National Fuel Reaches Key Milestones on Two Pipeline Expansions

(April 28, 2010) Williamsville, New York: National Fuel Gas Supply Corporation (“Supply”) and Empire Pipeline, Inc. (“Empire”), the companies that comprise the Pipeline and Storage segment of National Fuel Gas Company (NYSE: NFG) (“National Fuel”), have reached major milestones on two pipeline expansion projects that are the first in the industry designed to receive natural gas produced from the Marcellus Shale and transport it to key markets of Canada and the Northeast U.S. Supply has entered into a binding precedent agreement with Statoil Natural Gas LLC (“Statoil”) for 100 percent of the capacity on Supply’s “Northern Access” expansion project. Empire also has a binding precedent agreement in place with anchor shipper East Resources, Inc. (“East”) for Empire’s “Tioga County Extension” project, and is concluding negotiations for additional capacity with a second shipper. The precedent agreements provide for Statoil and East to sign, after satisfaction of conditions, firm transportation service agreements under which Supply and Empire will transport natural gas for Statoil and East.

“The market dynamics generated by the Marcellus Shale development have created a unique opportunity to move gas away from the increasingly competitive Appalachian Basin and into the newly expanding markets of Canada and the Northeast,” said David F. Smith, Chairman, President and Chief Executive Officer of National Fuel. “We are excited to provide the pathway to new markets for Appalachian gas production and we look forward to executing our plans while continuing to identify new opportunities to alleviate regional infrastructure constraints. In addition to these projects, we continue to implement the first phases of other Appalachian infrastructure projects designed to transport 190,000 dekatherms per day for a number of Marcellus producers, including Range Resources Corporation, Seneca Resources Corporation and EOG Resources, Inc.”

Supply’s Northern Access expansion project is designed to transport 320,000 dekatherms per day of Marcellus Shale production utilizing Supply’s existing pipelines to an existing interconnection between Supply and TransCanada Pipeline (“TCPL”) at the Niagara River near Lewiston, New York (“Niagara”), for delivery to the diverse markets accessible on the TCPL system. The required project facilities include bi-directional metering at Niagara and at Supply’s interconnects with Tennessee Gas Pipeline (“TGP”) at East Aurora, New York, along with incremental compression at Supply’s interconnect with TGP at Ellisburg Station and at East Aurora. Initial estimates place project costs at approximately $60 million, with an expected in-service date of June 1, 2012. The Open Season for firm transportation capacity that concluded on February 17, 2010, received requests for transportation of more than 1.6 million dekatherms per day.
The Statoil agreement, which was executed today, includes a 20-year firm transportation commitment for all of the available 320,000 dekatherms per day of natural gas transportation service from Ellisburg for delivery to Niagara. Statoil is currently a partner in a joint venture with Chesapeake Energy Corporation for the development of natural gas from the Marcellus Shale.

Empire’s Tioga County Extension project will stretch approximately 16 miles south from its existing interconnection with Millennium Pipeline at Corning, New York, into Tioga County, Pennsylvania. The project will require the construction of 16 miles of new 24-inch diameter pipeline. Additionally, Empire will replace 1.3 miles of pipeline near Victor, New York, and construct a new interconnection with TGP’s Line 200 in Ontario County, New York. Project costs are estimated to be approximately $45 million and the facilities are expected to be operational by September 1, 2011. The Open Season for the project offered pipeline capacity of at least 300,000 dekatherms per day and concluded on November 25, 2009.

Earlier this year, East executed a precedent agreement that contains a 10-year firm transportation service commitment with Empire for 200,000 dekatherms per day. East’s contracted capacity allows for gas produced in both the Marcellus Shale and Trenton-Black River formations to be delivered to an interconnect with TCPL at the Canadian border between Grand Island, New York, and Chippawa, Ontario, Canada. Based on this anchor shipper support, on January 28, 2010, Empire began the FERC National Environmental Policy Act pre-filing process. Additionally, Empire expects to conclude negotiations with another shipper for an additional 150,000 dekatherms per day.

“These two projects are the most recent examples of our continued progress in executing on our Appalachian development strategy across multiple subsidiaries of our Company,” said Smith. “From Seneca Resources Corporation’s accelerating Marcellus Shale drilling program, to our ongoing investment in National Fuel Gas Midstream Corporation’s gathering assets, to market broadening projects like these from Supply and Empire, our Company is positioned to be a key player in the increasingly important Appalachian market.”

National Fuel is an integrated energy company with $4.8 billion in assets comprised of the following four operating segments: Exploration and Production, Pipeline and Storage, Utility, and Energy Marketing. Additional information about National Fuel is available at http://www.nationalfuelgas.com or through its investor information service at 1-800-334-2188.
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