

# National Fuel Gas Company

SINCE 1902

## 2002

FINANCIAL  
AND STATISTICAL  
REPORT



## Corporate Profile

National Fuel Gas Company, incorporated in 1902, is a diversified energy company with its headquarters in Buffalo, New York. The Company's \$3.4 billion in assets is distributed among six principal business segments: Exploration and Production, Pipeline and Storage, Utility, Timber, Energy Marketing and International.

National Fuel's history dates from the earliest days of the natural gas and oil industry in the United States, and the Company has been responsible for many industry firsts. Today, the Company continues to be managed in the same innovative and entrepreneurial spirit, and takes pride in its 100-year tradition of delivering service and value.



### **Exploration and Production** *Seneca Resources*

*Corporation* explores for, develops and purchases natural gas and oil reserves in the Gulf Coast region of Texas and Louisiana, the Appalachian region, the Rocky Mountain region, California and the western provinces of Canada. Currently, Seneca's exploration emphasis is centered around new reserves in Canada and Appalachia, while development drilling continues to expand in California.



### **Pipeline and Storage** *National Fuel Gas Supply*

*Corporation* provides interstate natural gas transportation and storage for affiliated and nonaffiliated companies through an integrated gas pipeline system that extends 2,910 miles from southwestern Pennsylvania to the New York-Canadian border at the Niagara River. It also owns 28 underground natural gas storage areas and is co-owner of four others.



**Utility** *National Fuel Gas Distribution Corporation* sells or transports natural gas to over 732,000 customers through a local distribution system located in western New York and northwestern Pennsylvania. The major areas served by this system include Buffalo, Niagara Falls and Jamestown in New York, and Erie and Sharon in Pennsylvania.



**Energy Marketing** *National Fuel Resources, Inc.* markets natural gas to industrial, commercial, public authority and residential end-users in western and central New York and northwestern Pennsylvania, offering competitively priced energy and energy management services to its customers.



**Timber** *Highland Forest Resources, Inc.* and *Seneca Resources Corporation, Northeast Division* carry out the Timber segment operations for the Company. Highland operates three sawmills in northwestern Pennsylvania. Seneca markets timber from its New York and Pennsylvania land holdings.



**International** *Horizon Energy Development, Inc.* engages in foreign energy projects through the investments of its indirect subsidiaries as the sole or substantial owner of various business entities. In addition to assets in the Czech Republic, joint development agreements have been signed with partners in Bulgaria and Italy.

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This report is not a representation or prospectus in regard to the Company's securities and is not furnished in connection with any proposed sales or offer to sell or buy any stock or securities.

Data contained herein with respect to any particular year should be considered in conjunction with the notes and comments appearing in the Company's annual report to shareholders for that year.

## Consolidated Statements of Income and Earnings Reinvested in the Business

Year Ended September 30 (Thousands of Dollars, Except Per Common Share Amounts)	2002	2001	2000	1999	1998
<b>Income</b>					
<b>Operating Revenues</b>	<b>\$1,464,496</b>	\$2,059,836	\$1,412,416	\$1,254,402	\$1,248,000
<b>Operating Expenses</b>					
Purchased Gas	462,857	1,002,466	488,383	397,053	441,746
Fuel Used in Heat and Electric Generation	50,635	54,968	54,893	55,788	37,837
Operation and Maintenance	394,157	364,318	350,383	328,800	321,411
Property, Franchise and Other Taxes	72,155	83,730	78,878	91,146	92,817
Depreciation, Depletion and Amortization	180,668	174,914	142,170	124,778	117,238
Impairment of Oil and Gas Producing Properties	—	180,781	—	—	128,996
Income Taxes	72,034	37,106	77,068	64,829	24,024
Total Operating Expenses	<b>1,232,506</b>	1,898,283	1,191,775	1,062,394	1,164,069
<b>Operating Income</b>	<b>231,990</b>	161,553	220,641	192,008	83,931
<b>Operations of Unconsolidated Subsidiaries:</b>					
Income	224	1,794	1,669	999	319
Impairment of Investment in Partnership	(15,167)	—	—	—	—
	<b>(14,943)</b>	1,794	1,669	999	319
<b>Other Income</b>	<b>7,017</b>	10,639	6,366	11,344	35,551
<b>Income Before Interest Charges and Minority Interest in Foreign Subsidiaries</b>	<b>224,064</b>	173,986	228,676	204,351	119,801
<b>Interest Charges</b>					
Interest on Long-Term Debt	90,543	81,851	67,195	65,402	53,154
Other Interest	15,109	25,294	32,890	22,296	32,130
	<b>105,652</b>	107,145	100,085	87,698	85,284
<b>Minority Interest in Foreign Subsidiaries</b>	<b>(730)</b>	(1,342)	(1,384)	(1,616)	(2,213)
<b>Income Before Cumulative Effect</b>	<b>117,682</b>	65,499	127,207	115,037	32,304
Cumulative Effect of Change in Accounting for Depletion	—	—	—	—	(9,116)
<b>Net Income Available for Common Stock</b>	<b>117,682</b>	65,499	127,207	115,037	23,188
<b>Earnings Reinvested in the Business</b>					
Balance at Beginning of Year	513,488	525,847	472,517	428,112	472,595
Dividends on Common Stock	81,773	77,858	73,877	70,632	67,671
Balance at End of Year	<b>\$549,397</b>	\$513,488	\$525,847	\$472,517	\$428,112
<b>Basic Earnings Per Common Share:</b>					
Income Before Cumulative Effect	\$1.47	\$0.83	\$1.63	\$1.49	\$0.42
Cumulative Effect of Change in Accounting for Depletion	—	—	—	—	(0.12)
Net Income Available for Common Stock	<b>\$1.47</b>	\$0.83	\$1.63	\$1.49	\$0.30
<b>Diluted Earnings Per Common Share:</b>					
Income Before Cumulative Effect	\$1.46	\$0.82	\$1.61	\$1.47	\$0.42
Cumulative Effect of Change in Accounting for Depletion	—	—	—	—	(0.12)
Net Income Available for Common Stock	<b>\$1.46</b>	\$0.82	\$1.61	\$1.47	\$0.30
<b>Weighted Average Common Shares Outstanding:</b>					
Used in Basic Calculation	79,831,430	79,053,444	78,233,842	77,327,962	76,632,794
Used in Diluted Calculation	80,534,453	80,361,258	79,166,200	78,083,456	77,407,052

## Consolidated Balance Sheet

At September 30 (Thousands of Dollars)

	2002	2001	2000	1999	1998
<b>Assets</b>					
<b>Property, Plant and Equipment</b>	<b>\$4,512,651</b>	\$4,273,716	\$3,829,637	\$3,390,875	\$3,186,853
Less – Accumulated Depreciation, Depletion and Amortization	<b>1,667,906</b>	1,493,003	1,146,246	1,029,643	938,716
	<b>2,844,745</b>	2,780,713	2,683,391	2,361,232	2,248,137
<b>Current Assets</b>					
Cash and Temporary Cash Investments	<b>22,216</b>	36,227	32,125	29,222	30,437
Receivables – Net	<b>95,510</b>	131,379	121,639	97,828	82,336
Unbilled Utility Revenue	<b>21,918</b>	25,375	27,105	18,674	15,403
Gas Stored Underground	<b>77,250</b>	83,231	55,795	41,099	31,661
Materials and Supplies - at average cost	<b>31,582</b>	33,710	25,145	23,631	24,609
Unrecovered Purchased Gas Costs	<b>12,431</b>	4,113	29,681	4,576	6,316
Prepayments	<b>41,354</b>	39,520	39,150	35,072	19,755
Fair Value of Derivative Financial Instruments	<b>3,807</b>	37,585	—	—	—
Total Current Assets	<b>306,068</b>	391,140	330,640	250,102	210,517
<b>Other Assets</b>					
Recoverable Future Taxes	<b>82,385</b>	86,586	84,199	87,724	88,303
Unamortized Debt Expense	<b>20,635</b>	19,796	19,841	21,717	22,295
Other Regulatory Assets	<b>26,104</b>	23,253	24,804	25,214	41,735
Deferred Charges	<b>5,914</b>	8,440	12,637	13,970	8,398
Other Investments	<b>65,090</b>	62,924	59,396	51,605	42,342
Investment in Unconsolidated Subsidiaries	<b>16,753</b>	31,768	17,378	10,404	5,771
Goodwill	<b>8,255</b>	8,804	9,698	10,539	11,214
Other	<b>25,360</b>	31,807	9,047	10,079	5,747
Total Other Assets	<b>250,496</b>	273,378	237,000	231,252	225,805
<b>Total Assets</b>	<b>\$3,401,309</b>	\$3,445,231	\$3,251,031	\$2,842,586	\$2,684,459
<b>Capitalization and Liabilities</b>					
<b>Capitalization</b>					
Common Stock, \$1 Par Value*	<b>\$80,265</b>	\$79,406	\$78,660	\$77,675	\$76,938
Paid In Capital	<b>446,832</b>	430,618	412,887	393,114	377,770
Earnings Reinvested in the Business	<b>549,397</b>	513,488	525,847	472,517	428,112
Total Common Shareholder Equity Before Items Of Other Comprehensive Income (Loss)	<b>1,076,494</b>	1,023,512	1,017,394	943,306	882,820
Accumulated Other Comprehensive Income (Loss)	<b>(69,636)</b>	(20,857)	(29,957)	(4,013)	7,265
Total Comprehensive Shareholders' Equity	<b>1,006,858</b>	1,002,655	987,437	939,293	890,085
Long-Term Debt, Net of Current Portion	<b>1,145,341</b>	1,046,694	953,622	822,743	693,021
Total Capitalization	<b>2,152,199</b>	2,049,349	1,941,059	1,762,036	1,583,106
<b>Minority Interest in Foreign Subsidiaries</b>	<b>28,785</b>	22,324	23,031	27,589	25,479
<b>Current and Accrued Liabilities</b>					
Notes Payable to Banks and Commercial Paper	<b>265,386</b>	489,673	619,502	393,495	326,300
Current Portion of Long-Term Debt	<b>160,564</b>	109,435	11,262	69,608	216,929
Accounts Payable	<b>100,886</b>	123,246	92,493	86,238	64,605
Amounts Payable to Customers	<b>—</b>	51,223	9,583	5,934	5,781
Other Accruals and Current Liabilities	<b>121,518</b>	89,893	75,730	83,819	75,808
Fair Value of Derivative Financial Instruments	<b>31,204</b>	17,081	12,565	—	—
Total Current and Accrued Liabilities	<b>679,558</b>	880,551	821,135	639,094	689,423
<b>Deferred Credits</b>					
Accumulated Deferred Income Taxes	<b>356,220</b>	340,224	326,994	275,008	258,222
Taxes Refundable to Customers	<b>15,596</b>	16,865	14,410	14,814	18,404
Unamortized Investment Tax Credit	<b>8,897</b>	9,599	9,951	11,007	11,372
Other Regulatory Liabilities	<b>82,676</b>	68,957	49,015	48,226	41,304
Other Deferred Credits	<b>77,378</b>	57,362	65,436	64,812	57,149
Total Deferred Credits	<b>540,767</b>	493,007	465,806	413,867	386,451
<b>Total Capitalization and Liabilities</b>	<b>\$3,401,309</b>	\$3,445,231	\$3,251,031	\$2,842,586	\$2,684,459

\* Common Stock Par Value reflects two-for-one stock split on September 7, 2001.

## Consolidated Statement of Cash Flows

Year Ended September 30 (Thousands of Dollars)

	2002	2001	2000	1999	1998
<b>Operating Activities</b>					
Net Income Available for Common Stock	\$117,682	\$65,499	\$127,207	\$115,037	\$23,188
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities					
Cumulative Effect of a Change in Accounting for Depletion	—	—	—	—	9,116
Impairment of Oil and Gas Producing Properties	—	180,781	—	—	128,996
Depreciation, Depletion and Amortization	180,668	174,914	142,170	124,778	117,238
Deferred Income Taxes	62,013	(55,849)	41,858	14,030	(26,237)
Impairment of Investment in Partnership	15,167	—	—	—	—
(Income) Loss from Unconsolidated Subsidiaries, Net of Cash Distributions	361	(1,199)	(1,440)	(999)	(319)
Minority Interest in Foreign Subsidiaries	730	1,342	1,384	1,616	2,213
Other	9,842	6,553	5,946	8,017	(6,378)
Change in:					
Receivables and Unbilled Utility Revenue	40,786	(2,277)	(26,365)	(18,161)	45,200
Gas Stored Underground and Materials and Supplies	8,717	(37,054)	(13,707)	(7,280)	(2,744)
Unrecovered Purchased Gas Costs	(8,318)	25,568	(25,105)	1,740	(6,316)
Prepayments	(1,737)	(399)	(3,420)	(15,322)	829
Accounts Payable	(24,025)	20,419	(16,489)	22,871	(24,975)
Amounts Payable to Customers	(51,223)	41,640	3,649	153	(4,735)
Other Accruals and Current Liabilities	(37,372)	13,969	(10,233)	10,931	(15,481)
Other Assets and Liabilities - Net	32,259	(19,880)	12,791	10,093	10,268
<b>Net Cash Provided by Operating Activities</b>	<b>345,550</b>	<b>414,027</b>	<b>238,246</b>	<b>267,504</b>	<b>249,863</b>
<b>Investing Activities</b>					
Capital Expenditures	(232,368)	(292,706)	(269,371)	(256,120)	(390,118)
Investment in Subsidiaries, Net of Cash Acquired	—	(90,567)	(123,809)	(5,774)	(111,966)
Investment in Partnerships	(536)	(1,830)	(4,442)	(3,633)	(5,453)
Other	27,080	(2,823)	13,283	6,687	7,583
<b>Net Cash Used in Investing Activities</b>	<b>(205,824)</b>	<b>(387,926)</b>	<b>(384,339)</b>	<b>(258,840)</b>	<b>(499,954)</b>
<b>Financing Activities</b>					
Change in Notes Payable to Banks and Commercial Paper	(224,845)	(143,397)	226,477	67,195	229,387
Net Proceeds from Issuance of Long-Term Debt	243,844	210,221	149,334	198,217	198,750
Reduction of Long-Term Debt	(104,212)	(23,052)	(167,426)	(213,849)	(103,867)
Proceeds from Issuance of Common Stock	10,915	11,545	14,278	10,735	7,853
Dividends Paid on Common Stock	(80,974)	(76,671)	(73,046)	(69,878)	(66,959)
Dividends Paid to Minority Interest	—	—	(152)	(246)	(253)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(155,272)</b>	<b>(21,354)</b>	<b>149,465</b>	<b>(7,826)</b>	<b>264,911</b>
<b>Effect of Exchange Rates on Cash</b>	<b>1,535</b>	<b>(645)</b>	<b>(469)</b>	<b>(2,053)</b>	<b>1,578</b>
<b>Net Increase (Decrease) in Cash and Temporary Cash Investments</b>	<b>(14,011)</b>	<b>4,102</b>	<b>2,903</b>	<b>(1,215)</b>	<b>16,398</b>
<b>Cash and Temporary Cash Investments at Beginning of Year</b>	<b>36,227</b>	<b>32,125</b>	<b>29,222</b>	<b>30,437</b>	<b>14,039</b>
<b>Cash and Temporary Cash Investments at End of Year</b>	<b>\$22,216</b>	<b>\$36,227</b>	<b>\$32,125</b>	<b>\$29,222</b>	<b>\$30,437</b>
<b>Supplemental Disclosure of Cash Flow Information</b>					
<b>Cash Paid For:</b>					
Interest	\$98,493	\$100,871	\$97,042	\$75,813	\$46,242
Income Taxes	29,985	77,662	41,928	48,995	64,537

## Consolidated Statement of Comprehensive Income

Year Ended September 30 (Thousands of Dollars)	2002	2001	2000
Net Income Available for Common Stock	<b>\$117,682</b>	\$65,499	\$127,207
Other Comprehensive Income (Loss), Before Tax:			
Minimum Pension Liability Adjustment	<b>(52,977)</b>	—	—
Foreign Currency Translation Adjustment	<b>24,278</b>	(7,158)	(27,463)
Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	<b>(2,086)</b>	(712)	2,441
Unrealized Gain (Loss) on Derivative Financial Instruments Arising During the Period	<b>(42,584)</b>	58,355	—
Reclassification Adjustment for Realized (Gain) Loss on Derivative Financial Instruments in Net Income	<b>(20,063)</b>	83,218	—
Reclassification Adjustment for Realized Gain on Securities Available for Sale in Net Income	—	—	(103)
Other Comprehensive Income (Loss), Before Tax:	<b>(93,432)</b>	133,703	(25,125)
Income Tax Benefit Related to Minimum Pension Liability Adjustment	<b>(18,542)</b>	—	—
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	<b>(730)</b>	(249)	855
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) on Derivative Financial Instruments Arising During the Period	<b>(17,341)</b>	23,053	—
Reclassification Adjustment for Income Tax (Expense) Benefit on Realized (Gain) Loss on Derivative Financial Instruments in Net Income	<b>(8,040)</b>	32,032	—
Reclassification Adjustment for Income Tax Expense on Realized Gain on Securities Available for Sale in Net Income	—	—	(36)
Income Taxes – Net	<b>(44,653)</b>	54,836	819
Other Comprehensive Income (Loss), Before Cumulative Effect	<b>(48,779)</b>	78,867	(25,944)
Cumulative Effect of Change in Accounting, Net of Tax	—	(69,767)	—
Other Comprehensive Income (Loss), After Cumulative Effect	<b>(48,779)</b>	9,100	(25,944)
Comprehensive Income	<b>\$68,903</b>	\$74,599	\$101,263

## Selected Financial Ratios

Year Ended September 30	2002 <sup>(1)</sup>	2001 <sup>(2)</sup>	2000	1999	1998 <sup>(3)</sup>
Embedded cost of long-term debt	<b>7.0%</b>	7.0%	7.0%	7.0%	6.9%
Coverage ratios:					
Long-term debt	<b>3.22</b>	2.55	4.48	4.25	N/A <sup>(4)</sup>
Earnings to fixed charges-SEC basis	<b>2.74</b>	1.94	2.98	3.02	1.66
Capitalization ratios:					
Comprehensive Shareholders equity	<b>39.1%</b>	37.9%	38.4%	42.2%	41.9%
Long-term debt	<b>44.4%</b>	39.5%	37.1%	37.0%	32.6%
Short-term debt	<b>16.5%</b>	22.6%	24.5%	20.8%	25.5%
Effective Federal Income Tax Rate	<b>38.0%</b>	36.2%	37.7%	35.6%	41.4%
Ratio of Internal Cash Flow to Capital Expenditures <sup>(5)</sup>	<b>1.31</b>	1.01	0.91	0.75	0.46
Ratio of Internal Cash Flow to Common Stock Dividends Paid	<b>4.77</b>	4.87	4.34	3.76	3.71
Accumulated Depreciation (% of Average Depreciable Assets)	<b>40.5%</b>	40.1%	34.3%	33.9%	34.7%
Depreciation Charge (% of Average Depreciable Assets)	<b>4.4%</b>	4.7%	4.2%	4.1%	4.3%

(1) Includes impairment of Independence Pipeline of (\$9.9) million, where applicable.

(2) Includes impairment of oil and gas producing properties (\$104.0) million, where applicable.

(3) Includes impairment of oil and gas producing properties (\$79.1) million and cumulative effect of change in accounting for depletion of (\$9.1) million, where applicable.

(4) The Company was precluded from issuing further debt under its indenture due to the impairment of oil and gas producing properties in 1998.

(5) Internal Cash Flow excludes Dividends.

N/A – Not Applicable

## Schedule of Business Segment Information

Year Ended September 30 (Thousands of Dollars)

	2002	2001	2000	1999	1998
<b>Operating Revenues</b>					
Utility	\$794,221	\$1,234,647	\$846,459	\$807,355	\$871,180
Pipeline and Storage	167,384	171,091	169,659	168,783	170,983
Exploration and Production	310,980	355,005	222,836	138,122	124,272
International	95,315	97,910	104,736	107,045	76,259
Energy Marketing	151,257	259,206	133,929	99,088	87,187
Timber	47,407	44,914	41,545	31,117	17,805
Total Reportable Segments	1,566,564	2,162,773	1,519,164	1,351,510	1,347,686
All Other	10,135	18,322	5,345	1,765	1,535
Intersegment Eliminations <sup>(1)</sup>	(112,203)	(121,259)	(112,093)	(98,873)	(101,221)
Total Consolidated	\$1,464,496	\$2,059,836	\$1,412,416	\$1,254,402	\$1,248,000
<b>Depreciation, Depletion &amp; Amortization</b>					
Utility	\$37,412	\$36,607	\$35,842	\$34,215	\$33,459
Pipeline and Storage	23,626	23,746	23,379	22,690	21,816
Exploration and Production <sup>(3)</sup>	103,946	98,408	69,583	55,750	50,937
International	11,977	12,634	11,110	10,473	7,309
Energy Marketing	161	212	209	165	91
Timber	3,429	3,186	1,948	1,476	3,527
Total Reportable Segments	180,551	174,793	142,071	124,769	117,139
All Other	115	119	97	7	97
Corporate	2	2	2	2	2
Total Consolidated	\$180,668	\$174,914	\$142,170	\$124,778	\$117,238
<b>Significant Noncash Item: Impairment of Oil and Gas Producing Properties</b>					
Pipeline and Storage	\$15,167	\$—	\$—	\$—	\$—
Exploration and Production	—	180,781	—	—	128,996
Total Consolidated	\$15,167	\$180,781	\$—	\$—	\$128,996
<b>Operating Income (Loss) Before Income Taxes</b>					
Utility <sup>(2)</sup>	\$109,591	\$129,081	\$126,157	\$120,283	\$124,482
Pipeline and Storage <sup>(7)</sup>	71,864	77,086	65,155	72,104	71,510
Exploration and Production <sup>(3)(4)(6)</sup>	96,339	(14,221)	94,908	42,215	(93,266)
International	780	6,605	12,938	12,861	2,136
Energy Marketing	12,989	(4,368)	(12,000)	3,036	842
Timber	16,437	15,675	13,593	9,745	4,846
Total Reportable Segments	308,000	209,858	300,751	260,244	110,550
All Other	(1,309)	(7,792)	(425)	(857)	(341)
Corporate	(2,667)	(3,407)	(2,617)	(2,550)	(2,254)
Total Consolidated	\$304,024	\$198,659	\$297,709	\$256,837	\$107,955
<b>Interest Expense</b>					
Utility	\$30,790	\$27,489	\$31,655	\$29,659	\$44,639
Pipeline and Storage	10,424	12,131	13,311	13,147	15,232
Exploration and Production	55,367	56,291	42,034	34,409	21,454
International	8,045	9,966	12,353	11,451	7,188
Energy Marketing	76	1,649	774	234	31
Timber	2,896	3,830	4,750	2,208	1,580
Total Reportable Segments	107,598	111,356	104,877	91,108	90,124
All Other	420	692	262	100	33
Corporate & Intersegment Eliminations	(2,366)	(4,903)	(5,054)	(3,510)	(4,873)
Total Consolidated	\$105,652	\$107,145	\$100,085	\$87,698	\$85,284



## Schedule of Business Segment Information (continued)

Year Ended September 30 (Thousands of Dollars)

	2002	2001	2000	1999	1998
<b>Income Tax Expense (Benefit)</b>					
Utility	\$31,657	\$42,985	\$38,362	\$34,741	\$30,076
Pipeline and Storage	18,148	29,091	22,172	22,439	29,644
Exploration and Production	15,108	(36,075)	19,413	2,992	(39,478)
International	(2,030)	253	(1,783)	15	2,158
Energy Marketing	5,103	(1,660)	(4,372)	1,138	471
Timber	4,476	4,566	3,816	2,788	1,445
Total Reportable Segments	72,462	39,160	77,608	64,113	24,316
All Other	(473)	(2,281)	(205)	55	119
Corporate	45	227	(335)	661	(411)
Total Consolidated	\$72,034	\$37,106	\$77,068	\$64,829	\$24,024
<b>Segment Profit (Loss): Net Income (Loss) (Income Before Cumulative Effect of a Change in Accounting for Depletion for 1998)</b>					
Utility	\$49,505	\$60,707	\$57,662	\$56,875	\$51,788
Pipeline and Storage <sup>(7)</sup>	29,715	40,377	31,614	39,765	39,852
Exploration and Production <sup>(3) (4) (6)</sup>	26,851	(32,284)	34,877	7,127	(64,110)
International	(4,443)	(3,042)	3,282	2,276	1,279
Energy Marketing	8,642	(3,432)	(7,790)	2,054	787
Timber	9,689	7,715	6,133	4,769	1,904
Total Reportable Segments	119,959	70,041	125,778	112,866	31,500
All Other	(885)	(4,277)	(371)	(162)	143
Corporate	(1,392)	(265)	1,800	2,333	661
Total Consolidated	\$117,682	\$65,499	\$127,207	\$115,037	\$32,304
<b>Expenditures for Additions to Long-Lived Assets</b>					
Utility	\$51,550	\$42,374	\$55,799	\$46,974	\$50,680
Pipeline and Storage <sup>(5)</sup>	30,329	25,978	35,806	34,873	29,145
Exploration and Production	114,602	296,419	280,049	97,586	323,627
International	4,244	15,585	9,767	33,412	96,987
Energy Marketing	51	116	89	302	320
Timber	25,574	3,694	13,542	52,314	6,778
Total Reportable Segments	226,350	384,166	395,052	265,461	507,537
All Other	6,554	937	3,725	66	—
Corporate & Intersegment Eliminations	—	—	—	—	—
Total Consolidated	\$232,904	\$385,103	\$398,777	\$265,527	\$507,537

(1) Represents primarily Pipeline and Storage revenue from the Utility segment.

(2) For the year ended September 30, 1999 and 1998 amounts include the rate recovery of interest expense related to IRS Audits of years 1977-1994. This rate recovery is offset 100% by interest expense, included below the operating income line. Excluding this rate recovery, operating income before income taxes would be \$120,785 and \$118,529 for the year ended September 30, 1999 and 1998, respectively.

(3) In 1998 Seneca changed its method of depletion for oil and gas producing properties from the gross revenue method to the units of production method. The effect of this change was to reduce 1998 depletion expense and to reduce the operating loss before income taxes of the Exploration and Production segment by \$2.3 million and to reduce the loss before cumulative effect of a change in accounting for depletion by \$1.4 million.

(4) 1998 includes impairment of oil and gas producing properties of \$129.0 million pretax or \$79.1 million after-tax.

(5) 2000 includes \$1.2 million in a stock-for-asset swap.

(6) 2001 includes impairment of oil and gas producing properties of \$180.8 million pretax or \$104.0 million after-tax.

(7) 2002 includes impairment of Independence Pipeline of \$15.2 million pretax or \$9.9 million after-tax.

## Schedule of Business Segment Information (continued)

<i>At September 30 (Thousands of Dollars)</i>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>Segment Assets</b>					
Utility	<b>\$1,248,426</b>	\$1,284,189	\$1,233,639	\$1,178,185	\$1,171,645
Pipeline and Storage	<b>532,543</b>	549,991	552,059	542,962	526,738
Exploration and Production	<b>1,161,310</b>	1,194,393	1,088,066	727,557	673,706
International	<b>241,466</b>	206,361	202,622	255,042	242,339
Energy Marketing	<b>52,850</b>	68,178	47,121	18,676	16,944
Timber	<b>131,721</b>	113,294	107,402	98,830	45,507
Total Reportable Segments	<b>3,368,316</b>	3,416,406	3,230,909	2,821,252	2,676,879
All Other	<b>33,563</b>	26,858	21,930	7,351	5,216
Corporate & Intersegment Eliminations	<b>(570)</b>	1,967	(1,808)	13,983	2,364
Total Consolidated	<b>\$3,401,309</b>	\$3,445,231	\$3,251,031	\$2,842,586	\$2,684,459

<i>Year Ended September 30 (Thousands of Dollars)</i>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>Geographic Information</b>					
Revenues from External Customers <sup>(1)</sup> :					
United States	<b>\$1,293,239</b>	\$1,887,958	\$1,279,329	\$1,147,357	\$1,171,741
Czech Republic	<b>95,315</b>	97,910	104,736	107,045	76,259
Canada	<b>75,942</b>	73,968	28,351	—	—
Total Revenues from External Customers	<b>\$1,464,496</b>	\$2,059,836	\$1,412,416	\$1,254,402	\$1,248,000

<i>At September 30 (Thousands of Dollars)</i>					
Long-Lived Assets:					
United States	<b>\$2,624,810</b>	\$2,645,429	\$2,488,180	\$2,369,840	\$2,258,817
Czech Republic	<b>216,044</b>	187,961	183,274	215,457	215,125
Canada	<b>258,196</b>	257,939	248,937	—	—
Total Long-Lived Assets	<b>\$3,099,050</b>	\$3,091,329	\$2,920,391	\$2,585,297	\$2,473,942

(1) Revenue is based upon the country in which the sale originates.

## Security Ratings

<i>At September 30</i>	Standard & Poors	Moody's	Fitch
Long-Term Debt	A-	A-3	A-
Commercial Paper	A-2	P-2	F-2

## Common Stock Data <sup>(1)</sup>

Year Ended September 30	2 0 0 2 <sup>(2)</sup>	2 0 0 1 <sup>(3)</sup>	2 0 0 0	1 9 9 9	1 9 9 8 <sup>(4)</sup>
Number of Common Shareholders at Year End	20,004	20,345	21,164	22,336	23,743
Shares Outstanding at Year End	80,264,734	79,406,105	78,659,606	77,674,998	76,937,590
Return on Average Common Equity <sup>(5)</sup>	11.2%	6.4%	13.0%	12.6%	2.6%
Book Value Per Common Share	\$12.54	\$12.63	\$12.55	\$12.09	\$11.57
Market Price Range <sup>(6)</sup>					
High	\$25.70	\$32.25	\$29.41	\$25.00	\$24.56
Low	\$15.61	\$21.96	\$19.69	\$18.75	\$19.81
Close	\$19.87	\$23.03	\$28.03	\$23.59	\$23.50
Market/Book Value at Year End	158.5%	182.3%	223.3%	195.1%	203.1%
Cash Flow Per Common Share	\$4.80	\$4.72	\$4.05	\$3.39	\$3.24
Price/Diluted Earnings Ratio	13.6	28.1	17.4	16.0	78.3
Dividends					
Declared Per Share	\$1.03	\$0.99	\$0.95	\$0.92	\$0.89
Paid Per Share	\$1.02	\$0.97	\$0.94	\$0.91	\$0.88
Rate at Year End	\$1.04	\$1.01	\$0.96	\$0.93	\$0.90
Payout Ratio on Dividends Paid (using Diluted EPS)	69.8%	118.3%	58.4%	61.9%	293.3%
Yield at Year End	5.2%	4.4%	3.4%	3.9%	3.8%
Dividends/Book Value at Year End	8.1%	7.7%	7.6%	7.7%	7.8%

(1) Common Stock Data reflects two-for-one stock split on September 7, 2001.

(2) Includes impairment of Independence Pipeline of (\$9.9), where applicable.

(3) Includes impairment of oil and gas producing properties of (\$104.0) million, where applicable.

(4) Includes impairment of oil and gas producing properties of (\$79.1) million and cumulative effect of change in accounting for depletion of (\$9.1) million, where applicable.

(5) Calculated using Total Common Shareholder Equity Before Items of Other Comprehensive Income (Loss).

(6) During Fiscal 2000 the NYSE converted the reporting structure from fraction to decimal price form. For consistency we have provided prior years in decimal form.

Listed: New York Stock Exchange Ticker Symbol – NFG

Stock Transfer Agent and Registrar: Computershare Investor Services, LLC, P.O. Box A 3504 Chicago, IL 60690-3504 Tel. (800) 648-8166 or Website at <http://www.computershare.com/investors>

## Summary of General Rate Increases

Filing Date	Effective Date	Test Period Ended	Revenue Increase (Decrease)		Rate of Return				Rate Base		
			(Millions) Requested (\$)	(Millions) Granted (\$)	Total Rate Base Requested (%)	Total Rate Base Granted (%)	Equity Requested (%)	Equity Granted (%)	(Millions) Requested (\$)	(Millions) Granted (\$)	
<b>National Fuel Gas Distribution Corporation</b>											
<b>New York Division</b>											
Case: 00-G-1495 <sup>(1)</sup>	N/A	10-1-00	N/A	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A
98-G-1291 <sup>(2)</sup>	N/A	10-1-98	N/A	(7.2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
95-G-1009 <sup>(3)</sup>	9-29-97	10-1-97	9-98	7.2	7.2	N/A	N/A	N/A	N/A	N/A	N/A
95-G-1009 <sup>(3)</sup>	11-09-95	10-1-96	9-97	28.9	7.2	9.56	N/A	11.50	N/A	630.7	N/A
94-G-0885	10-21-94	9-20-95	7-96	56.5	14.2	10.44	9.10	12.85	10.40	628.3	574.0
<b>Pennsylvania Division</b>											
Case: R-953299 <sup>(4)</sup>	3-15-95	9-27-95	11-95	22.0	6.0	10.98	N/A	13.25	N/A	230.6	N/A
R-942991	3-08-94	12-07-94	11-94	16.0	4.8	9.90	9.39	12.25	11.00	216.9	209.8
<b>National Fuel Gas Supply Corporation</b>											
<b>Supply Division</b>											
Case: RP95—031 <sup>(5)</sup>	10-31-94	6-01-95	3-95	21.0	6.0	10.31	9.59 <sup>(6)</sup>	12.60	11.30 <sup>(6)</sup>	429.0	427.0

N/A — Not Applicable.

(1) The three year plan runs from October 1, 2000 through September 30, 2003. Earnings above an 11.5% return on a cumulative basis are to be shared equally between shareholders and ratepayers. The plan provides that customers will receive a bill credit of \$17.6 million in the first year, of which \$7.6 million relates to customers' share of earnings accumulated under previous settlements. The credit will be reduced to \$5.0 million in the second year, and in the third and subsequent years the credit will remain at \$5.0 million unless the Company can demonstrate that it is no longer justified.

(2) A two year rate plan which runs through September 30, 2000. An allowed return on equity of 12%, above which 50% of additional earnings are shared equally between shareholders and customers, is retained from the previous settlement (see note 3). The rate plan also called for a \$7.2 million generic restructuring reserve to be recorded in fiscal 1999.

(3) Settlement provided for annual base rate increase of \$7.2 million in each fiscal year beginning October 1, 1996 and 1997 with no specified rate of return on equity. Earnings above a 12% return on equity (excluding certain items determined on a cumulative basis over three years ending 9/30/98) are shared equally between shareholders and the customers.

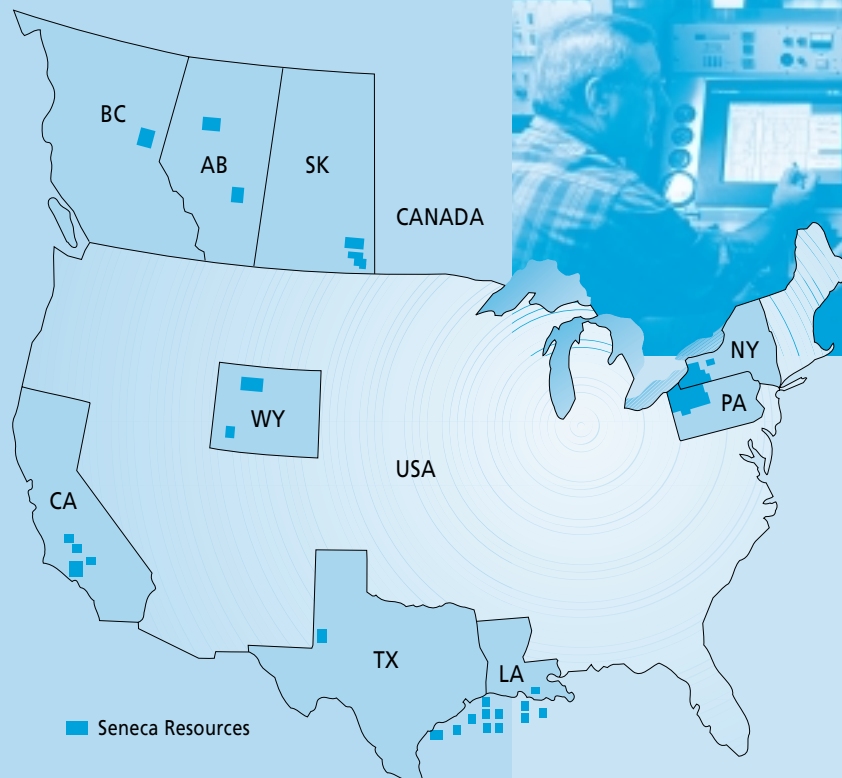
(4) Settlement—only revenue increase specified.

(5) Reflects the merger of Penn-York Energy Corporation into Supply Corporation as approved by the FERC on January 19, 1994 at Docket No. CP 92-508.

(6) Not specified in the FERC approved settlement agreement—based upon Company calculations.

# Exploration and Production

The Company's Exploration and Production operations are carried out through Seneca Resources Corporation (Seneca Resources).



*Seneca Resources* explores for, develops and purchases natural gas and oil reserves in the Gulf Coast Region of Texas and Louisiana, the Appalachian Region, the Rocky Mountain Region, California and the western provinces of Canada. Currently, Seneca's exploration emphasis is centered around new reserves in Canada and Appalachia, while development drilling continues to expand in California.

## Gas and Oil Reserves

Year Ended September 30	2002	2001	2000	1999	1998
<b>Gas Reserves (MMcf)</b>					
Beginning of Year	322,380	301,667	320,792	325,065	232,449
Extensions and Discoveries	36,805	51,641	34,641	46,423	40,293
Revisions of Previous Estimates	(44,784)	(22,847)	(8,001)	(13,091)	(18,623)
Production	(41,454)	(41,004)	(41,670)	(37,166)	(36,474)
Sales of Minerals In Place	(14,726)	(6,346)	(7,444)	(439)	—
Purchases of Minerals In Place and Other	—	39,269	3,349	—	107,420
End of Year	258,221	322,380	301,667	320,792	325,065
Reserve Replacement Ratio	(.19)	1.66	.72	.90	3.54
<b>Oil Reserves (Mbbbl)</b>					
Beginning of Year	115,328	119,697	75,819	66,591	17,981
Extensions and Discoveries	2,023	4,549	3,932	3,716	640
Revisions of Previous Estimates	(9,362)	(3,659)	4,000	9,808	(4,191)
Production	(7,662)	(7,857)	(5,147)	(4,016)	(2,614)
Sales of Minerals In Place	(610)	(765)	(227)	(280)	—
Purchases of Minerals In Place and Other	—	3,363	41,320	—	54,775
End of Year	99,717	115,328	119,697	75,819	66,591
Reserve Replacement Ratio	(.96)	.54	9.57	3.37	19.60
<b>Total Gas &amp; Oil Reserves (MMcfe)</b>					
Beginning of Year	1,014,348	1,019,849	775,706	724,611	340,335
Extensions and Discoveries	48,943	78,935	58,233	68,719	44,359
Revisions of Previous Estimates	(100,956)	(44,801)	15,999	45,757	(43,995)
Production	(87,426)	(88,146)	(72,552)	(61,262)	(52,161)
Sales of Minerals In Place	(18,386)	(10,936)	(8,806)	(2,119)	—
Purchases of Minerals In Place and Other	—	59,447	251,269	—	436,073
End of Year	856,523	1,014,348	1,019,849	775,706	724,611
Reserve Replacement Ratio	(.59)	1.06	4.49	1.87	8.37

## Net Undeveloped Acreage

At September 30	2002	2001	2000	1999	1998
<b>Region</b>					
Gulf Coast	204,947	281,408	309,239	305,067	169,244
West Coast	2,257	2,257	12,533	33,753	101,805
Appalachia	374,380	385,585	394,987	414,286	430,192
Canada	700,811	929,460	1,827,910	—	—
Total Net Undeveloped Acreage	1,282,395	1,598,710	2,544,669	753,106	701,241

## Revenues

Year Ended September 30 (Thousands of Dollars)	2002	2001	2000	1999	1998
Gas (after Hedging)	\$148,467	\$171,045	\$108,832	\$83,229	\$82,910
Oil (after Hedging)	152,746	169,613	117,606	52,050	34,069
Gas Processing Plant	16,995	39,986	17,666	11,751	4,937
Other	6,627	17,700	(6,034)	(36)	2,356
Intrasegment Elimination <sup>(1)</sup>	(13,855)	(43,339)	(15,234)	(8,872)	—
<b>Total Revenues</b>	<b>\$310,980</b>	<b>\$355,005</b>	<b>\$222,836</b>	<b>\$138,122</b>	<b>\$124,272</b>

(1) Represents the elimination of certain West Coast gas production revenue included in "Gas (after Hedging)" in the table above that is sold to the gas processing plant shown in the table above. An elimination for the same dollar amount is made to reduce the gas processing plant's purchased gas expense.

## Gas Production (MMcf)

Year Ended September 30	2002	2001	2000	1999	1998
<b>Region</b>					
Gulf Coast	25,776	30,663	32,760	28,758	29,461
West Coast	4,889	4,383	4,374	3,977	2,146
Appalachia	4,402	4,142	4,344	4,431	4,867
Canada	6,387	1,816	192	—	—
<b>Total Gas Production</b>	<b>41,454</b>	<b>41,004</b>	<b>41,670</b>	<b>37,166</b>	<b>36,474</b>

## Oil Production (Mbbbl)

Year Ended September 30	2002	2001	2000	1999	1998
<b>Region</b>					
Gulf Coast	1,815	1,914	1,415	1,373	1,228
West Coast	3,004	2,875	2,824	2,633	1,376
Appalachia	9	7	9	10	10
Canada	2,834	3,061	899	—	—
<b>Total Oil Production</b>	<b>7,662</b>	<b>7,857</b>	<b>5,147</b>	<b>4,016</b>	<b>2,614</b>

## Total Production (MMcfe)

Year Ended September 30	2002	2001	2000	1999	1998
<b>Total Gas &amp; Oil Production</b>	<b>87,426</b>	<b>88,146</b>	<b>72,552</b>	<b>61,262</b>	<b>52,161</b>

## Net Well Completions

Year Ended September 30	2002			2001			2000			1999			1998		
	Productive	Dry	Success Ratio	Productive	Dry	Success Ratio	Productive	Dry	Success Ratio	Productive	Dry	Success Ratio	Productive	Dry	Success Ratio
<b>Region</b>															
Gulf Coast	1	4	.30	7	2	.79	14	6	.71	10	5	.67	8	5	.61
West Coast	48	2	.96	88	1	.99	80	1	.99	95	5	.95	13	1	.93
Appalachia	30	1	.96	26	3	.90	3	1	.75	3	—	—	4	1	.80
Canada	34	12	.74	71	14	.84	22	4	.85	—	—	—	—	—	—
<b>Total Well Completions</b>	<b>113</b>	<b>19</b>	<b>.86</b>	<b>192</b>	<b>20</b>	<b>.91</b>	<b>119</b>	<b>12</b>	<b>.91</b>	<b>108</b>	<b>10</b>	<b>.91</b>	<b>25</b>	<b>7</b>	<b>.78</b>

## Producing Wells

At September 30	2002		2001		2000		1999		1998	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>Region</b>										
Gulf Coast	76	42	104	46	100	35	101	52	102	49
West Coast	1,103	1,092	976	899	887	815	922	878	895	877
Appalachia	1,865	1,773	1,834	1,745	1,797	1,714	1,806	1,716	1,805	1,728
Canada	828	705	1,167	954	479	430	—	—	—	—
Total	3,872	3,612	4,081	3,644	3,263	2,994	2,829	2,646	2,802	2,654

## Gas Prices (Average Price per Mcf)

Year Ended September 30	2002	2001	2000	1999	1998
<b>Region</b>					
Gulf Coast	\$2.89	\$4.93	\$3.29	\$2.15	\$2.40
West Coast	2.86	10.18	3.62	2.28	2.14
Appalachia	3.74	5.03	3.16	2.44	2.88
Canada	2.29	2.41	2.52	—	—
Weighted Average	\$2.88	\$5.39	\$3.31	\$2.20	\$2.45
Weighted Average After Hedging	\$3.58	\$4.17	\$2.61	\$2.24	\$2.27

## Oil Prices (Average Price per Barrel)

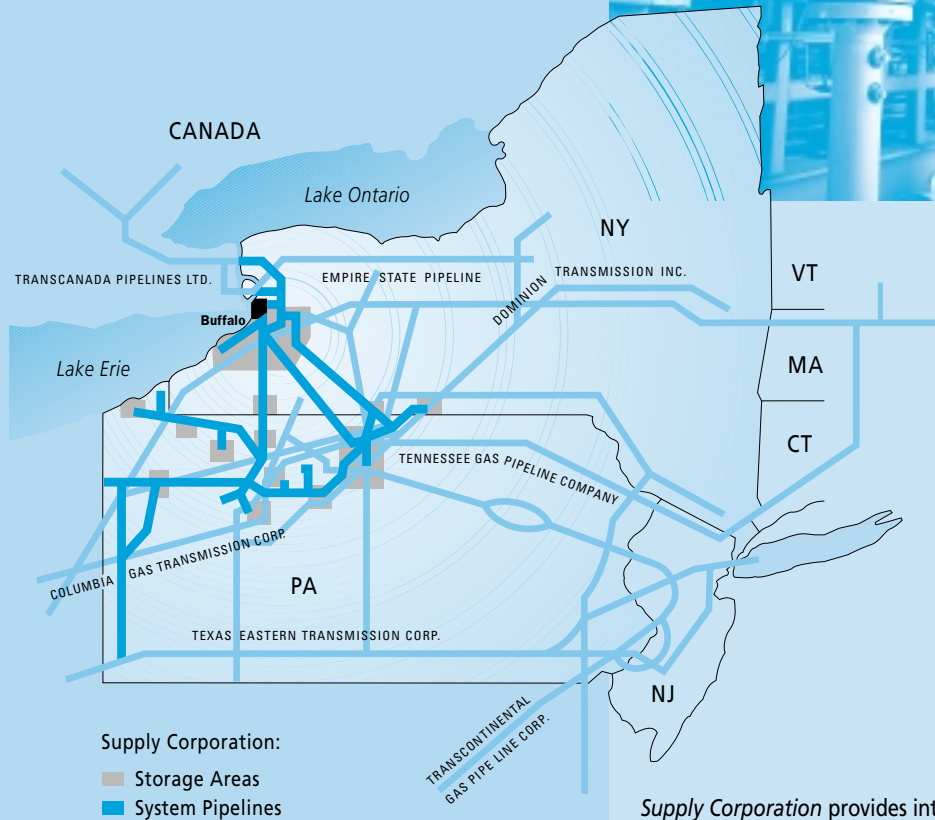
Year Ended September 30	2002	2001	2000	1999	1998
<b>Region</b>					
Gulf Coast	\$22.83	\$27.47	\$28.27	\$15.18	\$14.69
West Coast	19.94	24.06	23.87	11.62	9.85
Appalachia	23.76	28.51	25.12	14.73	16.80
Canada	19.94	24.29	29.28	—	—
Weighted Average	\$20.63	\$24.99	\$26.03	\$12.85	\$12.15
Weighted Average After Hedging	\$19.94	\$21.59	\$22.85	\$12.96	\$13.03

## Exploration and Production Costs

Year Ended September 30 (Dollars per Mcf equivalent)	2002	2001	2000	1999	1998
Reserve Replacement	\$(2.19)	\$3.41	\$1.20	\$0.80	\$0.86
Lifting	\$0.84	\$0.73	\$0.58	\$0.46	\$0.45
General and Administrative	\$0.40	\$0.25	\$0.20	\$0.15	\$0.16

# Pipeline and Storage

The majority of the Company's Pipeline and Storage operations are conducted through National Fuel Gas Supply Corporation (Supply Corporation).



*Supply Corporation* provides interstate natural gas transportation and storage for affiliated and nonaffiliated companies through an integrated gas pipeline system that extends 2,910 miles from southwestern Pennsylvania to the New York-Canadian border at the Niagara River. It also owns 28 underground natural gas storage areas and is co-owner and operator of four others.



## Regulation

The Company's Pipeline and Storage operations are regulated at the Federal level by the Federal Energy Regulatory Commission (FERC).

### FERC Overview

The FERC is an independent regulatory agency within the Department of Energy, responsible for regulating interstate activities in the natural gas, electric, hydro and oil pipeline industries. The FERC is composed of five commissioners, including a chair, appointed by the President and confirmed by the Senate for a five-year term.

### Current Commissioners

(As of September 30, 2002)

	Term Began	Term Expires	Background
<b>Patrick Henry Wood III</b> <i>Chair</i>	2001	2005	Former Chairman of the Public Utility Commission of Texas.
<b>Linda Key Breathitt</b>	1997	2002	Former Chairman of the Kentucky Public Service Commission and served on the Electricity Committee of NARUC.
<b>William L. Massey</b>	1993	2003	Attorney, formerly Counsel for and partner of Washington, D.C. office of Mayer, Brown & Platt.
<b>Nora Mead Brownell</b>	2001	2006	Former member of the Pennsylvania Public Utility Commission.

## Revenues, Volumes and Revenue Rates

Year Ended September 30	2002	2001	2000	1999	1998
<b>Revenues</b> (Thousands of Dollars)					
Firm Transportation:					
Affiliated	\$52,200	\$54,643	\$54,449	\$54,752	\$56,701
Nonaffiliated	35,882	36,968	37,856	36,527	36,661
Interruptible Transportation	3,315	1,917	1,578	856	985
Total Transportation	91,397	93,528	93,883	92,135	94,347
Affiliated Storage	33,326	32,677	30,460	28,309	27,384
Nonaffiliated Storage	29,414	29,552	32,726	35,519	36,121
Total Storage	62,740	62,229	63,186	63,828	63,505
Other	13,247	15,334	12,590	12,820	13,131
Total Revenues	\$167,384	\$171,091	\$169,659	\$168,783	\$170,983
<b>Volumes (MMcf)</b>					
Firm Transportation:					
Affiliated	112,164	125,858	113,241	108,250	99,678
Nonaffiliated	178,343	178,325	178,577	191,992	199,060
Interruptible Transportation	7,315	17,372	21,730	8,061	14,310
Total Volumes	297,822	321,555	313,548	308,303	313,048
<b>Average Revenues per Mcf</b>					
Firm Transportation-Nonaffiliated	\$0.20	\$0.21	\$0.21	\$0.19	\$0.18
Interruptible Transportation	\$0.45	\$0.11	\$0.07	\$0.11	\$0.07

## Transmission Statistics

At September 30	2002	2001	2000	1999	1998
<b>Compressor Stations</b>					
Number	14	14	14	14	16
Horsepower	44,051	43,776	43,416	43,391	38,005
Pipeline Mileage	2,910	2,989	3,034	3,065	3,136

## Firm Transportation by Customer (MMcf)

Year Ended September 30	2002	
National Fuel Gas Distribution Corp.	83,536	
Transcontinental Gas Pipeline Corporation	33,479	
Tennessee Gas Pipeline	31,240	
National Fuel Resources, Inc.	25,298	
Williams Energy Services Co.	24,685	
Consolidated Edison Company of NY, Inc.	10,999	
Public Service Electric and Gas Company	9,477	
Progas U.S.A., Inc.	8,650	
PSEG Energy Resources & Trade LLC	7,017	
Texaco Energy Marketing, L.P.	6,976	
Reliant Energy Services, Inc.	5,095	
Amerada Hess Corporation	4,677	
NUI Corporation	3,676	
TXU Energy Trading, Inc.	3,650	
Upstate Energy, Inc.	3,091	
All Others	28,961	
<b>Total Firm Transportation</b>	<b>290,507</b>	
<b>Revenues (Thousands of Dollars)</b>	<b>\$88,082</b>	

## Contract Storage Service (MMcf)

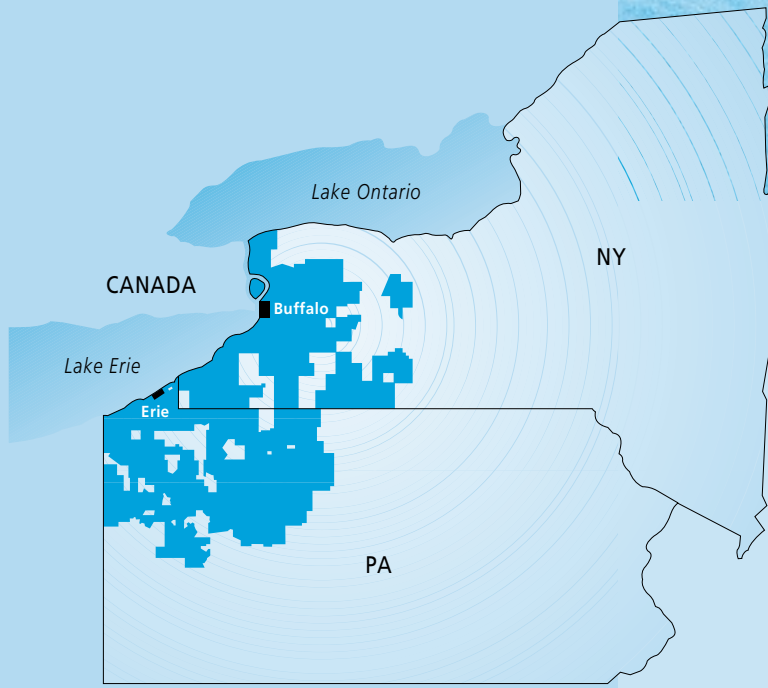
At September 30	2002	
National Fuel Gas Distribution Corp.	29,324	
Transcontinental Gas Pipe Line Corporation	16,000	
Amerada Hess Corporation	2,016	
Upstate Energy, Inc.	1,986	
Engage Energy America	1,952	
National Fuel Resources, Inc.	1,756	
TXU Energy Trading, Inc.	1,707	
El Paso Merchant Energy	1,492	
Connecticut Natural	1,484	
All Others	6,964	
<b>Total Contracted Storage</b>	<b>64,681</b>	
<b>Revenues (Thousands of Dollars)</b>	<b>\$62,740</b>	

## Storage Statistics

At September 30	2002	2001	2000	1999	1998
Storage Services-Bcf					
Firm Service - Affiliated	33.1	34.1	31.1	28.1	26.6
Firm Service - Nonaffiliated	31.6	30.6	33.0	34.2	35.6
Operational Capacity	7.0	7.0	7.0	7.0	7.0
Total Available Working Capacity - Bcf	71.7	71.7	71.0	69.4	69.2
Leased Storage Capacity	1.0	1.0	—	—	—
Total Capacity - Bcf	72.7	72.7	71.0	69.4	69.2
Underground Areas	32	31	32	33	34
Compressor Stations					
Number	15	15	15	15	15
Horsepower	31,255	31,255	31,255	31,255	32,545

# Utility

The Company's Utility Operation is carried out by National Fuel Gas Distribution Corporation (Distribution Corporation).



■ Distribution Corporation Service Area

*Distribution Corporation* sells or transports natural gas to over 732,000 customers through a local distribution system located in western New York and northwestern Pennsylvania. The major areas served by this system include Buffalo, Niagara Falls and Jamestown in New York, and Erie and Sharon in Pennsylvania.

## Regulation

The Company's Utility Operation is regulated at the state level by the State of New York Public Service Commission (PSC) and the Pennsylvania Public Utility Commission (PaPUC).

### PSC Overview

There are five Commission seats. Each Commissioner is appointed by the Governor and confirmed by the State Senate for a term of six years. The Chairman is appointed by the Governor. The PSC is, by law, bipartisan. All of the current Commissioners were appointed by Governor George E. Pataki. The PSC staff consists of approximately 630 employees.

### Current Commissioners

(As of September 30, 2002)

	Term Began	Term Expires	Background
<b>Maureen O. Helmer</b> <i>Chairman</i>	1997	2003	Previous General Counsel to the PSC and Counsel to the New York State Senate Energy Committee.
<b>Thomas J. Dunleavy</b>	1996	2001	Former Deputy Commissioner of Telecommunications and Cable Television for the City of New York.
<b>James D. Bennett</b>	1998	2003	Board Member, Long Island Power Authority, Practicing Attorney and CEO of Holiday Inn in Rockville Centre, NY.
<b>Leonard A. Weiss</b>	1999	2004	Former Presiding Justice, New York State Supreme Court.
<b>Neal N. Galvin</b>	1999	2005	Retired President and Chief Executive Officer of Callanan Industries, Inc. and Oldcastle New York State Materials Group.

### PaPUC Overview

The PaPUC consists of five members, each appointed by the Governor and confirmed by the State Senate for a term of five years. The Chairman is designated by the Governor. All of the current Commissioners were appointed by Governor Thomas J. Ridge. The PaPUC is served by a staff of approximately 540 employees, divided into thirteen offices and bureaus.

### Current Commissioners

(As of September 30, 2002)

	Term Began	Term Expires	Background
<b>Glen R. Thomas</b> <i>Chairman</i>	2001	2006	Former Deputy Policy Director in the Office of Governor Thomas J. Ridge.
<b>Robert K. Bloom</b> <i>Vice Chairman</i>	2000	2005	Former PaPUC Commissioner from 1971-1979 and from 1995-2000.
<b>Aaron Wilson Jr.</b>	1998	2003	Former Mayor of the City of Chester, PA and Administrator in the Chester-Upland School District.
<b>Terrance J. Fitzpatrick</b>	1999	2004	Former Counsel to State Senate Environmental Resource and Energy Committee. He helped to draft the Electricity Generation Customer Choice and Competition Act.
<b>Kim Pizzigrilli</b>	2002	2007	Former Secretary of the Commonwealth.

## Revenues, Volumes and Customers

Year Ended September 30

	2002	2001	2000	1999	1998
<b>Revenues</b> (Thousands of Dollars)					
Residential Sales	\$538,345	\$875,050	\$584,618	\$581,022	\$612,647
Commercial Sales	86,963	154,266	93,914	101,482	123,807
Industrial Sales	18,332	29,110	21,543	15,903	18,068
Off-System Sales	68,606	84,078	47,962	29,214	44,479
Total Sales	712,246	1,142,504	748,037	727,621	799,001
Transportation	83,267	89,037	104,534	77,600	62,844
Other	(1,292)	3,106	(6,112)	2,134	9,335
Total Revenues	\$794,221	\$1,234,647	\$846,459	\$807,355	\$871,180
<b>Volumes (MMcf)</b>					
Residential Sales	64,639	73,530	68,196	71,177	71,704
Commercial Sales	11,549	13,831	12,312	13,885	16,405
Industrial Sales	3,715	4,089	4,276	4,144	4,298
Off-System Sales	21,541	12,736	12,833	12,469	16,192
Total Sales Volumes	101,444	104,186	97,617	101,675	108,599
Transportation	61,909	66,283	71,862	64,086	60,080
Total Volumes	163,353	170,469	169,479	165,761	168,679
<b>Pipeline Mileage</b>	14,783	14,778	14,769	14,773	14,784
<b>Average Revenue per Mcf</b>					
Residential	\$8.33	\$11.90	\$8.57	\$8.16	\$8.54
Commercial	7.53	11.15	7.63	7.31	7.55
Industrial	4.93	7.12	5.04	3.84	4.20
Off-System	3.18	6.60	3.74	2.34	2.75
Transportation	1.34	1.34	1.45	1.21	1.05
<b>Average Number of Customers</b>					
Residential	683,166	683,526	686,407	683,595	681,640
Commercial	47,811	47,722	47,723	47,728	47,606
Industrial	1,241	1,249	1,272	1,272	1,261
Total Average Number of Customers	732,218	732,497	735,402	732,595	730,507
<b>Average Number of Transportation Customers:</b>					
Aggregator Programs	49,887	52,311	76,706	39,572	26,290
Other	1,842	1,829	1,904	1,943	1,934
<b>Residential Customer Statistics</b>					
Average Mcf per Customer	101	115	110	109	109
Average Annual Bill	\$838	\$1,366	\$943	\$891	\$929
Househeating Customers – Percent	96%	96%	96%	95%	95%

## Degree Days

Year Ended September 30	2002	2001	2000	1999	1998
<b>Buffalo, NY</b>	<b>5,808</b>	6,648	6,312	6,179	5,914
Percent Colder (Warmer) than Normal	<b>(15.2%)</b>	(3.2%)	(8.9%)	(9.8%)	(11.6%)
<b>Erie, PA</b>	<b>5,334</b>	6,351	5,657	5,607	5,389
Percent Colder (Warmer) than Normal	<b>13.2%</b>	2.8%	(9.2%)	(9.9%)	(13.4%)

## Volumes\* by Industrial Category (MMcf)

Year Ended September 30	2002	
Primary Metal	<b>10,301</b>	
Power Generation	<b>4,595</b>	
Food	<b>4,588</b>	
Fabricated Metal Products	<b>3,272</b>	
Chemical & Allied	<b>2,927</b>	
Electronic Equipment & Components (excluding computers)	<b>2,068</b>	
Paper & Allied	<b>1,838</b>	
Transportation Equipment	<b>1,556</b>	
Total Volumes 8 Largest Industrial Categories	<b>31,145</b>	
Total Industrial Volumes	<b>40,038</b>	
Total Utility Volumes	<b>163,353</b>	
Percent of 8 Largest Industrial Categories to:		
Total Industrial Volumes	<b>77.8%</b>	
Total Utility Volumes	<b>19.1%</b>	

## Volumes\* by Commercial Category (MMcf)

Year Ended September 30	2002	
Educational Services	<b>5,572</b>	
Health Services	<b>4,342</b>	
Retail Trade	<b>4,231</b>	
Real Estate	<b>2,476</b>	
Justice, Public Order and Safety	<b>1,067</b>	
Personal Services	<b>891</b>	
Sanitary Services	<b>799</b>	
Membership Organization	<b>722</b>	
Hotels	<b>634</b>	
Social Services	<b>537</b>	
Total Volumes 8 Largest Commercial Categories	<b>21,271</b>	
Total Commercial Volumes	<b>31,968</b>	
Total Utility Volumes	<b>168,353</b>	
Percent of 8 Largest Commercial Categories to:		
Total Commercial Volumes	<b>66.5%</b>	
Total Utility Volumes	<b>13.0%</b>	

\*Sales and transportation volumes.

## Retail Market Comparative Fuel Cost\* (per million Btu)

At September 30	2002	2001	2000	1999	1998
<b>New York</b>					
<b>Residential</b>					
Natural Gas	\$8.61	\$8.97	\$11.04	\$7.93	\$7.27
No. 2 Oil	12.16	6.32	8.28	7.04	7.20
Electricity	33.46	33.81	30.25	30.78	31.25
<b>Industrial</b>					
Natural Gas	7.45	7.80	9.87	6.75	6.05
Broiler Fuel (150,000 Mcf and Over)					
Alternate Fuel Capability No. 6 Oil	6.63	7.00	9.01	5.44	4.65
Any Other Alternate Fuel Capability	6.42	6.70	9.26	5.80	4.92
Transportation	0.50	0.49	0.50	0.49	0.44
No. 6 Oil	4.82	5.01	5.17	3.61	3.21
No. 2 Oil	10.99	5.80	7.56	5.20	4.84
<b>Pennsylvania</b>					
<b>Residential</b>					
Natural Gas	\$8.50	\$8.78	\$8.04	\$6.93	\$7.14
No. 2 Oil	10.91	7.99	8.42	7.00	7.50
Electricity	28.64	29.71	23.50	23.54	21.55
<b>Industrial</b>					
Natural Gas	6.98	7.30	6.59	5.37	5.63
Transportation	0.67	0.98	1.04	1.01	1.00
No. 6 Oil	5.09	5.16	5.20	3.73	3.40
No. 2 Oil	11.42	5.71	7.70	5.77	5.61

\*Prices include revenue tax where applicable.

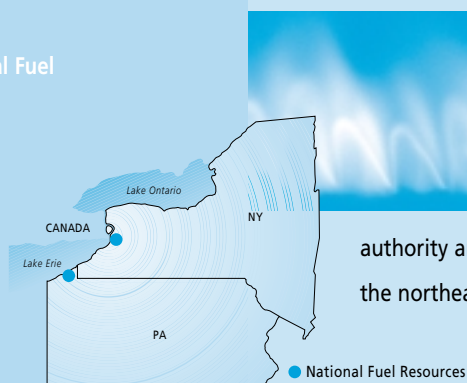
## Sources of Utility Gas Supply (MMcf)

Year Ended September 30	2002	2001	2000	1999	1998
Long-Term Contract	62,805	74,255	73,400	78,347	87,209
Spot Purchases	39,650	40,274	29,463	32,415	28,561
Appalachian	7,324	2,771	1,139	1,609	1,462
Affiliated Production	—	—	—	—	—
<b>Total Utility Gas Supply</b>	<b>109,779</b>	<b>117,300</b>	<b>104,002</b>	<b>112,371</b>	<b>117,232</b>
Storage Change – Net (Into) or Out	356	(5,356)	620	(747)	279
Used In Operations, Shrinkage and Other	(8,691)	(7,758)	(7,005)	(9,949)	(8,912)
<b>Total Gas Available for Utility Sales</b>	<b>101,444</b>	<b>104,186</b>	<b>97,617</b>	<b>101,675</b>	<b>108,599</b>



# Energy Marketing

The Company's Energy Marketing operations are carried out by National Fuel Resources, Inc. (NFR).

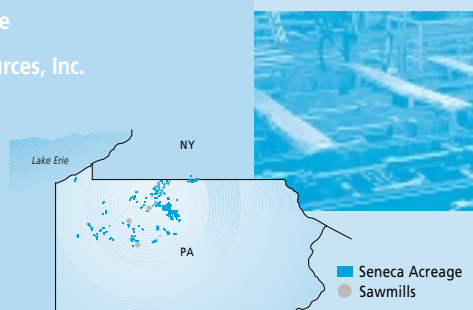


NFR is engaged in the marketing and brokerage of natural gas and electricity and the performance of energy management services for industrial, commercial, public authority and residential end-users throughout the northeast United States.

Year Ended September 30	2002	2001	2000	1999	1998
<b>Revenues</b> (Thousands of Dollars)	<b>\$151,257</b>	\$259,206	\$133,929	\$99,088	\$87,187
<b>Natural Gas Marketing Volumes</b>	<b>33,042</b>	36,753	35,465	34,454	26,453
At September 30					
<b>Number of Customers</b>	<b>22,122</b>	31,831	33,115	17,480	5,476

# Timber

The Company's Timber operations are carried out by Highland Forest Resources, Inc. and Seneca Resources Corporation, Northeast Division.



Highland operates three sawmills in northwestern Pennsylvania. Seneca markets timber from its New York and Pennsylvania land holdings.

Year Ended September 30	2002	2001	2000	1999	1998
<b>Revenues</b> (Thousands of Dollars)	<b>\$47,407</b>	\$44,914	\$41,545	\$31,117	\$17,805
<b>Production</b> (Thousands of Board Feet)					
Log Sales	<b>8,174</b>	8,839	9,370	6,902	2,794
Green Lumber Sales	<b>12,878</b>	10,332	8,193	8,541	7,634
Kiln Dry Lumber Sales	<b>10,794</b>	8,804	6,987	5,711	2,710
<b>Total</b>	<b>31,846</b>	27,975	24,550	21,154	13,138
At September 30					
<b>Acreage</b>	<b>155,000</b>	151,577	152,000	140,000	119,000
<b>Board Feet</b> (Thousands)	<b>600,000</b>	575,000	471,000	423,000	364,000

# International

The Company's International operations are carried out by Horizon Energy Development, Inc. (Horizon)



Horizon engages in foreign energy projects through the investments of its indirect subsidiaries as the sole or substantial owner of various business entities. In addition to assets in the

Czech Republic, the development group has targeted Poland, Slovakia, Bulgaria and Italy for expansion.

Year Ended September 30	2002	2001	2000	1999	1998
<b>Revenues</b> (Thousands)					
Heating	\$65,386	\$69,072	\$69,387	\$71,974	\$49,560
Electricity	26,960	26,398	31,426	34,158	22,774
Other	2,969	2,440	3,923	913	3,925
<b>Total Revenues</b>	<b>\$95,315</b>	<b>\$97,910</b>	<b>\$104,736</b>	<b>\$107,045</b>	<b>\$76,259</b>
<b>Sales Volumes</b>					
Heating (Gigajoules)	8,689,887	9,978,118	10,222,024	10,047,042	7,116,776
Electricity (Megawatt hours)	972,832	1,019,901	1,147,303	1,138,980	763,848

At September 30	2002	2001	2000	1999	1998
<b>Number of Employees</b>	<b>873</b>	911	1,115	1,406	1,390

## Officers

## Directors

<p><b>National Fuel Gas Company</b></p>	<p><b>Philip C. Ackerman</b> <i>Chairman of the Board, President and Chief Executive Officer</i></p> <p><b>Joseph P. Pawlowski</b> <i>Treasurer</i></p>	<p><b>Gerald T. Wehrlin</b> <i>Controller</i></p> <p><b>Anna Marie Cellino</b> <i>Secretary</i></p>	<p><b>Philip C. Ackerman</b><sup>6</sup> Chairman of the Board of Directors of the Company, Chief Executive Officer since October 2001, and President since July 1999. Chairman of the Board and President of certain subsidiaries of the Company. Board member since 1994.</p> <p><b>Robert T. Brady</b><sup>3, 5, 8</sup> Chairman, President and Chief Executive Officer of Moog Inc. Board member since 1995. Director of Acme Electric Corporation, Astronics Corporation, M&amp;T Bank Corporation, M&amp;T Bank and Seneca Foods Corporation.</p>
<p>OFFICERS OF PRINCIPAL SUBSIDIARIES</p>			
<p><b>National Fuel Gas Distribution Corporation</b></p>	<p><b>Philip C. Ackerman</b> <i>Chairman of the Board</i></p> <p><b>David F. Smith</b> <i>President</i></p> <p><b>Anna Marie Cellino</b> <i>Senior Vice President and Secretary</i></p> <p><b>Walter E. DeForest</b> <i>Senior Vice President</i></p> <p><b>Joseph P. Pawlowski</b> <i>Senior Vice President and Treasurer</i></p>	<p><b>James D. Ramsdell</b> <i>Senior Vice President</i></p> <p><b>Dennis J. Seeley</b> <i>Senior Vice President</i></p> <p><b>Ronald J. Tanski</b> <i>Senior Vice President and Controller</i></p> <p><b>Carl M. Carlotti</b> <i>Vice President</i></p>	<p><b>James V. Glynn</b><sup>1, 7</sup> Chairman and Chief Executive Officer since November 2001 of Maid of the Mist Corporation and former President from 1971 to November 2001. Board member since 1997. Director of M&amp;T Bank Corporation, M&amp;T Bank, and Chairman Emeritus of Niagara University Board of Trustees.</p> <p><b>William J. Hill</b><sup>1, 5, 7</sup> Retired President of National Fuel Gas Distribution Corporation. Board member since 1995. Director of National Fuel Gas Distribution Corporation and Reed Manufacturing Company.</p>
<p><b>National Fuel Gas Supply Corporation</b></p>	<p><b>Philip C. Ackerman</b> <i>Chairman of the Board</i></p> <p><b>Dennis J. Seeley</b> <i>President</i></p> <p><b>Bruce H. Hale</b> <i>Senior Vice President</i></p>	<p><b>John R. Pustulka</b> <i>Senior Vice President</i></p> <p><b>David F. Smith</b> <i>Senior Vice President</i></p> <p><b>Joseph P. Pawlowski</b> <i>Treasurer and Secretary</i></p>	<p><b>Bernard J. Kennedy</b><sup>7</sup> Chairman of the Board of Directors of the Company from March 1989 to January 2002, Chief Executive Officer from August 1988 to October 2001, and President from January 1987 to July 1999. Chairman of the Board of Associated Electric &amp; Gas Insurance Services Limited.</p>
<p><b>Seneca Resources Corporation</b></p>	<p><b>Philip C. Ackerman</b> <i>Chairman of the Board</i></p> <p><b>James A. Beck</b> <i>President</i></p> <p><b>Barry L. McMahan</b> <i>Senior Vice President</i></p>	<p><b>John F. McKnight</b> <i>Vice President</i></p> <p><b>Thomas L. Atkins</b> <i>Treasurer</i></p> <p><b>Donald P. Butler</b> <i>Secretary</i></p>	<p><b>Rolland E. Kidder</b><sup>1</sup> Executive Director of the Robert H. Jackson Center in Jamestown, N.Y. Board member since September 2002. Former Chairman and President of Kidder Exploration, Inc. Former Trustee of the New York Power Authority.</p>
<p><b>National Fuel Resources, Inc.</b></p>	<p><b>Gerald T. Wehrlin</b> <i>President and Treasurer</i></p>	<p><b>Donna L. DeCarolis</b> <i>Vice President and Secretary</i></p>	<p><b>Bernard S. Lee, PhD</b><sup>2</sup> Former President of the Institute of Gas Technology. Board member since 1994. Director of NUI Corporation and Peerless Manufacturing Company.</p>
<p><b>Highland Forest Resources, Inc.</b></p>	<p><b>Philip C. Ackerman</b> <i>Chairman of the Board</i></p> <p><b>James A. Beck</b> <i>President</i></p>	<p><b>Thomas L. Atkins</b> <i>Treasurer</i></p> <p><b>Donald P. Butler</b> <i>Secretary</i></p>	<p><b>Eugene T. Mann</b><sup>3, 5, 7</sup> Retired Executive Vice President of Fleet Boston Financial Group. Board member since 1993.</p>
<p><b>Horizon Energy Development, Inc.</b></p>	<p><b>Philip C. Ackerman</b> <i>President</i></p> <p><b>Bruce H. Hale</b> <i>Vice President</i></p>	<p><b>Gerald T. Wehrlin</b> <i>Vice President</i></p> <p><b>Ronald J. Tanski</b> <i>Treasurer and Secretary</i></p>	<p><b>George L. Mazanec</b><sup>4, 5</sup> Former Vice Chairman of PanEnergy Corporation (now part of Duke Energy Corporation). Board member since 1996. Director of the Northern Trust Bank of Texas, NA, and Associated Electric &amp; Gas Insurance Services Limited. Former Chairman of the Management Committee of Maritimes &amp; Northeast Pipeline, L.L.C.</p> <p><b>John F. Riordan</b><sup>1, 3</sup> President and Chief Executive Officer of the Gas Technology Institute since April 2000. Board member since July 2000. Director of Nicor Inc., Niagara University, and the Oral and Maxillofacial Surgery Foundation.</p>

<sup>1</sup> Member of Audit Committee

<sup>2</sup> Chairman, Audit Committee

<sup>3</sup> Member of Compensation Committee

<sup>4</sup> Chairman, Compensation Committee

<sup>5</sup> Member of Executive Committee

<sup>6</sup> Chairman, Executive Committee

<sup>7</sup> Member of Nominating/Corporate Governance Committee

<sup>8</sup> Chairman, Nominating/Corporate Governance Committee



***National Fuel***

*National Fuel Gas Company*

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**Buffalo, NY 14203**

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**Joseph P. Pawlowski**

**Treasurer**

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**Margaret M. Suto**

**Director, Investor Relations**

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