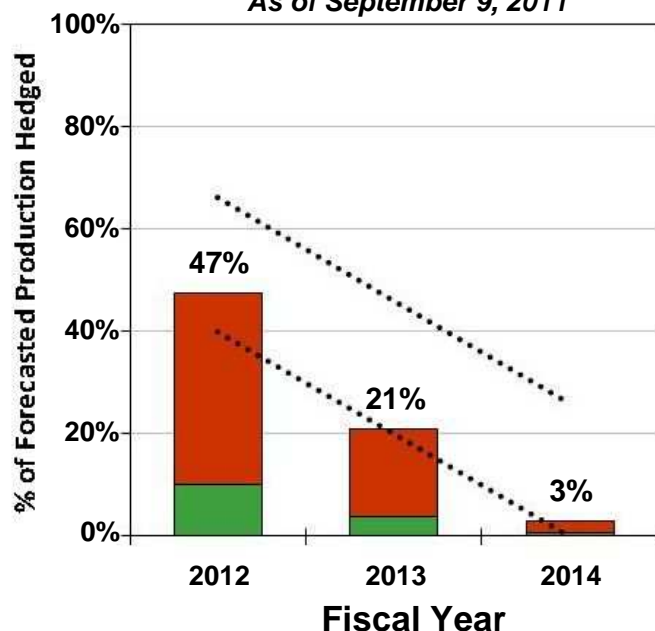


# National Fuel Gas Company

## Hedge Positions and Strategy

September 9, 2011

**Hedged Forecasted Production**  
As of September 9, 2011



Oil Swaps	Volume (MMBbl)	Average Hedge Price
Fiscal 2012	1.6	\$77.03 / Bbl
Fiscal 2013	0.9	\$86.21 / Bbl
Fiscal 2014	0.2	\$94.90 / Bbl

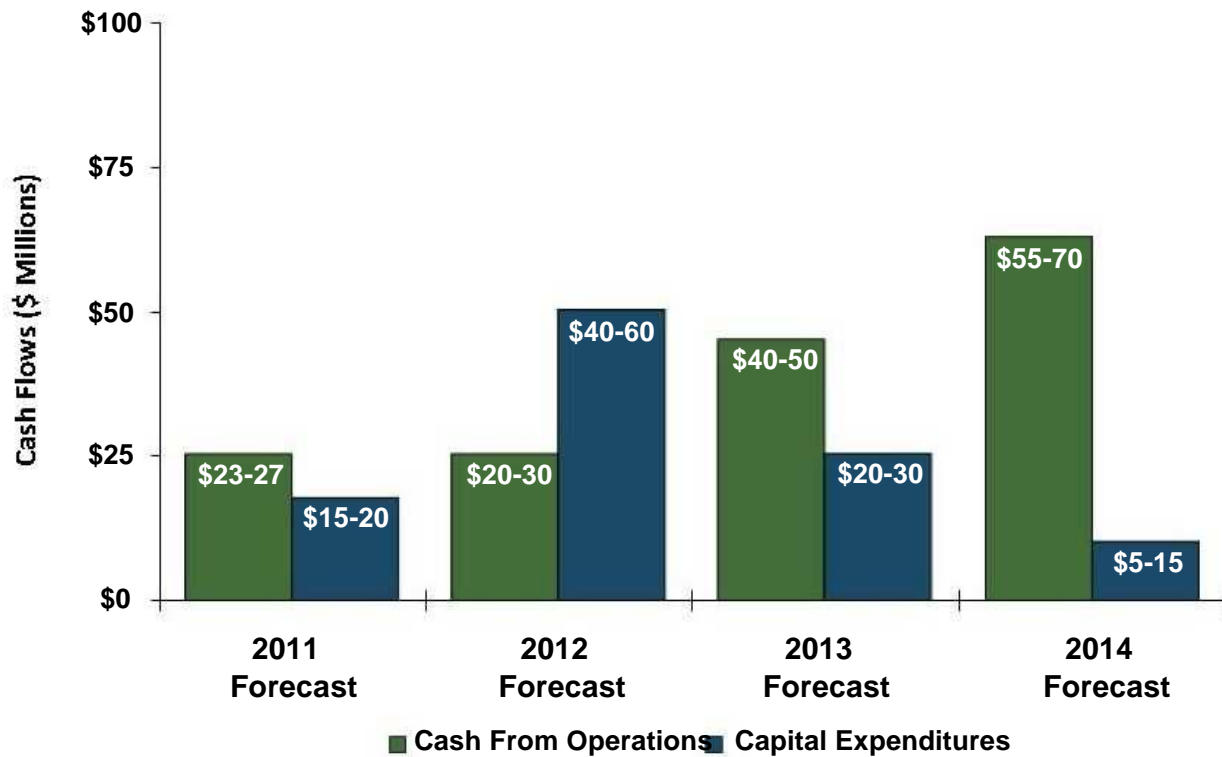
Natural Gas Swaps	Volume (Bcf)	Average Hedge Price
Fiscal 2012	35.0	\$5.89 / Mcf
Fiscal 2013	23.9	\$5.67 / Mcf
Fiscal 2014	4.6	\$5.89 / Mcf

*Most hedges executed at sales point to eliminate basis risk*

# National Fuel Gas Company

September 9, 2011

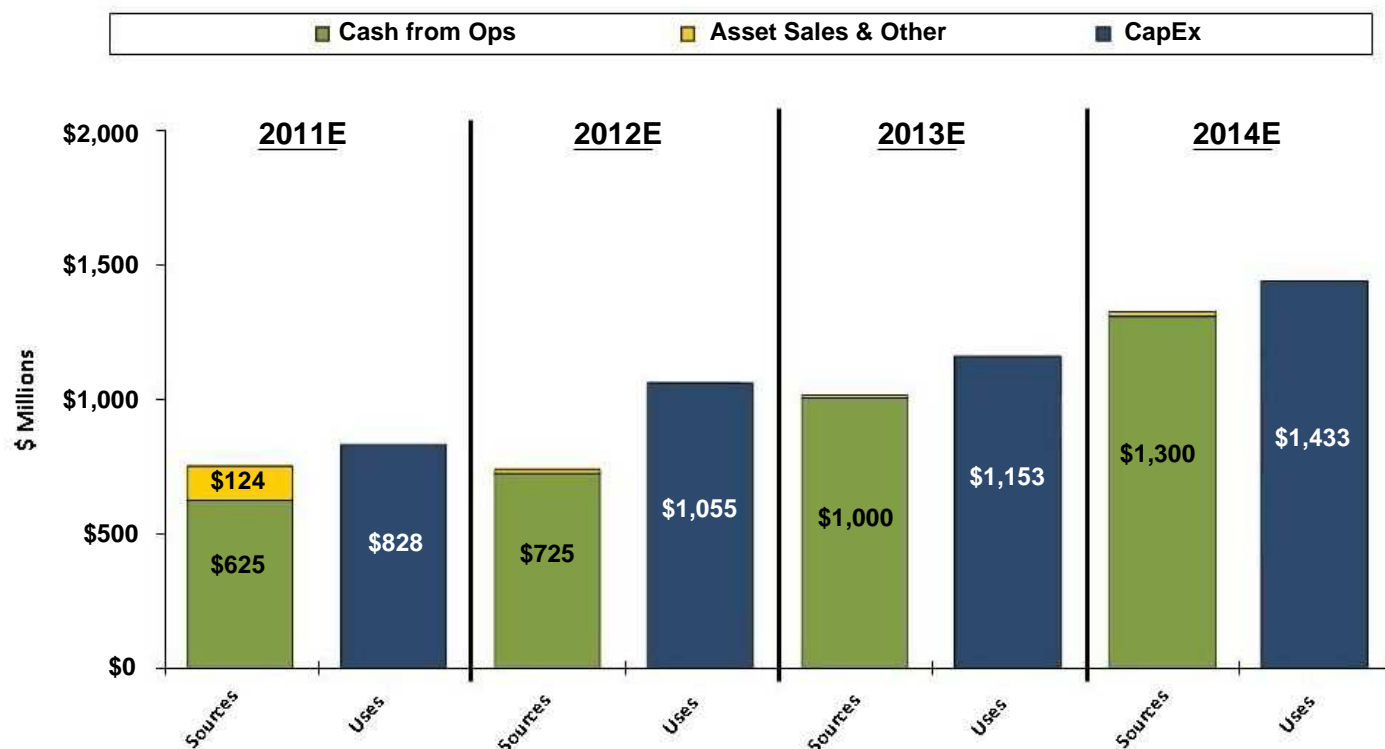
## Cash Flow Forecast ~~Midstream~~, Marketing & Other



# National Fuel Gas Company

September 9, 2011

## Financing Needs A Consolidated View of Cash Flows

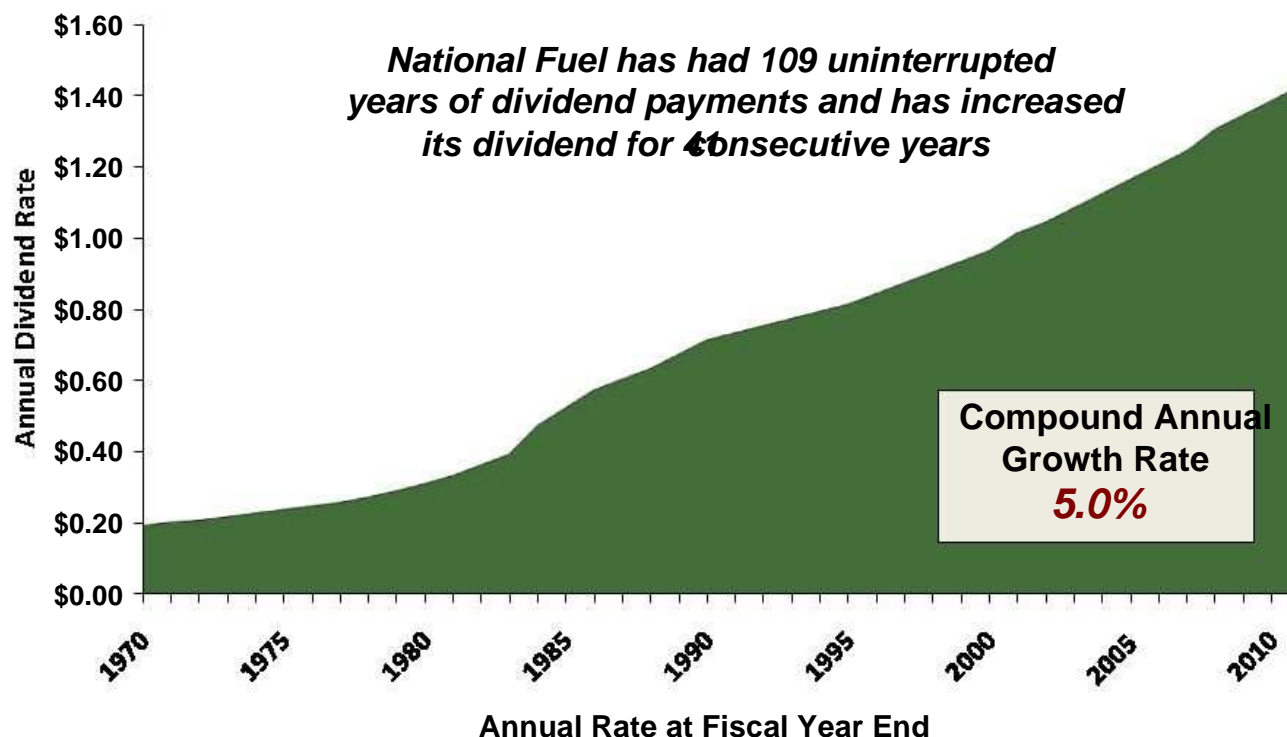


**Note:** This assumes NYMEX natural gas pricing of \$4.00, \$4.50, \$5.00 and \$5.50 for fiscal years 2011, 2012, 2013 and 2014, respectively. It also assumes NYMEX crude oil pricing of \$80, \$95, \$100 and \$100 for fiscal years 2011, 2012, 2013 and 2014, respectively.

# National Fuel Gas Company

## Strong Dividend Track Record

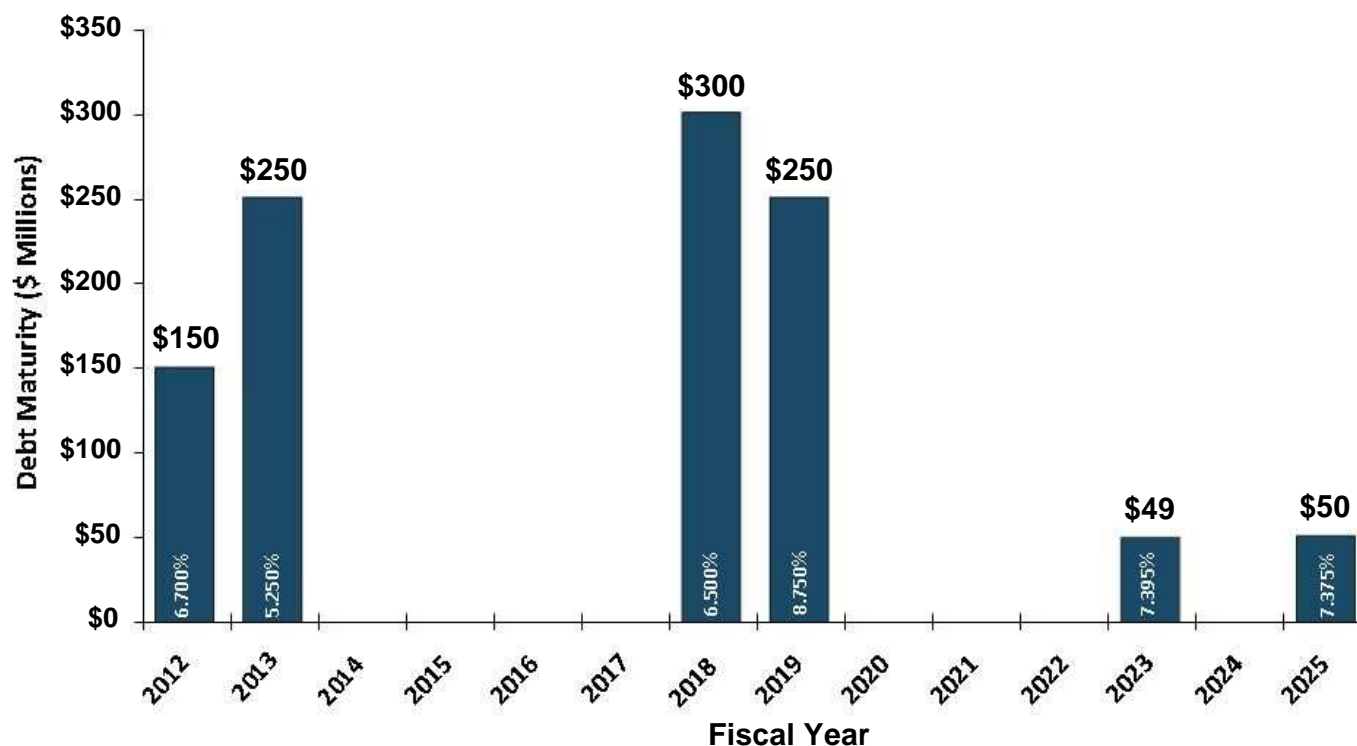
September 9, 2011



# National Fuel Gas Company

## Manageable Debt Maturity Schedule

September 9, 2011

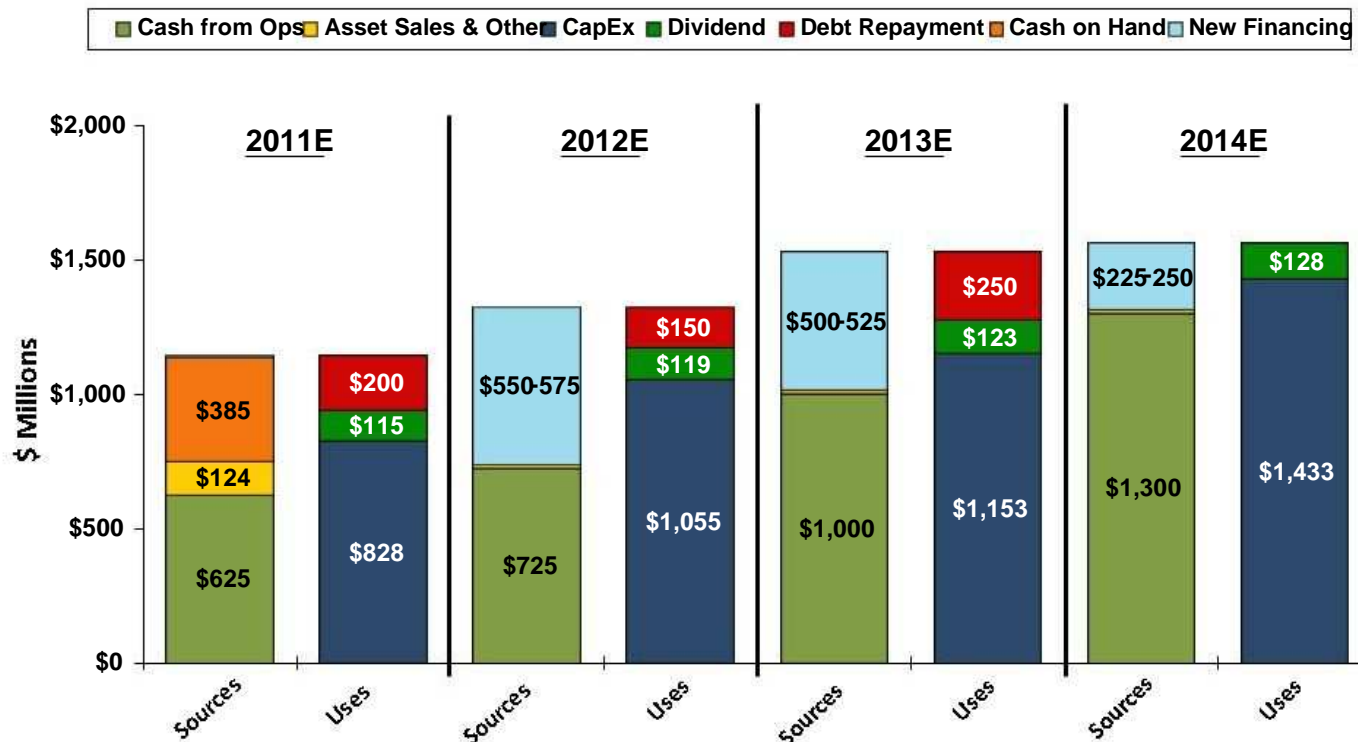




# National Fuel Gas Company

September 9, 2011

## Financing Needs A Consolidated View of Cash Flows



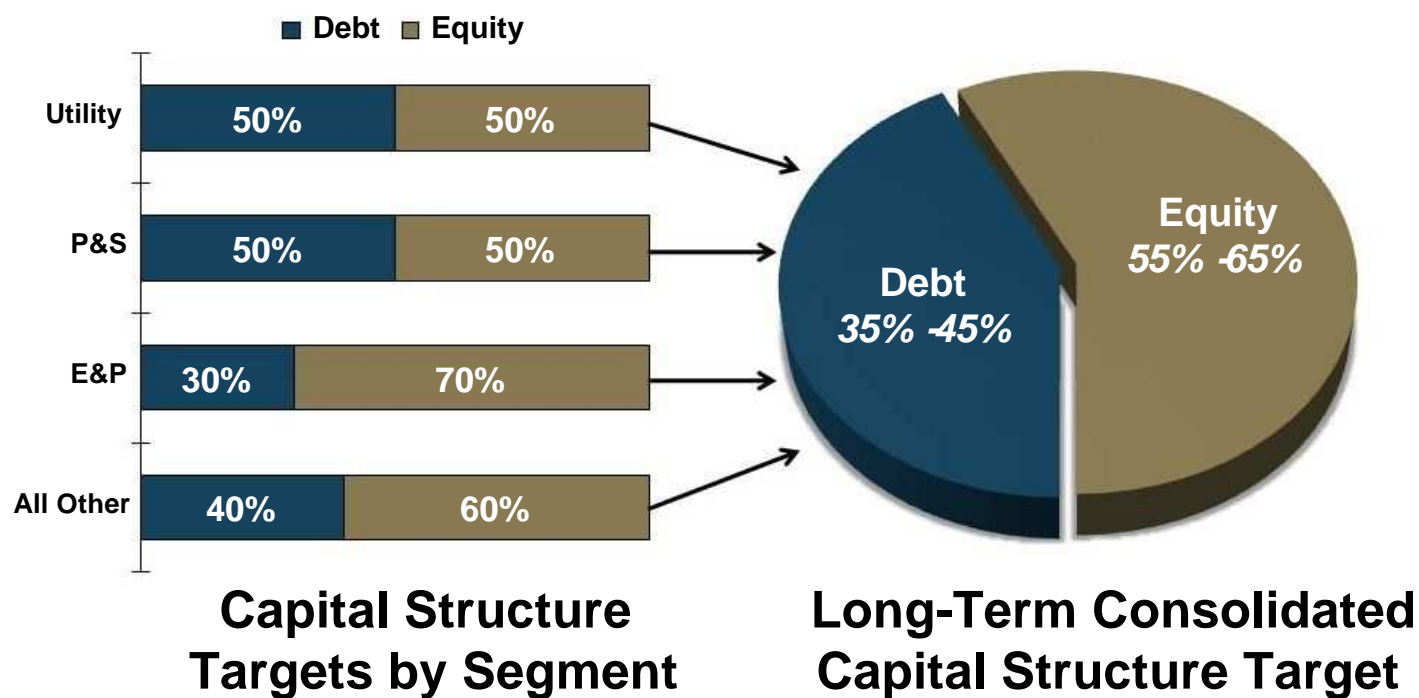
**Note:** This assumes NYMEX natural gas pricing of \$4.00, \$4.50, \$5.00 and \$5.50 for fiscal years 2011, 2012, 2013 and 2014, respectively. It also assumes NYMEX crude oil pricing of \$80.00, \$95, \$100 and \$100 for fiscal years 2011, 2012, 2013 and 2014, respectively.



# National Fuel Gas Company

## Targeted Capital Structure

September 9, 2011



# National Fuel Gas Company

## *Investment Grade Credit Rating*

September 9, 2011

### Current Credit Ratings

Rating Agency	Rating
Fitch	BBB+
Moody's	Baa1
Standard & Poors	BBB

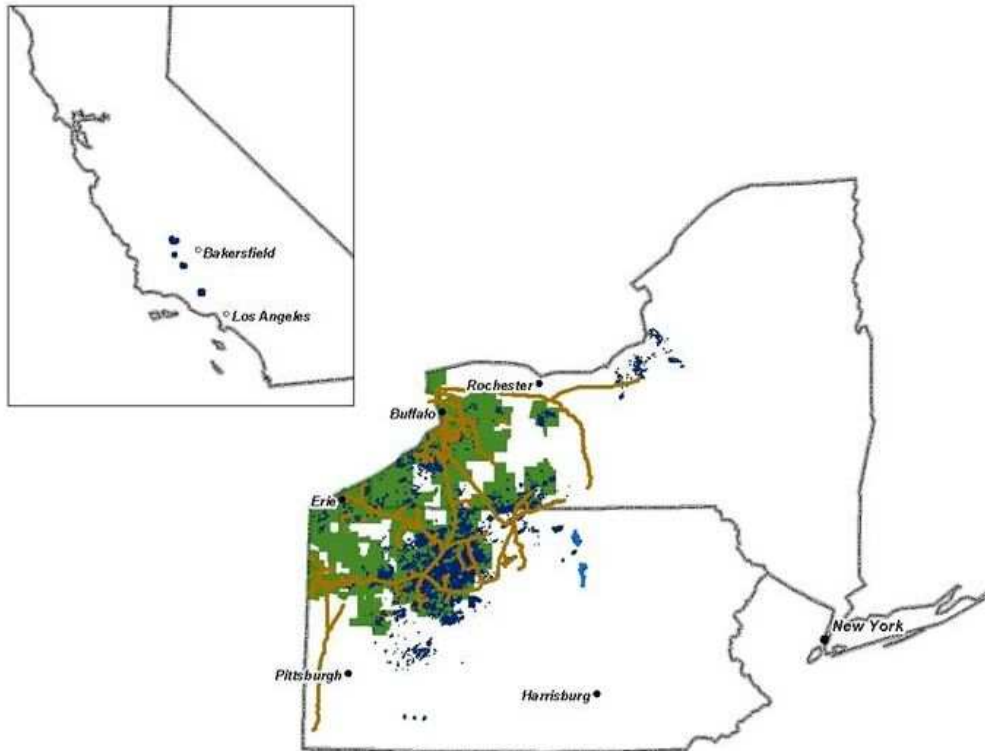
### Capital Resources

- Total Short-Term Capacity: \$685 Million
  - Commercial Paper Program: \$300 Million
  - Uncommitted Lines of Credit: \$385 Million
- \$300.0 MM Committed Credit Facility through September 2013 backs Commercial Paper Program

# National Fuel Gas Company

## Appendix

September 9, 2011



# National Fuel Gas Company

## *Fiscal Year 2012 Earnings Guidance Drivers*

September 9, 2011

	2012 Forecast	
<b>GAAP Earnings per Share</b>	\$2.85 - \$3.15	
<b>Operating Earnings per Share</b>	\$2.85 - \$3.15	<b>12% EPS Growth</b>
<b>Exploration &amp; Production Drivers</b>		
Total Production (Bcfe)	87 - 101	<b>35% Production Growth</b>
DD&A Expense	\$2.20 - \$2.30	
LOE Expense	\$0.85 - \$1.00	
G&A Expense	\$54 - \$58 MM	
<b>Pipeline &amp; Storage Drivers</b>		
O&M Expense	↑2%	
Increase in Revenue (Expansion Projects)	\$27 MM	
Decrease in Revenue (De-Contracting)	\$4 MM	
<b>Utility Drivers</b>		
O&M Expense	↑2%	
PA Normal Weather Assumption	\$0.03 / Share	

# Pipeline & Storage

## Expansion Initiatives

September 9, 2011

Project Name	Capacity (Dth/D)	Est. CapEx	In-Service Date	Market	Status
Lamont Compressor Station	40,000	\$6 MM	6/15/10	Fully Subscribed	<b>Completed</b> - Flowing into TGP300 Line
Lamont Phase II Project	50,000	\$7.6 MM	07/1/11	Fully Subscribed	First 10,000 Dth/d in-service. Remaining 40,000 Dth/d in-service 10/2011.
Line "N" Expansion	160,000	\$20 MM	~ 09/2011	Fully Subscribed	Construction began February 2011
Tioga County Extension	350,000	\$49 MM	~ 11/2011	Fully Subscribed	Construction began July 2011
Northern Access Expansion	320,000	\$62 MM	~ 11/2012	Fully Subscribed	Certificate filed in March 2011
Line "N" 2012 Expansion	150,000	\$36 MM	~ 11/2012	Fully Subscribed	Certificate filed in July 2011
West to East	~425,000	\$290 MM	2014	29% Subscribed	Marketing continues with producers in various stages of exploratory drilling
Central Tioga County Extension	260,000	\$135 MM	2014	Open Season Closed	Evaluating market interest and facility design
<b>Total Firm Capacity ~ 1,755,000 Dth/D</b>					
<b>Capital Investment ~ \$606 MM</b>					

# Midstream Corporation

## Expansion Initiatives

September 9, 2011

Project Name	Capacity (Dth/D)	Est. CapEx	In-Service Date	Market	Status
Covington Gathering System	140,000	\$16 MM	11/17/09	Fully Subscribed	<b>Completed</b> -Flowing into TGP 300 Line
Covington Gathering System Expansion	80,000	\$3.5 MM	~12/2011	Fully Subscribed	Will increase total system capacity to 220,000 Dth/d
Trout Run Gathering System	466,000	\$52 MM	Q2 FY2012	70% Subscribed	Preliminary work has begun
<b>Total Firm Capacity ~ 686,000 Dth/D</b>					
<b>Capital Investment ~ \$ 71.5 MM</b>					

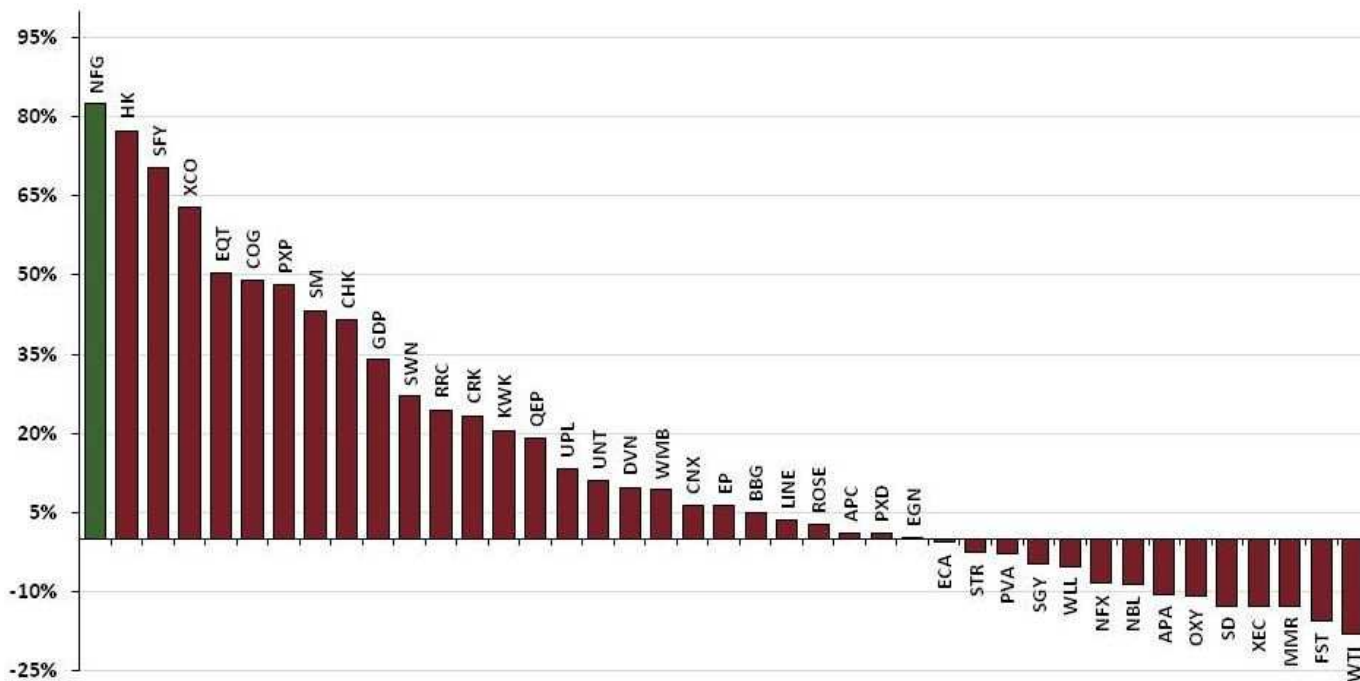


# Seneca Resources

## Industry Leading Production Growth

September 9, 2011

### U.S. Independent E&P Companies 2<sup>nd</sup> Quarter Year-Over-Year Production Growth

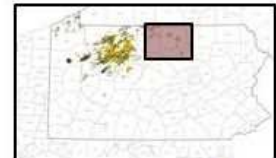
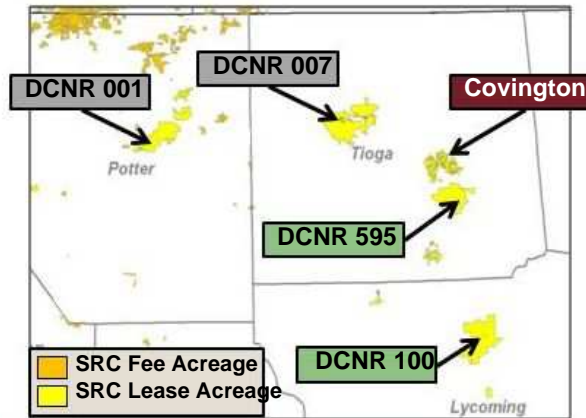


(1) Source: Raymond James & Associates, Inc. – August 22, 2011

# Marcellus Shale

## Eastern Development Area (EDA) Current Results

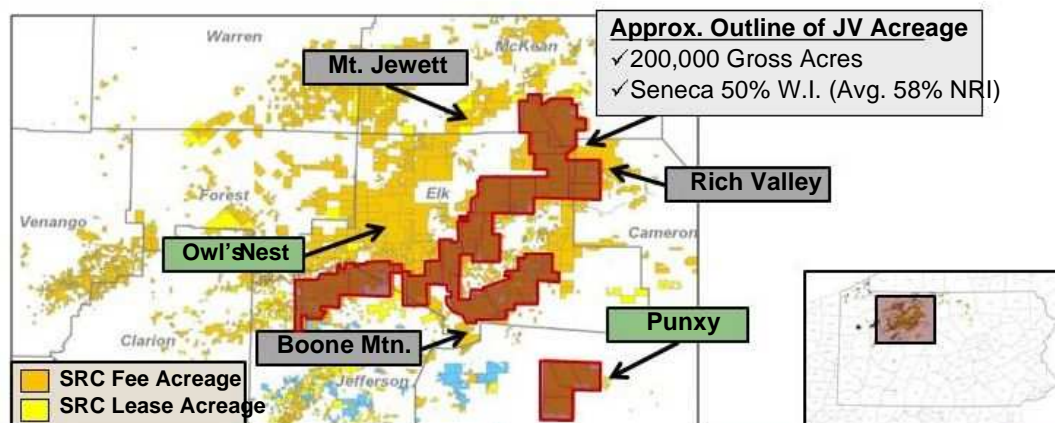
Location	Possible Locations	Wells Drilled	Gross Production (MMcf/d)	3D Seismic	2012 Wells Planned	Comments
<b>Developed</b>						
Covington	47	47	100+	Acquired	N/A	Estimated Gross EUR: 5.5 Bcfe
<b>Full Development</b>						
DCNR 595	55	4	8	Permitting	26	1 Well Currently Shut-In
DCNR 100	70	1	N/A	Mid-2012	12	1 <sup>st</sup> Well IP: 15.8 MMcf/d
<b>Delineating</b>						
DCNR001	58	1	N/A	June 2011	2	1 <sup>st</sup> Well IP: 4 MMcf/d
DCNR 007	75	1	N/A	July 2011	4	1 <sup>st</sup> Well IP: 2 MMcf/d



# Marcellus Shale

## Western Development Area (EDA) Results & Plan Forward

Location	Possible Locations	Wells Drilled	Gross Production (MMcf/d)	3D Seismic	2012 Wells Planned	Comments
<b>Full Development</b>						
Owl's Nest/ Ridgeway	680	3	2+	Permitting	15	Expected IPs: 4-5 MMcf/d
Punxy	87	45	36	Acquired	33	
<b>Delineating</b>						
Mt. Jewett	232	4	N/A	Acquired	TBD	Completions Scheduled for Sept. to Oct.
Boone Mtn.	59	4	N/A	N/A	TBD	Completions Scheduled for Oct. to Nov.
Rich Valley	188	0	N/A	N/A	2	

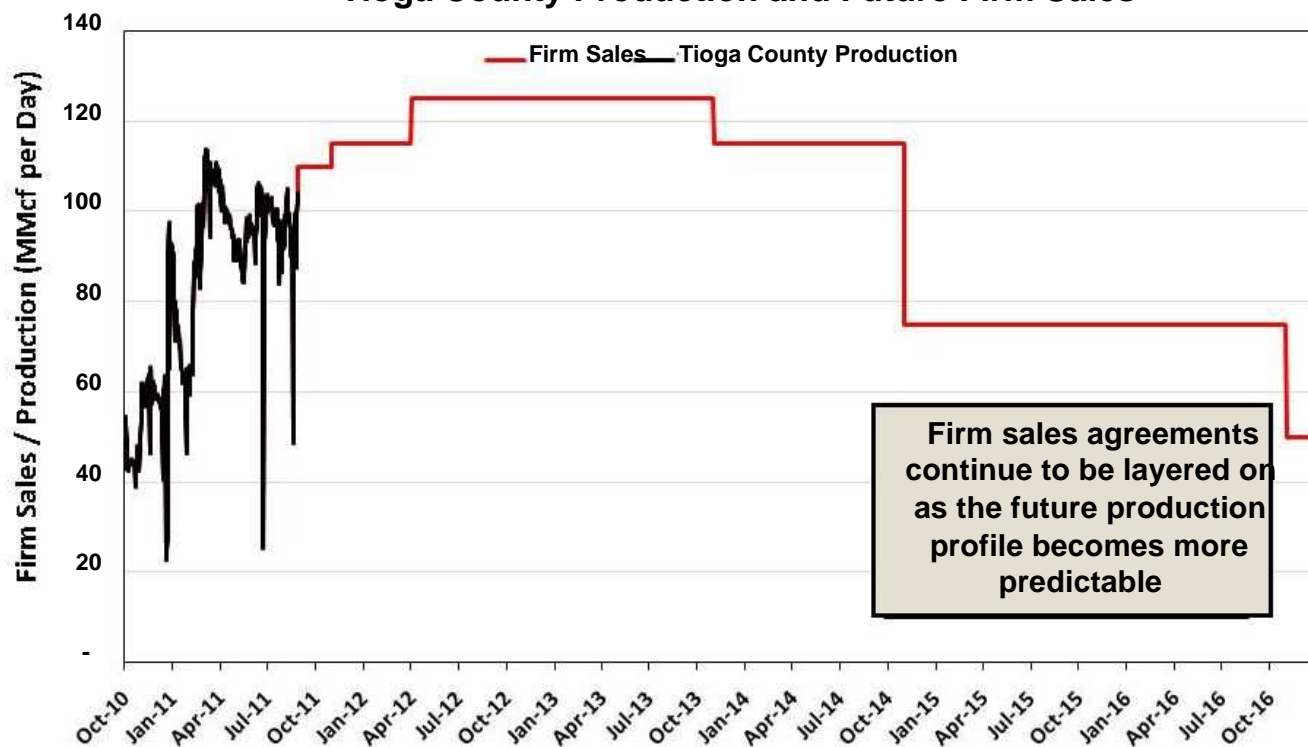


# Marcellus Shale

## *Ensuring Gas Reaches the Market*

September 9, 2011

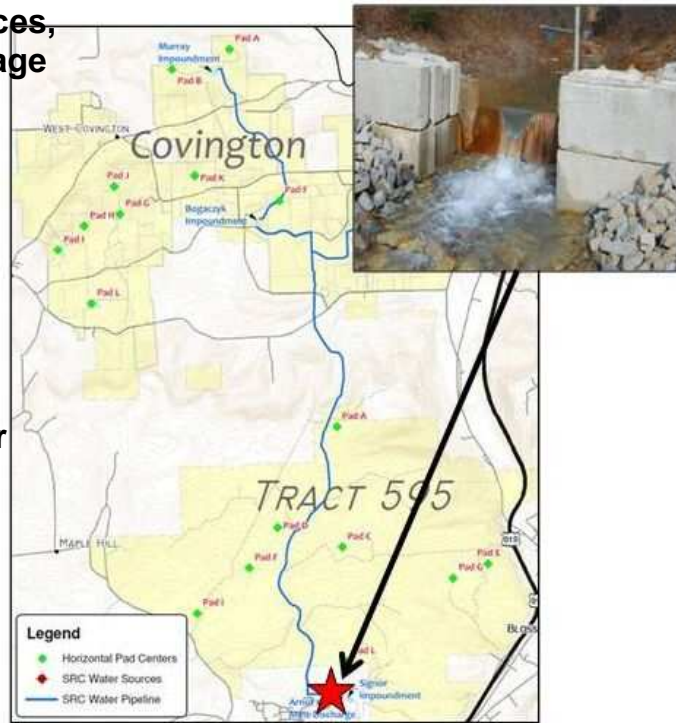
### Tioga County Production and Future Firm Sales



# Marcellus Shale

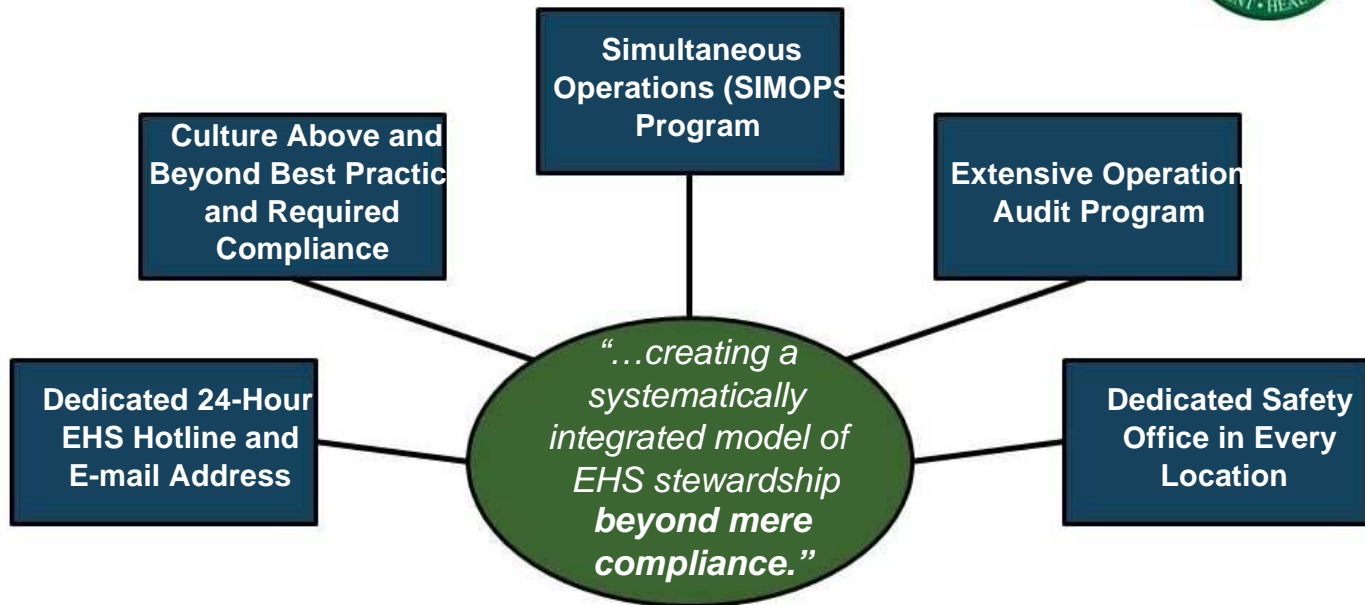
## Water Sourcing Program

- Utilizing least quality freshwater sources, including abandoned coal mine drainage
- Centralized storage impoundments create a flexible and efficient water system
- Seven mile pipeline supplies multiple locations:
  - ✓ Covington Area: 47 Wells
  - ✓ DCNR 595: 55 Wells
- Water Withdrawal: 500,000 gallons per day
- Reduced Trucking: **800 - 1,000**ks per well
- Cost Savings: **~\$120,000** per well
  - Pay Out: **31 Wells**
- Unaffected by regional droughts



### Seneca Resource Corporation- Value Statement

*"We ask that each employee share in our philosophy and unwavering commitment to each other's health and safety and the environment"*



## *Comparable GAAP Financial Measure Slides and Reconciliations*

This presentation contains certain non-GAAP financial measures. For pages that contain non-GAAP financial measures, pages containing the most directly comparable GAAP financial measures and reconciliations are provided in the slides that follow.

The Company believes that its non-GAAP financial measures are useful to investors because they provide an alternative method for assessing the Company's operating results in a manner that is focused on the performance of the Company's ongoing operations. The Company's management uses these non-GAAP financial measures for the same purpose, and for planning and forecasting purposes. The presentation of non-GAAP financial measures is not meant to be a substitute for financial measures prepared in accordance with GAAP.



**Reconciliation of Segment Capital Expenditures to Consolidated Capital Expenditures**  
(\$ Thousands)

	<b>FY 2010</b>	<b>FY 2011 Forecast</b>	<b>FY 2012 Forecast</b>	<b>FY 2013 Forecast</b>	<b>FY 2014 Forecast</b>
<b>Capital Expenditures from Continuing Operations</b>					
Exploration & Production Capital Expenditures	\$ 398,174	\$ 600,000-655,000	\$ 785,000-875,000	\$ 840,000-1,050,000	\$ 935,000-1,145,000
Pipeline & Storage Capital Expenditures	37,894	\$ 100,000-150,000	\$ 100,000-135,000	\$ 100,000-150,000	\$ 300,000-350,000
Utility Capital Expenditures	57,973	\$ 55,000-60,000	\$ 55,000-60,000	\$ 55,000-60,000	\$ 55,000-60,000
Marketing, Corporate & All Other Capital Expenditures	7,311	\$ 15,000-20,000	\$ 40,000-60,000	\$ 20,000-30,000	\$ 5,000-15,000
<b>Total Capital Expenditures from Continuing Operations</b>	<b>\$ 501,352</b>	<b>\$ 770,000-885,000</b>	<b>\$ 980,000-1,130,000</b>	<b>\$ 1,015,000-1,290,000</b>	<b>\$ 1,295,000-1,570,000</b>
<b>Capital Expenditures from Discontinued Operations</b>					
Exploration & Production Capital Expenditures	\$ —	\$ —	\$ —	\$ —	\$ —
All Other Capital Expenditures	150				
<b>Total Capital Expenditures from Discontinued Operations</b>	<b>\$ 150</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Plus (Minus) Accrued Capital Expenditures</b>					
Exploration & Production FY 2010 Accrued Capital Expenditures	\$ (55,546)	\$ —	\$ —	\$ —	\$ —
Exploration & Production FY 2009 Accrued Capital Expenditures	9,093	—	—	—	—
Pipeline & Storage FY 2008 Accrued Capital Expenditures	—	—	—	—	—
All Other FY 2009 Accrued Capital Expenditures	715	—	—	—	—
<b>Total Accrued Capital Expenditures</b>	<b>\$ (45,738)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
Eliminations	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Total Capital Expenditures per Statement of Cash Flows</b>	<b><u>\$ 455,764</u></b>	<b><u>\$ 770,000-885,000</u></b>	<b><u>\$ 980,000-1,130,000</u></b>	<b><u>\$ 1,015,000-1,290,000</u></b>	<b><u>\$ 1,295,000-1,570,000</u></b>