

# National Fuel Gas Company

## Financial and Statistical Report



2004

*value from the bottom of the well to the burner tip*

# Corporate Profile

**N**ational Fuel Gas Company, incorporated in 1902, is a diversified energy company with its headquarters in Williamsville, New York. The Company's \$3.7 billion in assets is distributed among six principal business segments: Exploration and Production, Pipeline and Storage, Utility, International, Energy Marketing, and Timber.

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 102-year tradition of delivering service and value.



## Exploration and Production

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

## Pipeline and Storage

*National Fuel Gas Supply Corporation* and *Empire State Pipeline* provide natural gas transportation and storage services to affiliated and non-affiliated companies through an integrated system of 3,014 miles of pipeline and 32 underground natural gas storage fields (including four storage fields co-owned with nonaffiliated companies). This system is located within an area bounded by the Canadian border at the Niagara River, southwestern Pennsylvania and central New York just north of Syracuse.

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

## International *Horizon Energy Development, Inc.*

engages in foreign and domestic energy projects through the investments of its subsidiaries as the sole or substantial owner of various business entities. Horizon's largest investment is a district steam heating and electric generating plant in the Czech Republic.

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

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	<p><i>This report is not a representation or prospectus with 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.</i></p>



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

Year Ended September 30 (Thousands of Dollars, Except Per Common Share Amounts)

	2004	2003	2002	2001	2000
<b>Income</b>					
<b>Operating Revenues</b>	<b>\$2,031,393</b>	\$2,035,471	\$1,464,496	\$2,059,836	\$1,412,416
<b>Operating Expenses</b>					
Purchased Gas	<b>949,452</b>	963,567	462,857	1,002,466	488,383
Fuel Used in Heat and Electric Generation	<b>65,722</b>	61,029	50,635	54,968	54,893
Operation and Maintenance	<b>413,593</b>	386,270	394,157	364,318	350,383
Property, Franchise and Other Taxes	<b>72,111</b>	82,504	72,155	83,730	78,878
Depreciation, Depletion and Amortization	<b>189,538</b>	195,226	180,668	174,914	142,170
Impairment of Oil and Gas Producing Properties	<b>—</b>	42,774	—	180,781	—
	<b>1,690,416</b>	1,731,370	1,160,472	1,861,177	1,114,707
Gain (Loss) on Sale of Timber Properties	<b>(1,252)</b>	168,787	—	—	—
Gain (Loss) on Sale of Oil and Gas Producing Properties	<b>4,645</b>	(58,472)	—	—	—
<b>Operating Income</b>	<b>344,370</b>	414,416	304,024	198,659	297,709
<b>Other Income (Expense):</b>					
Income from Unconsolidated Subsidiaries	<b>805</b>	535	224	1,794	1,669
Impairment of Investment in Partnership	<b>—</b>	—	(15,167)	—	—
Other Income	<b>6,671</b>	6,887	7,017	10,639	6,366
Interest Expense on Long-Term Debt	<b>(83,827)</b>	(92,766)	(90,543)	(81,851)	(67,195)
Other Interest Expense	<b>(6,763)</b>	(12,290)	(15,109)	(25,294)	(32,890)
<b>Income Before Income Taxes and Minority Interest in Foreign Subsidiaries</b>	<b>261,256</b>	316,782	190,446	103,947	205,659
Income Tax Expense	<b>92,737</b>	128,161	72,034	37,106	77,068
Minority Interest in Foreign Subsidiaries	<b>(1,933)</b>	(785)	(730)	(1,342)	(1,384)
<b>Income Before Cumulative Effect of Changes in Accounting</b>	<b>166,586</b>	187,836	117,682	65,499	127,207
Cumulative Effect of Changes in Accounting	<b>—</b>	(8,892)	—	—	—
<b>Net Income Available for Common Stock</b>	<b>166,586</b>	178,944	117,682	65,499	127,207
<b>Earnings Reinvested in the Business</b>					
Balance at Beginning of Year	<b>642,690</b>	549,397	513,488	525,847	472,517
	<b>809,276</b>	728,341	631,170	591,346	599,724
Dividends on Common Stock	<b>90,350</b>	85,651	81,773	77,858	73,877
<b>Balance at End of Year</b>	<b>\$718,926</b>	\$642,690	\$549,397	\$513,488	\$525,847
<b>Earnings Per Common Share:</b>					
Basic:					
Income Before Cumulative Effect of Changes in Accounting	<b>\$2.03</b>	\$2.32	\$1.47	\$0.83	\$1.63
Cumulative Effect of Changes in Accounting	<b>—</b>	(0.11)	—	—	—
<b>Net Income Available for Common Stock</b>	<b>\$2.03</b>	\$2.21	\$1.47	\$0.83	\$1.63
Diluted:					
Income Before Cumulative Effect of Changes in Accounting	<b>\$2.01</b>	\$2.31	\$1.46	\$0.82	\$1.61
Cumulative Effect of Changes in Accounting	<b>—</b>	(0.11)	—	—	—
<b>Net Income Available for Common Stock</b>	<b>\$2.01</b>	\$2.20	\$1.46	\$0.82	\$1.61
<b>Weighted Average Common Shares Outstanding:</b>					
Used in Basic Calculation	<b>82,045,535</b>	80,808,794	79,821,430	79,053,444	78,233,842
Used in Diluted Calculation	<b>82,900,438</b>	81,357,896	80,534,453	80,361,258	79,166,200

## Consolidated Balance Sheets

At September 30 (Thousands of Dollars)

	2004	2003	2002	2001	2000
<b>Assets</b>					
<b>Property, Plant and Equipment</b>	<b>\$4,602,779</b>	\$4,657,343	\$4,512,651	\$4,273,716	\$3,829,637
Less - Accumulated Depreciation, Depletion and Amortization	<b>1,596,015</b>	1,666,295	1,667,906	1,493,003	1,146,246
	<b>3,006,764</b>	2,991,048	2,844,745	2,780,713	2,683,391
<b>Current Assets</b>					
Cash and Temporary Cash Investments	<b>66,153</b>	51,421	22,216	36,227	32,125
Receivables - Net	<b>129,825</b>	136,604	95,510	131,379	121,639
Unbilled Utility Revenue	<b>18,574</b>	20,155	21,918	25,375	27,105
Gas Stored Underground	<b>68,511</b>	89,640	77,250	83,231	55,795
Materials and Supplies - at average cost	<b>43,922</b>	32,311	31,582	33,710	25,145
Unrecovered Purchased Gas Costs	<b>7,532</b>	28,692	12,431	4,113	29,681
Prepayments	<b>38,760</b>	46,860	41,354	39,520	39,150
Fair Value of Derivative Financial Instruments	<b>23</b>	1,698	3,807	37,585	—
	<b>373,300</b>	407,381	306,068	391,140	330,640
<b>Other Assets</b>					
Recoverable Future Taxes	<b>83,847</b>	84,818	82,385	86,586	84,199
Unamortized Debt Expense	<b>19,573</b>	22,119	20,635	19,796	19,841
Other Regulatory Assets	<b>66,862</b>	52,381	26,104	23,253	24,804
Deferred Charges	<b>3,411</b>	7,528	5,914	8,440	12,637
Other Investments	<b>72,556</b>	64,025	65,090	62,924	59,396
Investments in Unconsolidated Subsidiaries	<b>16,444</b>	16,425	16,753	31,768	17,378
Goodwill	<b>5,476</b>	5,476	8,255	8,804	9,698
Intangible Assets	<b>45,994</b>	49,664	11,451	—	—
Other	<b>17,571</b>	18,195	13,909	31,807	9,047
	<b>331,734</b>	320,631	250,496	273,378	237,000
<b>Total Assets</b>	<b>\$3,711,798</b>	\$3,719,060	\$3,401,309	\$3,445,231	\$3,251,031
<b>Capitalization and Liabilities</b>					
<b>Capitalization:</b>					
<b>Comprehensive Shareholders' Equity</b>					
Common Stock, \$1 Par Value	<b>\$82,990</b>	\$81,438	\$80,265	\$79,406	\$78,660
Paid In Capital	<b>506,560</b>	478,799	446,832	430,618	412,887
Earnings Reinvested in the Business	<b>718,926</b>	642,690	549,397	513,488	525,847
Total Common Shareholder Equity Before Items Of Other Comprehensive Loss	<b>1,308,476</b>	1,202,927	1,076,494	1,023,512	1,017,394
Accumulated Other Comprehensive Loss	<b>(54,775)</b>	(65,537)	(69,636)	(20,857)	(29,957)
<b>Total Comprehensive Shareholders' Equity</b>	<b>1,253,701</b>	1,137,390	1,006,858	1,002,655	987,437
<b>Long-Term Debt, Net of Current Portion</b>	<b>1,133,317</b>	1,147,779	1,145,341	1,046,694	953,622
<b>Total Capitalization</b>	<b>2,387,018</b>	2,285,169	2,152,199	2,049,349	1,941,059
<b>Minority Interest in Foreign Subsidiaries</b>	<b>37,048</b>	33,281	28,785	22,324	23,031
<b>Current and Accrued Liabilities</b>					
Notes Payable to Banks and Commercial Paper	<b>156,800</b>	118,200	265,386	489,673	619,502
Current Portion of Long-Term Debt	<b>14,260</b>	241,731	160,564	109,435	11,262
Accounts Payable	<b>115,979</b>	118,563	100,886	123,246	92,493
Amounts Payable to Customers	<b>3,154</b>	692	—	51,223	9,583
Other Accruals and Current Liabilities	<b>91,164</b>	52,851	46,402	69,165	43,351
Fair Value of Derivative Financial Instruments	<b>95,099</b>	17,928	31,204	17,081	12,565
	<b>476,456</b>	549,965	604,442	859,823	788,756
<b>Deferred Credits</b>					
Accumulated Deferred Income Taxes	<b>458,095</b>	423,282	356,220	340,224	326,994
Taxes Refundable to Customers	<b>11,065</b>	13,519	15,596	16,865	14,410
Unamortized Investment Tax Credit	<b>7,498</b>	8,199	8,897	9,599	9,951
Cost of Removal Regulatory Liability	<b>82,020</b>	76,782	—	—	—
Other Regulatory Liabilities	<b>67,669</b>	72,632	82,676	68,957	49,015
Pension Liability	<b>91,587</b>	153,240	75,116	20,728	32,379
Asset Retirement Obligation	<b>32,292</b>	27,493	—	—	—
Other Deferred Credits	<b>61,050</b>	75,498	77,378	57,362	65,436
	<b>811,276</b>	850,645	615,883	513,735	498,185
<b>Commitments and Contingencies</b>	<b>—</b>	—	—	—	—
<b>Total Capitalization and Liabilities</b>	<b>\$3,711,798</b>	\$3,719,060	\$3,401,309	\$3,445,231	\$3,251,031

## Consolidated Statement of Cash Flows

Year Ended September 30 (Thousands of Dollars)

	2004	2003	2002	2001	2000
<b>Operating Activities</b>					
Net Income Available for Common Stock	<b>\$166,586</b>	\$178,944	\$117,682	\$65,499	\$127,207
Adjustments to Reconcile Net Income to Net Cash					
Provided by Operating Activities					
(Gain) Loss on Sale of Timber Properties	<b>1,252</b>	(168,787)	—	—	—
(Gain) Loss on Sale of Oil and Gas Producing Properties	<b>(4,645)</b>	58,472	—	—	—
Impairment of Oil and Gas Producing Properties	<b>—</b>	42,774	—	180,781	—
Depreciation, Depletion and Amortization	<b>189,538</b>	195,226	180,668	174,914	142,170
Deferred Income Taxes	<b>40,329</b>	78,369	62,013	(55,849)	41,858
Impairment of Investment in Partnership	<b>—</b>	—	15,167	—	—
Cumulative Effect of Changes in Accounting	<b>—</b>	8,892	—	—	—
(Income) Loss from Unconsolidated Subsidiaries,					
Net of Cash Distributions	<b>(19)</b>	703	361	(1,199)	(1,440)
Minority Interest in Foreign Subsidiaries	<b>1,933</b>	785	730	1,342	1,384
Other	<b>9,839</b>	11,289	9,842	6,553	5,946
Change in:					
Receivables and Unbilled Utility Revenue	<b>4,840</b>	(28,382)	40,786	(2,277)	(26,365)
Gas Stored Underground and Materials and Supplies	<b>9,860</b>	(12,421)	8,717	(37,054)	(13,707)
Unrecovered Purchased Gas Costs	<b>21,160</b>	(16,261)	(8,318)	25,568	(25,105)
Prepayments	<b>8,146</b>	(2,773)	(1,737)	(399)	(3,420)
Accounts Payable	<b>(5,134)</b>	13,699	(24,025)	20,419	(16,489)
Amounts Payable to Customers	<b>2,462</b>	692	(51,223)	41,640	3,649
Other Accruals and Current Liabilities	<b>38,718</b>	8,595	(27,332)	13,969	(10,233)
Other Assets	<b>(10,693)</b>	(32,681)	11,869	(32,167)	825
Other Liabilities	<b>(29,872)</b>	(10,298)	10,350	12,287	11,966
<b>Net Cash Provided by Operating Activities</b>	<b>444,300</b>	326,837	345,550	414,027	238,246
<b>Investing Activities</b>					
Capital Expenditures	<b>(172,341)</b>	(152,251)	(232,368)	(292,706)	(269,371)
Investment in Subsidiaries, Net of Cash Acquired	<b>—</b>	(228,814)	—	(90,567)	(123,809)
Investment in Partnerships	<b>—</b>	(375)	(536)	(1,830)	(4,442)
Net Proceeds from Sale of Timber Properties	<b>—</b>	186,014	—	—	—
Net Proceeds from Sale of Oil and Gas Producing Properties	<b>7,162</b>	78,531	22,068	2,069	4,159
Other	<b>1,974</b>	12,065	5,012	(4,892)	9,124
<b>Net Cash Used in Investing Activities</b>	<b>(163,205)</b>	(104,830)	(205,824)	(387,926)	(384,339)
<b>Financing Activities</b>					
Change in Notes Payable to Banks and Commercial Paper	<b>38,600</b>	(147,622)	(224,845)	(143,397)	226,477
Net Proceeds from Issuance of Long-Term Debt	<b>—</b>	248,513	243,844	210,221	149,334
Reduction of Long-Term Debt	<b>(243,085)</b>	(227,826)	(104,212)	(23,052)	(167,426)
Proceeds from Issuance of Common Stock	<b>23,763</b>	17,019	10,915	11,545	14,278
Dividends Paid on Common Stock	<b>(89,092)</b>	(84,530)	(80,974)	(76,671)	(73,046)
Dividends Paid on Minority Interest	<b>—</b>	—	—	—	(152)
<b>Net Cash Used in Financing Activities</b>	<b>(269,814)</b>	(194,446)	(155,272)	(21,354)	149,465
<b>Effect of Exchange Rates on Cash</b>	<b>3,451</b>	1,644	1,535	(645)	(469)
<b>Net Increase (Decrease) in Cash and</b>					
<b>Temporary Cash Investments</b>	<b>14,732</b>	29,205	(14,011)	4,102	2,903
<b>Cash and Temporary Cash Investments at Beginning of Year</b>	<b>51,421</b>	22,216	36,227	32,125	29,222
<b>Cash and Temporary Cash Investments at End of Year</b>	<b>\$66,153</b>	\$51,421	\$22,216	\$36,227	\$32,125
<b>Supplemental Disclosure of Cash Flow Information</b>					
<b>Cash Paid For:</b>					
<b>Interest</b>	<b>\$90,705</b>	\$104,452	\$100,397	\$104,491	\$97,042
<b>Income Taxes</b>	<b>\$30,214</b>	\$56,146	\$29,985	\$77,662	\$41,928

## Consolidated Statement of Comprehensive Income

Year Ended September 30 (Thousands of Dollars)	2004	2003	2002
Net Income Available for Common Stock	<b>\$166,586</b>	\$178,944	\$117,682
Other Comprehensive Income (Loss), Before Tax:			
Minimum Pension Liability Adjustment	<b>56,612</b>	(86,170)	(52,977)
Foreign Currency Translation Adjustment	<b>21,466</b>	54,472	24,278
Reclassification Adjustment for Realized Foreign Currency Translation Gain in Net Income	<b>—</b>	(9,607)	—
Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	<b>3,629</b>	2,419	(2,086)
Unrealized Loss on Derivative Financial Instruments Arising During the Period	<b>(129,934)</b>	(47,777)	(42,584)
Reclassification Adjustment for Realized (Gain) Loss on Derivative Financial Instruments in Net Income	<b>49,142</b>	69,809	(20,063)
Other Comprehensive Income (Loss), Before Tax:	<b>915</b>	(16,854)	(93,432)
Income Tax Expense (Benefit) Related to Minimum Pension Liability Adjustment	<b>19,814</b>	(30,159)	(18,542)
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	<b>1,270</b>	847	(730)
Income Tax Benefit Related to Unrealized Loss on Derivative Financial Instruments Arising During the Period	<b>(49,113)</b>	(18,594)	(17,341)
Reclassification Adjustment for Income Tax (Expense) Benefit on Realized (Gain) Loss on Derivative Financial Instruments In Net Income	<b>18,182</b>	26,953	(8,040)
Income Taxes – Net	<b>(9,847)</b>	(20,953)	(44,653)
Other Comprehensive Income (Loss)	<b>10,762</b>	4,099	(48,779)
Comprehensive Income	<b>\$177,348</b>	\$183,043	\$68,903

## Selected Financial Ratios

Year Ended September 30	2004 <sup>(1)</sup>	2003 <sup>(2)</sup>	2002 <sup>(3)</sup>	2001 <sup>(4)</sup>	2000
Embedded Cost of Long-Term Debt	<b>6.4%</b>	6.5%	7.0%	7.0%	7.0%
Coverage Ratios:					
Long-Term Debt	<b>4.75</b>	4.52	3.22	2.55	4.48
Earnings to Fixed Charges-SEC Basis	<b>3.78</b>	3.95	2.88	1.93	2.97
Capitalization Ratios:					
Comprehensive Shareholders' Equity	<b>49.0%</b>	43.0%	39.1%	37.9%	38.4%
Long-Term Debt	<b>44.3%</b>	43.4%	44.4%	39.5%	37.1%
Short-Term Debt	<b>6.7%</b>	13.6%	16.5%	22.6%	24.5%
Effective Federal Income Tax Rate	<b>35.8%</b>	41.7%	38.0%	36.2%	37.7%
Ratio of Internal Cash Flow to Capital Expenditures <sup>(5)</sup>	<b>1.83</b>	2.12	1.31	1.01	0.91
Ratio of Internal Cash Flow to Common Stock Dividends Paid	<b>4.54</b>	4.81	4.77	4.87	4.34
Accumulated Depreciation (% of Average Depreciable Assets)	<b>36.1%</b>	37.8%	40.5%	40.1%	34.3%
Depreciation Charge (% of Average Depreciable Assets)	<b>4.3%</b>	4.4%	4.4%	4.7%	4.2%

(1) Includes an adjustment to the loss on sale of oil and gas producing properties of \$4.6 million after tax, and an adjustment to the gain on sale of timber properties of (\$0.8) million after tax, where applicable.

(2) Includes gain on sale of timber properties of \$102.2 million after tax, loss on sale of oil and gas assets of (\$39.6) million after tax, impairment of oil and gas assets of (\$28.9) million after tax and cumulative effect of changes in accounting of (\$8.9) million, where applicable.

(3) Includes impairment of Independence Pipeline of (\$9.9) million after tax, where applicable.

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

(5) Internal Cash Flow excludes Dividends.



## Schedule of Business Segment Information

Year Ended September 30 (Thousands of Dollars)

	2004	2003	2002	2001	2000
<b>Operating Revenues</b>					
Utility	\$1,152,641	\$1,162,983	\$794,221	\$1,234,647	\$846,459
Pipeline and Storage	209,707	201,420	167,384	171,091	169,659
Exploration and Production	293,698	305,314	310,980	355,005	222,836
International	123,425	114,070	95,315	97,910	104,736
Energy Marketing	284,349	304,660	151,257	259,206	133,929
Timber	55,970	56,226	47,407	44,914	41,545
Total Reportable Segments	2,119,790	2,144,673	1,566,564	2,162,773	1,519,164
All Other	13,695	3,366	10,135	18,322	5,345
Intersegment Eliminations <sup>(1)</sup>	(102,092)	(112,568)	(112,203)	(121,259)	(112,093)
Total Consolidated	\$2,031,393	\$2,035,471	\$1,464,496	\$2,059,836	\$1,412,416
<b>Depreciation, Depletion &amp; Amortization</b>					
Utility	\$39,101	\$38,186	\$37,412	\$36,607	\$35,842
Pipeline and Storage	37,345	35,940	23,626	23,746	23,379
Exploration and Production	89,943	99,292	103,946	98,408	69,583
International	15,257	13,910	11,977	12,634	11,110
Energy Marketing	102	117	161	212	209
Timber	6,277	7,543	3,429	3,186	1,948
Total Reportable Segments	188,025	194,988	180,551	174,793	142,071
All Other	1,071	238	115	119	97
Corporate	442	—	2	2	2
Total Consolidated	\$189,538	\$195,226	\$180,668	\$174,914	\$142,170
<b>Significant Items</b>					
Pipeline and Storage - Impairment of Investment in Partnership	\$—	\$—	\$15,167	\$—	\$—
Exploration and Production - Impairment of Oil and Gas Producing Properties	\$—	\$42,774	\$—	\$180,781	\$—
Exploration and Production - (Gain) Loss on Sale of Oil and Gas Producing Properties	\$(4,645)	\$58,472	\$—	\$—	\$—
Timber - (Gain) Loss on Sale of Timber Properties	\$1,252	\$(168,787)	\$—	\$—	\$—
<b>Operating Income (Loss) Before Income Taxes</b>					
Utility	\$98,642	\$120,345	\$109,591	\$129,081	\$126,157
Pipeline and Storage <sup>(2)</sup>	88,748	89,465	71,864	77,086	65,155
Exploration and Production <sup>(3)</sup>	132,053	3,377	96,339	(14,221)	94,908
International	6,804	6,725	780	6,605	12,938
Energy Marketing	8,749	8,279	12,989	(4,368)	(12,000)
Timber <sup>(4)</sup>	10,802	187,258	16,437	15,675	13,593
Total Reportable Segments	345,798	415,449	308,000	209,858	300,751
All Other	2,367	265	(1,309)	(7,792)	(425)
Corporate	(3,795)	(1,298)	(2,667)	(3,407)	(2,617)
Total Consolidated	\$344,370	\$414,416	\$304,024	\$198,659	\$297,709
<b>Interest Expense</b>					
Utility	\$21,945	\$29,122	\$30,790	\$27,489	\$31,655
Pipeline and Storage	10,933	14,000	10,424	12,131	13,311
Exploration and Production	50,642	53,326	55,367	56,291	42,034
International	7,080	8,700	8,045	9,966	12,353
Energy Marketing	33	33	76	1,649	774
Timber	2,218	2,507	2,896	3,830	4,750
Total Reportable Segments	92,851	107,688	107,598	111,356	104,877
All Other	919	521	420	692	262
Corporate & Intersegment Eliminations	(3,180)	(3,153)	(2,366)	(4,903)	(5,054)
Total Consolidated	\$90,590	\$105,056	\$105,652	\$107,145	\$100,085



## Schedule of Business Segment Information (continued)

Year Ended September 30 (Thousands of Dollars)

	2004	2003	2002	2001	2000
<b>Income Tax Expense (Benefit)</b>					
Utility	\$31,393	\$36,857	\$31,657	\$42,985	\$38,362
Pipeline and Storage	30,968	30,863	18,148	29,091	22,172
Exploration and Production	28,899	(17,537)	15,108	(36,075)	19,413
International	(6,137)	876	(2,030)	253	(1,783)
Energy Marketing	3,964	3,350	5,103	(1,660)	(4,372)
Timber	3,320	72,692	4,476	4,566	3,816
Total Reportable Segments	92,407	127,101	72,462	39,160	77,608
All Other	829	279	(473)	(2,281)	(205)
Corporate	(499)	781	45	227	(335)
Total Consolidated	\$92,737	\$128,161	\$72,034	\$37,106	\$77,068
<b>Segment Profit (Loss): Net Income (Loss) (Income Before Cumulative Effect of Changes in Accounting for 2003)</b>					
Utility	\$46,718	\$56,808	\$49,505	\$60,707	\$57,662
Pipeline and Storage <sup>(5)</sup>	47,726	45,230	29,715	40,377	31,614
Exploration and Production <sup>(6)</sup>	54,344	(31,293)	26,851	(32,284)	34,877
International	5,982	(1,368)	(4,443)	(3,042)	3,282
Energy Marketing	5,535	5,868	8,642	(3,432)	(7,790)
Timber <sup>(7)</sup>	5,637	112,450	9,689	7,715	6,133
Total Reportable Segments	165,942	187,695	119,959	70,041	125,778
All Other	1,530	193	(885)	(4,277)	(371)
Corporate	(886)	(52)	(1,392)	(265)	1,800
Total Consolidated	\$166,586	\$187,836	\$117,682	\$65,499	\$127,207
<b>Expenditures for Additions to Long-Lived Assets</b>					
Utility	\$55,449	\$49,944	\$51,550	\$42,374	\$55,799
Pipeline and Storage <sup>(8)</sup>	23,196	199,327	30,329	25,978	35,806
Exploration and Production	77,654	75,837	114,602	296,419	280,049
International	7,498	2,499	4,244	15,585	9,767
Energy Marketing	10	164	51	116	89
Timber	2,823	3,493	25,574	3,694	13,542
Total Reportable Segments	166,630	331,264	226,350	384,166	395,052
All Other	200	48,293	6,554	937	3,725
Corporate & Intersegment Eliminations	5,511	1,883	—	—	—
Total Consolidated	\$172,341	\$381,440	\$232,904	\$385,103	\$398,777

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

(2) 2002 includes impairment of Independence Pipeline of \$15.2 million pretax.

(3) 2004 includes an adjustment to reduce the 2003 loss on sale of oil and gas producing properties by \$4.6 million pretax; 2003 includes impairment of oil and gas producing properties of \$42.8 million pretax and loss on sale of oil and gas producing properties of \$58.5 million pretax; 2001 includes impairment of oil and gas producing properties of \$180.8 million pretax.

(4) 2004 includes an adjustment to reduce the 2003 gain on sale of timber properties by \$1.3 million pretax; 2003 includes gain on sale of timber properties of \$168.8 million pretax.

(5) 2002 includes impairment of Independence Pipeline of \$9.9 million after tax.

(6) 2004 includes an adjustment to reduce the 2003 loss on sale of oil and gas producing properties by \$4.6 million after tax; 2003 includes impairment of oil and gas producing properties of \$28.9 million after tax and loss on sale of oil and gas producing properties of \$39.6 million after tax; 2001 includes impairment of oil and gas producing properties of \$104.0 million after tax.

(7) 2004 includes an adjustment to reduce the 2003 gain on sale of timber properties by \$0.8 million after tax; 2003 includes gain on sale of timber properties of \$102.2 million after tax.

(8) 2000 includes \$1.2 million in a stock-for-asset swap.

## Schedule of Business Segment Information (continued)

<i>At September 30 (Thousands of Dollars)</i>	2004	2003	2002	2001	2000
<b>Segment Assets</b>					
Utility	<b>\$1,390,361</b>	\$1,411,808	\$1,248,426	\$1,284,189	\$1,233,639
Pipeline and Storage	<b>777,800</b>	812,846	532,543	549,991	552,059
Exploration and Production	<b>1,039,524</b>	969,512	1,161,310	1,194,393	1,088,066
International	<b>268,119</b>	247,721	241,466	206,361	202,622
Energy Marketing	<b>65,971</b>	54,134	52,850	68,178	47,121
Timber	<b>143,101</b>	125,915	131,721	113,294	107,402
Total Reportable Segments	<b>3,684,876</b>	3,621,936	3,368,316	3,416,406	3,230,909
All Other	<b>73,583</b>	77,195	33,563	26,858	21,930
Corporate & Intersegment Eliminations	<b>(46,661)</b>	19,929	(570)	1,967	(1,808)
Total Consolidated	<b>\$3,711,798</b>	\$3,719,060	\$3,401,309	\$3,445,231	\$3,251,031

<i>Year Ended September 30 (Thousands of Dollars)</i>	2004	2003	2002	2001	2000
<b>Geographic Information</b>					
Revenues from External Customers <sup>(1)</sup> :					
United States	<b>\$1,867,335</b>	\$1,818,980	\$1,293,239	\$1,887,958	\$1,279,329
Czech Republic	<b>123,425</b>	114,070	95,315	97,910	104,736
Canada	<b>40,633</b>	102,421	75,942	73,968	28,351
Total Revenues from External Customers	<b>\$2,031,393</b>	\$2,035,471	\$1,464,496	\$2,059,836	\$1,412,416
<i>At September 30 (Thousands of Dollars)</i>					
Long-Lived Assets:					
United States	<b>\$2,967,277</b>	\$2,975,329	\$2,621,001	\$2,612,623	\$2,488,180
Czech Republic	<b>228,179</b>	219,695	216,044	187,961	183,274
Canada	<b>143,042</b>	116,655	258,196	253,507	248,937
Total Long-Lived Assets	<b>\$3,338,498</b>	\$3,311,679	\$3,095,241	\$3,054,109	\$2,920,391

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

## Security Ratings

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

## Common Stock Data

Year Ended September 30	2004 <sup>(1)</sup>	2003 <sup>(2)</sup>	2002 <sup>(3)</sup>	2001 <sup>(4)</sup>	2000
Number of Common Shareholders at Year End	<b>19,063</b>	19,217	20,004	20,345	21,164
Shares Outstanding at Year End	<b>82,990,340</b>	81,438,290	80,264,734	79,406,105	78,659,606
Return on Average Common Equity	<b>13.3%</b>	15.7%	11.2%	6.4%	13.0%
Book Value Per Common Share	<b>\$15.11</b>	\$13.97	\$12.54	\$12.63	\$12.55
Market Price Range					
High	<b>\$28.43</b>	\$27.51	\$25.70	\$32.25	\$29.41
Low	<b>\$21.71</b>	\$17.95	\$15.61	\$21.96	\$19.69
Close	<b>\$28.33</b>	\$22.85	\$19.87	\$23.03	\$28.03
Market/Book Value at Year End	<b>187.5%</b>	163.6%	158.5%	182.3%	223.3%
Cash Flow Per Diluted Share	<b>\$4.88</b>	\$5.00	\$4.80	\$4.72	\$4.05
Price/Diluted Earnings Ratio	<b>14.1</b>	10.4	13.6	28.1	17.2
Dividends					
Declared Per Share	<b>\$1.10</b>	\$1.06	\$1.03	\$0.99	\$0.95
Paid Per Share	<b>\$1.09</b>	\$1.05	\$1.02	\$0.97	\$0.94
Rate at Year End	<b>\$1.12</b>	\$1.08	\$1.04	\$1.01	\$0.96
Payout Ratio on Dividends Paid	<b>54.2%</b>	47.7%	69.8%	118.3%	58.4%
Yield at Year End	<b>3.9%</b>	4.7%	5.2%	4.4%	3.4%
Dividends to Book Value at Year End	<b>7.4%</b>	7.7%	8.3%	8.0%	7.6%

(1) Includes an adjustment to the loss on sale of oil and gas assets of \$4.6 million pretax and an adjustment to the gain on sale of timber properties of (\$0.8) million after tax, where applicable.

(2) Includes gain on sale of timber properties of \$102.2 million after tax, loss on sale of oil and gas assets of (\$39.6) million after tax, impairment of oil and gas assets of (\$28.9) million after tax, and cumulative effect of changes in accounting of (\$8.9) million, where applicable.

(4) Includes impairment of Independence Pipeline of (\$9.9) million after tax, where applicable.

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

## Summary of General Rate Increases

Filing Date	Effective Date	Test Period Ended	Revenue Increase (Decrease)		Rate of Return				Rate Base			
			(Millions)		Total Rate Base		Equity		(Millions)			
			Requested (\$)	Granted (\$)	Requested (%)	Granted (%)	Requested (%)	Granted (%)	Requested (\$)	Granted (\$)		
<b>National Fuel Gas Distribution Corporation</b>												
<b>New York Division</b>												
Case:	04-G-1047	8-27-04	8-1-05	3-04	60.9	—	9.10	—	11.88	—	686.1	—
	00-G-1858 <sup>(1)</sup>	N/A	10-1-03	N/A	N/A	—	N/A	N/A	N/A	N/A	N/A	N/A
	00-G-1495 <sup>(2)</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>(3)</sup>	N/A	10-1-98	N/A	N/A	(7.2)	N/A	N/A	N/A	N/A	N/A	N/A
	95-G-1009 <sup>(4)</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>(4)</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-00049656	9-15-04	6-15-05	5-04	22.8	—	9.16	—	11.88	—	279.2	—
	R-038168 <sup>(5)(6)</sup>	4-16-03	1-15-04	9-03	16.5	3.5	9.96	N/A	12.75	N/A	262.5	N/A
	R-953299 <sup>(5)</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
<b>National Fuel Gas Supply Corporation</b>												
<b>Supply Division</b>												
Case:	RP95—031 <sup>(7)</sup>	10-31-94	6-01-95	3-95	21.0	6.0	10.31	9.59 <sup>(8)</sup>	12.60	11.30 <sup>(8)</sup>	429.0	427.0

N/A — Not Applicable.

(1) Extends most of the features of the previous rate plan (00-G-1495). Specific changes include the following: Earnings above an 11% return on equity are to be shared equally between shareholders and ratepayers. The \$5.0 million bill credit continues unless the Company can demonstrate that it is no longer justified. Increases the amount of pension and post retirement benefits recognized in existing rates by \$8.0 million. Continues deferral of pension and post retirement benefit expenses above the amount recognized in rates.

(2) The three year plan that ran from October 1, 2000 through September 30, 2003 has been extended through September 30, 2004. Earnings above an 11.0% 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.

(3) 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 4). The rate plan also called for a \$7.2 million generic restructuring reserve to be recorded in fiscal 1999.

(4) 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.

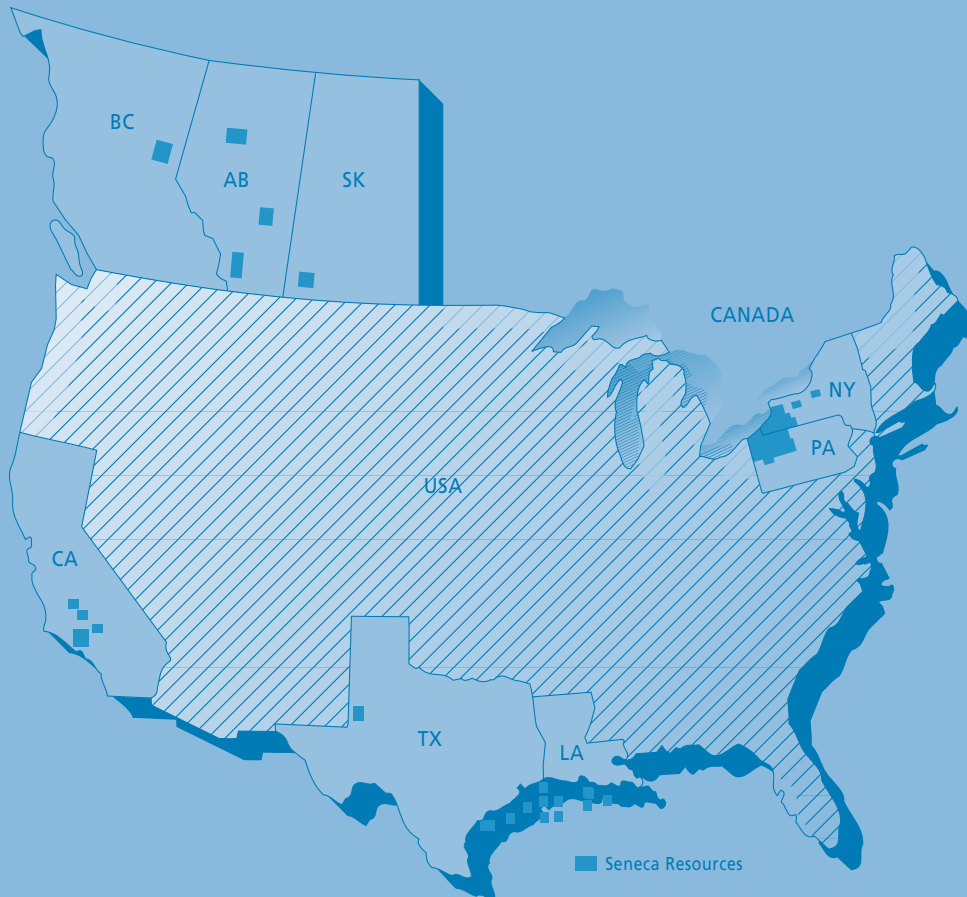
(5) Settlement—only revenue increase specified.

(6) On December 18, 2003, the Pennsylvania PUC adopted a Settlement Agreement in this proceeding. The settlement, among other things, provided for a \$3.5 million annual operating revenue increase. The effective date of the increase in rates was January 15, 2004. The agreement also provides for a mechanism to track differences between actual pension expenses and pension expenses reflected in rates.

(7) 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.

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



## Gas and Oil Reserves

<i>Year Ended September 30</i>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>Gas Reserves (MMcf)</b>					
Beginning of Year	<b>251,117</b>	258,221	322,380	301,667	320,792
Extensions and Discoveries	<b>22,341</b>	28,023	36,805	51,641	34,641
Revisions of Previous Estimates	<b>(15,268)</b>	(1,052)	(44,784)	(22,847)	(8,001)
Production	<b>(33,013)</b>	(33,805)	(41,454)	(41,004)	(41,670)
Sales of Minerals In Place	<b>(393)</b>	(270)	(14,726)	(6,346)	(7,444)
Purchases of Minerals In Place and Other	<b>—</b>	—	—	39,269	3,349
End of Year	<b>224,784</b>	251,117	258,221	322,380	301,667
Reserve Replacement Ratio	<b>.21</b>	.80	(.19)	1.66	.72
<b>Oil Reserves (Mbbbl)</b>					
Beginning of Year	<b>69,764</b>	99,717	115,328	119,697	75,819
Extensions and Discoveries	<b>218</b>	879	2,023	4,549	3,932
Revisions of Previous Estimates	<b>63</b>	(4,661)	(9,362)	(3,659)	4,000
Production	<b>(4,528)</b>	(6,737)	(7,662)	(7,857)	(5,147)
Sales of Minerals In Place	<b>(304)</b>	(19,434)	(610)	(765)	(227)
Purchases of Minerals In Place and Other	<b>—</b>	—	—	3,363	41,320
End of Year	<b>65,213</b>	69,764	99,717	115,328	119,697
Reserve Replacement Ratio	<b>.06</b>	(.56)	(.96)	.54	9.57
<b>Total Gas &amp; Oil Reserves (MMcfe)</b>					
Beginning of Year	<b>669,700</b>	856,523	1,014,348	1,019,849	775,706
Extensions and Discoveries	<b>23,650</b>	33,297	48,943	78,935	58,233
Revisions of Previous Estimates	<b>(14,890)</b>	(29,018)	(100,956)	(44,801)	15,999
Production	<b>(60,181)</b>	(74,227)	(87,426)	(88,146)	(72,552)
Sales of Minerals In Place	<b>(2,217)</b>	(116,875)	(18,386)	(10,936)	(8,806)
Purchases of Minerals In Place and Other	<b>—</b>	—	—	59,447	251,269
End of Year	<b>616,062</b>	669,700	856,523	1,014,348	1,019,849
Reserve Replacement Ratio	<b>.15</b>	.06	(.59)	1.06	4.49

## Net Undeveloped Acreage

<i>At September 30</i>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>Region</b>					
Gulf Coast	<b>115,909</b>	137,817	204,947	281,408	309,239
West Coast	<b>—</b>	860	2,257	2,257	12,533
Appalachia	<b>440,004</b>	414,710	374,380	385,585	394,987
Canada	<b>316,820</b>	336,538	700,811	929,460	1,827,910
Total Net Undeveloped Acreage	<b>872,733</b>	889,925	1,282,395	1,598,710	2,544,669

## Revenues

Year Ended September 30 (Thousands of Dollars)	2004	2003	2002	2001	2000
Gas (after Hedging)	<b>\$167,127</b>	\$150,982	\$148,467	\$171,045	\$108,832
Oil (after Hedging)	<b>119,564</b>	147,101	152,746	169,613	117,606
Gas Processing Plant	<b>28,614</b>	28,879	16,995	39,986	17,666
Other	<b>1,815</b>	1,308	6,627	17,700	(6,034)
Intrasegment Elimination <sup>(1)</sup>	<b>(23,422)</b>	(22,956)	(13,855)	(43,339)	(15,234)
Total Revenues	<b>\$293,698</b>	\$305,314	\$310,980	\$355,005	\$222,836

(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	2004	2003	2002	2001	2000
<b>Region</b>					
Gulf Coast	<b>17,596</b>	18,441	25,776	30,663	32,760
West Coast	<b>4,057</b>	4,467	4,889	4,383	4,374
Appalachia	<b>5,132</b>	5,123	4,402	4,142	4,344
Canada	<b>6,228</b>	5,774	6,387	1,816	192
Total Gas Production	<b>33,013</b>	33,805	41,454	41,004	41,670

## Oil Production (Mbbbl)

Year Ended September 30	2004	2003	2002	2001	2000
<b>Region</b>					
Gulf Coast	<b>1,534</b>	1,473	1,815	1,914	1,415
West Coast	<b>2,650</b>	2,872	3,004	2,875	2,824
Appalachia	<b>20</b>	10	9	7	9
Canada	<b>324</b>	2,382	2,834	3,061	899
Total Oil Production	<b>4,528</b>	6,737	7,662	7,857	5,147

## Total Production (MMcfe)

Year Ended September 30	2004	2003	2002	2001	2000
Total Gas & Oil Production	<b>60,181</b>	74,227	87,426	88,146	72,552

## Net Well Completions

Year Ended September 30	2004			2003			2002			2001			2000		
	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	<b>0.65</b>	<b>0.50</b>	<b>0.57</b>	3.35	—	1.00	1	4	.30	7	2	.79	14	6	.71
West Coast	<b>49.00</b>	<b>—</b>	<b>1.00</b>	30.97	—	1.00	48	2	.96	88	1	.99	80	1	.99
Appalachia	<b>41.00</b>	<b>3.00</b>	<b>0.93</b>	61.00	0.10	1.00	30	1	.96	26	3	.90	3	1	.75
Canada	<b>63.35</b>	<b>6.08</b>	<b>0.91</b>	22.16	7.50	0.75	34	12	.74	71	14	.84	22	4	.85
Total Well Completions	<b>154.00</b>	<b>9.58</b>	<b>0.94</b>	117.48	7.60	0.94	113	19	.86	192	20	.91	119	12	.91

## Producing Wells

At September 30	2004		2003		2002		2001		2000	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>Region</b>										
Gulf Coast	<b>66</b>	<b>35</b>	69	35	76	42	104	46	100	35
West Coast	<b>1,155</b>	<b>1,146</b>	1,119	1,108	1,103	1,092	976	899	887	815
Appalachia	<b>1,943</b>	<b>1,862</b>	1,905	1,817	1,865	1,773	1,834	1,745	1,797	1,714
Canada	<b>226</b>	<b>158</b>	202	145	828	705	1,167	954	479	430
Total	<b>3,390</b>	<b>3,201</b>	3,295	3,105	3,872	3,612	4,081	3,644	3,263	2,994

## Gas Prices (Average Price per Mcf)

Year Ended September 30	2004	2003	2002	2001	2000
<b>Region</b>					
Gulf Coast	<b>\$5.61</b>	\$5.41	\$2.89	\$4.93	\$3.29
West Coast	<b>5.54</b>	5.01	2.86	10.18	3.62
Appalachia	<b>5.91</b>	5.07	3.74	5.03	3.16
Canada	<b>4.87</b>	4.67	2.29	2.41	2.52
Weighted Average	<b>\$5.51</b>	\$5.18	\$2.88	\$5.39	\$3.31
Weighted Average After Hedging	<b>\$5.06</b>	\$4.47	\$3.58	\$4.17	\$2.61

## Oil Prices (Average Price per Barrel)

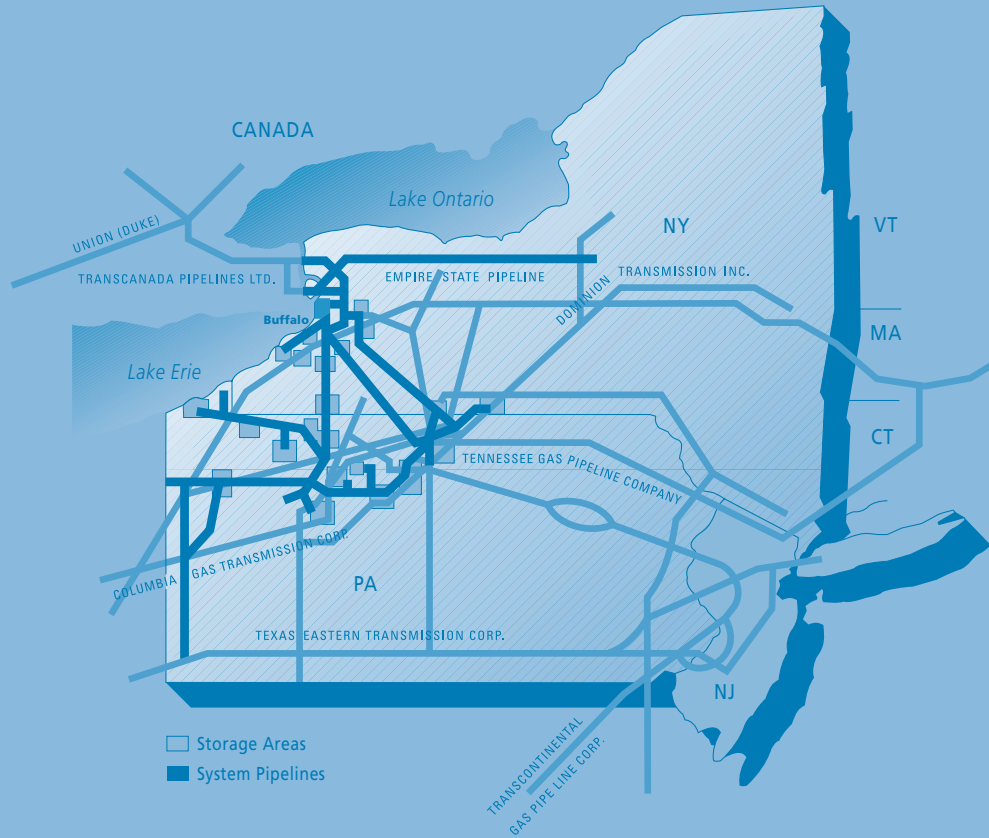
Year Ended September 30	2004	2003	2002	2001	2000
<b>Region</b>					
Gulf Coast	<b>\$35.31</b>	\$29.17	\$22.83	\$27.47	\$28.27
West Coast	<b>31.89</b>	26.12	19.94	24.06	23.87
Appalachia	<b>31.30</b>	28.77	23.76	28.51	25.12
Canada	<b>30.94</b>	26.41	19.94	24.29	29.28
Weighted Average	<b>\$32.98</b>	\$26.90	\$20.63	\$24.99	\$26.03
Weighted Average After Hedging	<b>\$26.40</b>	\$21.84	\$19.94	\$21.59	\$22.85

## Exploration and Production Costs

Year Ended September 30 (Dollars per Mcf equivalent)	2004	2003	2002	2001	2000
Reserve Replacement	<b>\$8.81</b>	\$17.38	\$(2.19)	\$3.41	\$1.20
Lifting	<b>\$0.80</b>	\$0.97	\$0.84	\$0.73	\$0.58
General and Administrative	<b>\$0.38</b>	\$0.29	\$0.40	\$0.25	\$0.20



# Pipeline and Storage



The Company's Pipeline and Storage operations are conducted through National Fuel Gas Supply Corporation and Empire State Pipeline.

National Fuel Gas Supply Corporation and Empire State Pipeline provide natural gas transportation and storage services to affiliated and nonaffiliated companies through an integrated system of 3,014 miles of pipeline and 32 underground natural gas storage fields (including four storage fields co-owned with nonaffiliated companies). This system is located within an area bounded by the Canadian border at the Niagara River, southwestern Pennsylvania and central New York just north of Syracuse.



## 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 up to 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, 2004)

	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>Nora Mead Brownell</b>	2001	2006	Former member of the Pennsylvania Public Utility Commission.
<b>Joseph T. Kelliher</b>	2003	2007	Former Senior Policy Advisor to Secretary of Energy, Spencer Abraham.
<b>Suedeem G. Kelly</b>	2003	2009	Former Professor of Law at the University of New Mexico School of Law.

## Revenues, Volumes and Revenue Rates

Year Ended September 30	2004	2003	2002	2001	2000
<b>Revenues (Thousands of Dollars)</b>					
Firm Transportation:					
Affiliated	<b>\$52,187</b>	\$53,884	\$52,200	\$54,643	\$54,449
Nonaffiliated	<b>68,256</b>	55,624	35,882	36,968	37,856
Interruptible Transportation	<b>3,084</b>	3,944	3,315	1,917	1,578
Total Transportation	<b>123,527</b>	113,452	91,397	93,528	93,883
Affiliated Storage	<b>32,262</b>	33,299	33,326	32,677	30,460
Nonaffiliated Storage	<b>31,720</b>	29,960	29,414	29,552	32,726
Total Storage	<b>63,982</b>	63,259	62,740	62,229	63,186
Other	<b>22,198</b>	24,709	13,247	15,334	12,590
Total Revenues	<b>\$209,707</b>	\$201,420	\$167,384	\$171,091	\$169,659
<b>Volumes (MMcf)</b>					
Firm Transportation:					
Affiliated	<b>116,768</b>	131,763	112,164	125,858	113,241
Nonaffiliated	<b>222,223</b>	209,162	178,343	178,325	178,577
Interruptible Transportation	<b>12,692</b>	10,004	7,315	17,372	21,730
Total Volumes	<b>351,683</b>	350,929	297,822	321,555	313,548
<b>Average Revenues per Mcf</b>					
Firm Transportation-Nonaffiliated	<b>\$0.31</b>	\$0.27	\$0.20	\$0.21	\$0.21
Interruptible Transportation	<b>\$0.24</b>	\$0.39	\$0.45	\$0.11	\$0.07

## Transmission Statistics

At September 30	2004	2003	2002	2001	2000
<b>Compressor Stations</b>					
Number	<b>14</b>	14	14	14	14
Horsepower	<b>44,051</b>	44,051	44,051	43,776	43,416
<b>Pipeline Mileage</b>	<b>3,014</b>	3,040	2,910	2,989	3,034

## Firm Transportation by Customer (MMcf)

Year Ended September 30

	2004
National Fuel Gas Distribution Corporation	90,637
Public Service Electric & Gas Company	37,317
National Fuel Resources, Inc.	25,399
Transcontinental Gas Pipe Line	18,168
Amerada Hess Corporation	16,080
Rochester Gas & Electric Corporation	16,037
Sithe/Independence Power	14,624
Consolidated Edison Company of NY, Inc.	10,267
Progas U.S.A., Inc.	8,643
NOCO Energy Corp.	7,475
UGI Energy Services, Inc.	5,849
Nexen Marketing USA Inc.	5,137
Energetix Natural Gas Corp.	4,652
Niagara Mohawk Power Corp., A National Grid Co.	4,507
All Others	74,202
<b>Total Firm Transportation</b>	<b>338,994</b>
Revenues (Thousands of Dollars)	<b>\$120,443</b>

## Contract Storage Service (MMcf)

At September 30

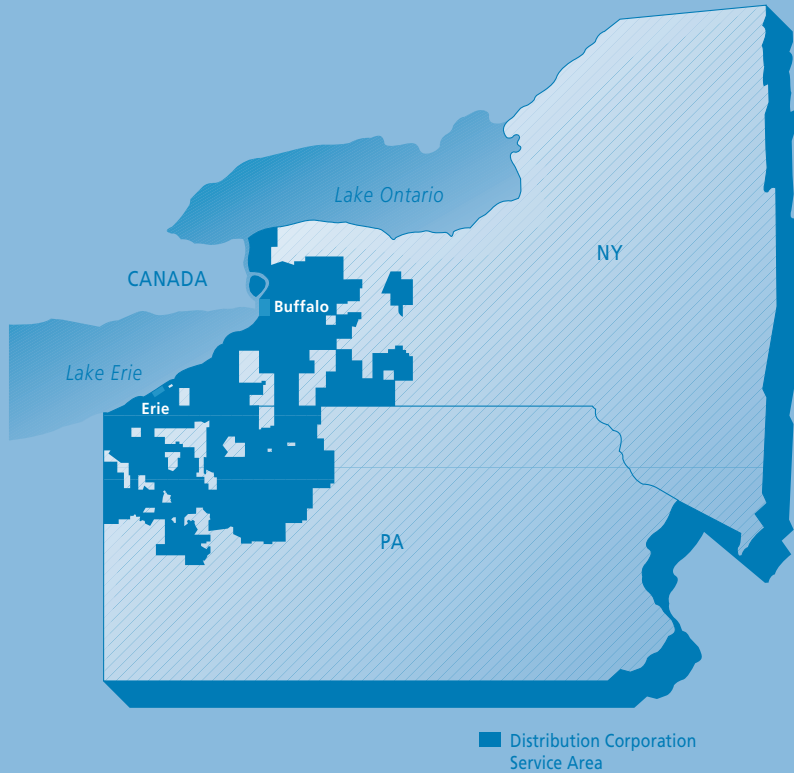
	2004
National Fuel Gas Distribution Corporation	26,128
Transcontinental Gas Pipe Line Corp.	16,031
National Fuel Resources, Inc.	3,904
South Jersey Resources	2,613
Niagara Mohawk Power Corp., A National Grid Co.	2,234
Yankee Gas Service Company	1,978
Equitable Gas Company	1,706
Entergy Koch Trading	1,499
Connecticut Natural Gas Corporation	1,487
KeySpan Corporation	1,476
All Others	6,699
<b>Total Contracted Storage</b>	<b>65,755</b>
Revenues (Thousands of Dollars)	<b>\$63,982</b>

## Storage Statistics

At September 30

	2004	2003	2002	2001	2000
Storage Services-Bcf					
Firm Service – Affiliated	30.0	32.2	33.1	34.1	31.1
Firm Service – Nonaffiliated	35.7	29.8	31.6	30.6	33.0
Operational Capacity	7.0	7.0	7.0	7.0	7.0
Total Available Working Capacity – Bcf	72.7	69.0	71.7	71.7	71.0
Leased Storage Capacity	—	—	1.0	1.0	—
Total Capacity – Bcf	72.7	69.0	72.7	72.7	71.0
Underground Areas	32	32	32	31	32
Compressor Stations					
Number	15	15	15	15	15
Horsepower	31,255	31,255	31,255	31,255	31,255

# Utility



The Company's Utility operations are carried out by National Fuel Gas Distribution Corporation.

*National Fuel Gas Distribution Corporation* sells or transports natural gas to approximately 732,000 customers through a local distribution system located in western New York and northwestern Pennsylvania. The principal metropolitan 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 operations are 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 557 employees.

### Current Commissioners

(As of September 30, 2004)

	Term Began	Term Expires	Background
<b>William M. Flynn, Esq.</b> <i>Chairman</i>	2003	2009	Former President of the New York State Energy Research and Development Authority (NYSERDA).
<b>Thomas J. Dunleavy</b>	1996	2001	Former Deputy Commissioner of the New York City Department of Information Technology and Telecommunications.
<b>Leonard A. Weiss</b>	1999	2004	Former Presiding Justice, Appellate Division of the New York State Supreme Court.
<b>Neal N. Galvin</b>	1999	2005	Retired President and Chief Executive Officer of Callanan Industries, Inc. Former Chairman and Chief Executive Officer of Oldcastle New York State Materials Group.

### PaPUC Overview

The PaPUC consists of up to 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. Wendell F. Holland was appointed Chairman by Governor Edward G. Rendell. The remaining Commissioners were appointed by Governor Thomas J. Ridge. The PaPUC is served by a staff of approximately 500 employees, divided into eleven offices and bureaus.

### Current Commissioners

(As of September 30, 2004)

	Term Began	Term Expires	Background
<b>Wendell F. Holland</b> <i>Chairman</i>	2003	2008	Retired Judge and serving his second non-consecutive term as Commissioner of PaPUC.
<b>Robert K. Bloom</b> <i>Vice Chairman</i>	2000	2005	Former PaPUC Commissioner from 1971-1979 and from 1995-present.
<b>Glen R. Thomas</b>	2001	2006	Former Chairman of the PaPUC from 2001-2003. Former Deputy Policy Director in the office of Governor Thomas J. Ridge.
<b>Kim Pizzigrilli</b>	2002	2007	Former Secretary of the Commonwealth.

## Revenues, Volumes and Customers

Year Ended September 30	2004	2003	2002	2001	2000
<b>Revenues</b> (Thousands of Dollars)					
Residential Sales	<b>\$808,740</b>	\$801,984	\$538,345	\$875,050	\$584,618
Commercial Sales	<b>137,092</b>	137,905	86,963	154,266	93,914
Industrial Sales	<b>17,454</b>	23,263	18,332	29,110	21,543
Off-System Sales	<b>106,841</b>	107,220	68,606	84,078	47,962
Total Sales	<b>1,070,127</b>	1,070,372	712,246	1,142,504	748,037
Transportation	<b>80,563</b>	86,374	83,267	89,037	104,534
Other	<b>1,951</b>	6,237	(1,292)	3,106	(6,112)
Total Revenues	<b>\$1,152,641</b>	\$1,162,983	\$794,221	\$1,234,647	\$846,459
<b>Volumes (MMcf)</b>					
Residential Sales	<b>70,109</b>	76,449	64,639	73,530	68,196
Commercial Sales	<b>12,752</b>	14,177	11,549	13,831	12,312
Industrial Sales	<b>2,261</b>	3,537	3,715	4,089	4,276
Off-System Sales	<b>16,839</b>	17,999	21,541	12,736	12,833
Total Sales Volumes	<b>101,961</b>	112,162	101,444	104,186	97,617
Transportation	<b>60,565</b>	64,232	61,909	66,283	71,862
Total Volumes	<b>162,526</b>	176,394	163,353	170,469	169,479
<b>Pipeline Mileage</b>	<b>14,781</b>	14,773	14,783	14,778	14,769
<b>Average Revenue per Mcf</b>					
Residential	<b>\$11.54</b>	\$10.49	\$8.33	\$11.90	\$8.57
Commercial	<b>10.75</b>	9.73	7.53	11.15	7.63
Industrial	<b>7.72</b>	6.58	4.93	7.12	5.04
Off-System	<b>6.34</b>	5.96	3.18	6.60	3.74
Transportation	<b>1.33</b>	1.34	1.34	1.34	1.45
<b>Average Number of Customers</b>					
Residential	<b>683,253</b>	684,175	683,166	683,526	686,407
Commercial	<b>47,843</b>	47,982	47,811	47,722	47,723
Industrial	<b>1,211</b>	1,231	1,241	1,249	1,272
Total Average Number of Customers	<b>732,307</b>	733,388	732,218	732,497	735,402
<b>Average Number of Transportation Customers</b>					
Aggregator Programs	<b>51,479</b>	51,559	49,887	52,311	76,706
Other	<b>1,852</b>	1,822	1,842	1,829	1,904
<b>Residential Customer Statistics</b>					
Average Mcf per Customer	<b>109</b>	119	101	115	110
Average Annual Bill	<b>\$1,262</b>	\$1,251	\$838	\$1,366	\$943
Househeating Customers – Percent	<b>97%</b>	97%	96%	96%	96%



## Degree Days

Year Ended September 30	2004	2003	2002	2001	2000
<b>Buffalo, NY</b>	<b>6,572</b>	7,137	5,808	6,648	6,312
Percent Colder (Warmer) than Normal	<b>(2.3%)</b>	4.7%	(15.2%)	(3.2%)	(8.9%)
<b>Erie, PA</b>	<b>6,086</b>	6,769	5,334	6,351	5,657
Percent Colder (Warmer) than Normal	<b>(3.0%)</b>	10.3%	(13.2%)	2.8%	(9.2%)

## Volumes\* by Industrial Category (MMcf)

Year Ended September 30	2004
Primary Metal	<b>8,555</b>
Food	<b>4,337</b>
Fabricated Metal Products	<b>3,188</b>
Power Generation	<b>3,155</b>
Chemical & Allied	<b>1,719</b>
Lumber and Wood Products (excluding furniture)	<b>1,685</b>
Electronic & Other Electrical Equipment	<b>1,463</b>
Transportation Equipment	<b>1,318</b>
Total Volumes 8 Largest Industrial Categories	<b>25,420</b>
Total Industrial	<b>34,704</b>
Total Utility Volumes	<b>162,526</b>
Percent of 8 Largest Industrial Categories to:	
Total Industrial Volumes	<b>73.2%</b>
Total Utility Volumes	<b>15.6%</b>

## Volumes\* by Commercial Category (MMcf)

Year Ended September 30	2004
Educational Services	<b>5,862</b>
Retail Trade	<b>4,723</b>
Health Services	<b>3,730</b>
Real Estate	<b>2,444</b>
Justice, Public Order and Safety	<b>1,097</b>
Personal Services	<b>878</b>
Sanitary Services	<b>823</b>
Membership Organization	<b>809</b>
Hotels	<b>670</b>
Social Services	<b>649</b>
Total Volumes 8 Largest Commercial Categories	<b>21,685</b>
Total Commercial	<b>34,803</b>
Total Utility Volumes	<b>162,526</b>
Percent of 8 Largest Commercial Categories to:	
Total Commercial Volumes	<b>62.3%</b>
Total Utility Volumes	<b>13.3%</b>

\*Sales and transportation volumes.

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

At September 30	2004	2003	2002	2001	2000
<b>New York</b>					
<b>Residential</b>					
Natural Gas	<b>\$10.92</b>	\$10.17	\$8.61	\$8.97	\$11.04
No. 2 Oil	<b>11.91</b>	9.33	12.16	6.32	8.28
Electricity	<b>32.73</b>	30.56	33.46	33.81	30.25
<b>Industrial</b>					
Natural Gas	<b>9.76</b>	9.01	7.45	7.80	9.87
Boiler Fuel (150,000 Mcf and Over)					
Alternate Fuel Capability No. 6 Oil	<b>9.17</b>	8.05	6.63	7.00	9.01
Any Other Alternate Fuel Capability	<b>8.80</b>	8.02	6.42	6.70	9.26
Transportation	<b>0.50</b>	0.49	0.50	0.49	0.50
No. 6 Oil	<b>6.43</b>	7.52	4.82	5.01	5.17
No. 2 Oil	<b>11.12</b>	6.88	10.99	5.80	7.56
<b>Pennsylvania</b>					
<b>Residential</b>					
Natural Gas	<b>\$11.56</b>	\$10.58	\$8.50	\$8.78	\$8.04
No. 2 Oil	<b>11.97</b>	13.15	10.91	7.99	8.42
Electricity	<b>29.71</b>	31.72	28.64	29.71	23.50
<b>Industrial</b>					
Natural Gas	<b>9.79</b>	8.97	6.98	7.30	6.59
Transportation	<b>0.61</b>	0.61	0.67	0.98	1.04
No. 6 Oil	<b>6.46</b>	7.55	5.09	5.16	5.20
No. 2 Oil	<b>10.67</b>	6.34	11.42	5.71	7.70

\*Prices include revenue tax where applicable.

## Sources of Utility Gas Supply (MMcf)

Year Ended September 30	2004	2003	2002	2001	2000
Long-Term Contract	<b>54,596</b>	57,832	62,805	74,255	73,400
Spot Purchases	<b>42,411</b>	57,188	39,650	40,274	29,463
Appalachian	<b>8,361</b>	7,953	7,324	2,771	1,139
<b>Total Utility Gas Supply</b>	<b>105,368</b>	122,973	109,779	117,300	104,002
Storage Change – Net (Into) or Out	<b>3,995</b>	(1,294)	356	(5,356)	620
Used In Operations, Shrinkage and Other	<b>(7,401)</b>	(9,518)	(8,691)	(7,758)	(7,005)
<b>Total Gas Available for Utility Sales</b>	<b>101,962</b>	112,161	101,444	104,186	97,617

# International



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

Horizon Energy Development, Inc. engages in foreign and domestic energy projects through the investments of its subsidiaries as the sole or substantial owner of various business entities. Horizon's largest investment is a district steam heating and electric generating plant in the Czech Republic.

Year Ended September 30

	2004	2003	2002	2001	2000
<b>Revenues</b> (Thousands)					
Heating	<b>\$88,395</b>	\$80,752	\$65,386	\$69,072	\$69,387
Electricity	<b>30,949</b>	29,386	26,960	26,398	31,426
Other	<b>4,081</b>	3,932	2,969	2,440	3,923
Total Revenues	<b>\$123,425</b>	\$114,070	\$95,315	\$97,910	\$104,736
<b>Sales Volumes</b>					
Heating (Gigajoules)	<b>8,538,554</b>	8,766,567	8,689,887	9,978,118	10,222,024
Electricity (Megawatt hours)	<b>936,877</b>	973,968	972,832	1,019,901	1,147,303

At September 30

	2004	2003	2002	2001	2000
<b>Number of Employees</b>	<b>833</b>	862	873	911	1,115



# Energy Marketing



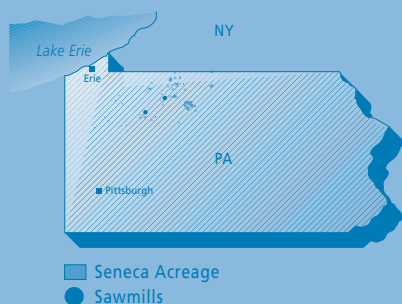
The Company's Energy Marketing operations are carried out by National Fuel Resources, Inc.

*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.

Year Ended September 30

	2004	2003	2002	2001	2000
<b>Revenues</b> (Thousands of Dollars)	<b>\$284,349</b>	\$304,660	\$151,257	\$259,206	\$133,929
<b>Natural Gas Marketing Volumes</b> (MMcf)	<b>41,651</b>	45,135	33,042	36,753	35,465
At September 30					
<b>Number of Customers</b>	<b>20,328</b>	21,605	22,122	31,831	33,115

# Timber



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

*Highland Forest Resources, Inc.* operates two sawmills in northwest Pennsylvania. *Seneca Resources Corporation* markets timber from its New York and Pennsylvania land holdings.

Year Ended September 30

	2004	2003	2002	2001	2000
<b>Revenues</b> (Thousands of Dollars)	<b>\$55,970</b>	\$56,226	\$47,407	\$44,914	\$41,545
<b>Production</b> (Thousands of Board Feet)					
Log Sales	<b>6,848</b>	8,764	8,174	8,839	9,370
Green Lumber Sales	<b>9,552</b>	11,913	12,878	10,332	8,193
Kiln Dry Lumber Sales	<b>15,020</b>	13,300	10,794	8,804	6,987
Total	<b>31,420</b>	33,977	31,846	27,975	24,550
At September 30					
<b>Acreage</b>	<b>87,400</b>	87,000	155,000	151,577	152,000
<b>Board Feet</b> (Thousands)	<b>326,800</b>	329,600	600,000	575,000	471,000



## Principal Officers

## Directors

### PRINCIPAL OFFICERS OF PRINCIPAL SUBSIDIARIES

#### National Fuel Gas Company

**Philip C. Ackerman**  
*Chairman of the Board,  
President and Chief  
Executive Officer*

**Ronald J. Tanski**  
*Treasurer and  
Principal Financial Officer*

**Karen M. Camiolo**  
*Controller and  
Principal Accounting Officer*

**Anna Marie Cellino**  
*Secretary*

#### National Fuel Gas Distribution Corporation

**Philip C. Ackerman**  
*Chairman of the Board*

**David F. Smith**  
*President*

**Anna Marie Cellino**  
*Senior Vice President  
and Secretary*

**Ronald J. Tanski**  
*Senior Vice President  
and Treasurer*

**James D. Ramsdell**  
*Senior Vice President*

**Dennis J. Seeley**  
*Senior Vice President*

**Karen M. Camiolo**  
*Controller*

**Carl M. Carlotti**  
*Vice President*

**Steven Wagner**  
*Vice President*

#### National Fuel Gas Supply Corporation

**Philip C. Ackerman**  
*Chairman of the Board*

**Dennis J. Seeley**  
*President*

**John R. Pustulka**  
*Senior Vice President*

**David F. Smith**  
*Senior Vice President*

**Ronald J. Tanski**  
*Treasurer and Secretary*

**Karen M. Camiolo**  
*Controller*

#### Seneca Resources Corporation

**Philip C. Ackerman**  
*Chairman of the Board*

**James A. Beck**  
*President*

**Barry L. McMahan**  
*Senior Vice President*

**Thomas L. Atkins**  
*Treasurer*

**Donald P. Butler**  
*Secretary*

#### National Fuel Resources, Inc.

**Donna L. DeCarolis**  
*Vice President and Secretary*

#### Highland Forest Resources, Inc.

**Philip C. Ackerman**  
*Chairman of the Board*

**James A. Beck**  
*President*

**Thomas L. Atkins**  
*Treasurer*

**Donald P. Butler**  
*Secretary*

#### Horizon Energy Development, Inc.

**Philip C. Ackerman**  
*President*

**Bruce H. Hale**  
*Vice President*

**Ronald J. Tanski**  
*Treasurer and Secretary*

#### Philip C. Ackerman<sup>6, 10</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.

#### Robert T. Brady<sup>3, 5, 8</sup>

Chairman, President and Chief Executive Officer of Moog Inc. Board member since 1995. Director of Astronics Corporation, M&T Bank Corporation and Seneca Foods Corporation.

#### R. Don Cash<sup>1, 3, 7</sup>

Chairman Emeritus since May 2003 and Director since May 1978 of Questar Corporation. Former Chairman, Chief Executive Officer and President of Questar Corporation from May 1984 to February 2001. Director of Zions Bancorporation, Texas Tech Foundation and Associated Electric & Gas Insurance Services Limited, and TODCO (The Offshore Drilling Company). Board member since February 2003.

#### Rolland E. Kidder<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.

#### Bernard S. Lee, PhD<sup>2, 9</sup>

Former President of the Institute of Gas Technology. Board member since 1994. Director of Peerless Manufacturing Company.

#### George L. Mazanec<sup>1, 4, 5</sup>

Former Vice Chairman of PanEnergy Corporation (now part of Duke Energy Corporation). Board member since 1996. Director of Dynegy Inc. since May 2004. Director of the Northern Trust Bank of Texas, NA, and Associated Electric & Gas Insurance Services Limited. Former Chairman of the Management Committee of Maritimes & Northeast Pipeline, L.L.C.

#### Richard G. Reiten

Chairman of Northwest Natural Gas Company. Board member since December 2004. Director of BlueCross BlueShield of Oregon, The Regence Group and Associated Electric & Gas Insurance Services Limited.

#### John F. Riordan<sup>5, 7</sup>

President and Chief Executive Officer of the Gas Technology Institute since April 2000. Board member since 2000. Director of Nicor Inc. and a Trustee of Niagara University.

<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

<sup>9</sup> Member of Finance Committee

<sup>10</sup> Chairman, Finance Committee



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