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# NATIONAL FUEL GAS CO

## FORM 8-K
(Current report filing)

Filed 10/12/10 for the Period Ending 10/12/10

| | |
|---|---|
| Address | 6363 MAIN STREET<br>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**

# FORM 8-K

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

**Date of Report (Date of earliest event reported): October 12, 2010**

# NATIONAL FUEL GAS COMPANY

(Exact name of registrant as specified in its charter)

| | | |
|---|---|---|
| New Jersey<br>(State or other jurisdiction<br>of incorporation) | 1-3880<br>(Commission File Number) | 13-1086010<br>(IRS Employer<br>Identification No.) |

| | |
|---|---|
| 6363 Main Street, Williamsville, New York<br>(Address of principal executive offices) | 14221<br>(Zip Code) |

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

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

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))

Item 7.01 Regulation FD Disclosure.

National Fuel Gas Company (the "Company") will participate in the Independent Petroleum Association of America's Oil & Gas Investment Symposium on October 14, 2010 in San Francisco. The Company also plans to hold meetings with certain industry analysts, money managers and other members of the financial community. A copy of materials to be presented by the Company during the symposium and provided to participants in the Company's meetings 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 press release 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 their effect on the Company's ability to obtain financing on acceptable terms for working capital, capital expenditures and other investments; occurrences affecting the Company's ability to obtain financing under credit lines or other credit facilities or through the issuance of commercial paper, other short-term notes or debt or equity securities, 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, hurricanes, other severe weather, pest infestation or other natural disasters; 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 or the valuation of the Company's natural gas and oil reserves; impairments under the SEC's full cost ceiling test for natural gas and oil reserves; uncertainty of oil and gas reserve estimates; 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, and the need to obtain governmental approvals and permits and comply with environmental laws and regulations; significant differences between the Company's projected and actual production levels for natural gas or oil; changes in the availability and/or price of derivative financial instruments; changes in the price differentials between oil having different quality and/or different geographic locations, or changes in the price differentials between natural gas having different heating values and/or different geographic locations; 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; the nature and projected profitability of pending and potential projects and other investments, and the ability to obtain necessary governmental approvals and permits; significant differences between the Company's projected and actual capital expenditures and operating expenses, and unanticipated project delays or changes in project costs or plans; inability to obtain new customers or retain existing ones; significant changes in competitive factors affecting the Company; 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 hereof.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit 99 Furnished presentation materials

SIGNATURES

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

NATIONAL FUEL GAS COMPANY

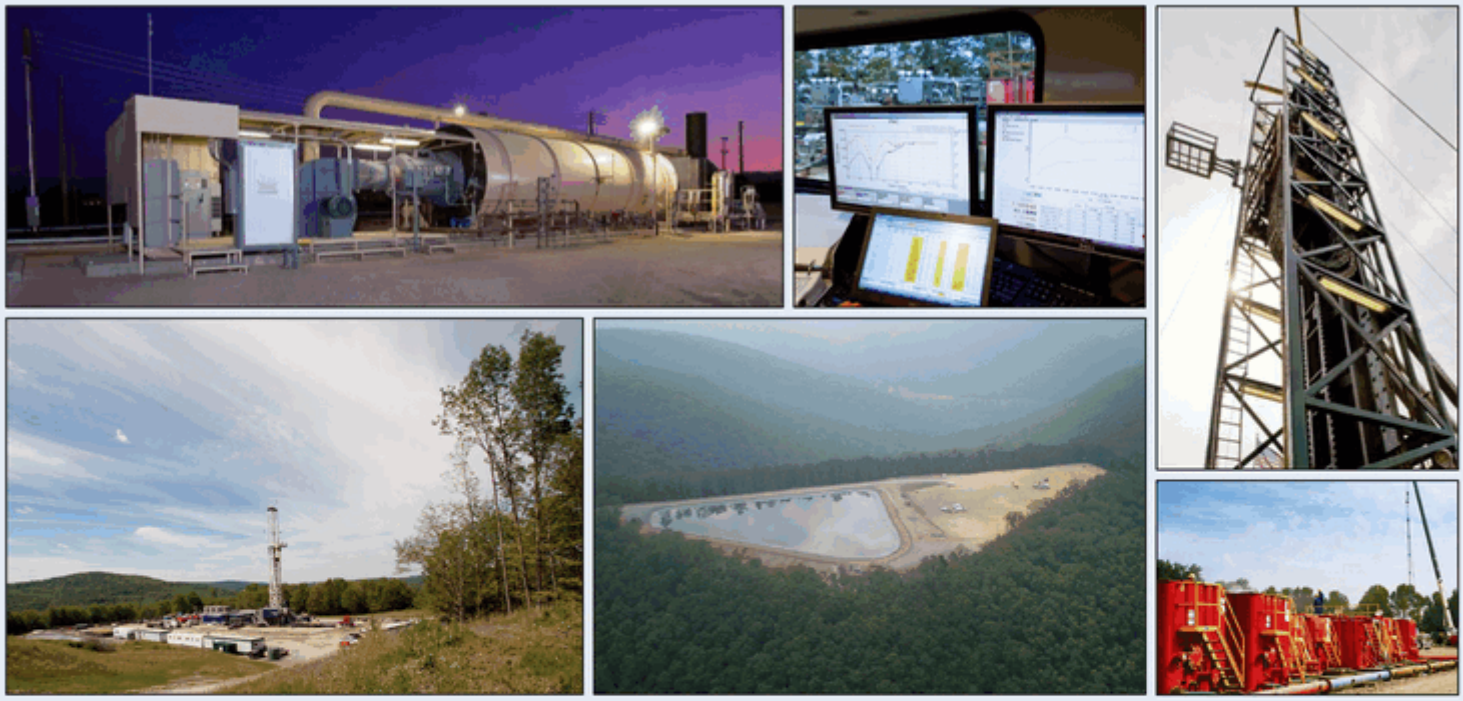
By: /s/ James R. Peterson
James R. Peterson
Assistant Secretary

Dated: October 12, 2010

EXHIBIT INDEX

| Exhibit Number | Description |
| --- | --- |
| 99 | Furnished presentation materials |

*Exhibit 99*



# IPAA OGIS
# San Francisco
## October 12-14, 2010

National Fuel®

# 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.

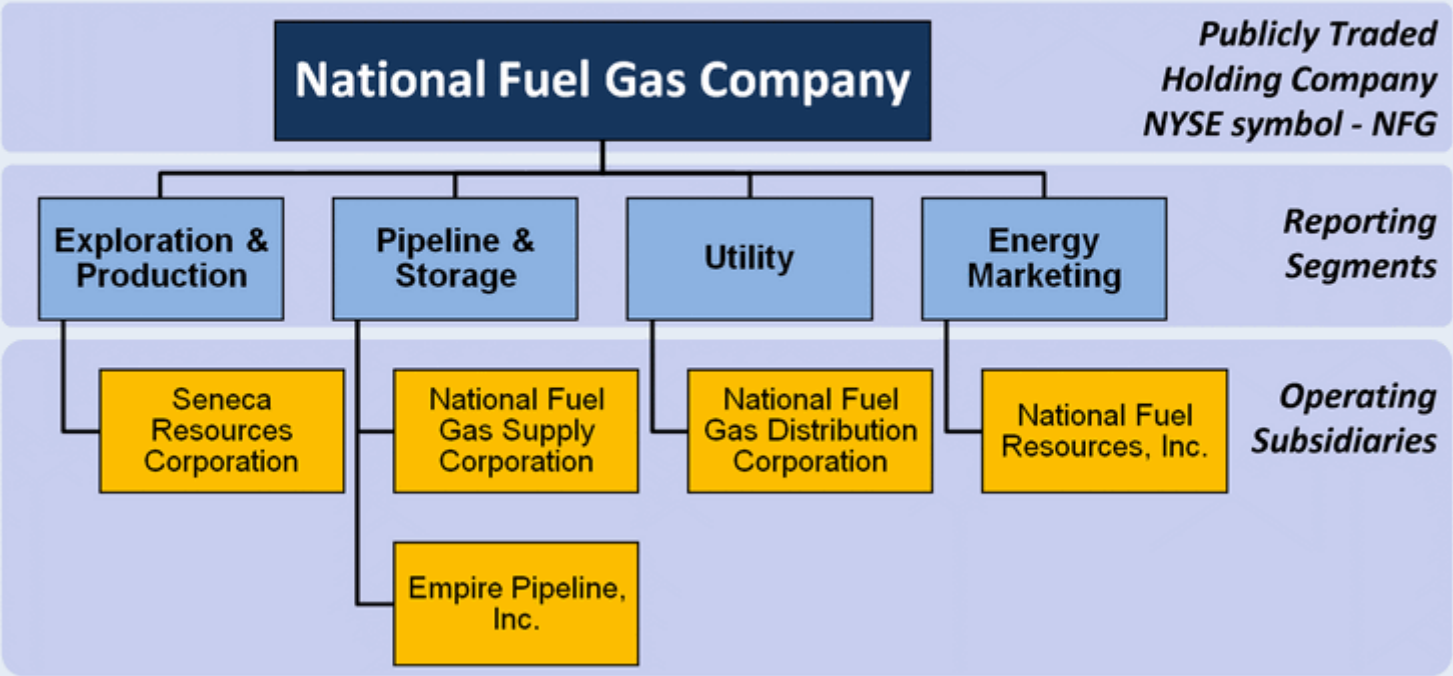
In addition to other factors, the following are important factors that could cause actual results to differ materially from results referred to in the forward-looking statements: financial and economic conditions, including the availability of credit, and their effect on the Company's ability to obtain financing on acceptable terms for working capital, capital expenditures and other investments; occurrences affecting the Company's ability to obtain financing under credit lines or other credit facilities or through the issuance of commercial paper, other short-term notes or debt or equity securities, 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, hurricanes, other severe weather, pest infestation or other natural disasters; 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 or the valuation of the Company's natural gas and oil reserves; impairments under the SEC's full cost ceiling test for natural gas and oil reserves; uncertainty of oil and gas reserve estimates; 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, and the need to obtain governmental approvals and permits and comply with environmental laws and regulations; significant differences between the Company's projected and actual production levels for natural gas or oil; changes in the availability and/or price of derivative financial instruments; changes in the price differentials between oil having different quality and/or different geographic locations, or changes in the price differentials between natural gas having different heating values and/or different geographic locations; 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; the nature and projected profitability of pending and potential projects and other investments, and the ability to obtain necessary governmental approvals and permits; significant differences between the Company's projected and actual capital expenditures and operating expenses, and unanticipated project delays or changes in project costs or plans; inability to obtain new customers or retain existing ones; significant changes in competitive factors affecting the Company; 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.

For a discussion of these risks 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, 2009 and the Company's Forms 10-Q for the quarters ended December 31, 2009, March 31, 2010 and June 30, 2010. The Company disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The Securities and Exchange Commission (the "SEC") currently permits the Company, in its filings with the SEC, to disclose only proved reserves that the Company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. The Company uses the terms "probable," "possible," "resource potential" and other descriptions of volumes of reserves or resources potentially recoverable through additional drilling or recovery techniques that the SEC's guidelines would prohibit us from including in filings with the SEC. These estimates are by their nature more speculative than estimates of proved reserves and, accordingly, are subject to substantially greater risk of being actually realized. Investors are urged to consider closely the disclosure in our Form 10-K and Forms 10-Q available at www.nationalfuelgas.com. You can also obtain these forms on the SEC's website at www.sec.gov.

# National Fuel Gas Company

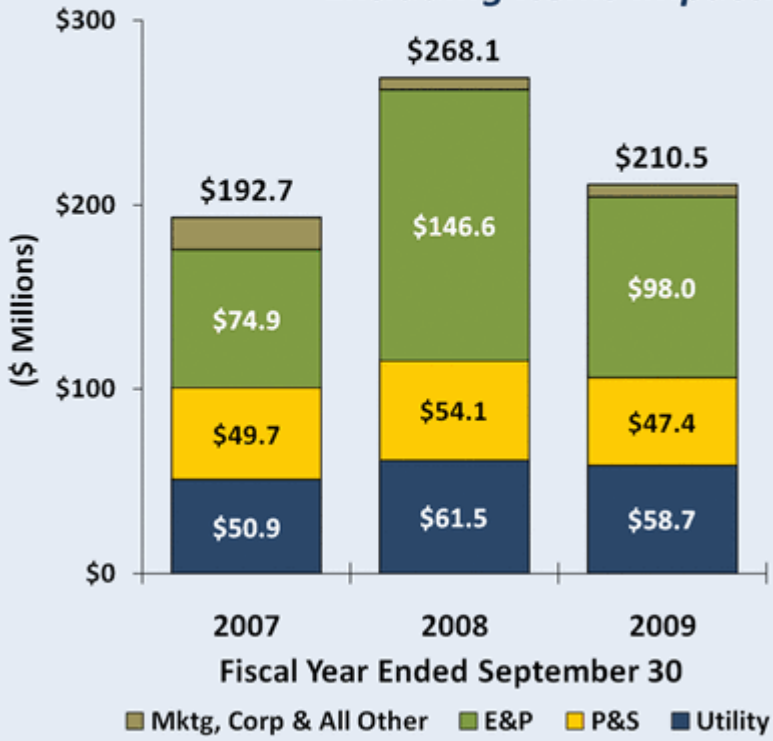
## *Business Segment Reporting*

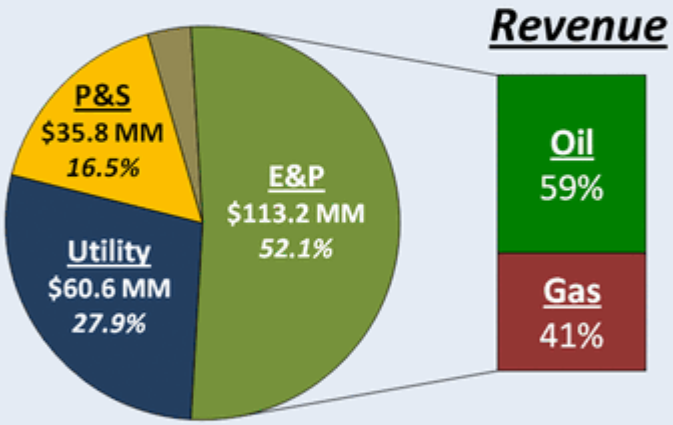


# National Fuel Gas Company

## *Net Income from Continuing Operations*

### *Excluding Items Impacting Comparability* [1]



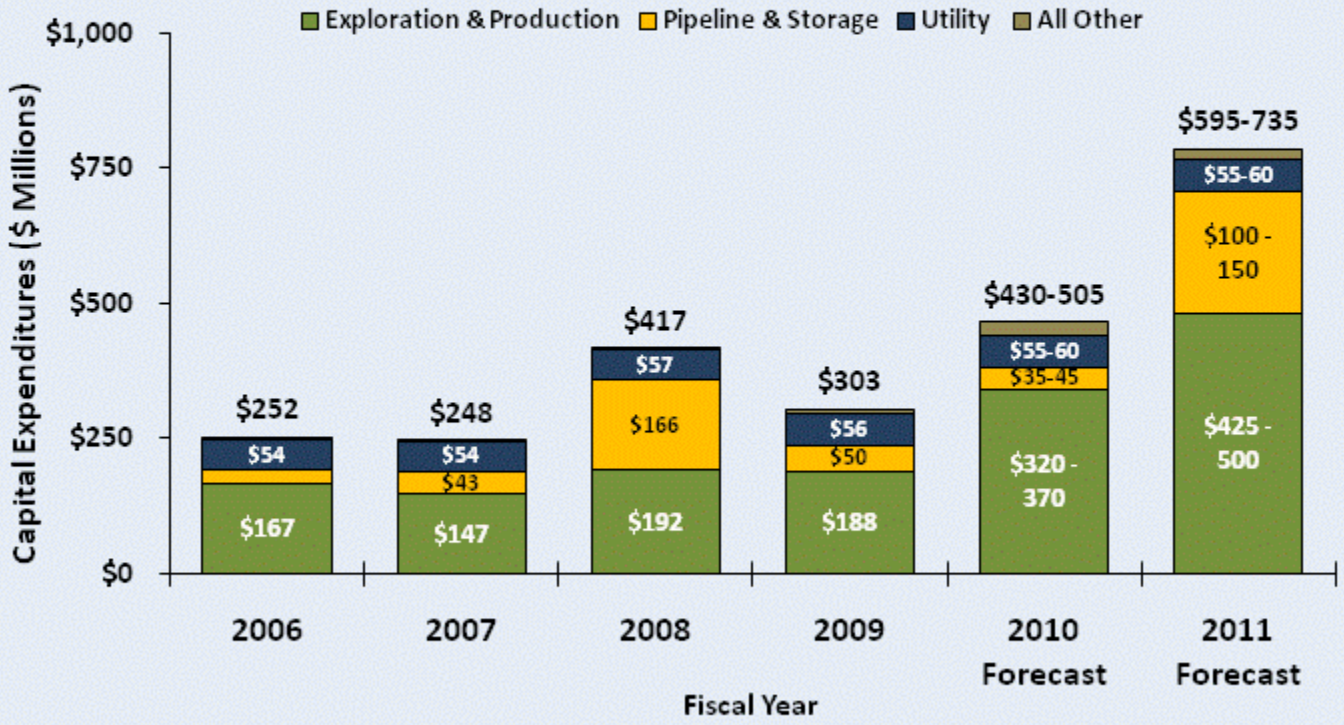

**$217.3 Million**

**12 Months Ended June 30, 2010**

(1) *A reconciliation to GAAP Net Income is included at the end of this presentation.*

# National Fuel Gas Company

## *Capital Expenditures[1] from Continuing Operations*




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

SENECA RESOURCES

# Exploration & Production

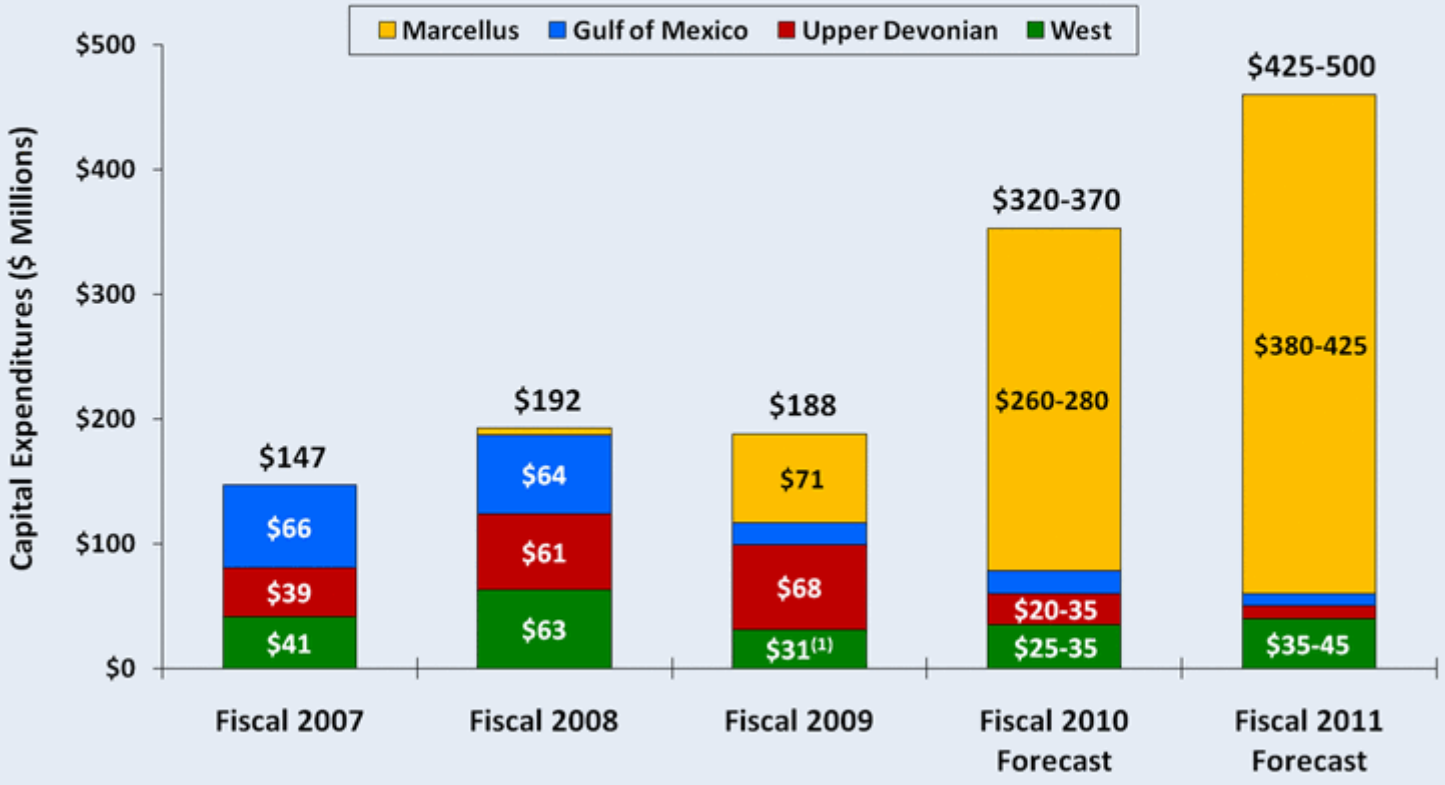
| Preliminary Proved Reserves at 9/30/10[1] | Probable and Possible Reserves, plus Resource Potential | |
|---|---|---|
| 201 Bcfe | 8 - 15 Tcfe | **Marcellus Shale**<br>Accelerate development; Convert resource potential to reserves |
| 131 Bcfe | 700 Bcfe | **Appalachian Region - Upper Devonian**<br>Drill 25-50 wells per year |
| 333 Bcfe | 280 Bcfe | **California**<br>Continue to operate as a low-cost producer |
| 34 Bcfe | 15 Bcfe | **Gulf of Mexico**<br>No exploration; Develop and produce existing reserves |

(1) Proved reserves at September 30, 2010 are preliminary and subject to final approval from reserve auditor, Netherland Sewell

SENECA RESOURCES

# Exploration & Production

## *Capital Expenditures by Region*

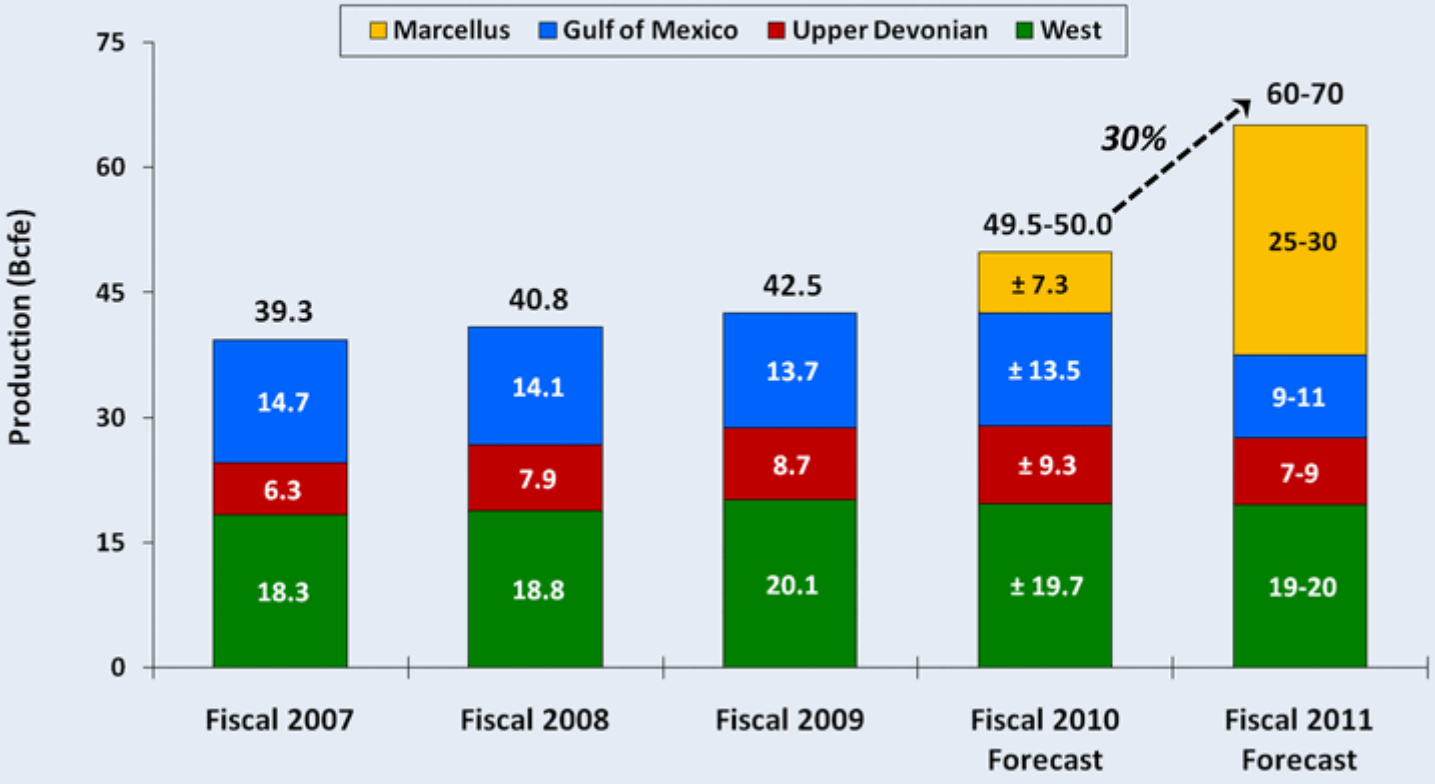



(1) *Does not include the $34.9MM acquisition of Ivanhoe's US-based assets in California, as this was accounted for as an investment in subsidiaries on the Statement of Cash Flows, and was not included in Capital Expenditures.*

SENECA RESOURCES

# Exploration & Production

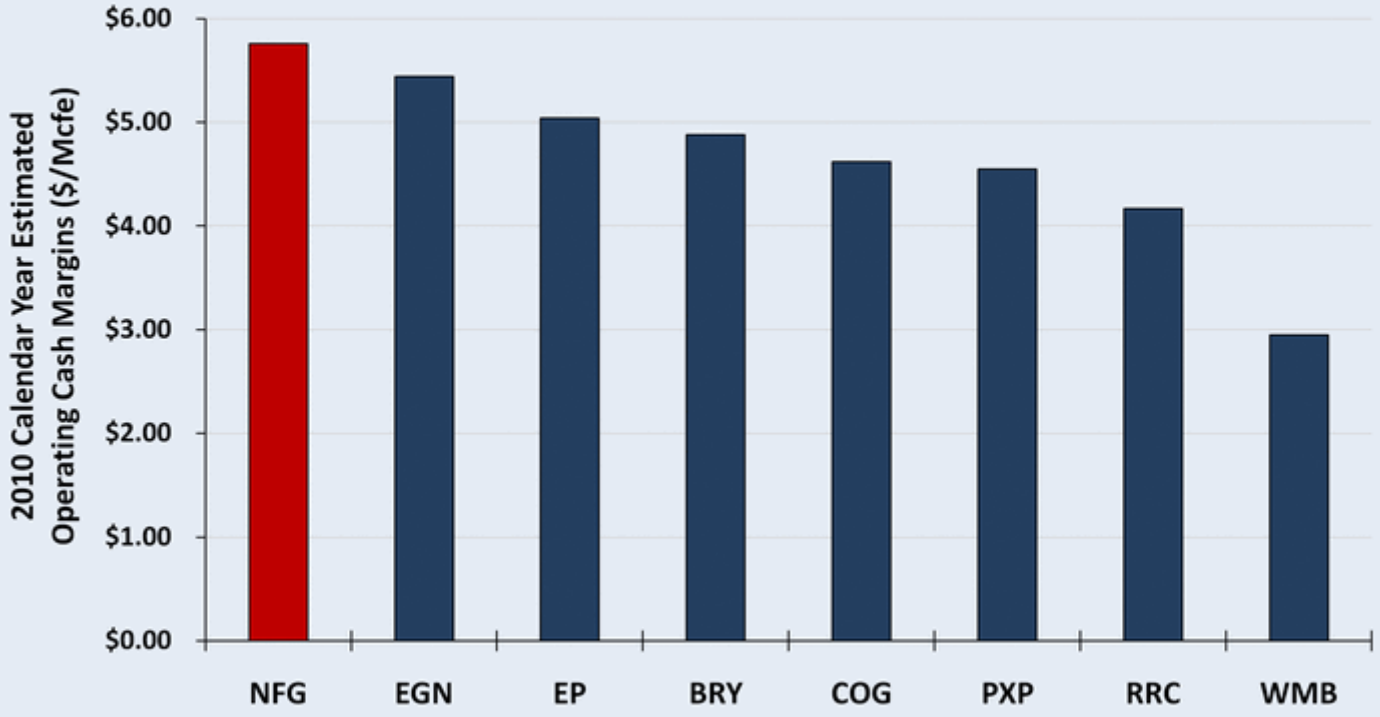
## *Annual Production by Region*



SENECA RESOURCES

# Exploration & Production

## *Seneca Operating Cash Margins*



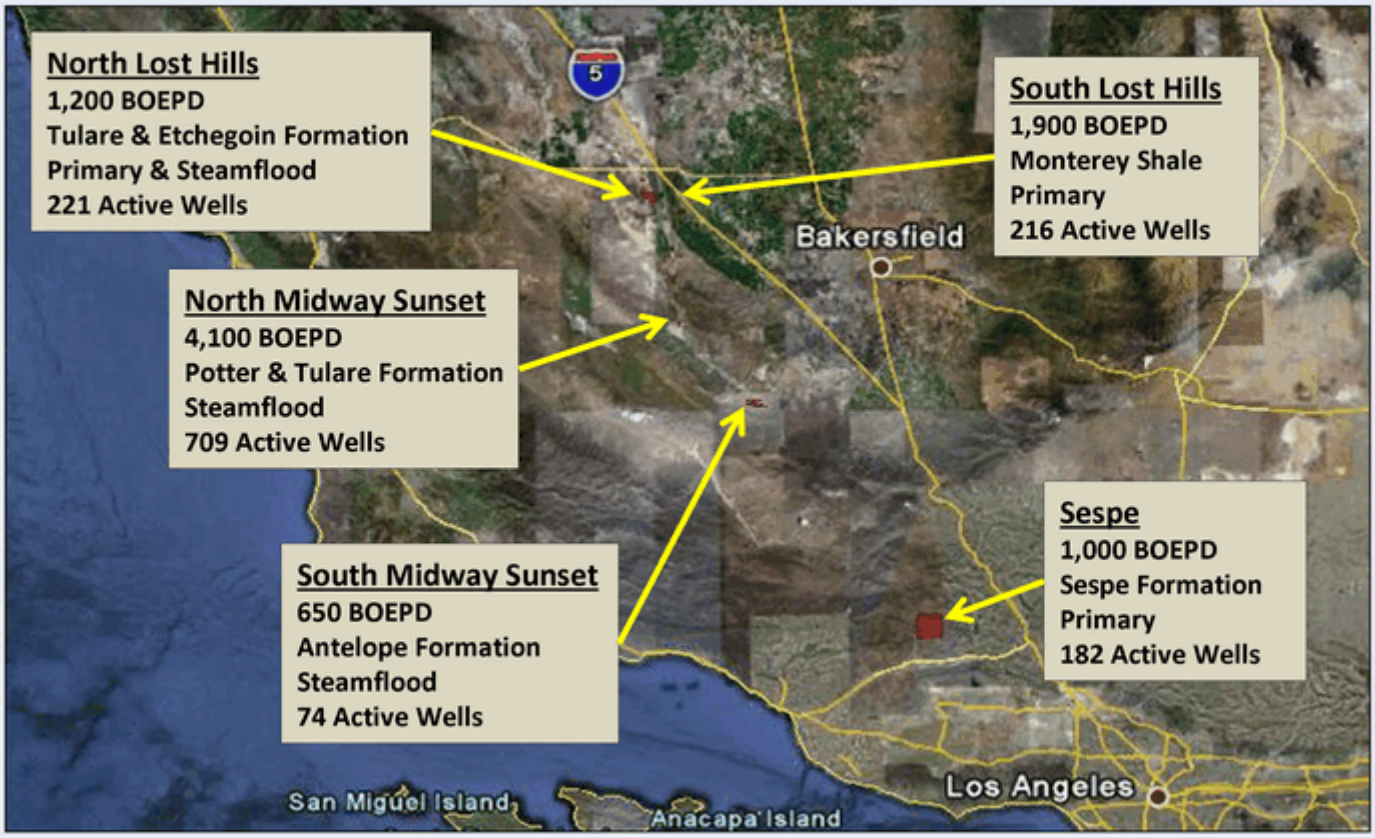

*Source: Raymond James estimates and Company Reports*

SENECA RESOURCES

# Exploration & Production

***California***

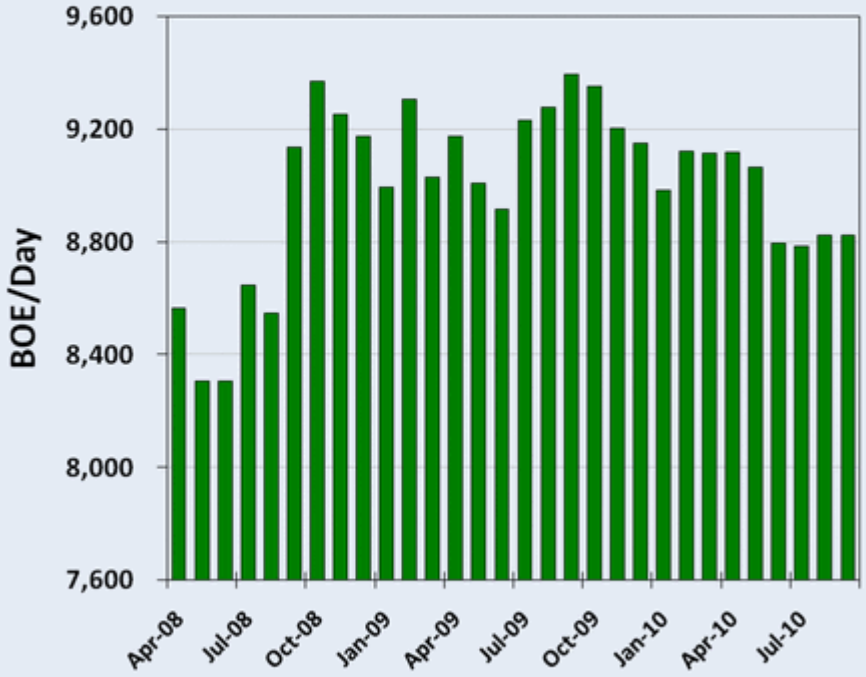
# Seneca's California Properties



SENECA RESOURCES

# California

## *Average Daily Production*




- Modest capital spending to maintain production
- Pursue additional bolt-on acquisitions
- 2011 Plans:
  - CapEx - $40 MM
  - 50 Development wells
  - Two 5-acre in-fill wells at Sespe

SENECA RESOURCES

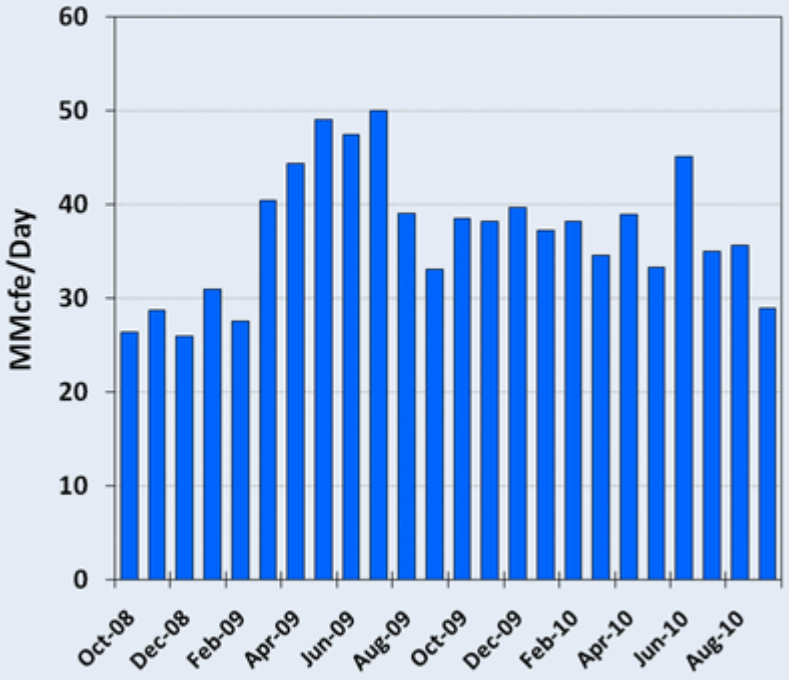
# Exploration & Production

*Gulf of Mexico*

SENECA RESOURCES

# Gulf of Mexico

## *Average Daily Production*




- Minimal capital spending
- Expect production decline in 2011

SENECA RESOURCES

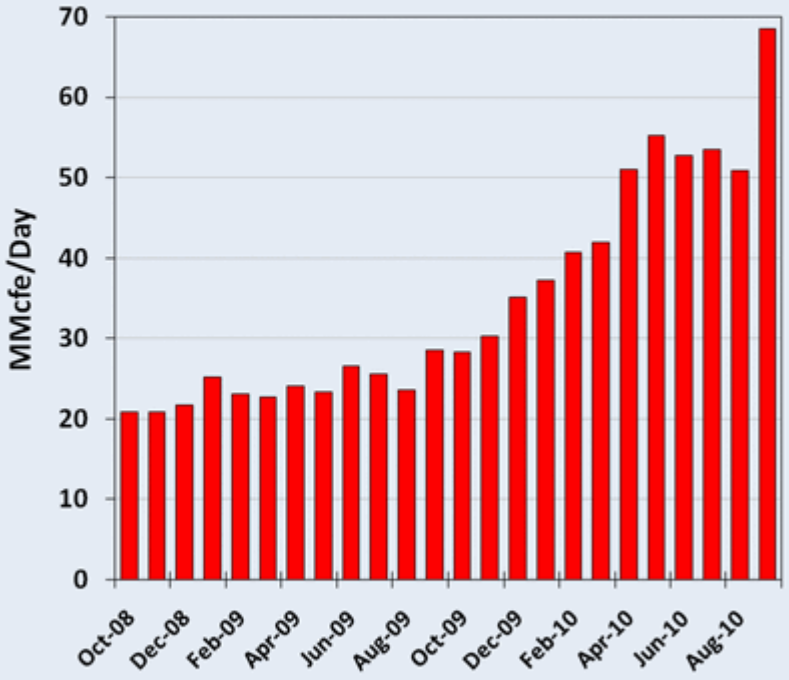
# Exploration & Production

## *East Division*

SENECA RESOURCES

# East Division

## *Average Daily Production*

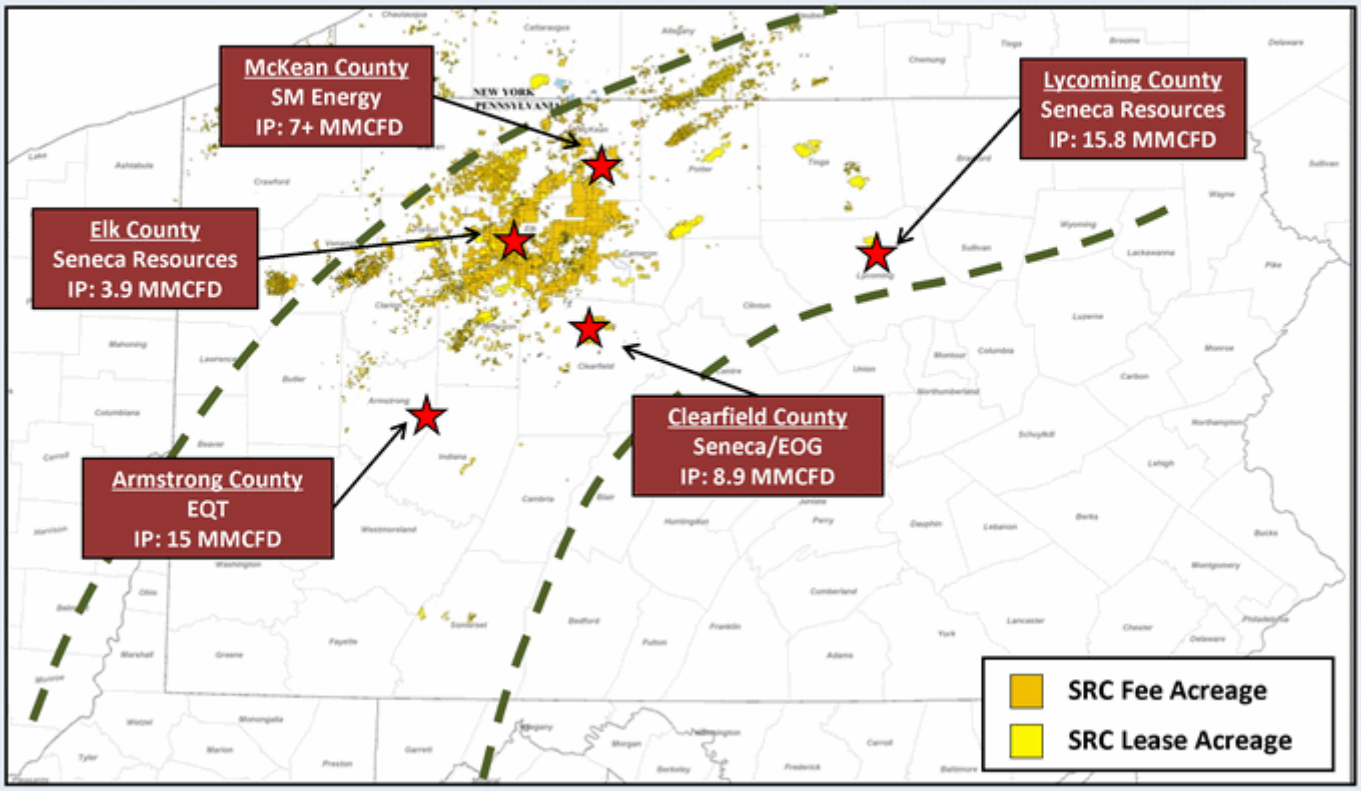



- Rapid growth in the East Division as Marcellus is ramping up
- Expect significant production increase in Q1

SENECA RESOURCES

# Marcellus Shale

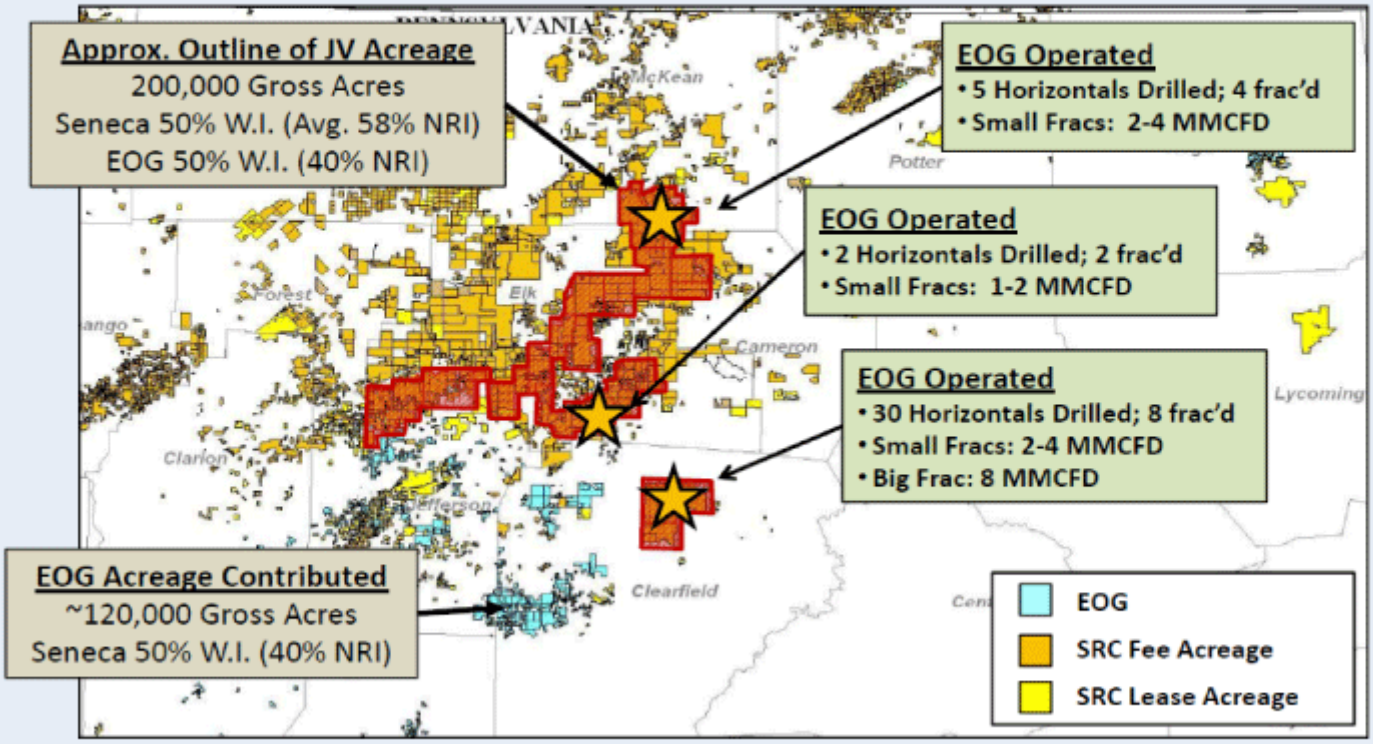
## *Recent Well Results Validate Seneca's Position*



SENECA RESOURCES

# Marcellus Shale

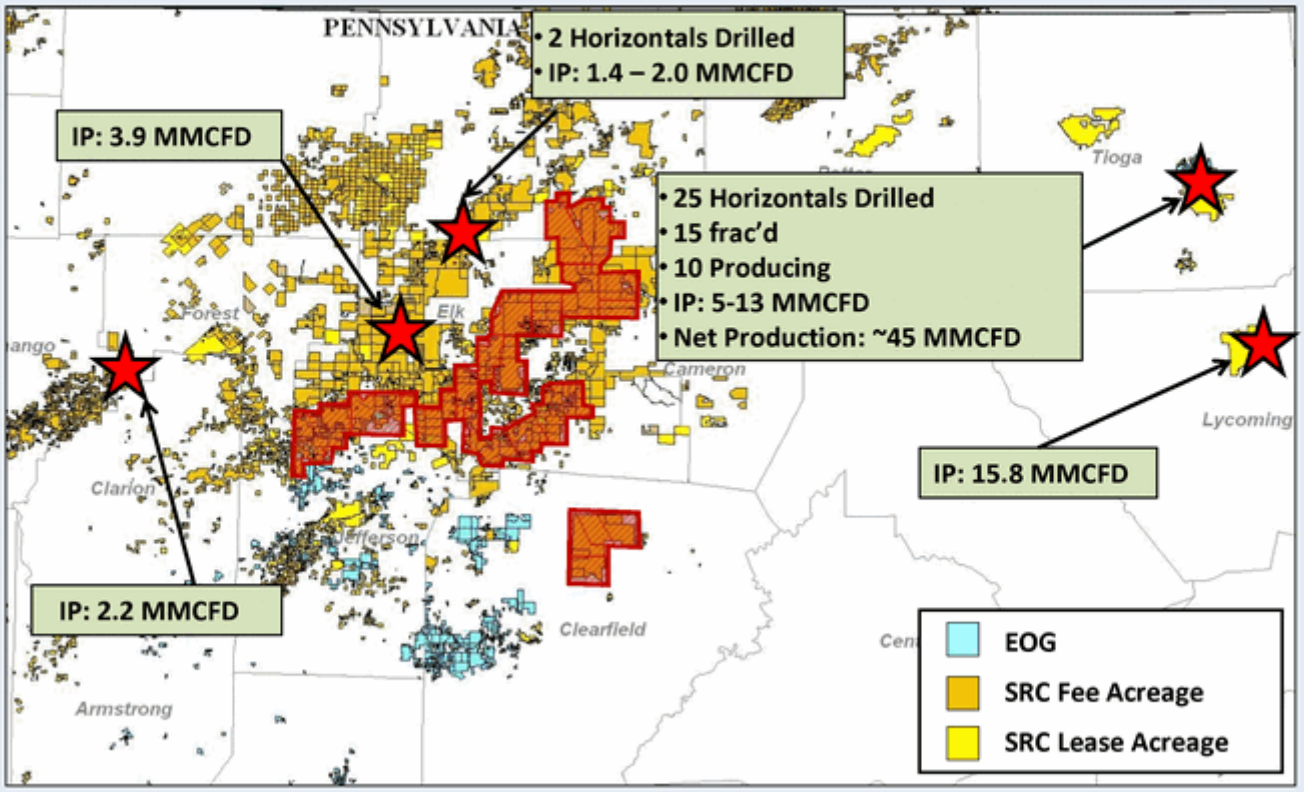
## *EOG Joint Venture Overview & Results*



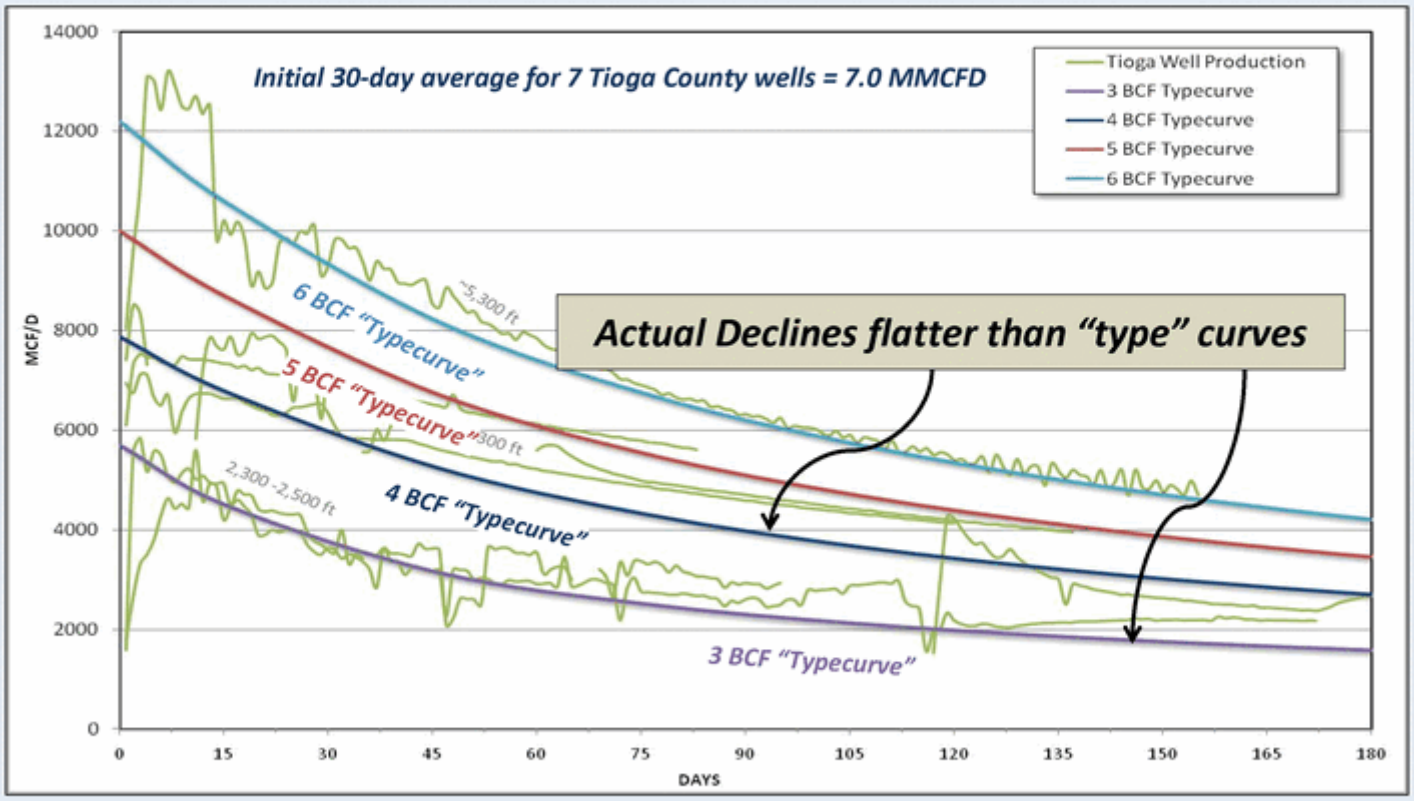
SENECA RESOURCES

# Marcellus Shale

## *Seneca Operated Drilling Program Results*



# Tioga County Decline Curves

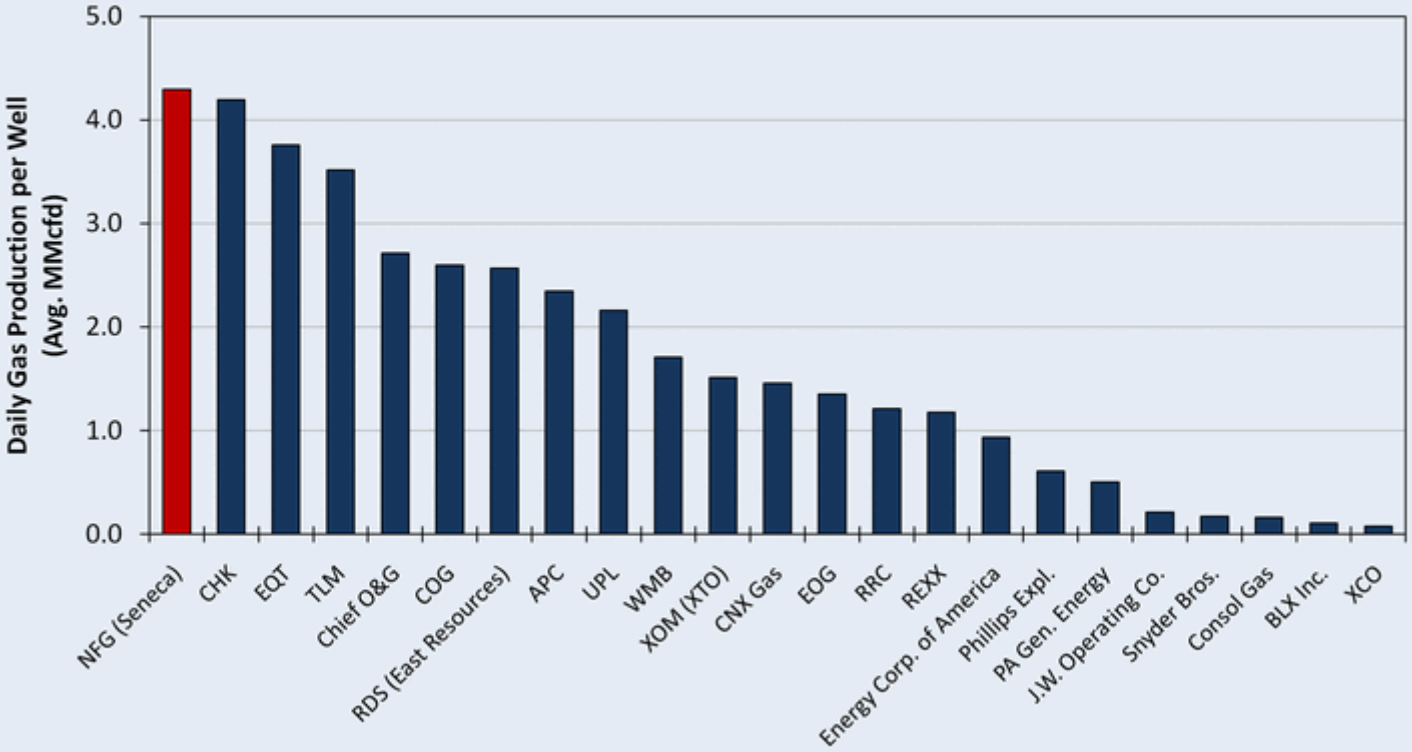


SENECA RESOURCES

# Marcellus Shale

## *Pennsylvania Average Gas Production per Well by Operator*

### *(Companies with at least 5 wells producing)*

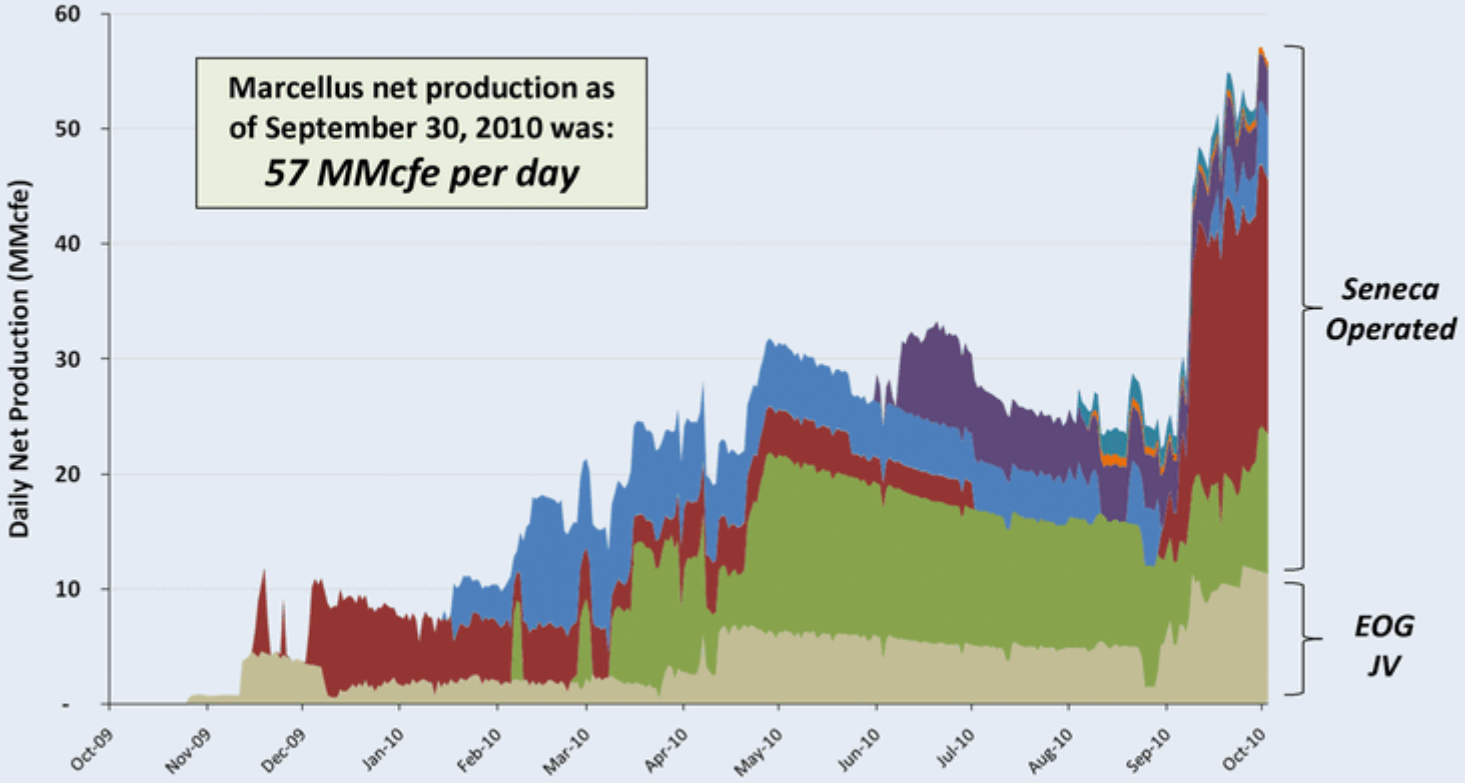



*Source: All data represents Marcellus Shale gas production from July 1, 2009 through June 30, 2010 for companies with at least five producing wells within the State of Pennsylvania and was provided by the Pennsylvania Department of Environmental Protection*

SENECA RESOURCES

# Marcellus Shale

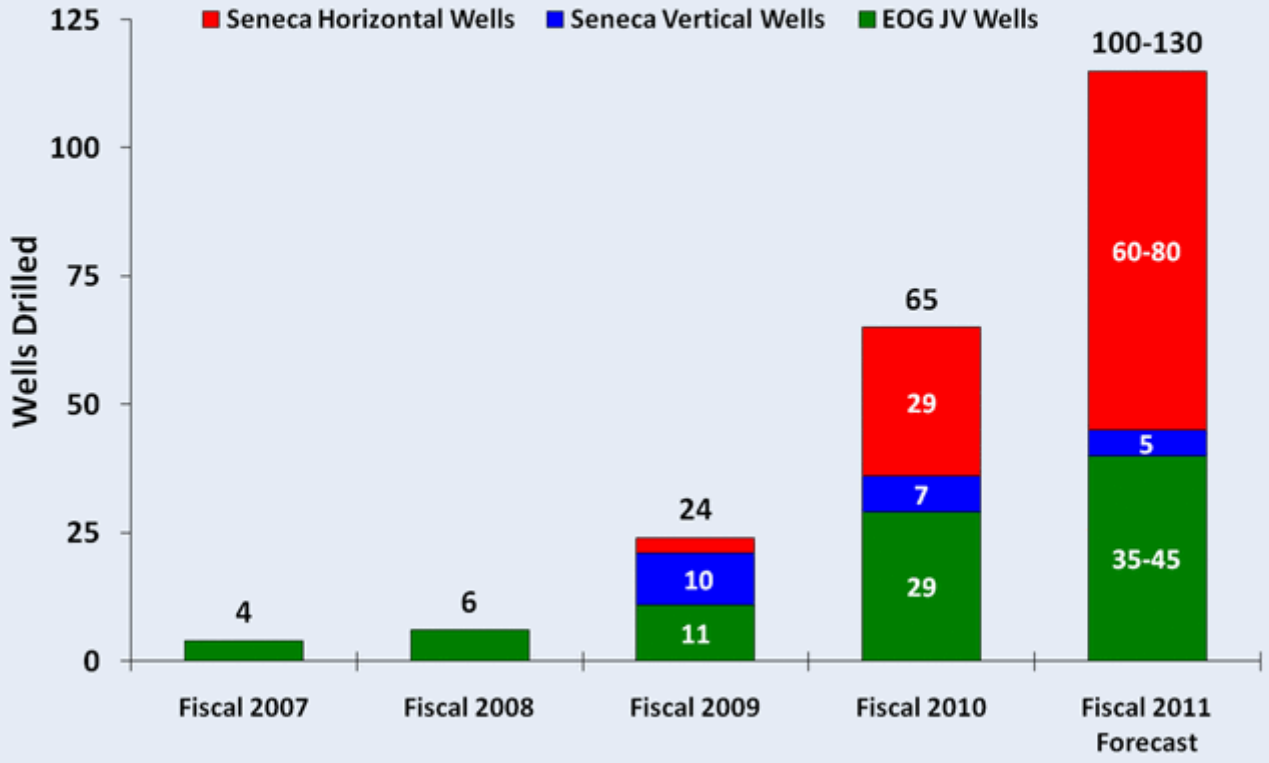
## *Marcellus Net Production*



SENECA RESOURCES

# Marcellus Shale

## *Wells Drilled per Year*



SENECA RESOURCES

# Marcellus Shale

## *Pre-Tax IRR Comparison*

| Description | EUR | Well Cost ($ MM) | Net Working Interest | Net Revenue Interest | Pre-Tax IRR (NYMEX - $/MMBtu) | | |
|---|---|---|---|---|---|---|---|
| | | | | | $4.00 | $5.00 | $6.00 |
| Tioga County – 15% Royalty Wells | 5 Bcf | $4.0 | 100% | 85% | **43%** | **76%** | **104%** |
| EOG JV Wells on Seneca Mineral Fee | 3 Bcf | $4.0 | 50% | 60% | **35%** | **55%** | **82%** |
| No Royalty Wells on Seneca Mineral Fee | 3 Bcf | $4.0 | 100% | 100% | **22%** | **39%** | **55%** |
| Typical Well with 15% Royalty Rate | 3 Bcf | $4.0 | 100% | 85% | **14%** | **26%** | **40%** |

SENECA RESOURCES

# Seneca Resources

## *Evaluation of JV Opportunities*

- Seneca has engaged Jefferies & Company to explore joint-venture opportunities across a broad portion of its acreage, with the following goals:
  - ✓ Ramp up development faster than current aggressive growth plans
  - ✓ Bring forward the earnings stream, where a minority-interest partner pays a significant portion of the early drilling costs, enhancing shareholder value
  - ✓ Continue operating across most of its acreage position
- Seneca's unique Marcellus position provides a competitive advantage for a potential joint-venture partner:
  - ✓ 800,000 net acres in PA – 740,000 in heart of the Marcellus Fairway
  - ✓ Majority of acreage is held in fee, carrying no royalty and no lease expirations
  - ✓ Large, contiguous acreage blocks allow for operating- and cost-efficiency through multi-well pad drilling

SENECA RESOURCES

# Seneca Resources

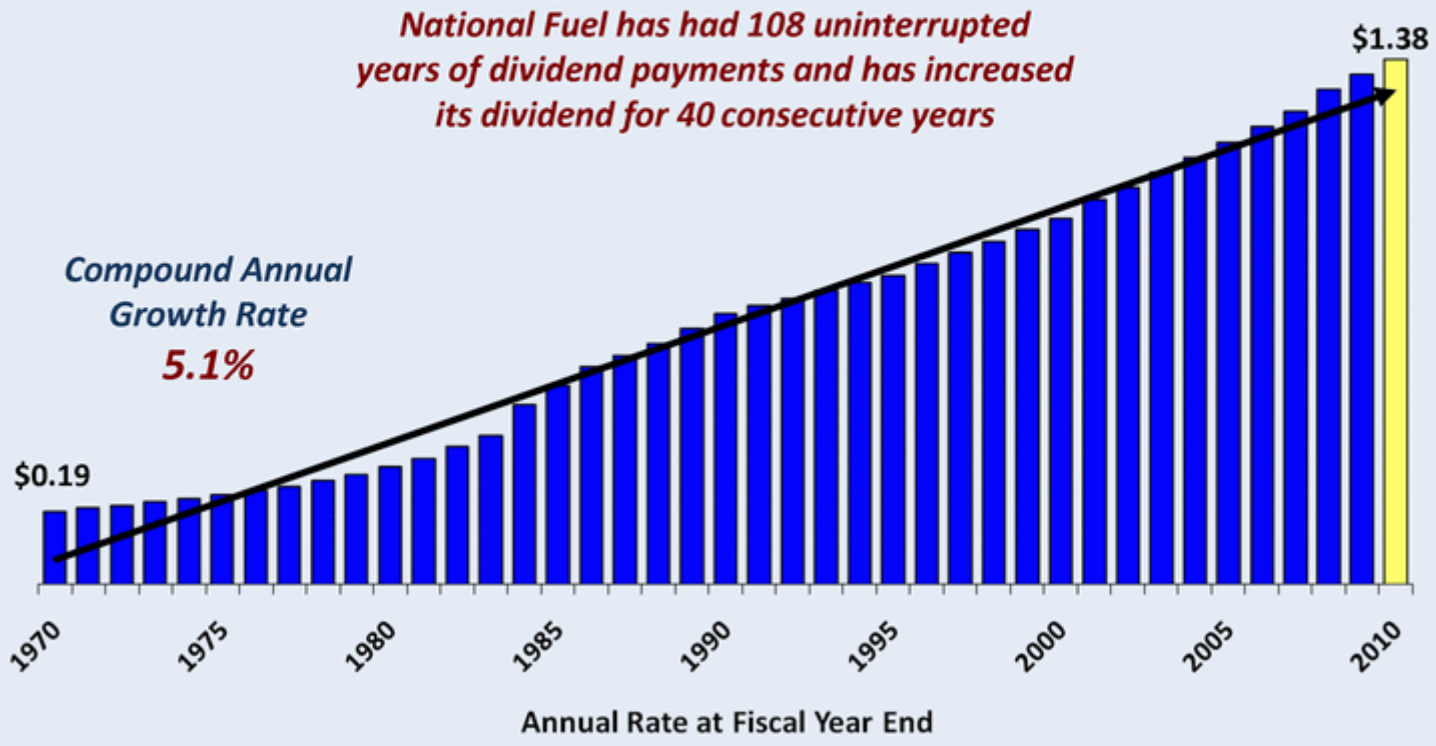
## *Marcellus Shale Summary*

- Bringing on 12 new wells in Tioga County in September and October
- Continuing to achieve high IP rates and showing slow decline
- Fourth horizontal rig is on location
  - ✓ Will have 3 rigs in East and 1 in West for 1st half of FY2011
- EOG Program is picking up and showing improvement
  - ✓ First "big frac" came on at high rate
  - ✓ Infrastructure constrained at Punxy
- Marcellus production will continue to grow rapidly
  - ✓ Fiscal Year 2010 exit rate was 57 MMCFD
  - ✓ Expect net 100+ MMCFD by fiscal year end 2011 (9/30/2011)
- Explore joint-venture opportunities

# Appendix

# National Fuel Gas Company

## *Dividend Growth*



# National Fuel Gas Company

## *2011 Preliminary EPS Guidance & Sensitivity*

### NFG & Subsidiaries

**Fiscal 2011**

**Preliminary Earnings per Share (Diluted) Guidance[1]**

| | Range |
|---|---|
| Consolidated Earnings | $2.60 - $2.90[1] |

Earnings per Share Sensitivity to Changes from $5.00/MMBtu for natural gas and $80.00/Bbl for crude oil[1]

| $1 change per MMBtu gas | | $5 change per Bbl oil | |
|---|---|---|---|
| Increase | Decrease | Increase | Decrease |
| +$0.19 | -$0.19 | +$0.06 | -$0.06 |

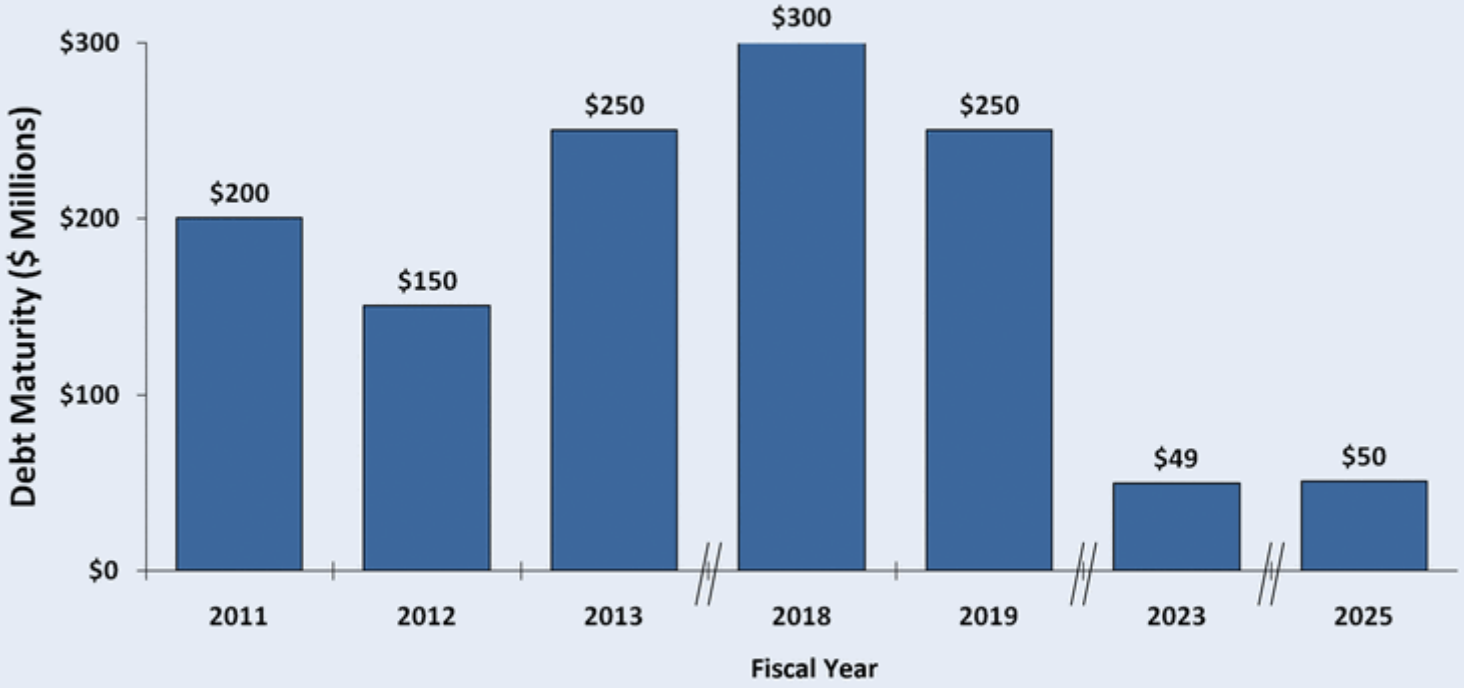
On August 5, 2010, the Company announced its preliminary fiscal 2011 earnings guidance utilizing flat commodity pricing of $5.00 per MMBtu for natural gas and $80.00 per Bbl for crude oil, and adjusting for basis differential

**Seneca Resources Preliminary Production Guidance:**
***60 to 70 Bcfe***

(1) *The preliminary earnings guidance and sensitivity table are current as of August 5, 2010. The sensitivity table only considers revenue from the Exploration and Production segment's crude oil and natural gas sales. The sensitivities will become obsolete with the passage of time, changes in Seneca's production forecast, changes in basis differentials, as additional hedging contracts are entered into, and with the settling of hedge contracts at their maturity. For its fiscal 2011 preliminary earnings forecast, the Company is using flat commodity pricing of $5.00 per MMBtu for natural gas and $80.00 per Bbl for crude oil, and adjusting for basis differential.*

# National Fuel Gas Company

## *Debt Maturity Schedule*




**Total Long-Term Debt Outstanding At June 30, 2010: $1.249 B**

# National Fuel Gas Company

## *Capital Resources & Credit Ratings*

### Capital Resources

- $300.0 MM Commercial Paper Program and Uncommitted Credit Facilities – Aggregate of $705.0 MM
- $300.0 MM Committed Credit Facility through September 2013 – Backs Commercial Paper Program

**CURRENT CREDIT RATINGS**

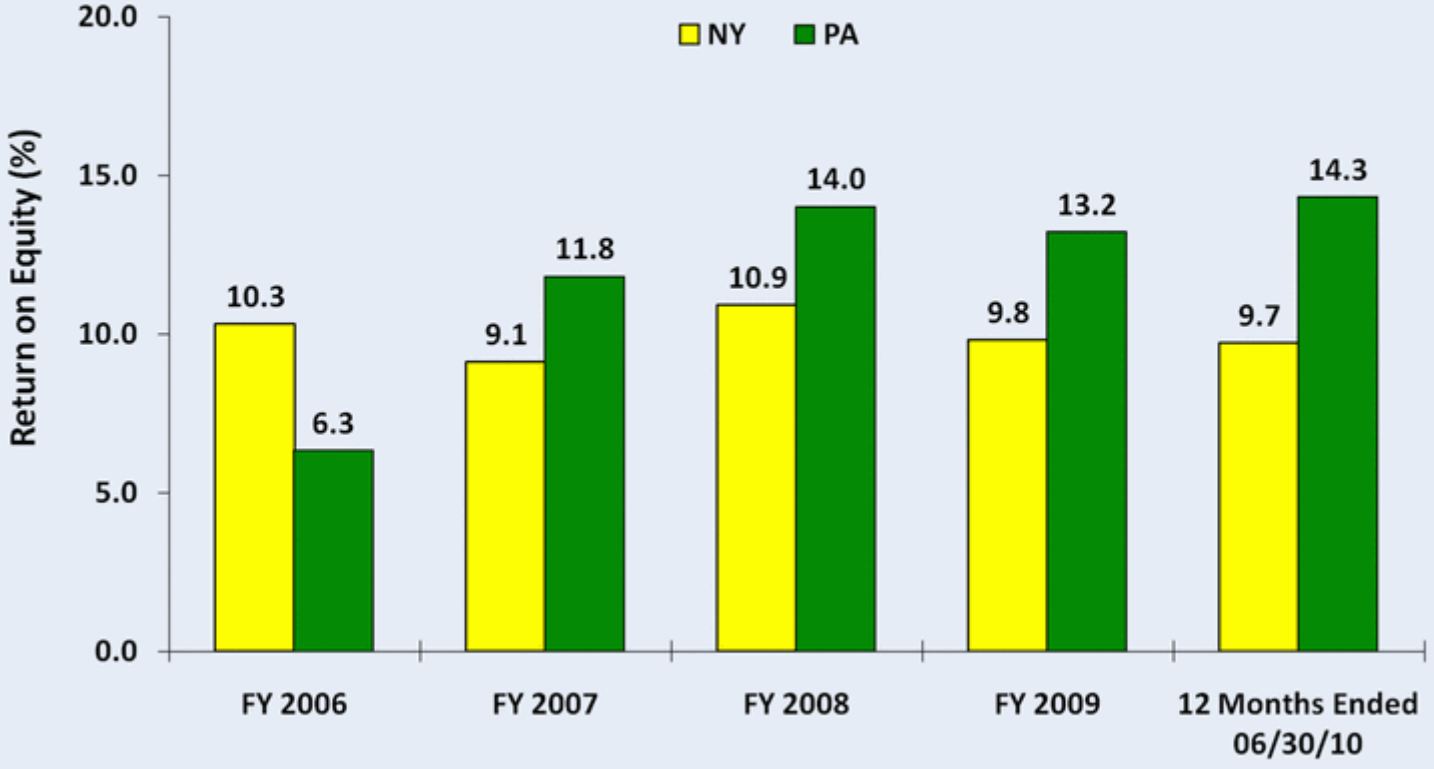
| RATING AGENCY | RATING |
|---|---|
| FITCH | BBB+ |
| MOODY'S | Baa1 |
| STANDARD & POOR'S | BBB |

# Utility Segment

***National Fuel Gas Distribution Corporation***

# Utility

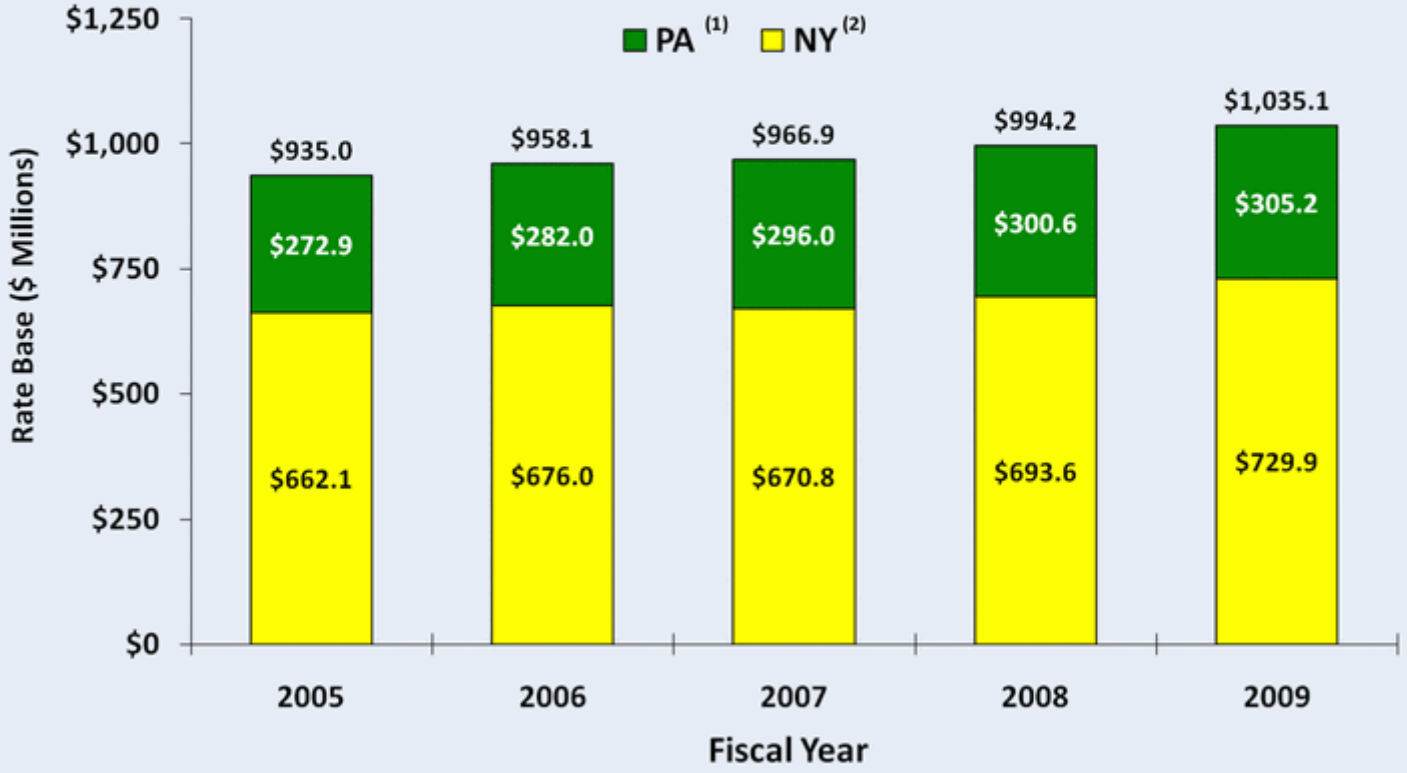
## *Return on Equity* (1)




(1) *Calculated using Average Total Comprehensive Shareholder Equity.*

# Utility

## *NFGDC Rate Base*

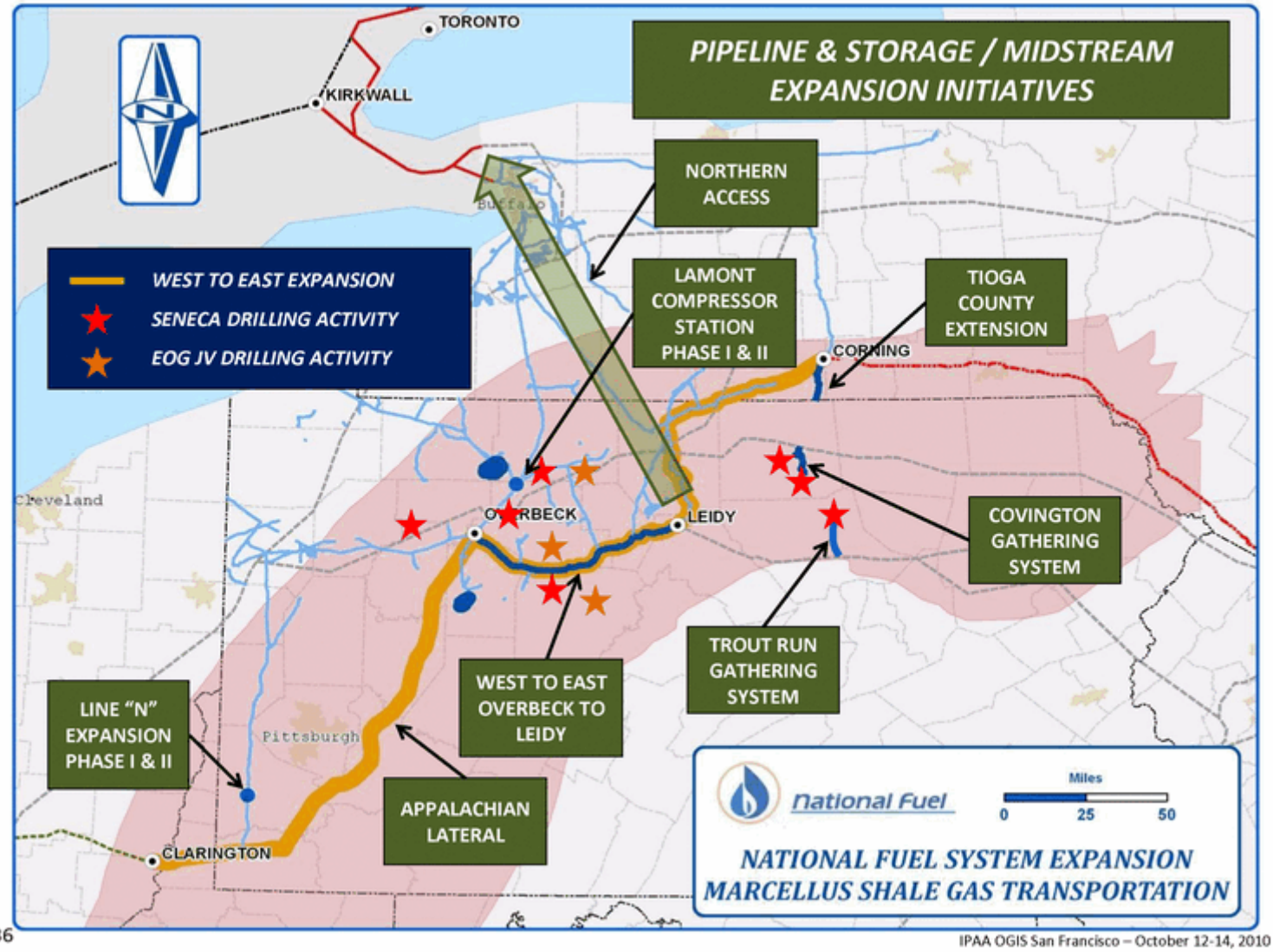



*(1) New York Ratemaking uses an average net plant and rate base for setting rates and calculating earnings*
*(2) Pennsylvania Ratemaking uses a date certain net plant and rate base for setting rates and calculating earnings*

# Pipeline & Storage

***National Fuel Gas Supply Corporation***

***Empire Pipeline, Inc.***


PIPELINE & STORAGE / MIDSTREAM EXPANSION INITIATIVES
TORONTO
KIRKWALL
Buffalo
Cleveland
Pittsburgh
CLARINGTON
OVERBECK
LEIDY
CORNING
WEST TO EAST EXPANSION
SENECA DRILLING ACTIVITY
EOG JV DRILLING ACTIVITY
NORTHERN ACCESS
LAMONT COMPRESSOR STATION PHASE I & II
TIOGA COUNTY EXTENSION
COVINGTON GATHERING SYSTEM
TROUT RUN GATHERING SYSTEM
WEST TO EAST OVERBECK TO LEIDY
LINE "N" EXPANSION PHASE I & II
APPALACHIAN LATERAL
National Fuel
Miles
0
25
50
NATIONAL FUEL SYSTEM EXPANSION
MARCELLUS SHALE GAS TRANSPORTATION

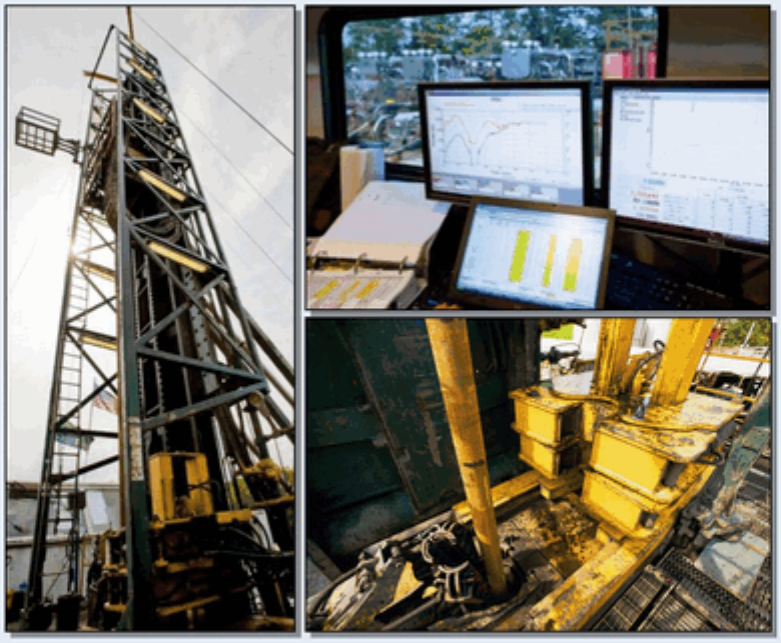
# Pipeline & Storage/Midstream

## *Expansion Initiatives*

| Project Name | Capacity (Dth/D) | Est. CapEx | In-Service Date | Status |
|---|---|---|---|---|
| Covington Gathering System | 145,000 | $16 MM | 11/17/09 | **Completed** – Flowing into TGP 300 Line |
| Lamont Compressor Station | 40,000 | $6 MM | 6/15/10 | **Completed** – Flowing into TGP 300 Line |
| Lamont Phase II Project | 50,000 | $7 MM | ~ 07/2011 | Executed precedent agreements |
| Line "N" Expansion | 160,000 | $23 MM | ~ 09/2011 | Filed FERC 7(c) application on 6/11/10. Negotiating final precedent agreement for 10,000 Dth/day |
| Tioga County Extension | 350,000 | $46 MM | ~ 09/2011 | Filed FERC 7(c) filing on August 23, 2010 |
| Trout Run Gathering System | 250,000 | $40 MM | Fall 2011 | Preliminary work has begun |
| Northern Access Expansion | 320,000 | $60 MM | Late 2012 | Executed precedent agreement |
| Line "N" Phase II Expansion | ~195,000 | $40 MM | ~ 11/2012 | Executed precedent agreement for 150,000 Dth/day |
| W2E Overbeck to Leidy | 425,000 | $260 MM | 2013 | Pursuing post-Open season requests for remaining 300,000 Dth/day |

SENECA RESOURCES

# Exploration & Production



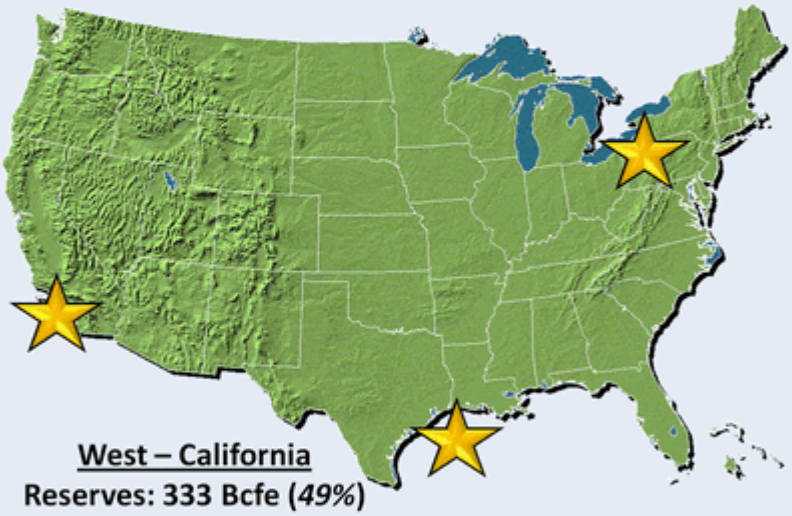
***Seneca Resources Corporation***

SENECA RESOURCES

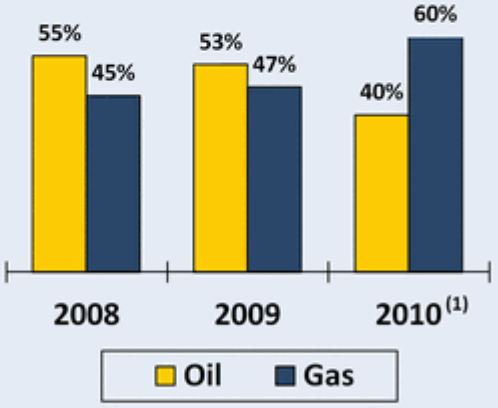
# Exploration & Production

## *Fiscal Year 2010 Preliminary Proved Reserves*[1]

**East - Appalachia**
**Reserves: 332 Bcfe (*46%*)**
**FY '10E Production[2]: ±16.6 Bcfe (33%)**



**Proved Reserves @ 9/30**




**West – California**
**Reserves: 333 Bcfe (*49%*)**
**(55.5 MMBoe)**
**FY '10E Production[2]: ± 19.7 Bcfe (40%)**

**Gulf of Mexico**
**Reserves: 34 Bcfe (*5%*)**
**FY '10E Production[2]: ±13.5 Bcfe (27%)**

*(1) Proved reserves at September 30, 2010 are preliminary and subject to final approval from reserve auditor, Netherland Sewell*
*(2) Fiscal year 2010 production data are preliminary and subject to change*

SENECA RESOURCES

# Marcellus Shale

## *Water Use*

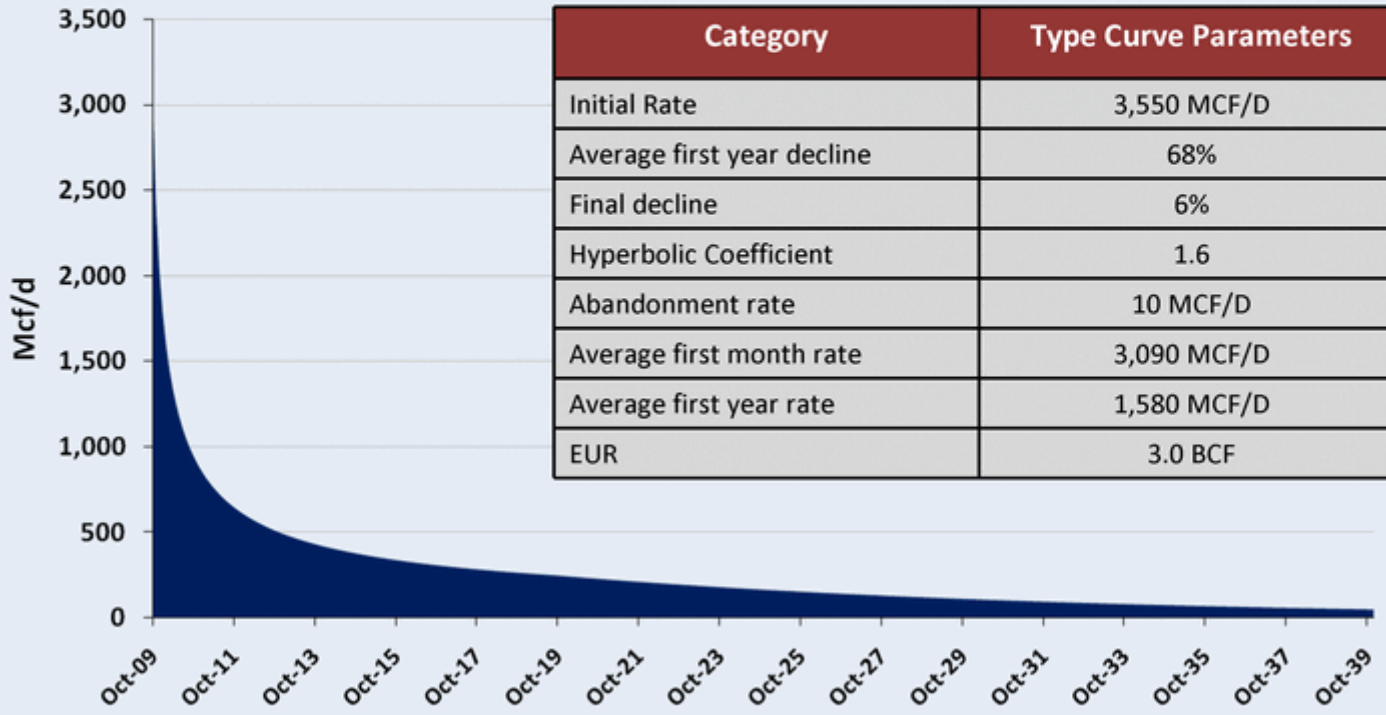
- Recovering water discharged from an abandoned coal mine which was polluting a local trout stream
- Authorized by SRBC to withdraw approximately 500,000 gallon per day of mine discharge
- Water pipeline system supplies frac water for Seneca in Tioga County (90 wells)
- Can supply water for 3 fracs per month
- Cost of system ~ $3.7 million
- Savings ~ $120,000 per well (pay out: 31 wells)
- Other Benefits:
  - ✓ Improved stream quality
  - ✓ Substantial reduction of water truck activity
  - ✓ No need to withdraw water elsewhere

SENECA RESOURCES

# Marcellus Shale

## *Western Development Area*

### *"Type" Decline Curve - 3.0 BCF Estimated Ultimate Recovery (EUR)*




| Category | Type Curve Parameters |
|---|---|
| Initial Rate | 3,550 MCF/D |
| Average first year decline | 68% |
| Final decline | 6% |
| Hyperbolic Coefficient | 1.6 |
| Abandonment rate | 10 MCF/D |
| Average first month rate | 3,090 MCF/D |
| Average first year rate | 1,580 MCF/D |
| EUR | 3.0 BCF |

# National Fuel Gas Company

## *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 Income from Continuing Operations by Segment to Consolidated GAAP Net Income**
**($ Thousands)**

| | FY 2007 | FY 2008 | FY 2009 | 12 Mos. Ended 6/30/2010 |
|---|---|---|---|---|
| **GAAP Net Income** | | | | |
| E&P Segment GAAP Net Income | $ 210,669 | $ 146,612 | $ (10,238) | $ 113,173 |
| P&S Segment GAAP Net Income | 56,386 | 54,148 | 47,358 | 35,812 |
| Utility Segment GAAP Net Income | 50,886 | 61,472 | 58,664 | 60,616 |
| Marketing Segment GAAP Net Income | 7,663 | 5,889 | 7,166 | 8,129 |
| Corporate & All Other GAAP Net Income | 11,851 | 607 | (2,242) | (3,220) |
| **Total GAAP Net Income** | $ 337,455 | $ 268,728 | $ 100,708 | $ 214,510 |
| **Discontinued Operations** | | | | |
| Income (Loss) from Operations, Net of Tax | $ 15,479 | $ - | $ - | $ - |
| Gain on Disposal, Net of Tax | 120,301 | - | - | - |
| **Income (Loss) from Discontinued Operations, Net of Tax** | $ 135,780 | $ - | $ - | $ - |
| **Income from Continuing Operations** | | | | |
| E&P Segment Income from Continuing Operations | $ 74,889 | $ 146,612 | $ (10,238) | $ 113,173 |
| P&S Segment Income from Continuing Operations | 56,386 | 54,148 | 47,358 | 35,812 |
| Utility Segment Income from Continuing Operations | 50,886 | 61,472 | 58,664 | 60,616 |
| Marketing Segment Income from Continuing Operations | 7,663 | 5,889 | 7,166 | 8,129 |
| Corporate & All Other Income from Continuing Operations | 11,851 | 607 | (2,242) | (3,220) |
| **Total Income from Continuing Operations** | $ 201,675 | $ 268,728 | $ 100,708 | $ 214,510 |
| **Items Impacting Comparability** | | | | |
| Reversal of reserve for preliminary project costs (P&S) | $ (4,787) | $ - | $ - | $ - |
| Resolution of purchased gas contingency (Marketing) | (2,344) | - | - | - |
| Discontinuance of hedge accounting (P&S) | (1,888) | - | - | - |
| Gain on sale of turbine (Corporate & All Other) | - | (586) | - | - |
| Gain on life insurance policies (Corporate & All Other) | - | - | (2,312) | - |
| Impairment of investment partnership (Corporate & All Other) | - | - | 1,085 | - |
| Impairment of landfill gas assets (Corporate & All Other) | - | - | 2,786 | 2,786 |
| Impairment of oil and gas properties (E&P) | - | - | 108,207 | - |
| **Total Items Impacting Comparability** | $ (9,019) | $ (586) | $ 109,766 | $ 2,786 |
| **Income from Continuing Operations excluding Items Impacting Comparability** | | | | |
| E&P Segment Operating Income | $ 74,889 | $ 146,612 | $ 97,969 | $ 113,173 |
| P&S Segment Operating Income | 49,711 | 54,148 | 47,358 | 35,812 |
| Utility Segment Operating Income | 50,886 | 61,472 | 58,664 | 60,616 |
| Marketing Segment Operating Income | 5,319 | 5,889 | 7,166 | 8,129 |
| Corporate & All Other Operating Income | 11,851 | 21 | (683) | (434) |
| **Total Income from Continuing Operations excluding Items Impacting Comparability** | $ 192,656 | $ 268,142 | $ 210,474 | $ 217,296 |

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

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 Forecast | FY 2011 Forecast |
|---|---|---|---|---|---|---|
| **Capital Expenditures from Continuing Operations** | | | | | | |
| Exploration & Production Capital Expenditures | $ 166,535 | $ 146,687 | $ 192,187 | $ 188,290 | $320,000-370,000 | $425,000-500,000 |
| Pipeline & Storage Capital Expenditures | 26,023 | 43,226 | 165,520 | 50,118 | $35,000-45,000 | $100,000-150,000 |
| Utility Capital Expenditures | 54,414 | 54,185 | 57,457 | 56,178 | $55,000-60,000 | $55,000-60,000 |
| Marketing, Corporate & All Other Capital Expenditures | 5,419 | 3,501 | 1,745 | 8,728 | $20,000-30,000 | $15,000-25,000 |
| **Total Capital Expenditures from Continuing Operations** | 252,391 | 247,599 | 416,909 | 303,314 | $430,000-505,000 | $595,000-735,000 |
| **Capital Expenditures from Discountinued Operations** | | | | | | |
| Exploration & Production Capital Expenditures | 41,768 | 29,129 | - | - | - | - |
| **Total Capital Expenditures from Discontinued Operations** | $ 41,768 | $ 29,129 | $ - | $ - | $ - | $ - |
| **Less Accrued Capital Expenditures** | | | | | | |
| Exploration & Production Accrued Capital Expenditures | $ - | $ - | $ - | $ (9,093) | $ - | $ - |
| Pipeline & Storage Accrued Capital Expenditures | - | - | (16,768) | 16,768 | - | - |
| All Other Accrued Capital Expenditures | - | - | - | (715) | - | - |
| **Less Total Accrued Capital Expenditures** | $ - | $ - | $ (16,768) | $ 6,960 | $ - | $ - |
| Eliminations | - | - | (2,407) | (344) | - | - |
| **Total Capital Expenditures per Statement of Cash Flows** | $ 294,159 | $ 276,728 | $ 397,734 | $ 309,930 | $430,000-505,000 | $595,000-735,000 |